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Patents and Trade Secrets: Are They Mutually Exclusive?

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The short answer is no—or, at least, not to the extent you might think. It's sometimes assumed that a company cannot have trade secrets in a patented design or product. But that assumption isn't quite accurate. The reality is that a patented *thing* may indeed contain enforceable trade secrets. In that way, patents and trade secrets can work in close harmony to protect a company's IP.

A few weeks ago, the U.S. Court of Appeals for the Seventh Circuit affirmed that principle in the case of *Life Spine, Inc. v. Aegis Spine, Inc.* (Case No. 21-1649, August 9, 2021).

Both Life Spine and Aegis sell spinal implant technology. They signed a contract under which Aegis agreed to distribute a spinal implant device patented and manufactured by Life Spine. The contract required Aegis to protect Life Spine's confidential information, act as a fiduciary for Life Spine's property, and refrain from reverse engineering the Life Spine device.

Despite their agreement, Aegis shared Life Spine's confidential information with its parent company, which then brought to market a competing product. Life Spine sued Aegis, claiming, among other things, that Aegis wrongfully disclosed Life Spine's trade secrets in the Life Spine device. The federal district court agreed. After a 9-day evidentiary hearing, the district court entered a preliminary injunction barring Aegis and its business partners from selling the competing product.

On appeal of the injunction, Aegis argued that a company cannot have trade secrets in a device that it publicly discloses through patents, sales, and displays. The appellate court disagreed, finding that even though "information in the public domain cannot be a trade secret," Life Spine did not publicly disclose the specific information for which it sought trade secret protection. The court noted that Life Spine considers "the precise dimensions and measurements of the [patented device]

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components and subcomponents and their interconnectivity” to be confidential trade secrets. Those specifications, the court explained, could not be found in Life Spine’s patent documents, “which disclose the components [of the device] and their interaction but not their precise measurements or dimensions.”

As to whether Life Spine disclosed its trade secrets through its ordinary course of sales and displays of the patented device, the court made a few key findings. First, although Life Spine displays its patented device at industry trade shows, it supervises anyone who handles the device, denying them opportunity to ascertain the trade secret specifications. Second, insofar as Life Spine sells the devices through its distributors, it does so under non-disclosure agreements which prevent the distributors from disseminating Life Spine’s confidential information and otherwise using the information except as authorized by Life Spine. And third, although Life Spine sells the devices to hospitals and surgeons, those customers buy the devices for use in scheduled surgeries, the devices are unavailable for the public to purchase, and Life Spine requires its distributors to oversee the devices, which remain inaccessible in boxes, until actually used in surgery.

For those reasons, the court determined that Life Spine, through its patent submissions and otherwise, had not publicly disclosed the device specifications for which it sought trade secret protection, that Life Spine had reasonable policies and procedures in place to maintain the protection of those specifications, that Life Spine derived independent economic value from those specifications not being known or available to the public, and therefore, that the specifications were indeed Life Spine trade secrets, which Aegis and its parent company wrongfully accessed and used in the development of the competing product.

The *Life Spine* decision is helpful to companies committed to the protection of their IP. The case illustrates how, with respect to a single product (or design or other technology), and with sound legal guidance, patents and trade secrets can work in tandem to provide optimal IP protection, which may be of existential significance to your company.

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