Simultaneous Copyright and Trade Secret Protection for Computer Programs

Philip McGarrigle

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COMMENTS

SIMULTANEOUS COPYRIGHT AND TRADE SECRET PROTECTION FOR COMPUTER PROGRAMS

I. INTRODUCTION

Computer programs have posed a difficult problem concerning their protection as intellectual property. Patent, copyright, and trade secret law have all been explored, but because of the drawbacks of each method, no single legal basis has proven totally acceptable.¹ This has prompted attorneys to look towards a combination of several forms to provide more thorough and comprehensive protection for their clients' needs.

Many licensing agreements restrict the use and disclosure of software² with specific emphasis placed on the secret nature of the computer program.³ The confidential status of the licensing agreement is often reinforced with a notice of copyright and a warning that any unauthorized use may result in a suit against the user for infringement.⁴ The intent is that this

¹ Patents are frequently too expensive, difficult to acquire, and uncertain in their application to programs; copyright only protects the expression of the work, not its underlying idea; trade secrecy will be lost forever once the idea is disclosed. See generally C. Tapper, Computer Law ch. 1 (1978).
² The term software is generally equated with computer programs. As defined in 17 U.S.C. § 101 (Supp. IV 1980), a computer program is "a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result."
³ It may be agreed that the subject is a trade secret, or that neither party will disclose the idea to a third party. In either case, the effect is the same.
⁴ The license must unequivocally state that it is only a lease and confers no greater rights than use. To effect this the copyright owner should specify such things as the term of the lease, allocation of risk of loss, and disposition of the software at the expiration of the lease. Otherwise, it may be possible to construe the transaction as a sale, and inquiry may be made into the propriety of the restrictions because a copyright may not control the work after it has been sold. Bobbs-Merrill Co. v. Straus, 210 U.S. 339, 349-51 (1908); see also United States v. Wells, 176 F. Supp. 630 (S.D. Tex. 1959). If the transaction is interpreted as a sale, the contractually based restrictions may be seen as impermissibly extending the copyright monopoly. See
dual protection will act in a complementary fashion by eliminating the disadvantages of each system and by providing supplemental protection in the event that one form fails. Thus, trade secret protection shields the underlying idea, and the copyright protects its expression.

Simultaneous use of copyright and trade secret also broadens potential infringement remedies because one form is retrospective while the other is prospective. Trade secret law enables the licensor to prevent present or future disclosure of the idea (prospective), and copyright provides injunctive relief for unauthorized copying, statutory or actual damages for each act of infringement and, in limited circumstances, attorneys fees (retrospective).

This comment will focus on the simultaneous use of trade secret and copyright protection for computer programs. Several obstacles that stand in the way of simultaneous protection will be discussed. For example, the new Copyright Act preempts those rights granted by state law which are equivalent to the exclusive rights granted by the new legislation. Since trade secret law is a state created law that may exercise control over the same subject matter as copyright, it falls within this suspect class. Furthermore, the policy considerations supporting trade secret and copyright protection appear to conflict; this raises the issue of whether the two doctrines are mutually exclusive. Trade secrecy operates to limit disclosure, while copyright policy generally promotes disclos-

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10. 17 U.S.C. §§ 101-810 (1976) [hereinafter referred to as “the 1976 Act” or “the Act”].
ure. When both forms of protection are used simultaneously, the issue arises as to whether the affixation of copyright, which implies a publication, would preclude a claim of secrecy. In spite of these obstacles, this comment will argue that simultaneous trade secret and copyright protection finds support both in case law and in public policy.\textsuperscript{12}

II. Historical Background

A. Trade Secret and Copyright

Trade secrecy is a branch of unfair competition\textsuperscript{18} and originated as a part of state common law. A trade secret is "any formula, pattern, device, or compilation of information which is used in one's business, and which gives him the opportunity to obtain an advantage over competitors who do not know or use it."\textsuperscript{14} The only requirements are actual secrecy and some degree of novelty.\textsuperscript{16} A trade secret is given effect when it is agreed to by contract, enforced by a confidential relationship, or when the knowledge is gained by improper means.\textsuperscript{16} Even though it has the potential for perpetual existence, it may be totally and forever lost once the secret has been inadvertently disclosed.\textsuperscript{17}

A copyright is an incorporeal right recognized in the United States Constitution\textsuperscript{18} and granted by federal statute.\textsuperscript{19} Copyright protection extends only to the surface expression of the work and leaves the idea open for copying.\textsuperscript{20} Although this

\begin{itemize}
\item \textsuperscript{12} For discussions to the contrary, see Luccavelli, The Supremacy of Federal Copyright Law Over State Trade Secret Law For Copyrightable Computer Programs Marked With a Copyright Notice, 3 COMP. L. J. 19 (1981); Note, Protecting Trade Secrets Through Copyright, 1981 DUKE L.J. 981 (1981).
\item \textsuperscript{13} Nimitz, Development of the Law of Computer Software Protection, 61; J. PAT. OFF. SOC'Y 3, 19 (1979).
\item \textsuperscript{14} RESTATEMENT OF TORTS § 757 comment b (1939). The Second Restatement does not address trade secrets because most jurisdictions have resolved the problem statutorily.
\item \textsuperscript{15} Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 475-76 (1974).
\item \textsuperscript{16} See D. Brooks, supra note 5, at 130-31, Kewanee, 416 U.S. at 475-76.
\item \textsuperscript{17} See C. Tapper, supra note 1, ch. 1. However, if a limited disclosure occurs by a breach of confidence, a court may "call it back in" with injunctive relief. For a discussion of trade secret disclosure, see Zupanec, Disclosure of Trade Secret as Abandonment of Secrecy, 92 A.L.R. 3d 138 (1979).
\item \textsuperscript{18} U.S. CONST. art. I, § 8, cl. 8.
\item \textsuperscript{19} 17 U.S.C. §§ 101-810 (1976).
\item \textsuperscript{20} 17 U.S.C. § 102 (b) (1976).
\end{itemize}
limitation may not be particularly significant with literary or artistic works, it poses a very real danger in computer program protection because the underlying idea is the thing of value.

