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# The Competitive Mandate: From *Sears* to *Lear*

Paul Goldstein*

The Supreme Court has in recent years renewed its attention to the economy's governing competitive principles. The Court's approach to these principles has been most explicit, and most problematic, in a series of cases involving administration of the monopolies effected by the state law of trade secrets, common law copyright, unfair competition, and contract.[1] In each case the Court's concern was whether the state law in question interfered with competitive needs generally and with either of two federal law monopolies, patent and copyright, specifically. The question posed by the Court for decision in *Sears, Roebuck & Co. v. Stiffel Co.*[2] typifies its method of inquiry: "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."[3] In each case,

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1. *See* Lear, Inc. v. Adkins, 395 U.S. 653 (1969); Brulotte v. Thys Co., 379 U.S. 29 (1964); Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964); Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964); *cf.* Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100 (1969). *See also* Standard Indus., Inc. v. Tigrett Indus., Inc., 397 U.S. 586 (1970). Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S. 249 (1945) represents an earlier expression of the current concern.

Although the Court has not yet had occasion to deal directly with common law copyright, the state doctrine has been restricted both implicitly and in dicta. *See* Sears Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 231 n.7 (1964). *See also* Edgar H. Wood Assoc., Inc. v. Skene, 347 Mass. 351, 197 N.E.2d 886 (1964).

2. 376 U.S. 225 (1964).

3. *Id.* at 225.

*Sears, Lear, Inc. v. Adkins*,[4] and *Brulotte v. Thys Co.*,[5] the Court answered by striking down or severely restricting the state law.

Probably because the Court's answers lack the closely reasoned premises necessary for consistent and principled decision, they have been largely misapplied, circumscribed, or ignored by state and lower federal courts[6] and have stirred no little confusion among scholars.[7] The absence from the decisions of neutral and broadly applicable principles is specifically attributable to the Court's failure to grasp or, at least, explicate fully two important contextual implications. First, these decisions are rooted in the nation's historic commitment to a competitive economy and in the modern premise that competition can be maintained only through government interference in enterprise conduct. One relevant and particularly traditional method of interference has been the government's provision for artificial incentive through the grant of legal monopolies—patent, copyright, trademark, trade secrets, common law copyright, and unfair competition. Second, the Court failed to discern the similarity between these cases and contemporary decisions involving constitutional review generally, decisions in which, for example, state laws and practices governing criminal procedure or regulating individual speech have been tested to determine their consonance with federal constitutional standards.

Combined, these contextual perspectives provide a series of three premises that make resolution of the questions involved in *Sears*, *Lear*, and *Brulotte* as easy a matter as I, II, III: I, there is a constitutional mandate for a competitive economy and this mandate is para-

4. 395 U.S. 653 (1969).

5. 379 U.S. 29 (1964).

6. *E.g.*, Bendix Corp. v. Balax, Inc., 421 F.2d 809 (7th Cir. 1970) (contract); Dekar Indus., Inc. v. Bissett-Berman Corp., 168 U.S.P.Q. 71 (9th Cir. 1970) (trade secrets); E.I. du Pont de Nemours & Co. v. Christopher, 166 U.S.P.Q. 421 (5th Cir. 1970); Water Servs., Inc. v. Tesco Chems., Inc., 410 F.2d 163 (5th Cir. 1969); Columbia Broadcasting Sys. v. De Costa, 377 F.2d 315 (1st Cir. 1967); Winston Research Corp. v. Minnesota Mining & Mfg. Co., 350 F.2d 134 (9th Cir. 1965); Cable Vision, Inc. v. KUTV, Inc., 335 F.2d 348 (9th Cir. 1964); Flexitized, Inc. v. National Flexitized Corp., 335 F.2d 774 (2d Cir. 1964), *cert. denied*, 380 U.S. 913 (1965); Decca Records v. Musicor Records, 166 U.S.P.Q. 57 (S.D.N.Y. 1970); Painton & Co. v. Bourns, Inc., 169 U.S.P.Q. 528 (2d Cir. 1971); Sperry Rand Corp. v. Pentronix, Inc., 166 U.S.P.Q. 189 (E.D. Pa. 1970); Tape Indus. Ass'n of America v. Younger, 166 U.S.P.Q. 468 (C.D. Cal. 1970); Grove Press, Inc. v Collectors Publication, Inc, 264 F. Supp. 603 (C.D. Cal. 1967); Samson Cordage Works v. Puritan Cordage Mills, 145 U.S.P.Q. 602 (W.D. Ky. 1964); Pet Needs, Inc. v. T.F.H. Publications, Inc., 156 U.S.P.Q. 479 (N.Y. Sup. Ct. 1967) (passing off); Columbia Broadcasting Sys. v. Documentaries Unlimited, Inc., 248 N.Y.S.2d 809 (Sup. Ct. 1964) (misappropriation).

7. One symposium produced no less than five different views of what the Court held in *Sears* and *Compco*. *Symposium—Product Simulation: A Right or a Wrong?*, 64 COLUM. L. REV. 1178 (1964). *See also* Adelman & Jaress, *Inventions and the Law of Trade Secrets After Lear v. Adkins*, 16 WAYNE L. REV. 77 (1969); Bricker, *Thirty Months After Sears and Compco*, 14 BULL. COPYRIGHT SOC'Y 293

mount to the federal and state law monopolies; II, the federal law monopolies are implements designed to assist in meeting the competitive mandate; and III, the state law monopolies, though cruder than their federal law counterparts, are also designed to meet the competitive mandate and, for this reason, the federal law monopolies can be employed as models for refinement of the state laws.

