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necessarily involves speculation as to what factors influenced the Justices. The *Glaxo* decision, however, does appear to be consistent with the Court's current view of the interrelationships of patents and antitrust policy. It flows from a realization that patents are an area of exempt conduct within the general sweep of antitrust policy. It is further evidence of the Court's explicit policy, recently expressed in *Lear* and *Blonder*, of favoring the judicial testing of patents. Perhaps most important about the decision is the emphasis which the Court places on insuring that the antitrust decree is effective in restoring competitive conditions once violations are found. Coupled with this emphasis is a reaffirmation that the Supreme Court plays a special role in antitrust litigation. This decision would appear to arm the United States with a potentially potent new tool in handling antitrust cases.

Peter A. Mullin

Trade Secrets—Federal Patent Law Preemption of State Trade Secret Law—*Kewanee Oil Co. v. Bicron Corp.*—In an action by Kewanee Oil Company to enjoin Bicron Corporation and several individual defendants from disclosing and/or using alleged trade secrets in which Kewanee had a claimed property right, the Sixth Circuit reversed the grant of a permanent injunction by the District Court for the Northern District of Ohio and remanded for dismissal on the grounds that Ohio state trade secret law was preempted by the United States patent laws.

Bicron Corporation was formed by former employees of an unincorporated subordinate division of Kewanee, the Harshaw Chemical Company, which manufactures various types of synthetic crystals. As a condition of employment with Harshaw, each of the individual defendants had executed at least one agreement prohibiting him from disclosing confidential information or trade secrets obtained as an employee. In 1949 Harshaw began research on the manufacture of sodium iodide thallium activated scintillation crystals, which have a unique property permitting them to generate a

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2. Restatement of Torts § 757, comment b (1939) reads in pertinent part:

Definition of trade secret. A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. . . . A trade secret is a process or device for continuous use in the operation of the business.

3. Under Ohio law, an employee or former employee can be enjoined from disclosing or using, for either his own or his new employer's benefit, trade secrets secured in the course of confidential employment. Curry v. Marquart, 133 Ohio St. 77, 79, 11 N.E.2d 868, 869 (1937).
minute particle of light when struck by ionizing radiation. By 1966, after more than sixteen years of research, Harshaw was able to grow a seventeen inch crystal, an achievement no competitor had accomplished. Bicron, in contrast, came out with a seventeen inch crystal within nine months of the formation of the company. Kewanee thereupon brought an action to enjoin disclosure and/or use of forty alleged trade secrets used in the manufacture of the crystals. The district court found that the individual defendants had, for Bicron's benefit, used secrets, processes, procedures and manufacturing techniques obtained while working for Harshaw, that twenty of the forty alleged trade secrets were protectable, and that there was no sufficient basis for a conclusion that Harshaw's failure to maintain adequate security constituted a waiver of secrecy. Kewanee conceded that the trade secrets relating to the processes, procedures and manufacturing techniques were "patentable," i.e., able to be patented under the provisions of the federal patent law, had they not been in commercial use for over a year and thus no longer eligible for patents.

Kewanee appealed, claiming that all forty alleged trade secrets were protectable, while Bicron and the individual defendants cross-appealed, claiming that none of the forty should have been protected under state law. The issue of a possible conflict between (1) the patent clause of the United States Constitution and federal patent laws and (2) the trade secret law of Ohio was also raised. The Sixth Circuit upheld the findings of fact of the district court regarding the trade secrets, but HELD: that Ohio's trade secret law cannot be applied to protect an inventor in the maintenance of a monopoly over a device which is an appropriate subject for patent under the federal patent laws and which has been used commercially for more than one year since the state law is then in conflict with the policies and purposes of those patent laws.

The crystals are used in connection with nuclear fission equipment utilized in geophysical surveys searching for uranium and oil, in clinical measurement of radio isotopes, and in certain aspects of space exploration.

478 F.2d at 1076.

Id.

Id. at 1077. "The absence of sufficient precautions can forfeit secrecy. . . . [C]ourts find in some cases that a secret process which is employed in a plant with little or no measures to keep it from public view ceases to be a secret." R. Milgrim, Trade Secrets § 2.04, at 2-17 (Supp. 1973) (footnote omitted).