B. Copyrightability of Computer Programs

The test for copyrightability is found in section 102 of the 1976 Act which sets forth two indicia necessary for copyright protection. First, the work has to be fixed in a tangible medium of expression, and second, it must be proper subject matter as evidenced by those things specifically mentioned in the statute. While historically there was a controversy over whether software was eligible for copyright, the issue has been resolved in favor of extending protection to these works.

1. Fixed in a Tangible Medium of Expression

Although computer programs may be thought of as evanescent, they are fixed because they exist in memories, magnetic tapes, discs, and silicon chips. Computer printouts, flowcharts, or silicon chips are considered to be fixed expressions as the legislative history of section 102 explains:

Under the bill it makes no difference what the form, manner, or medium of fixation may be—whether it is in words, numbers, notes, sounds, pictures, or any other graphic or symbolic indicia, whether embodied in a physical object in written, printed, photographic, sculptural, punched, magnetic, or any other stable form, and whether it is capable of perception directly or by means of any machine or device “now known or later developed.”

While it is evident that software meets the first criterion of section 102, until recently it remained largely unresolved as to whether programs were included in the general categories

22. "A work is fixed in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration." 17 U.S.C. § 101 (1976).
23. See infra note 30.
24. See infra notes 25-56 and accompanying text.
of things listed in section 102 as proper subject matter.  

2. Proper Subject Matter

Even though the Copyright Office had been accepting computer programs since 1964, the language of the 1976 Act was unclear as to whether software was proper subject matter. Section 102 protects all original works fixed in a tangible medium that can be read either directly or with a machine or device, but the short list of examples included in the section does not mention computer programs. However, the original section 117 of the proposed 1976 Act did provide that no greater or lesser rights were to be given computer programs. In this section Congress intended to preserve decisional law that had arisen under the 1909 Act because it was considered premature to change the policy on computer works without a more thorough study of the area. The lack of specific language in the 1976 Copyright Act left the question of protecting computer programs largely unresolved.

In 1974 Congress appointed a committee to study the effects of copyright on new areas of technology including computer programs.

27. See infra notes 28-34 and accompanying text.
30. Subject matter of copyright: In general
(a)Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:
(1) literary works;
(2) musical works, including any accompanying words;
(3) dramatic works, including any accompanying music;
(4) pantomimes and choreographic works;
(5) pictorial, graphic, and sculptural works;
(6) motion pictures and other audiovisual works; and
(7) sound recordings.
33. Hearn & Berthold, supra note 4.
34. Id.
puter programs. The National Committee on New Technological Uses of Copyrighted Works (CONTU) undertook the study and three years later recommended changes in the 1976 Act to aid protection of authors' rights in their software.\textsuperscript{36} Public Law 96-517\textsuperscript{37} added the definition of computer programs to the general definitional section\textsuperscript{38} and section 117 was amended to clarify that computer programs were proper subject matter under the 1976 Act.\textsuperscript{39}

Even though software is now proper subject matter for copyright, this protection does not necessarily extend to the physical or mechanical embodiments of copyrighted works. This limitation presents a very real danger to program authors because computer technology has reached the point where programs can be directly imprinted onto silicon chips.\textsuperscript{40} Potentially, this would enable an infringer to circumvent the law by reducing the program to a physical chip or simply copying one that is already in existence.

The distinction between physical and non-physical embodiments originated in the 1908 case of \textit{White-Smith Publishing Co. v. Apollo}\textsuperscript{41} where the United States Supreme Court held that a mechanical form of a copyrighted song (a

\begin{itemize}
\item \textsuperscript{36} \textit{Software Subcommittee Report and Additional Views}, National Committee on New Technological Uses of Copyrighted Works, \textit{PAT. TRADEMARK J. (BNA)} 334 (1977); \textit{see also Galbi, supra note 35.}
\item \textsuperscript{38} See \textit{supra} note 2.
\item \textsuperscript{39} Limitations on exclusive rights:
Computer programs notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:
(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or
(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.
Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.
\item \textsuperscript{40} Tandy Corp. v. Personal Microcomputers, Inc., 524 F. Supp. 171, 173 (N.D. Cal. (1981)).
\item \textsuperscript{41} 209 U.S. 1 (1908).  
\end{itemize}
player piano roll) did not infringe the copyright. It had to be a visually perceptible copy to constitute true infringement.

The first case to extend this rule to the computer context was *Data Cash Systems, Inc. v. J.S. & A. Group Inc.* Here the physical embodiment of a computer program was in the form of a silicon chip. Plaintiff had permanently encoded a chess playing program onto a Read Only Memory (ROM) silicon chip and defendant copied and sold it as his own product.

Even though the 1976 Act had abrogated the artificial distinctions made by *White-Smith Publishing Co. v. Apollo*, the court applied the pre-1976 law as required by former section 117. The *Data Cash* court declared that the ROM chip was not a copy of the "program," and even if it was a copy, it was not actionable. On appeal to the Seventh Circuit, the decision was affirmed on procedural grounds, namely, failure to use the copyright notice as required, so that the merits of the district court decision were not reached.

