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STATUS OF PROPRIETARY RIGHTS  
IN THE UNITED STATES FOR  
COMPUTER PROGRAM LISTINGS AND PROCESSES

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STATUS OF PROPRIETARY RIGHTS  
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COMPUTER PROGRAM LISTINGS AND PROCESSES

Irving Kayton

I. The Metes and Bounds of The Subject

All the traditional areas of proprietary rights are in an exploding state of rapid flux. Preparation of this paper has required not only the expected time-independent efforts of scholarship on the part of the author but also the temporal dexterity of a newspaper reporter under the dual tyranny of fast breaking events and the morning edition deadline. Thus after the bulk of the material had been prepared for this presentation, the following events took place in the four basic proprietary areas:

A. Patents

1. The Supreme Court decided Blonder-Tongue Laboratories<sup>1</sup> in which it established a qualified doctrine of in rem patent invalidity for the first time in the United States and in which it declined to discuss in any way the issue of the hopeless split among the circuits as to the correct rules of law for determining nonobviousness and thus patentability under 35 U.S.C. §103.

2. The U. S. Court of Customs and Patent Appeals decided In re Benson and Tabbot<sup>2</sup> and held that computers are in the "useful" rather than "liberal" arts and that a computer implemented process is statutory subject matter, as is any process, even one carried out by pencil and paper manipulation, if there is no "exercise of judgment required."<sup>3</sup>

3. The continued "ant-like persistence" of some of the examining groups in the Patent Office to prevent the issuance of computer program type applications by raising, as in In re Boon,<sup>4</sup> completely new and strained interpretations of 35 U.S.C. §112, such as the "best mode" requirement necessitates a disclosure that is more than just enabling.

B. Trade Secrets

The Second Circuit reversed in Painton v. Bourns<sup>5</sup> the Southern District of New York's anomalous trade secret holding that if a licensed trade secret is protectable at all it must be unobvious in a patent sense and a patent application must have been filed on it.

C. Unfair Competition

A couplet of Illinois cases<sup>6</sup> deal with record and tape piracy and, in keeping with recent California cases,<sup>7</sup> is rejuvenating the wrongful appropriation doctrine of International News Services v. Associated Press<sup>8</sup> in a way that may provide a powerful mechanism for protecting rights in computer programs unless the entire subject runs afoul of federal pre-emption a la Sears,<sup>9</sup> Compco<sup>10</sup> and Lear v. Adkins.<sup>11</sup>

D. Copyright

A 1969 case of the Supreme Court of Canada, Cuisenaire v. South West Imports Limited,<sup>12</sup> was recently brought to the author's attention in which the Supreme Court held invalid a copyright on devices (colored rods) used to implement the ideas (on how to teach arithmetic) explained in a book copyrighted by the same author.

All these recent developments have been incorporated into this status analysis of proprietary rights in computer programs. They suggest clearly that the two basic factors are the status of proprietary rights law in general and the status of the law which thus far has actually been applied specifically to computer programming. Each of the four proprietary areas, i.e., patent, trade secret, unfair competition and copyright, is covered in this dual fashion, and summary of the status of the law as it affects software manufacturers is provided at the end.

Before proceeding to the status analysis, some basic definitions are necessary. When the term "computer program" is used hereinafter it means something peculiar to a general purpose, stored instruction, digital computer and is generic to the terms program listing and program process.

The "program listing" or "listing" of the genus "program" is a set of instructions either in written form or in machine form, e. g., punched cards or tape or both, which when combined with the computer in its machine form will control the operation of the combination to produce classes of output results completely predetermined by that set of instructions and any given set of input data.

The "program process" or "process" of the genus "program" is a sequence of steps which the computer is constrained to execute under the control of the program listing. The process always comprehends the detailed implementation of the listing. However, its scope may vary from a very broad or basic set of steps to its narrowest possible condition in the form of a specific detailed set of steps having a one-to-one correspondence with the set of instructions which exhaust the listing.

## II. Patent Rights

### A. Patent Validity

The U.S. courts of appeals are hopelessly divided on the meaning of nonobviousness and thus over what is patentable under Section 103. Moreover, the Supreme Court's hopelessly ambiguous and conflicting requirements for nonobviousness in Anderson's-Black Rock<sup>13</sup> coupled with its refusal to address itself to the issue in Blonder-Tongue Laboratories guarantees that this confusion will rampantly reign for a long time to come. The unpredictability of enforceability is aggravated by the fact that even within the few circuits where trends are discernible with respect to the meaning of the rules which determine nonobviousness, aberrant cases come down which suggest that rules vary even within each circuit as a function of, inter alia, which panel in that circuit decided that case.

The confusion over what is nonobvious to a person of ordinary skill in the art flows largely from the Supreme Court's demand in Black Rock that polar concepts of nonobviousness be viewed as simultaneously viable (although many sub-issues related to the polar concepts contribute significantly to the inordinate magnitude of the confusion<sup>14</sup> ).