35 U.S.C. § 101 (1970): "Inventions patentable. Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title."

35 U.S.C. § 102 (1970): "A person shall be entitled to a patent unless . . . (b) the invention was . . . in public use . . . more than one year prior to the date of the application for patent . . . ."

The applicable constitutional provision, U.S. Const. art. I, § 8, gives Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . . ."

478 F.2d at 1086.
This note will first discuss the bases for and policies underlying state trade secret law and federal patent law, and then analyze the specific fact situation in *Kewanee* in light of relevant United States Supreme Court decisions and a holding contrary to *Kewanee* in a Second Circuit decision. It will be submitted that the Sixth Circuit arrived at an improvident decision which may have far-reaching and detrimental repercussions in industries dependent on the competitive edge provided by trade secrets.

The conflicts between state trade secret law and federal patent law are genuine and serious. Trade secret law is rooted in the common law of contract and torts; among the numerous legal theories on which trade secret cases rely are breach of contract (express or implied agreement not to disclose), violation of fiduciary duty, infringement of property rights, breach of confidence, and misappropriation. Trade secret law protects the individual first and the public only incidentally. Patent law, on the other hand, gives precedence to the public interest through its goals of encouragement of invention and disclosure of ideas to the public. It seems reasonable, if perhaps somewhat facile, to characterize trade secret law as promoting fairness and morality in relationships, while characterizing patent law as promoting freedom in competition by encouraging inventors to disclose their ideas to the public. Unfortunately, these two laudable policies come into conflict when, in an effort to enforce fairness, the policy underlying the federal patent law is frustrated. When the conflict is clear the state law must bow.

In a discussion of the policy arguments in favor of upholding state trade secret law, it is necessary to view the evolution of such law in an historical perspective. Two nineteenth century landmark cases in the exposition of federal patent policy, *Grant v. Raymond* and *Kendall v. Winsor*, were relied upon heavily by the Sixth Circuit in its argument that federal patent law provides the exclusive means and remedies for the protection of inventors. However, dormant in an historical argument for preemption of trade secret law are the spores of that argument's refutation. The two early cases

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15 "It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public... was... doubtless the primary object in granting and securing that monopoly." Kendall v. Winsor, 62 U.S. (21 How.) 322, 327-28 (1858).
16 U.S. Const. art. VI: ... This Constitution, and the Laws of the United States which shall be made in Pursuance thereof... shall be the Supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.
relied on were decided well before the case now widely recognized as the basis of much trade secret law. As the *Kewanee* court noted, trade secret law did not develop until the middle of the nineteenth century. Rapidly burgeoning technology created the need for such a body of law, a need which has steadily grown. These changing realities were recognized by the Supreme Court in a series of opinions written during the first half of this century in which trade secret protection was expressly approved. And significantly, the historic cases most often cited as standing for preemption of state protective law all dealt with matter in the public domain; these decisions were in accord with the common law view of trade secrets, under which protection is not afforded to articles in the public domain.

This line of decisions addressing the conflict between state protective law and federal patent law has culminated in three Supreme Court cases: *Lear, Inc. v. Adkins*, *Sears, Roebuck & Co. v. Stiffel Co.*, and *Sears' companion case, Compco Corp. v. Day-Brite Lighting, Inc.* As will be shown, however, these decisions involved a degree of preemption far short of that found in *Kewanee*, in which the Sixth Circuit relied heavily on broad dicta in *Sears* and *Lear* which were intended to shore up the necessarily narrow holdings in those cases but were never meant to emasculate state trade secret law. In *Sears*, Sears, Roebuck & Company marketed a pole lamp substantially identical to one originated and sold by Stiffel Company and on which Stiffel had obtained both design and mechanical patents. Stiffel brought an action predicated upon both patent infringement and—because of confusion in the trade as to the source of the lamps—unfair competition. The district court found the patents invalid for want of novelty, but, under the Illinois unfair competition law, enjoined Sears from copying the lamps. The Seventh Circuit affirmed, but the Supreme Court reversed.

