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right to treatment. Such large judgments against the state, unlike small damage judgments against hospital officials, may coerce state legislatures into funding and organizing their mental health facilities more adequately. Future class actions of the type involved in *Wyatt* can also use the *Donaldson* analysis in support of their claims. The *Wyatt* attempt to judicially reorganize a state mental hospital will have a greater effect than any individual damage judgment against the state.

In conclusion, the significance of the *Donaldson* opinion lies not in its effect upon the bringing of future individual actions against hospital officials, but in its formulation of a well-reasoned analysis establishing a constitutional right to treatment. This analysis can be used in the future in actions seeking more effective and far-reaching forms of relief than the particular relief sought and granted in *Donaldson*.

*Brian S. North*

**CONSTITUTIONAL LAW — PATENT CLAUSE — STATES MAY AFFORD TRADE SECRET PROTECTION WITHOUT INFRINGING UPON FEDERAL PATENT POWER.**

*Kewanee Oil Co. v. Bicron Corp. (U.S. 1974)*

Kewanee Oil Co. (Kewanee), plaintiff petitioner, brought suit against Bicron Corp. (Bicron) and several former Kewanee employees in the United States District Court for the Northern District of Ohio, seeking injunctive relief and damages for the misappropriation of trade secrets. After 17 years of research, an unincorporated division of Kewanee, Harshaw Chemical Co. (Harshaw), had developed a method to grow a specific...
type of 17-inch crystal useful in detection devices. The individual defendants were former employees of Harshaw who had either formed or later joined Bicron. The district court, applying Ohio law, permanently enjoined the defendants from disclosing and/or using 20 of the 40 trade secrets in question, holding that Kewanee had a protectable property right in them, and that the defendants Bicron and its employees had appropriated some or all of the protected trade secrets. On appeal, the United States Court of Appeals for the Sixth Circuit reversed and remanded the case for dismissal of the complaint, holding that although the trial judge had not been clearly erroneous in his factual determination that 20 of the claimed trade secrets were protectable trade secrets under Ohio law, a state trade secret law which granted an inventor a temporally unlimited monopoly of a device which was an appropriate subject for consideration under patent law, was in direct conflict with the patent laws, and therefore ineffective by authority of the supremacy clause of the United States

2. The revolutionary process involved the synthesis of sodium iodide thallium activated scintillation crystals, which are utilized in various detection procedures, including the detection of uranium ore, the location of oil, and the location of cancerous tumors. See Petitioner's Brief at 5-6 & n.30.

3. Each of the individual defendants had been involved with the research and development of the crystals. As a condition of employment, the defendants had executed at least one agreement whereby they promised not to disclose confidential information or trade secrets obtained while employed by Harshaw. Nine months after forming Bicron, the defendants began growing 17-inch crystals. 478 F.2d at 1076.

4. Id. at 1077. Since there is no federal trade secret law, the Ohio law of trade secrets was applied under the doctrine of Erie R.R. v. Tompkins, 304 U.S. 64 (1938). Ohio law provides:

No person, having obtained possession of an article representing a trade secret or access thereto with the owner's consent, shall convert such article to his own use or that of another person, or thereafter without the owner's consent make or cause to be made a copy of such article, or exhibit such article to another.

Ohio Rev. Code Ann. § 1333.51(c) (Page 1967).

5. See 478 F.2d at 1076. The injunction was to expire as to any trade secret which was revealed or released to the public by the plaintiff, or as to any trade secret which was discovered by independent means. Petitioner's Brief at 27.

6. See 478 F.2d at 1076.

7. Kewanee claimed on appeal that all 40 of the trade secrets in question should have been granted protection. Bicron claimed that: (1) Kewanee had disclosed information to the public through a magazine article, thereby removing the requisite element of secrecy; and (2) state trade secret protection was preempted by operation of the federal patent laws. Id. at 1077-78.


9. 478 F.2d at 1078. It was not clear from the facts whether Kewanee's process could have been termed "patentable subject matter," that is, a discovery with such characteristics that it could be considered for a patent under federal law. See note 17 and accompanying text infra. Counsel for Kewanee conceded in the lower court that the process was an appropriate subject for patent consideration and the court of appeals specifically limited its decision to the issue of the validity of trade secret protection to patentable subject matter. 478 F.2d at 1078. In any event, Kewanee never applied for a patent and, since it publicly used the process for more than a year, was no longer entitled to one. See note 18 infra.
Constitution.10 The Supreme Court of the United States granted cer-
tiorari,11 and in a 5-3 decision, Mr. Justice Powell not participating, re-
versed the decision of the court of appeals and ordered the district court's
injunction reinstated, holding that the patent clause did not grant exclusive
power to regulate discoveries to Congress, and that Ohio's trade secret
law, because it served a local interest in fair competition and did not clash
with the objectives and operation of federal patent law, was not preempted
by virtue of the extent of the protective scheme enacted by Congress.