However, the 1980 amendment to the 1976 Act changes the decisional law under *White-Smith* and *Data-Cash* by adding the definition of computer programs to section 101 and by replacing the previous section 117 with a new provision directly applicable to computer programs. In addition to the 1980 amendment, another factor weighing against the *Data-Cash* case is a recent decision of the United States District Court in the Northern District of California. In *Tandy Corp. v. Personal Microcomputers, Inc.*, the court held that com-

42. *Id.* at 18.
43. *Id.* at 17.
44. 480 F. Supp. 1063 (N.D. Ill. 1979); *aff'd on other grounds*, 628 F.2d 1038 (7th Cir. 1980).
45. Read Only Memory (or storage) is defined as "[a] storage device that stores data not alterable by computer instructions, . . . non-erasable storage." C. SIPPL, COMPUTER DICTIONARY AND HANDBOOK 260 (1967). See also, *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1243 (2d Cir. 1983).
46. 1976 HOUSE REPORT, supra note 26, at 5664, 5665.
47. Boorstyn, supra note 28, at 284.
49. 628 F.2d 1038 (7th Cir. 1980). The Seventh Circuit refused to consider the grounds used by the District Court because "the parties had neither briefed nor argued that issue and neither side on appeal defends the District Court's position, so we do not consider it further." *Id.* at 1041.
puter programs werecopyrightable whether they existed on paper or were imprinted onto silicon chips. The existence of the computer program on the chip fulfilled the requirement of fixation in a tangible means of expression because it could be read "either directly or with the aid of a machine or device." The court rejected the White-Smith/Data Cash rationale because "the unauthorized duplication of a silicon chip would render the theoretical ability to copyright computer programs meaningless." The Tandy court looked to the substance of the informational carrying capacity of ROM and concluded that it was merely a physical form of the copyrighted program, its value being in the intellectual information conveyed.

The Tandy case stands for the proposition that not only are computer programs proper subject matter for copyright, but the mechanical embodiment is also subject to copyright regulation. Any contrary holding would have provided infringers with an easy mechanism to circumvent the copyright protection embodied in the program.

III. COMPETITION BETWEEN SECRECY AND DISCLOSURE WITH SIMULTANEOUS USE OF TRADE SECRECY AND COPYRIGHT

A. Mutual Exclusivity?

The simultaneous use of trade secret and copyright protection raises issues of mutual exclusivity. Once a copyright notice is affixed to a program, courts could treat it as evidence of public disclosure and loss of the trade secret. This threshold issue, whether trade secret and copyright protection are technically incompatible, has been litigated before and resolved in favor of simultaneous use. In these cases, the courts are asked to decide when affixation of a copyright notice constitutes disclosure of the trade secret.

As early as 1907 the United States Supreme Court held

53. Id. at 173; see also Williams Electronics v. Artic Int'l, 685 F.2d 870, 874 (3d Cir. 1982).
54. 524 F. Supp. at 173.
55. 524 F. Supp. at 175.
56. Id.
57. See Apple Computer, Inc. v. Franklin Computer Corp. 714 F.2d 1240 (2d Cir. 1983); Williams Electronics Inc. v. Artic Int'l Inc., 885 F.2d 870 (3d Cir. 1982).
58. See infra notes 59-143 and accompanying text.
that even though a general publication extinguished a claim of secrecy, a limited publication was entirely permissible. In Data General Corp. v. Digital Computer Controls, Inc. secrecy was retained even though common law copyrighted works were distributed to multiple licensees. The court held that the existence of a confidential agreement was sufficient to restrain disclosure of unpublished computer logic diagrams.

This analysis found its way into the lower federal courts in Management Science America, Inc. v. Cyborg Systems, Inc. and Technicon Medical Information Systems v. Green Bay Packaging, Inc. Here again, the defendants claimed that the act of affixing a copyright notice estopped plaintiffs from claiming secrecy. In both cases the courts relied on the Data General rationale and held that the mere act of affixing a copyright notice to the software did not void a claim of secrecy because notice was a separate issue from publication.

The 1976 Act changed this situation in one important respect: Common law copyright is eliminated making it impossible to completely withhold registration and sue for infringement. Even though copyright protection exists upon creation, all works must be registered and deposited with the Copyright Office prior to suit. This deposit could potentially make the work available to the public and nullify all claims of secrecy. If the work is deposited with the Copyright Office, a


60. 357 A.2d 105 (Del. 1975).

61. Disclosure problems may arise with mass marketed programs because of their fungibility and easy access. Specially contracted software is usually tailored to one user, and therefore, the market is narrow. As a result, it is easier to control the dissemination and secrecy of the program.


63. 211 U.S.P.Q. (BNA) 343 (1980), aff'd, 687 F.2d 1032 (7th Cir. 1982); See also Bryce v. Gladstone, 107 Wis.2d 241, 319 N.W.2d 907 (1981), cert. denied, 51 U.S.L.W. 3304(192).


presumption may arise that the work is in the public domain. This position would be further strengthened after the first suit for infringement because the court would make the software location in the office known to the public, and therefore, freely available. Many authors have tried to circumvent this by waiting for an infringement to occur before registering. While this will keep the program secret until the time of suit, it does not guarantee that secrecy will remain after the suit.

B. Alternate Means for Registration and Deposit

Section 408(c)(1) of the Act allows for optional deposit of identifying portions of the copyrighted work, and the Code of Federal Regulations provides that only the first and last twenty-five pages of the machine readable object code need be used for deposit. This allows the work to be identified while maintaining the program's overall secrecy provided no valuable information is given away on those pages.

Permissive deposit of computer programs renders the withholding method unnecessary. Under this procedure it

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68. 17 U.S.C. § 705 (1976). This section provides for public inspection of copyrighted works.