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20 478 F.2d at 1081.
23 Restatement of Torts § 757, comment b (1939).
26 376 U.S. 234, rehearing denied, 377 U.S. 913 (1964). Because the fact situations in *Sears* and *Compco* are so similar, only *Sears* is discussed in detail infra. The doctrine for which the cases stand is often referred to as the "*Sears* and *Compco*" doctrine.
28 See 376 U.S. at 226.
CASE NOTES

holding that since the lamp could not be protected by the invalid patent, it was in the public domain and could be made and sold by anyone. If state law were allowed to prohibit copying, the Court reasoned, it could allow perpetual protection to articles either altogether unpatentable under federal constitutional standards or on which the patents had expired, and under those circumstances the state law could not stand. The Sears decision was in accord with trade secret common law, which does not extend protection to matter in the public domain. The result of allowing the state law to stand would have been to give an effective state patent in perpetuity to an article in the public domain. However, en route to this decision the Court made the following statements upon which the court in Kewanee relied:

Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws.

. . . To allow a State by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public. . . .

. . . But because of the federal patent laws a State may not, when the article is unpatented and uncopyrighted, prohibit the copying of the article itself or award damages for such copying.

It will be later submitted that the Sixth Circuit misapplied the above dicta when it failed to distinguish between ideas and products which are in the public domain and those which are not. The pole lamps in question in Sears were in the public domain because they had been the subjects of patents later found invalid. When the patents were issued, their subject matter became public knowledge because of the disclosure requirement of the patent laws. Once the patents were found invalid, the public was no longer bound by the seventeen-year monopoly the patent owner holds, and was free to copy them.

While the Sears decision was not inimical to the policies underlying state trade secret law, the decision in Lear, Inc. v. Adkins was. Adkins was hired by Lear in 1952 to develop gyroscopes to

29 Id. at 231-32.
30 Although the Court did not expressly strike down the Illinois unfair competition law, it made it clear that it could not be applied to the lamps in Sears.
31 See note 23 supra.
32 376 U.S. at 231-33.
33 See text at note 54 infra.
meet the increasingly demanding standards of modern planes. His inventions were to remain his and Lear was to pay royalties on a mutually satisfactory basis. A detailed contract was executed in 1955 in which Lear agreed to continue to pay royalties, but retained a right to terminate in the event the Patent Office refused to issue patents to Adkins or in case the patents issued were later invalidated. Adkins' patent applications were twice rejected, and in 1957 Lear refused to pay any more royalties on the bulk of the gyroscopes manufactured, claiming that it had uncovered an expired patent that anticipated Adkins' invention. However, a patent was issued to Adkins in 1960 and he then brought suit in state court in California for accrued royalties. Lear claimed invalidity of the patent as a defense, but the California court invoked the doctrine of licensee estoppel to prevent Lear from contesting the patent. The United States Supreme Court discarded the estoppel doctrine, holding that a licensee is not estopped from challenging the patent underlying his license, and went on to hold that payment of royalties may be suspended pending judgment on the validity of the patent. On pure contract principles it would seem that payments of royalties would be enforced, but the Court noted the balancing process necessitated by the fact situation:

Surely the equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain. Licensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery. If they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification. We think it plain that the technical requirements of contract doctrine must give way before the demands of the public interest in the typical situation involving the negotiation of a license after a patent has issued.

The Court also said:

The uncertain status of licensee estoppel in the case law is a product of judicial efforts to accommodate the competing demands of the common law of contracts and the federal law of patents. On the one hand, the law of contracts forbids a purchaser to repudiate his promises simply because he later becomes dissatisfied with the bargain he has

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36 The Supreme Court in Lear specifically overruled Automatic Radio. 395 U.S. at 671.
37 Id. at 674.
38 Id. at 670.
made. On the other hand, federal law requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent.\footnote{Id. at 668 (emphasis added) (footnote omitted).}

Although the Court was unequivocal in setting aside the fairness of contract doctrine in favor of the freedom of competition that will presumably result from the disclosure and release of a new idea, the holding nevertheless was limited to ideas "in general circulation" by virtue of the public disclosure inherent in the issuance of a patent.

