

# **EXHIBIT 31**



LEXSTAT MILGRIM ON TRADE SECRETS 15.02

Milgrim on Trade Secrets

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Milgrim on Trade Secrets  
CHAPTER 15 Trial Considerations

*4-15 Milgrim on Trade Secrets § 15.02*

**§ 15.02 Aspects of Relief Available in Trade Secret Litigation**

TEXT REMOVED - NOT RELEVANT TO MOTION

4-15 Milgrim on Trade Secrets § 15.02

TEXT REMOVED - NOT RELEVANT TO MOTION

**[3] Damages**

TEXT REMOVED - NOT RELEVANT TO MOTION

TEXT REMOVED - NOT RELEVANT TO MOTION

**[c] Plaintiff's Loss or Defendant's Profits as Measure.** Put in simplest terms, in cases where defendant has tortiously misappropriated, the money award can reflect either plaintiff's measurable loss occasioned by the wrong, or defendant's profits or other benefits flowing from it.<sup>14</sup> This principle is, of course, subject to statutory modification. The most fundamental source of that modification is the Uniform Trade Secrets Act § 3.<sup>14.1</sup> There may also be some federal statutes, such as RICO,<sup>14.2</sup> which federal statute may stand independent of, and permit duplicative recovery with, state law remedies.<sup>14.3</sup>

Damages for misappropriations might be limited to a period of time before defendant realizes "profit." In such a case, other suitable measures may be employed, such as the cost of research and development or the cost of experimentation that defendant would have had to employ absent misappropriation.<sup>15</sup> One court, faced with an unusual damages situation because the defendant had accomplished massive misappropriation of plaintiff's adhesive-formula trade secrets through a planted spy, but did not use the stolen technology to manufacture directly competitive products, essentially determined that a primary measure of damages in such an instance where the plaintiff is unable to prove specific injury to it is the value of the misappropriated secret to the defendant.<sup>15.1</sup>

The availability of these alternative measures of monetary relief in jurisdictions that are willing to apply, despite the traditional rule that in contract a plaintiff's damages are measured by his loss, not defendant's gain, is explained by a decision in which defendants challenged recovery of damages based on their profits rather than plaintiff's proven losses.

"Although damages for breach of contract are traditionally measured by the nonbreaching party's loss of expected benefits under the contract, see, Dobbs, Remedies § 12.1, where an employee wrongfully profits from the use of information obtained from his employer, the measure of damages may be the employee's gain, see, id. § 10.5, at 693. Also, this court has specifically found that the violator of a covenant not to compete may be required to account for his profits, and such illegal profits may properly measure the damages."n116

The basic rule, subject, however, to statutory variation,n116.1 is that where a plaintiff may, under the state's damages rules, recover either measure, he may recover one or the other, but not both n117 This basic rule, of course, is subject to variation by statute and the UTSA has a specific provision (section 3) calling for the measure of damages as plaintiff's lost profits and, to the extent not reflected in lost profits, defendant's unjust enrichment.n117.1

Determining the defendant's gain or plaintiff's loss can be difficult where only part of defendant's revenues are attributable to misuse of plaintiff's trade secret. A court might permit lost profits upon the entire revenues, on the assumption that the plaintiff would have made the larger sale,n118 or damages might be restricted by an allocation reflecting only a portion of the revenues which portion restrictively reflects the wrongful use n119

Naturally, the basic common law damages rules are subject to alteration by statute. A principal statutory basis for a complainant to seek both its losses and the defendant's benefits is the Uniform Trade Secrets Act, which Act has, as of mid 2002, been adopted in some 43 states and the District of Columbia n120

The standard rules of damages are not ideally suited for application to trade secret cases. For example, a plaintiff may lose provable profits, but that does not reflect the incipient diminished value of the trade secret that defendant has improperly used and has put in greater jeopardy of loss of secrecy status n121 Courts may overlook this asset erosion incident of unauthorized use by a misappropriator.n122

Acute analysis of a plaintiff's loss can take into account such items as direct loss of profits, loss of recoverable direct overhead and general and administrative expenses, reasonably demonstrable reorder or spare parts or other follow on business and related items n123 An interesting example of such analysis is provided by Judge Posner in a case in which the Seventh Circuit affirmed as proper trade secret damages an award that reflected the amount by which the trade secret licensor had to **reduce** its offering price of a marketed article based on trade secret manufacturing methods in order to compete with its licensee which was engaged in unauthorized offers outside of its territory n124

A litigant asserting undeniably valid rights under a trade secret license is, just as any other litigant, not necessarily entitled to even partial summary judgment where defendant interposes affirmative defenses and claims for offset.n125 That a defendant may, after taking plaintiff's trade secret, have expended its own developmental effort to perfect the article may go, however, merely to the quantum of damages.n126 Or, if, in mitigation of damages, defendant claims innocent reliance upon nonconfidential data, defendant has the burden of proving such reliance n127

**[i] Plaintiff's and Defendant's Burdens Regarding Losses and Profits.** Under traditional U.S. rules, a plaintiff must prove its damages n128 Of course, the UTSA overlays a "code" approach: the concept is that the plaintiff can recover the *greater* of its actual damages or defendant's unjust enrichment obtained through the misappropriation.n128.1 One of the as-yet not fully explored issues implicit in much trade secret litigation is the extent to which trade secret damages can be separately recovered in a case where other intellectual property rights in the same subject matter are also violated. For example, suppose that a party develops computer software that it licenses to another party with specific limitations on the license and that the party then improperly uses the source code in violation of trade secret rights and "translates" the program so that it operates in an unauthorized way. Can separate copyright infringement and trade secret misappropriation damages be awarded?n128.2

Where there are damages that cannot be ascertained with reasonable certainty under the standard formulas for measure of damages, establishing a rule of damages for the case rests in the sound discretion of the trier of fact, based upon the best evidence available n129

Where a plaintiff seeks to recover the defendant's profits resulting from the misappropriation, its burden is only to establish that the defendant achieved revenues from use of the trade secret n129.01 Where plaintiff is entitled to defendant's profits,n129.1 defendant has the burden of proving deductions from gross revenues.n129.2 Because a defendant may be "enriched," i.e., benefitted by cost savings enjoyed from the use of the misappropriated trade secret, it is not necessary that the defendant reap a profit from its misappropriation for the trade secret claimant to recover under an unjust enrichment theory n129.3 Stringent accounting principles apply, limiting defendant's setoffs for disbursements incidental to the wrongful use.n130

TEXT REMOVED - NOT RELEVANT TO MOTION

(n114)Footnote 89. *Compco Corp. v. Day Brite Lighting, Inc.*, 376 U.S. 234, 84 S. Ct. 779, 11 L. Ed.2d 669, reh'g denied, 377 U.S. 913, 84 S. Ct. 1162, 12 L. Ed. 2d 183 (1964).

Generally, as to the impact of *Sears* and *Compco*, resulting in the entitlement of persons to independently develop, which usually includes the right to copy articles available to the public which are not otherwise protected by patent and copyright, see § 7.02[1] *supra*.

*Sears* and *Compco* have as important progeny not merely *Kewanee*, but also *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 109 S. Ct. 971, 103 L. Ed. 2d 118, 9 U.S.P.Q.2d 1847 (1989) (held, Florida plug molding statute which prohibits copying unpatented articles by "direct molding process," is improper state conduct, preempted by the federal patent scheme, and the strong federal policy favoring free competition with respect to matter not covered by patent protection). Applying *Bonito Boats*, a federal court has properly held that one is at entire liberty to disassemble and reverse engineer marketed products not otherwise protected under federal law. *Aerospace Am., Inc. v. Abatement Technologies, Inc.*, 738 F. Supp. 1061, 1072 (E.D. Mich. 1990).

That *Sears* and *Compco* had not, in fact, created any tension between legitimate trade secret protection and the general policy of not protecting matter in the public domain is amply illustrated by *Darling v. Standard Alaska Prod. Co.*, 20 U.S.P.Q.2d 1688, 818 P.2d 677 (Alaska 1991), cert. denied, 112 S. Ct. 1176 (1992). There, Alaska's highest court correctly recognized that a system conceived and generally marketed by the plaintiff, which system did not receive patent protection, was freely copiable by any third party not standing in a specific, enforceable contractual relationship. It accordingly denied the plaintiff's claim for unjust enrichment because there is nothing unjust about third parties copying that which is in the public domain. The discussion stresses the principles of *Sears*, *Compco* and *Bonito Boats*, and points out that whatever liberty of contract principles were the root basis for the Court's decision in *Aronson*, that such considerations do not apply in ordinary mercantile situations absent contract pursuant to which confidential matter is disclosed.

For an overview see J.W. Dabney, "State Law Protection of Intellectual Creations: Privacy and Preemption," 38 *Syr. L. Rev.* 653 (1987).

(n115)Footnote 90. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 491, 94 S. Ct. 1879, 40 L. Ed. 2d 315, 181 U.S.P.Q. 673 (1974).

In *Kewanee* the United States *amicus* brief presented a "view within the Government favoring limited preemption (which view is not that of the United States which believes that patent law does not preempt state trade secret law)." *Id.*

*Alaska:* *Darling v. Standard Alaska Prod. Co.*, 20 U.S.P.Q.2d 1688, 818 P.2d 677 (Alaska 1991), cert. denied, 112 S. Ct. 1176 (1992) (the plaintiff had developed a concrete block system to prevent coastal erosion; assuming that the defendant had copied this marketed system, there was still no basis for a claim for unjust enrichment because all are at liberty to copy such marketed products and there was no confidential disclosure made pursuant to contract upon the basis of which the plaintiff might have had some entitlements under the principles of *Aronson*).

*Arizona:* *Enterprise Leasing Co. v. Ehmke*, 55 U.S.P.Q.2d 1303, 197 *Ariz.* 144, 150-151, 3 P.3d 1064, 1070-1071 (2000).

*California:* A clear approach to the issue is provided at *Acuson Corp. v. Aloka Co.*, 10 U.S.P.Q.2d 1814, 209 *Cal. App. 3d* 425, 257 *Cal. Rptr.* 368, 374, 377-380 (6th Dist. 1989) (where in determining that a trade secret owner loses its rights in trade secrets upon the marketing of equipment which makes them readily available upon inspection of the equipment, the court took proper note of Supreme Court

authority which authorizes the acquisition of equipment and disassembly and copying except to the extent prohibited by the federal patent, copyright or trademark laws) (exhaustively analyzing federal law and preemption doctrines).

*Delaware: Data Gen. Corp. v. Digital Computer Controls, Inc.*, 188 U.S.P.Q. 276, 281-282, 357 A.2d 105 (Del. Ch. 1975) (trade secret law not preempted by federal patent, copyright or trademark laws).

*Illinois: See Brunswick Corp. v. Outboard Marine Corp.*, 79 Ill. 2d 475, 38 Ill. Dec. 781, 404 N.E.2d 205, 207 (1980) (viewing duration of injunctive relief as inherently dealing with public policy issue implicit in the preemption issue, and ruling that "the exact nature and duration of the remedy must be tailored to fit the facts" of each particular case and remanding for possible entry of permanent injunction use of plaintiff's trade secrets secured by defendant only through improper means and not otherwise available).

*Kansas: See McShares, Inc. v. Barry*, 970 P.2d 1005, 1999-1 CCH Trade Cas. P 72,445 (1998), cert. denied, 526 U.S. 1158, 119 S. Ct. 2048, 144 L. Ed. 2d 215 (1999) (a successful defendant in an action brought by plaintiff under the Sherman Act is entitled to maintain state abuse of litigation claims, and such claims are not "preempted" by Fed. R. Civ. P. 11).

*Massachusetts: While recognizing Kewanee's* preemption thinking, an otherwise usually thoughtful judge has suggested that even if there be no conflict between the law of trade secrets and patent law, "there is still excellent reason to apply it with beseeching modesty." *Jet Spray Cooler, Inc. v. Crampton*, 385 N.E.2d 1349, 1364 (Mass. 1979) (Kaplan, J., concurring) (case involved protection of arguably thin trade secrets, resulting in an award of all defendant's corporate profits over an 11 year period, which the concurring judge--understandably--found excessive); *Analogic Corp. v. Data Translation, Inc.*, 358 N.E.2d 804, 806 (Mass. 1976) (*Kewanee* makes it clear that federal patent law does not preempt state trade secret law).

*Federal: U.S.: Cf. Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 104 S. Ct. 2862, 81 L. Ed. 2d 815 (1984) (State characterization of trade secrets as property controls application of federal taking adjudication) (citing **TREATISE** in analysis).

