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THE SUPREMACY OF FEDERAL COPYRIGHT LAW OVER STATE TRADE SECRET LAW FOR COPYRIGHTABLE COMPUTER PROGRAMS MARKED WITH A COPYRIGHT NOTICE

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For many years, some computer software and other trade secret owners have affixed a United States copyright notice upon their copyrightable secret works. This practice is used to prevent forfeiture of federal copyright protection should the work be released to the general public. In 1980, a committee of the American Bar Association's Section of Patent, Trademark and Copyright Law reached a consensus that there is no "conflict or inherent inconsistency in placing a copyright notice on material which bears a confidentiality or secrecy admonition as to nondisclosure to third parties."  

This Article will explore the impact of the supremacy clause of the United States Constitution on copyright and trade secret protection when both are used simultaneously. While this Article analyzes the legal issues in the context of the computer software industry, the developed principles are applicable generally to other forms of copyrightable trade secrets. Once the interplay is ascertained, established principles of constitutional law will be applied to a simple fact situation. It appears from an examination of the hypothetical that a trade secret misappropriation cause of action accruing subsequent to placement of a copyright notice conflicts with the copyright laws' policies and objectives, and that, therefore, such a conflict is unconstitutional under the supremacy clause.

I. CONFLICTS BETWEEN STATE AND FEDERAL LAW MUST BE RESOLVED IN FAVOR OF FEDERAL LAW

The supremacy clause states that federal law is the supreme law of the land. Simply stated, a state law must yield whenever a conflict develops between it and a federal law properly enacted by

1. ABA Section of Patent, Trademark and Copyright Law, Committee No. 402, Trade Secrets and Interference with Contracts, subject 4, Use of Copyright Notice on Confidential or Trade Secret Materials (1980).

2. ABA SECTION OF PATENT, TRADEMARK AND COPYRIGHT LAW, 1980 PROCEEDINGS AND COMMITTEE REPORTS 218 (1980). The 1981 successor committee has noted that “the conflicting nature of trade secret and copyright theories seems to negate a conclusion that they may be relied on automatically and simultaneously.” ABA SECTION OF PATENT, TRADEMARK AND COPYRIGHT LAW, 1981 PROCEEDINGS AND COMMITTEE REPORTS 91, 93 (1981), (ABA Section of Patent, Trademark and Copyright Law, Committee No. 206, Trade Secrets and Interference with Contracts, subject 1, Reconciliation of the Trade Secret/Copyright Conflict (1981)).

3. This Constitution, and the Laws of the United States which shall be made in Pursuance thereof, and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

U.S. CONST., art. VI, cl. 2.
Congress in an area of legislation delegated to it by the Constitution.  

There are three subdivisions within the spectrum of federal regulation. At one end of the spectrum, Congress has left certain subjects totally unattended. That is, no federal regulation acts within the subject area. At the opposite end of the spectrum, Congress has occupied totally (preempted) the subject areas. In the middle of the spectrum, Congress permits state coregulation that does not conflict with the operation of federal law.

Preemption is one form of conflict under the supremacy clause. When Congress proclaims that its laws, and only its laws, shall operate in a particular field, any state coregulation would conflict with such a federal declaration. Conversely, not all conflicts are preemption issues. Many federal laws allow the states to coregulate in certain areas of law, provided that the state regulations do not interfere with the federal regulatory scheme. Since the purpose of this article is to examine the interplay between trade secret and copyright law under the supremacy clause, only the preemption and coregulation segments of the federal regulation spectrum will be discussed.

A. FORMATION OF THE PREEMPTION TEST AND ITS APPLICATION TO TRADE SECRET AND COPYRIGHT COREGULATION

There are very few laws in which Congress makes an unambiguous statement concerning preemption. Courts must explore congressional intent to determine the extent to which there is preemption. The United States Supreme Court developed a preemptive intent test in Rice v. Santa Fe Elevator Corp.

In Rice, the petitioner filed a complaint with the Illinois Commerce Commission that alleged violations of grain storage rate provisions and other regulations established by the Illinois Public Utilities Act and the Illinois Grain Warehouse Act. Grain elevator

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5. L. Tribe, supra note 4, § 6-27, at 391.
6. Id. § 6-25, at 384.
7. Id. § 6-23, at 377; Note, supra note 4, at 624.
8. See, e.g., 18 U.S.C. § 921 (1968) (federal firearms law are not to be construed as indicating congressional intent to occupy the field of firearms regulation to the exclusion of state regulations unless there is a direct and positive conflict).
9. This analysis presumes that the only information disclosed under the trade secret agreement is that contained within the copyrightable work.
10. L. Tribe, supra note 4, § 6-25, at 386.
operators commenced an action in federal district court to enjoin
the Commission from instituting rate proceedings. The operators
argued that such state regulations were preempted by the Federal
Warehouse Act. The District Court for the Northern District of Illi-
nois dismissed the action and the Seventh Circuit subsequently
reversed.\footnote{Unreported decision.}

The Supreme Court affirmed in part and held that the state reg-
ulations that were within the scope of the Federal Warehouse Act
were preempted.\footnote{Board of Trade v. Illinois Commerce Comm'n, 156 F.2d 33 (7th Cir. 1946).} The Court stated that the primary question on
the preemption issue was the intent of Congress.\footnote{331 U.S. at 236. Dismissal was affirmed for state regulations outside the scope of
the Federal Warehouse Act, such as requirements for prior state approval of cer-
tain types of contracts. \textit{Id.} at 237.} If Congress expressly preempted the subject matter, any state regulation within
the field would be unconstitutional. If Congress was legislating in a
field that states traditionally occupied, there would be an initial "as-
sumption that the historic police powers of the States were not to be
superseded by the Federal Act unless that was the clear and mani-
fest purpose of Congress."\footnote{331 U.S. at 230.} The Court cited three factors that
would be weighed to determine an implied preemptive intent when
Congress does not manifest expressly its preemptive intent within a
federal statute:

(1) The pervasiveness of the federal regulation. A
highly pervasive federal regulatory scheme would imply
preemption.

(2) The dominance of the federal interest over the
state interest.

(3) The objectives of the federal regulation and
whether the state regulation would obstruct the full accom-
plishment of those aims.\footnote{\textit{Id.} at 230-31. The Court has applied the \textit{Rice} preemption intent test in subse-
quent supremacy clause controversies. \textit{See} L. TRIBE, \textit{supra} note 4, \textit{§} 6-25, at 384-86 and cases cited therein.}

Using these factors, one can determine whether Congress inten-
tended the Copyright Acts of 1909\footnote{Copyright Act of 1909, Pub. L. No. 60-349, ch. 320, 35 Stat. 1075 [hereinafter referred to as
1. Preemptive Intent Behind the 1909 Act

The Copyright Act of 1909 Act allowed coregulation of copyrightable works by common law and federal copyright. Federal preemption of common law copyright occurred only after publication released a copyrightable work to the public domain. Copyrightable works were protected only by federal copyright law once they became public domain. Federal copyright protection was secured by publication with notice, pursuant to section 9 of the 1909 Act. Clearly, the federal preemption mechanism under the 1909 Act was publication. Since trade secrets by definition are not in the public domain, Congress could not have intended to preempt state trade secret protection absent publication.


23. Since preemption is only one end of the federal regulation spectrum, failure to find congressional preemptive intent should not end the constitutional analysis.
2. Preemptive Intent Behind the 1976 Act

Section 301(a)\textsuperscript{24} of the 1976 Act preempts all legal or equitable rights "equivalent" to any of the exclusive rights within the general scope of copyright. The exclusive rights within the general scope of copyright are specified in section 106.\textsuperscript{25} When the above sections are read together with section 102,\textsuperscript{26} it appears that the 1976 Act was intended to preempt trade secret law.

Most trade secrets must be fixed in some form of tangible medium, and section 106 is broad enough to include within its scope all forms of information transmission. Section 301(b)(3), however, states that the 1976 Act does not annul or limit rights or remedies with respect to rights not equivalent to any of the exclusive rights specified by section 106.\textsuperscript{27} Rights not equivalent to copyright are not specified in section 301, but the legislative history of the 1976 Act helps define what Congress thought were "equivalent" rights when it enacted the provision.

