TRADE SECRETS AND PATENT LAW: A COMPARATIVE ANALYSIS OF KEY DIFFERENCES

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Abstract: *This paper examines the fundamental differences between trade secret protection and patent law as two complementary mechanisms for safeguarding innovation. While both serve the overarching goal of promoting technological and economic development, they diverge significantly in their underlying philosophy, legal requirements, duration, scope, and strategic utility. Drawing on the Montenegro Patent Law and the WIPO Guide to Trade Secrets and Innovation (2024), the paper analyses the distinct eligibility criteria, formalities, enforcement mechanisms, and limitations of each regime. It further explores the practical considerations guiding innovators in choosing between the two forms of protection. The analysis concludes that patent law and trade secret protection occupy complementary rather than competing roles within the broader intellectual property ecosystem.*

Keywords: *Patent Law, Trade Secret, WIPO, Protection, Reverse Engineering*

INTRODUCTION

In the modern knowledge economy, businesses and inventors must strategically manage their intellectual assets. Two of the most significant — yet fundamentally different — legal instruments available for this purpose are patent law and trade secret protection. Both are recognised under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS),[39] and are implemented through national legislation. However, they operate on opposing philosophical premises: patent law rewards public disclosure with a time-limited monopoly, while trade secret law rewards the maintenance of confidentiality with potentially indefinite protection.

This paper systematically compares the two regimes across several dimensions: legal definition and subject matter, eligibility criteria, registration requirements, duration, scope of protection, enforcement, and strategic considerations. Reference is made throughout to the Montenegro Patent Law (hereinafter "the Patent Law") and the WIPO Guide to Trade Secrets and Innovation (2024) (hereinafter "the WIPO Guide") as primary analytical sources.

II. Main text

A patent is a statutory right granted for an invention in any field of technology that is new, involves an inventive step, and is susceptible of industrial application.[40] Patent law operates through an affirmative grant: the competent authority examines an application and — if the conditions are satisfied — confers upon the rights holder an exclusive right to

[39] Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Annex 1C to the Marrakesh Agreement Establishing the World Trade Organization, 1994, Art. 27.1.
[40] The Patent Law of Montenegro, Art. 2.

exploit the invention for a defined period. In exchange, the applicant must fully disclose the invention in a manner sufficiently clear and complete for a skilled person to reproduce it.

Patent law explicitly excludes certain subject matter from protection. Discoveries, scientific theories, mathematical methods, aesthetic creations, mental acts, business methods, and computer programs as such are not regarded as inventions.[41] Further, inventions contrary to ordre public or morality — such as processes for cloning human beings or modifying germ line genetic identity — are excluded on ethical grounds.

The three substantive conditions for patentability are: novelty (the invention must not form part of the state of the art),[42] inventive step (the invention must not be obvious to a person skilled in the art),[43] and industrial applicability (the subject matter must be capable of being made or used in any branch of industry, including agriculture).

Trade secrets are governed at the international level primarily by Article 39 of the TRIPS Agreement, which requires WTO members to protect undisclosed information against unfair commercial practices. The three cumulative criteria are: (i) the information must not be generally known or readily accessible to persons in the relevant circles; (ii) it must have commercial value because of its secrecy; and (iii) reasonable steps must have been taken to keep it secret.[44]

Unlike patent law, trade secret protection is not confined to technical inventions. It extends to any type of information — technical, commercial, financial, or organisational — provided the three criteria are satisfied.[45] Classic examples include secret manufacturing processes, customer lists, proprietary algorithms, and marketing strategies. Crucially, trade secret law does not impose a "novelty" standard in the patent-law sense: the decisive question is whether the information is not generally known within the relevant professional circles.[46]

The most fundamental difference lies in the scope of eligible subject matter. Patent law is confined to technical inventions — products or processes that are novel, non-obvious, and industrially applicable. Trade secret protection, by contrast, covers any commercially valuable information kept secret, including business strategies, customer databases, and non-technical know-how entirely excluded from the patent system. A business method, for example, cannot be patented under most jurisdictions, yet may constitute a protectable trade secret.

Patent protection requires formal registration. The procedure involves filing an application with the competent authority, paying prescribed fees, passing a formal examination, and — in systems offering substantive examination — demonstrating that the patentability conditions are met. The application is published, typically after 18 months from the filing date.[47] This publication serves the fundamental "bargain" underlying patent

[41] The Patent Law of Montenegro, Art. 5(4).
[42] The Patent Law of Montenegro, Art. 8(1).
[43] The Patent Law of Montenegro, Art. 10(1).
[44] TRIPS Agreement, Art. 39.2.
[45] WIPO Guide to Trade Secrets and Innovation, p. 19
[46] WIPO Guide to Trade Secrets and Innovation, p. 22.
[47] The Patent Law of Montenegro, Arts. 39–40.

law: the public gains access to disclosed knowledge in exchange for the patentee's temporary monopoly.