*Federal Circuit: Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1242, 9 U.S.P.Q.2d 1913 (Fed. Cir.), cert. denied, 110 S. Ct. 154 (1989) (trade secrets disclosed pursuant to patent and technical information license were subject to being independently protected, and such independent protection is not incompatible with the patent laws).

*Cf. Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1306-1308, 50 U.S.P.Q.2d 1429 (Fed. Cir. 1999), cert. denied, 120 S. Ct. 933 (2000) (reversing district court's dismissal of state tortious interference claims where the allegation was that the alleged infringer had met with others in the industry attempting to discourage them from recognizing the plaintiff's patent as valid; held, the allegations, if proven, involved a wrong separate from defendant's patent infringement, namely intentionally engaging in acts wrongful by some measure which acts were designed to disrupt an economic relationship between the plaintiff and another) (state court claims for interference with prospective economic advantage and for unfair competition are not preempted by the Patent Act); *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1473-1479, 46 U.S.P.Q.2d 1120 (Fed. Cir. 1998), cert. denied, 525 U.S. 1138, 119 S. Ct. 1026, 143 L. Ed. 2d 37 (1999) (defendant in a patent infringement action claimed that the patentee's notices to customers that the defendant was infringing plaintiff's patents created a state cause of action for interference with advantageous relations which action was not preempted by the Patent Act but rather



stated an independent basis for recovery under the principles of *Kewanee* and kindred Supreme Court authority).

*3d Circuit:* State trade secret laws are, therefore, controlling on federal courts requested to protect them from unauthorized taking by federal agency. *Wearly v. FTC*, 462 F. Supp. 589, 1978-2 CCH Trade Cas. P 62,358, pp. 76,143-76,147 (D.N.J. 1978), opinion favorably reviewed but vacated as not ripe for declaratory judgment, 616 F.2d 662 (3d Cir. 1980). Similarly, a federal court applying state law will not hesitate to uphold the viability of a trade secret claim regarding even a marketed, unpatented article where plaintiff's claims involve related information disclosed to defendant in confidence. *National Instrument Labs., Inc. v. Hycel, Inc.*, 478 F. Supp. 1179, 207 U.S.P.Q. 989, 990-993 (D. Del. 1979) (citing **TREATISE** and denying defendant's summary judgment motion).

*8th Circuit:* *Pioneer Hi-Bred Int'l v. Holden Foundation Seeds Inc.*, 35 F.3d 1226, 31 U.S.P.Q.2d 1385, 1399 (8th Cir. 1994).

*9th Circuit:* *G.S. Rasmussen & Assoc. v. Kalitta Flying Serv., Inc.*, 958 F.2d 896, 904-905 (9th Cir. 1992), cert. denied, 113 S. Ct. 2927 (1993) (in an unusual case addressing the issue of whether FAA certification creates a property right on the part of the certified party which may prohibit use by certain third parties and whether such asserted right would be in conflict with federal patent or copyright preemption principles, the court found a nonpreempted property right) (Kozinski, J.).

*Kewanee* demonstrates that while state law may protect unpatented information, to protect such information against proper means of discovery (such as reverse engineering) would result in state conferred monopoly akin to the absolute protection that a federal patent affords. Any such state trade secret law would be preempted by the federal patent scheme. *Chicago Lock Co. v. Fanberg*, 676 F.2d 400, 405 (9th Cir. 1982) (finding proper the publication and distribution of a compilation of lock code key information ascertained by legitimate reverse engineering).

*Kewanee* also establishes that a trade secret claim may exist independent of copyright protection. *Walker v. University Books, Inc.*, 193 U.S.P.Q. 596, 603 (N.D. Cal. 1977).

The general principle that trade secret state claims are not preempted by patent law unless the subject matter is identical and the trade secret claims are based on periods of time after the patent issues is not the entire picture. Some state unfair competition law claims may be preempted by the very existence of patent law. For example, the existence of an arguably invalid patent may deter entry into a market, but that concern is one of exclusively federal patent, not state, law. *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 962 F. Supp. 1249, 42 U.S.P.Q.2d 1629 (C.D. Cal. 1997).

*11th Circuit:* *Roboserve, Ltd. v. Tom's Foods, Inc.*, 940 F.2d 1441, 1454 1455, 20 U.S.P.Q.2d 1321 (11th Cir. 1991) (federal preemption principles, as well as Georgia trade secret law, preclude granting trade secret relief to a plaintiff which has distributed its equipment and machinery as against the defendant which purchased it and was thereupon as a matter of law free to disassemble, inspect and reverse engineer it and the loss of trade secrecy stands as a matter of law even though the defendant did not take those measures); *Potucek v. Taylor*, 738 F. Supp. 466, 469 470, 16 U.S.P.Q.2d 1383 (M.D. Fla. 1990) (rejecting attempt to use Lanham Act § 43(a) as an equivalent to a state trade secret claim, and dismissing the action for absence of diversity where in fact the plaintiff merely sought trade secret protection for a marketed product, the court determining that the Lanham Act does not give a statutory basis for the protection and that normally marketed products are bereft of trade secret protection).

*Court of Claims:* *Ocean Science & Eng'g, Inc. v. United States*, 194 U.S.P.Q. 380, 388-389 (Ct. Cl.,

Trial Div., 1977) .

*C.C.P.A.*: *Kewanee* supports simultaneous protection by patent and trade secret of separate albeit closely related matter. *In re Sarkar*, 575 F.2d 870, 197 U.S.P.Q. 788, 790-791 (C.C.P.A. 1978) .

(n116)Footnote 91. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 491-493, 94 S. Ct. 1879, 40 L. Ed. 2d 315, 181 U.S.P.Q. 673 (1974) .

(n117)Footnote 92. *In re Sarkar* 575 F.2d 870, 197 U.S.P.Q. 788, 791 (C.C.P.A. 1978) ; *Ocean Science & Eng'g, Inc. v. United States*, 194 U.S.P.Q. 380, 388-389 (Ct. Cl., Trial Div., 1977) . As to the widespread judicial recognition of separate coverage under patent and trade secret law for related matter, see cases collected at § 8.02[2], N. 10 *supra*.

(n118)Footnote 93. See *Callmann Unfair Competition, Trademarks & Monopolies* § 15.01 (4th Ed).

There is, of course, a possibility for "preemption" of various state-law claims by reason of a state's statute protecting trade secret rights. Thus, for example, claims for fraud, breach of confidence, etc., may be preempted, in a case where trade secrets are asserted, by the state's Uniform Trade Secrets Act. See, e.g., *C & F Packing Co. v. IBP, Inc.*, 224 F.3d 1296, 1307, 55 U.S.P.Q.2d 1865 (Fed. Cir. 2000) (Kansas UTSA displaces "conflicting tort, restitutionary and other laws of this state pertaining to civil liability for misappropriation of a trade secret" and accordingly, the claim for fraud or constructive fraud against a trade secret defendant is preempted).

An interesting application of Lanham Act § 43(a) law is found at *Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 20 U.S.P.Q.2d 1001, 1991 U.S. App. LEXIS 20770 (6th Cir.) , *reh'g denied*, 1991 U.S. App. LEXIS 31362 (6th Cir. 1991) , *cert. denied*, 112 S. Ct. 3028 (1992) . There, the majority determined that a Ferrari automobile's configuration had sufficient nonfunctional features as to be distinctive and unique, and that it had acquired secondary meaning in the mind of the public so that the defendant's slavish copying in the form of a kit constituted a violation of 43(a). But see the strong dissent of Judge Kennedy, *id.* at 944 F.2d at 1248, 1252-1253 , positing that the holding runs afoul of fundamental Supreme Court policy encouraging all to copy that which is freely circulated and which is not protected under patent, copyright or trademark principles).

(n119)Footnote 94. See, e.g.:

*Illinois*: *Board of Trade of City of Chicago v. Dow Jones & Co.*, 98 Ill. 2d 109, 74 Ill. Dec. 582, 456 N.E.2d 84 (1983) (use by Board of Trade of the well known Dow Jones stock market index as the basis for the sale of index futures contracts without the permission of the publisher constituted misappropriation).

*Federal*:

*Federal Circuit*: *Interpart Corp. v. Italia*, 777 F.2d 678, 684-686, 228 U.S.P.Q. 124 (Fed. Cir. 1985) (the California plug molding statute is not preempted by the federal patent laws, which merely grant a right to exclude, but do not affect the right to copy or the right to use, the court accordingly found that the copying of the product of another by using it as the plug for a mold was properly actionable under California statute). Before placing reliance on *Interpart*, carefully consider *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 109 S. Ct. 971, 103 L. Ed. 2d 118, 9 U.S.P.Q.2d 1847 (1989) (which held Florida's plug molding statute preempted).

*2d Circuit*: *Standard & Poor's Corp. v. Commodity Exch., Inc.*, 683 F.2d 704, 216 U.S.P.Q. 841, 1982 CCH Copyright L. Dec. P 25,419 (2d Cir. 1982) (futures exchange could not trade futures contracts

based on the use of plaintiff's trade name or its index of stock performance); *Metro Kane Imports, Ltd. v. Rowoco, Inc.*, 618 F. Supp. 273, 227 U.S.P.Q. 480 (S.D.N.Y. 1985) (upholding the direct mold statutes of Michigan and Tennessee and recognizing the validity of a *res judicata* decision as to California's mold statute) (consider if *Bonito Boats* renders *Metro Boats* unreliable); *Werlin v. Reader's Digest Ass'n*, 528 F. Supp. 451, 213 U.S.P.Q. 1041, 1982 CCH Copyright L. Dec. P 25,364 (S.D.N.Y. 1981) (distinguishing between defendant's original authorship based on original research of factual data, which was not actionable under the federal copyright laws, and defendant's utilization of key ideas submitted to it, upon which idea the story was based).

6th Circuit; *Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 20 U.S.P.Q.2d 1001, 1991 U.S. App. LEXIS 20770 (6th Cir.), *reh'g denied*, 1991 U.S. App. LEXIS 31362 (6th Cir. 1991) *cert. denied*, 112 S. Ct. 3028 (1992) (determining that the product shape of Ferrari automobiles was sufficiently nonfunctional to permit the trade dress to be associated in the mind's eye as identifying the source of the goods and accordingly the copying of that trade dress by a kit manufacturer was a violation of Lanham Act § 43(a), 15 U.S.C. § 1125(a)). However, the dissent, *id.* at 944 F.2d at 1248, 1252-1253, posits that the holding violates the fundamental principles of the entitlement of all to copy that which is freely available and which is not protected under patent, copyright or trademark laws.

8th Circuit: But cf. *Toro Co. v. R & R Prods. Co.*, 787 F.2d 1208, 229 U.S.P.Q. 282, 1986 CCH Copyright L. Dec. P 25,916 (8th Cir. 1986) (original equipment manufacturer's replacement part catalog deemed to be found lacking in sufficient originality to support copyright; defendant's use of plaintiff's part numbers, in order to offer substitute parts, not held to violate any of plaintiff's rights under unfair competition law).

10th Circuit: But cf. *Ehat v. Tanner*, 780 F.2d 876, 228 U.S.P.Q. 679, 1986 CCH Copyright L. Dec. 25,877 (10th Cir. 1985), *cert. denied*, 479 U.S. 820, 107 S. Ct. 86, 93 L. Ed.2d 39 (1986) (scholar's research into historical material was copied by suppressing all the scholar's comments and printing only the original material; in reversing the District Court's misappropriation finding, the court determined that the state right claimed and those exclusive rights encompassed by the federal copyright laws were without distinction).

(n120)Footnote 95. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 94 S. Ct. 1879, 40 L. Ed. 2d 315, 181 U.S.P.Q. 673 (1974). Accord *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 99 S. Ct. 1096, 59 L. Ed.2d 296, 201 U.S.P.Q. 1 (1979) (while patent royalties must terminate upon the loss of statutory patent rights, trade secret royalty may, by agreement, extend beyond the life of the secret). Arguably an extension of the principles of *Kewanee* is *Russo v. Ballard Med. Prods.*, 550 F.3d 1004, 1011-1014, 89 U.S.P.Q.2d (BNA) 1737, 2008 U.S. App. LEXIS 25748 (10th Cir. 2008). There the Tenth Circuit determined that plaintiff's trade secret unjust misappropriation \$20 million jury verdict could stand in a situation where plaintiff had disclosed improvements to a product to defendant pursuant to a confidentiality agreement and the defendant had both incorporated such improvements in the product, leading to substantial commercial success, and had covered the improvements in two patents that were issued. The court's trade secret liability and damages discussions are particularly pertinent. The Tenth Circuit affirmed the availability of the Utah UTSA unjust enrichment remedy over defendant's contention that the parties were not competitors and had been negotiating a royalty and hence only a reasonable royalty for a reasonable period of time, not for the life of the product, was appropriate).