## I

## THE MANDATE FOR A COMPETITIVE ECONOMY

The federal constitutional mandate for a competitive economy occupies a small but decisive corner in American law's general commitment to competitive principles. This commitment predicates that the nation's interests in the equitable distribution of income, in the promotion of technological advance, and in the dedication of resources to their most productive possible uses will be best advanced by a market economy.[8] Whether a competitive system can serve these interests and whether, in fact, competition occupies a predominant place in the present American economy, are questions aside from the present point.[9] The relevant fact is that legislatures and courts, and the Supreme Court particularly, have largely assumed the centrality of a market economy and have, with equal consistency, committed their energies to promoting competitive principles.

Rules of constitutional, statutory, and common law, many of them broadly applicable, sustain the announced competitive objectives.[10]

(1967); Dodds, *After Lear v. Adkins—What?*, 51 J. PAT. OFF. SOC'Y 621 (1969); Doerfer, *The Limits on Trade Secret Law Imposed by Federal Patent and Antitrust Supremacy*, 80 HARV. L. REV. 1432 (1967); Goldstein, *Federal System Ordering of the Copyright Interest*, 69 COLUM. L. REV. 49 (1969); Treece, *Patent Policy and Preemption: The Stiffel and Compco Cases*, 32 U. CHI. L. REV. 80 (1964).

8. U.S. ATTORNEY GENERAL'S NATIONAL COMMITTEE TO STUDY THE ANTITRUST LAWS, REP. (1955) [hereinafter cited as ANTITRUST REP.], from which these three factors are drawn, cites as a fourth reason for espousal of the competitive mode that

> the more flexible prices of competitive markets should make it easier and cheaper for the economy to adjust to industrial fluctuations, and for the Federal Reserve System and the Government to carry through effective contracyclical programs of stabilization, primarily utilizing methods of monetary and fiscal policy.

*Id.* at 317-18.

9. *Compare* J. GALBRAITH, THE NEW INDUSTRIAL STATE (1967) *with* W. MUELLER, A PRIMER ON MONOPOLY AND COMPETITION 160-75 (1970). *See generally* G. STOCKING & M. WATKINS, MONOPOLY AND FREE ENTERPRISE 491-529 (1951); ANTITRUST REP. 315-42. *See also Hearings on Planning, Regulation, and Competition Before the Subcomm. on Retailing, Distribution, and Marketing Practices, and the Subcomm. on Monopoly of the Senate Select Comm. on Small Business*, 90th Cong., 1st Sess. 1-45 (1967) (debate between W. Adams, J. Galbraith, W. Mueller, and D. Turner on the relative merits of regulation and competition).

10. The historical development of these rules is examined in H. BLAKE & R.

Either of two important marketplace interests will, for example, be vindicated in the resolution of contract disputes. One of these interests, which may be associated with the monopoly interest, is identified with the party seeking to enforce the contract; it is the long range competitive interest secured through the maintenance of bargained-for expectations, essentially the interest secured by the Constitution's prohibition of states' impairment of the obligation of contracts.[11] The other interest, identified with the party in breach and typically involving a defense of antitrust violation, illegality, or fraud, is represented by the assertion that to enforce the contract would sacrifice more critical competitive needs.[12] In the context of real property law, interests of the first, monopoly, sort are vindicated through judicial enforcement of private arrangements for the use and ownership of land; competitive interests of the second sort are advanced through a number of means, by the implication of easements on account of present, but not original, necessity, for example, or by use of the doctrine of changed conditions to avoid the effects of an otherwise valid restrictive covenant.[13]

Other implements of governmental intervention in the economy may likewise have extensive roots in the common law. The lineage of modern antitrust regulation, for example, has been traced back to early tort and contract doctrines respecting restraint of trade[14] and, still earlier, to the English prohibitions against forestalling, engrossing, and regrating.[15] Promotion of a market economy through direct antitrust

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PITOFSKY, ANTITRUST LAW, CASES AND MATERIALS 59-77 (1967); M. HANDLER, CASES ON TRADE REGULATION 10-52 (3d ed. 1960); W. LETWIN, LAW AND ECONOMIC POLICY IN AMERICA 18-52 (1965); H. THORELLI, THE FEDERAL ANTITRUST POLICY 9-53 (1955).

11. U.S. CONST. art. I, § 10.

12. [E]ach case involved two contrary principles. On the one hand, the common law was inclined to uphold contracts in restraint of trade for the same reasons that moved it to sustain any good contract. To own property implied the right to dispose of property by contract, and if a reasonable man disposed of his property in a way he considered good, it was not for the court to tell him he was mistaken. On the other hand, the common law was inclined to invalidate contracts in restraint of trade because they deprived a man of the means to earn a livelihood, or because they deprived the public of the advantages of competition. The first of these reasons prevailed until the eighteenth century; the second slowly replaced it. The conflict of these principles and their application to the particular circumstances of each case have resulted in the general rule, still true today, that some contracts in restraint of trade are good and others are bad.

W. LETWIN, *supra* note 10, at 42.

13. *See* C. BERGER, LAND OWNERSHIP AND USE 401-19, 527-44 (1968).

14. *See, e.g.*, M. HANDLER, A STUDY OF THE CONSTRUCTION AND ENFORCEMENT OF THE FEDERAL ANTITRUST LAWS 3-5 (1941); W. LETWIN, supra note 10, at 18-35; M. WATKINS, INDUSTRIAL COMBINATIONS AND PUBLIC POLICY 236 (1927); Levy, *The Sherman Law and the English Doctrine*, 6 CORNELL L.Q. 36 (1920).