The 1976 Act sought to eliminate the chaotic, common law copyright preemption mechanism of publication that existed under the 1909 Act.\textsuperscript{28} The Register of Copyrights summarized the advantages of a single uniform federal copyright system as first, elimination of the publication dilemma; second, uniformity of protection from the moment of fixation; and third, easier enforcement of the "limited times" requirement of the copyright clause.\textsuperscript{29}

Senate Bill S. 3008\textsuperscript{30} proposed a preemption section 301 very similar to the section 301 adopted in 1976. The Register stated in his Supplementary Report that the then proposed section 301(b) was intended to follow the \textit{Sears, Roebuck & Co. v. Stiffel Co.}\textsuperscript{31} and

\begin{quote}
\textsuperscript{24} 17 U.S.C. § 301(a) (1976).
\textsuperscript{25} 17 U.S.C. § 106 (1976). The exclusive rights include reproduction and distribution of copies, preparation of derivative works (e.g., object computer code from source code), and public performance or display.
\textsuperscript{26} 17 U.S.C. § 102 (1976). Section 102 states that copyright subsists in original works of authorship fixed in tangible media of expression.
\textsuperscript{27} 17 U.S.C. § 106 (1976). The exclusive rights granted by section 106 that pertain to writings include the right to reproduce and distribute copies, as well as the right to prepare derivative works.
\textsuperscript{28} \textsc{Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess. 82 (House Comm. Print 1965) (pt. 6)} [hereinafter cited as \textsc{Supplementary Report}].
\textsuperscript{29} \textit{Id.} at 82-83.
\textsuperscript{30} S. 3008, 88th Cong., 2d Sess. (1964).
\textsuperscript{31} 376 U.S. 225 (1964). See text accompanying notes 63-66 \textit{infra}.
\end{quote}
Compco Corp. v. Day-Brite Lighting Co. decisions, which held that preemption did not extend to unpublished subject matter or causes of action outside the scope of the proposed act. Proposed section 301(b)(3) was not intended to annul or limit any state right or remedy concerning the unauthorized disclosure or exploitation of a trade secret.

Senator McClellan, in the 1974 Senate Judiciary Committee Report, stated that federal preemption of common law copyright was intended to promote creative writing by providing a single uniform system of protection for fixed works. According to the Senator, it was intended that "trade secrets and the general laws of defamation and fraud would remain unaffected as long as the causes of action contain elements, such as an invasion of personal rights or a breach of trust or confidentiality, that are different in kind from copyright infringement."

The Department of Justice did not approve of proposed section 301(b)(3) because it listed specific examples of rights not equivalent to copyright. The department was fearful that state courts might adopt anticompetitive doctrines contrary to copyright and antitrust policies. The department cited International News Service v. Associated Press as an example of a much criticized, anticompetitive case that was contrary to the great weight of authority.

The House and Senate Judiciary Committees ignored the department's disapproval, but the full House eliminated the list of examples of nonequivalent rights in its version of the bill upon a floor

32. 376 U.S. at 234.
33. SUPPLEMENTARY REPORT, supra note 28, at 84-85.
34. Id. at 85.
37. Milgrim, Trade Secrets, in 12 BUSINESS ORGANIZATIONS § 2.06 [A] [3], at 2-72.14 n.67 (1980 ed.).
38. 248 U.S. 215 (1918) (states could prohibit misappropriation of facts that constituted "hot" news) [hereinafter referred to as INS doctrine].
39. Both letters omitted the fact that many courts had found the INS doctrine persuasive, even in light of the Sear and Compco decisions, and the fact that the Court has held that causes of action charging misappropriation of trade secrets were not preempted by the patent laws. Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974). See Diamond, Preemption of State Law, reprinted in 2 Milgrim, Trade Secrets, in 12A BUSINESS ORGANIZATIONS app. B-1, at B1-8 (1980 ed.) (Sidney E. Diamond is a former Commissioner of Patents and Trademarks.)
amendment by Congressman Seiberling. The House amendment was adopted by the Senate and House Conference Committee.

Two notable commentators have studied the effect of the section 301(b)(3) deletions. Professor Nimmer suggests that the proposed draft of section 301 prior to the Seiberling floor debate should be ignored. He suggests that the section 301 preemption analysis should focus on whether the state cause of action required any element other than the mere act of reproduction, distribution, performance, or display. Mr. Milgrim opines that the mere deletion of the examples from the proposed draft, unaccompanied by any change in the operative provisions of the statute, did not change the substantive effect of the section. According to Mr. Milgrim, the limitations of federal preemption established in section 301(b)(3) and the section's legislative history negate any express congressional preemptive intent.

The House Judiciary Committee Report accompanying the Computer Software Copyright Act of 1980 amendments to the Copyright Act of 1976, indicated that both the committee and the Copyright Office believed that neither section 301 nor the amendments preempted state law protection such as unfair competition or trade secrets. The one relevant paragraph in the report indicated that the existence of copyright protection alone does not limit state remedies. This statement presumably incorporates the earlier legislative history of the 1976 Act. That is, state remedies containing elements that are qualitatively different from those of federal copyright protection are not preempted. Nothing in the House Report indi-

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42. 1 M. NIMMER, supra note 20, at § 1.01[B][1], at 1-17 (1980 ed.).
43. Id.
44. Milgrim, supra note 37, § 2.06(A)[3], at 2-72.14 n.67.
45. H.R. REP. No. 96-1307(I), 96th Cong. 2d Sess. 23-24. No Senate Report was submitted with this legislation.
46. See note 19 supra.
47. Recent court decisions have narrowly construed section 301(b)(3). Courts must be satisfied that the state cause of action protects substantive rights differing from mere reproduction, distribution, performance, or display, which are protected by section 106. Misappropriation of a published work is one example of a cause of action equivalent to those of section 106. See Mitchell v. Penton/Indus. Publishing Co., 486 F. Supp. 22 (N.D. Ohio 1979).

State causes of action that have been held to differ from federal copyright protection include the right to exploit commercial publicity (Factors Etc., Inc. v. Pro Arts, Inc., 496 F. Supp. 1090 (S.D.N.Y. 1980) (exploitation of a “persona” creates a separate intangible property right)), deceptive trade practices (John H. Harland Co. v. Clarke Checks, Inc., 207 U.S.P.Q. (BNA) 664 (N.D. Ga. 1980) (public confusion or deception required to sustain the cause of action)), unfair competition (D.C. Comics, Inc. v.
icates that Congress has ever considered possible impairment of the federal copyright system by its simultaneous use with trade secret protection.

Applying the preemptive intent factors established in *Rice* to


Courts also will stress substance over form in the pleadings. State law based claims will be dismissed if the pleaded facts are substantively equivalent to those of a federal copyright claim. Claim or element labels alone are irrelevant. The Second Circuit recently affirmed the dismissal of defendant's counterclaim for unfair competition. See *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980). There was no substantial similarity in the packaging of the toys in controversy that would lead to a likelihood of consumer confusion as to the source of the goods. *Id.* at 918. The court held that the defendant could not use an unfair competition claim to protect itself from a copying of the toys themselves. *Id.* at 919.

Practitioners should plead the elements of a trade secret cause of action with care. See *Avco Corp. v. Precision Air Parts, [1981] COPYRIGHT L REP. (CCH) ¶ 25,207 (M.D. Ala., Sept. 4, 1980). Avco alleged in its complaint that the defendant obtained and improperly used its proprietary drawings and specifications. The court, dismissing the claim, held that it was equivalent to an allegation that the drawings were copied, and mere copying of drawings was within the scope of the copyright law. In light of *Avco*, practitioners should plead elements such as invasion of privacy, trespass, or breach of confidentiality if they want to avoid dismissal of trade secret claims.

Practitioners should also heed the opinion recently handed down by the Southern District of New York. See *Harper & Row, Publishers, Inc. v. Nation Enterprises, 501 F. Supp. 848 (S.D.N.Y. 1980).* The plaintiff publishers had entered into an agreement with former President Ford to publish the latter's memoirs. The plaintiffs also had licensed Time, Inc., to publish exclusive excerpts of the memoirs in advance of the planned book release. Defendants somehow had obtained a copy of the memoirs manuscript and published excerpts without authorization from the plaintiffs. The plaintiffs commenced an action for copyright infringement and conversion, among other things. The essence of the conversion claim was that the defendants obtained and copied portions of the memoirs that caused the plaintiffs to lose profits from the Time, Inc., license. *Id.* at 852. They did not claim the loss of physical possession of a copy of the unpublished manuscript—a traditional type of conversion claim. The claim was held equivalent to the exclusive rights to reproduce and distribute a copyrightable work, and was thus preempted by section 301.

Elements in the pleadings that differ from those of copyright must create a cognizable common law cause of action. See *Suid v. Newsweek Magazine, 503 F. Supp. 146 (D.D.C. 1980).* In *Suid*, the plaintiff alleged copyright infringement and a claim of unfair competition for failure to attribute his authorship of the allegedly infringed quotes. The court held that there was no infringement and also dismissed the unfair competition claim. Failure to attribute authorship was held not to be a cognizable common law claim for which relief could be granted.
section 301, one finds that the 1976 Act is a highly pervasive law. Any writing is protected after fixation into a tangible medium. The 1976 Act, however, does not protect confidential relations or the property interest inherent in trade secret agreements. Thus, the first implied intent factor of pervasiveness is not satisfied.