Although trade secrets are compatible with the federal patent scheme, in situations where patents and trade secrets are licensed together but the royalty is not allocated in part to the patent and in part to the trade secret, upon termination of the patent agreement by the licensee, claiming patent invalidity under *Lear, Inc. v. Adkins*, 395 U.S. 653, 89 S. Ct. 1902, 23 L. Ed. 2d 610, 162 U.S.P.Q. 1 (1969), collection of royalty after the expiration of the patent on the basis of

trade secrets will probably not be permitted. See *Span Deck*, at 8th Circuit *infra*, and *St. Regis*, at 9th Circuit *infra*.

See generally *G.S. Rasmussen & Assoc. v. Kalitta Flying Serv., Inc.*, 958 F.2d 896 (9th Cir. 1992), *cert. denied*, 113 S. Ct. 2927 (1993) (analyzing asserted state property right in FAA certification of airplane parts and testing such property right against federal preemption both under the FAA and the Patent and Copyright Acts) (Kozinski, J.).

*Alaska*: See *Darling v. Standard Alaska Prod. Co.*, 20 U.S.P.Q.2d 1688, 818 P.2d 677 (Alaska 1991), *cert. denied*, 112 S. Ct. 1176 (1992) (as to generally marketed matter which is not protected by patent and which was not confidentially disclosed pursuant to an enforceable agreement, federal preemption principles preclude a claim based on unjust enrichment for its use by a third party).

*Connecticut*: *UTC v. Turbine Kinetics, Inc.*, 1998 Conn. Super. LEXIS 562, \*\*1-3 (Conn. Super. 1998) (the defendant had entered a special defense that the plaintiff's trade secret action was preempted by the Patent Act; while the defendant did not respond to the plaintiff's motion to strike, the court noted that fact and struck the special defense).

*Illinois*: *Laff v. John O. Butler Co.*, 64 Ill. App. 3d 603, 21 Ill. Dec. 314, 381 N.E.2d 423, 439, 202 U.S.P.Q. 373 (1st Dist. 1978).

*Ohio*: See *Joyce v. General Motors Corp.*, 49 Ohio St. 3d 93, 551 N.E.2d 172, 175, *reh'g denied*, 50 Ohio St. 3d 709, 553 N.E.2d 691 (1990) (determining that an employee who submitted a valuable suggestion to an employer pursuant to a formal employee suggestion plan had no cognizable basis for relief, since there was neither a contractual nor confidential relationship upon which to rely and hence federal law mandated no protection of the idea) (the reasoning of this case does not seem at all free from debate; see the strong dissent commencing at *id.* 551 N.E.2d at 175).

Some of the "law review" comment *Kewanee* engendered was critical. See R. Stern, "A Reexamination of Preemption of State Trade Secret Law," 42 *Geo. Wash. L. Rev.* 927 (1974) (a comprehensive analysis); Note, "Trade Secrets," 41 *Brooklyn L. Rev.* 682 (1975); Note, "Trade Secrets," 28 *Rutgers L. Rev.* 191 (1974); Note, "State Trade Secret Protection Is Not Preempted by Operation of the United States Patent Law," 12 *Houston L. Rev.* 191 (1974); Zammitt, "The Ghost of Sears Compco Is Finally Laid to Rest (or Is It?)," 3 *Hofstra L. Rev.* 37 (1975).

For an overview of the interface between the *Sears/Compco* doctrine and state protection of intellectual property see J.W. Dabney, "State Law Protection of Intellectual Creations: Privacy and Preemption," 38 *Syr. L. Rev.* 653 (1987).

*Wisconsin*: *World Wide Prosthetic Supply, Inc. v. Mikulsky*, 62 U.S.P.Q.2d 1666, 251 Wis. 2d 45, 640 N.W.2d 764, 771-772 (2002) (awarding damages for a marketed product which was protectable under trade secret principles was not inconsistent with the federal scheme and the federal patent and copyright laws did not preempt the cause of action or the remedy).

#### *Federal:*

*Federal Circuit*: *Thompson v. Microsoft Corp.*, 471 F.3d 1288, 81 U.S.P.Q.2d (BNA) 1155 (Fed. Cir. 2006) (plaintiff, under an unjust enrichment theory, asserted that the defendant had improperly procured a patent through the use of confidential information that plaintiff had submitted to it; held, although the unjust enrichment claim was not preempted by the Patent Act, the appeal was not based upon a well-pleaded patent claim and hence the appeal had to be directed to the Sixth Circuit); *University of Colo.*

*Foundation, Inc. v. American Cyanamid Co.*, 342 F.3d 1298, 68 U.S.P.Q.2d 1120 (Fed. Cir. 2003) (plaintiffs were independent research scientists retained by defendant to evaluate the efficacy of defendant's prenatal vitamin formula; although finding that defendant's formula was more effective than a competitor's, the scientists determined that both formulas were insufficiently effective to deliver the recommended dosage of iron supplement and they suggested to the head of R & D for the defendant a method of altering the formula to reduce the presence of certain ingredients which impaired the delivery of the desired iron supplement; the defendant's head of R & D applied for a patent based on this formulation in his own name; held, plaintiff's action for unjust enrichment based upon the improper taking and use and profit from the confidentially disclosed idea was not preempted by patent law and plaintiffs could recover under a theory of contract implied in law, i.e., a recovery that the conscience of equity requires under the circumstances, and the lower court's computation of defendant's profits and, pursuant to appropriate state authority to grant recovery to plaintiffs in certain types of unfair competition, award of exemplary damages had been correct).

Preemption of state law by federal law, which could occur in the context of such enactments as the Patent Act or the Copyright Act, is but one form of potential preemption.

Traditional preemption arises when a *state* law is, or may be, incompatible with a federal enactment; when multiple federal enactments may conflict with one another, the court has to determine whether there is a conflict between the competing laws and, if so, resolve it. See generally *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1346-1347, 51 U.S.P.Q.2d 1337, 1999-2 CCH Trade. Cas. P 72,571 (Fed. Cir. 1999) (knowingly false statements to the effect that a company could not make a particular product because of the speaker's patent rights does not present an insoluble conflict between federal patent and federal unfair competition laws; whether the statements were made with the requisite degree of willfulness was therefore properly one for the jury).

See *Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1306-1308, 50 U.S.P.Q.2d 1429 (Fed. Cir. 1999), *cert. denied*, 120 S. Ct. 933 (2000) (state claims for interference with prospective economic advantage or unfair competition are not preempted by Patent Act because they involve an additional element and they protect different interests from federal patent law).

Cf. *Taylor v. PPG Indus., Inc.*, 256 F.3d 1315, 59 U.S.P.Q.2d 1380 (Fed. Cir. 2001) (granting interlocutory appeal to address whether plaintiff, a claimed co-owner of a patent, could properly assert state counterclaims for fraud, detrimental reliance, unfair trade practices and conversion) (the facts are drawn from the dissent of Mayer, C.J., *id.* 256 F.3d at 1317, and are not discernible from the majority view which granted the interlocutory appeal); *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1473-1479, 46 U.S.P.Q.2d 1120 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 1026 (1999) (the principles of *Kewanee* require nonpreemption of an accused patent infringer's state law claim for interference with advantageous contractual relations which claim was predicated upon the patentee's notification to the accused's customers that the accused was engaged in infringing conduct in a situation where the patentee had procured the patent by inequitable conduct).

Another type of preemption issue arises when several state-law actions are asserted in a trade secret case; if the state has adopted the Uniform Trade Secrets Act, some or all of those other state claims may be displaced by the state's UTSA. *C & F Packing Co. v. IBP, Inc.*, 224 F.3d 1296, 1307, 55 U.S.P.Q.2d 1865 (Fed. Cir. 2000) (applying Kansas UTSA and determining that district court correctly dismissed the fraud claim asserted and based upon the same core facts).

*1st Circuit:* See *Philip Morris Inc. v. Harshbarger*, 122 F.3d 58 (1st Cir. 1997) (determining that the Federal Cigarette Labeling and Advertising Act, 15 U.S.C. §§ 1331-1341 and associated federal tobacco

legislation did not impliedly preempt the field and accordingly, the Massachusetts Disclosure Act, which would require disclosure of additives and nicotine characteristics of cigarette products to the Massachusetts Commissioner of Public Health, to be disclosed by him in his discretion to foster the public health, subject only to an opinion of the Attorney General that such disclosure did not constitute a "taking," was not preempted).

*2d Circuit: Timely Prods. Corp. v. Arron*, 523 F.2d 288, 303, 187 U.S.P.Q. 257 (2d Cir. 1975) (citing *Kewanee* and **TREATISE**); *Weil McLain Co. v. Andro Corp.*, 200 U.S.P.Q. 538 (N.D.N.Y. 1977) .

*3d Circuit: SI Handling Sys., Inc. v. Heisley*, 753 F.2d 1244, 1264-1265, 225 U.S.P.Q. 441 (3d Cir. 1985) (enforcing trade secret rights on the grounds of commercial morality does not conflict with statutory principles favoring "free competition" or other public policy).

*7th Circuit: Christianson v. Colt Indus. Operating Corp.*, 766 F. Supp. 670, 688- 690, 1991-1 CCH Trade Cas. P 69,415 (C.D. Ill. 1991) ("As the *Bonito* court commented, the laws of unfair competition and state trade secret law have co existed harmoniously with federal patent protection for 200 years....[t]herefore, *Bonito* does not allow this Court to strike down Colt's trade secrets simply because they are difficult to reverse engineer."). See *Warrington Assocs., Inc. v. Real Time Eng'g Sys., Inc.*, 522 F. Supp. 367, 369, 216 U.S.P.Q. 1024, 1981 CCH Copyright L. Dec. P 25,316 (E.D. Ill. 1981) (in considering whether trade secret law is preempted by the Copyright Act of 1976 the court reasoned that if trade secret law is not preempted by patent law, where the considerations and likelihood of preemption would be stronger than between trade secret and copyright law, its view that the Copyright Act of 1976 did not preempt trade secret law was necessarily correct). See § 15.02[2][e] *infra*.

*8th Circuit: Pioneer Hi-Bred Int'l v. Holden Foundation Seeds Inc.*, 35 F.3d 1226, 31 U.S.P.Q.2d 1385, 1399 (8th Cir. 1994); *Span-Deck, Inc. v. Fab-Con, Inc.*, 677 F.2d 1237, 1246-1249, 215 U.S.P.Q. 835 (8th Cir. 1982) .

Cf. *Medtronic Inc. v. Eli Lilly & Co.*, 15 U.S.P.Q.2d 1465, 1467-1468 (D. Minn. 1990) (determining that a patent could be misused in a way that would interfere with the contractual rights of another and that a claim for interference with contract is not preempted by the federal patent scheme) (plaintiff's unfair competition claim based on patent use was not held, on a motion to dismiss, to be preempted by federal patent law, noting that state trade secret law is not preempted by patent law).

*9th Circuit: St. Regis Paper Co. v. Royal Indus.*, 552 F.2d 309 (9th Cir.) , *cert. denied*, 434 U.S. 996, 98 S. Ct. 633, 54 L. Ed. 2d 490 (1977) .

Nonetheless, it must be kept in mind that where state unfair competition laws are used to attain the equivalent of federal patent or copyright protection, then, and to that extent, those state laws are preempted. *Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys., Inc.*, 7 F.3d 1434, 1439-1442, 30 U.S.P.Q.2d 1302 (9th Cir. 1993) (absent the claimant's establishing an "extra element" beyond rights provided under the federal scheme, the state law is preempted).

*10th Circuit: Russo v. Ballard Med. Prods.*, 550 F.3d 1004, 1011-1014, 89 U.S.P.Q.2d (BNA) 1737, 2008 U.S. App. LEXIS 25748 (10th Cir. 2008) (discussed after citation to *Kewanee* above); *Naimie v. Cytozyme Lab., Inc.*, 174 F.3d 1104, 1108-1111 (10th Cir. 1999) (in rejecting defendant licensee's contention that its promise to pay for formulations prepared by plaintiff licensor was inconsistent with federal patent law, the Tenth Circuit relied upon, among other authorities, *Aronson* and *Kewanee*, *supra* ).

*11th Circuit: Pitney Bowes, Inc. v. Mestre*, 517 F. Supp. 52, 211 U.S.P.Q. 681, 688-692 (S.D. Fla. 1981), *aff'd*, 701 F.2d 1365, 218 U.S.P.Q. 987, *reh'g denied*, 706 F.2d 318 (11th Cir.), *cert. denied*, 464 U.S. 893, 104 S. Ct. 239, 78 L. Ed. 2d 230 (1983) (patent and trade secret law work cooperatively and can cover the same subject matter at different periods in time; whether a license agreement entered into at the time a patent application is pending is automatically converted into a patent license agreement by reason of patent issuance is an open matter, it being possible that the obligation of the disclosee to pay royalties may survive the life of the patent) (on full analysis the court determined that under the circumstances, the obligation to pay royalties postexpiration of the patents would not be compatible with the federal patent scheme; other trade secret rights not affected by patent application status, however, held to be subject to possible continued obligations beyond term of license agreement).