15. *See generally* Herbruck, *Forestalling, Regrating and Engrossing*, 27 MICH. L. REV. 365 (1928); Jones, *Historical Development of the Law of Business Competition*,

regulation has been supplemented by other, less explicit, instruments of competitive policy. Among these are grants of government largesse[16] and the exemption of certain industries, such as air and rail transport, professional baseball, public utilities, and organized labor, from the application of the antitrust laws.[17] The basic rationale for these exemptions is that to permit unbridled competition in the specific industrial context would, in the long run, be economically ruinous and that, for this reason, short range competitive interests should be sacrificed to long range competitive objectives.[18]

A characteristically paramount federal mandate for a competitive economy has emerged from this body of doctrine. The Sherman Act,[19] passed in response to expressed needs for a national economic policy, lent an incipient structure to federal competitive tenets that had been developing randomly through the 18th and 19th centuries.[20] In subsequent years, proliferating federal law increased this structure's range and depth, and, at the present stage, it constitutes a substantial and largely integrated mandate for a competitive economy. This mandate, currently being enlarged by the Supreme Court, has come to be viewed by the Court as constitutionally compelled. Although the warrant for this view may lie exclusively in the constitutional text, it is more likely that it has mixed origins in the Constitution's commerce, copyright, patent, and supremacy clauses[21] interlarded with antitrust legislation and decision; it provides, in any event, a rational—and

35 YALE L.J. 905, 906-20 (1926); Schueller, *The New Antitrust Illegality Per Se*, 50 COLUM. L. REV. 170, 175 (1950).

16. The federal land grants policy initiated in the late 18th century and culminating in the Homestead Act of 1862, 12 Stat. 392, reflects, for example, a clear intent to promote competition in agriculture. *See* Davidson, *Government Role in the Economy*, 48 J. URBAN L. 1, 3-4 (1970).

17. *See, e.g.*, Texas & Pac. Ry. v. Gulf, Colo. & S.F. Ry., 270 U.S. 266 (1926); 49 U.S.C. § 1 (1958) (railroads); Toolson v. New York Yankees, 346 U.S. 356 (1953); Federal Baseball Club of Baltimore v. National League, 259 U.S. 200 (1922); Flood v. Kuhn, 316 F. Supp. 271 (S.D.N.Y. 1970) (baseball); United Mine Workers v. Pennington, 381 U.S. 657 (1965); 15 U.S.C. § 17 (1963); 29 U.S.C. § 104 (1964) (labor).

18. *See generally* C. KAYSEN & D. TURNER, ANTITRUST POLICY 189-213 (1965); ANTITRUST REP. 261-313 (1955); Stevens, *Exemptions from Antitrust Coverage*, 37 ANTITRUST L.J. 706 (1969).

19. 15 U.S.C. §§ 1, 2 (1964).

20. *See* H. THORELLI, *supra* note 10, at 53. *See generally id.* at 54-163.

21. U.S. CONST. art. I, § 8, cls. 3, 8; art. IV. Although Justice Black explicitly relied only upon the patent clause for his derivation of a "constitutional plan of a competitive economy" [Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 522 (1964)], the language with which he characterized it suggests a broader base. Thus, while the competitive mandate would appear to have a stronger foothold in the constitutional text than, for example, the right of privacy announced in Griswold v. Connecticut, 381 U.S. 479 (1965), it does possess a penumbral quality.

necessary—basis for decision in cases involving the federal and state law monopolies.

Because competitive principles pervade the American legal fabric and recur in state as well as federal settings, and in nonconstitutional as well as constitutional contexts, one consequence of the constitutional mandate's enlargement has been a corresponding increase in the number of occasions for assertions of its primacy over state and federal law. This increase is specifically attributable to the fact that the methods used to implement competitive principles are various and possess a marked tendency to conflict. For example, the fundamental interest in promoting a competitive market, expressed in the prohibition of marketing methods that tend to insulate goods and services from price and quality competition, may at some points contradict fundamental interests in assuring that competition's mechanisms operate fairly, as expressed in prohibitions of destructive price cutting and product disparagement practices.[22] Conflicts of this sort sometimes involve state law doctrines, sometimes federal law doctrines, and sometimes both. Because the federal mandate is, as a constitutional matter, paramount to both state and federal law, the proper adjustment of these conflicts is the one that is most capable of advancing the mandate.

The operation of federal patent,[23] copyright[24] and trademark[25] laws is assumed to advance the federal competitive mandate.[26] Each law grants a proprietary monopoly over subject matter that, but for the grant, would lie in the public domain. The Constitution's authorization to Congress to grant patent and copyright protection[27] represents a judgment that, although short range competitive interests would benefit from immediate and free public access to technological and artistic innovation, to permit such access would destroy incentive to innovate; new products and works would not be introduced into the market and consequently the long range competitive situation would decline. The patent and copyright statutes, each in its own way, strike a balance be-

22. *See* 1 R. CALLMANN, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 8 (3d ed. 1967).

23. 35 U.S.C. §§ 1 *et seq.* (1964).

24. 17 U.S.C. §§ 1 *et seq.* (1964).

25. 15 U.S.C. §§ 1501 *et seq.* (1964).

26. *See generally* C. KAYSEN & D. TURNER, *supra* note 18, at 3-18, 160-68; F. MACHLUP, AN ECONOMIC REVIEW OF THE PATENT SYSTEM, STUDY NO. 15, SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE SEN. COMM. ON THE JUDICIARY, 85TH CONG., 2D SESS. (Comm. Print 1958).

27. U.S. CONST. art. I, § 8, cl. 8: "The Congress shall have Power . . . To 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 . . . ."

tween these long and short range competitive interests. By identifying the monopoly holder with the long range interest in incentive and the alleged infringer with the short range interest in access, they assure that both aspects of the competitive interest will be represented in any infringement action. The trademark monopoly, although it differs from patent and copyright in many vital respects, shares their fundamental balance between long and short range competitive interests and, for this reason, can be grouped with them with respect to the competitive mandate.

