

Patent Application Not Fatal To Trade Secret Claims, Federal Court Rules

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A federal court in New Orleans recently allowed a trade secret claim to proceed to trial, even though the alleged trade secrets were later disclosed in a patent application. [Cajun Servs. Unlimited, LLC v. Benton Energy Serv. Co.](#), No. 17-0491 (R. Doc. 241).

The Dispute. The lawsuit concerns Cajun’s patented elevator roller insert system (ERIS), which is a technology used in drilling for oil. Before filing its patent application, Cajun agreed to rent ERIS to Benton Energy. During the course of their relationship, and without Cajun knowing, Benton Energy hired a third party to reverse engineer ERIS, using Cajun’s drawings and prototypes. Sometime later, Cajun filed its patent application for ERIS and then filed the lawsuit once it learned what Benton Energy was up to. Initially, Cajun brought claims for trade secret theft and unfair trade practices, but later added a patent infringement claim once the ERIS patent was granted while the lawsuit was pending.

The Decision. Benton Energy filed a summary judgment motion on Cajun’s trade secret claims. Among other points, Benton Energy argued that trade secret claims failed as a matter of law because Cajun publicly disclosed the ERIS technology through its patent application. That is, the information could not be a trade secret because it was no longer a “secret.” But the court disagreed. It noted that “publication of the ‘862 Patent application does not deprive Plaintiffs of a cause of action for misappropriation of trade secrets before the patent application was published.” In other words, the subsequent patent application did not absolve Benton Energy from liability for any misappropriation that occurred before the patent application.

The Take Away. Timing is key in a trade secret dispute. It’s a general rule of thumb that a company loses its trade secret protection by filing a patent application that publicly discloses the “secret.” But, according to this opinion, a company does not forfeit trade secret claims that predate the patent application.



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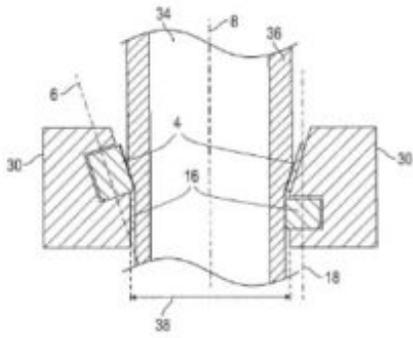


FIG. 5