According to the House, Senate and McClellan reports on the copyright revision, the fundamental purpose behind the 1976 Act was to create a uniform system of copyright protection. Neither the reports nor the statute indicate any federal interest in a system of trade secret regulation. Thus, the second implied intent factor, the dominance of the federal interest, is also not satisfied.

Kewanee Oil Co. v. Bicron Corp. held that trade secret protection did not unduly encroach upon patent law disclosure objectives because few owners would prefer the weaker state trade secret protection over stronger federal protection. Congress also had disclosure objectives when it passed the deposit requirements of the 1909 and 1976 Acts. Since trade secret protection, in and of itself, does not obstruct the disclosure objectives of copyright law, the third implied congressional intent factor is not satisfied.

Application of the Rice preemption test to overlapping federal copyright and state trade secret protection shows that Congress has not manifested either an express or implied intent to occupy totally the field of protection for writings. States are free to coregulate in the field of protection for writings so long as the state laws do not obstruct the full execution and purposes of the copyright law. The issue within this segment of the federal intellectual property regulation spectrum is whether simultaneous use of both copyright and trade secret protection creates an unconstitutional obstruction.

B. FORMATION OF THE CONFLICT TEST AND ITS APPLICATION TO COPYRIGHT POLICY AND OBJECTIVES

The Court applied a supremacy clause conflict test to coregula-
tion in the area of alien registration in Hines v. Davidowitz.\textsuperscript{58} Pennsylvania's alien registration law was held to conflict unconstitutionally with federal registration laws. It was held that any state law that "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress" unconstitutionally conflicts with federal law.\textsuperscript{59}

The Hines test was refined in subsequent cases. In Florida Lime & Avocado Growers, Inc. v. Paul,\textsuperscript{60} the conflict analysis focused on the potential impairment of federal supremacy in the conflicting field, not merely on whether both bodies of law were aimed at similar or different objectives. Perez v. Campbell\textsuperscript{61} further required that the conflicting state law not frustrate any of the effectiveness of the federal law. "Even where extensive federal regulatory schemes have been enacted, if there is no express Congressional language of preemption, states have been allowed to act in the interstices of the federal regulatory matrix."\textsuperscript{62}

Five United States Supreme Court decisions have established the parameters of permissible state regulation within the spectrum of federal intellectual property regulation. Sears, Roebuck & Co. v. Stiffel Co.\textsuperscript{63} and Compco Corp. v. Day-Brite Lighting Co.\textsuperscript{64} concerned state unfair competition protection for articles of manufacture (lamps) whose patents were declared invalid. All of the unique features of these lamps were in the public domain because they were clearly discernible by inspection of publicly available goods. The Court held in both cases that the states could not prevent copying of goods in the public domain.\textsuperscript{65} In Sears, the Court stated that

\begin{itemize}
  \item \textsuperscript{58} 312 U.S. 52 (1941).
  \item \textsuperscript{59} Id. at 67-68. The establishment of factors that would constitute an "obstacle" would not occur until the subsequent Kewanee opinion. See text accompanying notes 76-111 infra.
  \item \textsuperscript{60} 373 U.S. 132 (1963) (California regulation of the fat content of avocados did not impair federal avocado grading standards).
  \item \textsuperscript{61} 402 U.S. 637 (1971) (state law attaching driver's license until payment of auto accident judgment held to conflict with federal bankruptcy laws).
  \item \textsuperscript{62} Mariniello v. Shell Oil Co., 511 F.2d 853, 857 (3d Cir. 1975). State regulation of franchise termination was not preempted by Lanham Act provisions concerning the right of trademark owners to license their works. The Third Circuit ruled that Congress did not intend to totally regulate franchisees under the Lanham Act; therefore, states were free to coregulate absent a conflict with federal laws.
  \item \textsuperscript{63} 376 U.S. 225 (1964).
  \item \textsuperscript{64} 376 U.S. 234 (1964).
  \item \textsuperscript{65} Similarly, in Wheaton v. Peters, the Court held that federal copyright could not subsist in judicial opinions. 33 U.S. (8 Pet.) 591 (1834). Subsequent cases expanded the doctrine to include statutory material. See, e.g., Building Officials & Code Adm. v. Code Technology, Inc., 628 F.2d 730 (1st Cir. 1980) and cases cited therein. Building officials reversed the entering of a preliminary injunction against the pub-
Congress, within the federal patent system, had drawn a delicate balance between rewarding inventors and free competition; state protection of public domain goods would upset and, therefore, conflict with that balance.66

The common law doctrine of licensee estoppel was held to conflict with patent policy in Lear, Inc. v. Adkins.67 Lear had hired Adkins to develop improvements in aircraft gyroscopes. The parties had agreed that Adkins would retain a property interest in all ideas or inventions and license them to Lear. Lear did not pay royalties for the period prior to and after patent issuance, whereupon Adkins sued on the contract in California state court. One of Lear's defenses was patent invalidity. The California Supreme Court held that Lear was estopped from asserting an invalidity defense. The Court reversed and remanded on the question of licensee estoppel but refused to address whether state enforcement of trade secret contracts for royalties prior to issuance of Adkin's patent would conflict with federal patent policy.68

Convicted record pirates challenged the constitutionality of a California criminal statute in Goldstein v. California.70 They argued that Sears and Comco prohibited state protection of phonorecordings because the copyright clause vested copyright powers relating to published works solely in the federal government. It was argued that if state coregulation was constitutional, then the California regulation unconstitutionally interfered with federal copyright policy. Alternatively, the distribution of phonorecordings "published" the works within the meaning of the 1909 Act such that protection by California was preempted.

The Court held that the California record piracy statute was valid. Citing Cooley v. Board of Wardens,72 the Court held that the copyright clause did not vest the federal government with exclusive power to regulate copyrights, nor need there be a uniform national

66. 376 U.S. at 231.
68. Id.
69. Id. at 675. This issue was addressed later by the Court. See Aronsion v. Quick Point Pencil Co., 440 U.S. 257 (1979) (state enforcement of contracts that provide for royalties as consideration for the disclosure of unpatentable trade secrets does not conflict with patent policies).
legislative system. California's protection of publicly available phonorecording neither conflicted with nor was preempted by federal copyright law. The legislative history of the 1909 Act manifested congressional intent to keep phonorecording outside the federal domain of regulation. In other words, phonorecordings were in the unattended segment of the federal regulation spectrum, and state regulation in this segment does not conflict with federal regulation. "In regard to this category of ‘Writings,’ [phonorecording] Congress has drawn no balance; rather, it has left the area unattended, and no reason exists why the State should not be free to act." 75

1. Kewanee Conflict Test

Kewanee Oil Co. v. Bicron Corp. established a practical supremacy clause test applicable to diverse conflict disputes. It provided a series of detailed balancing factors similar to the preemption factors in Rice. 77

One of petitioner Kewanee's chemical divisions had perfected a unique crystal growth process. The company chose to keep its process a trade secret rather than to pursue its patent rights. Patent eligibility expired one year after public use of the crystals. To protect its secret, the petitioner executed confidentiality and nonuse agreements with its employees as a condition of employment. An action was commenced against the respondents, former employees and the competing corporation that they founded, for misappropriation of trade secrets. The federal district court found for Kewanee, but the Sixth Circuit reversed, reasoning that enforcement of state trade secret protection would conflict with the patent policy behind

73. 412 U.S. at 553, 558.
74. The Court examined the legislative history of all previous federal copyright laws and took judicial notice of the state of technology at the turn of the twentieth century. Prior legislative history indicated that copyrightable subject matter expanded with new forms of commercial technology. Musical compositions were not protected by federal law until 1831. Composers were later granted the right to receive royalties from player piano rolls in 1909. 412 U.S. at 564-65, (citing H. R. REP. No. 2222, 60th Cong., 2d Sess. 9 (1909) and the then-contemporary decision of White-Smith Music Publishing Co. v. Apollo Co., 209 U.S. 1 (1908) (piano rolls are mere machine components)). Congress only later extended copyright protection to recordings. See Act of Oct. 15, 1971, Pub. L. 92-140, 85 Stat. 391 (codified at 17 U.S.C. §§ 1(f), 5(n), 19, 20, 26, 101(e)) (federal protection extended to phonorecordings).
75. 412 U.S. at 570. See also Leonard Storch Enterprises, Inc. v. Mergenthaler Linotype Co., 202 U.S.P.Q. (BNA) 623 (E.D.N.Y. 1979) (film fonts not within the scope of federal copyright law protection could be protected by state law).
77. See text accompanying note 17 supra.
78. 35 U.S.C. § 102(b) (1972).
79. Unreported decision.
Reversing, the Court held that the law of trade secrets was not preempted by the United States patent laws. First, citing Goldstein, the Court concluded that the patent and copyright clause did not vest Congress with exclusive legislative powers over discoveries. The claim that trade secret law unconstitutionally conflicted with federal patent law then was resolved by a two-step analytical test.