There is another group of law-created monopolies that, as implements of the competitive mandate, has attracted comparatively little attention. The monopolies effected by state laws governing trade secrets, common law copyright, and unfair competition, which generically embrace the subject matter of patent, copyright, and trademark, respectively, reflect a state determination that competitive interests will be advanced by their enforcement. Although the relationship between each state monopoly and its federal counterpart—between trade secret and patent law, for example—is by no means symmetrical, the state laws are, like the federal laws, administered on the basis of a balance struck between long and short range competitive needs.[28] The law of trade secrets, for example, mediates between long and short range interests in subject matter that is either being developed to the stage

28. If it was ever in doubt, state competence to administer these doctrines is today hardly assailable, at least as a nonconstitutional matter. The Court in *Sears* explicitly recognized the state's responsibility for common law copyright. 376 U.S. at 231 n.7. In providing that trade secrets and related information submitted to federal administrative agencies will be maintained in confidence or that, as to them, disclosure requirements will be waived, the governing federal law implicitly accredits the state law monopoly. *See, e.g.*, 15 U.S.C. §§ 46(f), 78(a) (1964). Federal trademark law has, at least as an historical matter and until passage of the Lanham Act in 1946, commonly been characterized as a formal or procedural adjunct to the state unfair competition system. *See, e.g.*, Liddy, *Has Congress the Constitutional Power to Legislate on the Substantive Law of Trademarks?*, 6 FORD. L. REV. 408 (1937); *cf.* American Trading Co. v. Heacock Co., 285 U.S. 247 (1931); American Steel Foundries v. Robertson, 269 U.S. 372 (1926).

The constitutional bearing of the division between state and federal competence is open to considerably more question. If, for example, the distinction between statutory and common law copyright is a constitutional one, then 17 U.S.C. § 12 (1964) and the Copyright Revision Bill's preemption of all state authority over common law copyright, S. 543, 91st Cong., 1st Sess. § 301 (1969), would likely be invalid. The constitutional question is made particularly problematic by the proximity of these state doctrines to other doctrines over which the states have unquestioned authority, doctrines, for example, respecting the right to privacy, fiduciary obligation, and contracts generally. To sanction federal preemption of trade secrets, common law copyright, and unfair competition would, because clear boundary lines between them and their neighboring state doctrines are unavailable, necessarily sanction a federal uprooting of vast areas of state law which, for more pressing constitutional reasons, are probably better left untouched. See note 46 *infra.*

necessary for a patent application or for which no patent application is contemplated;[29] the trade secret holder, like the patent owner, can be identified with the long range competitive interest, and the trade secret infringer, like the patent infringer, can be identified with the short range interest in immediate access.

The federal mandate for a competitive economy can, then, be partially implemented by select, balanced monopolies. Conversely, the legitimacy of a monopoly's balance can be gauged in terms of its capacity to advance the mandate.[30] That the federal law monopolies—patent, copyright,and trademark—are intended to implement the mandate has been clear from their inception. On the other hand, the implemental nature of the state law monopolies—trade secrets, common law copyright, and unfair competition—has not been so clearly perceived by the courts. Curiously, judicial misapprehension has been most marked in those cases in which questions respecting state law monopolies have arisen alongside parallel questions respecting federal law monopolies. The reason for this misapprehension lies in a flawed perception not of the monopolies' function, but rather of the standard against which they are to be compared.

### A. *Sears: The Faulty Comparison*

In *Sears, Roebuck & Co. v. Stiffel Co.*[31] and its companion case, *Compco Corp. v. Day-Brite Lighting, Inc.*,[32] the Supreme Court properly characterized the competitive mandate, but derived from it a faulty analytic method. In *Sears*, the federal district court, affirmed by the Seventh Circuit Court of Appeals,[33]—had invalidated the design and mechanical patents on Stiffel's pole lamp for its failure to meet the statutory standard of invention. But, upon finding that Sears' lamps almost exactly copied Stiffel's, the court ruled that there was a likelihood of confusion and some actual confusion as to the source of the lamps, and enjoined Sears from selling lamps confusingly similar to Stiffel's.[34] The

29. *See generally* RESTATEMENT OF TORTS § 757 (1939); R. CALLMAN, *supra* note 22, §§ 51-59.

30. This is, of course, true only to the extent that the mandate is paramount to, or consonant with, other affected constitutional interests. Federal economic policy is not the exclusive source for ordering state and federal monopoly systems and should, where necessary, yield to other constitutional values. *See, e.g.*, Goldstein, *Copyright and the First Amendment*, 70 COLUM. L. REV. 983 (1970); Nimmer, *Does Copyright Abridge the First Amendment Guarantees of Free Speech and Press?*, 17 U.C.L.A.L. REV. 1180 (1970).

31. 376 U.S. 225 (1964).

32. 376 U.S. 234 (1964).

33. Stiffel Co. v. Sears, Roebuck & Co., 313 F.2d 115 (7th Cir. 1963), *rev'd*, 376 U.S. 225 (1964).

34. For a summary of the district court's unreported opinion see Stiffel Co. v. Sears, Roebuck & Co., 313 F.2d 115, 117-18 (7th Cir. 1963).