69. The owner may also elect to sue for misappropriation of trade secrets, rather than copyright infringement. In this instance he would not have to register the program because his cause of action does not involve copyright.


71. Machine readable object code may be defined as: "the software code in binary form which provides the instructions that are executed by the computer." C. SIPPL, COMPUTER DICTIONARY AND HANDBOOK 180 (1966). Source code is the program's human readable form Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240, 1243 (2nd Cir. 1983), and may be used for deposit along with the object code. Currently, the Copyright Office is reviewing the deposit regulations for computer programs, 48 Fed. Reg. 22951 (1983), and has instituted some informal deposit procedures in the interim. Three alternative deposits are offered if an applicant requests special relief:

1. The Office will accept the first and last twenty-five pages of Object code and any ten consecutive pages of source code. There must be nothing obliterated in the source code.

2. The Office will accept the first ten and the last ten pages of the source code, with nothing obliterated.

3. The Office will accept the first and last twenty-five pages of the source code with up to fifty per cent of the source code obliterated.


would be possible for the computer program to be registered while maintaining secrecy. As a result, there would be no limitation on available remedies because they are tied to the date of registration.\textsuperscript{78} If registration is effected prior to infringement, the author is entitled to the alternative relief of statutory damages and, in egregious cases, attorneys fees.\textsuperscript{74} Due to the existence of permissive registration and additional remedies, it may prove more desirable to register early rather than just prior to suit.\textsuperscript{76}

Although the 1976 Act changes the deposit requirements,\textsuperscript{78} courts have continued to apply the Data General rationale. For example, in \textit{Warrington Assocs., Inc. v. Real-Time Engineering Systems, Inc.},\textsuperscript{77} the Data General scenario was again presented to the court wherein the court stated that the "mere fact that an expression is copyrighted does not, in and of itself, disclose the trade secret or eliminate its mantle of confidentiality."\textsuperscript{78} This case bears out the proposition that disclosure of the work is not necessary to obtain copyright protection and that each form may exist together without exclusion.\textsuperscript{79} In order to destroy secrecy, disclosure must be proven as a matter of fact, not as a matter of law.\textsuperscript{80}

\textbf{IV. Preemption}

The second major obstacle to simultaneous use of trade secret and copyright is preemption. Preemption occurs when a state law obstructs the accomplishment or execution of the
objectives of an act of Congress. The supremacy of federal law over conflicting state law is provided for in the United States Constitution; therefore, copyright, being federal law, will preempt state laws that unduly conflict with the purpose and scope of the federal statute. The scope of states' rights in those areas unaddressed by Congress, and the extent to which the federal law preempts state law, has largely been established by judicial decision.

A. Early Case Analysis

The intellectual property cases dealing with the scope of preemption arose from two decisions handed down by the United States Supreme Court on the same day. Sears, Roebuck & Co. v. Stiffel Co. and Compco, Corp. v. Day-Brite Lighting, Inc. both involved state law claims of unfair competition for the unauthorized copying of unpatented articles by the defendants, Sears and Compco. The lower courts held the design patents invalid but granted an injunction against further copying on the unfair competition claims. The Supreme Court reversed the injunctions holding that a restraint on copying of an article that was denied patent protection conflicted with the federal patent policy because if such a restraint were permitted the state could withhold something from the public which federal law intended to make freely available. Enforcement of the state laws involved would have given patent protection, for a potentially unlimited time, to articles that did not even merit the limited grant of protection under the federal statute. This broad reading of the preemption doctrine left state law, particularly trade secret law, in an unsettled condition until the Court spoke on the matter ten

81. For example, when the state attempts to regulate the same matter as a federal statute, the federal legislation controls. See, e.g., Florida Lime and Avocado Growers v. Paul, 373 U.S. 132, 929 (1963); Hines v. Davidowitz, 312 U.S. 52 (1940); Katz, Copyright Preemption Under the Copyright Act of 1976: The Case of Droit de Suite, 47 GEO. WASH. L. REV. 200 (1978).
82. U.S. Const. art. VI.
83. Id.
84. 376 U.S. 225 (1964).
86. Stiffel Co. v. Sears, Roebuck and Co., 313 F.2d 115 (7th Cir. 1963); Day-Brite Lighting, Inc. v. Compco Corp., 311 F.2d 26 (7th Cir. 1963).
years later.

The first case to limit the Sears/Compco preemption doctrine was Goldstein v. California.® Goldstein was convicted under a state statute designed to punish tape piracy.®° He challenged the law as being preempted because it operated in an area governed by federal copyright law.®¹ The Supreme Court found the California law to be constitutional, reasoning that Congress had simply left the area of tape piracy unattended, and therefore, there was no intent to foreclose state regulation.®² This holding appeared to open up the state power to regulate in federal areas where there was no specific conflict.