The Eleventh Circuit recognizes that federal preemption places constraints upon state trade secret law and that, therefore, matter in general circulation cannot thereafter be protected as a trade secret. *Roboserve, Ltd. v. Tom's Foods, Inc.*, 940 F.2d 1441, 1454-1455, 20 U.S.P.Q.2d 1321 (11th Cir. 1991) (plaintiff's equipment and machinery sold to defendant distributor thereupon lost its trade secret status).

(n121)Footnote 95.1. *Ultra-Precision Mfg., Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1374-1375, 1377-1382, 75 U.S.P.Q.2d 1065 (Fed. Cir. 2005) (extensively discussing principles of federal preemption and situations in which preemption does *not* occur, such as with respect to disclosure of matter that is *then* a trade secret subject to contractual relationship or in a confidential relationship where compensation is expected).

(n122)Footnote 96. 17 U.S.C. § 1, effective January 1, 1978 (the "**1976 Act**").

In a case that is largely dicta because the plaintiff, a submitter of ideas, sued for use of written materials, hence implicating copyright infringement, a federal district court has discerned that copyright preemption is broader than copyright coverage. Accordingly, the reasoning continues, a claim for unauthorized use of ideas can be preempted even though ideas themselves are not the subject of protection under the Copyright Act, stating explicitly that "for purposes of preemption, the Copyright Act applies with equal force to ideas." *Panizza v. Mattel, Inc.*, 2003 U.S. Dist. LEXIS 17228, \*8, 68 U.S.P.Q.2d 1469 (S.D.N.Y. 2003) (citing S.D.N.Y. cases) (questionable reasoning and conclusion).

(n123)Footnote 97. 17 U.S.C. § 103; *Robert H. Jacobs, Inc. v. Westoaks Realtors, Inc.*, 159 Cal. App. 3d 637, 1984 CCH Copyright L. Dec. P 25,714 (2d Dist. 1984) (1976 Act terminated common law copyright of architectural plans which, although not expressly covered under the 1976 Act are, by reason of the legislative history, picked up in pictorial and graphic works protection).

By and large, commercial computer software is often distributed with or utilized in conjunction with well-developed trade secrets. Provided that the developing party uses appropriate safeguards to protect the trade secrets, there appears to be no reason why the separate copyright and trade secret entitlements will not be individually respected. For a factually intense description of how intentional wrongdoing involved computer software and associated trade secret material, see generally *MGE UPS Sys. v. Titan Specialized Servs.*, 2006 U.S. Dist. LEXIS 88398 (M.D. Tenn. Dec. 6, 2006) (plaintiff distributed software to protect the integrity of electric power source and with that software distributed extensive trade secret materials; defendants were engaged in independently servicing plaintiff's equipment intended to prevent power disruption and it is clear from the opinion that there was a concerted effort by the defendants to infringe and misappropriate in connection with their independent servicing activities).

(n124)Footnote 97.1. *Tedder Boat Ramp Sys., Inc. v. Hillsborough County*, 54 F. Supp. 2d 1300, 51 U.S.P.Q.2d 1683, 1684-1685 (M.D. Fla. 1999) (general registration not only terminates trade secret status, it is incompatible with the claim that the matter in question was "confidentially" reposed in a disclosee).

(n125)Footnote 97.2. *Bowers v. Baystate Technologies, Inc.*, 302 F.3d 1334, 1341-1345, 64 U.S.P.Q.2d 1065,

2002 CCH Copyright L. Dec. P 28,479 (Fed. Cir. 2002) (the contractual protection is discerned as adding an extra element because it encompasses but is more extensive than ordinary copyright protection which is designed to protect against the copying of the object code's expression). See also 320 F.3d 1317 (Fed. Cir. 2003); *Dun & Bradstreet Software Servs., Inc. v. Grace Consulting, Inc.*, 307 F.3d 197, 216-219, 64 U.S.P.Q.2d 1705, 2002 CCH Copyright L. Dec. P 28,504 (3d Cir. 2002) (determining that a third-party consultant which had copied licensed software in order to prepare derivative works to supplant the licensor's periodic upgrades had engaged not only in copyright infringement but in trade secret misappropriation as well, the Copyright Act not having preempted the misappropriation claims) (citing extensive authority).

Cf. *Logicom Inclusive, Inc. v. W.P. Stewart & Co.*, 72 U.S.P.Q.2d 1632, 2004 CCH Copyright L. Dec. P 28,868 (S.D.N.Y. 2004) (plaintiffs created a computer software program that defendants used in their business; after termination of the entitlement to use the program, defendants retained copies and used them in their business; in addition to a copyright infringement claim, plaintiffs also asserted that the defendants had "converted" the computer program; the court dismissed the claim as preempted on a close reading determining that it was not actually based on the physical possession of the programs but rather on the use of the programs to conduct its business) (questionable decision in the context of the facts recited by the court: the defendants retained a third party who had been previously retained by plaintiffs to debug and modify the programs, an activity which was constantly ongoing; to the extent that the defendants had source code or other matter from which maintenance and upgrades could be accomplished, there may have been a lurking trade secret misappropriation claim; possibly the characterization of the claim as one for "conversion" was the fatal flaw); *Vaughn v. Kelly*, 82 U.S.P.Q.2d (BNA) 1059, 2007 U.S. Dist. LEXIS 17804 (N.D. Ill. 2007) (plaintiff sued defendant claiming that plaintiff had been a coauthor of a musical composition and had trained the defendant musical recording artist to "dance" for a video; the action was brought in state court and removed by the defendant to federal court; held, the claims asserted under state law were in fact duplicative of copyright claims, not asserted, but implicit in the facts pled and accordingly, plaintiff's motion to remove the action back to state court was denied).

(n126)Footnote 98. 17 U.S.C. § 301.

A careful distinction must be made between the rights granted to a copyright owner and rights which may arise by reason of agreements, including license agreements. For example, under the 1976 Act, 17 U.S.C. § 109(b) (as amended in 1990), only libraries and not for profit organizations have the right to lend or lease copies of computer software. However, in one of the most common transactions in the computer field, it is quite typical for certain classes of acquirers of computer programs to have a **contractual** right to lend or lease the software. The most typical examples are so called value added manufacturers and value added customizing retailers. In both instances these enterprises procure separate components from one or more sources, repackage them and often recombine them, and then offer the composite product to third parties. In such circumstances, notwithstanding the 1976 Act's preemption, it is likely that courts will look to state contract law to resolve disputes between the parties. *Step Saver Data Sys., Inc. v. Wyse Technology*, 939 F.2d 91, 96 n.7 (3d Cir. 1991) (computer operating system to tie together various components held to be "goods" under the Uniform Commercial Code and accordingly the parties' agreement negotiations and understandings prior to the delivery of the computer software would, and the licensor's box top (shrink wrap) license terms and provisions would not, govern the transaction).

Preemption by reason of a federal statute can occur explicitly or, for that matter, impliedly. Explicit preemption is, of course, easy to deal with, leaving only the question of the parameters of the preemption. Implied preemption, however, requires such pervasive legislation as to rule out state efforts in that regard. See generally *Philip Morris Inc. v. Harshbarger*, 122 F.3d 58 (1st Cir. 1997) (determining that the Federal Cigarette Labeling and Advertising Act, 15 U.S.C. §§ 1331 1341 and companion acts, did not impliedly preempt the field and accordingly the Massachusetts Disclosure Act, requiring disclosure of cigarette additives and nicotine characteristics to the Commissioner of Public Health, who could disclose that information if he deemed it would foster public health, subject only to his receiving an opinion from the Massachusetts Attorney General that such disclosure would not constitute a taking, was not



preempted). N.b. in a later phase of the *Philip Morris* litigation, the Massachusetts Act was found constitutionally impermissible on "taking" grounds. 159 F.3d 670 (1st Cir. 1998).

The federal copyright provision which vests copyright ownership in the author of the work preempts state community property laws in such manner that the spouse of the creator has no right or co-ownership. *Rodrigue v. Rodrigue*, 55 F. Supp. 2d 534, 50 U.S.P.Q.2d 1278 (E.D. La. 1999).

Discerning that the preemptive features of the Copyright Act are broader than the features which grant coverage under copyright, a federal district court has ruled that although "ideas" are not subject to copyright protection, a claim for improper use of submitted ideas is preempted by the Copyright Act. *Panizza v. Mattel, Inc.*, 2003 U.S. Dist. LEXIS 17228, 68 U.S.P.Q.2d 1469 (S.D.N.Y. 2003) (dubious decision).

(n127)Footnote 99. See 17 U.S.C. § 301(b)(3), see generally:

*California: Balboa Ins. Co. v. Trans Global Equities*, 15 U.S.P.Q.2d 1081, 218 Cal. App. 3d 1327, 267 Cal. Rptr. 787, 795-801 (3d Dist. 1990) (exhaustively analyzing preemption authorities and determining that with respect to claims regarding computer software copyright law did not preempt either state trade secret law or state law regarding breach of confidential duty or breach of fiduciary duty although, under the facts, the court found that the common law doctrine of misappropriation was indeed preempted) (this case exhaustively cites state and federal preemption authorities with respect to the various causes of actions and is required reading for any meaningful analysis of preemption issues).

See *KNB Enters. v. Matthews*, 53 U.S.P.Q.2d 1885, 78 Cal. App. 4th 362, 92 Cal. Rptr. 2d 713, 2000 CCH Copyright L. Dec. P 28,028 (2d Dist. 2000) (federal Copyright Act does not preempt California right of privacy based upon unauthorized commercial use of name or likeness); *People v. Anderson*, 21 U.S.P.Q.2d 1223, 235 Cal. App. 3d 586, 286 Cal. Rptr. 734, 1991 CCH Copyright L. Dec. 26,849 (2d Dist. 1991), review denied, 1992 Cal. LEXIS 349 (Cal. 1992) (no preemption of California "anti piracy" statute requiring persons selling or possessing recordings or audiovisual works to have clearly noted on them the name of author, artist, performer, producer, manufacturer, etc.; the reason that there was no preemption is that the interest in protecting property rights in creators of recordings is a separate and distinct interest of the state of California which does not prevent use of ideas or information, *id.* 286 Cal. Rptr. at 739).

*Florida: Garrido v. Burger King Corp.*, 15 U.S.P.Q.2d 1385, 558 So. 2d 79, 83-84 (Fla. App. 3d Dist. 1990) (1976 Act § 301(b) does not preempt claim for misappropriation of an idea submitted in confidence) (determining that copyright does not protect ideas at all and hence a submission of ideas case is inherently outside the purview of the protections afforded by the 1976 Act).

*Kansas: See McShares, Inc. v. Barry*, 970 P.2d 1005, 1999-1 CCH Trade Cas. 72,445 (1998), cert. denied, 526 U.S. 1158, 119 S. Ct. 2048, 144 L. Ed. 2d 215 (1999) (state abuse of process and malicious prosecution claims were maintainable in a state court by a successful Sherman Act antitrust defendant even though federal courts have exclusive jurisdiction over the Sherman Act substantive claims and *Fed. R. Civ. P. 11* is not the exclusive remedy for targets of allegedly malicious actions brought under the Sherman Act).

*Michigan: See DEO v. Gilbert*, 2005 Mich. App. LEXIS 2285, \*\*9-10 (Mich. App. Sept. 22, 2005) (unpublished) (determining that the "extra element" case could apply to a contractual action brought with respect to uncopyrighted old photographs arranged for publication) (citing **TREATISE**).

*Nebraska: Richdale Dev. Co. v. McNeil Co.*, 244 Neb. 694, 699-700, 508 N.W.2d 853, 857-858, 1995

Copyright L. Dec. P 27,342 (1993) (preemption where the original work of authorship that were misused, architectural plans, presented no basis for claims beyond those redressable under the Copyright Act).

*Texas:* In some instances the 1976 Act may well preempt specific wrongdoing provided under state law or statute. For example, the Texas Theft of Trade Secrets Act specifically prohibits unauthorized *copying* and taking. A conviction under that statute for doing precisely that with respect to computer programs was affirmed. *Schalk v. State*, 767 S.W.2d 441 (Tex. App. Dallas 1988) . Query: is not the act of copying a computer program, itself matter protectable under the 1976 Act, exclusively within the purview of the 1976 Act? This question apparently was not raised at trial or on appeal.

