Protection of Intellectual Property - Patent, Copyright, and Trade Secret Law in the United States and Abroad

Andrew G. Rodau
I. Introduction

Intellectual property law is an old and highly specialized body of law that protects original ideas, creative forms of expression, new discoveries or inventions, and trade secrets. This body of law is premised on the idea that to encourage innovation, persons responsible for such advances should be rewarded. The rewards provided

© 1985 Andrew G. Rodau

* Currently a Law & Humanities Fellow, Temple University School of Law. B.S. 1976, Hofstra University; J.D. 1981, Western New England College School of Law.

1 One very early patent was granted in Venice in 1469 for book printing. Prager, A History of Intellectual Property from 1545 to 1787, 26 J. Pat. Off. Soc’y 711, 715 (1944). For an English translation of this patent, see id. at 750.

Many patents and copyrights were granted in Venice in the 1500s. Id. at 716. Trade secrecy was used as early as the 1300s to protect an improved method of making silk thread that afforded users a commercial advantage over competitors. Prager, The Early Growth and Influence of Intellectual Property, 34 J. Pat. Off. Soc’y 106, 120-21 (1952).


2 One of the main purposes of the patent system is to encourage disclosure for the purpose of increasing public knowledge. A. Choate & W. Francis, Cases and Materials on Patent Law 7 (2d ed. 1981); see Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 480-81 (1974). See also Cataphote Corp. v. Hudson, 422 F.2d 1290, 1293 (5th Cir. 1970), on remand, 316 F. Supp. 1122 (S.D. Miss.), aff’d, 444 F.2d 1313 (5th Cir. 1971) (patent law establishes monopoly to encourage invention). Although the primary purpose of copyright law is often stated to be that of securing creative advances to the public, see 1 M. Nimmer on Copyright, § 1.03[A] at 1-50 to 1-80.1 (1985), this is achieved by providing rewards as incentives to creators. Sony Corp. of Am. v. Universal Studios, Inc., 104 S. Ct. 774, 782 (1984). See also Goldstein v. Cal., 412 U.S. 546, 555 (1973) (Congress may reward authors and inventors to encourage intellectual and artistic creations). The policies behind trade secret law are the encouragement of invention and the maintenance of commercial morality. Brunswick Corp. v. Outboard Marine Corp., 79 Ill. 2d 475, 477, 404 N.E.2d 205, 207 (1980).
are limited monopolies accorded by patent and copyright laws and protection of business "know-how" by trade secret law.

Although American jurisprudence generally has an aversion to monopolies and the restriction of free enterprise, the limited exceptions embodied in intellectual property law have early beginnings in the American legal system. The founding fathers of the United States understood the need for some limitations on free enterprise to stimulate new ideas and scientific and artistic creativity. Therefore, they included a clause in the Constitution that expressly allowed Congress to grant exclusive rights for limited times to authors and inventors.

The need for protection of intellectual property is critical today because of the increased competition in both foreign and domestic markets. The economic benefits of technological innovations that

---

3 The patent law grants exclusive rights in an invention or discovery for 17 or 14 years. 35 U.S.C. §§ 154, 179 (1982).
4 The copyright law provides exclusive rights in original works of authorship for the life of the author plus 50 years and for terms of up to 100 years in certain cases. 17 U.S.C. § 302 (1982).
5 Trade secret protection generally lasts for as long as the protected information is secret. Underwater Storage, Inc. v. U.S. Rubber Co., 371 F.2d 950, 954 (D.C. Cir. 1966).
7 In 1672 the colony of Massachusetts prohibited the making of reprints without the consent of the owner of the copy, and Connecticut allowed patent monopolies in certain circumstances. In addition, the colonial congress adopted state copyright statutes. Prager, supra note 1, at 737-38.
9 The Constitution states that Congress shall have the power “[t]o promote the progress of science in useful arts, by securing for limited time to authors and inventors the exclusive right to their respective writings and discoveries.” U.S. CONST. art. 1, § 8, cl. 8.
10 See Comment, Legislation: President Proposes Antitrust Reforms in Attempt To Promote Innovation, 26 PAT. TRADEMARK AND COPYRIGHT J. (BNA) No. 646, at 445 (Sept. 15, 1983) (President urged Congress to modify intellectual property laws to improve ability of American industries to compete in international marketplace). See also H.R. REP. No. 1307, part 1, 96th Cong., 2d Sess. 1-2, reprinted in 1980 U.S. CODE CONG. & AD. NEWS 6460, 6460-61 (increased protection of new technology needed to increase productivity of American industries to make them more competitive with foreign companies).

The protection of intellectual property has an effect on the economic development of our country. Gambrell, Overview of Ownership Conflicts that Arise with Respect to Intellectual Property, in Sorting Out the Ownership Rights in Intellectual Property: A Guide to Practical Counseling in Legal Representation 10-12 (1980). The need to protect intellectual property is evidenced by the fact that the cost of stolen technology to private
result from research and development programs are quickly lost if intellectual property laws are not used aggressively. This problem is especially evident in the area of computer technology. One company may invest heavily in the development of computer chips or software only to find other companies copying the chips or software and selling them at greatly reduced prices because they do not have development costs to recoup. This competition, especially from foreign companies, has raised tremendous interest in intellectual property law. This has caused unprecedented congressional and administrative action to improve intellectual property protection.

Intellectual property law consists of federal and state statutory law and state common law and has been divided into three areas: patent law, copyright law, and trade secret law. Each area is discussed separately in this article, and different types of available protection are compared to demonstrate their relative advantages and weaknesses and to aid in determining the type of protection appropriate in a particular situation.

II. Patent Law

Patent law, which is exclusively federal law, allows the federal government to grant a patent to an inventor through the United States Patent and Trademark Office. A patent is the grant of exclusive rights to a business in the United States, which is typically used to protect new and useful inventions. The cost of developing computer programs greatly exceeds the cost of their duplication [hereinafter cited as Final Report]. See also 29 PAT. TRADEMARK & COPYRIGHT J. (BNA) No. 705, at 28 (Nov. 15, 1984) (White House statement indicated cost of creating and marketing chips can be tens of millions of dollars, while others can copy these chips at a fraction of these costs).


sive property rights for a limited time to prevent others from making, using, or selling the patent owner's invention in the United States.\textsuperscript{14} In return for these rights, a description of the invention is published and made publicly available.\textsuperscript{15} The underlying rationale of patent law is the creation of a public contract under which the inventor discloses his invention to the world in return for exclusive rights in the invention for a limited time.\textsuperscript{16} The potential benefits arising from issuance of a patent on scientific and technological advances encourages such advances.\textsuperscript{17}

Three types of patents may be granted under patent law: plant patents, which protect certain types of asexually reproducing plants;\textsuperscript{18} design patents, which protect ornamental designs;\textsuperscript{19} and utility patents, which protect the underlying idea embodied in the invention.\textsuperscript{20}

Plant patents can be granted for the invention or discovery of an asexually reproducing plant.\textsuperscript{21} This patent gives the owner "the right to exclude others from asexually reproducing the plant or selling or using the plant so reproduced."\textsuperscript{22}

Design patents can be obtained for articles of manufacture that embody new and original ornamental designs.\textsuperscript{23} The test to determine if the design is new is whether the average observer would consider the design to be new as opposed to being merely a modification of an existing design.\textsuperscript{24} In addition, the design must represent more

\begin{itemize}
\item \textsuperscript{14} Id. § 154. It is important to note that a United States patent is without extraterritorial effect.
\item \textsuperscript{15} For the type of description of the invention that must be contained in a patent, see id. §§ 112, 113.
\item \textsuperscript{16} Photo Elecs. Corp. v. England, 581 F.2d 772, 775 (9th Cir. 1978).
\item \textsuperscript{17} See A. Choate & W. Francis, supra note 2, at 77; 12 A. R. Milgrim, Business Organizations, Milgrim on Trade Secrets, § 9.02[1], at 9-14 (1984).
\item \textsuperscript{19} 35 U.S.C. § 171 (1982).
\item \textsuperscript{20} Id. §§ 101-103. These sections set forth the statutory requirements for a utility patent.
\item \textsuperscript{21} Id. § 161.
\item \textsuperscript{22} Id. § 163. These rights last for 17 years from the issuance of a patent. Id. § 154.
\item \textsuperscript{23} Id. § 171. The term of a design patent is 14 years. For a general discussion of design patents, see 1 P. Rosenberg, supra note 18, § 6.01[5], at 6-25 to 6-31.
\item \textsuperscript{24} Schnadig Corp. v. Gaines Mfg. Co., 494 F.2d 383, 389 (6th Cir. 1974).
\end{itemize}
than the skill of the average designer. A mere change in finish, labor, or workmanship is not sufficient to meet this requirement, and judicial decisions have disallowed patent protection for designs that are merely simulative of known objects.

Utility patents are the most widely sought and most valuable type of patents. To qualify for protection under a utility patent, an invention must be new or novel. Only one patent can be issued for a single invention even if several people independently invent the same thing. Thus, the inventor generally must be the first person to invent the subject matter of the patent.

The term "invention" is a term of art with a distinct legal meaning. The inventor must conceive the idea, generally by creating written notes or diagrams, or by actual experiments. This conception then must be transformed into an actual working prototype of the invention that is tested or used in the intended environment before an invention exists within the legal definition. The construction and utilization of the invention is known as "actual reduction to practice." "Constructive reduction to practice," generally defined as the filing of a patent application, also satisfies the definition of an invention, even though the invention may never actually

26 See, e.g., In re Hall, 69 F.2d 660, 661 (C.C.P.A. 1934) (new blending or arrangement of colors alone is not patentable).
27 See, e.g., Smith v. Whitman Saddle Co., 148 U.S. 674, 679 (1893) (paper weight or ink stand that is a copy of well known building not patentable).
29 See id. § 135. For regulations used by the Patent and Trademark Office to determine who the first inventor is for purposes of determining who is entitled to receive a patent, see 37 C.F.R. §§ 1.201 to 1.2088 (1983).
30 See 35 U.S.C. § 102(c), (g) (1982) (first inventor may lose right to apply for a patent if invention is abandoned, suppressed, or concealed). Although only the first inventor normally can obtain a patent on an invention, in some cases a subsequent inventor may obtain a patent on the same invention. An invention that is kept secret and eventually abandoned may be considered "lost art" that will not bar a subsequent inventor from getting a patent even though the later inventor is not the first inventor. Gayler v. Wilder, 51 U.S. (10 How.) 477, 496-98 (1850).
31 Invention requires both conception, which is the complete mental act of formulating the invention, and reduction to practice, which is actually constructing and using the invention. Rohm & Haas Co. v. Dawson Chemical Co., 557 F. Supp. 739, 802-03 (S.D. Tex. 1983). See also Rex Chain Belt, Inc. v. Borg-Warner, 477 F.2d 481, 487 (7th Cir. 1973).
32 "In general, conception is the mental activity of inventing or the creation or discovery and the new idea in a specific tangible means or way of carrying out the new idea." R. Choate & W. Francis, supra note 2, at 117.
33 Farrand Optical Co. v. United States, 325 F.2d 328, 331 (2d Cir. 1963) (general rule requires tests under actual working conditions). See also Paine v. Inoue, 195 U.S.P.Q. 598, 604 (Bd. Pat. Int. 1976) (must show invention is workable under actual conditions it is intended to operate under).
have been built or tested in any form.\textsuperscript{35}

For a new invention to be deemed patentable it also must be useful.\textsuperscript{36} This is referred to as the utility requirement and requires that the invention accomplish at least one of its objectives\textsuperscript{37} regardless of how well it meets this objective or whether the invention is commercially desirable or profitable.\textsuperscript{38} In actual practice the utility requirement is almost always met as long as some use is evident.\textsuperscript{39} The rejection of an invention on lack of utility grounds is reserved in most cases for devices purporting to be perpetual motion machines because such devices are inherently inoperative, and therefore, lack usefulness.\textsuperscript{40}