Kewanee Oil Co. v. Bicron Corp.®³ was decided one year later and involved the tortious misappropriation of trade secrets by plaintiff’s former employees. The Court realized that state trade secret law provided protection in an area also touched by federal patent law, but held the state law to be a valid exercise of power and therefore not preempted. The Court distinguished Sears and Compco by stating that trade secrets do not clash with patents because they protect different interests.®⁴ Trade secrets, as an alternate form of protection, were beneficial to society because they “[promote] the sharing of knowledge and the efficient operation of industry; [in addition, they permit] the individual inventor to reap the rewards of his labor . . . .”®⁵ As a result, trade secrets do not frustrate the purposes behind the patent statute, they simply foster new development and competition in an alternate way. The Court also focused on the absence of any Congressional discussion on the matter.®⁶ From this, the Court concluded that Congressional inaction in the area of trade secrets, combined with long-standing, established state law on the subject implied that Congress had considered the matter but chose

90. Tape piracy is the copying and/or selling of musical recordings without permission of the copyright owner. Id. at 548.
91. The 1909 Act did not specifically address musical recordings as proper subject matter for copyright; therefore, it was thought that these recordings could not be afforded protection under any state law designed to prohibit copying. Id. at 563-65.
94. Id. at 492.
95. Id. at 494.
96. Id. at 482-93.
not to act. 97

Goldstein and Kewanee reflected a change in the focus of preemption analysis by the Court. Its position had shifted from the premise that all intellectual property, even that which was not entitled to federal protection, was reserved for federal government regulation, to an inquiry into Congressional intent to occupy the field. If the intent to occupy the field was absent, a determination was made to see if the challenged state right conflicted with the goals of the federal statute. Only if the conflict presented too great an interference with the purposes of the federal law, was the state statute preempted.

B. Section 301 of the 1976 Copyright Act

The 1976 Act introduced a specific section relating to preemption. 98 It has been characterized as the most noticeable change in copyright regulation since 1909. 99 Section 301(a) provides:

On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State. 100

To determine what legal or equitable rights are equivalent to those granted in section 106101 the drafters of

97. Id.
99. HOUSE REPORT, supra note 26, at 5745.
100. 17 U.S.C. § 301(a) (1976).
101. Exclusive rights in copyrighted works

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;
(2) to prepare derivative works based upon the copyrighted work;
(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or
the statute attempted to provide some illustrative examples of state rights that were not preempted.

In its original version, section 301 listed examples of nonequivalent rights, in which trade secrecy was included. However, these examples were omitted from the final codification of section 301 because it was thought that the examples might be "interpreted so broadly as to render the preemption section meaningless." At least one commentator has stated that this deletion cast a cloud on non-equivalent state rights and turned the determination into a treacherous task.

Since no legislative guidelines are available as examples of equivalent rights, the two-tiered analysis set forth in the statute and the case law analysis that has developed must

lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.


102. Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to:

(3) Activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by Section 106 . . . including breaches of contract, . . . breaches of trust, invasion of privacy, defamation, and deceptive trade practices such as passing off and false representation.


104. Goldstein, Federal Systems Ordering of the Copyright Interest, 69 Col. L. Rev. 49 (1969); see Legal Times Wsh., March 25, 1981, at 25, col. 3. Sidney A. Diamond, former Patent Office Commissioner, has suggested that "the public would be better served if the last previous version of § 301(b)(3) could be restored to the statute, giving us the benefit of the list of examples and permitting us to use the extensive comments in the Senate and House Committee Reports as guidelines for interpretation." See Diamond, supra note 102.


be employed.

The first condition of section 301 is that the work must be fixed in a tangible means of expression and come within the proper subject matter of copyright. These requirements have already been discussed and are present in the case of computer programs.

The second condition of section 301 provides that the rights asserted must be equivalent to those contained in section 106. Section 106 provides the author with the right to "reproduce . . . , prepare derivative copies . . . , and distribute copies . . . by sale . . . , lease or lending." If the challenged state right restrains copying, distributing, or selling, it would clearly be preempted by federal copyright protection. However, statutes which supplement the economic incentive to create original works, such as resale royalty statutes, present a more difficult question.

When trade secret or other state rights are used to attempt to restrain the reproduction of a copyrighted work, federal law would clearly preempt such application. However, the doctrine of trade secrets is also based on rights subtly different from those granted by the 1976 Act and a meritorious argument against preemption can be made.

C. Distinguishing Between Trade Secret and Copyright

Trade secrets mainly originate by an express or implied contract. A trade secret agreement does not confer any exclusive rights, it only creates an interpersonal right between the parties. This is different from copyright protection which originates by statute and is, theoretically, valid against the world.

In addition, the trade secret tort is different from the restraint on copying outlined in the Act because it is premised on a breach of trust or confidentiality, whereas copyright does
not require any form of special relationship. Support for this distinction can be found in the legislative history of section 301 which provides:

The evolving common law rights of "privacy," "publicity," and trade secrets, and the general laws of defamation and fraud, would remain unaffected as long as the causes of action contain elements, such as an invasion of personal rights or a breach of trust or confidentiality, that are different in kind from copyright infringement. Nothing in the bill derogates from the rights of parties to contract with each other and to sue for breaches of contract; however, to the extent that the unfair competition concept known as "interference with contractual relations" is merely the equivalent of copyright protection, it would be preempted.

There is also a basic difference in the subject matter that each system protects. Trade secret law is intended to hold the very idea inviolate, while copyright law only extends to the expression of the idea. While each system is based on different principles, they do compliment and overlap one another. It is this overlap that is the basis for dispute.

The remedies afforded by state and federal law differ as well. Trade secrecy provides injunctive relief to prohibit disclosure and damages for breach of contract. Copyright allows for statutory damages, attorneys fees, and actual damages. The problem arises again when state law seeks damages for copying, reproducing, or distributing matter that is copyrighted.