The discoverer of a new process, machine, or design has traditionally
had the benefits of a dual system of protection to ensure that his discovery
is not misappropriated. One system, patent law, was developed under a
federal statutory scheme. The other system, trade secret protection, de-
veloped under state common law principles of unfair competition.12

The federal statutory system of protection is grounded in the Constitu-
tion, which grants to the Congress the power "[t]o promote the Progress of
Science and useful Arts, by securing for limited Times to Authors and In-
vventors the exclusive Right to their respective Writings and Discoveries."13

Pursuant to this grant of power, Congress enacted the Patent Act,14
which provides a procedure whereby a patentee receives an exclusive, legal
monopoly on the patented item for a limited time,15 in exchange for public
disclosure of the essentials of his invention.16 In order to be considered
for a patent, a patentee must show that his discovery consists of patentable
subject matter, defined to be a "process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." Once a discovery meets this standard, it must satisfy additional requirements relating to the quality of the invention and its use before a patent will be granted.

Within the state system of protection, the discoverer of an idea may claim that his discovery merits trade secret protection. The most widely accepted definition of a trade secret is contained in the Restatement of Torts:

A trade secret may consist of any formula, pattern, device or compilation 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.

The protection offered to the owner of a trade secret has traditionally depended upon the judicial view of what is a protectable trade secret interest. Initially, the consensus was that a trade secret was a form of property and could be protected as such. However, this view was modified in later decisions, resulting in a focus upon the essential wrongs involved in the appropriation of trade secrets — either a breach of confidence, or the utilization of improper means to acquire the secret. Furthermore,

17. 35 U.S.C. § 101 (1970). Nonpatentable subject matter has been said to include such diverse items as customer lists, market research studies, internal business organizational methods, and production techniques. 2 R. Callmann, Unfair Competition, Trademarks and Monopolies §§ 52.1-2, 62.2 (3d ed. 1968) [hereinafter cited as Callmann]; Doerfer, supra note 16, at 1437.


21. Peabody v. Norfolk, 98 Mass. 452 (1868); Tabor v. Hoffman, 118 N.Y. 30, 23 N.E. 12 (1889). In Peabody, an employee signed an agreement, whereby he promised not to reveal information concerning his employer's trade secrets obtained while employed. The court enjoined the employee from revealing such information after he had left the employer, and stated: "If [the employer] invents or discovers, and keeps secret, a process of manufacture, whether a proper subject for a patent or not . . . he has a property in it, which a court of chancery will protect . . . ." 98 Mass. at 458.

The commentators are sharply divided upon the issue of whether a trade secret is property. Compare Adelman & Jaress, Inventions and the Law of Trade Secrets After Lear v. Adkins, 16 WAYNE L. REV. 77, 84 (1969) with Milgrim, supra note 12, § 1.01(2). The courts continue to recognize that a trade secret is property, or alternatively, that the possessor of a trade secret has a property right in it. See, e.g., Speedry Chem. Prods., Inc. v. Carter's Ink Co., 306 F.2d 328, 330 (2d Cir. 1962); A.O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531, 539 (6th Cir. 1934).

22. E.I. duPont de Nemours Powder Co. v. Masland, 244 U.S. 100 (1917). Justice Holmes stated: "The starting point for the present matter [trade secret protection]
the courts have recognized the inherent frailty of the protectable trade secret interest, and have consistently refused to protect ideas which do not have the requisite elements of secrecy and minimal novelty, or which have been discovered independently. Recognizing the value of this dual system of protection, the Supreme Court allowed the peaceful coexistence of patent and trade secret protection for many years. This coexistence was threatened by a series of Supreme Court decisions beginning with the companion cases of Sears, Roebuck & Co. v. Stiffel Co., and Compco Corp. v. Day-Brite Lighting, Inc. Both cases involved suits for patent infringement and unfair competition. The articles in question had been granted design patents, and

is not property . . . but that the defendant stood in confidential relations with the plaintiffs . . . .” Id. at 102.

Trade secret protection is generally granted when the trade secret has been revealed through a breach of a confidential relationship, through a breach of contract, either express or implied, or through the implementation of improper means. Atlantic Wool Combing Co. v. Norfolk Mills, Inc., 357 F.2d 866, 868-69 (1st Cir. 1966); RESTATEMENT OF TORTS § 757 (1939). See also CALLMANN, supra note 17, at §§ 51.2, 56; Comment, The Viability of Trade Secret Protection After Lear v. Adkins, 16 VILL. L. REV. 551, 558-67 (1971).


24. Trade secret protection has not been granted against one who either discovers the secret independently, or discovers the idea through reverse engineering, which involves disassembly or analysis of the product containing the secret to discover its details. See Northern Petrochem. Co. v. Tomlinson, 484 F.2d 1057 (7th Cir. 1973); Hampton v. Blair Mfg. Co., 374 F.2d 969 (8th Cir.), cert. denied, 389 U.S. 829 (1967); Schulenburg v. Signatrol, Inc., 33 Ill. 2d 379, 212 N.E.2d 865 (1965), cert. denied, 383 U.S. 959 (1966).