Polar Concept No. I, exhumed from A & P, is that:

"Courts should scrutinize combination patent claims with a care proportioned to the difficulty and improbability of finding invention is an assembly of old elements."

The practical consequence among the circuits has been that many patents have been held invalid solely because all the elements or steps of the claimed combination have been found scattered somewhere in the prior art. In these cases the objective evidence of nonobvious<sup>15</sup> has been either ignored completely or virtually so pursuant to the view that they are only secondary considerations which cannot make up for the so-called "lack of invention." The circuits which generally follow this view and an example of a case that does so in a circuit which does not follow such a view **are noted in the margin.**<sup>16</sup>

Polar Concept No. II, which flows from the Trilogy conceptualization of Section 103, rejects the old-elements-do-not-an-invention-make concept as a premise, i.e., it adopts Learned Hand's view that:

"It is idle to say that combinations of old elements cannot be inventions; substantially every invention is for such a 'combination'."

Polar Concept No. II, as generally observed by the circuits and in the cases which adhere to it, is best captured in Learned Hand's observation in *Safety Car Lighting Co. v. General Electric Co.*:<sup>17</sup>

"In appraising an inventor's contribution to the art, as we have often said, the most reliable test is to look at the situation before and after it appears.... Courts, made up of laymen as they must be, are likely either to underrate, or to overrate, the difficulties in making new and profitable discoveries in fields with which they cannot be familiar; and, so far as it is available, they had best appraise the originality involved by the circumstances which preceded, attended and succeeded the appearance of the invention. Among these will figure the length of time the art, though needing the invention, went without it; the number of those who sought to meet the need, and the period over which their efforts were spread: how many, if any, came upon it at about the same time, whether before or after: and -- perhaps most important of all -- the extent to which it superseded what had gone before. We have repeatedly declared that in our judgment this approach is more reliable than a priori conclusions drawn from vaporous, and almost inevitably self-dependent, general propositions."<sup>18</sup>

In virtually every case in which validity is attacked, obviousness is almost always the central issue and if not central, the court's attitude toward the polar concepts is reflected in its treatment of whatever the central issue may be. For example, the Ninth Circuit is a staunch proponent of Polar Concept I. It recently stated as a prelude to investigation of validity (rather invalidity):

"The history of the American patent system is replete with the continuing tension between a strong public policy against monopoly and a desire to encourage inventions which will benefit the public. This tension has been resolved by the courts setting a high and exacting standard for patent validity."<sup>19</sup>

Even though the validity statistics now to be considered include some cases wherein Section 103 was not involved it is likely that any pattern that can be seen is determined in large part by an acceptance in whole or in part of one of the polar concepts. Reference to the data, page 21, shows that for a five year period preceding the Trilogy (decided February 1966), the overall validity holdings of the United States Courts of Appeals was 38.4% for all patents adjudicated. During the period from the Trilogy up to the USPQ of March 8, 1971, inclusive, holdings of patent validity decreased on the average to 30.3%, a drop of 8.1%.

This decrease and its breakdown among the circuits is meaningful in two independent ways. Firstly, the decrease has proven to be statistically significant; that is, statistical analysis shows that there is less than a 5% chance that the U.S. courts of appeal are deciding patent validity questions using the same legal standards subsequent to the Trilogy as they did for the five-year period prior to the Trilogy. Secondly, and of even greater significance, is the necessary statistical conclusion that the various U.S. courts of appeals are using more than one set of legal standards. Thus, from the table of page 21, it is clear that the Fifth and Seventh Circuits holding 45.9% and 46.1% valid after the Trilogy, are doing things radically differently from the Eighth and Ninth Circuits where the holdings of validity have been 0.0% and 15.0% respectively. Although the Sixth Circuit's percentage is 47.8% it is important to know that this is due to very recent cases and a fairly strong indication of late that it may be switching from fairly strong adherence to Polar Concept No. I to at least an acceptance of Polar Concept No. II. 20

It should be noted that the U.S. Court of Claims has held valid 60.0% of all the patents it has adjudicated since the Trilogy (through the USPQ of March 8, 1970). Statistical analyses show that there is no reason to doubt that the U.S. Court of Claims has been using the same legal standards as has the Fifth Circuit, the Seventh Circuit (and more recently, the Sixth Circuit), in its holdings of validity. Indeed the probabilities are very high that this is the case.



B. Patent Validity as Affected By In Rem Invalidity

The Supreme Court has held in Blonder-Tongue Laboratories that a final determination of patent invalidity in one circuit may be pleaded as a defense by a different infringer in another circuit and summary judgment will be granted unless the patentee can show that he did not have a fair day in court. The circumstances which the Court broadly suggested but refused to denote as giving the patentee a right to relitigate indicate that by-and-large virtually every rationally drafted albeit incorrect holding of invalidity will be in rem (of course a holding of validity is never in rem).<sup>21</sup> In Blonder-Tongue, the Eighth Circuit (Polar Concept No. I, / <sup>virtually</sup> invariably) first held the patent invalid and the Seventh Circuit (Polar Concept No. II, but not invariably) thereafter held it valid.

