Accommodation of Federal Patents and the State Interest in Trade Secrets
ACCOMMODATION OF FEDERAL PATENTS AND THE STATE INTEREST IN TRADE SECRETS

Patents evince a certain bittersweet duality: they serve as inducements to invention which the Government encourages and conversely as monopolies which federal courts subject to the tightest restraints. The balance between those two conflicting characteristics of federal patent policy increasingly has reflected judicial aversion to monopoly, resulting in constraint of the patent privilege. Where that posture has intersected legitimate state interests, the patent policy generally has emerged dominant. Emphasizing the promotion of competition in new ideas, the Supreme Court has found that the federal interest in restricting patent privileges preempts certain state efforts to promote fair and equitable conduct by providing patent-like protections in the sale, licensing, and use of new discoveries.

The recent Supreme Court decision in Kewanee Oil Co. v. Bicron Corp., suggests that the judicial attitude favoring federal preemption is changing. Presented with the opportunity to preempt state trade secret laws that allegedly conflicted with federal patent policy, the Court found instead that no conflict existed. The failure to take the final jump, toward which earlier decisions incessantly had progressed, indicates a deemphasis of the antimonopoly aspects of patent policy when state interests also are involved. The judicial development of the federal antimonopoly patent policy, including the trend toward federal preemption of state actions in the patent field, provides the framework for the assessment of the importance of Kewanee to patent law.

The Supreme Court has developed the federal antimonopoly patent policy though its decisions in three categories of patent cases.

1. Patents are strictly construed, United States v. Masonite Corp., 316 U.S. 265 (1942), patent monopolies are limited only to the patented item, Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488 (1942), and patents do not create an exemption from antitrust laws if the patents are abused, IBM v. United States, 298 U.S. 131 (1936).


Each group presents one key issue, although the complexity of some cases causes them to fall within more than one classification. The first category encompasses those cases which require the basic determination of whether a patent issued by the United States Patent Office is valid, and if valid, whether it has been infringed unlawfully. Federal courts traditionally have interpreted the patent requirements strictly to protect the public against a patent monopoly attaching to a development that properly belongs in the public domain. Guided by that attitude, the Supreme Court has decided against the patentee in the overwhelming majority of cases before it.

The second category of patent cases reaching the Supreme Court focuses upon whether alleged misconduct, either by a patentee or his licensee, violates the Sherman or Clayton antitrust acts. Other

4. Congress has established the basic criteria upon which a determination of validity rests: utility, 35 U.S.C. § 101 (1970); novelty, 35 U.S.C. § 102 (1970); and nonobviousness, 35 U.S.C. § 103 (1970). Section 101 provides: "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." (emphasis supplied). Thus an inventor is not required to submit inventions as a matter of law, and neither does the Patent Office have to issue a patent as a matter of right. Section 102 provides: "A person shall be entitled to a patent unless—(a) the invention was known or used by others . . . before the invention thereof by the applicant . . . ." The application of a potential patentee, therefore, can be denied if his invention has been utilized by a party relying on trade secret laws to protect the invention, and the use by the other party is sufficiently known by those examining the patent application.


5. "[T]he 'rights and welfare of the community must be fairly dealt with and effectually guarded' . . . the prerequisites to obtaining a patent are strictly observed, and when the patent has issued the limitations on its exercise are equally strictly enforced." Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 230 (1964). See also United States v. Masonite Corp., 316 U.S. 265, 280 (1942).

6. The Supreme Court has invalidated the patent in over 80 percent of all infringement actions appealed to the Court. A patentee fares only slightly better before the courts of appeals which have rejected 72.1 percent of the patents litigated between 1966 and 1968. Milgrim, Sears to Lear to Painton: Of Whales and Other Matters, 46 N.Y.U.L. Rev. 17, 31 (1971). The history of patent invalidations over the past several decades illustrates the developing antimonopoly patent posture of the Supreme Court. From 1925 to 1929, the Court held invalid only 29 percent of all patents litigated there. From 1950 to 1954, the Court invalidated all patents reaching it. Klein, The Technical Trade Secret Quadrangle: A Survey, 55 Nw. U.L. Rev. 437, 456 (1960). Considering the Court's posture, Justice Jackson remarked: "[T]he only patent that is valid is one which this Court has not been able to get its hands on." Jungersen v. Ostby & Barton Co., 335 U.S. 560, 572 (1949) (dissenting opinion).