Supreme Court reversed the judgment below on the ground that it "gave Stiffel the equivalent of a patent monopoly on its unpatented lamp."[35]

In reaching its decision, the Court accurately perceived both the nature of the governing competitive mandate and the function of patent law's considered balance, between incentive and access, to implement the mandate: "The patent system is one in which uniform federal standards are carefully used to promote invention while at the same time preserving free competition."[36] Yet, having concluded that the federal law monopoly comports with the competitive mandate, the Court withheld similar treatment from the state law, unfair competition, monopoly.[37] For undisclosed reasons, it gauged the validity of the state law monopoly not against the federal competitive mandate, but, instead, against the federal patent law monopoly: "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."[38]

*Brulotte v. Thys Co.*,[39] decided the same year, illustrates the illogic and impracticability of the *Sears* conclusion that state-effected monopolies over subject matter that is excluded from the ambit of patent or copyright protection must be invalidated. Under the facts of *Brulotte*, defendant hop farmers had purchased hop-picking machines from plaintiff, who owned patents to several of the devices incorporated in the machines, under a contract that called for payment by the purchasers of percentage royalties based upon the amount of crops harvested over a 17-year period.[40] Asserting that the 17-year royalty period exceeded the life of all the patents embodied in the machines, the purchasers subsequently refused to pay royalties accruing both before and after the expiration of the patents' statutory term. The Supreme Court reversed the lower court decision for the patentee[41] to the extent that it held the purchasers liable for royalties accruing after the expiration of the last of the patents incorporated in the machines. Writing for the Court, Justice Douglas stressed that to enforce royalty provisions like the ones at issue, which are "on their face a bald attempt to exact the same terms and conditions for the period after the patents have expired

35. 376 U.S. at 233.
36. *Id.* at 230-31.
37. *Id.* at 231-32.
38. *Id.* at 231.
39. 379 U.S. 29 (1964).
40. Though the Court's opinion assumes a direct sale of the machines by plaintiff-patentee to defendant-farmers, the record below suggests that an intermediate manufacturer was in fact the seller. Thys Co. v. Brulotte, 62 Wash. 2d 284, 285-89, 382 P.2d 271, 272-74 (1963), *rev'd*, 379 U.S. 29 (1964).
41. Thys Co. v. Brulotte, 62 Wash. 2d 284, 382 P.2d 271 (1963).

as they do for the monopoly period," would subject "thc free market visualized for the post-expiration period . . . to monopoly influences that have no proper place there."[42]

*Brulotte's* internal logic is revealed in Justice Douglas' response to a hypothetical question posed by plaintiff patent owner: Would the Court also refuse to enforce similar contract provisions involving unpatented subject matter? Douglas answered, in the negative, that such arrangements "seldom rise to the level of a federal question" and, for that reason, "would present wholly different considerations."[43] *Brulotte's* logic calls for inquiry into the nature of contract consideration: if, in any case, the consideration involves a federal interest, the contract is subject to federal review and measurement against the competitive mandate.[44] Viewed in the light of *Sears*, this logic becomes more difficult. While *Brulotte* stated that a state law monopoly—the one effected by contract—is typically *immune from* federal review if its subject matter is unpatented, *Sears* held that a state law monopoly—the one effected by unfair competition—is *subject to* federal review and invalidation if its subject matter is unpatented. The only distinction between the two cases is a doctrinal one between the contract and unfair competition monopolies, a distinction nowhere pressed by the Court.

The logical flaw lies not so much in *Brulotte* as in *Sears*, not so much, that is, in predicating federal jurisdiction upon the presence of federal subject matter as upon its absence. Taken literally, *Sears* would, for example, preempt state laws against forgery and invasions of the right to privacy; in each case, enforcement of the state law would "impose liability for or prohibit the copying of" subject matter such as an individual's signature or items related to his personality "which is pro-

42. 379 U.S. at 32-33.

43. *Id.* at 32.

44. If Justice Douglas' opinion is to be read on its own terms, as a comparison of state law with the federal mandate, it is difficult to discern the sorts of arrangements which, lacking federal subject matter as their consideration, would, although seldom, "rise to the level of a federal question." The opinion is, however, subject to another interpretation which would bring Justice Douglas' reasoning closer to the *Sears* and *Compco* view in which he concurred. If the presence in the *Brulotte* contract of patent consideration is, for purposes of the application of federal law, given the same effect that Justice Douglas gave to the presence of federal paper in his majority opinion in Clearfield Trust Co. v. United States, 318 U.S. 363 (1943), and in his dissent in Bank of America v. Parnell, 352 U.S. 29, 35 (1956), then *Brulotte* can be read as a case not of preemption of state law, but rather as a case of the application of a federal eontract rule, dictated by the presence of patent consideration, a reading which would be clearer had the case, like *Parnell*, come to the Court in the posture of review of a lower federal court ruling in diversity rather than of review of a state court decision. Under this reading, the arrangements which "seldom rise" would be those in which, as was the case in *Sears* and *Compco*, application of the state law trenches on the federal constitutional scheme.

tected neither by a federal patent nor a copyright."[45] Taken to its logical extreme, the *Sears* approach necessarily repudiates a vast area of state doctrines, doctrines, for example, of contract and real and personal property, which effect monopolies over unpatented and uncopyrighted subject matter.[46] It is this root illogic and consequent impracticability of the *Sears* method that, no doubt, accounts for its notable failure to attract support among state and lower federal courts.

### B. *Lear: Toward the Proper Comparison*

Justice Harlan's concurrence in *Sears* and dissent in *Brulotte* are sensitive to the dangers of comparing state doctrines with the federal law monopolies rather than with the constitutional competitive mandate. In both opinions he engaged in close empirical and contextual inquiry to determine whether enforcement of the state doctrine at issue would retard or advance the competitive mandate. In *Compco* this inquiry led him to conclude that the majority's absolute bar on state injunctions against the copying of unpatented subject matter would be misplaced in instances in which the copying was undertaken with a dominant purpose to deceive: "vindication of the paramount federal interest at stake does not require a State to tolerate such specifically oriented predatory business practices."[47] In *Brulotte,* he adduced a series of thoroughly plausible hypothetical situations to dramatize the faults in the majority position and to support his conclusion that the contract provision invalidated by the Court in fact posed less of a threat to the competitive mandate than other, traditionally acceptable, contract restrictions.[48]

This method of balanced inquiry prevailed in Justice Harlan's opinion for the majority in *Lear, Inc. v. Adkins.*[49] Under review was a state court award to Adkins for the breach by Lear, his employer, of an agreement to compensate him for its use of his patented advance in the gyroscope construction art. The Court divided the terms covered by the agreement into two periods: from the date on which Adkins and

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45. 376 U.S. at 225.