Needless to say logic requires approbation of the Supreme Court's position. Experience, however, may not. It should be clear that virtually no patent, no matter how valid, can be held valid under Polar Concept No. I. Indeed, the Adams battery patent which the Supreme Court held valid in the Trilogy would necessarily have been held invalid had the Court used Concept No. I in the sense of the Eighth Circuit. The problem, however, is not that patents can not now be relitigated to obtain justice (actually very few have been relitigated based on the Court's data in Blonder-Tongue). Rather, it places forum shopping as the major factor in settling rights between parties.

The question of jurisdiction and venue in patent cases has become the supreme legal issue -- not the patent statute, justice, or the Constitutional mandate to promote the progress of the useful arts. In this regard the law heavily favors the infringer rather than the patentee if the patentee even slightly opens the declaratory judgment suit door for the infringer to insert his toe<sup>22</sup> (a fact to which the Supreme Court made no reference<sup>23</sup> despite its having been vigorously raised in the A. P. L. A. amicus brief in Blonder-Tongue).

The net result may be a necessary degree of caution and circumspection on the patentee's part in the manner in which he approaches potential licensees as to make the prospect of trying to license a patent even more dangerous than is already the case by the Supreme Court's invitation to endless open warfare on the licensor given the licensee in Lear v. Adkins.<sup>24</sup>

### C. Patent Infringement

Even the 30.3% which are adjudicated to be valid patents in the courts of appeals are still a long way from bringing their owners any fruit for their labor. An adjudication of validity coupled to an adjudication of non-infringement is a Pyrrhic victory indeed. The table of data, page 22, shows that throughout the circuits since the Trilogy one of every three patents held valid constitutes such an illusory victory. Three out of ten patents have been held valid since the Trilogy -- only one out of five have been held valid and infringed. But looking at the overall average is not informative enough. Each circuit has its own distinct story to tell.

The situation is very likely to change toward considerably lower holdings of infringement. The reason for this expectation is the broadside attack gratuitously launched against the doctrine of equivalents by the Antitrust Division of the United States Department of Justice through an amicus brief in Tigrett Industries v. Standard Industries.<sup>25</sup> This attack was repulsed temporarily and most ambiguously in the Supreme Court by a four-to-four per curiam affirmance of the Sixth Court's holding of infringement.<sup>26</sup>

In the per curiam decision, the Court upheld the Sixth Circuit's finding of infringement based upon equivalence. Justices Black and Douglas, in written dissent, failed to address the equivalence issue at all but restricted their comments to the other issue in the case, the refusal of the Court to accept a retroactive interment of licensee estoppel.<sup>27</sup>

The affirming four's position on the doctrine of equivalents is fairly clear. Despite its being per curiam, the decision must have required a rejection of the Justice Department's attack because in view of the facts in the case, a holding of noninfringement would have been

the death of equivalents since even a miniscule remnant of the doctrine of equivalents would be enough to handily render the accused device an infringement.

What the dissenting four's position on the doctrine of equivalents may be, on the other hand, is now shrouded in ambiguity. The silent pair may not properly be viewed as supporting or rejecting it since the estoppel issue may or may not have been their determining factor. That Black and Douglas took the trouble to enter a written dissent to the Court's estoppel view indicates their failure to speak on equivalents to be at least a tacit acceptance of the viability of the doctrine in the Graver Tank sense. This is particularly significant since both Douglas and Black dissented in Graver Tank specifically with respect to the Court's high-water mark interpretation of equivalents.

#### D. The Russian Roulette Syndrome

There is probably no other area of law which is as much a game of chance as is patent law (if the presentations of sections A, B and C above mean anything at all). Moreover, unlike a typical game of chance, patent law does not even permit the player to know what rules of the game are to be observed at the time he puts his money on the table. It is only after he has lost or won, when chip cashing time has arrived for the players, that he can be sure what the rules of the game were to which he has been subject.

Except for the genuinely affluent, or the very large corporation, this game of chance is nothing less than Russian roulette. The expenses of patent litigation for both the patentee and alleged infringer are so exorbitant<sup>28</sup> that to lose means too often, financial or corporate death. Even winning the game of chance has been often preceded by bankruptcy.

The area of law dealing with the protection of unobvious ideas is therefore, in its current status, the antithesis of what law is supposed to be in society. It is, however, the only procedure we have (barring secrecy) for protecting this intangible res. Next to be considered is whether, imperfect as it is, patent law is available to players from the computer programming industry.