cases of alleged misuse focus upon whether a licensor, in setting conditions for licensing his patent, exceeds the terms of the monopoly grant which the patent statutes afford him.\(^8\) Such excesses include attempts to collect royalties on a patent beyond the life of the patent\(^9\) or on claims not within the grant,\(^10\) and attempts to tie the use of unpatented materials into a patent license.\(^11\)

Although decisions on the merits may involve issues presented in the first two categories, the Supreme Court cannot resolve the key issue in the third group of cases, the preemption cases, simply by evaluating compliance with federal statutory requirements. The decisive element in these cases is the conflict between state interests in protecting new discoveries from unfair or destructive competition and federal interests in regulating patents to preserve competition. In resolving that conflict in the third category of patent cases, the Court, prior to Kewanee, consistently had sacrificed state efforts designed to redress perceived competitive evils whenever those state interests presented even a slight dampening effect on competition. Erosion of the estoppel doctrine\(^12\) and nullification of unfair competition statutes illustrate the sacrifice of state efforts designed to protect the sale, licensing, and use of new discoveries.

As applied to new discoveries, the estoppel doctrine prohibited the assignor of a patent right from attacking its validity against one claiming under the assignment, even though the patent may have had no validity against the remainder of the world.\(^13\) The estoppel doctrine embodies a state effort to promote equitable dealing in inventions. Through the principle, a state can ensure that an assignee of a public good does not obtain a monopoly.
nor who violates the terms of the assignment cannot escape the consequences when called to account for his wrongful actions. State and lower federal courts applied the estoppel doctrine for years as an expression of a state interest in the contractual relationship between the parties to an assignment and licensing agreement.\(^{14}\)

The Supreme Court first recognized and applied the doctrine of estoppel to patent assignments in *Westinghouse Electric & Manufacturing Co. v. Formica Insulation Co.*\(^{15}\) Having applied the rule, the Court immediately created an exception, holding that in an infringement suit by an assignee, the assignor could show "the state of the art" to "narrow or qualify the construction of the claims and relieve the assignor from the charge."\(^{16}\) The logic underlying that judicially created exception appears questionable.\(^{17}\) Nevertheless, without mentioning any federal patent policy that encourages competition, the Court notched the first chink in the armor of estoppel. In the decades since *Westinghouse*, the Supreme Court has come to recognize free competition as a primary objective of judicial enforcement of the patent laws and increasingly has viewed the estoppel doctrine as a threat to that policy. The Court eroded the doctrine during the 1940's in several decisions\(^{18}\) wherein it found that estoppel...
pel conflicted with the antimonopoly policy of the federal government.19

The death knell tolled two decades later in *Lear, Inc. v. Adkins,*20 when the Supreme Court expressly overruled the doctrine of licensee estoppel.21 The majority reasoned: "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."22 In his concurrence, Justice Black objected that the Court did not sufficiently limit state activities in the patent field and argued that the patent laws express a national policy "favoring free competition and narrowly limiting monopoly . . . ."23 Beyond the issue of estoppel, the majority found the contractual requirement that the licensee continue to pay royalties while challenging a patent's validity to be economically wasteful and inconsistent with federal patent policy.24 Thus the Court did not merely reject the licensee estoppel doctrine in announcing the right to withhold royalties pending a determination of validity; it provided a positive incentive for assaults upon patents by licensees.


19. The remarks of Chief Justice Stone indicate the Court's deemphasis of state efforts to ensure fair and equitable dealings in discoveries: "The interest in private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power. The patent laws preclude us from saying that the patent assignment, which they authorize, operates to estop the assignor from asserting that which the patent laws prescribe, namely, that the invention of an expired patent is dedicated to the public, of which the assignor is a member." *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 257, *rehearing denied*, 326 U.S. 811 (1945).