Congress has limited patentable inventions to those that fall within certain specific statutory classes. To be patentable, an invention must be a “process,” “machine,” “manufacture,” “composition of matter,” or an “improvement” of something within the aforementioned classes.\textsuperscript{41} Generally, a process is a tangible method comprising a series of steps or acts that are used to transform or change some particular subject matter. An example of a typical process is a novel series of steps for curing rubber in an industrial plant.\textsuperscript{42} A machine generally is a structure or device, such as a sewing machine, that incorporates moving parts.\textsuperscript{43} A composition of matter results from the uniting of two or more ingredients, either chemically or physically, to produce a new and homogeneous mass. This new composition of matter can be a new chemical compound or a new living organism.\textsuperscript{44} Finally, a manufacture is any tangible object made by man other than a machine or composition of matter.\textsuperscript{45}

It is rarely necessary to know precisely which class an invention

\textsuperscript{35} See Solvex Corp. v. Freeman, 199 U.S.P.Q. 797, 805 (W.D. Va. 1976) (invention need not be actually constructed and used to be patentable); Ex parte Frank, 191 U.S.P.Q. 412, 413 (P.T.O. Bd. App. 1975) (filing of application is constructive reduction to practice).
\textsuperscript{38} 1 P. ROSENBERG, supra note 18, § 8.03, at 8-7 (economic or commercial value of invention not relevant to utility). See generally International Glass Co. v. United States, 159 U.S.P.Q. 434, 440-41 n.8 (Ct. Cl. 1968) (successful reduction to practice establishes existence of invention without regard to commercial use of invention).
\textsuperscript{39} See, e.g., Ex parte Murphy, 200 U.S.P.Q. 801, 802 (P.T.O. Bd. App. 1977) (in many states even illegal use satisfies the utility requirement).
\textsuperscript{40} See Technitrol Inc. v. Control Data Corp., 550 F.2d 992, 997 (4th Cir. 1977), cert. denied, 434 U.S. 822 (1978) (device has no utility if it does not work).
\textsuperscript{41} 35 U.S.C. § 101 (1982). See also 42 U.S.C. § 2181(a) (1982) (bars obtaining a patent on an otherwise patentable invention “which is useful solely in the utilization of special nuclear material or atomic energy in an atomic weapon”).
\textsuperscript{42} See Diamond v. Diehr, 450 U.S. 175, 177 (1981).
\textsuperscript{43} Burr v. Duryee, 68 U.S. (1 Wall) 531, 570-71 (1863).
\textsuperscript{45} In American Fruit Growers v. Brogdex Co., 283 U.S. 1, 11 (1931), a "manufacture" was defined as an article produced from raw or prepared materials as a result of giving such materials new forms, qualities, or properties.
falls within as long as it clearly falls within at least one class. Judicial decisions, however, have placed specific limitations on the above statutory classes and have made it clear that mere printed matter,\(^46\) scientific principles,\(^47\) things naturally occurring in nature,\(^48\) mental processes, mathematical algorithms,\(^49\) and methods of doing business\(^50\) are not included, and therefore, are not patentable.

For an invention that is new, useful, and within a statutory class to be deemed patentable, it must represent more than the exercise of the ordinary skill normally associated with the person working in the field of the invention.\(^51\) The required level of skill may vary depending upon the type of invention involved. In the field of electronics, for example, the level of ordinary skill may be very high because highly trained electronics engineers usually are employed. The level of skill may be lower in the field of chair design because the average person working in this field typically is less highly skilled.\(^52\) This level of inventiveness requirement, which is referred to as the "non-obvious requirement," is in practice the major hurdle that separates patentable from nonpatentable inventions.\(^53\) The actual requirement for the level of inventiveness or nonobviousness appears in a single section of the patent law:

A patent may not be obtained ... if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.\(^54\)

A landmark Supreme Court decision\(^55\) established the following procedure for applying the nonobvious requirement: (1) the scope and content of the prior art\(^56\) in the field of the invention is deter-

\(^{46}\) Conover v. Coe, 90 F.2d 377, 379 (D.C. Cir. 1938) (arrangement of printed matter not patentable).
\(^{49}\) Diehr, 450 U.S. at 191 (mathematic formula by itself not patentable).
\(^{50}\) Conover, 99 F.2d at 379 (method of doing business not patentable).
\(^{52}\) Dann v. Johnston, 425 U.S. 219, 229 (1976) (must look to person reasonably skilled in an applicable art); Robbins Co. v. Dresser Indus., Inc., 554 F.2d 1289, 1294 (5th Cir. 1977) (finds level of skill for mining engineers high since typical engineer has four years of college training in engineering).
\(^{53}\) The importance of the nonobviousness requirement and the difficulty of applying it is evidenced by entire books written on this requirement. See, e.g., J. WITHERSPOON, NONOBVIOUSNESS—THE ULTIMATE CONDITION OF PATENTABILITY (1980).
\(^{56}\) Prior art is a technical term that describes the body of knowledge the person skilled in the field of the invention is held to know. It generally includes technical knowledge normally possessed by someone skilled in the field, and issued patents, books, and
mined; (2) the difference between the prior art and the invention sought to be patented is determined; (3) the level of ordinary skill at the time of invention in the field of the invention is determined; and (4) finally, the invention is found to be obvious or nonobvious, as a matter of law, based upon the above determinations. The determination of the scope and content of the prior art, the difference between prior art and the invention in question, and the level of ordinary skill in the field are all questions of fact, which often are established by expert testimony. The ultimate question of obviousness, however, is a question of law based upon the previously determined factual determinations.

Other factors, commonly referred to as "secondary considerations," such as long-felt need, commercial success, failure of others, the number of unsuccessful efforts by others, whether success came independently to several inventors at about the same time, synergism, and the extent to which the invention supplanted what had gone before, are always relevant to the issue of obviousness. Pragmatically, these considerations are the most important factors for convincing the United States Patent and Trademark Office or a court that an invention is not obvious. Although the reliance and appropriate use of secondary considerations has been disputed widely by courts and commentators, recent decisions have stated categorically that these secondary considerations are always relevant in an obviousness determination.

Despite the existence of an otherwise patentable invention, certain statutory limitations exist that may bar the issuance of a patent. If the invention is publicly available or accessible, or actually used in other publicly available documents that are relevant to the field of the invention even if not actually known by someone skilled in the field. See E. Kitch & H. Perlman, Legal Regulation of the Competitive Process 891 (1979).

See also Union Carbide Corp. v. American Can Co., 220 U.S.P.Q. 584, 588 (Fed. Cir. 1984) (inventor presumed to know all art in his field of endeavor and only art from other fields that is reasonably pertinent to his invention). Prior art includes patents that an inventor with ordinary skill in the art would be aware of. Id. at 591 & n.6; In re Van Wanderham, 378 F.2d 981, 986 (C.C.P.A. 1967) (inventor held to know only information in relevant fields rather than information in all fields). See also Union Carbide, 220 U.S.P.Q. at 591.


59 Parker, 524 F.2d at 531; Tokyo Shibaura, 548 F.2d at 93. See also Union Carbide, 220 U.S.P.Q. at 589.

60 Graham, 383 U.S. at 717-18 (secondary considerations may have relevance as indicia of obviousness or nonobviousness); Union Carbide, 220 U.S.P.Q. at 591 (obviousness determination requires consideration of all evidence including secondary considerations).

61 Compare In re Lange, 228 F.2d 245 (C.C.P.A. 1955) (commercial success can be relied on to establish patentability only when it is an otherwise doubtful case) with Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530 (Fed. Cir. 1983) and In re Sernaker, 702 F.2d 989 (Fed. Cir. 1983) (evidence of secondary considerations, when present, always must be considered with regard to obviousness).
public at least once in the United States before the date of the inven-
tion by someone other than the inventor, the inventor is not entitled
to a patent. Actual knowledge by the inventor of this prior public
availability or use by someone else is not relevant. Prior public use
or availability outside the United States of which the inventor is un-
aware will not prevent issuance of a patent. If a description of the
invention has been published anywhere in the world or if any country
has issued a patent for the invention prior to the inventor's date of
invention, however, a patent cannot be obtained. Additionally,
seeking a foreign patent before applying for a United States patent
may prevent issuance of a patent in the United States.

Although the first inventor is usually entitled to a patent, a sub-
sequent inventor may become entitled to the patent if the first inven-
tor failed either to construct the invention diligently or to file a
patent application. This rule encourages prompt filing of patent
applications to ensure rapid disclosure of inventions to the public.
The encouragement to file is very strong because lack of diligence
may lead to forfeiture of the right to file a patent application. Fi-
ally, an inventor must file a patent application within one year of
any public use, sale, or published description of the invention. These
restrictions ensure prompt filing of patent applications to in-
crease the public’s knowledge as quickly as possible while limiting
the duration of the monopoly granted to an inventor.

The procedure for obtaining a patent involves several general
steps. Usually a patent attorney or agent will draft a short written
description with accompanying diagrams that describes the inven-
tion. A patent search will be conducted to determine if the invention
is in fact new or if other similar ideas or products exist that would
negate the patentability of the invention. Initially, a patent search

---

single well-defined case of public use is all that is required to establish public use).
64 Id. § 102(d). See also id. § 185, which bars issuance of U.S. patent if a foreign patent
is applied for without first procuring a filing license for such foreign filing under 35 U.S.C.
§ 184 (1982).
65 Id. § 102(g).
66 Id. § 102(b).
67 See generally Metallizing Eng’g Co. v. Kenyon Bearing & Auto Parts Co., 153 F.2d
516, 520 (2d Cir.), cert. denied, 328 U.S. 840 (1946) (concealment of invention will result in
loss of right to get patent); International Glass, 159 U.S.P.Q. at 440-41 (completed invention
is abandoned, suppressed, or concealed if it is not subject of patent application or public
disclosure within reasonable time after completion).
68 To represent clients before the U.S. Patent and Trademark Office, one must have a
technical background and pass an examination given twice a year by the Patent and Trade-
mark Office. After passing the exam the representative will be registered as a patent attor-
ney if he is also an attorney, or as a patent agent if he is not an attorney. 37 C.F.R. § 1.341
(1983).
69 See Ollerenshaw, How To Perform a Patent Search: A Step by Step Guide for the Inventor,
73 L. LIBRARY J. 1 (1980) (describes how to perform a manual patent search). See also W.
will involve an examination of issued United States patents, comprising over four million patents to date, which are classified into numerous categories known as classes and subclasses.

The search can also be extended to foreign patents, technical journals, and any other publicly accessible information sources. Traditionally, searches are limited to United States patents because of cost and inaccessibility. The ubiquity of computer-assisted research, however, has resulted in improved search capability at a reduced cost. Computer databases, available for every conceivable area of technology, are easily searched in minutes via any small computer linked to the database by a telephone.\(^70\)

The patent attorney or agent and the inventor evaluate search results to determine the merits of proceeding with filing a patent application. If appropriate, a patent application may be drafted by the patent attorney or agent. This application will contain various sections and drawings that describe the invention and teach someone who is skilled in the art how to use the invention.\(^71\) The application will conclude with patent "claims," which are highly specialized statements that legally define the metes and bounds of the invention for which patent protection is sought.\(^72\)

KONOID, B. TITTEL, D. FREI & D. STALLARD, WHAT EVERY ENGINEER SHOULD KNOW ABOUT PATENTS 17-23 (1979) (describes types of patent searches).

\(^70\) Access to information about a myriad of technical databases and databases containing patents are available from the following companies: Dialog Information Services, Inc., 3460 Hillview Avenue, Palo Alto, Cal. 94304; System Development Corporation, 2500 Colorado Avenue, Santa Monica, Cal. 90406; Bibliographic Retrieval Services, 1200 Route 7, Latham, N.Y. 12110; and Mead Data Central, 200 Park Avenue, New York, N.Y. 10166.