1. Case Precedent

Of the cases that have arisen under section 301 of the 1976 Act, many have held state law preempted. In Mitchell v.
Penton/Industrial Publishing Co.,\textsuperscript{120} the plaintiff alleged that Penton willfully misappropriated parts of his book and infringed the copyright. The court dismissed the pendent state claim of misappropriation as being preempted under section 301 because it did not assert any violations other than unlawful copying. In \textit{Harper \& Row Publishers, Inc. v. Nation Enterprises}\textsuperscript{121} and \textit{Suid v. Newsweek Magazine},\textsuperscript{122} claims of copyright infringement were filed along with dependent state claims for the unauthorized reproduction of the respective plaintiff's protected writings. In dismissing the state causes the courts held that the rights asserted were no different from those found in section 106, and that state law may not govern the preparation and distribution of copyrighted works.\textsuperscript{123}

Another line of recent cases has held for preemption, but suggested that trade secret and copyright may co-exist when based on different rights. In \textit{Avco Corp. v. Precision Air Parts, Inc.},\textsuperscript{124} plaintiff claimed that a competitor, Precision, had copied its drawings and prepared derivative works from them. The court found that the material was within the subject matter of copyright but held the claim of common law copyright infringement barred by the Alabama one-year statute of limitations.\textsuperscript{125} In addressing plaintiff's second claim of misappropriation of trade secrets, the court found the cause of action to be based on the act of copying.\textsuperscript{126} The court held that since there was no breach of trust or confidentiality the claim of damages based on copying was an attempt to exercise a right equivalent to those granted in section 106 and consequently the claims were preempted.\textsuperscript{127} The court went on to suggest that this result might have been circumvented had Avco demonstrated that Precision violated any of the common law rights of trade secret based on an "invasion of personal rights or a breach of trust or confidentiality."\textsuperscript{128}

\textsuperscript{120} 486 F. Supp. 22 (N.D. Ohio 1979).
\textsuperscript{121} 501 F. Supp. 848 (S.D.N.Y. 1980).
\textsuperscript{122} 503 F. Supp. 146 (D.D.C. 1980).
\textsuperscript{125} 210 U.S.P.Q. at 897.
\textsuperscript{126} Id. at 898.
\textsuperscript{127} Id.
\textsuperscript{128} Id. "[P]laintiff has not even alleged, much less shown, that defendant has
TRADE SECRET

Another relevant case, *Synercom Technology, Inc. v. University Computing, Co.*\(^{129}\) dealt with the copying of computer formats. Although the court found that University had willfully engaged in copyright infringement, it held the unfair competition claim to be preempted because the relief sought was identical to that granted by the 1976 Act.\(^{130}\) Here again, in the absence of a breach of trust or confidentiality, there was nothing to set the state law claim apart from a pure restraint on copying.\(^{131}\) As in *Avco*, the court suggested that a breach of trust or confidentiality would have changed the outcome.\(^{132}\) These cases suggest that it is possible to sue under state trade secret law so long as the relief sought is particular to trade secret or based on a special relationship.\(^{133}\)

2. Recent Computer Cases That Have Distinguished State and Federal Rights

The computer cases that have arisen under section 301 support the proposition that state trade secret law is not preempted by federal copyright law. In *Management Science America v. Cyborg Systems*\(^{134}\) the plaintiff claimed a wrongful appropriation of computer software trade secrets by its former employees. After holding against the defendant, Cyborg, on the issue of trade secret disclosure by notice of copyright,\(^{135}\) the court stated in dictum that “the states remain free to enforce claims which include additional elements such as breach of trust or confidentiality.”\(^{136}\) This position was supported in *Technicon Medical Information Systems Corp. v. Green Bay Packaging, Inc.*\(^{137}\) *Technicon* involved a case in which a past client had utilized the plaintiff’s software and distributed it as its own in violation of the trade secret non-disclosure agreement and copyright law. The court reinforced the position ad-

\(^{130}\) Id. at 44.
\(^{131}\) Id.
\(^{132}\) Id.
\(^{133}\) This may occur when the defendant has disclosed or disseminated the work in violation of the non-disclosure trade secret agreement.
\(^{134}\) 6 COMPUTER L. SERV. REP. (CALLAGHAN) 921 (1979).
\(^{135}\) Id. at 924-25.
\(^{136}\) Id. at 926 n.4.
\(^{137}\) 211 U.S.P.Q. 343 (E.D. Wis. 1980), aff'd, 687 F.2d 1032 (7th Cir. 1982).
vanced in *Management Science* when it held that present or potential federal protection did not operate as a waiver of all rights under state trade secret law.\(^{138}\) Finally, in *Warrington Assocs. v. Real-time Engineering Systems, Inc.*\(^{139}\) the plaintiff alleged that defendant, Real-time, misappropriated its trade secrets, violated its copyrights, and engaged in unfair competition.\(^{140}\) The court analyzed section 301 and held the state rights to be non-equivalent because the nature of trade secret law is to protect the idea, whereas the intent of copyright law is to protect the expression of the idea.\(^{141}\) In reviewing Minnesota and Wisconsin law the court held that the trade secret cause of action was not preempted because “the common law of each of these forums stresses that the trade secrets tort is premised on concepts of breach of trust and confidentiality, not copying.”\(^{142}\)

The computer cases not only held that state trade secret law was not preempted by federal copyright law,\(^{143}\) but they went one step further and sanctioned their simultaneous use as a viable means of protection for computer programs in certain situations.

D. Simultaneous Use of Trade Secrecy and Copyright: A Conflict with the Policies of Section 301?

Upon careful review, it is evident that the purposes underlying section 301 are consistent with the simultaneous use of trade secrecy and copyright. The three major policies underlying section 301 are as follows: 1) promotion of national uniformity; 2) implementation of the limited times provision of the Constitution; and 3) reduction of the legal significance of “publication.”\(^{144}\)

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140. Id. at 367-68.
141. Id. at 368; see Bryce v. Gladstone, 107 Wis. 2d 241, 319 N.W.2d 907 (1982), rev. denied.
142. 522 F. Supp. at 369.
144. 1976 House Report, supra note 26, at 5746. A fourth and final purpose is to improve international dealings by the use of a single system.
1. *Promotion of National Uniformity*

Although trade secret law injects state law into the protection scheme, the 1976 Act was mainly designed to eliminate common law copyright and those rights equivalent to copyright. Because trade secrecy rights are not equivalent, the fact that they vary from state to state is immaterial.

