

Generating Trade Secrets from Patents

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Typically, patents and trade secrets are considered economic alternatives. Under this view, inventors can either decide to keep an invention as a trade secret, or publicly disclose the details of the invention in return for a patent. However, a handful of scholars have recognized that because the patent disclosure requirements are not always rigorous, inventors may sometimes be able to keep certain aspects of an invention secret, yet still receive a patent to the invention as a whole. Here, we extend the notion that trade secrets and patents may act as complements. Specifically, we introduce the concept of "data-generating inventions," which are technologies such as Internet search engines and genetic tests that generate valuable data by their operation or use. When data-generating inventions are patented, such that the patentee enjoys market power over the invention, by implication, the patentee also effectively enjoys market power over the data generated by the invention. Trade secrecy further protects the patentee's market power over the data. Thus, patent law coupled with trade secret law can lead to the unintended consequence of providing the inventor of a data-generating invention market power not only over the invention itself, but also over the data generated by the invention. As a prescriptive matter, we contend that the use of patents and trade secrets as complements in this way may sometimes yield socially harmful results of substantial magnitude. We identify the conditions under which such results occur, and we make several recommendations to mitigate their effects.

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