\(^71\) For the mandatory description and drawings of a patent application, see 35 U.S.C. §§ 112, 113 (1982). See also W. KONOID, supra note 69, at 24-28 (describes briefly how a patent application is prepared and what it contains).


A claim is written in a highly stylized format, as illustrated by the following claim for an improved finger-operated pump sprayer such as the type used on a bottle of hair spray:

In a closure assembly for an open-top [sic] container having a perforated cap over said open top thereof mounting a spray unit including a barrel provided with a tubular extension passing coaxially upwardly through the perforation in said cap, a plunger reciprocably carried by the barrel and normally extending therebeyond and a spray head on the upper head of the plunger above said extension, the combination with said spray unit of an annular retainer telescoped over and secured to the extension above said cap and provided with external, circumferentially disposed screw threads and an annular, continuous segment at the upper part of the retainer above said screw threads, and a cup-shaped hold-down member housing the head and holding the plunger depressed at substantially the innermost path of travel thereof within the barrel, said member being provided with internal screw threads complementally engaging said screw threads on the retainer and having an internal, circumferentially extending, continuous shoulder disposed to engage said segment around the entire periphery thereof and thereby present a liquid-tight seal located between the spray head and said threads on the retainer and said member respectively, said shoulder being spaced from the lower annular peripheral edge of the member a distance at least slightly less
Once the application is received and executed by the inventor, it is filed in the United States Patent Trademark Office in Washington, D.C. It is reviewed to determine if all required parts are included, and it is ultimately assigned to a patent examiner in the Patent and Trademark Office who performs a search. Based on this search and on the provisions of the patent law, the examiner issues a written report, called an office action, which grants a patent on the invention or states the reason for rejection of the application. Depending upon the area of technology involved, it typically takes anywhere from six months to two years for an initial office action to be issued.

If the office action rejects the patent application, the application may be amended and arguments presented in person and in writing to persuade the patent examiner to grant a patent. The examiner will issue a final office action in response to these arguments and amendments within three months to a year. Such action will allow the issuance of a patent or explain the reason for rejecting the application again. An administrative hearing may be obtained before the Patent and Trademark Office Board of Appeals upon final rejection for review of the examiner's decision. Judicial review in the federal courts is subsequently available, and certiorari to the Supreme Court is possible in an appropriate case.

Once a patent issues, it is published and publicly available. The inventor or patent owner has the right for seventeen years from the date of issue to prevent anyone from making, using, or selling the invention within the United States. The seventeen-year mo-


R. Choate & W. Francis, supra note 2, at 587-88. See generally W. Koid, supra note 69, at 29-33 (describes the handling of a patent by the U.S. Patents and Trademark Office).


37 C.F.R. §§ 1.191 to 1.198 (1983) (procedure before Board of Appeals). See also W. Koid, supra note 69, at 32.


See W. Koid, supra note 69, at 32. See also Cohen, supra note 72, at 21. For copy of a U.S. patent issued for gunpowder charge and projectile container, see 1 P. Rosenberg, supra note 18, app. A5 to A7.

nopoly is a negative monopoly entitling the patent owner to prevent others from using the invention. It does not automatically give the right to freely use the invention if the use of another patented invention is involved. This distinction is important in the case of a patented improvement to an existing patented invention where use of the improvement necessitates use of the underlying invention. In this situation the owner of the improvement patent can prevent anyone from making use of the improvement, but the owner of the improvement cannot use his patent absent permission of the owner of the underlying patent. Additionally, the right to enforce the negative monopoly begins when a patent issues, not when a patent application is filed. Although many inventions include notices, such as "patent pending" or "patent applied for," such notices do not legally bar anyone from copying or using the invention.

A significant limitation of United States patent law is that it is without extraterritorial effect. Therefore, if a product is useful outside the United States, a foreign patent application should be filed in those foreign countries where marketing potential exists. Although patent law of most countries contains numerous similarities, United States patent law has certain unique aspects. First, United States patent law permits an application to be filed within one year of public disclosure of an invention. Most foreign jurisdictions, however, do not allow a patent to issue once any public disclosure of the invention has occurred. Additionally, many foreign countries publish filed patent applications and allow anyone to advance valid reasons opposing the issuance of a patent. The United States, however, maintains all patent proceedings in absolute secrecy.

---

82 See W. Konoid, supra note 69, at 3. Assume X gets the first patent on a stool that has a seat and four legs. Then Y gets a patent on an improved stool that has a seat, four legs, and a chair back. Y can use his patent to prevent anyone from making, using, or selling a stool that has a seat, four legs, and a chair back, but Y cannot make, use, or sell the stool covered by his patent, because it will infringe X's patent. Id.

83 1 P. Rosenberg, supra note 18, § 1.02, at 1-5.

84 R. Wincor & I. Mandell, Copyright, Patents and Trademarks: The Protection of Intellectual and Industrial Property 43 (1980) (these notices simply inform the public that a patent application has been filed; legally enforceable patent rights do not arise until a patent has actually been granted). See 35 U.S.C. § 292 (1982) (use of these notices to deceive public when no application has been filed can result in a fine of up to $500).

85 35 U.S.C. § 154 (1982) (patent grants the "right to exclude others from making, using or selling the invention throughout the United States").

86 2 P. Rosenberg, supra note 18, § 18.04, at 18-7. It should be noted, however, that just because a patent is granted in one country does not mean that it would be granted in another country, since countries have their own national patent systems.


89 2 P. Rosenberg, supra note 18, § 19.02[2], at 19-25. For example, Japan publishes patent applications within eighteen months of filing and the public can present information to patent office in opposition to patent application.
Despite the obvious advantages of obtaining patent protection, serious problems exist with the use of patent law. The United States Patent and Trademark Office typically takes several years to issue a patent, and despite serious efforts to reduce this time period, the ultimate goal of an eighteen-month pendency is still inadequate. This delay can render an issued patent worthless. In the field of electronics and software, for example, technical advances are so rapid that a product may be obsolete by the time a patent issues. Additionally, the extensive cost of obtaining a patent limits the ability of solo inventors to seek patent protection for new innovations. The costs for large corporations can also be extensive because international business dealings may require that patent protection be sought in many countries in addition to the United States.

In the past the various courts of appeals have had disparate interpretations of the patent law. Because the Supreme Court rarely agrees to hear patent cases, this led to uncertainty in the enforcement of patent law. The future of patent law in the United States looks very promising, however, since Congress has attempted to ensure uniformity by granting appellate jurisdiction for all patent matters to a single federal court.

III. Copyright Law

Copyright is a form of legal protection authorized by the Consti-

---

92 Despite modernization of the Patent and Trademark Office and resulting increases in efficiency, the deputy commissioner of patents and trademarks has indicated that the goal of the office is to achieve an eighteen-month pendency for applications by 1987. Conference Reviews; PTO Rule Changes, 26 PAT. TRADEMARK & COPYRIGHT J. (BNA) No. 649, at 507 (Oct. 6, 1983).
93 See Bender, supra note 91, at 424 n.1 (cost of obtaining a patent can be as high as one hundred thousand dollars).
94 See, e.g., 12A R. MILGRIM, supra note 17, § 9.02[7][a], at 9-51 (to obtain patent protection of a moderately complex electronic invention in key industrial foreign nations could cost up to fifty thousand dollars).
tution\textsuperscript{97} which protects the form of expression of certain types of original works of authorship, such as books, music, artistic creations, sound recordings, or computer software.\textsuperscript{98} The underlying purpose of copyright is the belief that a grant to authors of some exclusive rights in their works will give them an incentive to create, and the public will be enriched.\textsuperscript{99}

The basic distinction between patent and copyright protection lies in the scope and extent of protection and the difficulty in obtaining each type of protection. Copyright protects only the form of expressing an explanation, idea, system, or artistic creation; patent protection may extend to an embodiment of the underlying idea or system.\textsuperscript{100} Despite its limits, copyright protection is established automatically once property within the copyright law is created.\textsuperscript{101} In contrast, patent protection is obtained only after the lengthy and costly process of filing and pursuing a patent application to issuance.\textsuperscript{102}

Prior to the enactment of the Copyright Act of 1976\textsuperscript{103} a dual system of copyright protection existed in the United States.\textsuperscript{104} Under this dual system state common law copyright applied prior to

\textsuperscript{97} See U.S. Const. art. I, § 8, cl. 8.
\textsuperscript{99} Sony, 104 S. Ct. at 806-07 (Blackmun, J., dissenting); see also id. at 782 (creative advances are secured to public by providing rewards to creators as incentives to create); Goldstein, 412 U.S. at 555 (Congress may reward authors to encourage intellectual and artistic creations).
\textsuperscript{102} See supra notes 91, 93, 94 and accompanying text.
publication, and federal copyright law applied subsequent to publication of a protected work. This system was replaced by the 1976 Act, which establishes an automatic statutory copyright under federal law once a work covered by the Act is created.

For a work to be within the domain of copyright law certain criteria must be met. The Constitution allows the law to extend copyright protection to all "writings" of an author. This provision probably stems from the original application of copyright to written works, such as books. Courts, however, have construed writings liberally to include all forms of writing, printing, engraving, and etching, photographs, motion pictures, and even three-dimensional objects. The Supreme Court has stated that writings "include any physical rendering of the fruits of the creative, intellectual or aesthetic labor."

This broad view of writings has been carried over into the Copyright Right, which extends protection to "works of authorship" rather than simply to writings. The Act explicitly states that works of authorship include: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomines and choreographic...
works;\textsuperscript{117} (5) pictorial, graphic, and sculptural works;\textsuperscript{118} (6) motion pictures and other audiovisual works;\textsuperscript{119} and (7) sound recordings.\textsuperscript{120} A careful reading of the Act makes it clear that these categories are merely illustrative,\textsuperscript{121} although a broad interpretation of these categories probably includes most works that conceivably qualify for copyright protection.\textsuperscript{122}

To obtain copyright protection the work of authorship also must be an original creation of the author in the sense that the work resulted from the author’s own intellectual effort and represents at least a modicum of creativity.\textsuperscript{123} Although the creativity requirement is minimal, trademarks,\textsuperscript{124} blank charts for recording facts,\textsuperscript{125} simple directions dictated by functional considerations,\textsuperscript{126} names, titles, or short phrases,\textsuperscript{127} and computing devices, such as a slide

\begin{itemize}
  \item \textsuperscript{118} 17 U.S.C. § 102(a)(5) (1982). “Pictorial, graphic and sculptural works include two-dimensional and three-dimensional works of fine graphic and applied art, photographs, prints and art reproductions, maps, globes, charts, technical drawings, diagrams and models.” Id. § 101. If the work is a useful article, the copyrightable design must be separable from the utilitarian aspect of the article.
  \item \textsuperscript{119} Id. § 102(a)(6). “Audiovisual works are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any.” Id. § 101. “Motion pictures are audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.” Id.
  \item \textsuperscript{120} Id. § 102(a)(7). “Sound recordings are works that result from fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual works.” Id. § 101.
  \item \textsuperscript{121} Section 102(a) states that works of authorship include the categories discussed supra in notes 114-20, and § 101 defines “including” to be only illustrative. 17 U.S.C. §§ 101, 102(a) (1982).
  \item \textsuperscript{122} But see Nichols v. Universal Pictures Corp., 45 F.2d 119, 121 (2d Cir. 1930) (fully developed literary characters are protectable apart from the stories in which they originally appear). Such characters do not necessarily fall within the categories listed in 17 U.S.C. § 102(a) (1982).
  \item \textsuperscript{124} Trade-Mark Cases, 100 U.S. 82, 93-94 (1879).
  \item \textsuperscript{126} E.H. Tate Co. v. Jiffy Enters., Inc., 16 F.R.D. 571, 573 (E.D. Pa. 1954) (directions that stated “Apply hook to wall” not copyrightable).
  \item \textsuperscript{127} Kitchens of Sara Lee, Inc. v. Nifty Foods Corp., 266 F.2d 541, 544 (2d Cir. 1959). See also U.S. Copyright Office Circular R32, Blank Forms and Other Works Not Protected by Copyright (Mar. 1982); U.S. Copyright Office Circular R34, Copyright Protection Not Available for Names, Titles or Short Phrases (Sept. 1982). But see Pattishall, Protection of Labels Through
rule, have all been determined to lack sufficient creativity to be copyrightable.