28. The law of unfair competition is a judicially created doctrine forbidding unethical business practices. See generally J. CALIFALZADE, TRADEMARKS AND UNFAIR COMPETITION §§ 601-07 (1970). The specific aspect of this body of law involved in Sears and Compco was the principle of state law that once the public and the trade associate a particular design with one manufacturer, a competitor may not copy the distinctive design so as to confuse and deceive purchasers into believing that the competitor’s product is that of the original manufacturer. 376 U.S. at 227; id. at 235. In each case, the plaintiff alleged that the defendants, by copying and selling an item sold by the plaintiffs, had infringed the respective patents held by the plaintiff, and were guilty of unfair competition under the theory outlined above. Id. at 226; id. at 235.
had been sold in the public market. 29 In each case, the Court of Appeals for the Seventh Circuit had held that, even if the patents were invalid, the owners were entitled to protection under state unfair competition law. 30 The Supreme Court declared the patents invalid in both decisions, and specifically held that state law could not, without conflicting with an area of exclusive federal control, protect a product from being copied once it had been placed in the open market without valid patent protection. 31 Mr. Justice Black, writing for the majority in each case, bluntly declared in Sears that states could not provide protection, such as the prohibition of unfair competition, which would clash with the objectives of the federal patent laws. 32 The impact of these decisions upon the ability of the states to provide a local system of protection for discoveries was the subject of much debate. 33

Having adopted an apparently strong federalist policy in the law of patents, the Supreme Court, in Lear, Inc. v. Adkins, 34 established the

29. Id. at 226; id. at 234-35.
30. Stiffel Co. v. Sears, Roebuck & Co., 313 F.2d 115, 118 (7th Cir. 1963); Day-Brite Lighting, Inc. v. Compco Corp., 311 F.2d 26, 29 (7th Cir. 1962). In Sears, the Seventh Circuit had stated that under Illinois law, only a showing of "the likelihood of confusion as to the source of the products" was required to prove unfair competition. 313 F.2d at 118 n.7, citing Day-Brite Lighting, Inc. v. Compco Corp., 311 F.2d 26 (7th Cir. 1962); National Van Lines v. Dean, 288 F.2d 5, 9 (7th Cir. 1961); Independent, Nail & Packing Co., Inc. v. Stronghold Screw Prods., Inc., 205 F.2d 921, 926 (7th Cir. 1953).
31. 376 U.S. at 232-33; id. at 239. The tests that have been established to determine whether a state law is preempted are: (1) is the power expressly and exclusively granted to the federal government by the Constitution; or (2) is that power expressly denied to the states by the Constitution; or (3) would the existence of such a power in the states be "absolutely and totally contradictory and repugnant" to the existence of a like one in Congress? See Goldstein v. California, 412 U.S. 546, 553 (1973), quoting The Federalist No. 32, at 241 (B. Wright ed. 1961) (A. Hamilton); Cooley v. Board of Wardens, 53 U.S. (12 How.) 299, 318-19 (1855). The Court in Sears held that the state law in question was preempted under the third test because the state law clashed with the objectives of the federal patent laws. 376 U.S. at 231. The Court in Sears stated:

Obviously a State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration date or give a patent on an article which lacked the level of invention required for federal patents. Id. at 231 (footnote omitted).

In Compco, the Court stated: "Today we have held . . . that when an article is unprotected by a patent or a copyright, state law may not forbid others to copy that article." Id. at 237.
32. 376 U.S. at 231. Justice Black stated that when an article was unpatentable it was in the public domain and could be made and sold by whomever chose to do so. Id.
33. At least one commentator believed that the effect of these decisions would be to preclude state trade secret protection. Adelman, Trade Secrets and Federal Pre-emtion — The Aftermath of Sears and Compco, 49 J. PAT. OFF. Soc'y 713, 732-33 (1967). Contra, Handler, Product Simulation: A Right or a Wrong?, 64 COLUM. L. Rev. 1183 (1964); Comment, The Stiffel Doctrine and the Law of Trade Secrets, 62 NW. U.L. Rev. 956, (1968). Some commentators have argued that trade secret protection, at least for those discoveries that could have been patented but were not, is partially preempted under the philosophy of Sears and Compco. Adelman & Jaress, supra note 21, at 93; Note, supra note 16, at 833-34.
doctrine that payments of royalties by a know-how licensee to a licensor to whom a patent had been granted were not required during the period between the grant of the patent and final judicial determination of the patent’s invalidity. The majority in Lear specifically avoided the issue of the validity of the payment of royalties by the licensee during the pre-grant period, but Justice Black, in a concurring and dissenting opinion, indicated that any contract providing for the payment of royalties in exchange for information about a trade secret would conflict with the operation of the patent laws.

The problem for the lower courts was the practical application of the Sears-Compco and Lear doctrines. Some courts held that Sears was limited to its facts, and that state trade secret protection, at least for those discoveries which were unpatentable or as yet unpatented, was not preempted by federal patent law. In Painton & Co. v. Bourns, Inc., the Second Circuit rationalized the continuance of a state system of trade secret protection on the grounds that the protection given did not confer a monopoly upon a discoverer, but merely enforced a contractual provision, and only limited the contracting parties, not the rest of the industry. Several courts adopted other various justifications for continued trade secret protection before the Sixth Circuit decided Kewanee.