*Washington:* *Boeing Co. v. Sierracin Corp.*, 4 U.S.P.Q.2d 1417, 108 Wn.2d 38, 738 P.2d 665, 674, 1987-1 CCH Trade Cas. P 67,572 (1987) (trade secret claims in plans and specifications are not preempted by the 1976 Act because that Act protects form of expression whereas the trade secret law protects the ideas and are protected only on the basis of confidentiality) (n.b., however, the defendant had used plaintiff's drawings and specifications in the identical form received so that defendant could avail itself of FAA "identity" approval).

*Wisconsin:* *World Wide Prosthetic Supply, Inc. v. Mikulsky*, 251 Wis. 2d 45, 640 N.W.2d 764, 771-773 , 62 U.S.P.Q.2d 1666 (2002) (award of damages for lost profits with respect to marketed article that incorporated a trade secret was not inconsistent with federal patent or copyright laws); *M. Bryce & Assoc. v. Gladstone*, 215 U.S.P.Q. 81, 107 Wis. 2d 241, 319 N.W.2d 907 , 1982 CCH Copyright L. Dec. 25,418 (Wis. Ct. App.), cert. denied, 459 U.S. 944, 103 S. Ct. 258, 74 L. Ed. 2d 201 (1982) .

#### *Federal:*

*Federal Circuit:* *Bowers v. Baystate Technologies, Inc.*, 302 F.3d 1334, 1341-1345, 64 U.S.P.Q.2d 1065, 2002 CCH Copyright L. Dec. P 28,479 (Fed. Cir. 2002) (applying First Circuit law, the Federal Circuit has discerned that a computer software license which prohibits disassembly and other acts of reverse engineering is not preempted by the Copyright Act because the state contract law provides an extra element of protection, encompassing but going beyond the Copyright Act's prohibition on copying). See also 320 F.3d 1317 (Fed. Cir. 2003) .

Rejecting a district court's ruling that a trade secret claim is preempted by the 1976 Act, the Fourth Circuit has recognized a two-step preemption inquiry:

"The work must be 'within the scope of the subject-matter of copyright,' and 'the rights granted under state law must be equivalent to any exclusive rights within the scope of federal copyright ...' "

*DSC Communications Corp. v. Pulse Communications, Inc.*, 170 F.3d 1354, 1365, 50 U.S.P.Q.2d 1001, 1999 Copyright L. Dec. 27,886 (Fed. Cir.), cert. denied, 528 U.S. 923, 120 S. Ct. 286, 145 L. Ed. 2d 240 (1999) (citing Fourth Circuit authority, and determining that a trade secret claim has an additional element of misappropriation and regulates conduct in a way that is qualitatively different from conduct that is regulated under the 1976 Act).

While state "palming off" and "predatory practices" claims are probably not preempted by the 1976 Act, the relief that can be properly fashioned under such claims must be strictly limited to the proper purport of those claims and prohibit the palming off practice, and not simply the copying of an article. See *Gemveto Jewelry Co. v. Jeff Cooper Inc.*, 800

*F.2d 256, 258-259, 230 U.S.P.Q. 876 (Fed. Cir. 1986) (Sears and Compco do not prohibit a state from regulating methods of sale that would deceive the public by reason of confusion with "the original;" the acts that are to be enjoined are not copying of the unprotected articles but rather the actual palming off practices).*

*1st Circuit: Data General Corp. v. Grumman Sys. Support Corp., 795 F. Supp. 501, 506-507, 24 U.S.P.Q.2d 1469 (D. Mass. 1992), aff'd, 36 F.3d 1147, Copy. L. Rev. (CCH) P27319 (1st Cir.), partial summary judgment granted, 886 F. Supp. 927, 32 U.S.P.Q.2d 1946, 1994 CCH Copyright L. Dec. P 27,320 (D. Mass. 1994) (trade secret claims in unpublished computer software not preempted by copyright law because copyright protects only form of expression but not underlying ideas) (citing **TREATISE**).*

*2d Circuit: Financial Information, Inc. v. Moody's Investors Serv., Inc., 751 F.2d 501, 510, 224 U.S.P.Q. 632 (2d Cir. 1984), on remand, 231 U.S.P.Q. 803 (S.D.N.Y. 1986), aff'd, 808 F.2d 204, 1 U.S.P.Q.2d 1279 (2d Cir. 1986), cert. denied, 484 U.S. 820, 108 S. Ct. 79, 98 L. Ed. 2d 42 (1987) (the plaintiff asserted both copyright infringement for wide scale borrowing of its bond "facts" from its compilation and also claimed common law misappropriation; the Second Circuit questioned whether taking the facts without taking the arrangement, coordinations, sequence, etc., could constitute copyright violation and indicated that if on remand a copyright infringement claim were not sustained, the New York State unlawful misappropriation claim would have to be considered); Markogianis v. Burger King Corp., 42 U.S.P.Q.2d 1862 (S.D.N.Y. 1997) (plaintiff submitted, subject to a confidential disclosure agreement, a copyrighted work describing a marketing concept and related materials; the defendant rejected the submission and thereafter proceeded with activities that the plaintiff asserted violated plaintiff's copyright and constituted unfair competition; held, the mere fact that there may have been uncopyrightable material in the submission did not alter the fact that the state claims for unfair competition and related wrongs were preempted).*

An interesting, indeed breakthrough, analysis of computer programs and the relationship between their general ideas (protectable under trade secret principles) and expression (protectable under copyright principles) is provided at *Computer Assocs. Int'l, Inc. v. Altai Inc.*, 23 U.S.P.Q.2d 1241, 1992 CCH Copyright L. Dec. 26,931 (2d Cir.), amended, 982 F.2d 693 (2d Cir. 1992) (extensively citing **TREATISE**). Accord, *American Fun & Toy Creators, Inc. v. Gemmy Indus., Inc.*, 1997 U.S. Dist. LEXIS 12419, \*\*19-20 (S.D.N.Y. 1997) (citing **TREATISE**, and determining that "state law claims that arise in connection with copyright infringement may pass the additional element test if they involve an invasion of personal rights or a breach of fiduciary duty," and on that basis determining that the plaintiff's standing to assert the pleaded fraud claims would be held in abeyance until plaintiff made its specific fraud allegations complying with Rule 9(b)); *Enhanced Computer Solutions, Inc. v. Rose*, 927 F. Supp. 738, 739-741, 1997 CCH Copyright L. Dec. P 27,609 (S.D.N.Y. 1996) (citing **TREATISE**).

Even before *Computer Assocs.*, the courts were giving positive reception to Nimmer's "extra element" test which requires of the plaintiff's claim an element which qualitatively distinguishes the action and underlying rights from those addressed by copyright law. See, e.g., *Mayer v. Josiah Wedgwood & Sons*, 601 F. Supp. 1523, 225 U.S.P.Q. 776, 783-784, 1985 CCH Copyright L. Dec. P 25,759 (S.D.N.Y. 1985) (citing extensive authority) (the court directed its attention to the claim by plaintiff, who had submitted a snowflake design to a dish manufacturer in the course of negotiations, to recover for defendant's use of that design in a Christmas tree ornament; held, that the misappropriation claim was the only claim that was available under the circumstances, since there could be no trade secret claim for the design which plaintiff herself had dedicated to the public, and that the rights sought to be redressed by "misappropriation" were substantially equivalent to those that the Copyright Act redresses, e.g., copying,

distributing, etc.).

The Second Circuit rejects a "partial preemption" test, at least in the context of sporting events. In *National Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 848 (2d Cir. 1997), the court determined that if a claim is based upon copyrightable subject matter *and* if there is also noncopyrightable subject matter in the same material, then the "subject matter" test of 1976 Act § 301, 17 U.S.C. § 301, is met since the Second Circuit discerned that it would defeat the purpose of preemption to rule otherwise. For a detailed analysis and collection of authority see generally *Boyle v. Stephens Inc.*, 1999 CCH Copyright L. Dec. 27,845, 1998 U.S. Dist. LEXIS 15215, \*\*18-20 (S.D.N.Y. 1998) (determining that where plaintiff's copyright claim, based upon copyrighted plan for a new type of mutual fund, was dismissed the state law claim based upon misappropriation of ideas and unjust enrichment also failed because the ideas were within the copyrighted work and hence under the doctrine of no-partial-preemption, that prong of the test was met, and because the unjust enrichment claim added no "extra element" to the exclusive rights granted by the copyright laws, the claim was preempted).

See *Colour & Design v. U.S. Vinyl Mfg. Corp.*, 2005 U.S. Dist. LEXIS 10964 (S.D.N.Y. 2005) (claim for New York state unfair competition, namely passing off, has "extra element" and hence is not preempted by the Act; accordingly, plaintiff's New York claim which was coupled to a copyright claim was not dismissed); *Galerie Furstenberg v. Coffaro*, 697 F. Supp. 1282, 9 U.S.P.Q.2d 1201, 1206-1207 (S.D.N.Y. 1988) (applying 1976 Act § 301(a) to dismiss a claim of misappropriation and for unjust enrichment where the gravamen of plaintiff's concern was the wrongful copying and distribution of works of art that plaintiff had exclusive distribution rights to).

Positing that the preemptive features of the Copyright Act are broader than its protective features, a federal district court has discerned that although an idea cannot be protected under the Federal Copyright Act, a claim for wrongful conduct with respect to the submission of an idea is preempted. *Panizza v. Mattel, Inc.*, 2003 U.S. Dist. LEXIS 17228, 68 U.S.P.Q.2d 1469 (S.D.N.Y. 2003) (dubious reasoning). The reasoning of this case is largely dicta since the plaintiff apparently submitted written materials in connection with the idea and the initial complaint asserted wrongful use of those written materials, an assertion of wrongdoing that *is* covered by the Copyright Act. Although recognizing that there is a distinction between copyrightable and uncopyrightable materials for purposes of copyright *protection*, at least in the Second Circuit there is a developing body of law to the effect that even though "ideas are generally not given copyright protection, it is well established that the *scope of preemption* under § 301 is not the same as the scope of copyright protection and that the former is in fact broader than the latter." *Stewart v. World Wrestling Fed'n Entertainment, Inc.*, 74 U.S.P.Q.2d 1024, 2005 CCH Copyright L. Dec. P 28,942 (S.D.N.Y. 2005) (citing Second Circuit authority). One must ask, however, in respect of this loosely stated proposition *when* "ideas" are given copyright protection inasmuch as the 1976 Act § 102(b) is explicit on the subject: "In no case does copyright protection for an original work of authorship extend to any *idea*..." (emphasis supplied). Because ideas are explicitly excluded from *any* copyright protection, one can fairly question how § 301(a) of the Act, which provides that: "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright" shall be governed exclusively by the 1976 Act can "preempt" protection for ideas which the Act itself excludes from its own protection. Pursuing this analysis, the court in *Stewart* determined that a claim for breach of a confidential relationship in which ideas were submitted was *not* preempted by the Act nor was a claim of misappropriation of the idea submitted but that claims for unjust enrichment, conversion and fraud were preempted by the Act.

*3d Circuit: Dun & Bradstreet Software Servs., Inc. v. Grace Consulting, Inc.*, 307 F.3d 197, 216-219, 64 U.S.P.Q.2d 1705, 2002 CCH Copyright L. Dec. P 28,504 (3d Cir. 2002) (software licensor's contractual restriction on use of confidential materials, such as source code and technical manuals,

justified a claim for trade secret misappropriation against a third-party consultant that had infringed plaintiff's copyright by copying and preparing derivative works from the licensed software). See *Sullivan Assocs., Inc. v. Dellots, Inc.*, 45 U.S.P.Q.2d 1615, 1998 CCH Copyright L. Dec. P 27,713 (E.D. Pa. 1997) (architect/planner's claims for unjust enrichment conversion, constructive trust preempted by plaintiff's copyright claims whereas his conspiracy claim was not); *Cassway v. Chelsea Historic Properties I, L.P.*, 26 U.S.P.Q.2d 1791, 1993 CCH Copyright L. Dec. P 27,071 (E.D. Pa. 1993) (although the architect's state law claim for unjust enrichment for use by a real estate developer of the architect's plans by preparing derivative works was preempted by the Copyright Act, the architect's claim that the developer interfered with the architect's advantageous contractual relations with consultants was not because the latter claim was not based on copying of the work, but rather economic relationships); *WEF Basel, A.G. v. Regional Fin. Assocs.*, 23 U.S.P.Q.2d 1712 (E.D. Pa. 1992) (where complaint asserting misappropriation of trade secrets with respect to computer software which was also the subject of a copyright infringement action asserted additional factual claims, for purposes of a Federal Rule 12 motion, preemption would not occur; however, after a factual assessment, if it was determined that the claims were functionally equivalent, then preemption would occur).