It is important to distinguish this originality requirement from the novelty requirement of patent law, which requires one to be the first inventor of the patentable subject matter. Originality under copyright merely requires that the author create the work of authorship independently without copying a preexisting work. Theoretically, several people could obtain copyrights on identical works of authorship as long as each person created the work independently. This differs from patent law, which permits only one patent to issue for an invention.

Additionally, the original work of authorship must be fixed in some tangible medium of expression. This fixation requirement is satisfied when the work is embodied in some physical form or device such as a book, videotape, photograph, or computer disk. An otherwise copyrightable work, absent fixation, falls outside the Copyright Act and can be subject to state law because the Act preempts only state laws or rights that affect works of authorship within the domain of the Act.

Once the work falls within the protection of the Act, a broad array of rights, subject to certain explicit limitations, qualifications, and exemptions, accrue to the copyright owner. These rights, explicitly listed in the Act, are the rights of: (1) reproduction; (2) adaptation; (3) public distribution; (4) public per-
formance;\textsuperscript{142} and (5) public display.\textsuperscript{143}

The reproduction right allows the copyright owner to control the reproduction of the protected work in copies or phonorecords, which are defined to mean material objects embodying the copyrighted work with some permanence.\textsuperscript{144} This right prohibits, for example, the unauthorized photocopying of a copyrighted publication, the recording of copyrighted television broadcasts, and the reproduction of a read only memory (ROM)\textsuperscript{145} which embodies a protected computer program.\textsuperscript{146} This right explicitly prohibits the making of even a single, unauthorized copy. In addition, it is irrelevant whether the unauthorized copy is publicly used or merely made and used in private, such as when a record is copied onto a cassette tape.

Several distinct exceptions exist that allow reproductions that otherwise would be infringing. Generally, libraries and archives may make reproductions of copyrighted work, for limited purposes, without permission. The copy must not be for commercial purposes, the library must be open to the public, and the copy must include a notice that the work is protected by copyright law.\textsuperscript{147} In the case of certain phonorecords of musical works that are distributed publicly in the United States, the copyright owner must provide a license for reproduction in return for fixed royalty payments.\textsuperscript{148} The right to control the reproduction of sound recordings is also limited because it does not extend to the independent re-creation of the sounds.\textsuperscript{149}

Finally, the input of a computer program into a computer in violation of the reproduction right is not actionable, because such action specifically is permitted when performed during the normal utilization of a program.\textsuperscript{150} This computer program exception is es-

\textsuperscript{142} Id. \textsection 106(4).
\textsuperscript{143} Id. \textsection 106(5).
\textsuperscript{144} For definitions of "copies" and "phonorecords," see id. \textsection 101. Phonorecords include phonograph records, open-reel tape, cartridges, cassettes, and piano rolls. See also 2 M. Nimmer, supra note 2, \textsection 8.05[A], at 8-85 n.4.
\textsuperscript{145} A ROM is a small electronic device that produces specific outputs in response to externally supplied data. These outputs result in the execution of certain instructions within the computer.
\textsuperscript{146} See Apple Computer, 714 F.2d at 1249.
\textsuperscript{147} 17 U.S.C. \textsection 108 (1982).
\textsuperscript{148} Id. \textsection 115. The Copyright Act established the Copyright Royalty Tribunal to set the amount of royalties. Id. \textsection\textsection 801-810.
\textsuperscript{149} Id. \textsection 114.

Sound recordings are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as discs, tapes or other phonorecords, in which they are embodied.

Id. \textsection 101. In addition, commercial establishments that rent sound recordings for home copying must pay royalties. Rental Record Amendment of 1984, Pub. L. No. 98-450, 98 Stat. 1727 (amending 17 U.S.C. \textsection\textsection 109, 115 (1982)).
\textsuperscript{150} 17 U.S.C. \textsection 117 (1982). This exception, however, only applies to use of the pro-
sential because the normal use of a program, such as one contained on a floppy disk, requires copying of the program by a computer before it can be used by the computer.\footnote{See Final Report, supra note 11, at 62. Generally, computers use machine language although computer programs are written in a higher level language. Therefore, the computer must translate or convert the high level language into machine language before it can utilize the program. This conversion constitutes the making of a copy that would violate the reproduction right absent the exception contained in 17 U.S.C. § 117 (1982).}

The adaptation right allows the copyright owner to control the transformation or adaptation of the copyrighted work into another form. Typical examples would be turning a book into a motion picture, translating a literary work into another language, altering a musical arrangement by changes in the lyrics, or abridging a novel.\footnote{See 17 U.S.C. § 101 (1982) (definition of “derivative” works for the types of adaptations that are covered by the adaptation right).} This right, however, is limited for sound recordings.\footnote{Id. § 114(d).} The adaptation right for such recordings is limited to rearranging, remixing, or otherwise altering the sequence or quality of the sounds.\footnote{Id. § 114(b).} Neither independent re-creation of the sounds contained in a sound recording nor use of sound recordings in certain educational radio and television programs violates the adaptation right.\footnote{Id. § 114(b).} In addition, the computer exception to the reproduction right applies equally to the adaptation right, because a computer program often must be adapted internally by a computer before it can be used by the computer.\footnote{Id. § 117.}

Despite the broadness of the adaptation right, it must be noted that a portion of the copyrighted work must be incorporated into the new work for it to violate the adaptation right.\footnote{House Report 1476, supra note 100, at 62, 1976 U.S. Code Cong. & Ad. News at 5675.} Therefore, a movie version of a novel may violate the adaptation right, but a musical composition inspired by a novel ordinarily would not violate the right, because it usually would not contain any part of the novel.\footnote{17 U.S.C. § 106(1) (1982).} Although the reproduction and adaptation rights overlap in many cases, the adaptation right extends to one area outside the domain of the reproduction right. To violate the reproduction right, the resulting reproduction must be fixed in some tangible form in a copy or phonorecord.\footnote{See id.} The adaptation right, however, does not have such
a fixation requirement. Therefore, a pantomime or improvised performance based on a copyrighted work may violate the adaptation right, but not the reproduction right.\textsuperscript{160}

Adapting copyrighted works into a new form is complicated by the fact that the transformed work can be the subject of more than one copyright. The creator of the original work owns a copyright on the original work. If the owner of the copyright licenses someone else to adapt or transform the original work, the licensee will have a copyright in any new material added to the original underlying work.\textsuperscript{161} The owner, however, will still retain the copyright in the original work.\textsuperscript{162} A typical example occurs when an editor selects and edits a group of literary works and reprints them in an anthology with additional annotations about the works. The author of each literary work has a copyright in his or her work, and the editor has a copyright that extends to the selection, editorial changes, and arrangement of the works, and to the annotations incorporated into the anthology. The editor’s copyright, therefore, extends to the anthology as a whole, but not to the individual literary works contained within.

The distribution right grants the copyright owner the exclusive right to control the initial public distribution of copies or phonorecords of the protected work.\textsuperscript{163} This control extends broadly to the sale or other transfer of ownership and to the rental, leasing, or lending of the copies or phonorecords to the public.\textsuperscript{164} Once copies or phonorecords are distributed to the public by the copyright owner, however, the "first sale doctrine" extinguishes the distribution right of the copyright owner with regard to those lawfully obtained copies or phonorecords.\textsuperscript{165} These copies or phonorecords may be sold freely or transferred to anyone without violating the copyright owner’s distribution right, although the other distinct rights of the copyright owner remain intact. A typical example is the purchase of a textbook. The purchaser is free to resell or dispose of the textbook, because the distribution right of the copyright owner has been extinguished.\textsuperscript{166} Photocopying the book or incorporating substantial portions of the book into another work, however, still

\textsuperscript{160} Id. § 106(2). See also definition of "derivative" works. Id. § 101.

\textsuperscript{161} Id. § 103.


\textsuperscript{165} 17 U.S.C. § 109(a) (1982).

would be copyright infringement, because the reproduction\textsuperscript{167} and adaptation\textsuperscript{168} rights of the copyright owner remain in effect.

The performance right entitles the copyright owner to control public performances\textsuperscript{169} of copyrighted literary, musical, dramatic, and choreographic works, pantomines, motion pictures, and other audiovisual works. It is important to note that this performance right is more limited than the other rights discussed because it applies only to the categories listed above.\textsuperscript{170} Copyrighted material that falls outside these categories is not subject to protection under the performance right.\textsuperscript{171}

The performance right restricts only public performances, not private performances. Otherwise, every time a commercially purchased prerecorded videotape was played, the performance right would be violated. Because this would be counterproductive, the right is limited explicitly to public performances. The performance right, however, would be violated if a prerecorded videocassette was purchased and played in a public place, because this would be a public performance.\textsuperscript{172}

Numerous exemptions and limitations narrow the scope of the performance right. Performance of a copyrighted work by teachers or students in a face-to-face classroom setting of a nonprofit institution is not violative of the performance right.\textsuperscript{173} Educational broadcasts of nondramatic literary or musical works directed to government employees or classrooms for disabled persons unable to attend traditional classrooms also are not barred by the performance right.\textsuperscript{174} Religious institutions are specifically exempted from coverage by the performance right when certain types of literary or musical works are performed in the course of services at a place of worship or religious assembly.\textsuperscript{175} Nondramatic musical works may be performed freely at annual agricultural and horticultural fairs,\textsuperscript{176} and in stores for the sole purpose of promoting the sale of copies

\textsuperscript{168} Id. § 106(2).
\textsuperscript{169} Id. § 101 (defining a public performance).
\textsuperscript{170} Id. § 106(3).
\textsuperscript{171} See, e.g., id. § 114(a) (performance right does not apply to sound recording).
\textsuperscript{172} At least one commentator feels that the focus of “public” is not necessarily the size or location of the audience, but rather the availability of the copyrighted work to the public with the intent that members of the public will then perform the work, to the disadvantage of the copyright owner, even if such performance is in private. On this basis, public companies that rent prerecorded videocassettes may be liable for violation of the performance right as a consequence of their rental and subsequent use of the cassettes by individual customers. See 2 M. Nimmer, supra note 2, § 8.14[C], at 8-143 to 8-144.
\textsuperscript{174} Id. § 110(2).
and phonorecords of the work.\textsuperscript{177} Nondramatic literary works may be broadcast freely if done primarily for handicapped persons and without commercial motives.\textsuperscript{178} Additionally, this exception extends to dramatic literary works performed for blind persons.\textsuperscript{179}

Both nondramatic literary and musical works may be performed in the presence of any audience under the following circumstances. The performance must not have a commercial purpose; the performers, organizers, and promoters must not be compensated; and there must not be an admission charge or alternatively, the admission charge must be used for educational, religious, or charitable purposes if not objected to by the copyright owner.\textsuperscript{180} In all cases, however, nondramatic literary and musical works may be performed as part of a social function before a nonprofit veterans or fraternal organization if the public is not invited and the proceeds of the performance are used exclusively for a charitable purpose.\textsuperscript{181} The 1976 Copyright Act also provides that some otherwise infringing performances are subject to compulsory licenses so that the copyright owner is remunerated for use of the performance right, but cannot bar such exercise of the right. Public or educational broadcasters are entitled to a compulsory license to broadcast nondramatic musical works.\textsuperscript{182} The Act also provides a compulsory license for the performance of phonorecords in a jukebox.\textsuperscript{183}