35. Id. at 674. Of course, if the patent is declared valid, the licensor should receive all accrued royalties.
36. Id. at 674-75. The Court reversed and remanded the decision of the California Supreme Court. The subsequent history is sketched in Adkins v. District Court, 431 F.2d 859 (9th Cir. 1970). The issue of the validity of pre-patent payments was not determined by the California court.
37. 395 U.S. at 676-77 (Black, J., concurring and dissenting). Justice Black, joined by Justice Douglas and Chief Justice Warren, stated: “The national policy expressed in the patent laws, favoring free competition and narrowly limiting monopoly, cannot be frustrated by private agreements among individuals, with or without the approval of the State.” Id. at 677. For a discussion of the impact of the Lear decision upon trade secret protection, see Comment, supra note 22, at 556-58.
38. The fundamental reason given for distinguishing Sears and Compco in these decisions was that protection of trade secrets simply did not clash with the objectives of the patent laws. See, e.g., Water Services, Inc. v. Tesco Chem., Inc., 410 F.2d 163 (5th Cir. 1969); Servo Corp. of America v. General Elec. Co., 337 F.2d 716 (4th Cir. 1964), cert. denied, 383 U.S. 934 (1966).

39. 442 F.2d 216 (2d Cir. 1971).
40. Id. at 223. Circuit Judge Friendly stated:
    An agreement licensing a trade secret is an altogether different matter [from the situations in Sears and Lear]. It binds no one except the licensee; all others are free, as the licensee previously was, to attempt by fair means to figure out what the secret is and, if they succeed, to practice it.

Id. For a more extensive discussion of the Painton decision, see 17 VILL. L. REV. 376 (1971).
41. See Handler, Antitrust: 1969, 55 CORN. L. REV. 161, 189 n.178 (1970), where the author lists 24 cases which distinguish the Sears doctrine from the protection offered to trade secrets. Among the practices forbidden in those cases where breaches of confidential relationships, misappropriations, and industrial espionage. See also
Within this historical context, the instant Court was confronted with the issue of "whether state trade secret protection is pre-empted by operation of the federal patent law." Mr. Chief Justice Burger, writing for the majority, began his analysis of the issues by defining trade secrets and patents and by outlining the scope of protection offered by the respective governing laws. The Court then turned to a consideration of the two central questions posed by the decision rendered by the Sixth Circuit: 1) whether the states are forbidden, by the constitutional grant of power to Congress over discoveries, to act at all in the area of trade secret protection; and 2) whether trade secret law, specifically Ohio's, is void under the supremacy clause.

In its discussion of the first issue, the Court cited its recent decision in Goldstein v. California for the proposition that the Constitution did not grant exclusive power over writings and discoveries to Congress and that, at least in the case of writings, states could provide protection until Congress decided to preempt the area. Analogizing writings to discoveries, the Court concluded that the states enjoyed the same privileges in the regulation of discoveries and stated:

The only limitation on the States is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area passed by Congress . . .

It is submitted that the Court's analogy to state copyright protection as discussed in Goldstein is not supported completely by that decision. In Goldstein, the Court held that since Congress had remained silent in the area of musical reproductions for many years, and since Congress recently had passed legislation, which though inapplicable in Goldstein, nonetheless provided protection similar to that afforded by the subject state, state

42. 416 U.S. at 472. It should be noted that the Supreme Court had never before been actually confronted with the issue of whether trade secret law, as opposed to unfair competition law (as in Sears), conflicted with the patent laws. Therefore, the Court's analysis and conclusion can be viewed as the current constitutional definition of permissible state action in the protection of trade secrets.

43. Chief Justice Burger was joined by Justices Stewart, White, Blackmun, and Rehnquist. Justice Marshall wrote a concurring opinion. Justices Douglas and Brennan joined in a dissenting opinion, and Justice Powell took no part in the decision.

44. 416 U.S. at 474-78. See notes 12-24 and accompanying text supra.

45. 416 U.S. at 478-79.

46. 412 U.S. 546 (1973), noted in 19 Vill. L. Rev. 496 (1974). The Court in that decision was faced with the issue of whether a state law prohibiting record piracy was preempted by the Constitution and the federal copyright laws. 412 U.S. at 55. See Wydick, Trade Secrets: Federal Preemption in Light of Goldstein and Kewanee (Part II — Conclusion), 56 J. Pat. Off. Soc'y 4, 4-12 (1974).

47. 416 U.S. at 478.

48. Id. at 479.

49. Congress had passed the Sound Recording Act of 1971, Pub. L. No. 92-140, § 1(b), 85 Stat. 391 (Codified at 17 U.S.C. § 5(n) (Supp. 1971)) but that legislation specifically protected only recordings fired after February 15, 1972 and before January 1, 1975, and not those recordings, like those pirated in Goldstein, made before that date. Therefore, absent state protection, those recordings could be pirated at will. See 19 Vill. L. Rev. at 501.
protection of recordings did not conflict with federal law. The Goldstein Court specifically distinguished between congressional action in the copyright area and congressional action in the patent area, noting that by its extensive legislation in the latter, Congress had apparently indicated that protection of discoveries in commercial use was solely a federal interest. Hence, by its decision in *Kewanee*, the Court has indicated that its view of the permissible scope of state action in the protection of discoveries is more expansive than that stated in *Goldstein*.