46. That these state monopolies have, on occasion, been subjected to specific constitutional requirements, most notably those embodied in the fourteenth amendment, further suggests the dangers which lie in the wholesale preemption of so broad an area on the basis of so general an authority as is contained in the competitive mandate. The authority's generality aside, the fault in *Sears'* logic is that its potential for the destruction of state competence is too great; it contradicts the overriding constitutional concern, most recently expressed in the opinions of Justices Black and Harlan in United States v. Arizona, 400 U.S. 112, 124-28, 152-53, 170-71 (1970), for the fundamental integrity of the federal system.

47. 376 U.S. at 239.

48. 379 U.S. at 34-39.

49. 395 U.S. 653 (1969).

Lear executed the agreement, September 15, 1955, through the date on which the patent issued, January 5, 1960; and from January 5, 1960, through the date of the patent's expiration, January 4, 1977.[50] Distinct issues of law were assigned to each of the two periods. As to the first, pre-patent, period, the Court raised the question whether state doctrines may be employed to guard interests in unpatented inventions that have been kept secret or disclosed to others in confidence.[51] The question underlying the second, patent, period was whether, as a party to the license contract, Lear was estopped from asserting the patent's invalidity as a defense to an action for royalties for its use.[52] The Court postponed decision on the first question to further examination of the issue by the California courts.[53] The second question it answered in the negative.[54]

At least implicitly, Justice Harlan premised his resolution of the second, licensee estoppel, question upon a comparison between the state contract monopoly and the competitive mandate. His clear perception of the competitive mandate's nature and function is evident in his precedential analysis of the prevailing rule, announced in *Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc.*,[55] that, in a suit against him for royalties, a licensee is barred from asserting that his licensor's patent is invalid. For example, he distinguished a major 19th-century case[56] supporting the estoppel on the subtle ground that it "was decided before the Sherman Act made it clear that the grant of monopoly power to a patent owner constituted a limited exception to the general federal policy favoring free competition."[57] He pointed also to three lines of pre-*Hazeltine* patent and antitrust decision that, taken together, substantially eroded the ground upon which it rested.[58] And, before concluding that whatever in *Hazeltine* that remained on firm ground should be overruled, Harlan carefully appraised the economic implications for typical marketplace transactions of a decision voiding the estoppel. Specifically, he concluded that although elimination of the estoppel might, in any case, contradict technical contract obligations, it would comport with fundamental contract principles of good faith and, impliedly, with fair marketplace expectations.[59]

50. *Id.*
51. *Id.*
52. *Id.*
53. *Id.*
54. *Id.*
55. 339 U.S. 827 (1950).
56. Kinsman v. Parkhurst, 59 U.S. (18 How.) 289 (1856).
57. 395 U.S. at 663.
58. *Id.* at 664-68.
59. *Id.* at 670. Apparently, Justice Harlan and a majority of the Court do not consider the interest in testing a patent's validity sufficiently compelling to overcome

Because the California supreme court rested its decision upon an affirmative view of the estoppel defense, it did not reach the separate question raised by the 1955 to 1960 branch of the contract—whether a state may, through its law of trade secrets, protect interests in unpatented or unpatentable invention. Justice Harlan refrained from deciding the issue and urged state courts to fully assess trade secret law's theoretical and policy bases in light of the Court's decision on the estoppel ground. For Justice Black, this was not enough. His dissent,[60] which he based on the view that *Sears* and *Compco* require outright denial of state competence to enforce any monopoly over unpatented invention, not surprisingly suffered from the same logical flaw as his majority opinion in *Sears*: by measuring the state law monopoly against the federal law monopoly rather than against the competitive mandate, he was forced to rest preemption of the state law upon the fact that it protected subject matter untouched by federal law. Concurring in part,[61] Justice White chided the Court for deciding too much. He reasoned that since the California courts had not had the opportunity to decide whether, if the patent were invalid, the federal interest involved precluded an award to Adkins of the royalties Lear had contracted to pay, proper regard for the state judicial function required abstention from all decision on the point.

The Court's majority, concurring, and dissenting factions in *Sears, Brulotte* and *Lear* share a single and correct view of the mandate for a competitive economy. Each is sensitive to the mandate's paramountcy over federal and state doctrines. They share also in the view that the federal law monopolies must comport with the mandate and disagree only as to the comparative position of the state law monopolies, one faction measuring their validity against the federal law monopolies, the other faction at least implicitly measuring their validity against the constitutional mandate. Adoption of the second approach—that the state monopolies, like the federal monopolies, should be judged in terms of the competitive mandate—is dictated not only by logic, but by the mechanics of nationalization generally. The constitutionality of state laws and practices governing criminal procedure or circumscribing individual speech, for example, is, like the constitutionality of their federal

procedural doctrines. Implicit in the per curiam opinion in Standard Indus., Inc. v. Tigrett Indus., Inc., 397 U.S. 586 (1970), is the position that a licensee, sued for royalties, waived his right to attack the validity of the patent underlying the license agreement by not asserting it before the lower courts, even though his appeal to the Supreme Court represeuted his first opportunity, since *Lear* overruled *Hazeltine*, to make the challenge. Justice Black, joined by Justice Douglas, dissented from this position. *Cf.* Skil Corp. v. Lucerne Prods., Inc., 167 U.S.P.Q. 388 (N.D. Ill. 1970).

60. 395 U.S. at 676.