The legislative history of section 301 indicates that the single copyright system is designed to avoid the practical difficulties of litigating authors' rights under different laws and state courts. However, because common law copyright is eliminated, the federal courts have exclusive jurisdiction over any and all copyright claims. The copyright cause of action would be tried under this single federal system and the trade secret claim would merely become an ancillary issue; thus the laws governing each claim would not interfere, but would remain separate.

2. *Reduction of the Legal Significance of Publication*

The legislative history of section 301 also reveals that the concept of publication was the most important factor in the 1909 Act and its largest defect. Historically, publication was made by distribution of printed copies and provided an understandable dividing line between common law and statutory protection. Today, with the emergence of new technological uses of copyrighted works, such as computer programs, video-recordings, and electronic music, the legal definition has become artificial and obscure. The 1976 Act eliminated any significance of publication because the concept had lost much of its original meaning.

Prior to 1976, it was necessary to publish and therefore disclose the work to obtain statutory copyright protection. With the elimination of common law copyright, a question may arise as to whether it is necessary to disclose the work to

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145. *Id.* at 5745.
146. *Id.*
147. *Id.*
148. *Id.*
149. *Id.*
150. *Id.* at 5664.
151. *Id.* at 5745; see also 13 *COLUM. J.L. & Soc. PROBS.* 351, 356 (1977); 69 *COLUM. L. REV.* 49, 53 n.31 (1969).
152. 1976 *HOUSE REPORT*, supra note 26 at 5745.
receive statutory protection—the only remaining form of copyright. However, the elimination of common law copyright does not mean that disclosure is necessarily required. Statutory copyright now affixes at the time of creation without any affirmative act of disclosure. As a result, secrecy may be maintained even if certain registration requirements are met.


The Constitution provides authors with exclusive rights to their writings for a limited time only. This policy under the 1909 Act was distorted by state common law copyright which afforded the possibility for perpetual existence. With the elimination of common law copyright, the protection is restricted to a limited time. Because state trade secret law also has the potential for perpetual life, it can be argued that this violates the intent behind the limited times provision of the Constitution.

However, the additional use of trade secrecy is not necessarily unconstitutional. Trade secret protection is not absolute. It may be lost at any time through reverse engineering or independent discovery by a competitor who may make use of the expression or idea. Though trade secrets may be perpetual, their use by a competitor is not foreclosed as they are in patent or copyright law. Because trade secrecy and copyright are separate in nature in what they protect and how they protect it, the use of one form does not necessarily effect and extend the protections of the other. Thus, an author can utilize either form independently or use them simultaneously without conflict.

E. Criticism by the American Bar Association

The ABA Section on Patent, Trademark, and Copyright

156. The time span of a copyright is the life of the author plus fifty years. 17 U.S.C. § 302(a) (1976).
Law recently recommended that the simultaneous use of trade secret and copyright be rejected. The reasons advanced were threefold: 1) that under *Kewanee Oil Co. v. Bicron Corp.*, an election had to be made between conflicting modes of protection; 2) that dual use interferes with the operation of the copyright notice; and 3) that simultaneous use would create a "super-copyright." As will be established below, these criticisms misperceive the nature of copyright.

1. Election Under Kewanee

The ABA recommendation asserts that under *Kewanee* a choice must be made between conflicting modes of protection (i.e. patent and trade secret). However, *Kewanee* suggested that this choice must be made between patent and trade secret protection because they are mutually exclusive. Patent protection requires total disclosure, which would destroy any secrets, whereas copyright protection does not require disclosure as a prerequisite because it affixes at the time of creation. Even when registration is made as a prerequisite to a suit for infringement, the trade secret may still be shielded by the special deposit procedure. As a result, any reliance on *Kewanee* to suggest that the election must be made between trade secret and copyright is misplaced because where copyrights will not shield the underlying idea, patents will.

The protection afforded by a patent can be much greater than that of copyright. Patent protection extends to the underlying idea while copyright merely covers the surface expression. Because of this potential for greater protection, the requirements for obtaining a patent are stricter than those for copyright. An invention must be novel, nonobvious, and be in-

159. A.B.A. SECTION OF PAT., TRADEMARK, AND COPYRIGHT LAW, COMM. REP. §§ 206-1, 309-1 (proposed resolutions at 91-93, 59-61)(1981). The A.B.A. section approved resolution 206-1 after the words "and unfair competition" were eliminated. Section 309-1 was recommitted for further consideration. A.B.A. SECTION OF PAT., TRADEMARK, AND COPYRIGHT LAW, COMM. REP., (Summary of Proceedings at 60-61, 36)(1981).

164. See supra notes 70-75 and accompanying text.
165. See generally Frijouf, supra note 158, at 104.
cluded within the proper subject matter for patent coverage, while copyright protection affixes at the time of creation to those works within its subject matter. In addition, before a valid patent may issue, the underlying idea must be completely disclosed and dedicated to the public. Copyright does not have a strict disclosure policy; the owner may obtain protection while retaining the expression of his work. In short, the analogy between patent and copyright law is inappropriate especially concerning the disclosure of the idea.