Having decided that the Constitution did not grant exclusive power over discoveries to Congress, and that the Constitution did not specifically deny states the power to protect discoveries, the Court then considered the second issue, whether Congress, by enacting patent legislation, had preempted the field, thereby rendering trade secret law void under the supremacy clause. The Court noted that if the scheme of state trade secret protection “clashes with the objectives of the federal patent laws . . . then the state law must fall.” To determine whether state trade secret law “clashed” with federal law, the Court analyzed first the objectives of patent and trade secret laws, then the interaction of these separate systems of protection.

The objectives of the patent system, as embodied in the Constitution and the patent laws are, according to the Court: 1) to encourage research and the development of new products and processes of manufacture by granting exclusive rights in inventions; 2) to increase the common store of knowledge by requiring, in exchange for the 17-year patent, full disclosure of the essentials of the invention to the public; and 3) to ensure that all ideas in the public sector are, in fact, for the benefit of the public unless they are protected by a patent, an objective often referred to as “the public domain doctrine.” Against this background of federal patent law, the Court characterized the policies behind state trade secret law as: “[1] The maintenance of standards of commercial ethics and [2] the encouragement of invention . . . .” Additionally the Court noted that trade

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50. 412 U.S. at 565-71.
51. *Id.* at 569-70. *But see* 19 VILL. L. REV. at 500, where the author states that although *Goldstein* dealt solely with copyright law, the language used by the majority indicated a possible shift away from the strong positions taken in *Sears-Compco* and *Lear*.
52. It is submitted that the issue of whether the copyright and patent clause forbids the states to act at all is effectively laid to rest by the decisions in *Goldstein* and *Kewanee*, which represent a recognition of “the essentially non-uniform character of the appreciation of intellectual achievements in the various States.” 416 U.S. at 479.
55. 416 U.S. at 480-82.
56. *Id.*, quoting *Lear, Inc. v. Adkins*, 395 U.S. 653, 668 (1969). This doctrine was discussed in the *Sears* and *Compco* decisions. *See* notes 26-33 and accompanying text supra.
secret protection is important because it provides a means to promote "increased economic efficiency within large companies . . . ."\(^{58}\)

In its analysis of the interaction of patent and trade secret law, the Court divided the discoveries to which trade secret law applies into two classes: 1) those items which would not be proper subjects for consideration for patent protection, that is, unpatentable subject matter; and 2) those items which are proper subjects for consideration, or patentable subject matter.\(^{59}\)

As to the first class of discoveries, the Court, relying upon Goldstein, held that "Congress, with respect to nonpatentable subject matter . . . has left the area unattended . . . ."; and that states, absent some affirmative congressional action, should be free to act.\(^{60}\) The Court reasoned that since patent protection is unavailable for this class of discoveries, the abolition of trade secret protection would not foster applications for patents for these discoveries, and would not promote increased disclosure of them. In addition, the Court reasoned that trade secret protection of customer lists or advertising campaigns "encourages businesses to initiate new and individualized plans of operation, and constructive competition results."\(^{61}\)

It is submitted that the Court's reasoning and conclusion are not inconsistent with the Sears-Compco and Lear decisions on this point. Those decisions, although often quoted as expressions of a blanket federalist patent policy, can reasonably be construed as being limited to considerations of patent policy pertaining to items which are the proper subjects of consideration under the patent laws.\(^{62}\) Moreover, the state law involved in Sears and Compco forbade the copying of matter within the public domain;\(^{63}\) trade secret law, on the other hand, forbids generally only the disclosure of what is, by common definition, not in the public domain.\(^{64}\)

For this reason, as well as for those presented in the opinion, the Kewanee Court's conclusion that the lack of federal protection over discoveries not

59. 416 U.S. at 482-83. See notes 17-18 and accompanying text supra.
61. 416 U.S. at 483.
62. Although the designs sought to be patented in Sears and Compco were patentable subject matter, they lacked sufficient novelty to be entitled to a patent. 376 U.S. at 226, 235.
63. See note 28 supra. As stated previously, one principle of patent policy is that no one should obtain a monopoly on an item otherwise in general circulation. See note 56 supra.
64. RESTATEMENT OF TORTS § 757, comment b at 5-6 (1939). A trade secret's value to its owner is commensurate with the degree of secrecy with which it is kept. The trade secret loses its value and its protectability under trade secret law when it becomes common knowledge in the industry; therefore, a trade secret cannot be in the public domain, even though the product of a secret process, e.g., a synthetic crystal, may be in public use. See Metallizing Eng'r Co. v. Kenyon Bearing & Auto Parts Co., 153 F.2d 516, 520 (2d Cir.), cert. denied, 328 U.S. 840 (1946); Midland-Ross Corp. v. Sunbeam Equip. Corp., 316 F. Supp. 171, 177 (W.D. Pa.), aff'd per curiam, 435 F.2d 159 (3d Cir. 1970). See also Wydick, supra note 38, at 740-43; Comment, supra note 22, at 556.
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deemed to be patentable subject matter should be construed as con-
gressional intent to permit the states to act in this area, rather than as
congressional intent that no protection at all should be afforded these
items, seems to be the more reasonable interpretation. 65