20. 395 U.S. 653 (1969). *Lear* had acquired the rights to a gyroscope system from Adkins, an employee. The licensing agreement, finalized before the patent issued, provided that Lear could terminate the contract if a patent were to be refused or if an issued patent were to be held invalid subsequently. Six years passed before a patent was finally granted, but Lear, believing the device to be unpatentable, halted royalty payments during the interim. In defending the suit to recover withheld royalties, Lear sought to prove the patent invalid. The Supreme Court of California rejected the invalidity defense, relying on the doctrine of estoppel. *Adkins v. Lear, Inc.*, 67 Cal. 2d 882, 435 P.2d 321, 325-26, 64 Cal. Rptr. 545, 549-50 (1967).


22. 395 U.S. at 670.

23. *Id.* at 677 (Black & Douglas, JJ., & Warren, C.J., concurring in part and dissenting in part).

24. The Court ruled that a determination on remand, rendering the patent invalid, would relieve Lear from payment of royalties accruing after the patent issued. *Id.* at 674.
During the hiatus in the assault on estoppel between the several cases in the 1940's and Lear in 1969, the Supreme Court decided the companion cases of Sears, Roebuck & Co. v. Stiffel Co.\textsuperscript{25} and Compco Corp. v. Day-Brite Lighting, Inc.\textsuperscript{26} Those decisions marked a new and controversial effort to give greater effect to the competitive character of the patent laws in the conflict with state unfair competition statutes.\textsuperscript{27} The Court framed the issue in classic preemption terms: "The question in this case is whether a State's unfair competition law can, consistently with the federal patent laws impose liability for or prohibit the copying of an article which is protected by neither a federal patent nor a copyright."\textsuperscript{28} Pursuant to its analysis of the supremacy of federal patent laws, the Court concluded that state unfair competition statutes could not prevent the copying of items too lacking in novelty to be patentable;\textsuperscript{29} the

\textsuperscript{26} 376 U.S. 234, rehearing denied, 377 U.S. 913 (1964).
\textsuperscript{27} Although both cases focused upon patent infringement claims, the plaintiffs also alleged violation of the Illinois unfair competition law. Ill. Ann. Stat. ch. 121-1/2, § 312 (2) (Smith-Hurd 1974 Supp.). The federal district court held both patents invalid and consequently denied the infringement claims. The court, however, granted relief under the unfair competition law, reasoning that even though the patents were void, copies of the products were sufficiently similar to the originals to cause confusion about the source of the items. Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 226 (1964); Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 235 (1964). The Court of Appeals for the Seventh Circuit affirmed both decisions. Stiffel Co. v. Sears, Roebuck & Co., 313 F.2d 115 (7th Cir. 1963); Day-Brite Lighting, Inc. v. Compco Corp., 311 F.2d 26 (7th Cir. 1963).

For a seminar on the effect of Sears and Compco, which produced no less than five distinct evaluations of the cases' import, see Leeds, et al., Product Simulation: A Right or a Wrong? 64 Colum. L. Rev. 1178 (1964).

\textsuperscript{28} Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964). In its brief analysis of the supremacy of federal patent and copyright laws over conflicting state law, the Court stated: "When state law touches upon the area of these federal statutes, it is 'familiar doctrine' that the federal policy 'may not be set at naught, or its benefits denied' by the state law. This is true, of course, even if the state law is enacted in the exercise of otherwise undoubted state power." Id. at 229, citing Sola Elec. Co. v. Jefferson Elec. Co., 317 U.S. 173, 176 (1942). Although the Court's statement regarding preemption was settled law, Sola constituted questionable authority for its development because the Court decided that case essentially on antitrust rather than patent grounds. See MacGregor v. Westinghouse Elec. & Mfg. Co., 329 U.S. 402, 411-13 (1947) (Frankfurter, J., dissenting).

\textsuperscript{29} The Court stated:

Obviously a State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration date or give a patent on an article which lacked the level of invention required for federal patents . . . . 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
states, however, still might compel labeling to avoid consumer deception. The thrust of the decisions, that a state unfair competition law cannot grant monopolies unavailable under federal standards, comports with the constitutional principle of federal preemption in patent regulation. The Court, however, made no effort to balance legitimate state interests against the federal interest it was protecting.