Step one of the test was to determine if there was a direct clash between federal and state objectives. If there was such a clash, then the state law had to fall. Applying the basic conflict principles of Hines and Florida Growers, the Court asked whether trade secret law stood "as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." The objective of the patent laws was to promote the progress of science and the useful arts by offering a reward for invention (a seventeen-year right of exclusion) in return for disclosure of the invention. The objectives of trade secret law were to maintain the "standards of commercial ethics" and to encourage invention.

Citing Goldstein, Sears, Compco, and International News Service v. Associated Press, the Court found that federal and state objectives would clash if the states attempted to protect ideas and works in the public domain. Works in the public domain were only protected by the federal patent system (and by implication from the Goldstein case, the federal copyright system). Trade secrets, by definition, are not in the public domain; therefore, trade secret law would not protect works in the public domain. Since the Court found no direct clash between trade secret law and the patent system, it proceeded to step two of the test.

Step two was to determine if interaction between state trade se-
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cret law and the patent system would constitute "too great an en-
croachment on the federal patent system to be tolerated."95 This
was the crux of the supremacy clause conflict issue. The Court enu-
merated several factors that would help to resolve the issue.96 Next,
the Court focused on nonpatentable subject matter, that is, works of
the type that Congress chose not to regulate. Citing Goldstein,97 it
held that states were free to regulate in areas that are unattended
by the federal patent laws.98

The most difficult encroachment analysis in Kewanee concerned
material in the federal domain, that is, subject matter regulated by
the patent law that is not patented.99 Owners of trade secrets con-
cerning patentable subject matter have either chosen to forego pat-
ent protection or, alternatively, have failed to comply with the
substantive or procedural rules of the patent laws. The federal law's
\textit{quid pro quo} for protection is disclosure of the invention. Trade se-
cret laws protect the same material without disclosure. This disclo-
sure conflict required a close examination by the Court.

Chief Justice Burger, author of the opinion, noted that the "pat-
ent policy of encouraging invention [was] . . . not disturbed by the
existence of another form of incentive to invention."100 The Chief
Justice concluded that there was no excessive encroachment of the
patent disclosure objective. The factors that influenced encroach-
ment were the rigor of the state protection and the likelihood of di-
version from use of the federal patent system to state trade secret
protection.101

All trade secrets within the federal domain could be placed into
three categories: (1) trade secrets believed to be unpatentable due
to substantive or procedural defects; (2) trade secrets of dubious
patentability; and (3) trade secrets believed to be patentable.102
The Court noted that abolition of trade secret protection for unpat-

95. \textit{Id.} at 482 (citing Sears, Roebuck \& Co. v. Stiffel Co., 376 U.S. at 232).
96. See Mann, \textit{Copyright Law Revision and the Kewanee Preemption Issue: Is
There a Doctrine in the House?}, 16 \textit{SANTA CLARA L. REV.} 609 (1975).
98. 416 U.S. at 483.
99. Federal patent law establishes four express categories of patentable subject
matter—processes, machines, articles of manufacture, and compositions of matter. 35
100. 416 U.S. at 484.
101. Professor Goldstein has suggested that the \textit{Kewanee} conflict test is applica-
ble equally to the trade secret-copyright disclosure conflict. Goldstein, \textit{Preempted
State Doctrines, Involuntary Transfers and Compulsory Licenses: Testing the Limits
102. 416 U.S. at 484 (citing Painton \& Co. v. Bourns, Inc., 442 F.2d 216, 224 (2d Cir.
1971)).
entable or dubiously patentable inventions would flood the Patent Office with applications. Those applications that were rejected would never be disclosed to the public.\textsuperscript{103} Some dubiously patentable inventions might incorrectly receive patent protection that was “likely to have deleterious effects on society . . . [and was not] balanced out by the speculative gain which might result from the encouragement of some inventors with doubtfully patentable inventions which deserve patent protection to come forward and apply for patents.”\textsuperscript{104} The Court also found positive social benefits from trade secret protection of unpatentable and dubiously patentable inventions. Inventors are encouraged thereby to share their secret knowledge with others, by having the assurance of legal protection against breaches of confidence.\textsuperscript{105}

The third category—clearly patentable inventions for which the owner chose to use trade secret rather than patent protection—was the most constitutionally troublesome category. “[T]he federal interest in disclosure [of clearly patentable inventions] is at its peak . . . .”\textsuperscript{106} Here the \textit{Kewanee} opinion issues a strong caveat to the states not to divert owners from use of the federal system.

If a State, through a system of protection, were to cause a substantial risk that holders of patentable inventions would not seek patents, but rather would rely on the state protection, we would be compelled to hold that such a system could not constitutionally continue to exist.\textsuperscript{107}

The two factors listed by the Court, likelihood of diversion and the rigor of state protection, are closely related. The Court noted that trade secret laws provide for weaker protection than patent law. The federal patent system provides an absolute barrier against unconsented use of the invention for seventeen years, whereas the state system does not protect the secret from use by those who discovered it by reverse engineering or independent creation. Thus, the Court concluded that few inventors would forfeit their right to patent protection under section 102(b) for the weaker state protection.\textsuperscript{108}

The Court found further that technological progress would not be impeded by the rare inventor who chose trade secret protection. It realistically noted that other inventors probably would discover

\begin{itemize}
  \item \textsuperscript{103} 416 U.S. at 485. All abandoned patent applications held by the Patent and Trademark Office remain confidential. 35 U.S.C. § 122 (1975).
  \item \textsuperscript{104} 416 U.S. at 489.
  \item \textsuperscript{105} \textit{Id.} at 486 (citing Painton \& Co. v. Bourns, Inc., 442 F.2d 216, 233 (2d Cir. 1971)).
  \item \textsuperscript{106} 416 U.S. at 489.
  \item \textsuperscript{107} \textit{Id.}
  \item \textsuperscript{108} \textit{Id.} at 489-91.
\end{itemize}
FIGURE 1: SUMMARY OF THE KEWANEE CONFLICT TEST

the same invention within a relatively short period of time. "If the invention, though still a trade secret, is put into public use, the competition is alerted to the existence of the inventor's solution to the problem and may be encouraged to make an extra effort to independently find the solution thus known to be possible."¹⁰⁹ In the absence of diversion from the federal system due to less rigorous state protection, the Court reasoned that trade secret protection of patentable inventions did not frustrate federal policy.¹¹⁰

The supremacy clause conflict test as developed in the courts can now be applied to the issue of simultaneous use of trade secret and federal copyright protection. As in Kewanee, the congressional policies and objectives behind copyright law must be determined.

¹⁰⁹. Id. at 491.
¹¹⁰. Id. at 490-91.
This conflict problem is squarely within the federal domain of protection, since all of the secret ideas and expressions were disclosed in a copyrightable writing that was not released to the general public.111

2. 1909 Act: Policies and Objectives

Two congressional reports concerning the proposed 1909 Act were produced by the Sixtieth Congress.112 Congress was concerned with promotion of the arts and sciences, and specifically with the balance between the conflicting goal of rewarding authors in order to encourage new writings versus the public detriment arising from the grant of monopolistic powers.113

In order to understand the 1909 Act copyright mechanism, it is helpful to compare it to the previous mechanism. Prior to the 1909 Act, registration and deposit of a work were conditions precedent to the creation and perfection of a copyright claim. An author had to create and perfect his copyright claim prior to publication. Publication without a valid copyright dedicated the work to the public and forfeited the author's right to federal protection.114 To mitigate the harsh forfeiture rules, the 1909 Act departed from registration and deposit as preconditions to copyright.115 A copyright was obtained by publication with notice of copyright.116 Registration and deposit became conditions subsequent that perfected the copyright claim.117

The fact that deposit and registration became conditions subsequent to federal protection does not mean that Congress considered

111. Skeptics will argue that ideas that were expressed in the writing are not protected by federal copyright law; hence, they are really in the domain unattended by federal law. This argument is addressed later in this Article. See text accompanying notes 146-54 infra.