Generally, the receiving and rebroadcast of radio or television signals, referred to as a "secondary transmission," is not a copyright violation if the local signal is merely transmitted at no charge to various private rooms of hotel guests or apartment house residents.\textsuperscript{184} Such a secondary transmission to the public or even to a select group, such as a closed circuit cable television broadcast to a theatre, however, violates the performance right of the copyright owner.\textsuperscript{185} In the case of cable systems, local signals may be rebroadcast freely as a secondary transmission, while nonlocal signals may be rebroadcast only under a compulsory license.\textsuperscript{186}

Finally, a copyright owner is entitled to the right to publicly display\textsuperscript{187} literary, musical, dramatic, and choreographic works, pantomines, and pictorial, graphic, or sculptural works, including in-

\textsuperscript{177} \textit{Id.} § 110(7).
\textsuperscript{178} \textit{Id.} § 110(8).
\textsuperscript{179} \textit{Id.} § 110(9).
\textsuperscript{180} \textit{Id.} § 110(4).
\textsuperscript{181} \textit{Id.} § 110(10).
\textsuperscript{182} \textit{Id.} § 118 (parties must agree on license royalties or they are determined by the Copyright Royalty Tribunal).
\textsuperscript{183} \textit{Id.} § 116.
\textsuperscript{184} \textit{Id.} § 111.
\textsuperscript{185} \textit{Id.}
\textsuperscript{186} \textit{Id.} § 111(d).
\textsuperscript{187} See \textit{id.} § 101 for definitions of "display" and to "publicly display."
individual images of a motion picture, or other audiovisual works. Despite the display right, the lawful owner of a copyrighted work may freely display that work to viewers at the location of the copy provided the display does not amount to a secondary transmission.\textsuperscript{188} The exemptions from the performance right for face-to-face teaching activities\textsuperscript{189} and the performance of certain literary and musical works in the course of educational broadcasts\textsuperscript{190} or in the course of religious services\textsuperscript{191} also apply to the display right. The secondary transmission exemptions discussed above with regard to the performance right and the right to a compulsory license for cable systems apply equally to the display right.\textsuperscript{192}

In addition to the various limitations of a copyright owner’s rights already discussed, a major exception to the rights of the copyright owner is the “fair use doctrine.”\textsuperscript{193} This judicially created doctrine, which was explicitly codified in the 1976 Copyright Act, provides that the reproduction, adaptation, distribution, performance, and display rights may be exercised with regard to copyrighted material for “criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research,” provided such use is a fair use.\textsuperscript{194} The underlying rationale of this doctrine recognizes that situations exist where copying should be allowed to prevent inhibiting the purpose of copyright, which is to enrich the public.\textsuperscript{195} Additionally, the fair use doctrine provides a means of resolving conflicts between the copyright law, which restricts expression of an idea, and the first amendment, which grants freedom of speech.\textsuperscript{196}

The Act lists the following factors to be evaluated in determining fair use:

1. the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

\textsuperscript{188} See \textit{Sony}, 104 S. Ct. at 807 (Blackmun, J., dissenting).
(2) the nature of the copyrighted work;
(3) the amount and substantiality of the portion used in relation to
the copyrighted work as a whole; and
(4) the effect of the use upon the potential market for or value of the
copyrighted work. 197

It is clear from the Act that the above factors should always be con-
sidered, although additional factors may also be examined in an ap-
propriate case. 198 Inclusion of the fair use doctrine in the 1976 Act
merely codified existing case law that interpreted and applied this
judicially created doctrine. 199 The open-ended nature of the codifi-
cation, which requires the evaluation of at least the four factors listed
above, makes it clear that fair use "cannot be determined by resort to
arbitrary rules or fixed criteria," but rather, that each case must be
examined on its own facts. 200

Rights afforded by the Copyright Act arise automatically upon
the creation and fixation of an original work of authorship within the
domain of the Copyright Act. Initially, these rights are vested in the
author or joint authors if the work resulted from the work of several
persons. 201 When the work is made for hire, however, the employer
or person for whom the work was created is considered to be the
author, and therefore, the copyright automatically vests in the em-
ployer or person for whom the work is made, absent an express writ-

198 § M. NIMMER, supra note 2, § 13.05[A], at 13-56 to 13-57 & nn.15, 16.
199 Triangle Publications, Inc. v. Knight-Ridder Newspapers, Inc., 626 F.2d 1171,
1174 (5th Cir. 1980); HOUSE REPORT 1476, supra note 100, at 66, 1976 U.S. CODE CONG. &
AD. NEWS at 5680. See also Sony, 104 S. Ct. at 791 n.29, 806 (Blackmun, J., dissenting).
200 Meeropol v. Nizer, 560 F.2d 1061, 1068 (2d Cir. 1977). One very recent and well-
known application of the fair use doctrine involved the "Betamax case" in which the
Supreme Court determined that the videorecording of copyrighted television shows for
the purpose of time-shifting amounted to a fair use. Sony, 104 S. Ct. at 779 (time-shifting
defined to be practice of videorecording programs to view once at a later time and then
erasing them).

The Court reached its conclusion by looking at the four factors enumerated in the Act.
See supra note 197 and accompanying text. The Court determined that recording for pri-
vate home use was a noncommercial, nonprofit activity that merely enabled a viewer to
select an alternative viewing time for a work that the viewer was already invited to view free
of charge, and there was no demonstrable effect upon the potential market for the copy-
righted programs. The Court also noted that the fact that a work was recorded in its
entirety was not relevant under the circumstances of this case. Sony, 104 S. Ct. at 792-93.
But see Quinto, 506 F. Supp. at 560 (reprinting 92% of story precludes claim to fair use
defense). The significance of Sony becomes apparent in view of the fact that over twelve
million videorecorder units have been sold in the last five years. An estimated twenty-five
million will be sold by the end of 1986. Paris, Coming Distractions, FORBES, July 16, 1984, at
46.

201 17 U.S.C. § 201(a) (1982). A joint work requires an intent by the joint authors to
merge their respective contributions into a single work at the time of creation of the con-
tributions. The joint authors do not have to work together, and their contributions need
not be equal. Id. § 101 (defining "joint work"). Each joint author is considered a tenant-
in-common of the joint work. Each can unilaterally use or grant a nonexclusive license in
the work, subject to a duty of accounting to the other joint authors with regard to their
share of the proceeds. HOUSE REPORT 1476, supra note 100, at 121, 1976 U.S. CODE CONG.
& AD. NEWS at 5736.
ten agreement to the contrary.\textsuperscript{202}

The Copyright Act grants equal rights to authors regardless of nationality when the work is unpublished—not made available to the public.\textsuperscript{203} If a work is published, however, a foreign author is not entitled to protection unless the author is domiciled in the United States at the time of first publication, the author is a domiciliary of a country that is party to a copyright treaty of which the United States is also a party, the work is first published in the United States or in a foreign country that is a party to the Universal Copyright Convention, the work is first published by the Organization of American States or the United Nations, or the work is covered by a Presidential proclamation.\textsuperscript{204}

Although copyright protection is automatic and generally lasts for the life of the author plus fifty years,\textsuperscript{205} the Act requires that a special notice of copyright be placed on all publicly distributed copies of the copyrighted work to entitle the owner to claim copyright protection.\textsuperscript{206} The notice generally consists of three elements:

1. "Copyright," "Copr.,” or “©;”
2. the name of the copyright owner; and
3. the year of first publication.\textsuperscript{207}

In the case of sound recordings the notice placed on the phonorecords must be identical to the normal copyright notice except that ‘©’ is used in place of "Copyright," "Copr.,” or “©.”\textsuperscript{208}

The Copyright Act also provides for deposit of a copyrighted work with the United States Copyright Office, which is part of the Library of Congress.\textsuperscript{209} The Act specifically requires that two complete copies of the copyrighted work be deposited with the Copyright Office within three months of public distribution of the work.\textsuperscript{210} Failure to make this mandatory deposit, however, does not

\textsuperscript{202} 17 U.S.C. § 201(b) (1982).
\textsuperscript{203} Id. § 104(a). See id. § 101 for a definition of “publication.”
\textsuperscript{204} Id. § 104(b).
\textsuperscript{205} Id. § 302(a). For a joint work the term is the life of the last surviving author plus fifty years. Id. § 302(b). For works made for hire, anonymous works and pseudonymous works the term is seventy-five years from the date of publication or one hundred years from the date of creation, whichever expires first. Id. § 302(c).
\textsuperscript{206} Id. § 401(a).
\textsuperscript{207} Id. § 401(b). The date can be omitted in some cases for pictorial, graphic, or sculptural works. See id. § 401(b)(2).
\textsuperscript{208} Id. § 402. The symbol ‘©’ was adopted as the international symbol for protection of sound recordings by the “Phonograms Convention” at Geneva on October 29, 1971. Some sound recordings may contain both a sound recording notice and a conventional copyright notice when copyright is claimed in both the sound recording and, for example, the printed text or art work appearing on the phonorecord. See House Report 1476, supra note 100, at 145, 1976 U.S. CODE CONG. & AD. NEWS at 5761.
\textsuperscript{209} The address for the Copyright Office is: Register of Copyrights, Copyright Office, Library of Congress, Washington, D.C. 20559.
\textsuperscript{210} 17 U.S.C. § 407(a) (1982). The copies are deposited for the use of the Library of Congress. Id. § 407(b). The Copyright Office, by regulation, can alter deposit require-
affect one's rights under the copyright law. The only penalty incurred for failure to deposit the copies is the potential imposition of a monetary penalty.  

In addition to the deposit requirements, the Act provides for permissive registration of a copyright. A copyright must be registered or registration must have been applied for and refused by the copyright office before a copyright infringement action may be brought. Several reasons exist, however, for registering a copyright prior to bringing suit. If registration is made prior to or within five years of the first publication of the work, the registration is prima facie evidence of the validity of the copyright. Also, the recovery of attorney's fees and statutory damages in lieu of actual damages is limited if early registration is not accomplished.

Once a valid copyright exists, violation of the rights accruing to the owner may be enforced by an action brought in a United States district court. To establish a cause of action, the copyright owner must prove that copyright protection exists. He has to satisfy the requirements of the Act by showing that the work is an original work of authorship fixed in a tangible medium of expression that comes within the domain of the Act. The copyright owner also must prove ownership of the copyright by showing either authorship or a valid transfer of ownership from the author. The copyright owner then has the burden to prove that the infringing work was copied from the copyright owner's work. Because actual copying usually is impossible to prove, normally the copyright owner must prove only that the defendant viewed or had the opportunity to view the

ments. See, e.g., 37 C.F.R. § 202.20(c)(2)(vii) (1983) (requires only first and last twenty-five pages of a computer program to be deposited, together with the page containing a copyright notice).


212 Id. § 408.

213 Id. § 411.

214 Id. § 410(c).

215 Id. § 505 (court can award attorney's fees at its discretion).

216 Id. § 504(c) (copyright owner can elect to receive statutory damages in lieu of actual damages and profits. The amount of statutory damages must be at least $250 but not more than $10,000, with the actual amount set by what the court deems to be just. The court has the discretion to increase the award up to $50,000 if willful infringement is found).

217 Registration is easily and inexpensively accomplished by completing short, easy-to-understand forms provided by the Copyright Office, which are then submitted by mail with appropriate copies of the work.


219 Copyright registration, however, within five years of first publication establishes prima facie validity of copyright. 17 U.S.C. § 410(c) (1982).

220 Transfer can be for the copyright or limited to only some of the exclusive rights of the copyright owner. Id. § 101. A valid transfer must be in writing and recorded in the Copyright Office to establish copyright ownership. Id. §§ 204(a), 205(d).

copyright owner's work and that substantial similarities exist between the works. Once the copyright owner meets the burden of proof, the burden of rebutting the prima facie case shifts to the defendant. The defendant generally will prevail only if he can show authorized copying or can negate the evidence of copying by showing independent creation of the allegedly infringing work. If the copyright owner prevails in an infringement action, he may be entitled to injunctive relief, destruction of the infringing materials, actual damages and profits or prescribed statutory damages, attorney's fees and costs of the suit.