Having rejected the estoppel doctrine and nullified state unfair competition statutes, the Supreme Court demonstrated an anti-monopoly patent posture that negated state interests in protecting new discoveries. The Court had whittled upon the equitable doctrine of estoppel in Lear; it had rendered unenforceable, as contrary to federal patent policy, express contractual agreements waiving the right to challenge patent validity and state laws discouraging unfair methods of competition. The patent law originally was intended to encourage invention and reward disclosure of new concepts for the good of the public; however, the Supreme Court's construction of the patent law increasingly has limited the statutory grants of mo-

376 U.S. at 231-32 (citations omitted).
20. Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 222 (1964); Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 238 (1964). Merely requiring labeling, however, does not solve the problem; since they need not recover development costs, competitors still can copy and sell a product at a lower price than can the original producer.
31. See notes 61-63 infra & accompanying text.
32. The Court also has made procedural changes encouraging challenges to patent validity in suits in the first category of patent cases. See notes 4-6 supra & accompanying text. In Blonder-Tongue Labs., Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971), the Court eliminated the mutuality requirement for the application of collateral estoppel. The Court earlier had held that an adjudication adverse to any or all claims of patent infringement brought by a patentee did not preclude a suit against a different defendant on the same claims. Triplett v. Lowell, 297 U.S. 638, 634 (1936). Blonder-Tongue overruled Triplett to the extent that the earlier case precluded a defendant from pleading estoppel when charged with infringing a patent previously declared invalid. 402 U.S. at 350. Because a plaintiff in an infringement action has ample opportunity to prove the validity of his patent, when challenged, the Blonder-Tongue holding was intended to prevent a multiplicity of suits on the same issue. The decision, however, also forged another link in the chain that, in recent decades, has constricted the legal protection of patent holders vis-a-vis the public in general and more specifically, those persons contracting with patentees for the rights to their inventions.
nopoly power. Its emphasis on competition left only trade secret laws as a major device which the states could use to enforce a modicum of fairness and equity in the area of commercial research and development not governed by patentability standards. The Supreme Court itself in Lear questioned whether trade secret laws affronted federal patent policy, but left the issue unresolved, setting the stage for Kewanee.

Kewanee Oil Company brought an action in the United States District Court for the Northern District of Ohio, claiming that 40 processes used in growing a certain synthetic crystal were trade secrets which Ohio statutes protected. The company had spent 17 years and more than one million dollars in developing the crystal, which it opted to protect through secrecy rather than through patents. Thereafter, several former Kewanee employees formed the defendant Bicron Corporation. Although, while employed by Kewanee, all had signed agreements not to disclose confidential information or trade secrets, when Bicron duplicated the crystal in just nine months, the information obtained by the former Kewanee employees was assumed to be the basis for Bicron’s successes.

34. Sometimes, inventors or manufacturers do not seek patents on inventions since, after the statutory time period, the inventions enter the public domain, and even while the patent is still in effect, infringing uses of some patented items, processes, or compounds may be very difficult to detect in the course of manufacturing a separate product.

35. 35 U.S. at 660 n.9.

36. The particular statute states in part:

No person shall, with intent to deprive or withhold from the owner thereof the control of a trade secret, or with intent to convert a trade secret to his own use or the use of another, obtain possession of or access to an article representing a trade secret.

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


37. Kewanee Oil Company (Kewanee) will be referred to hereinafter as the developer of the crystals and processes at issue. In actuality, Harshaw Chemical Company, an unincorporated division of Kewanee, developed them and directly employed the individual defendants before they joined Bicron Corporation. Kewanee Oil Co. v. Bicron Corp., 94 S. Ct. 1879, 1882 (1974).

38. Id.

39. Since Kewanee had employed the processes commercially for longer than one year, the company may have been unable to receive federal patent protection at the time the suit arose. Id. The United States Code provides: “A person shall be entitled to a patent unless . . . (b) the invention was . . . in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . . .” 35 U.S.C. § 102 (1970).