113. H.R. REP. No. 2222, note 112 supra; 2 M. Nimmer, supra note 20, at 967 (1976 ed.).


116. Id. At the time, Congress probably did not realize that they were opening a Pandora's box. Precisely how much publication was necessary to invest federal copyright became a hotly litigated issue. See generally 1 M. Nimmer, supra note 20, § 4.13 [C], at 4-70 to 4-73 (1980 ed.). Congress eliminated the chaotic publication copyright investment mechanism in the 1976 Act. See text accompanying notes 28-29 supra.

117. H.R. REP. No. 2222, supra note 112; 2 M. Nimmer, supra note 20, at 972 (1976 ed.).
them mere bureaucratic trivialities. When other sections of the 1909 Act are read concurrently with section 9, it becomes clear that registration and deposit were an important *quid pro quo* to federal copyright protection. First, section 7118 prohibited copyright of works already in the public domain. Once a work was disclosed to the general public, federal protection no longer was available. Second, section 12119 required prompt deposit of copies in the Copyright Office after publication with copyright notice. No infringement action could be maintained without proper deposit. The Register of Copyrights could demand deposit if the owner failed to do so. The failure to deposit after the Register so demanded voided the copyright claim and resulted in a fine.120

Clearly the *quid pro quo* of federal protection was deposit. The deposit objectives provide a key to the goals and policies of the federal copyright system. Congressional deposit objectives under the 1909 Act were to memorialize and identify works for which copyright was claimed and to preserve worthy works for the diffusion of public knowledge.121

The *Sears, Compo*, and *Goldstein* holdings established that the public is free to copy works of copyrightable subject matter that are publicly available (in the public domain) unless they are protected by federal copyright law. If works did not indicate protected or free status, potential copiers would have to inspect the copyright registration records to avoid public infringement. Few people would have the inclination to check registration records and, thus, they would not copy the work. There would be an overall chill on the free and efficient dissemination of public domain information that the public might otherwise be entitled to copy or transmit. Congress adopted notice provisions to avoid the chill on dissemination.

Copyright notice played an instrumental part in identification of claimed works. As one of the Copyright Office studies noted, "[u]nder the present [1909 Act] system the notice is not a mere representation of an existing fact, but is an assertion of the claimant that he is entitled to, and does claim copyright in his work."122 If

119. *Id.* at § 12.
120. *Id.* at § 13.
122. Berger, *False Use of Copyright Notice*, 1 STUDIES ON COPYRIGHT 297, 300 (Ar-
owners placed copyright notice on works when they were not entitled to do so, or were not in fact claiming protection, public copying would be chilled unreasonably. Congress did not want the purposes behind copyright notice subverted by dishonest owners. To prevent this subversion, the 1909 Act, like previous acts, established criminal penalties for false notice.  

Under prior copyright acts, the false notice offense would have constituted mere notice affixation upon unregistered works. Notice affixation was prohibited until the unpublished work was registered and copyright was awarded. The element of a false notice violation changed under the 1909 Act. Fraudulent intent became an essential element. Notice became an assertion that the claimant believed that he was entitled to copyright and did so claim by insertion of notice.

Professor Nimmer has suggested that section 7 of the 1909 Act was only violated by placement of copyright notice upon works in the public domain or upon unpublished works owned by another. They constitute the actus reus element of the criminal violation, but Nimmer has avoided the mens rea element—fraudulent intent. If one follows the Berger interpretation of the Congressional intent behind copyright notice, placement of notice without the intent to comply with federal deposit and registration requirements also would violate section 105.

In conclusion, the congressional policy behind federal copyright under the 1909 Act was to grant federal protection to owners who were willing to deposit their works for public disclosure. Congress


124. Berger, supra note 122, at 300.
125. No federal protection was available for works already in general circulation. 1909 Act, Pub. L. No. 60-349, ch. 320, § 7, 35 Stat. 1075.
126. 2 M. Nimmer, supra note 20, § 163, at 709 (1976 ed.).
127. Neither Professor Nimmer's treatise nor Mr. Berger's study cited false notice cases under the 1909 Act, but one recent case stated that the principal purpose of copyright notice is to inform the public that copyright is claimed. Technicon Med. Information Sys. Corp. v. Green Bay Packaging, Inc., [1981] COPYRIGHT L REP. (CCH) ¶ 25,255, at 16,466 (E.D. Wis., Sept. 9, 1980) appeal docketed, No. 81-1469 (7th Cir., Mar. 6, 1981). It follows that placement of copyright notice without intent to register and deposit the work violates the false notice provisions, or at least (as in Technicon) stops the claimant from asserting a cause of action inconsistent with the inherent message of copyright notice.
could not have intended to have copyright notice used by authors who were not willing to uphold their part of the federal bargain.


In contrast to the few reports that accompanied the 1909 Copyright Act, the 1976 Act generated a large number of reports and studies. The first serious congressional action to revise the 1909 Act occurred in the mid-1950s when it became apparent that new technologies such as xerography, cable television, sound recordings, and computer storage systems were not addressed adequately by the current copyright laws. Congress solicited two revision reports and thirty-four studies from the Copyright Office of the Library of Congress.\(^{128}\) The reports and studies identified the inadequacies of the 1909 Act and recommended legislative solutions. Congress subsequently incorporated some of the suggested solutions into the 1976 Act.\(^{129}\)

As in the 1909 Act, the deposit objectives of Congress were to memorialize and identify works for which copyright was claimed and to preserve worthy works for the diffusion of public knowledge. As in the 1909 Act, the 1976 Act requires deposit and registration.\(^{130}\) Both the Senate\(^{131}\) and House\(^{132}\) reports stressed that deposit was mandatory. The Register of Copyright's report stated that deposit enriches the Library of Congress, which in turn discloses the contents of the work to the public and identifies the work for which copyright is claimed.\(^{133}\) In the Supplementary Report, the Register concluded that, in general, deposit would be induced if the statute made it, along with registration, prerequisites to the initiation of an infringement action.\(^{134}\)

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128. The studies were bound in one reference source. STUDIES ON COPYRIGHT (Arthur Fisher mem. ed. 1963). Two reports were prepared by the Register of Copyrights. They are mostly condensations of the separate studies, but they also contain commentaries on proposed copyright legislation. REGISTER'S REPORT, supra note 121; SUPPLEMENTARY REPORT, supra note 28.


130. Id. §§ 407, 408.


133. REGISTER'S REPORT, supra note 121, at 77.

134. SUPPLEMENTARY REPORT, supra note 28, at 125. Voluntary deposit as a prerequisite to copyright infringement actions has a more important role under the 1976 Act than under the previous Act. Under the 1909 Act, failure to deposit after demand by the Register could void the copyright. The 1976 Act contains no such strong administrative sting. The Register is authorized to levy a small fine up to $250 and to charge the recalcitrant owner for the acquisition price of the works. Repeated offenders may
As in prior acts, notice must be affixed to works. Notice is an effective way to inform the public that a claim on a work exists. This approach also places a substantial body of work in the public domain on which owners are not interested in obtaining copyright. Members of the public know that they may copy works not bearing notice.

Unlike prior acts, the notice requirements under the 1976 Act are not absolute. Section 405(a) prevents copyright forfeiture if notice is omitted from publicly distributed copies under three defined circumstances. The five year relation back provision of Section 405(a)(2) is the broadest of those defined circumstances because it prevents absolute free use of public domain work for a period of five years from distribution without notice.

be fined $2,500. 17 U.S.C. § 407(d) (1976). The section 407 administrative remedies are designed to compensate the Library of Congress for acquisition costs. Restricted access to federal courts conditioned upon registration and deposit is the real protector of Congressional deposit policy under the 1976 Act.

Voluntary deposit will not be induced under the 1976 Act if owners are permitted to use state trade secret protection simultaneously and thereby avoid the need to use federal court protection as a first resort. Deposit could be avoided unless the secrecy of the work was lost and federal copyright protection for the now public domain work became necessary. This subversion of federal policy by state law was what the supremacy clause, as interpreted by the Kewanee court, was designed to prevent.

See text accompanying notes 76-111 supra.


137. Doyle, supra note 136, at 238.

138. Innocent infringers who rely on lack of copyright notice incur no liability for actual or statutory damages for infringing acts occurring prior to the receipt of actual notice. 17 U.S.C. § 405(b) (1976)

139. Id. § 405(a).

140. Omission is excused if relatively few copies were distributed (§ 405(a)(1)), or if in violation of an express written requirement that authorized copies be distributed with notice (§ 405(a)(3)). The most liberal departure from the traditional forfeiture rule is contained in section 405(a)(2), also known as the five year relation back provision. Under the relation back provision the omission on any number of copies is excused provided that the owner registers the work within five years after distribution without notice and a reasonable effort is made to add notice to copies distributed after discovery of the omission. The relation back provision effectively delays public forfeiture for five years.