E. Computer Programs as Statutory Subject Matter

(Under the Patent Statute)

The only United States court which has spoken on the subject of whether computer programs are patentable subject matter (nonobviousness and utility are assumed) is the U.S. Court of Customs and Patent Appeals. This has been done as part of its job of reviewing rejections by the Patent Office of patent application claims. The court has spoken several times since its first utterance on the subject.<sup>29</sup> Case by case, its law has been logically built up as follows:

1. A computer program, when in computer-usable form, is part of a machine (a view judicially developed independently in England<sup>30</sup>). When operational within a general purpose, stored instruction, computer, the combination becomes a special purpose computer.<sup>31</sup>
2. A program process is statutory since it is carried out by machine.<sup>32</sup>
3. Claims which include steps not carried out by machines are permissible if the overall claim is directed to a statutory process, i. e., it is a claimed process which requires machine implementation.<sup>33</sup>
4. All processes carried out by computers are machine processes and thus within the "technological arts" and therefore within the constitutional "useful arts."<sup>34</sup>
5. Even though a claimed process may be viewed as theoretically being capable of covering a non-machine implementation it is permissible if from a practical point of view it would necessarily be carried out by a computer.<sup>35</sup>

The fairly compelling conclusion to be drawn from this is that all computer programs are now statutory subject matter under the CCPA's view. Needless to say, however, no one would want to patent a listing; rather some scope of the program process, whether in method or "means for" form, is the protection reasonably to be sought. Although the listing

itself is theoretically protectable by a patent claim under the law thus far developed, such an excruciatingly detailed claim may be so easily designed around by an infringer as not seriously to be viewed as property of any value.

How other federal courts will treat this subject is fairly well predictable if the heterogenous, contradictory, crazy-quilt pattern developed among the courts on the subject of nonobviousness is to be used as inductive evidence of future behavior. Nonetheless, whatever else critics of the CCPA on this subject may say, the court has developed a logical and organized body of law which may help other courts to respond in a more organized and homogeneous fashion than has ordinarily been the experience in patent law.

Although the issue of statutory subject matter has been fairly well settled in the CCPA, novel rejections are starting to flow from the Patent Office relative to the nature of the disclosure required under Section 112 in a program application. The handwriting on the wall has already been foreshadowed by In re Boon. Its significance, however, cannot be appreciated solely from a legal viewpoint. The heart of the problem is in the fact that the program process (the idea) is the subject of the application and is valuable independently of any particular listing (the form) which may implement it but which may also be independently valuable and protected as a trade secret. Many different listings may be possible for implementing the process. If a listing is potentially a lengthy one it may be very expensive to generate from the process description even though it may be subject to being carried out in obvious fashion by a person of ordinary skill in the art.

Clearly the disclosure of a listing in an application should meet all the requirements of Section 112 whether the claims are in method or apparatus form. On the other hand, if the development of a listing would be obvious from the process, and therefore the disclosure of the process alone is an enabling one under Section 112, there are important reasons for not including an expensive-to-create listing in the application or its file wrapper because:

1. It invites instant and cost free infringement of the obvious-to-implement, nonobvious process (the cost only of keypunching the listing).
2. It provides a free ride for the infringer on the expense of developing an obvious but lengthy listing.
3. It may result in the loss of all that is of economic value under the two items above without any assurance of the enforceability of the patent both because of the statistical plight of patent validity and no final judicial determination that programs are statutory.

Seemingly the failure to disclose an obvious-to-generate listing should pose no problem since the CCPA has clearly urged the adequacy of the disclosure of such a process in two program cases, In re Naquin<sup>36</sup> and In re Bernhart.<sup>37</sup> However, it is clear from Boon that the Solicitor and some examining groups are suggesting that an enabling disclosure is not enough. The suggestion is that without a listing no mode of implementation is being shown and thus the "best mode"<sup>38</sup> requirement is not being met even though the public is enabled to practice the invention. Another point argued is that without a listing "means plus function" claims have nothing in the specification against which equivalents are to be measured under the third paragraph of §112.<sup>39</sup>

Neither of these issues was decided by the CCPA in Boon since the court viewed each as having been too ambiguously raised. The case was remanded for further proceedings. It is beyond the scope of this status report to go into the merits of these substantive issues but it is appropriate to point out that the raising of these issues shows a strong determination in some parts of the Patent Office to hobble efforts at using the patent system to protect computer program processes.

### III. Copyrights

IBM, among others, has adopted copyright as its method of protecting its program listings. The Copyright Office has already registered some 200 listings. It is safe to say that this is a small portion of the listings for which copyright has been used as the basis for protection since publication with notice vests the property rights whereas registration is only necessary before suit is brought.

That copyright will protect a printed, typewritten or handwritten program from being copied in similar form, there is little doubt. This is so simply because the informational form is properly that which copyright is designed to protect. Suppose, however, the printed program is keyed directly onto magnetic disc for the purpose of causing the computer to function. Thus, the "copying" does not produce solely a writing (assuming a recorded disc is a writing) but a machine element as well. This mechanism not only causes the computer to function but the combination of the computer and the disc mechanism constitutes a new machine. In short the written listing becomes "instant hardware." Is there any way that copyright law as currently interpreted can properly prevent such action?