Kewanee therefore sought an injunction against the disclosure or use of the processes by Bicron or its employees. The district court found that 20 of the 40 processes qualified as trade secrets and granted a permanent injunction to protect them. The Court of Appeals for the Sixth Circuit concurred in the district court's findings of fact and application of Ohio law, but reversed upon finding preemption by the federal patent law.

41. "A trade secret may consist of any formula, pattern, device or compilation of information which . . . gives . . . 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." 4 Restatement of Torts § 757, Comment b (1939).


42. 94 S. Ct. at 1882 (discussion of district court decision).

43. Kewanee Oil Co. v. Bicron Corp., 478 F.2d 1074 (6th Cir. 1973). The court of appeals did not consider the broad question of whether state trade secret laws generally conflicted with the policies of the patent laws. Limiting itself instead to the facts of the case at hand, the court regarded the issue to be "whether a state trade secret law which protects an invention which would be an appropriate subject for a patent under the Patent Laws of the United States, and which has been used commercially for more than one year conflicts with the policies and purposes of Article I, Section 8 (Clause 8) of the Constitution and the Patent Laws adopted pursuant thereto." Id. at 1078-79. Finding that "the issue of preemption of the field of protection of inventions by the Patent Laws of the United States ha[d] never been directly or clearly presented to the Supreme Court," Id. at 1091, the court analyzed the direction of Supreme Court decisions in the patent field and held that the Ohio trade secret law, insofar as it afforded protection to the owner of a patentable device which had become ineligible for a patent, directly conflicted with the patent laws of the United States. Id. at 1086.

That decision brought the Court of Appeals for the Sixth Circuit into conflict with four other appellate court decisions on the issue of federal preemption of trade secret law. In Servo Corp. v. General Elec. Co., 337 F.2d 716 (4th Cir. 1964), cert. denied, 383 U.S. 934, rehearing denied, 384 U.S. 914 (1966), after finding all of the allegedly infringed patents invalid, the Court of Appeals for the Fourth Circuit found for the plaintiff because the Southern Railroad had breached a confidence by disclosing Servo's device to General Electric. The Court of Appeals for the Fifth Circuit followed Servo in a decision containing a perceptive analysis of the nature and purposes of trade secrets. Water Services, Inc. v. Tesco Chem., Inc., 410 F.2d 163 (5th Cir. 1969). Subsequently, another court of appeals affirmed the grant of a preliminary injunction that restrained a party from using another's trade secrets during an action for unfair competition and patent infringement. Dekar Indus., Inc. v. Bissell-Berman Corp., 434 F.2d 1304 (9th Cir. 1970), cert. denied, 402 U.S. 945 (1971). Using reasoning which foreshadowed that of the Supreme Court in Kewanee, the Court of Appeals for the Second Circuit held that trade secret protection remained viable despite Sears and Compco. Painton & Co. v. Bourns, Inc., 442 F.2d 216 (2d Cir. 1971).

Although deferring to the broad patent holding of Sears and Compco, the four courts of appeals distinguished them on the premise that neither involved breaches of confidence. The
The Supreme Court, however, reinstated the judgment of the district court, stating unequivocally that "patent law does not preclude trade secret law..." The threshold question the Court posed was "whether the states are forbidden to act at all in the area of protection of the kinds of intellectual property which may make up the subject matter of trade secrets." Relying heavily on Goldstein v. California, the majority resolved that issue in favor of the states. Having determined that the states may accord protection to trade secrets generally, the Court turned to the specific issue of "whether [the Ohio] law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'" While acknowledging that "[t]he patent law does not explicitly endorse or forbid the operation of trade secret law," the majority recognized that "if the scheme of protection... respecting trade secrets 'clashes with the objectives of the federal patent laws,' then the state law must fall."