Although the Supreme Court did not deal directly with trade secrets in either Sears or Lear, it may soon be faced squarely with the issue. The Sixth Circuit noted in Kewanee that four other circuits have failed to find a conflict between state trade secret law and federal patent law.\footnote{478 F.2d at 1079, citing Servo Corp. v. General Elec. Co., 337 F.2d 716 (4th Cir. 1964), rehearing denied, 342 F.2d 993 (1965), cert. denied, 383 U.S. 934, rehearing denied, 384 U.S. 914 (1966); Dekar Industries, Inc. v. Bissett-Berman Corp., 434 F.2d 1304 (9th Cir. 1970), cert. denied, 402 U.S. 945 (1971); Water Services, Inc. v. Tesco Chemicals, Inc., 410 F.2d 163 (5th Cir. 1969); Painton & Co. v. Bourns, Inc., 442 F.2d 216 (2d Cir. 1971).}

The Second Circuit addressed the issue of possible conflict in Painton & Co. v. Bourns, Inc.\footnote{442 F.2d 216 (2d Cir. 1971).} Painton was a British corporation which signed a series of agreements with Bourns to obtain techniques used in manufacturing potentiometers. When Bourns refused to renew the agreements, Painton refused to return certain alleged trade secret matter. Painton sought a declaration that it was free to keep and use the information permanently. The district court held that Painton was not required to make any future payments for use of the techniques for which Bourns had no patent application pending, since the federal patent policy of strict regulation of inventions would be undercut if inventors could enforce agreements for secret ideas without being required to submit those ideas to the Patent Office and eventually disclose them to the public.\footnote{309 F. Supp. 271, 274 (S.D.N.Y. 1970).}

The Second Circuit reversed in a decision that carefully analyzed the district court opinion. Because of the similar policy arguments in the Painton district court and Kewanee opinions, it is worthwhile to examine the Second Circuit's analysis in Painton.

The Second Circuit saw the view of the district court as resting on two different theories: (1) the dissent in the Lear case, which left open the question of the enforceability of a contract requiring payments for disclosure of an invention while a patent was pending, and (2) a policy argument that protecting trade secrets in advance of filing patent applications is contrary to federal patent policy because it will discourage such applications.\footnote{442 F.2d at 223. It should be noted that neither the Painton district court nor the Sixth Circuit in Kewanee expressly based its opinion on these two theories; the Second Circuit in Painton extrapolated them from the lower court decision.}

The district court argument under the first theory was that state recognition of an agreement...
requiring payment for trade secrets during its term, with a cessation of use upon expiration, would run afoul of *Sears* and *Compco* in that state laws prohibiting the copying of articles not protected by valid patents but offered for public sale were inconsistent with federal patent law. The Second Circuit pointed out that *Sears* was inapplicable since the state law at issue in *Sears* did in fact confer a monopoly against copying an article otherwise in the public domain, a monopoly good against non-contractors just as a patent would have been. But while the state statute invalidated in *Sears* gave the same protection a patent would have, without the patent's safeguards and time limit, an agreement licensing trade secrets is altogether different from a patent in that it binds no one but the licensee. All others are, as the licensee previously was, free to figure out the secret. Rather than effectively creating a monopoly, as did the *Sears* state statute, the upholding of private agreements for the sharing of trade secrets on mutually acceptable terms discourages the owner from hoarding them.44

Regarding the second theory, the district court in *Painton* reasoned that, under *Lear*, once a patent was issued the patentee could not force an unwilling licensee to pay royalties until and unless the patent was determined valid. Thus, an inventor might refrain from applying for a patent if allowed to benefit from a trade secret license, and the public would then be deprived of an invention. The Second Circuit analyzed this theory by dividing trade secrets into three categories: (1) those believed by the owner to be validly patentable inventions, (2) those known by the owner to be unpatentable, and (3) those whose patentability is dubious. The court reasoned that the first category would be an unlikely source of deterrence to owners of trade secrets seeking patents in view of the overwhelming likelihood that the secure protections of a patent would command a higher price from a prospective licensee than would a license of unpatented know-how, the protection of which is uncertain even where the license is exclusive. Among the factors making licensing of mere know-how less attractive to prospective licensors than would be licensing of patented matter are the possibility of a leak which would make the secret public, forfeiture of the right to obtain a patent after a year,45 and the right of another inventor to claim the patent if he can prove that the prior inventor concealed the discovery.46 The *Painton* court therefore concluded that any conflict between patent policy and trade secret agreements is readily resolved not by refusing to enforce the agreements, but by refusing to