No case has expressly held on this point. James Falk, however, has persuasively argued that copyright is virtually impotent when confronted with a "copying" whose purpose is exclusively functional.<sup>40</sup> Although there are many bricks in the dialectic edifice he constructed, it really seems that the ultimate conclusion can rest comfortably virtually exclusively on the granite bedrock of the Supreme Court's Baker v. Selden.<sup>41</sup>

"The object of the one is explanation. The object of the other is use. The former may be secured by copyright. The latter can only be secured, if it can be secured at all, by letters patent."

There is no serious reason to doubt that the inordinately high statistical holdings of patent invalidity in the courts, including the Supreme Court, is significantly due to their legally

incorrect belief that all patents are seventeen year monopolies. Imagine the response of such a court to the suggestion that the monopoly preventing the functioning of a machine be extended from 17 to 28 years, renewable to 56!

The Supreme Court of Canada recently addressed a very close situation. In Cuisenaire the author had copyright in a book for teaching arithmetic which described a method for such instruction using rods of varying lengths and color. The author also distributed those colored rods and claimed copyright in them. The Canadian court rejected that proposition since the rods were "merely devices which afford a practical means of employing and presenting the method." It is perhaps significant that even though the colors of the rods were purely arbitrary (their function was solely to interest children), the Court also refused to find those color arrangements copyrightable when used in a practical method of carrying out the idea.

The application of Cuisenaire to the program listing situation is obvious in view of the discussion thus far. It is difficult to believe that any U.S. court would have held much differently despite the different statutes. Nor can it be too well argued that a written program listing and a magnetic disc version of it are too strained an analogy to the book and rods of Cuisenaire to expect a much different result in a computer program case either in Canada or the United States.



IV. Unfair Competition - Wrongful Appropriation

A legal remedy which, like copyright, also goes to the protection of form and thus to the program listing, is clearly in the process of rejuvenation. Two musical tape piracy cases from Illinois<sup>42</sup> have come down fast upon the heels of the California cases.<sup>43</sup> In view of the technological and business importance of those states, this development bodes well for protecting works from "misappropriation" as distinguished from "copying" under the INS<sup>44</sup> concept. To be sure the significant question yet to be faced is whether this development is compatible with the Supreme Court's Sears and Compco federal pre-emption rejection of state law attempting to place a proprietary cloak about anything which has already found its way into the public domain.

The resurgence of a claim for relief based on misappropriation is important. Computer programs (and computer useable data) are typically captured on magnetic tapes and discs not unlike those of the entertainment industry. The program listings are written down prior to magnetic recordation in a form analogous to sheet music. The costs of creating the computer programs and developing the data are often enormous and at least comparable to a famous artist's recording his music rendition.

The expense of copying a computer tape or disc is even less than that of a music tape since the copier needs not even own his own equipment but may rent time on it at modest rates from one of a legion of computer service bureaus throughout the United States. Perhaps the problems confronting some software property owners may be in the process of resolution because of the judicial treatment of records and tapes in the music and entertainment industry. If so, the common law, as a social process, will have established a vitality and effectiveness in our modern society far beyond anything we have grown accustomed to from our newer institutions.

The first Illinois case is Capitol Records, Inc. v. Spies. On motion for a temporary injunction against further wrongful appropriation, the Cook County Circuit Court relied on Sears and Compc to deny the motion. The chancellor held that since Capitol's records were not copyrighted they were in the public domain. Presumably the rationale was that federal preemption prevents a state from treating anything as property that is not protected by federal law.

The Illinois Appellate Court reversed the Circuit Court and thereby, in tape piracy cases at least, established the dominance of International News Service over Sears and Compc. In record and tape piracy cases, the significant technical fact is that a retail tape or record is mechanically duplicated with relatively inexpensive electronic equipment. This fact makes it an appropriation rather than merely a copy. Precisely the same music and unique rendition is offered for sale by someone who has virtually no costs at all compared to the artists' fees and promotional expenses of the originator. This is what makes it wrongful or unfair.

The Illinois Appellate Court stated, somewhat ingenuously, that

"[Spies] needed only to wait until a particular rendition produced by Capitol became popular and then was able to take advantage of the existing market. It seems evident that the Supreme Court in Sears and Compc did not intend to condone this form of unfair competition."

The second Illinois case developed when CBS, also the subject of "record appropriation" by Spies, upon seeing that Capitol Records lost on its motion for a temporary injunction against Spies in the Cook County Circuit Court, brought a motion for a permanent injunction in the same court. It bottomed its motion not on wrongful appropriation (which had been rejected by Judge Lupe of the Cook County Circuit Court) but rather on common law copyright.

