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Doggone Trade Secret Issues

September 28, 2011 by [Susan Perera](#)

If you have a pup accustomed to gourmet dog treats from the Mall of America you might have an unhappy canine on your hands. Megamall kiosk owner, Chewzy Dogs, has filed suit after its franchisor and maker of its dog treats abruptly ended its agreement to supply Chewzy Dogs with its trade secret recipe treats. While Chewzy Dogs alleges its franchisor had agreed to transfer the secret recipe to Chewzy Dogs in exchange for early termination of the agreement, the franchisor has failed to deliver. (For more discussion of this case see [Jim Hammerand](#), who first reported on it over at the [Minneapolis Business Journal](#) – thanks Jim!)

This story highlights one method of protecting valuable IP assets - through trade secrets. A method that may be growing after last week's changes to the U.S. patent laws.

This is because businesses often have the option of protecting their IP assets in multiple ways. For example, an invention can be protected as a trade secret or through the use of a patent. (Ok, so a dog treat recipe might not be patentable... but lets overlook that for the moment). While a patent's protection is limited to 20 years from the date of filing the patent, a trade secret (that remains secret) can be protected and profited from indefinitely. Thus, the license of a trade secret could elicit royalty payments for a longer period of time than a patent.

Interestingly, the recently passed [America Invents Act](#) is changing U.S. law to further support the use of trade secrets. Under the current law a party that chose to protect an invention through a trade secret (rather than through a patent) could later be precluded from using the invention if a third party independently developed the same technology and patented it. The justification for this legal outcome was that it incentivized the disclosure of inventions through the patent system, and eventually put the invention into the public domain when the patent expired. Under the new law, trade secret owners are given a "prior use defense" and will not be precluded from using their trade secret if it is developed by a third party.

Does this change substantially impact the cost-benefit analysis of the patent system? Only time will tell if this change in the law will impact our inventors' decisions to patent inventions.



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