141. See note 140 supra. The House and Senate Committee reports state that the intent behind section 405(a)(2) was to delay copyright forfeiture for at least five years, whether notice omission was intentional or deliberate. H.R. REP. NO. 94-1476, supra note 132, at 147; S. REP. NO. 94-473, supra note 131, at 129. While the committees may have intended the provision to apply to deliberate omissions of notice, such an intent is contrary to the clear statutory requirement for a reasonable attempt to affix notice to all distributed copies after discovery of the omission.
Under section 405(b), the public has a qualified privilege to copy non-notice bearing works without fear of infringement damages if the infringement was "innocent," and an absolute privilege starting five years after first distribution. Innocent infringers are defined in the provision as persons who rely upon the lack of copyright notice as an indication that the work is free from copyright protection. The burden of proof is on the innocent infringer to prove his reliance and the lack of notice. Therefore, actual notice of federal copyright protection would negate the defense. Similarly, a printed notice on the work that the owner is reserving his right to use federal protection might also negate the defense.\textsuperscript{142}

As in previous copyright laws, the 1976 Act has a fraudulent notice provision.\textsuperscript{143} Given the serious purposes behind the copyright notice requirement, it seems incomprehensible that Congress would want the delicate balance between free competition and reward to writers upset by indiscriminate use of copyright notice unless authors intended to comply with the deposit and registration requirements of the 1976 Act.

II. APPLICATION OF THE CONFLICT TEST TO TRADE SECRET AND COPYRIGHT COREGULATION

Both the 1909 and 1976 Acts have similar disclosure and notice objectives. One is to encourage the creation and disclosure of new works by offering federal protection against unauthorized copying. Disclosure is to be insured by registration and deposit. Second, free dissemination of works is protected by the notice requirements. Prior to January 1, 1978, circulated works not bearing notice could be freely copied,\textsuperscript{144} and after that date innocent infringers would not be liable for damages that resulted from infringement prior to actual notice.\textsuperscript{145}

The \textit{Kewanee} conflict test can now be applied to a hypothetical fact situation. Assume that the owner/licensor of a copyrightable, but secret, computer program affixed a copyright notice to the program but did not deposit or register it with the United States Copyright Office. He disclosed the contents of the program only to licensees who executed confidentiality and limited use agreements.

\footnotesize
\begin{itemize}
\item \textsuperscript{142} 17 U.S.C. § 405(b) (1976).
\item \textsuperscript{143} \textit{Id.} § 506(c). This provision is similar to those of the 1909 Act. \textit{See} 1909 Act, Pub. L. No. 60-349, ch. 320, § 17, 35 Stat. 1075. There is no discussion of congressional intent concerning false notice in any of the Senate or House reports; one may presume, therefore, that Congress intended to follow traditions established by the prior acts.
\item \textsuperscript{144} 1909 Act, Pub. L. No. 60-349, ch. 320, § 7, 35 Stat. 1075.
\item \textsuperscript{145} 17 U.S.C. § 405(b) (1976).
\end{itemize}
Nothing but the contents of the above program was disclosed. Assume that no one except the owner/licensor and the licensees are aware of the work. Also assume that the entire set of facts above occurred before and after January 1, 1978, so that the analysis may include both the 1909 and 1976 Acts. Lastly, assume that the owner then instituted a misappropriation of trade secrets cause of action against one of the licensees.

A. TRADE SECRET PROTECTION OVERLAPS COPYRIGHT PROTECTION

When viewed from a broad perspective, trade secret and copyright law protect different subgroups of intellectual property. In general, copyright law protects forms of expressions, whereas trade secret law protects ideas. Conflict would be an impossibility if there were a sharp line of demarcation between the two subgroups. There is, however, no sharp line of demarcation between the two subgroups of protection, but, instead, a wide zone of overlap.

Copyright and trade secret law can protect the same material. The Restatement of Torts defines a trade secret as any formula pattern, device, or compilation, and a recent federal case defined an owner's trade secret as the precise configuration, juxtaposition, and assemblage of components in a machine. Professor Nimmer, when discussing the constitutional aspects of copyright preemption in his treatise, noted that the Copyright Act of 1976 did not "extend protection to ideas distinguished from their expression."

Trade secrets can comprise ideas and expressions. Within this zone of overlap, trade secret law can coregulate with federal protection if the expression is of a form protected by copyright law. In the hypothetical fact situation the entire trade secret was the contents of a computer program. Thus, this analysis concerns state coregulation of that which is squarely within the domain of federal protection.

Kewanee clearly held that state trade secret protection and

146. 17 U.S.C. § 102(b) (1976); Milgrim, supra note 37, § 2.06 A[3], at 2-72.14 n.67.
147. See Goldstein v. California, 412 U.S. 546 (1973) (conflict found where there was a lack of demarcation between federal and state copyright powers).
148. 4 RESTATEMENT OF TORTS § 757, comment b (1939).
150. 1 M. NIMMER, supra note 20, § 101B[2][C], at 1-24 (emphasis added). Section 102(b) states that copyright protection does not "extend to any idea . . . regardless of the form in which it is described . . . ." 17 U.S.C. § 102(b) (1976).
151. Trade secret disclosures are often combinations of written and verbal disclosures. The latter are not protected by copyright law. A solution to this problem is discussed later in this Article. See text accompanying note 194 infra.
152. See text accompanying notes 76-111 supra.
federal copyright protection may coexist under certain circumstances despite differences in theory. The purpose of trade secret law is to encourage invention by preservation of commercial ethics (to prevent unauthorized use and disclosure), whereas the purpose of patent law (and copyright law) is to encourage disclosure. 

*Kewanee* did not address the issue of whether simultaneous use of both trade secret and copyright protection would conflict unconstitutionally with copyright disclosure objectives.

**B. SIMULTANEOUS USE CONFLICTS WITH COPYRIGHT DISCLOSURE POLICY**

The *Kewanee* decision warned the states that if their systems of protection created a substantial risk that users of the federal system would be diverted to use of the state systems where there was coregulation of the same subject matter, then such a state system could not continue to exist. In *Kewanee*, the Court essentially held that trade secret protection of clearly patentable inventions did not conflict with patent disclosure policy because very few inventors would choose trade secret protection. The patent protection mechanism offers superior monopoly protection and forces inventors to make the election of protection quickly. Patent rights are forfeited after one year of public use or after sale of the invention. It is impossible to use patent and trade secret protection simultaneously. There is no secrecy after a patent issues since its file is opened to the public.

In contrast, differences between the copyright and patent protection mechanisms allow potential simultaneous use of copyright and trade secret protection because registration and deposit are not preconditions to copyright creation. An owner who has placed a copyright notice on his computer program but who has delayed deposit could exploit his work as a trade secret, yet could effectively fall back on the copyright protection provided since the moment of

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154. *Id.* at 480.
155. *Id.* at 489. See text accompanying note 107 *supra*.
156. See text accompanying notes 106-108 *supra*.
158. 37 C.F.R. § 1.11 (1978). The Eastern District of Wisconsin has ruled that recovery for improper use of a trade secret was limited to the time prior to issuance of a patent based upon that secret. Forest Laboratories, Inc. v. Formulations, Inc., 299 F. Supp. 202 (E.D. Wis. 1969), *aff'd sub nom.*, Forest Laboratories, Inc. v. Pillsbury Co. 452 F.2d 621 (7th Cir. 1971).
159. Congress eliminated preregistration and deposit under the 1909 Act to prevent harsh forfeitures of copyright protection. See note 117 and accompanying text *supra*. 
notice affixation. These tactics, at the very least, would delay copyright registration and deposit or, at the worst, would totally divert owners from the use of the federal copyright system. Such diversion, however, is unconstitutional under *Kewanee* since it conflicts with the federal disclosure policy inherent in the copyright law.

This potential diversion is best examined from the perspective of a computer program owner who is contemplating which system of protection to pursue for his secret work. The owner would be in the best legal and financial position if he were allowed to exploit the best parts of both trade secret protection and copyright protection simultaneously. He could use both legal systems by affixing copyright notice to his program and other disclosed documents and by subsequently exacting trade secret agreements from his licensees. The advantage of using both systems becomes readily apparent when compared to the weaknesses inherent in trade secret protection alone. The owner, when faced with the question of which form of protection is in his best interests, might elect to pursue trade secret protection if he thought the ideas expressed in his program could be exploited for a higher value than the coded expressions themselves.