Interestingly, Judge Cohn granted a ten year injunction against commercial use of CBS pirated tapes based not on common law copyright but rather on unfair competition focused on wrongful appropriation. After briefly discussing every significant case dealing with copyright relative to phonograph records and the issue of publication, the court held that the sale or

broadcast of the CBS records was a publication which destroyed the common law copyright in the performance. Needless to say, this is contrary to the overwhelming majority view in this country. Thus the injunction does not by its terms enjoin copying of the records. What the court enjoined is the sale of the record copies not their duplication per se.

Application of the misappropriation doctrine to the computer program field could be a powerful means for protecting the proprietary rights in listings of the manufacturer. A large segment of the industry is much more concerned about possible commercial exploitation, e.g., wide sale and distribution, of a pirated listing than it is about an occasional copying and in-house use by a few less-than-ethical computer users. In this sense, then, Judge Cohn's unusual holding of loss of common law copyright by sale or performance of the tape may be of little practical consequence to the computer industry even if his miniscule minority position becomes the general rule. If, however, misappropriation does not become generally accepted as a basis for liability in the software field, the loss of common law copyright in many computer situations may be a serious deprivation.

## V. Trade Secrets

Patents may be susceptible of protecting program processes, copyright and unfair competition may be susceptible of protecting program listings, but trade secrets are susceptible of protecting both.<sup>45</sup> Trade secret law, however, has been fidgeting nervously under the Damocles sword of Lear v. Adkins and the Southern District of New York's Painton v. Bourns.<sup>46</sup> Judge Friendly and the Second Circuit have sheathed the sword in its recent reversal of the Southern District in Painton.

Of course, it is well known that Lear suddenly and quite unexpectedly cast a pall over the well-settled body of trade secret law by raising the question, never before doubted, as to whether trade secret license agreements are enforceable. The district court in Painton further compounded the uncertainty, when in a sua sponte interpretation of Lear, it held that if a trade secret license is viable at all, the trade secret must be:

- a. Patentably unobvious, and
- b. One on which a patent application has been filed.

The Second Circuit, in reversing, went directly to the Supreme Court's apparent concerns in Lear as well. Thus, it based its reversal on the following criteria, inter alia:

- a. "Rather than having a monopolistic tendency, like the Illinois law involved in Sears and Compco, the upholding of private agreements for the sharing of trade secrets on mutually acceptable terms tends against the owner's hoarding them."
- b. "Although the Court stated [in Lear] that 'federal law requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent' ... it did not say or suggest that federal law requires that all ideas must be put in general circulation."
- c. "In the absence of empirical evidence of harm, a settled rule of contract law on which so much has been staked should not be overturned save on a clear showing that it is inconsistent with other rules of higher sanction or that the conditions that gave it birth no longer prevail. There has been no such showing here."

It is difficult to believe that this carefully reasoned (and lengthily presented) view by the Second Circuit will fail to find favor in the Supreme Court.

## VI. Status Summary

### 1. Patents.

If computer programs are sustained as statutory subject matter under the CCPA view or other narrower views that have been advanced, and if the patent system becomes more rational through clarification of the law (and still permits patents to be held valid after such clarification), then patents would be an excellent way to protect the program process (idea), unless the Patent Office succeeds in forcing the applicant to dedicate his obvious (over the process) but expensive listing (the form) to the public in order to gain protection for the un-obvious process.

### 2. Copyrights.

It is unlikely that any United States court would enjoin the use of a copyrighted listing to run a digital computer since to do otherwise would provide a 56 year "monopoly" (i.e. exclusionary right) over use, something hitherto limited to 17 years by patent.

### 3. Unfair Competition - Wrongful Appropriation

A resurgence of a wrongful appropriation cause of action in the tape piracy cases could provide an excellent basis for program listing protection if this resurgence is not rejected by the Supreme Court because of federal pre-emption under its Sears and Compro views.

### 4. Trade Secrets.

It is now most likely that both program listings and processes may be protected by trade secret by virtue of the Second Circuit having restored the law in Painton v. Bourns to its former status, i.e., to its status prior to the hesitant concern of Lear v. Adkins. Trade Secrets, however, suffer from the socially undesirable consequences of secrecy.

COURT OF APPEALS PATENT VALIDITY AND INFRINGEMENT HOLDINGS AS REPORTED IN U. S. P. Q.

(After Trilogy and Up To and Including USPO of March 8, 1970)

APPENDIX

Circuit No.	Valid	Valid and Infringed	Valid but Infringement Not Yet Decided
1 .....	33.3% (3/9)	11.1% (1/9)	-
2 .....	25.0% (7/28)	17.9% (5/28)	-
3 .....	26.4% (5/19)	5.3% (1/19)	17.6% (3/19)
4 .....	13.6% (3/22)	9.1% (2/22)	-
5 .....	45.9% (16/35)	37.2% (13/35)	-
6 .....	47.8% (10/21)	28.6% (6/21)	4.8% (1/21)
7 .....	46.1% (35/76)	34.1% (26/76)	2.9% (2/76)
8 .....	00.0% (0/18)	00.0% (0/18)	-
9 .....	15.0% (8/53)	5.7% (3/53)	-
10 .....	14.3% (1/7)	14.3% (1/7)	-
D. C. ....	16.7% (1/6)	16.6% (1/6)	-
Totals and Averages	30.3% (89/294)	20.0% (59/294)	2.0% (6/294)

PATENT RESOURCES GROUP  
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COURT OF APPEALS PATENT VALIDITY HOLDINGS AS REPORTED IN U. S. P. Q.