Analyzing whether such a clash existed, the Court adopted the three divisions which Judge Friendly had used to categorize new discoveries in Painton & Co. v. Bourns, Inc. The Court first declared that, because of congressional inaction in the area, the states are free to extend trade secret protection to materials in the first category, those not subject to patent protection. The Court also

courts of appeals reasoned that trade secret laws serve the sole purpose of protecting information disclosed in confidence whereas the state law struck down in Sears and Compco had a much broader application, prohibiting any duplication of products in the public domain to avoid confusion about the source of the products. For a reaction to the court of appeals opinion in Kewanee, see Wydick, Trade Secrets: Federal Preemption in Light of Goldstein and Kewanee, 55 J. PAT. OFF. SOC'y 734 (1973); Note, Kewanee Oil Company v. Bicron Corporation: Can Trade Secrets Survive It?, 25 BAYLOR L. REV. 519 (1973); Patent Preemption, supra note 3; 15 B.C. IND. & COM. L. REV. 137 (1973); 4 MEMPHIS ST. U.L. REV. 204 (1973); 5 ST. MARY'S L.J. 612 (1973).
evinced a belief that trade secret laws would provide no incentive to avoid reliance on the patent laws for inventions of uncertain patentability: "In most cases of genuine doubt as to patent validity the potential rewards of patent protection are so far superior to those accruing to holders of trade secrets, that the holders of such inventions will seek patent protection, ignoring the trade secret route."\textsuperscript{53} In addition, the abolition of trade secret protection would increase reliance on, and thus applications for, patents, possibly resulting in the issuance of numerous weak patents,\textsuperscript{54} a consequence the Court considered best avoided.\textsuperscript{55} For those reasons the majority thought that removal of trade secret protection from "the doubtfully patentable invention is . . . likely to have deleterious effects on society and patent policy . . . [not] balanced out by the speculative gain which might result . . ."\textsuperscript{56}

As no conflict existed in the first two categories of discoveries, the only possible conflict between federal patent laws and state trade secret statutes lay in the third area, the clearly patentable discoveries. Through the Court's analysis the issue narrowed to that addressed by the court of appeals: "whether those items which are proper subjects for consideration for a patent may also have available the alternative protection accorded by trade secret law."\textsuperscript{57} As with the questionably patentable invention, the Court believed that the less reliable trade secret protection would provide insufficient incentive to avoid the patent system. Because "[t]rade secret law provides far weaker protection in many respects than the patent law," the Court reasoned that an inventor who could obtain a patent would not risk trying to maintain secrecy.\textsuperscript{58} As for those who might

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\textsuperscript{53} Id. at 1889. On the other hand, the trend of Supreme Court decisions, by raising the standards of invention and thereby decreasing the prospects of patentability, may induce inventors to accept certain risks of secrecy in spite of its inherent difficulties. Klein, supra note 6, at 455. See Brief for National Patent Council, Inc. for itself as Amicus Curiae and representing National Small Business Association, Inc., at 3-4, Kewanee Oil Co. v. Bicron Corp., 94 S. Ct. 1879 (1974). See Patent Preemption, supra note 3, at 821-22.


\textsuperscript{55} 94 S. Ct. at 1889.

\textsuperscript{56} Id. at 1889-90.

\textsuperscript{57} Id. at 1887.

\textsuperscript{58} Id. at 1890. "[I]t is a rare case, especially in today's technology, where a trade secret
opt for trade secret protection, the majority saw little danger “that scientific or technological progress will be impeded” since “[i]f something is to be discovered at all, very likely it will be discovered by more than one person.” The Court thereupon concluded “that the extension of trade secret protection to clearly patentable inventions does not conflict with the patent policy of disclosure."

In harmonizing the federal patent laws and state trade secret statutes, the Court in *Kewanee* appears to portend basic changes in its attitude toward the patent laws. An assessment of the impact *Kewanee* will make upon patent policy requires reading the case from the perspective of both past Supreme Court opinions establishing patent law preemption and other recent patent and copyright decisions acknowledging state interests in protecting discoveries. The *Kewanee* opinion demonstrates a willingness to accommodate important state interests with federal patent law rather than merely to nullify the offending state law, as in *Sears* and *Compco*. Only can outlast the 17 year life of a patent.” Brief for the New York Patent Law Association as Amicus Curiae at 21, Kewanee Oil Co. v. Bicron Corp., 94 S. Ct. 1879 (1974).