44 Id.


46 35 U.S.C. § 102(g) (1970) entitles a person to a patent unless "before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. . . ."
grant or uphold a patent when an inventor unduly delays his application after the invention is put to use.\(^47\) The court thought that the second category offered even less reason to invalidate trade secret agreements, since there is no public interest in encouraging a flood of patent applications for inventions which even the inventors believe to be unpatentable.\(^48\) In the third category the court conceded that a rule invalidating trade secret agreements might tend to stimulate patent applications, but was unwilling to concede that the effect would necessarily be beneficial. If a patent does not issue, there will have been unnecessary postponement in the divulging of the trade secret to those willing to pay for it. If it does issue and is invalid, nevertheless many will prefer to pay modest royalties rather than to contest it, even though \textit{Lear} allows prospective licensees to accept a license and claim patent invalidity without having to pay royalties during the course of the action. The result in such a case would be that numerous patent licensees unwilling to go through the time and expense of litigation would be paying unjustified royalties, while under trade secret law a smaller, but willing, number of licensees would be paying royalties.\(^49\) The court summed up by stating that it did not find, either in general considerations of public policy or in emanations from federal patent law, a sufficient basis for declining to enforce even the royalty provisions of trade secret agreements, at least with respect to those cases in which no patent application had been filed.

Several factors differentiate \textit{Kewanee} from both \textit{Sears} and \textit{Lear} and favor the approach taken in \textit{Painton}. The Sixth Circuit characterized the protection provided by the Ohio trade secret law as a "monopoly,"\(^50\) and took at face value Kewanee's concession that one of the principal purposes of maintaining the secrecy of their inventions as opposed to seeking patents was to extend the "commercial monopoly" of the invention beyond the seventeen years granted by the federal patent laws.\(^51\) The court even framed the issue presented in terms of whether "the patent laws of the United States preempt the field of law relating to \textit{monopolies} to be granted to inventors."\(^52\) It is indeed true that if no one else discovered Kewanee's secrets, Ohio law would give them perpetual protection, while the federal limit on such protection is seventeen years. However, although the

\(^{48}\) 442 F.2d at 224.
\(^{49}\) Id. at 225.
\(^{50}\) 478 F.2d at 1079.
\(^{51}\) "Every patent shall contain . . . a grant . . . for the term of seventeen years . . . of the right to exclude others from making, using, or selling the invention throughout the United States . . . ." 35 U.S.C. § 154 (1970).
\(^{52}\) 478 F.2d at 1079 (emphasis added).
patent laws do in fact confer a temporary monopoly, the state law at issue in *Kewanee* did nothing more than prevent the individual defendants, and through them Bicron, from breaching an explicit term of their employment contracts by using or disclosing the trade secrets learned during their employment. The only persons prevented from using the secrets were those who contracted with Kewanee not to so use them. The public at large may discover the secrets either independently or through "reverse engineering" and use them freely, a situation that can hardly be called a monopoly in the same class with the absolute, if temporally limited, protection granted under the terms of a patent.

A second factor distinguishing *Kewanee* from *Sears* and *Lear* is the fact that the alleged trade secrets in the former case were not in the public domain, while the product and knowledge in the latter two cases were. The Sixth Circuit quoted extensively from both cases to bolster the proposition that matter unprotected by federal patent cannot be granted state protection from being copied. This is both logical and fair as concerns matters in the public domain, but highly questionable in regard to undisclosed matters. Patentees, as in *Sears* and *Lear*, are required to make public disclosure of the contents of their patents upon issuance and take the risk that the patents may later be invalidated. In exchange for that disclosure, however, they are given a seventeen-year monopoly on their patent. In *Kewanee*, none of the alleged trade secrets were patented or otherwise available to the public, and conversely, Kewanee had no recourse against the public should someone honestly learn the secrets. In sum, the distinctions between *Sears* and *Lear* and the Sixth Circuit's opinion in *Kewanee* are significant enough, in regard to the issues of monopoly and public domain, to render highly questionable the applicability of those Supreme Court decisions to *Kewanee*.