2. Undue Interference with Copyright Notice

Section 401 of the 1976 Act provides for placement of notice on all publicly distributed copies of the protected work. Two of the primary purposes of this notice are to show that a copyright claim was made and to show the date of its publication. It may be argued that a person who relies on this provision may be misled into thinking that the work has been disclosed and inadvertently breach the disclosure restriction placed on the program. This restriction would unduly impair the effective purpose of the notice requirement if it led someone to believe he was complying with the law when, in fact, he was not.

However, the copyright notice that is attached merely informs the reader that the owner has a proprietary interest in the specific material, not that it is actually disclosed. This notice, coupled with a statement of restriction on use, may be employed to inform the reader that no disclosure has been effected and that the program still remains secret. Furthermore, in most circumstances the only people who should have access to the work are those persons who already know of its

169. See supra notes 59-78 and accompanying text.
172. Technicon Medical Information Syss. Inc. v. Green Bay Packaging, Inc., 687 F.2d 1032, 1037 (7th Cir. 1982). However, to circumvent this problem an author may place a special legend on the work, such as, "unpublished, all rights reserved under the copyright laws." See A.B.A. COMM. REP., supra note 159, at 93.
secret status and are contractually bound to silence because of
the restriction provisions in the license. Therefore, the only
people who are permitted to come in contact with the pro-
gram are already on notice of its limited scope of use. This
negates the assertion that dual employment of trade secret
and copyright impairs the notice provision by subjecting inno-
cent persons to conflicting theories of use.

3. Super Copyright

The ABA further criticizes the dual use of trade secret
and copyright for computer programs in that it withholds
rights that constitutionally should be relinquished. The
ABA position is that copyright protection is awarded in ex-
change for the author's public disclosure of not only the ex-
pression, but of the ideas embodied in the expression. This
requirement, it is argued, furthers the policy of allowing the
public the opportunity to make open and free use of the
materials. However, copyright does not necessarily require
disclosure in exchange for protection. The argument is again
based on the analogy between patent and copyright and, as
previously noted, is inappropriate.

Different interests are involved in copyright. Copyright
protection comes about immediately at the time of creation. In
contrast the patent owner's rights arise as a result of his
disclosure of the invention. The author not only has a pecuni-
ary interest, but also has a personal interest, in the disposition
of his work. According to English common law, the author
had a right to restrain others from publishing even his unpub-

175. Id.
176. Basic copyright law presupposes that the author make his own works available to the public in exchange for protection for a limited time . . . . This basic assumption loses much of its validity when applied to unpublished works, for even though unpublished works are not available to the public they are afforded basic copyright protection.
178. Some examples of works in which the author's personal right is more pronounced are diaries, private letters, lectures, and speeches. Comment, The 1976 Copyright Act and Preemption of Private Letters, 13 J. MAR. L. REV. 205 (1979); H. BALL, LAW OF COPYRIGHT AND LITERARY PROPERTY 29-30 (2d ed. 1944).
lished works. This right was inherent in the creation of the work, as opposed to the more familiar restraint on copying granted by statute. The author maintains this right so long as the computer program remains unpublished, even though there is a contractually restricted communication to a third party. Since this right is given to the author by copyright, it is within his power to retain it as he chooses.

Evidence of this right appears in the pre-1976 existence of common law copyright and the provision of the 1976 Act that affixes protection at the time of creation, not publication. Another factor lending support to this argument is the permissive deposit policy of such other things as secure tests and unpublished movies. This demonstrates that it is not necessary to disclose the work to obtain protection, and that some procedures are created to provide a mechanism to ensure that the author disposes of his work in his own fashion.

Although such a withholding concept may strain the policy of copyright disclosure, it is necessary because of the vulnerability of a computer program to piracy. The non-disclosure of software, coupled with copyright protection, is not simply a technical possibility; it is a right that the author has to exercise as he wishes.

V. CONCLUSION

Several problems arise with respect to the use of both state trade secret law and federal copyright law. Although recent cases have favored dual use, they may be criticized as limited in import because they are not final or controlling.

179. See H. Ball, supra note 179, at 26.
180. Id.
181. See 37 C.F.R. § 202.20(b)(4) (1982), "[A] secure test is a non-marketed test administered under supervision at specific centers on specific dates, all copies of which are accounted for and either destroyed or returned to restricted, locked storage following each administration." Id. The propriety of secure test permissive deposit was held valid in National Conference of Bar Examiners v. Multistate Legal Studies, 495 F. Supp. 34 (N.D. Ill. 1980); Association of American Medical Colleges v. Carey, 482 F. Supp. 1358 (N.D.N.Y. 1980).
However, the use of state trade secret law does not seem to conflict with federal copyright law, and an analysis of section 301 indicates that the policies of the preemption provision do not present any further obstacles.

Another opposition to simultaneous use is aimed at disclosure. It is hoped that it will "reduce the number of occasions . . . a programmer has to repeat the prior effort of another because that prior effort is kept secret." However, any forced disclosures will only reveal the work to the competition and allow them to make use of the underlying idea without paying for the development costs. This result strips the author of his personal and proprietary right in the product, and discourages investment in technological advances.

There would be no abatement of progress if the competition had to purchase what technology they gleaned from the subject program. If a competitor is able to circumvent the copyright, the result will be the disappearance of the incentive to develop computer programs, not greater accessibility to the public.

Computer programs are not the same as literary works and do not fit neatly within the standard copyright protection. While literary works are generally unique and are valued for their expression, computer programs offer more utilitarian benefits, and it is just as worthwhile to pirate the underlying idea as its expression. Dual use is necessitated because of the failure of all other forms of protection. The need for a more neatly tailored form of protection has plagued the computer industry for too long. The simultaneous use of copyright and trade secret law offers hope of filling that need.

*Philip McGarrigle*


*186. See Katz, *supra* note 81, at 492.*