In its analysis of the second class of discoveries, that is — those items
which are proper subjects for consideration for patent protection — the
Court considered the interaction of patent policy and trade secret policy
to determine whether patentable subject matter “may also have available
the alternative protection accorded by trade secret law.”66 The Court
summarily dismissed the issues of whether trade secret law would conflict
either with the patent policy of the encouragement of invention or with
the public domain doctrine, concluding as to the former that “[t]he two
systems are not and never would be in conflict.”67 With respect to the
latter, the Court reasoned that since a trade secret is not an item available
to the public sector, trade secret protection is not incompatible in that
sense with patent policy.68

Mr. Justice Douglas, writing for the dissent, vigorously opposed the
majority’s reasoning relating to the policy of the public domain doctrine,
noting that the majority’s decision was inconsistent with the philosophy
of Sears and Compco. According to Justice Douglas, those decisions stood
for the proposition that, absent patent protection, every article was in the
public domain and might be freely copied by all.69 Douglas reasoned that
Congress by enacting the patent laws had decided “that where no patent
existed, free competition should prevail.”70

Although Justice Douglas’ concern for the maintenance of free competi-
tion was a valid one, he failed to recognize that the fundamental philosophy
behind trade secret law, in addition to that of providing a competitive
market place, is fairness.71 Unlike the articles in Sears and Compco —
which were uncomplicated, sold in the public market, and insufficiently
novel to be afforded patent protection — an article embodying a trade
secret would remain secret, absent the utilization of improper methods to
obtain the details, or a breach of a contractual, fiduciary, or confidential

65. Section 301 of the Patent Reform Bill introduced in the 94th Congress,
that trade secret law is not preempted by patent statutes. Id. at E-18.
66. 416 U.S. at 483.
67. Id. at 484.
68. Id. (footnote omitted). See note 64 supra.
69. 416 U.S. at 495–99 (Douglas, J., dissenting). Justice Douglas stated: “We
held [in Sears] that when an article is unprotected by a patent state law may not
forbid others to copy it because every article not covered by a valid patent is in the
public domain.” Id. at 495. It should be noted, however, that this dissent agreed with
the majority’s reasoning as to trade secret protection for nonpatentable items. Id.
at 497 n.3.
70. Id. at 495.
71. Cf. Handler, supra note 33, at 1187, wherein the author posited that unfair
competition is the other side of the antitrust coin and stated: “To attain our dual goals
[free competition and fair competition], we must eliminate fraud without preventing
competition; in preserving competition, we must not immunize fraud.” Id.
relationship, and should not have its protection under state law stripped away. Because the state interest in fostering commercial integrity is not inconsistent with the policy behind the patent laws, it should not be thought to succumb to the federal interest in free competition without careful consideration of the consequences. It is submitted that competition is only free when it is also fair.

The final issue considered by the Court was whether the patent policy of disclosure, "the quid pro quo of the right to exclude," would be frustrated by the continued existence of trade secret protection of articles which are proper subjects for consideration under the patent laws. A concomitant concern, according to the Court, was whether inventors would lose the incentive to apply for a patent if trade secret protection were available. The Court, in its analysis of this issue, relied heavily upon the opinion in Painton & Co. v. Bourns, Inc., wherein Judge Friendly distinguished three categories of trade secrets: 1) the trade secret believed by its owner to constitute a validly patentable invention; 2) the trade secret known to its owner not to be so patentable; and 3) the trade secret whose valid patentability is considered dubious.

As to the trade secret known by its owner not to be patentable, the Court first concluded that the patent policy of disclosure would not be furthered by eliminating trade secret protection. The mere filing of applications for patents on unpatentable inventions predestined to be rejected by the Patent Office would not add to the public store of knowledge because such applications are held in confidence by law. Second, the Court noted that while research and development would continue in the absence of trade secret protection, there would be a resultant increase in associated expenses necessitated by the desire to maintain the value of any idea which might be developed. Additionally, since a vital part of trade secret law is the recognition of know-how licensing, the abolition of such protection would have the effect of encouraging the hoarding of knowledge rather than its dissemination for the public benefit. Finally, the Court concluded that patent law does not necessarily forbid the states from acting to prevent industrial espionage because the states have a substantial interest in enabling their citizens to avoid the increased private costs.

72. See notes 21-24 and accompanying text supra.
74. 416 U.S. at 484.
75. 442 F.2d 216 (2d Cir. 1971). See note 40 supra.
76. Id. at 224. The Court in Kewanee noted that trade secret protection in these categories would run against breaches of confidence, and theft and other forms of industrial espionage. 416 U.S. at 484.
78. 416 U.S. at 486. The holder of a trade secret would be reluctant to share his idea with a manufacturer who could not be placed under a binding legal obligation. There is also the likelihood of duplication of effort and expense. See 84 HARV. L. REV. 477, 482-84 (1970).
incurred to protect trade secrets from industrial espionage which would arise if trade secret protection were terminated; and because "the state interest in denying profit to such illegal ventures is unchallengeable."\(^{79}\)