Another difficulty presented by *Kewanee* is the emphasis placed by the Sixth Circuit on the patentability of the trade secrets. Two possible interpretations of the opinion arise as a result: (1) a narrow one in which only patentable matter will be excluded from state law protection, and (2) a broad one in which neither patentable nor unpatentable matter will be protected. In support of the view that the Sixth Circuit intended its decision to be interpreted narrowly is the fact that in its process of narrowing the issue, the court stressed that the trade secrets were appropriate subjects for patentability and, having been in public use for over a year, were no longer able

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53 "Reverse engineering" is the technique of studying the marketed product, which is clearly in the public domain, and attempting to deduce the trade secret from it.

to be patented. An acceptance of this narrow interpretation requires that a distinction be made between patentable and unpatentable matter. It is submitted that such a distinction is illogical. If state trade secret law were allowed to protect unpatentable but not patentable matter, it would create the situation of having matter lacking in novelty enjoying protection while patentable matter, which presumably is novel, would not be protected. Since the ultimate determination of whether an invention is in fact patentable is made when the patent's validity is tested in court, any characterization of a trade secret as either patentable or unpatentable is itself extremely difficult prior to litigation. As the Court said in Lear:

A patent, in the last analysis, simply represents a legal conclusion reached by the Patent Office. Moreover, the legal conclusion is predicated on factors as to which reasonable men can differ widely. Yet the Patent Office is often obliged to reach its decision in an ex parte proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.55

Under the above interpretation of Kewanee, the owner of a trade secret of questionable patentability will be in a quandary. If, in a wrongful disclosure suit, his trade secret is found patentable, it can no longer be protected. If he seeks a patent which is later held invalid, he is in an identical position. If the trade secret is held unpatentable, it is then protectable; in a similar manner a valid patent would be protected. Under this interpretation of Kewanee no premium is put on seeking a patent since the risks in either situation are roughly the same, thus undercutting the public policy of disclosure of inventions, a policy the Sixth Circuit clearly supports. Upon concluding that it is illogical to have trade secret law protection of unpatentable but not of patentable matter, two alternatives remain: either both should be protected or neither should be. It is submitted that both categories should be protected, at least with respect to matter not in the public domain.

Since the Sixth Circuit will not allow state trade secret law to protect patentable matter, and in view of the illogic of protecting unpatentable but not patentable matter, a more likely interpretation of Kewanee is the broad one—that the Sixth Circuit will refuse to protect unpatentable matter as well as patentable when an appropriate case is presented. The court's concentration on "patentability" may have simply been part of the process of narrowing the issue; the tenor of the opinion indicates further preemption to come. The result of the broad interpretation would be to render state trade secret law nothing more than an adjunct to federal patent law; state

55 395 U.S. at 670.
law might ultimately be limited to protection of secrets during the period between the filing of a patent application and the issuance of a patent or the final rejection of an application. 56 This is not a desirable result. Aside from the immediate harm a virtually blanket invalidation of state trade secret law would wreak—such as a substantial shift in the international balance of trade 57 and failures of low-capitalized businesses dependent on income derived primarily from licensing their trade secrets 58—the long-term results would work against the federal policy, enunciated in the Constitution, of promoting the useful sciences. 59 Absent some assurance, short of one entailing the complexities and expenses of applying for a patent, that an inventor's results will be safe from competitive appropriation, there is likely to be far less incentive to invest large amounts of money in research, with an attendant decline in technological progress. This extreme result is clearly undesirable. Balanced against the factors favoring trade secret protection is the possibility that it will restrict the free exchange of ideas and stifle innovation which would occur through inventors building upon these secrets. 60 The extreme case is that of the potentially perpetual secret, i.e., one not susceptible to reverse engineering or to discovery by other than wrongful means. While this possibility exists, the result is no different from that of a situation in which an inventor chooses never to use or disclose his discovery, choices he is perfectly free to make. The public receives at least a limited benefit when the inventor markets the results of his secret even though he does not disclose the secret itself.

The differences between the approaches of the Sixth Circuit and those of the other circuits that have passed on the issue of federal patent law preemption of state trade secret law—the Second Circuit in particular—appear irreconcilable. Although either legislative or judicial action could presumably resolve the conflict, a legislative solution appears unlikely, since Congress recently failed to act

56 Even this remnant of state trade secret law would be eliminated if the preemption was viewed as arising under the negative implications of the patent clause of the Constitution rather than being merely in conflict with the patent laws as enacted by Congress. In such a case, all state trade secret law might be invalidated as unconstitutional. On the other hand, if preemption were based solely on a conflict with the patent laws, Congress presumably could cure the conflict with legislation. See Treece, Patent Policy and Preemption: The Stiffel and Compco Cases, 32 U. Chi. L. Rev. 80, 83 (1964).