90. Id. at 1891. Because no conflict exists between the state and federal laws and because it “could well create problems serious for state courts,” the Court rejected the theory of partial preemption, that the patent laws preempt trade secret laws only in the area of patentable discoveries. For a justification of partial preemption as a viable solution to the conflict between trade secret statutes and patent law, see *Patent Preemption*, supra note 3. The Court in *Kewanee* decreed, however, that under the patent law of the United States, “[n]either complete nor partial pre-emption of state trade secret law is justified.” 93 S. Ct. at 1891. That holding seemed to comport with the interests of the majority of the patent community. Of the 18 Amicus briefs filed in the case, 17 sought reversal or modification of the court of appeals. Among those were the following: American Bar Association, Bar Association of the District of Columbia, Ohio State Bar Association, American Patent Law Association, New York Patent Law Association, American Chemical Society, Manufacturing Chemists Association, Association for Advancement of Invention & Innovation, Licensing Executives Society, Electronic Industries Association, United States Chamber of Commerce, Budd Co., Burroughs Corp., Optical Coating Laboratories, Inc., R.J. Reynolds Industries, Inc., Rohr Industries, Inc., and Southwire Co. In addition a supplemental brief was filed by the United States urging reversal because trade secret law had not been shown to interfere with federal patent policy, because trade secrets serve an economically useful function, and because partial preemption would be unworkable. Only one amicus brief, that for the National Patent Council, Inc., and the National Small Business Association, was filed in support of the court of appeals decision.

61. Justice Douglas recognized the departure in *Kewanee* from the trend of Supreme Court decisions regarding the federal and state powers concerning discoveries: “Today’s decision is at war with the philosophy of *Sears, Roebuch & Co. v. Stiffel Co.* and *Compco Corp. v. Day-Brite Lighting, Inc.*... We held that when an article is unprotected by a patent state law may not forbid others to copy it, because every article not covered by a valid patent is in the public domain. Congress in the patent laws decided that where no patent existed, free competition should prevail...” 93 S. Ct. at 1892-93 (dissenting opinion) (citations omitted).
Justice Harlan, in his concurrence in those two cases, attempted to accommodate the states' position. By narrowly construing the state statute, Harlan would have conformed state interests in fostering fair competition to the federal patent policy because "[v]indication of the paramount federal interest at stake does not require a State to tolerate . . . predatory business practices." The Court's decision in *Kewanee* demonstrates that the majority adopted Harlan's recognition that states can regulate competition concerning discoveries to ensure fairness among competitors and that such state action, even though somewhat hindering free competition, need not be precluded.

Together with *Kewanee*, two other cases illustrate a trend in the Supreme Court toward accommodation of state efforts to promote equitable dealings in discoveries. *Deepsouth Packing Co. v. Laitram Corp.* demonstrates that the four most recently appointed justices are concerned with the subordination of equitable principles in patent cases. Citing the "historical antipathy to monopoly," the majority found no infringement, but the case is interesting for the views of the four dissenters. They reflected a common concern about both the majority's too-strict antimonopoly standard and the sacrifice of equitable principles in the Court's application of patent law, arguing: "[T]he result is unduly to reward the artful competitor who uses another's invention in its entirety and who seeks to profit thereby." *Goldstein v. California* indicates more clearly a develop-

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62. Although not finding sufficient proof for either case to come within his interpretation, Justice Harlan would have read the state statute narrowly and would have applied it only when the copying of another's product was "undertaken with the dominant purpose and effect of palming off one's goods as those of another or of confusing customers as to the source of such goods." *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 239 (1964) (concurring opinion). Harlan's interpretation would permit state interests to intrude slightly on the federal policy of restraining patent monopolies, but the intrusion would be minor compared with the deterrent effect it would have on certain types of unconscionable conduct.

63. *Id.*

64. 406 U.S. 518, *rehearing denied*, 409 U.S. 902 (1972). Laitram alleged that the Deepsouth Packing Company infringed its combination patent by manufacturing the component parts of its device, assembling all but the two parts which formed the innovation on which the patent was based, then selling the package abroad where the remaining enclosed parts were easily added to the assembly. The Supreme Court ruled that Deepsouth did not make the device within the meaning of the patent law because "a combination patent protects only against the operable assembly of the whole and not the manufacture of its parts." 406 U.S. at 528.