The next category of trade secrets which the Court considered was that of the invention whose holder had a legitimate doubt as to its patentability. The Court declared that trade secret protection of such inventions did not conflict with the patent policy of disclosure, reasoning that continued trade secret protection would assist inventors in the more efficient exploitation of their discoveries because the risk of eventual patent invalidity and the high cost of patent litigation that exist regardless of the availability of trade secret protection might impel some inventors to avoid the trouble of seeking a patent, thereby delaying disclosure.\(^{80}\) In any event, the rewards of patent protection are so far superior to those of trade secret protection that any doubts as to the choice of protection would probably be resolved in favor of patent protection.\(^{81}\) Finally, the Court stated that it was quite possible that without trade secret protection, inventions which do not presently deserve patent protection might receive it and the validity of those patents might never be challenged in court.\(^{82}\) In the Court's view, this occurrence would not be balanced by the "speculative gain" of encouraging patent applications.\(^{83}\)

The Court's view of the effect of continued state protection of clearly unpatentable and doubtfully patentable inventions may be criticized upon the grounds that the patent policy of disclosure as enunciated in the Sears-Compco and Lear decisions has been effectively annulled. A literal reading of the language of those cases would lead one to the conclusion that, absent federal patent protection, any article may be freely copied by all; in other words, by setting up standards of patentability, Congress intended that discoveries consisting of patentable subject matter which did not deserve a patent should be availed no other protection.\(^{84}\) However, rather than annulling those decisions, the Kewanee decision can be read as clarifying the interaction of state and federal interests in the protection of ideas, an issue which was not conclusively determined in the previous decisions because the factual background in those cases did not require a specific resolution of the question of whether the state interest in the protection of trade secrets was preempted by the operation of the patent laws. In Sears and

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80. 416 U.S. at 487.
81. Id. at 487. The patent monopoly for a valid patent is statutorily guaranteed for 17 years. 35 U.S.C. § 154 (1970). A trade secret monopoly must be judicially enforced and exists only as long as it remains secret. For other advantages of patent over trade secret protection, see Milgrim, supra note 12, ¶ 8.02[8].
82. 416 U.S. at 488–89.
83. Id. at 489.
84. As the Sears Court observed:
States could allow perpetual protection to articles too lacking in novelty to merit any patent at all under federal constitutional standards. This would be too great an encroachment on the federal patent system to be tolerated.
376 U.S. at 232.
Compco especially, the Court was faced with distinct factual situations involving items, subject to invalid patents, which were already in the public domain and which were protected by a state law not primarily intended to promote innovation and discovery. 85

The final category which the Court considered was the clearly patentable invention, an area wherein "the federal interest in disclosure is at its peak." 86 The Court's standard for determining whether a particular state scheme of protection over clearly patentable inventions conflicted with federal patent law was described as follows:

If a State, through a system of protection, were to cause a substantial risk that holders of patentable inventions would not seek patents... we would be compelled to hold that such a system could not constitutionally continue to exist. 87

The Court concluded that the existence of trade secret law in general creates no reasonable risk of deterrence from patent application because the former provides for "weaker protection" than patent law in several respects. 88 First, trade secret law does not prohibit discovery by others through legitimate methods; patent law, on the other hand, is effective against any user by reason of a grant of exclusive rights to the inventor. 89 Second, the trade secret owner runs the risk of losing his secret to competitors in a manner which might be impossible to prove in court, if not difficult to discover. 90

The Court also discussed the disclosure issue by addressing the question of whether technological progress would be thwarted if inventors chose trade secret protection. According to the Court, even if the owner of a trade secret were to shun available patent protection, there would exist the very real chance that other research scientists, both in private industry and in academic circles, would discover the secret shortly thereafter, thereby avoiding the risk that society might be deprived of valuable information. 91

At the conclusion of this examination of the impact of state protection of clearly patentable inventions upon patent law, the Court recognized that

85. See notes 28-30 and accompanying text supra.
86. 416 U.S. at 489.
87. Id.
88. Id. at 489-90. The Court stated:
The possibility that an inventor who believes his invention meets the standards of patentability will sit back, rely on trade secret law, and after one year of use forfeit any right to patent protection... is remote indeed.
Id. at 490 (citation omitted).
89. Id. See note 15 and accompanying text supra.
90. 416 U.S. at 490, citing Painton & Co. v. Bourns, Inc., 442 F.2d 216, 224 (2d Cir. 1971). The secret may be leaked in such a manner, gradually, for example, that agreements with licensees or employees may become useless. A breach of such agreements under such circumstances might be impossible to prove in court.
91. 416 U.S. at 490, citing R. Merton, Singletons and Multiples in Science (1961), in The Sociology of Science 343 (1973); J. Cole & S. Cole, Social Stratification in Science 12-13, 229-30 (1973); Ogburn & Thomas, Are Inventions Inevitable?, 37 Pol. Sci. Quart. 83 (1922). The label given to this phenomenon by the Kewanee Court was the "ripeness of time concept." 416 U.S. at 490.
it had presented a less persuasive argument in this area than it had in the areas of doubtfully patentable and unpatentable inventions.\textsuperscript{92} Even assuming that there should be a subordination of state protection of clearly patentable inventions to federal law, the Court wrote, a system of partial preemption would create an overwhelming burden upon state courts in the administration of trade secret law because they would be forced to determine the patentability of inventions without the benefit of federal expertise.\textsuperscript{93}

Finally, the Court concluded its consideration of the issues by noting that trade secret law and patent law have peacefully coexisted in this country for many years, and the operation of the patent system does not take away the need for trade secret protection. In other words, "[u]ntil Congress takes affirmative action to the contrary, States should be free to grant protection to trade secrets."\textsuperscript{94}