Circuit No.	1961-1965	After the <u>Trilogy</u> *	After the <u>Trilogy</u> & Before <u>Anderson's</u> - <u>Black Rock</u> **	After <u>Anderson's</u> - <u>Black Rock</u> ***
1	-	33.3% (3/9)	37.5% (3/8)	00.0% (0/1)
2	-	25.0% (7/28)	26.0% (6/23)	20.0% (1/5)
3	-	26.4% (5/19)	25.0% (4/16)	33.3% (1/3)
4	-	13.6% (3/22)	16.6% (3/18)	00.0% (0/4)
5	-	45.9% (16/35)	40.0% (8/20)	53.2% (8/15)
6	-	47.8% (10/21)	41.6% (5/12)	55.5% (5/9)
7	-	46.1% (35/76)	50.8% (30/59)	29.4% (5/17)
8	-	00.0% (0/18)	00.0% (0/17)	00.0% (0/1)
9	-	15.0% (8/53)	19.0% (8/42)	00.0% (0/11)
10	-	14.3% (1/7)	20.0% (1/5)	00.0% (0/2)
D. C.	-	16.7% (1/6)	33.3% (1/3)	00.0% (0/3)
Total and Averages		38.4% (121/315)	30.9% (69/223)	28.2% (20/71)

\* After February 1966, and up to and including USPQ of March 8, 1971  
 \*\* After February 1966, and up to December 8, 1969.  
 \*\*\* After December 8, 1969 and up to and including USPQ of March 8, 1971

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STATUS NOTES

1. Blonder-Tongue Laboratories, Inc. v. University of Ill. Foundation, \_\_\_\_\_ U. S. \_\_\_\_\_, 169 USPQ 513 (1971).
2. \_\_\_\_\_ F.2d \_\_\_\_\_, 169 USPQ 548 (CCPA 1971).
3. Even more recently the CCPA tersely reiterated its position in In re McIlroy, \_\_\_\_\_ F.2d \_\_\_\_\_ 170 USPQ 31 (CCPA 1971).
4. \_\_\_\_\_ F.2d \_\_\_\_\_, 169 USPQ 231 (CCPA 1971).
5. \_\_\_\_\_ F.2d \_\_\_\_\_, 169 USPQ 528 (2d Cir. 1971).
6. Capitol Records, Inc. v. Spies, 167 USPQ 489 (Ill. App. Ct. 1970); Columbia Broadcasting System, Inc. v. Spies, 167 USPQ 492 (Ill. Cir. Ct. 1970).
7. Tape Industries Assoc. of America v. Younger, 316 F. Supp. 340, 166 USPQ 468 (C.D. Cal 1970); Capitol Records, Inc. v. Erickson, \_\_\_\_\_ Cal. App. 2d \_\_\_\_\_, 164 USPQ 465 (2d Dist. Ct. App. 1969).
8. 248 U. S. 215 (1918).
9. Sears, Roebuck & Co. v. Stiffel Co., 376 U. S. 225, 140 USPQ 524 (1964).
10. Compco Corp. v. Day-Brite Lighting, Inc., 376 U. S. 234, 140 USPQ 528 (1964).
11. 395 U. S. 653, 162 USPQ 1 (1969).
12. [1969] S. C. R. 208 (1968).
13. \_\_\_\_\_ U. S. \_\_\_\_\_, 163 USPQ 673 (1969).
14. Sec 2 Pat. L. Persp. §A.1 [1] for an extensive discussion of all these sub-issues in the U. S. Courts of Appeals in which they arose since Black Rock.
15. For example, long-felt but unsatisfied need, commercial success, the art teaching away from the claimed invention. See Graham v. John Deere, 383 U. S. 1, 148 USPQ 459 (1969) (and U. S. v. Adams, 383 U. S. 39, 148 USPQ 479 (1969) for a more complete list.
16. Ninth, Eighth, Third and District of Columbia Circuits have virtually but not invariably followed Polar Concept No.1. Thus in the Eighth Circuit this concept was rejected in Woodstream Corp. v. Herter, Inc., decided June 28, 1971 and in the Ninth Circuit even more effectively in Reeves Instrument Corp. v. Beckman Instruments, Inc. \_\_\_\_\_ F.2d \_\_\_\_\_, 170 USPQ 74 (9th Cir. 1971). Although the Seventh Circuit virtually never does, see Sutter Products Co. v. Pettibone Mulliken Corp. 428 F. 2d 639, 166 USPQ 100 (7th Cir. 1970), where it clearly did.