57 See Brief for R. Milgrim as Amicus Curiae at n. 6, Painton & Co. v. Bourns, Inc., 442 F.2d 216 (2d Cir. 1971), reprinted in R. Milgrim, supra note 8, § 7.0812, at 7-70.9. Milgrim estimates annual royalties paid by foreign licensees to domestic licensors for trade secrets at $1 billion.

58 See Brief, supra note 57, § III.5.

59 U.S. Const. art. I, § 8, quoted in note 11 supra.

60 Doerfer, The Limits on Trade Secret Law Imposed by Federal Patent and Antitrust Supremacy, 80 Harv. L. Rev. 1432, 1461 (1967). Also mentioned is the restrictive effect trade secret law has on employees' mobility, in that they would be prevented from using much of their knowledge with a new employer, assuming their expertise consisted largely of trade secrets. Id. at 1462.
affirmatively to clarify the relationship between state trade secret law and federal patent policy. In light of this, it is submitted that a definitive determination by the Supreme Court of the permissible parameters of state trade secret law in light of the federal patent law is necessary to alleviate the uncertainty under which trade secret-dependent industries now operate. Since the Second Circuit's approach—retention of state trade secret law and the protection it affords—appears to be most reasonable and responsive to industrial realities, it is further submitted that such determination should be made in favor of recognizing that vigorous state trade secret law can coexist with federal patent law and is compatible with both the constitutional patent policy and the exercise of the patent power by Congress.

RANDOLPH H. ELKINS

Securities—Insiders' Liability Under Section 16(b) of the Securities Exchange Act for Stock Transfer After Corporate Merger—Kern County Land Co. v. Occidental Petroleum Corp.1—On May 8, 1967, Occidental Petroleum Corporation (Occidental) announced a tender offer to purchase 500,000 shares of the stock of Kern County Land Company (Old Kern).2 The tender offer expired June 8, 1967. Occidental offered to buy at a price roughly one-third higher than the current market price.3 Within two days Occidental had received more than 500,000 shares. It extended its offer, and by June 30 owned 887,549 shares.4 In the course of this period, Occidental

61 A recent Senate bill that would have expressly rejected federal preemption of trade secret law failed in committee. See R. Milgrim, supra note 8, § 7.08, at 7-70.8(2) n.56.26, 7-70.8(17) n.56.28 for background. On the other hand, Congress has not seen fit, in the present laws or elsewhere, to assert such preemption, and in fact has recognized the need for trade secret protection in numerous acts setting guidelines for their handling by administrative bodies. See R. Milgrim, supra, ch. 6 for an extensive discussion of the federal acts referring to trade secrets.

62 The Supreme Court recently granted certiorari. 94 S. Ct. 70, 42 U.S.L.W. 3194 (U.S. Oct. 9, 1973) (No. 187).

1 411 U.S. 582 (1973).
2 Occidental had previously attempted a merger with Old Kern, but had been rejected by Kern's board. Occidental made the tender bid in the hope that ownership of a large block of stock would make Old Kern amenable to merger. Abrams v. Occidental Petroleum Corp., 323 F. Supp. 570, 572-74 (S.D.N.Y. 1970).
3 After the reorganization which followed, Kern County Land Co. became known as 600 California Corp. until its dissolution on Oct. 6, 1967. 411 U.S. at 584 n.2. Kern County Land Co. (New Kern), a Delaware corporation, is a wholly owned subsidiary of Tenneco Corp., itself a wholly owned subsidiary of Tenneco, Inc. Id. at 586 & n.10.
4 Old Kern closed at 633/4 on the last trading day before the tender offer; Occidental offered $83.50 plus $1.50 brokerage payment. 411 U.S. at 584, 585 n.5.
5 This figure included 1900 shares which Occidental had purchased on the open market in April 1967. 323 F. Supp. at 573-74. "Beneficial ownership" status was not asserted as to those shares. 411 U.S. at 585 n.7.