*4th Circuit: Avtec Sys., Inc. v. Peiffer*, 21 F.3d 568, 574-576, 30 U.S.P.Q.2d 1365 (4th Cir. 1994) (where the employee creates a work that is claimed to be the trade secret, and the work is copyrightable and **not** created within the scope of the employee's employment, but rather belongs to the employee as a copyright proprietor, a claim for trade secret misappropriation of that work under Virginia trade secret law will not lie), *on remand*, 1994 U.S. Dist. LEXIS 16946, 1995 CCH Copyright L. Dec. P 27,360 (E.D. Va. 1994) *aff'd*, 67 F.3d 293 (4th Cir. 1995) (confirming that employee was the owner of the work but he was not entitled to attorneys' fees under the circumstances); *Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655, 658-660, 27 U.S.P.Q.2d 1014 (4th Cir.) , *cert. denied*, 114 S. Ct. 443 (1993) (trade secret claim required proof of additional wrong, namely breach of trust or confidence, and accordingly the claim was not preempted by reason of 1976 Act § 301); *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923, 6 U.S.P.Q.2d 1810 (4th Cir. 1988) (the defendant procured architectural plans from plaintiff, an architectural builder/material supplier, but then built the structure, contrary to an undertaking with a third party and did not use the supplier's materials; held, the 1976 Act did not preempt the state breach of contract conversion and unjust enrichment claims); *Pena-Rivera v. Editorial Am. S.A.*, 43 U.S.P.Q.2d 1059, 1997 U.S. Dist. LEXIS 11795 (S.D. Fla. 1997) (copyright claim for utilization of portions of a book in a magazine article was held to preempt the plaintiff's claims, based upon identical fact assertion, for unfair competition, unfair trade practices, constructive trust, restitution and implied accounting and unjust enrichment).

In the context of a submission of an idea, which may be distinguished from traditional trade secret dispute, see § 9.05 *supra*, the Fourth Circuit has determined that claims for misappropriation of a submitted idea can be preempted by the Copyright Act. See *United States ex rel. Berge v. Board of Trustees*, 104 F.3d 1453, 1463, 41 U.S.P.Q.2d 1481 (4th Cir.) , *cert. denied*, 522 U.S. 916, 118 S. Ct. 301, 139 L. Ed. 2d 232 (1997) ; *Fischer v. Viacom Int'l, Inc.*, 115 F. Supp. 2d 535, 539-542, 56 U.S.P.Q.2d 1118 (D. Md. 2000) (even though Copyright Act does not protect ideas, the Fourth Circuit discerns that the scope of preemption is broader than the scope of protection). *Berge*, 104 F.3d at 1463 ; *Fischer*, 115 F. Supp. 2d at 540 . In addition, the Fourth Circuit makes a distinction between an express contract pursuant to which an idea is submitted with a view toward compensation and one implied in fact by a court. The former is not preempted by the Copyright Act but the latter may be. *Fischer v. Viacom Int'l, Inc.*, 115 F. Supp. 2d 535, 540-542, 56 U.S.P.Q.2d 1118 (D. Md. 2000) .

*5th Circuit: Carson v. Dynegy, Inc.*, 344 F.3d 446, 455-457, 67 U.S.P.Q.2d 1932, 2003 CCH Copyright L. Dec. P 28,664 (5th Cir. 2003) (conversion claim for misappropriation of tangible exemplar of computer program not preempted by Copyright Act) (citing extensive Fifth Circuit preemption

authority). See *Brown v. Ames*, 201 F.3d 654, 657-659, 2000 CCH Copyright L. Dec. P 28,018 (5th Cir. 2000) (Copyright Act does not preempt the Texas tort of misappropriation of one's name, image or likeness) (the court intensively analyzed countervailing authority on this and analogous issues); *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 784-790, 49 U.S.P.Q.2d 1641 (5th Cir. 1999) (affirming trade secret injunction where the defendant had improperly procured access to plaintiff's switching equipment operating system in order for defendant to devise a compatible microprocessor card for expansion of the system but denying, as preempted by the Copyright Act since it had no extra element, the common law claim for unfair competition by misappropriation) (applying Texas law and extensively analyzing the misappropriation claim).

*6th Circuit: Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 453-459, 59 U.S.P.Q.2d 1434, 2001 CCH Copyright L. Dec. P 28,276 (6th Cir. 2001) (an implied-in-fact contract for a recipient of a submitted idea to pay for it is not the equivalent because it adds an extra element to a copyright claim and hence, can be pursued under state law) (noting that "Equivalency exists if the right defined by state law may be abridged by an act which in and of itself would infringe one of the exclusive rights," *id.* 256 F.3d at 456), applying the two-pronged preemption test of § 301, the appellate court reversed a grant of summary judgment in favor of a defendant submittee of an idea; although finding that the idea which was contained in copyrighted material met the first prong of the test, it determined that an implied-in-fact contract contained an extra element and hence the summary judgment had been improvidently granted); *Curcio Webb LLC v. National Benefit Programs Agency, Inc.*, 367 F. Supp. 2d 1191, 1212-1213 (S.D. Ohio 2005) (plaintiff's common law unfair competition claim, based solely on its allegation that the defendant had unlawfully copied its proposal document concerning its employee benefits and human resources consulting services, was preempted by the Copyright Act § 301 because (i) the proposal document was the subject matter of copyright and (ii) the right sought to be vindicated by the unfair competition claim was equivalent to the rights protected by the Copyright Act, i.e., the unfair competition claim required no "extra element" beyond those required to establish a claim for copyright infringement); *Sargent v. American Greetings Corp.*, 588 F. Supp. 912, 223 U.S.P.Q. 1327 (N.D. Ohio 1984) (1976 Act did not preempt state law claims based on breach of confidential relationship and misappropriation).

See *MGE UPS Sys. v. Titan Specialized Servs.*, 2006 U.S. Dist. LEXIS 88398 (M.D. Tenn. Dec. 6, 2006) (intensive factual analysis of copyright infringement and trade secret misappropriation accomplished by independent service organizations that sought to service the plaintiff's equipment which protected the integrity of electric power supply; the opinion is particularly interesting for its analysis of the effective date of a preliminary injunction occurring with the posting of bond rather than the issuance of the order and its analysis of various sanctions available for civil contempt of a preliminary injunction); *SAS Inst., Inc. v. S & H Computer Sys., Inc.*, 605 F. Supp. 816, 225 U.S.P.Q. 916, 1985 CCH Copyright L. Dec. P 25,794, pp. 19,590, 19,597-19,598 (M.D. Tenn. 1985) (the court determined that the defendants took a license from plaintiff for the express purpose of having access to plaintiff's confidential source code in order to create a version of that program for another type of computer system; because the court found that the other version, although not the same in expression because of the different languages used by the two systems, was nonetheless a derivative work of plaintiff's registered copyrighted program and because the court found that the activity violated both express and implied duties of licensee under the license agreement, the court "declined" to address the plaintiff's trade secret claims; query: were not the contractual claims based upon the licensed confidential materials and the improper use and was there not a classic trade secret case here that was not preempted by the 1976 Act?) (in the event that the court in fact awarded relief in part based on the breach of a trade secret license, namely a computer program license, might the court have been able to award attorneys' fees to plaintiff on the breach of the implied duties of good faith and fair dealing which it found to have occurred, particularly where, as here, award of attorneys' fees under the 1976 Act was precluded under § 412).

The parenthetical questioning of the reasoning in *SAS* is substantiated by subsequent, and it is submitted, sounder authority. See *Plains Cotton Coop. Ass'n v. Goodpasture Computer Serv., Inc.*, 807 F.2d 1256, 1 U.S.P.Q.2d 1635, reh'g denied, 813 F.2d 407 (5th Cir.) (en banc), cert. denied, 108 S. Ct. 80 (1987) (analyzing program structure, sequence and organization, concluding it not to be copyrightable expression, and if protectable, protectable under trade secret principles in the appropriate case).

*7th Circuit:* See *Corcoran v. Sullivan*, 112 F.3d 836, 838-839, 42 U.S.P.Q.2d 1573 (7th Cir. 1997) (a copyright author of a computer program destroyed it, for personal reasons, and in so doing he intentionally destroyed information contained in a database belonging to a client; held, the fact that he exercised a copyright entitlement in destroying his work did not render any the less criminal his destruction of associated property, namely the database).

As this issue is illuminated by advocacy, the courts have now had the opportunity to review congressional intent and the state trade secret scheme and have concluded that copyright law protects form of expression, not the underlying ideas, whereas trade secret law protects the underlying information, and that copyright law prohibits copying whereas trade secret law prohibits unauthorized use or disclosure of information by one to whom access to the trade secret has been given in a special relationship, such as a confidential or contractual relationship. *Higher Gear Group, Inc. v. Rockenbach Chevrolet Sales, Inc.*, 223 F. Supp. 2d 953, 957-958, 64 U.S.P.Q.2d 1310, 2002 CCH Copyright L. Dec. P 28,485 (N.D. Ill. 2002) (trade secret claims are not preempted because the claim involved breach of a confidential relationship, which is an additional element that changes the nature of the action so that it qualitatively differs from the rights that the federal copyright laws protect) (citing extensive authority) (in the same decision, the court also declined to preempt the breach of contract claim but did preempt the unfair competition and tortious interference claim under § 301 and the civil conspiracy claim was preempted either as under § 301 or under the Illinois Trade Secrets Act, *id.* 223 F. Supp. 2d at 959); *Warrington Assocs., Inc. v. Real Time Eng'g Sys., Inc.*, 522 F. Supp. 367, 368-369, 216 U.S.P.Q. 1024, 1901 CCH Copyright L. Dec. P 25,316 (E.D. Ill. 1981). Accord, *Hotsamba, Inc. v. Caterpillar Inc.*, 2004 CCH Copyright L. Dec. P 28,788, 2004 U.S. Dist. LEXIS 4882, \*\*8-17 (N.D. Ill. 2004) (plaintiff made confidential disclosures in connection with what ultimately became a software license to defendants; defendant allegedly used and transferred the information in an unauthorized manner; held, neither the trade secret misappropriation nor breach of contract claim were preempted by the Copyright Act) (citing extensive authority).

Not every claim asserted under state law or common law will breeze past the preemption test. For example, if a computer program is sold subject to a shrink wrap license prohibiting certain activities such as copying or disclosure, and the matter copied is eligible for copyright relief, the related contract and misappropriation claims could be argued to be preempted. The district court in *ProCD, Inc. v. Zeidenberg*, 908 F. Supp. 640, 656-662, 38 U.S.P.Q.2d 1513 (W.D. Wis.) (determining, among other things, that a contractual prohibition on copying uncopyrighted material was preempted by the Copyright Act) so found. However, the Seventh Circuit *rev'd and remanded*, 86 F.3d 1447, 39 U.S.P.Q.2d 1161 (7th Cir. 1996) (provided that shrink wrap licenses do not contain legally objectionable clauses and are not "unconscionable," they are enforceable). The district court's rejected analysis in *ProCD* could have vitality only to a certain point and to understand it the facts should be kept uppermost. Certainly there is nothing in this case which suggests that a valid trade secret license prohibiting unauthorized use or disclosure of information is unenforceable by reason of preemption principles. See generally *Milgrim on Licensing* §§ 3.02, 3.03, 3.18, 14.05. By contrast, if a copyright claim for conversion and theft involves actual physical taking of a tangible object, such as a copyrighted work that is embodied in tangible form, the copyright claim will not preempt well-pleaded claims of tortious interference and unfair competition claims. *Patriot Homes, Inc. v. Forest River Hous., Inc.*, 489 F. Supp. 2d 865, 84 U.S.P.Q.2d 1878

(*N.D. Ind. 2007*), preliminary injunction vacated for lack of specificity required by Rule 65(d), 512 F.3d 412, 85 U.S.P.Q.2d 1532 (7th Cir. 2008) (assessing defendant's preemption arguments under both the 1976 Act and the Indiana UTSA).