Whatever additional benefits that might accrue from exploitation as a trade secret instead of as a copyrighted work must be balanced with the weaknesses inherent in trade secret protection. Trade secret protection only provides limited remedies for "leaked" secrets. First, disclosure agreements may be unenforceable after the secret becomes part of the general public knowledge unless contractual terms explicitly provide for enforcement after public dissemination. Second, the trade secret owner cannot maintain a misappropriation of trade secret cause of action against members of the general public who use the secret once it enters the public domain. Third, if a disclosee or misappropriator of the secret releases it to the general public, he may not have adequate resources to com-


161. Cf. Aronson v. Quick Point Pencil Co., 440 U.S. 257 (1979) (state enforcement of a contract provision providing for continuing royalty payments as consideration for disclosure even if the invention was unpatentable did not conflict with federal patent policy).
pensate the owner for the value of the former trade secret. Fourth, trade secret protection terminates at each jurisdiction's border.

As noted in Kewanee,162 these inherent weaknesses of trade secret protection would make almost all owners elect to choose stronger federal copyright protection if they could not attempt to use both systems simultaneously. Owners who elect federal protection, and who promptly register and deposit their works, further the federal disclosure objectives. Of course, once a work is deposited it no longer remains a secret and the ideas contained therein are not protected.163 Some program owners will forego federal protection to avoid disclosure. They have this right under Kewanee.

One may now examine the mechanics of the hypothetical owner's simultaneous use. Affixation of copyright notice effectively activates a federal copyright claim under both the 1909 and 1976 Acts. Under the 1976 Act, copyright protection is activated by fixation of the work into a tangible medium.164 The copyright claim is perfected by deposit and registration of the work in the Copyright Office,165 and all published copies of the work must bear copyright notice.166 Under the 1909 Act, a federal copyright claim was activated by publication of the work with copyright notice.167 Hence, that confusing issue of publication came into play.168

In the given hypothetical, there was a distribution of the computer program to a group of licensees. This distribution may have constituted a publication that would invest copyright protection under the 1909 Act. Under the investive publication doctrine of Hirshon v. United Artists Corp.,169 a greater level of publication is required to destroy a common law copyright than to invest a statutory copyright.

It has been shown that trade secret and copyright law can over-

162. See note 108 and accompanying text supra.
163. 37 C.F.R. § 201.2(b) (1980) (public inspection of deposited works).
165. Id. §§ 407, 408.
166. Id. § 401.
169. 243 F.2d 640, 645 (D.C. Cir. 1957). Other decisions have cited the doctrine in dicta, but it has not been used as the basis of a ruling. See 1 M. Nimmer, supra note 20, § 4.13 [C], at 4-70, n.24 and cases cited therein.
lap to protect the same material simultaneously. It will now be demonstrated that simultaneous protection, or even the possibility of simultaneous protection, unconstitutionally conflicts with the 1909 and 1976 Copyright Acts' disclosure policies.

State enforcement of trade secret agreements created after copyright notice affixation on the disclosed copyrightable work will encourage owners to delay or to avoid totally copyright registration and deposit. The sole act of copyright notice affixation eliminates the risks and weaknesses of trade secret protection. Elimination of those common law deficiencies would encourage large numbers of owners to elect trade secret protection and to avoid the registration and deposit formalities of copyright. The stronger package of state protection, and the likelihood of diversion from copyright registration and deposit requirements, will conflict with the federal disclosure objectives.

When initially faced with the election between copyright and trade secret protection, an owner who places copyright notice on his work does not fear the weaknesses inherent in trade secret protection. If copies of the notice bearing work are somehow released to the public, the owner can register and deposit his work. He will have complied with all preconditions necessary to maintain a copyright infringement suit. There would be no possibility of a forfeiture of intellectual property rights in the work should it be released to the public domain.

Public domain forfeiture is probably the greatest fear of all trade secret owners. Affixation of copyright notice prevents public dedication. If copies of the work bearing copyright notice are published generally, the owner can salvage federal protection by registration and deposit, even though he can no longer enforce his trade secret agreements. After registration and deposit, federal protection relates back to the moment of copyright creation.

Again, consider the inherent weaknesses of trade secret protec-

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170. See text accompanying notes 160-61 supra.
171. Under the 1976 Act, copyright protection will relate back to fixation into a tangible medium. Distribution to licensees might constitute a 1909 Act investive publication. Protection then would relate back to the distribution. Assuming that the distribution to licensees did not constitute an investive publication, then protection would definitely relate back to the registration as an unpublished work.
172. Again, release of the work bearing notice would create federal copyright protection under the 1909 Act. Under the 1976 Act there is no forfeiture because protection accrues upon fixation of the work into a tangible medium. Copyright notice, however, effectively bars the innocent infringement defense. 17 U.S.C. § 405(b) (1976).
First, licensees of a computer program would remain bound by their use agreements after release of the work to the public domain. Unauthorized use of the program within the scope of copyright statutory rights would constitute copyright infringement.175 Second, the owner could now sue any member of the public for infringement of copyright and recover damages. Third, the wrongful misappropriators who released the work into the public domain are not the sole source of compensation for unauthorized release and free use of the work by members of the general public. The owners may sue individual members of the general public for copyright infringement. Fourth, the owner now has national protection.

If, at their option, owners could use simultaneous protection, they would be foolish to initially choose federal protection for proprietary material. They could exploit the sale of their ideas, as manifested by copyrightable works, under trade secret protection. No deposit or registration would be necessary to enforce their trade secret agreements. If there were an unauthorized or accidental public release of the work, the copyright notice would prevent public dedication of the work under the 1909 Act. After registration and deposit, federal protection would relate back to fixation into a tangible medium176 or to distribution of the work to licensees.177 Thus, the owner who uses both systems simultaneously places himself in a strategic position for litigation.

The owner can litigate in state courts for trade secret misappropriation or in federal courts for copyright infringement at his whim. He can argue that no publication occurred when the work was distributed to licensees if he wishes to pursue trade secret remedies as a first line of protection.178 Alternatively, he can argue that the distribution constituted an investive publication under the 1909 Act.179

174. See text accompanying notes 160-61 supra.
177. 1909 Act, Pub. L. No. 60-349, ch. 320, § 9, 35 Stat. 1075. At the very least, protection would relate back to the time of unauthorized public release.
178. The advantage of a trade secret misappropriation action is preservation of secrecy. The misappropriator can be enjoined from use of the secret without any form of deposit or registration. So long as secrecy is maintained, the owner can license new licensees.
179. See note 177 supra. There is no investive publication problem under the 1976 Act. The owner may assert a copyright claim any time after fixation of the work into a tangible medium so long as there was no public distribution that triggered the five year relation back provision of section 405(a)(2). If disclosure to the licensees constituted a public distribution, the licensor would have five years to register his federal claim.
In the former action, the owner would argue that under the 1909 Act the work was never copyrighted absent publication and that his sole remedy was trade secret law. He would then cite Kewanee for the proposition that an election of trade secret protection over federal protection does not create a supremacy clause conflict.\textsuperscript{180}

If the state court nevertheless ruled that an investive publication, or election of federal protection, had occurred, then the owner simply could register and deposit his work. He could then argue that federal protection attached at the time of distribution to the misappropriators.\textsuperscript{181} The owner, therefore, could use effectively simultaneous copyright protection as a last resort to loss of trade secret protection or of 1909 Act common law copyright forfeiture. Indeed, case law demonstrates that commercial organizations have used simultaneous protection. These cases have involved both management information systems and data processing software systems.

In \textit{Management Science America, Inc. v. Cyborg Systems, Inc.},\textsuperscript{182} the plaintiff licensed a computer payroll system to six hundred cus-

\textsuperscript{180} Under the 1976 Act, federal protection is created upon fixation, but the owner would cite \textit{Kewanee} in 1909 Act litigation.

\textsuperscript{181} \textit{Accord}, Russell v. Price, 612 F.2d 1123 (9th Cir. 1979), cert. denied, 446 U.S. 952 (1980) (held that the doctrine of laches would not bar a federal copyright infringement action where the plaintiffs previously denied the copyright nature of their claims in state court). Plaintiff real party in interest was the sole licensed distributor for a film adaptation of the play “Pygmalion.” It commenced an unfair competition action in California state court against a competitor and its officers who were also distributing the film. The defendants argued that the cause of action was really for federal copyright infringement and moved for dismissal due to lack of jurisdiction. The plaintiffs denied that they were pursuing a copyright infringement claim. The defendants prevailed.

After the state court dismissal, plaintiffs initiated an action for copyright infringement. The defendants argued that the doctrine of laches barred assertion of the copyright claim. This argument was rejected by the district court and the plaintiffs prevailed on the merits.