61. *Id.* at 677.

law counterparts, invariably resolved in terms of the paramount constitutional right at stake.[62] Similarly, in *Sears, Lear,* and *Brulotte,* the proper comparison would have been between the state law on the one hand and the paramount competitive mandate on the other.

Proper decision requires, then, that there be exercised in every case a discriminating appraisal of the federal and state law monopolies involved to determine whether they serve to advance or retard the federal mandate. It is in this respect only that the state and federal monopolies can be usefully compared. Since, for example, patent law is assumed to comport generally with the mandate, it can be employed as a model for the proper design of trade secret law, its counterpart state doctrine that embraces the same types of subject matter and must also operate to advance the competitive mandate. By the same token, copyright law can serve as a model for state common law copyright, and trademark law as a model for state unfair competition law. The next section outlines the techniques employed by the federal law monopolies to advance the competitive mandate; the section that follows relates the models formed by these techniques to the counterpart state doctrines.

## II

## THE FEDERAL LAW MONOPOLIES

Central to each of the federal law monopolies—patent, copyright, and trademark—is a balance struck between two methods for advancing competition, one long range and one short range. Probably because the interests they regulate are distinct, the laws differ in the specific techniques they employ to strike the balance. Patent law protects an interest in exploitation of technological innovation; copyright, an interest in exploitation of artistic innovation; and trademark, the connected interests in exploitation of commercial goodwill and avoidance of consumer confusion. Brief rehearsal of the general and specific techniques of patent, copyright, and trademark law for determining whether subject matter should be lodged in monopoly—the long range interest—or in the public domain—the short range interest—will suggest the function of each as an implement of the competitive mandate and as a model for the proper governance of its counterpart state monopoly.

62. *Compare, e.g.,* Berger v. New York, 388 U.S. 41 (1967) *with* Katz v. United States, 389 U.S. 347 (1967); Miranda v. Arizona, 384 U.S. 436 (1966) *with* Westover v. United States, 384 U.S. 436 (1966) (consolidated with *Miranda*); Street v. New York, 394 U.S. 576 (1969) *with* United States v. O'Brien, 391 U.S. 367 (1968); Alberts v. California, 354 U.S. 476 (1957) *with* Roth v. United States, 354 U.S. 476 (1957).

All the law-created monopolies, federal and state, share a general regulatory technique for determining the degree of protection to be accorded in any case. In each monopoly, and in every case, this technique predicates that the degree to which the subject matter in question should be protected is a direct function of the degree to which it differs from subject matter that is already protected or is in the public domain. The technique accomplishes this result in part through status determinations—whether, for example, the subject matter meets the statutory requirements for the grant of a patent—and in part through infringement determinations—whether, for example, unauthorized conduct respecting the patented subject matter can be said to invade its legal monopoly.

The patent example can, for introductory purposes, be used to illustrate this technique's elasticity, its capacity to assure that the protection afforded in any case will correspond to the degree of the subject matter's departure from knowledge in the public domain. To qualify for patent protection, subject matter must constitute a sufficent advance over the prior art to meet the statute's minimum standards of patentability—novelty and nonobviousness.[63] Given this threshold status determination, infringement decisions distinguish between "strong" patents, whose subject matter represents a pioneer or otherwise major discovery, and "weak" patents, whose subject matter's advance, although sufficient to be patentable, is relatively minor and interstitial in terms of the related art.

The elastic basis to the distinction between strong and weak patents is apparent in the common case in which the accused infringer whose subject matter does not literally replicate the patentee's contends that to construe the patent claims to embrace his subject matter would in fact broaden them to include elements in the prior art that, if included, would invalidate the patent for not constituting the required advance over the prior art. To the extent that the patent is weak, it will succumb to this defense, for expansion of its claims will necessarily bring them into the art that borders its narrow confines. To the extent that the patent is strong, it will withstand the defense since the significance of its advance and the absence of equivalent developments in the related art give its claim considerable room for expansion.[64]

63. 35 U.S.C. §§ 101-03 (1964). Section 101 contains a third requirement, that the subject matter be "useful."

64. *Compare* Graver Tank & Mfg. Co. v. Linde Air Prods. Co., 339 U.S. 605 (1950) (majority and dissenting opinions) *with* Aero Spark Plug Co. v. B.G. Corp., 130 F.2d 290 (2d Cir. 1942) (majority and concurring opinions). *See generally* 3 R. CALLMANN, *supra* note 22, at § 82.1(1)(2), and cases cited *id.* at 755 n.30.

The Supreme Court's remarks in Eibel Process Co. v. Minnesota & Ontario

Patent law possesses a variety of other techniques designed to adjust the balance between monopoly and free access. The negative implication of the law's prescription of patentable classes of subject matter, such as process, machine, manufacture, composition of matter, or any improvement of these,[65] and of its prescription of the patentee's rights to exclude others from making, using, or selling the patented invention for a 17-year term,[66] is that unspecified subject matter and rights belong to the public. Although both prescriptions are usually applied with ease, difficult decisions of marked economic significance have been rendered under each. Two examples are the recent determination of the Court of Customs and Patent Appeals that, contrary to an earlier line of decisions, computer programs constitute patentable subject matter,[67] and the body of decision regulating the patent owner's rights respecting the resale or re-use of his invention.[68]

Patent law's regulatory techniques often interrelate, with the effect that adjustment of one in favor of monopoly may in any case represent an implicit trade-off for adjustment of another in favor of free access. In *Aro Manufacturing Co. v. Convertible Top Replacement Co.*,[69] for example, the Court's expansion of the patent owner's rights against contributory infringement involving unpatented components of his invention, was to some extent countered by its decision that, to recover, he must prove that the alleged contributory infringer had actual knowledge that the component supplied by him infringed.[70]

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Paper Co., 261 U.S. 45, 63 (1923), evidence its sensitivity to the dynamics of this process:

> In administering the patent law, the court first looks into the art, to find what the real merit of the alleged discovery or invention is, and whether it has advanced the art substantially. If it has done so, then the court is liberal in its construction of the patent, to secure to the inventor the reward he deserves. If what he has done works only a slight step forward, and that which he says is a discovery is on the border line between mere mechanical change and real invention, then his patent, if sustained, will be given a narrow scope and infringement will be found only in approximate copies of the new device.