The Copyright Act, like the patent law, is without extraterritorial effect. Copyright infringement that occurs outside the United States is not actionable under the United States Copyright Act. Unlike the patent law, however, several international copyright conventions and treaties enable a work of authorship created by a United States national to be protected in both the United States and most foreign countries without any special filing or registration of the copyright either in the United States or abroad. Protection in foreign coun-

---

222 A showing of substantial similarity may be sufficient to establish a prima facie case of infringement when the similarity between the two works is striking and substantial. Champion Map Corp. v. Twin Printing Co., 350 F. Supp. 1332, 1336 (E.D.N.C. 1971).

223 Authorized copying would occur if defendant had permission to copy the work, or if one of the exceptions, such as fair use, permitted copying.


225 Id. § 503(b).

226 Id. § 504(b).

227 Id. § 504.

228 Id. § 505.

229 Id.

230 3 M. Nimmer, supra note 2, § 17.02, at 17-5.

231 The major international copyright treaty is the Universal Copyright Convention, of which the United States is a signatory. It provides that each member country must provide the same protection to U.S. authors as provided by each country to its own nationals. The full text of this Convention is found in Universal Copyright Convention, Sept. 6, 1952, 6 U.S.T. 2731, T.I.A.S. No. 3324.

The Buenos Aires Convention provides copyright protection for U.S. nationals in member countries provided an appropriate U.S. copyright notice plus the phrase "All Rights Reserved" is used on published copies of the copyrighted work. The full text of this Convention is reprinted in 4 M. Nimmer, supra note 2, at app. 28.

The Universal Copyright Convention abrogates the need to rely on the Buenos Aires Convention in all but a few South American countries. See Rinaldo, The Scope of Copyright Protection in the United States Under Existing Inter-American Relations: Abrogation of the Need for United States Protection Under the Buenos Aires Convention by Reliance upon the UCC, 22 Bull. Copyright Soc'y 417 (1975).

See 4 M. Nimmer, supra note 2, at app. 20 for a list of countries that extend copyright protection to American nationals. See generally id. § 17.04, at 17-9 to 17-22 for a detailed discussion of foreign copyright rights extended to foreign authors.

The other major copyright treaty, of which the United States is not a signatory, is the Berne Convention. This treaty, originally signed in 1886, has been revised numerous times. See 4 id. at app. 27 for the most recent version of this Convention. Although the United States is not a member of this Convention, most major countries have signed the original Convention or a subsequent revision. See id. at app. 22 for a list of member countries to the Berne Convention. Protection for U.S. nationals, however, can be ob-
tries that are members of these international conventions and treaties is in accordance with the national laws of each particular country. Most foreign copyright laws, however, protect the same subject matter as United States law. The rights granted by foreign copyright laws are generally equivalent to the rights under the United States Copyright Act with the exception of the public display right, which is not recognized in most countries.

It is therefore possible for a United States author to obtain automatic copyright protection throughout most of the world. To incur broad foreign protection, however, a copyright notice that includes the following elements should be placed on all published copies of the work:

1. "©;"
2. the name of the copyright owner;
3. the year of first publication; and
4. "All rights reserved."

Both domestic and foreign copyright protection is easily obtained for minimal cost, thus making it a very desirable form of protection. These benefits, however, must be balanced against the degree of protection afforded, because the copyright owner’s rights are limited to protection of the form of expression. Any underlying idea contained in the copyrighted work is not subject to copyright protection, and copyright provides protection only against copying a work of authorship. Independent creation of the same or similar works do not violate a copyright. Therefore, it should be recognized.

232 One exception is sound recordings, which are covered by United States copyright law but not the Universal Copyright Convention. See 2 M. Nimmer, supra note 2, § 7.07[B], at 7-22 n.12. This deficiency has been partially corrected by the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms. See 4 id. at app. 23 for a list of countries that have ratified this Convention.

233 3 id. § 17.09, at 17-36.

234 It should be noted that the Universal Copyright Convention only recognizes the symbol "©" and not the alternative forms of "Copyright" or "Copr." allowed in the United States. The Universal Copyright Convention does not require the use of a copyright notice, but rather it permits the copyright notice to be a substitute for any formalities, such as deposit and registration or first publication in the nation in which protection is sought, which may be required by a foreign nation that is a member of the Universal Copyright Convention. See 2 M. Nimmer, supra note 2, § 7.07[B], at 7-21 to 7-24. Most major European nations do not require any formalities as a condition of copyright; but see id. § 7.07[B], at 7-23 n.17 for a partial list of member countries that require formalities. Use of the Universal Copyright Convention notice fully satisfies the formalities required by these countries.

The phrase “All Rights Reserved” ensures compliance with the Buenos Aires Convention, and therefore, provides protection in the few countries that are members of the Buenos Aires Convention but not the Universal Copyright Convention. 3 id. § 17.04[C], at 17-11.
that while copyright is the easiest type of intellectual property protection to obtain, the extent of such protection is limited.

IV. Trade Secret Law

Secret industrial and business "know-how," commonly referred to as trade secrets, are protected by judicially created trade secret law. This body of state common law is premised on the belief that inventions, unique methods of doing business, customer lists, and any other proprietary information that is used secretly and that gives a business a competitive advantage in the marketplace should be protected. The protection, however, does not protect the actual subject matter per se, but rather, prohibits illegal or wrongful appropriation or disclosure of the subject matter. Despite the common-law basis of trade secret law, a high degree of uniformity has been achieved by the courts of the industrial states. The Restatement (First) of Torts has become the source of trade secret law followed, in whole or in part, in most jurisdictions.

Initially it must be determined that the subject matter in question is appropriate information or know-how within the definition of a trade secret to obtain trade secret protection. Although Judge Friendly has stated that a trade secret is "any unpatented idea which may be used for industrial or commercial purposes," the most frequently relied on definition is contained in the Restatement (First) of Torts section 757 comment b (1939):

A trade secret may consist of any formula, pattern, device or compi-
lation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. . . . Generally it relates to the production of goods as, for example, a machine or formula for the production of an article. It may, however, relate to the sale of goods or to other operations in the business, such as a code for determining discounts, rebates or other concessions in a price list or catalog, or a list of specialized customers, or a method of bookkeeping or other office management. . . . The subject matter of a trade secret must be secret . . . so that, except by the use of improper means, there would be difficulty in acquiring the information.244

Despite the explicit Restatement definition, the drafters realized that it was impossible to provide an exact definition of a trade secret, and therefore, they listed the following factors to be considered in determining whether information is a trade secret:245

(1) the extent to which the information is known outside the trade secret owner’s business;
(2) the extent to which it is known by employees and others involved in the owner’s business;
(3) the extent of measures taken by the owner to guard the secrecy of the information;
(4) the value of the information to the owner and to competitors;
(5) the amount of effort or money expended by the owner in developing the information; and
(6) the ease or difficulty with which the information could be properly acquired or duplicated by others.246

To qualify for trade secret protection, the information must not be widely known outside the owner’s business,247 and it must be information that enhances the business.248 Knowledge of the information should be restricted to employees who have a legitimate

244 Restatement, supra note 1, at § 757 comment b.
245 Id.
246 Id. In Forest Laboratories v. Pillsbury Co., 452 F.2d 621, 624 (7th Cir. 1971), and Abbott Laboratories v. Norse Chem. Corp., 33 Wis.2d 445, 463-64, 147 N.W.2d 529, 538-39 (1967), each court stated that these factors should be examined when determining if a trade secret exists. See also Arnold, Trial Tactics in Trade Secrets Cases (Protecting Trade Secrets 1983) 157 P.L.I. PAT., COPYRIGHT, TRADEMARKS AND LIT. PROP. HANDBOOK SERIES 11, 17-26 (1983) (12 factors to evaluate in determining existence of a trade secret).
247 The information must be kept secret and must not be known outside the trade secret owner’s business. Underwater Storage, 371 F.2d at 954 (once trade secret is disclosed, the rest of the world may have right to use it). See also Packard Instrument Co. v. Reich, 213 U.S.P.Q. 322, 327 (Ill. App. Ct. 1980) (even though process kept secret, it is not trade secret if process is known and used by outside world).
248 Cherne Indus., Inc. v. Grounds & Assoc., Inc., 278 N.W.2d 81, 90 (Minn. 1979) (information must provide a competitive advantage).
business reason to be exposed to the proprietary information,\textsuperscript{249} and such employees should be subject to a nondisclosure agreement that legally obligates them not to disclose the information as a condition of employment.\textsuperscript{250} Many nondisclosure agreements also contain restrictive covenants that limit an employee's ability to compete with his employer if the employee goes to work for himself or another former employer.\textsuperscript{251} The owner of the proprietary information should also take precautions to prevent employees not subject to a nondisclosure agreement from gaining access to the information and should prevent access to the information by persons outside the business.\textsuperscript{252} In some instances these precautions should even extend to preventing access to trash. Information unearthed in a company's trash may amount to disclosure of the proprietary information, and consequently, may extinguish the trade secret protection.\textsuperscript{253}

In addition to establishing information as a trade secret, the owner of the information must undertake continuous measures to maintain the secrecy of the information.\textsuperscript{254} Employees must be reminded that information is a trade secret and must be maintained as a trade secret for the benefit of the employer.\textsuperscript{255} Such efforts to maintain secrecy are critical because trade secret protection will end

\textsuperscript{249} See Syntex Ophthalmics, Inc. v. Novicky, 214 U.S.P.Q. 272, 277 (N.D. Ill. 1982) (restriction of confidential reports to employees who needed access to them was a key security precaution).


\textsuperscript{251} Such restrictive covenants must be reasonable, however, and will be scrutinized by courts to balance the right of an employee to market his skills freely against the right of an employer to protect trade secrets. See Winston Research Corp. v. Minnesota Mining & Mfg. Co., 350 F.2d 134, 137-38 (9th Cir. 1965); Air Prods. & Chems., Inc. v. Johnson, 219 U.S.P.Q. 458, 461-65 (Pa. Ct. Comm. Pleas 1981).


\textsuperscript{254} Absolute secrecy is not required. Rather, reasonable measures to maintain secrecy must be undertaken. See E.I. duPont de Nemours & Co. v. Christopher, 451 F.2d 1012, 1017 (5th Cir. 1970) (plaintiff was not required to take precautions against aerial surveillance to protect trade secrets, because such precautions would be unreasonable).

\textsuperscript{255} See National Rejectors, Inc. v. Trieman, 152 U.S.P.Q. 120, 134 (Mo. 1966) (having employees sign covenants not to compete and warning of existence of trade secrets are factors in determining if adequate security precautions necessary to establish a trade secret have been taken).
once the protected information is no longer secret. Although many trade secrets are used only within a single company, it is sometimes advantageous for the trade secret owner to disclose the information to someone outside the company. This may be the case, for example, when a company develops a trade secret but lacks the capability to exploit it commercially. Also, in some cases a trade secret has value only if it can be licensed to other companies for use in their businesses. This latter situation would arise, for example, when a computer program designed for a limited market is created. To meet the need for disclosure without destruction of trade secret status, disclosure is allowed if it is in confidence and both parties understand that a confidential relationship exists regarding the information. Although a written agreement establishing a confidential relationship is not required, it generally is advisable to execute such an agreement. This is important because a confidential relationship can be established only by agreement of both parties. A written agreement is evidence that both parties have consented to such a relationship.