65. 406 U.S. at 530.

66. *Id.* at 532-33 (dissenting opinion).

67. 412 U.S. 546 (1973). The case concerned a California criminal statute which proscribed copying recorded tapes or phonograph records with intent to sell the copies without consent
oping trend to accommodate state interests. Cited with approval in *Kewanee*, the Court in *Goldstein* conceded that valid state interests exist in the subject matter of copyrights, an area in which the federal government previously had asserted its paramount interest.

Against the background of earlier cases finding federal patent law preemption and in the developing trend of recent cases accommodating state interests, *Kewanee* suggests a deemphasis of the antimonopoly character of the patent law when state interests are involved. The opinion defines patent law objectives as encouraging public disclosure of new ideas and preventing state action which will permit removal of intellectual property from the public domain. The Court summarily rejected Justice Douglas' belief that anything not patented or copyrighted is available for public use, declaring: "By definition a trade secret has not been placed in the public domain." Although the Supreme Court historically had encouraged competition in the field of new developments by strictly preventing the removal of intellectual property from the public domain, in *Kewanee* it gave only cursory treatment to the issue, an

of the owner of the master recording. *See Cal. Penal Code* § 653(h) (West 1970). The defendant alleged that the law conflicted with the patent clause, *U.S. Const.* art. I, § 8, cl. 8, and copyright statutes, 17 *U.S.C.* §§ 1-216 (1970), claiming that "Congress intended to allow individuals to copy any work which was not protected by a federal copyright." 412 *U.S.* at 551.

The Supreme Court turned to the *Federalist* and found that states were not prohibited from exercising their jurisdiction unless the Constitution expressly granted exclusive authority to the national government, denied it to the states, or "where it granted an authority to the Union, to which a similar authority in the States would be absolutely and totally contradictory and repugnant." *The Federalist* No. 32, at 241 (B. Wright ed. 1961), *quoted in Goldstein v. California*, 412 *U.S.* 546, 553 (1973). The Court then reasoned that the purpose of the copyright law was to relieve authors, desiring to protect their work in all states, from securing copyrights in each. The federal law consequently was not exclusive, but permitted local protection of "writings" of local interest. 412 *U.S.* at 556-58. Admitting that Congress has the authority to exercise exclusive jurisdiction in the copyright field, the Court determined that Congress had not asserted its full authority at the time the case arose because an artist could not obtain a copyright for a record. The Court rejected the argument that the failure by Congress to exercise its authority indicated an intent to leave recordings unprotected. *Id.* at 561-68.

68. *Id.* at 1887.
69. *Id.* at 1886.
70. *Id.* at 1892-93 (dissenting opinion).
71. *Id.* at 1887 (citation omitted).
72. The Court most clearly articulated the policy against allowing patents for ideas in the public domain in *Sears, Roebuck & Co. v. Stiffel Co.*, 376 *U.S.* 233 (1964). In *Sola Elec. Co. v. Jefferson Elec. Co.*, 317 *U.S.* 173 (1942), the Court reasoned that if the patent was invalid, a state-allowed license limiting use of the product would sanction a monopoly in violation of the Sherman Act. In *Lear*, the Court brought together the two aspects of the antimonopoly character of the patent laws, preservation of ideas in the public domain and the corresponding
approach suggesting the extent to which the opinion departs from the earlier emphasis on competition.

Through its opinion in *Kewanee*, the Court has demonstrated a willingness, previously not apparent, to find an accommodation between the federal patent laws and state interests. For the first time, the Court weighed the policy behind the state law and found that it could be harmonized with that of the patent laws. The legalistic approach which heretofore had been applied in every confrontation with state law was abandoned. The failure of the Court, however, to address the inherent tension between the monopoly under the patent laws and the preservation of free competition limits the opinion's impact on federal patent policy. Because of that omission, the enforcement of a federal antimonopoly policy will continue unabated as part of the patent law where state interests in preventing competitive evils are unaffected. Where such state interests are a factor, however, *Kewanee* indicates that the Court no longer will apply the legalistic approach advocated by Justice Douglas, but instead will attempt to achieve a balance between state and federal interests unless they are totally irreconcilable.