Mr. Justice Marshall's concurring opinion brought out a weakness present in the Court's analysis of the effect of trade secret protection over clearly patentable discoveries, specifically in its characterization of trade secret law as "weaker protection" than patent law. Justice Marshall succinctly stated that there is a strong possibility in certain circumstances that an inventor with a clearly patentable discovery will rely upon trade secret protection rather than seek a patent.\textsuperscript{95} In analyzing trade secret law in general, the Court apparently had not recognized a situation wherein an inventor could reasonably presume that the secret, if produced for sale, would not be discovered before some lapse in time; he could insure secrecy through contractual arrangements and there would be no need to patent the discovery, thereby clearly frustrating the patent policy of disclosure. An additional factor that might have an effect upon the incentive to apply for a patent which the Court did not discuss, but which concerned the dissenting Justices,\textsuperscript{96} is the permissible scope of trade secret injunctions. Granting an injunction within a limited field of competition can have the effects of creating a monopoly within the field and delaying disclosure.\textsuperscript{97} Without some limits upon the duration of the injunction some courts might

\textsuperscript{92} 416 U.S. at 491.
\textsuperscript{93} Id. at 491-92.
\textsuperscript{94} Id. at 493.
\textsuperscript{95} Id. at 493-95 (Marshall, J., concurring). Justice Marshall viewed the fact that trade secret law offers indefinite protection while a patent is limited to 17 years as the primary attraction of the former scheme. Nevertheless, he ultimately agreed with the majority because he believed that Congress, by having acquiesced in a dual system for many years, had not intended state law to be preempted. Id. at 494.
\textsuperscript{96} Id. at 496 (Douglas, J., dissenting). The dissent was of the view that a permanent injunction against the defendants in the instant case would clearly conflict with patent policy because it would be granting a perpetual monopoly. Id.
\textsuperscript{97} See Comment, supra note 22, at 567. A possible solution is to structure the injunction to limit its duration to the period required for a competitor to manufacture the article legitimately. See Winston Research Corp. v. Minnesota Mining and Mfg. Co., 350 F.2d 134 (9th Cir. 1965). See also Comment, supra note 22, at 563-64.
reach inequitable results. Hence, in these instances, the Court by its own standards of deterrence to patent application would be forced to declare such state laws and decisions to be in conflict with federal patent policy.

Nevertheless, the advantages of abolishing trade secret protection over clearly patentable inventions to ensure that in these relatively few instances there will be no conflict with patent policy would seem to be outweighed by the disadvantages of the system of partial preemption that would result. Moreover, preemption of state protection over all patentable subject matter, while being more advantageous, would still create those difficulties outlined by the Kewanee Court. In other words, partial preemption of clearly patentable inventions would necessitate two issues' resolution by a court before trade secret protection would be deemed available: 1) whether there is patentable subject matter; and 2) whether an invention fulfills the other requirements for a patent. In contrast, partial preemption in the broader category of patentable subject matter would result in only one determination's being required — whether there is patentable subject matter. In both cases, it is submitted that initial resolution of the specific questions is better left to the expertise of the Patent Office.

The Court has, by its decision in Kewanee, reasserted that the protection a state may offer against predatory and unethical business practices does not conflict with, and, in fact, complements the protection offered by the patent laws. The test apparently is rather loosely drawn — would a given state law's protection deter an owner of a discovery from seeking patent protection? — yet the Court at no point in its opinion suggested at what point a state law might lead to such deterrence. The possibility is not remote that there will be decisions in the lower courts which will follow the spirit of Kewanee without considering its ramifications, thereby

98. For a view of the opposite ends of the spectrum, compare Shellmar Prods. Co. v. Allen-Qualley Co., 87 F.2d 104 (7th Cir. 1936), cert. denied, 301 U.S. 695 (1937) (court enjoined confidential disclosee from ever using trade secret, even after disclosure, because of his unethical conduct) with Conmar Prods. Corp. v. Universal Slide Fastener Co., 172 F.2d 150 (2d Cir. 1949) (court refused to provide remedy against innocent disclosee once secret had been made public).

99. See note 92 and accompanying text supra. But see Note, supra note 16, at 829-34, wherein the author argued that Congress intended a partially preemptive scheme so that clearly patentable inventions could not be protected by trade secret law. The author attempted to rebut the expertise argument by noting that state courts are considered qualified to adjudicate federal issues, they already decide patent issues in specific circumstances, and under partial preemption would, in effect, merely be performing an existing judicial function of the review of patent validity without the benefit of a prior Patent Office determination, which the author considers insignificant. Id. at 831-32 & nn.112-15.

100. Under this system, only discoveries which were not patentable subject matter could be protected under state law, a view advocated by Justice Douglas. 416 U.S. at 497 n.3. One commentator has suggested that preemption of patentable subject matter would be inappropriate because there would be no conflict with patent policy and the inventor would be left with no protection in this area. Note, supra note 16, at 829 n.106. However, he failed to address the argument that perhaps Congress intended such an invention to be undeserving of any protection.

101. See notes 16-18 and accompanying text supra.