The amount of licensing or confidential disclosure of a trade secret may affect its status. The extent of disclosure may equal a public disclosure that vitiates trade secret protection at some point. The measures taken to maintain secrecy, however, generally are more im-

---

256 Underwater Storage, 371 F.2d at 954; Packard Instrument, 213 U.S.P.Q. at 327.
259 See id. at 922 n.1 (disclosure of the software, subject to a confidential agreement, to more than 1,300 customers did not necessarily destroy confidential nature of the software).
260 Zoecron, 713 F.2d at 1178 (in employment relationship a confidential relationship may be implied by nature of the relationship).

In addition, a nondisclosure agreement puts an employee on notice that trade secrets are involved. Eastern Marble Prod. Corp. v. Roman Marble, Inc., 204 U.S.P.Q. 229, 232 (Mass. 1977). Also, acknowledgment by an employee in a nondisclosure agreement that certain trade secrets were not previously known may help undermine a later claim that the trade secrets were not secret information. See Kodekey Elecs., Inc. v. Mechanex Corp., 486 F.2d 449, 455 (10th Cir. 1973); Rapco Foam, Inc. v. Scientific Application, Inc., 479 F. Supp. 1027, 1029-30 (S.D.N.Y. 1979).

262 Secrecy can be maintained despite wide dissemination of trade secrets provided such secrets are disclosed in confidence. See Chicago Bd. of Trade v. Christie G & S Co., 198 U.S. 236, 250-51 (1904). At some point, however, the amount of confidential disclosure must equal public disclosure. Otherwise, it is theoretically possible for information confidentially licensed to every member of the public, to simultaneously constitute a trade secret and public information. The amount of confidential disclosure that will equal public disclosure is unclear because the issue has not been squarely addressed by the courts.
important with regard to maintaining information as a trade secret than the number of parties who have learned of the information in confidence.\textsuperscript{263}

Once information is subject to trade secret protection, the duration of such protection is potentially infinite, provided appropriate actions to maintain secrecy continue.\textsuperscript{264} Because the basis of trade secret law rests on protecting the owner of proprietary information from wrongful appropriation of the information by others, two occurrences can easily defeat protection. First, anyone who lawfully obtains a product or device embodying a trade secret is free to disassemble the device and determine how it operates. This process, often called reverse engineering,\textsuperscript{265} may permit a competitor to discover the trade secret, which the competitor is then free to use.\textsuperscript{266} Second, someone may independently invent or discover the trade secret and be free to use or publicly disclose it.\textsuperscript{267}

Trade secret protection also may be lost when proprietary information is obtained illegally by industrial espionage, disclosed by a former employee or disclosed in breach of a confidential agreement. In such cases an action may be brought against the party responsible for wrongfully obtaining or disclosing the proprietary information,\textsuperscript{268} but once the information is publicly disclosed, trade secret status is lost.\textsuperscript{269}

As a general rule, the following must be shown to prevail in a suit for misappropriation of a trade secret:\textsuperscript{270}

(1) the existence of a trade secret;\textsuperscript{271}

\textsuperscript{263} Compare Data Gen. Corp. v. Digital Computer Controls, Inc., 357 A.2d 105, 114 (Del. Ch. 1975) (dissemination of confidential diagrams to 6,000 people does not destroy secrecy provided such disclosure is in confidence), with Crown Indus., Inc. v. Kawneer Co., 335 F. Supp. 749, 761 (N.D. Ill. 1971) (unrestricted disclosure of trade secret to a third party on a nonconfidential basis can destroy trade secret protection).

\textsuperscript{264} Cataphone, 422 F.2d 1290, on remand, 316 F. Supp. 1122, aff'd, 444 F.2d 1313 (trade secret protected from illegal misappropriation for as long as kept secret); Aktiebolaget Bofors v. United States, 194 F.2d 145, 147 (D.C. Cir. 1951) (property right in unpatented trade secret exists as long as owner does not disclose secret).

\textsuperscript{265} Kewanee, 416 U.S. at 476.

\textsuperscript{266} Id. Gilburne & Johnston, Trade Secret Protection for Software Generally and in the Mass Market, 5 COMPUTER L.J. 211, 233 (1982).

\textsuperscript{267} Kewanee, 416 U.S. at 476.

\textsuperscript{268} 1 P. ROSENBERG, supra note 18, § 3.01, at 3-3 to 3-4.

\textsuperscript{269} Id. at 3-6; Kewanee, 416 U.S. at 475 (trade secret cannot be information that is public knowledge or general knowledge in the trade or business); Underwater Storage, 371 F.2d at 954 (once trade secret disclosed the rest of the world may have right to use it).

\textsuperscript{270} 12 R. MILGRIM, supra note 17, § 4.01, at 4-1 to 4-2.

\textsuperscript{271} "The first issue to be determined in every trade secret case is not whether there was a confidential relationship or breach of contract . . . but whether, in fact, there was a trade secret to be misappropriated." Lowndes Prods., Inc. v. Brower, 259 S.C. 322, 327, 191 S.E.2d 761, 764 (1972). \textit{See also} Frodge v. United States, 180 U.S.P.Q. 583, 587 (Ct. Cl. 1974); Kubik, Inc. v. Hull, 56 Mich. App. 335, 224 N.W.2d 80 (1974). This is very important because judicial opinions often focus so heavily on the confidential relationship that a reader might assume the breach of a confidential relationship by itself is actionable absent the existence of a trade secret.
(2) a relationship between the parties that provides an opportunity for the owner's trade secret to be communicated to another party;

(3) actual knowledge of the trade secret by the other party;

(4) knowledge of the other party that the trade secret is proprietary information that is valuable to the owner and is not to be used outside the relationship; and

(5) use or disclosure of the trade secret by the other party that results in potential or actual damage to the owner.

Actions for misappropriation of a trade secret usually take the form of contract or tort actions. If the employee has executed an express agreement not to disclose proprietary information, any wrongful disclosure usually will be treated as a breach of contract, and contract law will control an action brought by the employer against the employee.272 When no express contract exists courts will either establish an implied contract and apply contract principles273 or focus on the breach of a confidential relationship, which usually is viewed as a tort action.274 Although either a contract or tort theory will support an action, the particular designation significantly affects the procedural rights of the parties275 and the available remedies.276

Actions against former employees may not be worthwhile if the employees are essentially judgment proof, because their net worth is minimal compared to the value of the trade secret. In such a case it may be desirable to seek redress against the company that is now wrongfully using the trade secret after acquiring it from the former employee. An action against the company would be based on the economic tort of interference with contractual relations.277 This cause of action requires a showing that a third party enticed the former employee to breach a contractual obligation not to reveal trade secrets.278

---

273 Id.
274 Id. at 53. The tort theory is followed by the RESTATEMENT. See RESTATEMENT, supra note 1, at § 757 and accompanying comments.
275 For example, different conflict of laws rules and different statutes of limitations may apply depending upon characterization of the action as a tort or contract action. F. JAGER, supra note 272, at 55. The right to trial by jury may also depend upon whether the action is based on contract or tort. 12A R. MILGRIM, supra note 17, § 7.03[2], at 7-72.
276 Punitive damages may be available under a tort theory but not under a contract theory. 12A R. MILGRIM, supra note 17, § 7.03[2], at 7-72.
277 Id. at 7-26. See PROSSER & KEETON, PROSSER & KEETON ON TORTS § 129 (5th ed. 1984) (general discussion of the tort of interference with contractual relations).
278 This action generally requires: (1) existence of contract between plaintiff and third parties; (2) knowledge of this contract by defendant; (3) intentional unjustified inducement by defendant to breach this contract; (4) a subsequent breach of the contract by the third party; and (5) resulting damages to plaintiff. Walt Peabody Advertising Serv., Inc. v. Pecora, 393 F. Supp. 328, 331 (W.D. Ky. 1974).

It may be advisable in many cases to notify employers of former employees that these employees possess knowledge of trade secrets and are subject to nondisclosure agree-
Although courts recognize the importance of protecting trade secrets, they balance this protection against the rights of employees to practice their trades or professions freely. Attempting to resolve this tension, the Massachusetts Supreme Judicial Court stated:

The law is well settled that an employee upon terminating his employment may carry away and use the general skill and knowledge acquired during the course of the employment.

But it is equally well established that out of the relationship of employer and employee certain obligations arise, including that which precludes an employee from using, for his own advantage or that of a rival and to the harm of his employer, confidential information that he has gained in the course of his employment. 279

Therefore, courts may not construe trade secrets so broadly as to prevent former employees from working in their fields of expertise for other employers. 280

Relief for misappropriation of proprietary information typically is in the form of an injunction. 281 Halting the use of the information by someone other than the owner can preserve the secrecy of the information, 282 thus protecting the trade secret and any economic value it has. 283

A preliminary injunction may be sought immediately when misappropriation of a trade secret is discovered to minimize compromising the secrecy of the proprietary information. Obtaining a preliminary injunction generally requires:

1. a showing that suggests the existence of a trade secret;
2. a showing that defendant learned of the trade secret in a confidential relationship with plaintiff;
3. a showing that the trade secret is being used or is about to be used in a manner detrimental to plaintiff; and
4. a showing that the result of this detrimental use is likely to injure plaintiff in a way that cannot be readily converted to monetary damages. 284


280 See generally Hahn & Clay v. A.O. Smith Corp., 212 F. Supp. 22, 31 (S.D. Tex. 1962) (secrecy agreement must be construed to cover only methods and processes that are secret and confidential); Mostek v. Inmos, Ltd., 303 U.S.P.Q. 383, 389 (N.D. Tex. 1978) (secrecy agreement does not prevent former employee from using skills and talents acquired or enhanced while working for former employer).

281 12A R. Milgrim, supra note 17, § 7.08[1], at 7-178.

282 Id. at 7-181 to 7-182 (injunction may be against misappropriator of trade secret or in some cases against the third party using the trade secret).

283 See Underwater Storage, 371 F.2d at 954 (once secrecy is vitiated, the trade secret vanishes).

284 12A R. Milgrim, supra note 17, § 9.03[9], at 9-100 to 9-101. The usual rules for obtaining a preliminary injunction apply in the case of misappropriated trade secrets, id. at § 7.08, at 7-178 n.2, although courts may grant injunctions more readily in the case of
Following a final judicial decision that proprietary information was wrongfully disclosed or used, an injunction often may be obtained to bar use of the information by the party who wrongfully obtained it for the period of time that would be required for independent development of the information.\textsuperscript{285} Damages also may be available in lieu of\textsuperscript{286} or in addition to injunctive relief.\textsuperscript{287} The measure of damages in most cases is either the damages suffered by the trade secret owner as a result of the wrongful disclosure or use of the trade secret, or the profits or other benefits reaped by the defendant in using the proprietary information.\textsuperscript{288} In addition, punitive damages may be awarded when the wrongful appropriation or disclosure was particularly egregious.\textsuperscript{289} Unlike patent and copyright infringement, attorney's fees generally are not available for trade secret misappropriation, because damages are determined by state common law principles that do not allow awards of attorney's fees absent a statute directing such an award.\textsuperscript{290}

Although trade secret law is highly developed in the United States, foreign trade secret law is less developed, less uniform, and subject to many uncertainties.\textsuperscript{291} In the United States, trade secrets include almost any technological or commercial information that is used secretly in a business to provide a commercial advantage over competitors.\textsuperscript{292} Recent Australian case law seems to follow this approach by explicitly relying on and adopting the \textit{Restatement} defini-
tion of a trade secret.\(^{293}\)

Other countries, however, have differentiated between industrial or manufacturing secrets, such as methods, processes, formulas, or manufacturing systems, and commercial trade secrets, such as customer lists, price lists, advertising methods, and financial data.\(^{294}\) France protects manufacturing secrets by statutory criminal law,\(^{295}\) while commercial secrets are protected by an action for unfair competition.\(^{296}\) Germany,\(^{297}\) Italy,\(^{298}\) and Switzerland\(^{299}\) recognize both industrial and commercial secrets, but do not differentiate between them in terms of legal protection.