The Ninth Circuit held that the rejection of the laches defense was not an abuse of discretion, since the defendants did not suffer any prejudicial detriment. Defendants had not changed their film distribution procedure in reliance on plaintiffs’ conduct, and they were also apprised in the first action that the general nature of the claim concerned unauthorized distribution of the film.

It is also a copyright infringement to appropriate another author’s labors and skills, as expressed in his copyrighted work, in order to produce a competing work without the necessity to independently arrive at the same result. Orgel v. Clark Boardman Co., 301 F.2d 119, 120 (2d Cir. 1962). A more recent district court case with the same holding as \textit{Orgel} was reversed and remanded by the Seventh Circuit. Medeco Security Locks, Inc. v. Swiderek, [1981] COPYRIGHT L. REP (CCH) ¶ 25,278 (N.D. Ill., Oct. 2, 1980), rev’d and remanded, No. 80-2784 (7th Cir., May 28, 1981) (plaintiff’s copyrighted key cutting instruction codes were reorganized in defendant’s competing instruction code book).

\textsuperscript{182} \textit{6 COMPUTER L. SERV. REP.} 921 (N.D. Ill. 1978).
customers under trade secret agreements. Most of the system manuals and documentation bore a copyright notice, but they were not registered or deposited. The defendants, former employees and their corporation, moved for summary judgment on two grounds. First, that as a matter of law, distribution of the manuals bearing copyright notice to the customers was a general publication that destroyed secrecy. Second, that distribution with notice invested federal copyright protection under the 1909 Act and preempted trade secret protection.\textsuperscript{183} The district court denied summary judgment because both bases hinged on whether the distribution was a general publication that destroyed secrecy and activated 1909 Act copyright protection.\textsuperscript{184} The defendants did not raise the issue of supremacy clause conflict by simultaneous use of state and federal protection.

Similarly, in \textit{Technicon Medical Information Systems Corp. v. Green Bay Packaging, Inc.},\textsuperscript{185} a software house commenced a trade secret and common law copyright infringement action against its former computer hardware supplier and some of its customers. The defendants were bound by trade secret agreements. System reference manuals disclosing the trade secrets were distributed to customers. The manuals bore a copyright notice, but were not registered or deposited pursuant to the 1909 Act. The defendants contended that affixation of copyright notice estopped the plaintiff from proceeding under a common law copyright claim and operated as a general publication sufficient to defeat any claim of secrecy in support of the trade secret claims.\textsuperscript{186}

The district court ruled that placement of copyright notice was an election of federal over common law copyright protection and estopped the plaintiff from pursuing common law protection.\textsuperscript{187} The court refused to hold at the "summary judgment stage, that [placement of notice was] conclusive proof of publication so as to defeat any claim of secrecy."\textsuperscript{188} As in \textit{MSA}, the court was not presented with the issue of supremacy clause conflict.

A third case, \textit{M. Bryce & Associates, Inc. v. Gladstone},\textsuperscript{189} was a

\textsuperscript{183} The opinion uses the term preemption in the sense of sole federal occupation of the field after copyright activation.

\textsuperscript{184} \textit{6 COMPUTER L. SERV. REP.} at 926.

\textsuperscript{185} \textit{COPYRIGHT L. REP. (CCH)} ¶ 25,255 (E.D. Wis., Sept. 9, 1980) (slip opinion), \textit{appeal docketed}, No. 81-1469 (7th Cir., Mar. 6, 1981).

\textsuperscript{186} \textit{Id.} at 16,465.

\textsuperscript{187} \textit{Id.} at 16,467.

\textsuperscript{188} \textit{Id.}

\textsuperscript{189} No. 432-975 (Wis. Cir. Ct., Milwaukee County) (all papers sealed by court order), \textit{appeal docketed}, No. 80-1935 (Wis. Ct. App. 1981).
suit for misappropriation of trade secrets involving a management information system. The system was allegedly disclosed pursuant to disclosure agreements. As in *MSA* and *Technicon*, system manuals bearing copyright notice were part of the disclosure. None of the manuals was registered or deposited pursuant to the 1909 Act. The defendants asserted that Wisconsin's courts lacked jurisdiction to hear the controversy. They argued that as a matter of constitutional law, state trade secret enforcement for disclosures occurring after notice placement would conflict with or be preempted by the 1909 Act. The court denied motions to dismiss for lack of jurisdiction, and a jury found for the plaintiff in December, 1979.

*MSA*, *Technicon*, and *Bryce* demonstrate that owners can and will avoid deposit and registration of their works after placement of copyright notice. All three plaintiffs pursued trade secret remedies rather than federal copyright remedies, which require registration and deposit. They avoided any possible forfeiture of their works by affixation of copyright notice, yet the public has not received its *quid pro quo*—disclosure.

Contrast the above cases with *Kewanee*. Kewanee Oil Company did not seek federal patent protection. It took a great risk that a leak of its secret would dedicate its invention to the public domain because it lacked patent protection. Furthermore, its patent rights were forfeited after one year of public use. As the Court noted, most inventors would examine the risks and benefits inherent in both trade secret and patent law and choose patent protection. Under the same scenario, the owner of a copyrightable secret might decide to rely solely on trade secret protection without resort to any of the steps necessary to procure federal copyright protection. In all probability, few owners would risk public dedication under the 1909 Act or an innocent infringement defense under the 1976 Act. It would not be unconstitutional if the owner initially chose to use trade secret protection without resort to any copyright claim and subsequently decided to abandon trade secret protection to pursue copyright protection.

C. **Simultaneous Use Conflicts with Copyright Notice Policy**

The policies behind copyright notice are to inform the public that federal copyright is claimed and to prevent innocent infringers from incurring infringement penalties. As noted in *Technicon*, copyright notice would be meaningless if owners could assert common law copyright claims after notice affixation and some degree of

190. 416 U.S. at 487.
distribution. The district court, however, was unwilling to hold that copyright notice alone would be conclusive proof of publication that destroys secrecy.\textsuperscript{192}

Given the court's analysis of the purpose behind notice, perhaps it would have ruled that simultaneous use of trade secret protection after notice affixation constituted an unconstitutional interference with federal notice policy. The court had stated that notice informed the public that federal copyright was claimed. As a result of that notice the public could assume that it was a valid assertion of federal claims that would expire after a limited statutory term. Upon expiration of the statutory term the public could assume that it had free use of the work.

The court rightly stated that printed notices would become meaningless unless the public could assume that they were valid.\textsuperscript{193} The availability of trade secret protection after notice affixation would allow owners to assert a claim contrary to the claims implied by the notice. The resulting public confusion would chill the flow of public domain information and unconstitutionally interfere with congressional notice policy.

\section*{III. SUGGESTED SOLUTIONS}

Owners should avoid supremacy clause conflicts by using either trade secret or copyright protection, but not both at any given time. Copyrightable works protected by trade secret law should not bear a copyright notice, but should bear a proprietary and confidentiality notice. Copyrightable secrets created after, or not published before January 1, 1978, do not need a copyright notice since they are automatically protected by the 1976 Act after fixation into a tangible medium. A warning such as "Unpublished—All Rights Reserved Under the Copyright Laws" should negate any innocent infringement defense raised by an infringer.\textsuperscript{194}

It is more likely that copyright notice will be found on trade secrets created prior to January 1, 1978, since owners were fearful of secret and common law copyright forfeiture by general circulation. The possibility of litigation from causes of action accruing prior to 1928, Id.
\textsuperscript{193} Id.
\textsuperscript{194} The ABA Section of Patent, Trademark and Copyright Law, Committee No. 206, at the recommendation of some of its members, suggested that such a legend would negate an innocent infringement defense, while avoiding the simultaneous use of copyright and trade secret protection. 1981 Proceedings and Committee Reports, supra note 2, at 93.
January 1, 1978 diminishes with the running of each state's trade secret misappropriation statute of limitations.

State courts that are entertaining trade secret causes of action where copyrightable secrets bear copyright notice should dismiss the actions on the condition that the defendant waive any statute of limitations defense. The owner should register and deposit his work in the Copyright Office and commence a copyright infringement suit. The federal court could exercise pendent jurisdiction over misappropriated secrets that were not contained within the copyrighted work.

Alternatively, or in the cases where defendants refuse to waive statute of limitation defenses, owners could maintain trade secret causes of action for ideas not expressed in the work bearing copyright notice. State courts must decline to exercise jurisdiction over ideas and expressions contained in the work bearing copyright notice to avoid unconstitutional conflicts with federal copyright law. Since the owner created the problem, he should have the burden to prove which disclosures were not contained in the notice bearing work.