17. 155 F. 2d 937 (2d Cir. 1946).
18. 155 F. 2d at 939.
19. Ashcroft v. Paper Mate Mfg. Co., \_\_\_\_\_ F.2d \_\_\_\_\_, 168 USPQ 66, 68 (9th Cir. 1970).
20. Such cases are, H. K. Porter Co. v. Goodyear Tire and Rubber Co., 437 F.2d 244, 168 USPQ 449 (6th Cir. 1971), Kolene Corp. v. Motor City Metal Treating, Inc. \_\_\_\_\_ F.2d \_\_\_\_\_, 169 USPQ 77 (6th Cir. 1971).

21. But see note 19 below.

22. This is due to the much more liberal jurisdictional provisions available to the infringer seeking a declaratory judgment under 28 U. S. C. §1391 than is available to the patentee seeking enforcement of his patent under the severely restrictively interpreted 28 U. S. C. 1400 (b).

23. The Court stated in Blonder-Tongue:

" . . . we should keep firmly in mind that we are considering the situation where the patentee . . . chose to litigate at that time and place. "

For this reason it may be properly and perhaps ~~compellingly argued~~ that Blonder-Tongue is not applicable where the holding of invalidity in the first instance was in a declaratory judgment suit brought by the alleged infringer.

24. 395 U. S. 653, 162 USPQ 1 (1969).
25. 411 F. 2d 1218, 162 USPQ 13 (6th Cir. 1969).
26. \_\_\_\_\_ U. S. \_\_\_\_\_, 165 USPQ 289 (1970).
27. It had been widely believed (prior to the filing of the doctrine of equivalents amicus brief by Justice) that this was the sole issue for which certiorari had been granted.
28. The Supreme Court took official note of this as part of its justification for reversing Triplett v. Lowell, 297 U. S. 638, 29 USPQ 1 (1936) in Blonder-Tongue.
29.
  - a. In re Prater (I), 415 F.2d 1378, 159 USPQ 583 (CCPA 1968) (withdrawn).
  - b. In re Prater (II) 415 F.2d 1393, 162 USPQ 541 (CCPA 1969).
  - c. In re Bernhart, 417 F.2d 1395, 163 USPQ 611 (CCPA 1969).
  - d. In re Mahony, 421 F.2d 742, 164 USPQ 572 (CCPA 1970).
  - e. In re Musgrave, 431 F.2d 882, 167 USPQ 280 (CCPA 1970).
  - f. In re Foster, 438 F.2d 1011, 169 USPQ 99 (CCPA 1971).
  - g. In re Boon, \_\_\_\_\_ F.2d \_\_\_\_\_, 169 USPQ 231 (CCPA 1971).
  - h. In re Benson and Tabbot, \_\_\_\_\_ F.2d \_\_\_\_\_, 169 USPQ 548 (CCPA 1971).
  - i. In re McIlroy, \_\_\_\_\_ F.2d \_\_\_\_\_, 170 USPQ 31 (CCPA 1971).

30. Gevers' Application, 1969 F. S. R. 480.  
Badger Co., Inc. Application, 1969 F. S. R. 474.
31. Prater II and Bernhart.
32. Benson and Tabbot.
33. Bernhart.
34. Misgrave and Benson and Tabbot.
35. Benson and Tabbot and McIlory.
36. 398 F.2d 863, 158 USPQ 317 (CCPA 1968).
37. 417 F.2d 1395, 163 USPQ 611 (CCPA 1969).
38. Until this juncture the "best mode" cases focused on the meaning of "best" not on what is a mode.
39. "An element in/<sup>a</sup>claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."
40. Falk, Copyright Infringement Problems, The Law of Software (Computers-In -Law Institute, The Geo. Wash. Univ. 1969).
41. 101 U. S. 99 (1879).
42. Capitol Records, Inc. v. Spies, 167 USPQ 489 (11. App. Ct. 1970).  
Columbia Broadcasting System, Inc. v. Spies, 167 USPQ 492 (11. Cir. Ct. 1970).
43. Tape Industries Assoc. of America v. Younger, 316 F. Supp. 340, 166 USPQ 468 (C.D. Cal. 1970).  
Capitol Records, Inc. v. Erickson, \_\_\_\_\_, Cal. App. 2d \_\_\_\_\_, 164 USPQ 465 (2d Dist. Ct. App. 1969).
44. International News Services v. Associated Press, 248 U. S. 215 (1918).
45. For the most comprehensive treatment available of trade secret law relative to program protection, Sec. Bender, Trade Secret Protection of Software, 38 Geo. Wash. L. Rev. 909 (1970).
46. \_\_\_\_\_ F.2d 169 USPQ 528 (2d Cir. 1971).