But cf. *G.D. Searle & Co. v. Philips Miller & Assocs.*, 836 F. Supp. 520, 523-526, 29 U.S.P.Q.2d 1926 (N.D. Ill. 1993) (determining that an advertising agency's submitted plan was sufficiently "expression intense" that, when coupled with the claims which read upon expressive utterances by defendant, made claims for misappropriation preempted) (questionable analysis). Whereas ideas do not constitute copyrightable subject matter, in some circumstances they can nonetheless be preempted because "the scope of preemption under Section 301 is not the same as the scope of copyright protection, and the former is in fact broader than the latter." *Katz Dochtermann & Epstein Inc. v. Home Box Office*, 50 U.S.P.Q.2d 1957, 1959, 1999 U.S. Dist. LEXIS 3971 (S.D. Ill. 1999) (showing that a state could not expand protection for material which was not copyrightable because that would enable states to extend protection to material not meeting federal statutory standards, citing *Harper & Row, Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 200 (2d Cir. 1983), cert. granted, 467 U.S. 1214, 104 S. Ct. 2655, 81 L. Ed. 2d 362 (1984), rev'd, 471 U.S. 539, 105 S. Ct. 2218, 85 L. Ed. 2d 588 (1985), and determining that a slogan "It's Not TV, It's HBO" could not be the basis of a state unfair competition claim because the plaintiff's claim for breach of an implied in fact contract was not preempted).

8th Circuit: *National Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426, 430-435, 26 U.S.P.Q.2d 1370 (8th Cir.), cert. denied, 114 S. Ct. 176 (1993) (a copyright licensor may be able to assert contract breaches if the licensee has used the licensed materials in a manner not authorized by the license agreement because such claim is not necessarily enforcement of a right equivalent to one of the exclusive copyright rights).

9th Circuit: *Grosso v. Miramax Film Corp.*, 383 F.3d 965, 72 U.S.P.Q.2d 1543 (9th Cir. 2004) (submission of an idea for which a claim is made under the California *Desny* doctrine, which permits a claim on an implied--in--fact contract where the claimant has conveyed an idea and shows that the claimant prepared the work, disclosed it to the defendant under circumstances from which a trier of fact could reasonably conclude that the defendant voluntarily accepted the disclosure knowing the conditions of tender and the reasonable value of the work has extra elements not embraced within the Copyright Act and hence such a claim is not preempted by the Copyright Act); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1090 n.13, 12 U.S.P.Q.2d 1241 (9th Cir. 1989) (an action for trade secret misappropriation under the California Uniform Trade Secrets Act is not preempted by § 301); *Del Madera Properties v. Rhodes & Gardner, Inc.*, 820 F.2d 973, 977- 978, 3 U.S.P.Q.2d 1283 (9th Cir. 1987) (determining that the various state unfair competition, unjust enrichment and related claims essentially added no "extra element" and hence were preempted by copyright law) (map created in connection with a real estate development qualified as a work of authorship and protection of it involved copyright protection; protection of effort expended to obtain subdivision approval, for which map was created, however, was not within the scope of copyright protection and not preempted; nonetheless copying of map as part of misappropriation was federally preempted); *Silicon Image, Inc. v. Analogix Semiconductor, Inc.*, 2007 U.S. Dist. LEXIS 39599, \*28 (N.D. Cal. May 16, 2007) (claim for unfair competition under *Cal. Bus. & Prof. Code* §§ 17200, which was based on allegations that the defendant manufactured semiconductor chips using layout designs copied from plaintiff's designs and then marketed the chips as "drop-in replaceable" with plaintiff's chips notwithstanding plaintiff's software license agreements with its customers prohibiting the use of such third party chips, was not preempted by the Copyright Act because the allegations of false advertising and tortious interference with contractual relations underlying the unfair competition claim provided the necessary "extra element" to make the right asserted qualitatively different from those protected by the Copyright Act); *Entous v. Viacom Int'l, Inc.*, 151 F. Supp. 2d 1150, 1158-1159, 58 U.S.P.Q.2d 1628 (C.D. Cal. 2001) (plaintiff had an agreement with the defendant



pursuant to which plaintiff made a submission of an idea for a program for "uncut" videos; the contract between the parties had a shortened statute of limitations and an accrual provision which began to run upon notice or upon a state of facts which would give the submitter reasonable notice; the plaintiff's contract claims were dismissed on the basis of the contractual statute of limitations and to avert this problem plaintiff also pleaded an "implied contract" theory under California law to support recovery; held, the "implied contract" claim sought recovery for no more than the mere act of reproduction, performance distribution or display and hence, had no additional element and was preempted by the Copyright Act); *Designs Art v. National Football League Properties, Inc.*, 57 U.S.P.Q.2d 1716, 2000 U.S. Dist. LEXIS 20172 (S.D. Cal. 2000) (plaintiff submitted a form of logo, for use by the Cincinnati Bengals; plaintiff asserted copyright and state law claims, including trade secret claims; held, the trade secret claims invalid on their face and were also preempted by the copyright claims).

See *Anderson v. Nidorf*, 26 F.3d 100, 31 U.S.P.Q.2d 1034, 1994 CCH Copyright L. Dec. 27,306 (9th Cir. 1994), cert. denied, 514 U.S. 1035, 115 S. Ct. 1399, 131 L. Ed.2d 287 (1995) (the Federal Copyright Act did not preempt California's Antipiracy Act, which makes it criminal to sell "pirated" tapes and records); *Pasillas v. McDonald's Corp.*, 927 F.2d 440, 443, 17 U.S.P.Q.2d 1874 (9th Cir. 1991) (in a copyright infringement case, summary judgment was properly granted to defendant where the four basic similarities derived from the common idea of a mask, and the expression of that common idea was indispensable to its communication); *Walker v. University Books, Inc.*, 193 U.S.P.Q. 596, 603 (N.D. Cal. 1977), aff'd, 602 F.2d 859, 865, 202 U.S.P.Q. 793 (9th Cir. 1979) (*Kewanee* establishes that a trade secret cause of action arising under state law could exist independent of copyright protection) (complaint, however, dismissed on facts).

It is incumbent upon the claimant under state unfair competition principles to show that he is not seeking, under the guise of those state principles, patent-or copyright-like protection. Indeed, he must prove an "extra element" in order to not have his state-law claims preempted by the federal scheme. *Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys., Inc.*, 7 F.3d 1434, 1439-1442, 30 U.S.P.Q.2d 1302 (9th Cir. 1993).

Cf. *Wendt v. Host Int'l, Inc.*, 125 F.3d 806, 44 U.S.P.Q.2d 1189 (9th Cir. 1997), reh'g denied, 197 F.3d 1284 (9th Cir. 1999) (Kozinski, J., dissenting), cert. denied, 531 U.S. 811, 121 S. Ct. 33, 148 L. Ed. 2d 13 (2000) (allowing well-known television actors to sue restaurant chain for life-like figures used in defendant's restaurants on grounds of violation of their right of publicity, and evoking Judge Kozinski's same, well-reasoning concern about the actual overlap between a right of publicity and copyright).

10th Circuit: *Gates Rubber Co. v. Bando Am., Inc.*, 798 F. Supp. 1499, 1521-1522, 25 U.S.P.Q.2d 1161 (D. Colo. 1992), aff'd in part, vacated in part, 9 F.3d 823, 28 U.S.P.Q.2d 1503 (10th Cir. 1993) (trade secret claims, particularly bearing upon manner of acquisition, not preempted by 1976 Act).

See *Relational Design & Technology, Inc. v. Data Team Corp.*, 23 U.S.P.Q.2d 1074 (D. Kan. 1992) (copyright claim preempted Uniform Trade Secrets Act claim where with respect to the same computer program where the predicate acts for both claims were identical) (however, plaintiff's fraud and breach of contract claims had qualitative differences and were retained).

But cf. *Foresight Resources Corp. v. Pfortmiller*, 719 F. Supp. 1006, 1011, 13 U.S.P.Q.2d 1721 (D. Kan. 1989) (defendant licensee of a computer program prepared additional files for that program for its own use; the court held against plaintiff on the plaintiff's copyright claim on the grounds that the activity of the defendant was an authorized "adaptation" as permitted by § 117 of the Copyright Act; without addressing whether the defendant's activities violated "legal or equitable rights that are not equivalent to

any of the exclusive rights within the general scope of copyright as specified in § 106" the court concluded that the plaintiff's claim "is based precisely upon the same **facts** as those underlying plaintiff's copyright infringement claims" and hence held that the claims were preempted) (emphasis supplied). One can question whether the analysis of facts is the end or merely the beginning of a 1976 Act § 301 preemption analysis. If, for example, the same underlying facts are involved but different rights were violated, further analysis would be required.

*11th Circuit: Dunlap v. G & L Holding Group, Inc.*, 381 F.3d 1285, 1293-1298, 72 U.S.P.Q.2d 1365, 2004 CCH Copyright L. Dec. P 28,856 (11th Cir. 2004) (plaintiff developed the idea of federally chartering a bank to service the gay and lesbian community and shared that idea with a co-founder and others who "squeezed him out"; he brought a state court action for wrongful termination of his employment agreement and fraudulent conversion of his idea; the defendants removed the action to federal court which retained the action, in the absence of diversity, on the basis of federal subject matter jurisdiction based on federal banking and trademark principles as well as copyright preemption; reversing and remanding for return to the state court, the Federal Circuit determined that the federal claims were incidental to plaintiff's claims and that there was no copyright preemption issue because the idea was a simple one and under the copyright doctrine of "merger," the idea and any limited expression of it are essentially one and the same and not protectable under the Copyright Act and hence there is no basis for a preemption); *Bateman v. Mnemonics, Inc.* 79 F.3d 1532, 1549-1550, 38 U.S.P.Q.2d 1225 (11th Cir. 1996) (Florida UTSA provides an "extra element" thereby rendering it immune to a claimed copyright preemption; however, on the facts before it, the court, "wary" of "implied" confidential relationship claims, reversed the trade secret aspects of the judgment against the defendants on the grounds that there was neither written nor any other material evidence of the existence of a confidential relationship because the defendants had not been made aware of a duty of confidentiality to be imposed upon them); *CMAX/Cleveland, Inc. v. UCR, Inc.*, 804 F. Supp. 337, 357-360, 26 U.S.P.Q.2d 1001 (M.D. Ga. 1992) (a licensee improperly used licensed computer software entrusted to him in confidence to create another program; held, separate and apart from the copyright statutory infringement claim the copyright owner/licensee could maintain breach of contract and tort claims under the Georgia Uniform Trade Secrets Act). To the extent that the right or remedy granted by the state statute is equivalent to the federal copyright scheme, preemption will be found. See *Crow v. Wainwright*, 720 F.2d 1224, 1983 CCH Copyright L. Dec. 25,608 (11th Cir. 1983), cert. denied, 469 U.S. 819, 105 S. Ct. 89, 83 L. Ed. 2d 35 (1984) (state criminal statute which made selling a "bootlegged" tape a crime was preempted by the 1976 Act).

See also J.W. Dabney, "State Law Protection of Intellectual Creations: Privacy and Preemption," 38 *Syr. L. Rev.* 653 (1987).

(n128)Footnote 100. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 94 S. Ct. 1879, 40 L. Ed. 2d 315, 181 U.S.P.Q. 673 (1974).

Cf. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 99 S. Ct. 1096, 59 L. Ed. 2d 296, 201 U.S.P.Q. 1 (1979).

See generally:

*California: Balboa Ins. Co. v. Trans Global Equities*, 218 Cal. App. 3d 1327, 267 Cal. Rptr. 787, 795 801, particularly at 800 n.29, 15 U.S.P.Q.2d 1081 (3d Dist. 1990) (following **TREATISE** proposition and determining that *Kewanee* holds that if patent law does not preempt trade secret law then neither can copyright law).

Cf. *People v. Anderson*, 21 U.S.P.Q.2d 1223, 235 Cal. App. 3d 586, 286 Cal. Rptr. 734, 739, 1991 CCH Copyright L. Dec. 26,849 (2d Dist. 1991), *review denied*, 1992 Cal. LEXIS 349 (Cal. 1992) (property right recognized in an audiovisual or sound recording as separate and distinct from the protection of the recording's content, and hence an anti piracy statute requiring prominent notation of author, performer, manufacturer, etc., of the tape was not preempted by the 1976 Act).

*Florida: Garrido v. Burger King Corp.*, 15 U.S.P.Q.2d 1385, 558 So. 2d 79 (Fla. App. 3d Dist. 1990) (because ideas are not protected by the Copyright Act, § 301(b) does not preempt an action for misappropriation of an idea submitted in confidence).

*Wisconsin:* Properly viewed, trade secret rights are not equivalent to § 106 rights, just as trade secret matter--ideas, processes, etc.--is not copyright subject matter, *M. Bryce & Assoc. v. Gladstone*, 215 U.S.P.Q. 81, 107 Wis. 2d 241, 319 N.W.2d 907, 1982 Dec. CCH Copyright L. Dec. 25,418 (Wis. Ct. App.), *cert. denied*, 459 U.S. 944, 103 S. Ct. 258, 74 L. Ed. 2d 201 (1982)

*Federal: U.S.:* The contours of the exclusive rights conferred by § 106 of the 1976 Act and the correlation of those elements to determine whether the state law rights are "equivalent to" the rights enumerated in § 106 of the Act are set out in *Harper & Row, Publishers, Inc. v. Nation Enters.*, 501 F. Supp. 848, 851-854 (S.D.N.Y. 1980), *aff'd*, 723 F.2d 195, 220 U.S.P.Q. 321 (2d Cir.), *rev'd*, 471 U.S. 539, 105 S. Ct. 2218, 85 L. Ed. 2d 588 (1985).