England has long recognized protection for trade secrets. English case law, however, has gone beyond American law\(^{300}\) by recognizing confidential information as protectable even if the information is not secret.\(^{301}\) This treatment of confidential information is similar to American law in that it focuses on a breach of confidentiality as being legally actionable, but the information does not have to be secret.\(^{302}\) In other countries, such as Taiwan and India, there is a total dearth of statutory or case law authority with regard to trade secrets.\(^{303}\) Japan, a major economic and technological country, provides practically no trade secret protection.\(^{304}\)

As a general rule, most secret information used by a business to maintain an advantage over competitors is potentially protectable by trade secret law both in the United States and abroad. The trade secret definition provided by the Restatement of Torts is the standard used by most American courts to ascertain the existence of a trade secret,\(^{305}\) but the definition and extent of protection of trade secrets varies in foreign countries.


\(^{294}\) See, e.g., Jorda, supra note 1, at 246-48 (France differentiates between "secrets de fabrique," which are industrial secrets, and "secrets de commerce," which are commercial secrets).

\(^{295}\) Id. at 246.

\(^{296}\) See id. at 247; 3 A. Wise, supra note 293, § 3.01[5], at 3-27 n.68.

\(^{297}\) 3 A. Wise, supra note 293, § 4.01[1], at 4-9 to 4-10, and § 4.01[1][d], [e], at 4-16 to 4-18.

\(^{298}\) 4 A. Wise, supra note 293, § 5.01[1], [2], at 5-7 to 5-8.

\(^{299}\) Id. § 8.01, at 8-5.

\(^{300}\) See generally 2 A. Wise, supra note 293, § 2.02, at 2-11 to 2-21.

\(^{301}\) Id. § 2.03, at 2-23 to 2-29.

\(^{302}\) See id. English law will protect confidential information even if it is not secret. American law, however, requires secrecy. See supra note 249 and accompanying text.

\(^{303}\) 1 A. Wise, supra note 293, §§ 4.01 to 4.02, at 4-3 to 4-5 (Taiwan); id. § 2.01, at 2-3 (India).

\(^{304}\) Jorda, supra note 1, at 221. See also CPG Prod., 502 F. Supp. at 44 (court noted that trade secret protection not available in Mexico).

\(^{305}\) See supra notes 240-41 and accompanying text.
The distinctions and similarities between patent, copyright, and trade secret protection must be understood so that the appropriate form of protection will be used in a particular case. In addition, it is important to understand how patent, copyright, and trade secret protection may overlap or be used simultaneously in some cases.

Trade secret law provides protection under statutory and state common law\(^\text{306}\) for most secret industrial and commercial information that is not generally known and that is used in a business to acquire a competitive advantage.\(^\text{307}\) The broad scope of trade secret law includes subject matter within the domain of patent protection.\(^\text{308}\) The main thrust of trade secret law is to protect secret business information from wrongful misappropriation, rather than to prevent use of the information if it is acquired by reverse engineering or independent development.\(^\text{309}\) Unlike patent and copyright, the duration of trade secret protection can be infinite provided the information is used in secrecy, and no one lawfully discovers it.\(^\text{310}\)

Patent protection is purely statutory and is limited to embodiments of an invention or discovery that fall within specifically defined statutory categories.\(^\text{311}\) These categories are much narrower in scope than the broad range of information that can be protected as trade secrets.\(^\text{312}\) In addition, strict tests of patentability must be satisfied during the lengthy process of seeking a grant of patent protection.\(^\text{313}\) Although patent law does not provide protection until a patent is issued, upon issuance the patent owner has an absolute right to prevent anyone from making, using, or selling the patented invention in the United States for a specified time.\(^\text{314}\) Unlike trade secret protection, which requires actual use of the information in a business,\(^\text{315}\) the grant of a patent confers absolute rights without regard to use of the invention. In fact, many patents are merely "paper patents" because the patented inventions have never actually been

---

\(^{306}\) See supra note 236.

\(^{307}\) See supra note 237 and accompanying text.

\(^{308}\) Kewanee, 416 U.S. at 482-91 (trade secret law can be used to protect both patentable and unpatentable subject matter).

\(^{309}\) Id. at 475-76.

\(^{310}\) See supra note 264 and accompanying text.

\(^{311}\) 35 U.S.C. § 101 (1982) (to be patentable invention must be "new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof"). For a discussion of these statutory categories, see supra notes 42-45 and accompanying text.

\(^{312}\) See Smith, 203 F.2d at 373 (almost any information or knowledge that is kept secret and used to conduct a business qualifies as a trade secret).


\(^{315}\) See supra note 237 and accompanying text.
constructed.\textsuperscript{316} This does not affect the rights of the patent owner, however, who can still use the patent to prevent use of the invention.

Copyright protection, which is a function of federal law, arises automatically upon the creation of an original work of authorship that is permanently fixed in some tangible medium of expression.\textsuperscript{317} This is distinctly different from trade secret protection, which requires extensive secrecy precautions,\textsuperscript{318} or patent protection, which requires lengthy and costly administrative proceedings to secure protection.\textsuperscript{319} Copyright protection typically has a long lifetime\textsuperscript{320} and merely requires the inclusion of a simple copyright notice on published works to inform the world that copyright is claimed in the work.\textsuperscript{321} Despite the duration and ease of obtaining copyright protection, the extent of protection is limited. Copyright only prevents others from copying the form of expression of the protected work, as opposed to patent and trade secret protection, which extend protection to the underlying idea.\textsuperscript{322} Also, copyright does not prohibit independent creation of the same or similar work by another author.\textsuperscript{323}

The overlapping coverage of some subject matter by trade secret and patent law allows an inventor to make an election between the two types of protection.\textsuperscript{324} In some circumstances the two types of protection also may be used together. The Patent and Trademark Office maintains all patent proceedings in complete secrecy\textsuperscript{325} and reveals information about the proceedings only if the patent is issued. Therefore, prior to the issuance of a patent the invention can be maintained as a trade secret. This allows the inventor to continue trade secret protection in the event a patent is denied. Although trade secret and patent protection cannot be used for the same subject matter, because the full disclosure accompanying issuance of a patent vitiates any claim to secrecy, different related components or aspects of an invention may be protectable by different methods.\textsuperscript{326}

\textsuperscript{316} See supra note 35 and accompanying text.
\textsuperscript{317} See supra note 101 and accompanying text.
\textsuperscript{318} See supra notes 247, 254-56 and accompanying text.
\textsuperscript{319} See supra notes 91-94 and accompanying text.
\textsuperscript{320} See supra note 205 and accompanying text.
\textsuperscript{322} See supra note 100 and accompanying text (distinction between patent and copyright protection). See also supra notes 238, 264-67 and accompanying text (trade secret law protects an underlying idea from misappropriation but not from reverse engineering or independent development).
\textsuperscript{323} See supra notes 130-31 and accompanying text.
\textsuperscript{324} 12A R. MILGRIM, supra note 17, § 8.02[1], at 8-3. It should also be noted that some works of authorship, such as certain works of art, may be protected by a design patent or by copyright. Mazer, 347 U.S. at 201. Both design patent and copyright protection may be obtained simultaneously in the same work. In re Yardley, 493 F.2d 1389, 1393 (C.C.P.A. 1974).
\textsuperscript{326} See, e.g., Modern Controls, Inc. v. Andreadakis, 578 F.2d 1264, 1269 n.10 (9th Cir. 1978).
The ultimate decision to rely on trade secret or patent protection in an appropriate case depends upon many factors.\textsuperscript{327} If the invention is used in a mass-marketed product and can be discovered easily by reverse engineering, patent protection may be the only practical means of protection. If a standard product made by a novel method is indistinguishable from the same product made by well-known methods, however, trade secret protection may be desirable. The projected life of the product is also relevant because the length of patent protection is limited, while trade secret protection is infinite if secrecy is maintained.\textsuperscript{328}

The type of market available for the product is also important. A limited market lends itself to relying on trade secret protection by confidentially licensing the product to customers.\textsuperscript{329} A mass-marketed product may not be compatible with such an approach, and therefore, patent protection may be preferable. The likelihood of independent invention or discovery by a competitor is another important consideration because this would destroy trade secret protection but not patent protection.\textsuperscript{330} In addition, the type of technology involved is significant. In areas such as electronics, new ideas or products may become obsolete before lengthy patent proceedings are completed. The difficulty of maintaining secrecy is another critical factor because the continued maintenance of trade secret protection requires the existence of secrecy.

The lack of uniformity in the application of the patent law by the judiciary has caused many companies to resort to trade secret law. In addition, courts have shown a propensity to invalidate patents in suits to enforce rights arising from an issued patent.\textsuperscript{331} In contrast, the courts have shown a tendency to uphold trade secret rights.\textsuperscript{332}


\textsuperscript{329}See, e.g., \textit{Management Science}, 6 \textit{COMPUTER L. SERV. REP.} (Callaghan) 922 n.1 (proprietary software confidentially licensed to more than 1,300 customers).

\textsuperscript{330}Although Coca-Cola is a widely marketed product, its formula has been maintained as a trade secret for many years because it defies analysis. W. KONOID, \textit{supra} note 69, at 81-12 A. MILGRIM, \textit{supra} note 17, § 5.04[2], at 5-91 n.12.

\textsuperscript{331}12A A. MILGRIM, \textit{supra} note 17, § 9.02[9][b][i], at 9-53 (courts have invalidated more than 75% of litigated patents in the past). This situation may change, however, now that all patent appeals are heard by a single federal appeals court as opposed to the prior system where the various U.S. courts of appeals heard patent appeals from the district courts within their circuits. See \textit{supra} note 96 and accompanying text.

\textsuperscript{332}See 12A A. MILGRIM, \textit{supra} note 17, § 9.03[7], at 9-97 (stating belief that trade secret rights are upheld at least 75% of the time).
The coincident use of trade secret and copyright protection has been explicitly upheld because copyright extends only to the expression used by the author while trade secret protection extends to the underlying idea. Typically, this joint use is accomplished by placement of copyright notices on confidential information such as company manuals or software that are used internally or licensed only on a confidential basis. Trade secrecy is then relied on to protect the underlying idea contained in the information. If the information subsequently is injected into the public domain, however, copyright protection may be used to protect the expression of the underlying idea.

It is clear that the appropriate type of protection depends upon the subject matter involved and the circumstances in which it will be used. Some information may be protected by either patent law or trade secrecy, while other information may be protectable only as a trade secret. When only the expression of an idea must be protected copyright may be sufficient, while in other cases, copyright and trade secret may be used concurrently.

VI. Conclusion

The protection of intellectual property is an old idea based on the premise that specific legal rights will spur discovery and creation of scientific and artistic advances. This protection is especially important today in high technology fields, such as electronics, where companies are reluctant to invest heavily in research and development absent some form of protection.

The patent law provides a powerful type of protection for many new inventions or discoveries, but such protection is limited to specific statutory classes. The problems arising from a lack of uniform interpretation and application of the patent law by different courts should be alleviated by the vesting of jurisdiction for all patent appeals in a single court.

Copyright provides automatic protection once an original work of authorship is created and fixed in a tangible medium of expression, but the extent of protection is very limited. The rights arising under copyright law also are subject to numerous explicit statutory limitations and exceptions. In addition, the fair use exception permits certain uses of protected works to be evaluated on a case-by-case basis to determine if they are permissible uses.

Trade secret protection, a product of common law, protects the

---

sanctity of secret information used in a business to gain an advantage over competitors.

A final consideration with regard to protecting intellectual property is the need for worldwide protection. Patent protection must be applied for in each country in which protection is desired. Although similar protection is afforded by the patent law of most countries, differences exist. Copyright protection also is controlled by the national law of each country, but international agreements allow protection to be obtained automatically in most major countries. Trade secret law, while recognized in varying degrees in almost every country, is not highly developed outside the United States. It is clear nonetheless that intellectual property law is an important form of legal protection that can benefit businesses in both domestic and international markets when used effectively.