Trade secrets require no registration whatsoever. There is no application, no examination, and no official fee. However, this simplicity comes at a cost: the holder bears the entire burden of maintaining secrecy and, in the event of litigation, must prove that the information met all three criteria at the relevant time.[48]

Patent protection is time-limited. Under the Montenegro Patent Law, as under most national laws implementing TRIPS, the standard term is 20 years from the filing date.[49] Upon expiry, the invention enters the public domain and may be freely exploited by anyone.

Trade secret protection is, in theory, unlimited in duration. It subsists for as long as the three criteria continue to be met. The formula for Coca-Cola represents a canonical example of a trade secret maintained for well over a century. However, this apparent advantage is fragile: protection ends immediately and irreversibly if the information becomes generally known — whether through independent discovery, reverse engineering, or inadvertent disclosure.

A patent confers exclusive rights: the holder may prevent any third party — including one who independently developed the same invention — from making, using, offering for sale, or importing the protected product or process without authorisation.[50] This absolute exclusivity is the defining characteristic of the patent monopoly. Compulsory licences may be granted in exceptional circumstances, such as failure to use the patented invention or pressing national interest.[51]

Trade secret protection does not confer exclusive rights. It provides protection against unlawful or dishonest acquisition, use, or disclosure. Crucially, it does not prevent a third party who independently creates the same information from freely exploiting it. Nor does it, in most jurisdictions, prevent reverse engineering.[52] The protection, while potentially longer in duration, is therefore narrower and more vulnerable in scope than patent protection.

This dimension represents the starkest philosophical divergence between the two regimes. Patent law mandates full public disclosure as a condition of protection. The description of the invention must be clear and complete enough for a skilled person to carry it out. The entire patent system is built on the premise that the grant of exclusive rights is a quid pro quo for the enrichment of the public knowledge base.

Trade secret law is the antithesis of this principle. Protection exists precisely because disclosure is withheld. The holder's obligation is to take reasonable steps to prevent public access. Where a patent applicant publishes the invention to the world, the trade secret holder erects barriers around it. These two systems thus reflect fundamentally different social bargains between the innovator and society.

Both regimes intersect in the context of employee inventions. Under the Patent Law, the employer typically acquires the right to the patent where the invention is made in the

[48] WIPO Guide to Trade Secrets and Innovation, p. 33.
[49] The Patent Law of Montenegro, Art. 70.
[50] The Patent Law of Montenegro, Art. 51.
[51] The Patent Law of Montenegro, Art. 62.
[52] WIPO Guide to Trade Secrets and Innovation, p. 33 (Table 4).

course of the employee's regular duties. Where the invention is made using employer resources but falls outside assigned duties, the employee retains the patent right, though the employer enjoys a right of commercial use. Importantly, if the invention contains the employer's trade secrets, the employer may prohibit disclosure and prevent the employee from filing a patent application — thus subordinating the patent system to trade secret interests in that specific context.[53]

Given these differences, businesses must make deliberate strategic choices when deciding how to protect valuable innovations. The WIPO Guide identifies several key factors, including the nature of the invention, the competitive environment, the expected lifespan of the product, the cost of procuring and enforcing protection, and the risk of independent creation by competitors.[54]

Process inventions carried out within a facility without external visibility are particularly suited to trade secret protection: they may never be discoverable by reverse engineering, making the potentially indefinite duration of trade secret protection highly advantageous. Product inventions are typically susceptible to analysis once placed on the market, making trade secret protection precarious and patent protection more appropriate.

Where the lifespan of a product is expected to exceed 20 years and the information can realistically be maintained as secret, trade secret protection may offer superior long-term value.

Where competitors are likely to independently develop the same invention, patent protection — which bars even independent parallel development — is the stronger instrument. In fast-moving technology fields where advantage depends on speed to market, trade secrets may be preferred, since patent applications are published and the grant process may take several years.

The two regimes are not mutually exclusive. Businesses routinely combine them: seeking patents for core inventions while maintaining surrounding know-how, manufacturing processes, and technical data as trade secrets. The Patent Law itself acknowledges this intersection by permitting an employer to suppress a patent application in order to protect a trade secret.

III. Conclusion

Patent law and trade secret law represent two distinct but complementary pillars of the intellectual property system. Patent law operates through transparency and public disclosure, conferring a time-limited monopoly subject to formal registration and substantive examination. Trade secret law operates through confidentiality, providing potentially unlimited but inherently fragile protection against unfair acquisition and misuse, without any formality or registration.

The key differences — in subject matter, eligibility, formalities, duration, scope, disclosure philosophy, and enforcement — make each regime suitable for different types of assets and business circumstances.

[53] The Patent Law of Montenegro, Art. 109(2).
[54] WIPO Guide to Trade Secrets and Innovation, pp. 33–35.

Rather than competing mechanisms, they are best understood as complementary tools within a broader innovation strategy.

An effective intellectual property strategy requires not simply choosing one over the other, but understanding the distinct logic of each and deploying them in concert to achieve optimal protection of an organisation's intellectual assets.

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