In the course of determining that plaintiff's claims for conversion and interference with advantageous contract relations were preempted by the Copyright Act of 1976 where defendant had, without authorization, come into possession of former President Ford's "Nixon" memoirs and excerpted them to the prejudice of plaintiff's then existing rights to publish such material and to secure bonuses from magazine excerpts, the court made the following helpful comments and placed reliance upon those aspects of the House Report which establishes that the rights involved in trade secrets are not equivalent to the § 106 rights and are entitled to separate protection under state law.

"The question remains, however, whether the rights which plaintiffs seek to protect under state law are equivalent to the rights enumerated in § 106 of the Copyright Act. That section identifies the general nature of the rights which fall 'within the general scope of copyright:' the right to exclusive reproduction, performance, distribution, or display of copyrightable work whether in original or derivative form. *See 1 Nimmer on Copyright* § 101[B][1] at 1-10, 1-11. In assessing whether a cause of action under state law is 'equivalent' to a claim of copyright infringement, the court must compare the rights sought to be protected under the federal and state laws. The fact that the state cause of action is composed of fewer elements of proof than a copyright infringement claim is not in itself dispositive. The state cause of action must protect rights under the facts of a particular case which are *qualitatively* different from the rights of reproduction, performance, distribution, or display. Thus, as Congress stated:

"The evolving common law rights of 'privacy,' 'publicity,' and *trade secrets*, and the general law 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.

"House Report at 132, U.S. Code Cong. & Admin. News 1976, p. 5748 (emphasis added)."  
(Emphasis in the original; footnotes omitted).

*Federal Circuit: Bowers v. Baystate Technologies, Inc.*, 302 F.3d 1334, 1341-1345, 64 U.S.P.Q.2d 1065, 2002 CCH Copyright L. Dec. P 28,479 (Fed. Cir. 2002) (a software licensor can legitimately prohibit the licensee from reverse engineering the licensed software; such protection affords an extra element of protection for underlying source code and other matter which is not revealed by the actual object code; accordingly, such contractual prohibition is not preempted by the Copyright Act). See also 320 F.3d 1317 (Fed. Cir. 2003).

*2d Circuit: See generally Mayer v. Josiah Wedgwood & Sons*, 601 F. Supp. 1523, 225 U.S.P.Q. 776, 1985 CCH Copyright L. Dec. P 25,759 (S.D.N.Y. 1985) (the acts complained of occurred after the effective date although the submission occurred prior to the date, the court determined that the 1976 Act controls and, under the claim, which sounded in misappropriation, that the 1976 Act provided identical rights and hence the state law claims were preempted).

The important differences between copyrightable expression and other matter (ideas, systems, methods) found in or around the copyrightable expression in computer software is carefully analyzed at *Computer Assocs. Int'l, Inc. v. Altai Inc.*, 982 F.2d 693, (2d Cir. 1992).

Copyright preemption is a two-pronged issue under section 301. First, does the matter upon which the claim is based fall within the subject matter of copyright and, second, does the state-law claim have an "extra element" beyond the rights conferred upon a copyright owner by the Copyright Act. 17 U.S.C. § 301. The Second Circuit concludes that if the matter is in full or in part copyrighted, the fact that it also contains uncopyrighted matter does not prevent it meeting the "subject matter" prong. *National Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 848 (2d Cir. 1997). For a collection of authorities and analysis see *Boyle v. Stephens Inc.*, 1999 CCH Copyright L. Dec. 27,845, 1998 U.S. Dist. LEXIS 15215, \*\*18-20 (S.D.N.Y. 1998) (also determining that a claim for "unjust enrichment" based upon the ideas in copyrighted material had to fail because a state-law "unjust enrichment" claim adds no "extra element" for purposes of the second prong).

*3d Circuit: WEF Basel, A.G. v. Regional Fin. Assocs.*, 23 U.S.P.Q.2d 1712 (E.D. Pa. 1992) (if trade secret claim seeks redress for additional factual elements it is not functionally equivalent and hence is not preempted by companion copyright claims).

*4th Circuit: Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655, 658-660, 27 U.S.P.Q.2d 1014 (4th Cir.), cert. denied, 114 S. Ct. 443 (1993) (a claim for trade secret misappropriation involved extra element of breach of trust or confidence and accordingly was not preempted by § 301).

See *Aytec Sys., Inc. v. Peiffer*, 21 F.3d 568, 574-576, 30 U.S.P.Q.2d 1365 (4th Cir. 1994) (although a trade secret claim may exist for an unpublished computer program, either in source or object code form, if the defendant employee is the copyright proprietor, because the work was not made within the scope of his employment and hence not a work for hire and owned by the employer, then a claim for trade secrets under the Virginia Uniform Trade Secret Act does not lie) (citing **TREATISE**), on remand, 1994 U.S. Dist. LEXIS 16946, 1995 CCH Copyright L. Dec. P 27,360 (E.D. Va. 1994) *aff'd*, 67 F.3d 293 (4th Cir. 1995) (confirming that employee was the owner of the work but he was not entitled to attorneys' fees under the circumstances).

*6th Circuit: Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 453-459, 59 U.S.P.Q.2d 1434, 2001 CCH Copyright L. Dec. P 28,276 (6th Cir. 2001) (an implied-in-fact promise to pay for an idea submitted to

the recipient is not preempted by the Copyright Act inasmuch as there is not an equivalency to the rights and remedies of the Act, there being an extra element, the promise to pay for use of information) (noting that "Equivalency exists if the right defined by state law may be abridged by an act which in and of itself would infringe one of the exclusive rights," *id.* 256 F.3d at 456 ).

See *MGE UPS Sys. v. Titan Specialized Servs.*, 2006 U.S. Dist. LEXIS 88398 (M.D. Tenn. Dec. 6, 2006) (recognizing the separate legal entitlements of the owner of copyrighted software and associated trade secrets).

7th Circuit: *Warrington Assocs., Inc. v. Real Time Eng'g Sys., Inc.*, 522 F. Supp. 367, 368, 369, 216 U.S.P.Q. 1024, 1981 CCH Copyright L. Dec. P 25,316 (E.D. Ill. 1981) .

See *Katz Dochtermann & Epstein Inc. v. Home Box Office*, 50 U.S.P.Q.2d 1957, 1999 U.S. Dist. LEXIS 3971 (S.D. Ill. 1999) (a slogan, although not copyrightable, nonetheless required preemption of a state unfair competition claim but not a claim based on an implied promise to pay for the idea).

8th Circuit: *Davidson & Assocs., Inc. v. Internet Gateway, Inc.*, 334 F. Supp. 2d 1164, 1174-1181 (E.D. Mo. 2004) (a contractual restriction in a shrinkwrap license that prohibited the recipient from disassembling or decompiling the licensed game software was not preempted by § 301 of the 1976 Act; although state law which prohibits such disassembly and decompiling may be preempted by the federal copyright scheme, courts nonetheless recognize that parties may contractually waive the right to disassemble and decompile; although the agreement here was a shrinkwrap agreement, such agreements are binding, enforceable contracts, even though the court recognized that the parties had unequal bargaining positions, because the contract was not substantively unconscionable) (extended discussion of all pertinent issues).

9th Circuit: See *Walker v. University Books, Inc.*, 193 U.S.P.Q. 596 (N.D. Cal. 1977) , *aff'd*, 602 F.2d 859, 865, 202 U.S.P.Q. 793 (9th Cir. 1979) .

Cf. *G.S. Rasmussen & Assoc. v. Kalitta Flying Serv., Inc.*, 958 F.2d 896 (9th Cir. 1992) , *cert. denied*, 113 S. Ct. 2927 (1993) (exploring asserted state right of use in FAA certified part, testing that assertion against federal preemption under the patent, copyright and FAA statutory scheme) (Kozinski, J.).

10th Circuit: See *Kindergartners Count, Inc. v. Demoulin*, 171 F. Supp. 2d 1183, 1190-1192, 61 U.S.P.Q.2d 1017 (D. Kan. 2001) (unfair competition consisting of such things as confusion of customers or, by way of dictum, breaches of fiduciary duties and confidential relationships in regard to trade secrets, are not preempted by the Copyright Act).

(n129)Footnote 100.1. *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 784-785, 49 U.S.P.Q.2d 1641 (5th Cir. 1999) (the defendant improperly gained access to, and improperly copied and disassembled, the plaintiff's proprietary operating system in order to develop defendant's competitive microprocessor cards which were used for expansion of the system; held, such conduct constituted improper acquisition of the trade secret; in the same opinion, the Fifth Circuit *reversed* the trial court's injunction issued for unfair competition by misappropriation on the grounds that the misappropriation claim was preempted by the Copyright Act, having no "extra element" wrong to be redressed). In analyzing the principles and conclusion of *Alcatel*, the reader might wish to compare it to *Imax Corp. v. Cinema Techs., Inc.*, 152 F.3d 1161, 47 U.S.P.Q.2d 1821 (9th Cir. 1998) (trade secret claim properly rejected by trial court because the plaintiff had failed to identify its claimed trade secret but the plaintiff's separate claim for unfair competition, despite plaintiff's failure to prove trade secrets, alleged a separate wrong and should have been adjudicated by the court and hence the case was remanded for that purpose); *Davidson & Assocs., Inc. v. Internet Gateway, Inc.*,

*334 F. Supp. 2d 1164, 1174-1182 (E.D. Mo. 2004)* (determining that § 301 of the 1976 Act does not preempt a claim for breach of contract, which claim arises out of a shrinkwrap license prohibiting disassembly and decompiling of the licensed computer game program; the court expressly rejected the argument that such an agreement was unenforceable and unconscionable by determining that shrinkwrap licenses are recognized as binding and that the provisions of the agreement here were not substantively unconscionable).

(n130)Footnote 101. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 94 S. Ct. 1879, 40 L. Ed. 2d 315, 181 U.S.P.Q. 673 (1974) .

Whether or not independent development has occurred is plainly a factual issue, and one which will therefore not often be susceptible to a defense motion for summary judgment. *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 451, 459-460, 59 U.S.P.Q.2d 1434, 2001 CCH Copyright L. Dec. P 28,276 (6th Cir. 2001) .

The key to the textual proposition relates to whether or not a party stands in some type of special relationship to the owner of a trade secret. That relationship could be a confidential relationship, such as exists in the employment arrangement, or a contractual relationship, such as exists between licensor and licensee, or could be a relationship implied by the law, such as a relationship between a legitimate owner and one who has unlawfully acquired access to a trade secret, conduct which is prohibited under the Uniform Trade Secrets Act and traditional trade secret law. See generally § 1.01[2] *supra*. Where the special relationship is of a contractual nature, a common example is the software licensor's prohibition on the licensee's reverse engineering the licensed object code. Such contractual prohibition is legitimate under state law and is not preempted by the Copyright Act because affording an extra element of protection beyond the mere copying prohibition of the Copyright Act. *Bowers v. Baystate Technologies, Inc.*, 302 F.3d 1334, 1341-1345, 64 U.S.P.Q.2d 1065, 2002 CCH Copyright L. Dec. P 28,479 (Fed. Cir. 2002) . See also 320 F.3d 1317 (Fed. Cir. 2003) .

See *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 784-785, 49 U.S.P.Q.2d 1641 (5th Cir. 1999) (improperly procuring plaintiff's copyrighted, licensed software in order to disassemble it and develop a compatible microprocessor expansion card was held to be improper conduct and hence violative of plaintiff's trade secret rights in the unpublished operating system; trade secret injunction affirmed although the unfair competition by misappropriation injunction reversed as being preempted by the Copyright Act *and* the copyright injunction was reversed by reason of plaintiff's misuse in the way in which it licensed its software); § 7.02[1] *supra* .

An *election* to seek copyright registration and in accordance with such an election to file with the Copyright Office the matter being copyrighted not only terminates the trade secret in the copyrighted material but also is incompatible with the claim that that material has been confidentially submitted to a third party. *Tedder Boat Ramp Sys., Inc. v. Hillsborough County*, 54 F. Supp. 2d 1300, 51 U.S.P.Q.2d 1683, 1684-1685 (M.D. Fla. 1999) .

TEXT REMOVED - NOT RELEVANT TO MOTION