For discussion of file wrapper estoppel and the doctrine of equivalents, the two main doctrines employed by patent law in administration of this process, see generally Crews, *Patent Claims and Infringement*, in DYNAMICS OF THE PATENT SYSTEM 128 (W. Ball ed. 1960); Rowland, *The Interplay of the Doctrine of Equivalents and File Wrapper Estoppel*, 29 GEO. WASH. L. REV. 917 (1961).

65. 35 U.S.C. §§ 101, 100(b) (1964).

66. *Id.* §§ 154, 271.

67. This result was reached only through substantial modification of the so-called "mental steps" doctrine. *See In re* Prater & Wei, 159 U.S.P.Q. 583 (1968), *modified on rehearing*, 162 U.S.P.Q. 541 (C.C.P.A. 1969). *See generally* Sutton, *The "Mental Steps" Doctrine*, 52 J. PAT. OFF. SOC'Y 479 (1970).

68. *See, e.g.*, Wilbur-Ellis v. Kuther, 377 U.S. 422 (1964); Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961); General Talking Pictures Corp. v. Western Elec. Co., 305 U.S. 124 (1938); Comment, *Right of Patentee to Restrict Manufacture, Use and Sale of Patented Device*, 37 MICH. L. REV. 1102 (1939).

69. 377 U.S. 476 (1964).

70. *Id.* at 488.

Copyright law, like patent law, correlates the degree of protection accorded to any subject matter with the degree of its difference from works already protected or in the public domain. The correlation is primarily a function of copyright law's settled rule that expressions are protectable and ideas not.[71] Any artistic, literary, or musical work is a mix of ideas, such as the underlying concept, plot or theme, and expressions, such as visual details expressing the concept, narrative and dialogue explicating the plot, or musical elaboration of the theme. Since the difference between idea and expression is one of degree rather than kind, the question of protection can be resolved only as a matter of degree: the greater the extent to which idea assumes the proportions of expression—as plot, for example, graduates into narrative and dialogue—the greater is the protection accorded.[72] If ideas are viewed as belonging to the public domain, the elastic basis of this dynamic becomes manifest: protection is accorded relative to the extent to which a work differs from matter in the public domain.[73]

The monopoly effected by copyright's inelastic techniques is in some senses more, and in other senses less, extensive than patent's monopoly. The grant of copyright status, for example, is not conditioned upon proof that the work in question meets specified qualitative standards, such as novelty, utility, or nonobviousness,[74] and the copyright term—28 years with one renewal term of equal length—is comparatively long.[75] The countervailing thinness of the copyright monopoly is

71. *See, e.g.*, Kalem Co. v. Harper Bros., 222 U.S. 55 (1911); Peter Pan Fabrics, Inc. v. Martin Weiner Corp., 274 F.2d 487 (2d Cir. 1960); Nichols v. Universal Pictures Co., 45 F.2d 119 (2d Cir. 1930).

72. Chafee, *Reflections on the Law of Copyright*, 45 COLUM. L. REV. 503, 513-14 (1945): "No doubt, the line does lie somewhere between the author's idea and the precise form in which he wrote it down. I like to say that the protection covers the 'pattern' of the work . . . . [t]he sequence of events and the development of the interplay of the characters . . . ."

73. Elasticity is also a function of copyright's requirement that, to be protected, a work must be original—must have been created independently by its author and not through his copying of other words. Under this view, an author's copying of the ideas, but not the expressions, contained in other works will not defeat the originality of his work. *See, e.g.*, Wihtol v. Wells, 231 F.2d 550 (7th Cir. 1956); Sheldon v. Metro-Goldwyn Pictures Corp., 81 F.2d 49 (2d Cir. 1936), *aff'd*, 309 U.S. 390 (1940).

The integral relationship between the originality requisite and the idea-expression distinction is discussed in Goldstein, *supra* note 30, at 1012-22.

74. 17 U.S.C. § 4 (1964) provides that "the works for which copyright may be secured under this title shall include all the writings of an author." Although the statute borrows the term "writings" from the Constitution's copyright clause [U.S. CONST. art. I, § 8, cl. 8], it imposes the term's implicit standard not as a requirement for the grant of copyright status, but rather as a determinant of the extent to which a work will, in an infringement action, be afforded protection. *See* Goldstein, *Federal System Ordering of the Copyright Interest*, 69 COLUM. L. REV. 49, 81-91 (1969).

75. 17 U.S.C. § 24 (1964). The pending Copyright Revision Bill, S. 543, 91st Cong., 1st Sess. (1969), would replace the present term with one measured by the

particularly evident in its prescription of rights. To begin with, the right is, as its name implies, effective only against the copying of the protected work, not, as is the case in patent and trademark law, against the subject matter's replication by any—including coincidental—means. Further, the range of the right's exclusiveness varies, depending on both the medium of the work protected and the context of the infringer's use, such as public or private, or profit or non-profit.[76] Finally, when otherwise effective, the right is subject to the defense that the alleged infringer's use of the protected material was a "fair" one and, for that reason, excusable; whether a use is fair is determined on the basis of a number of factors, predominantly on the strength of the public interest in free access.[77]

Federal trademark law is a highly developed branch of its counterpart state doctrine, unfair competition and, in this, differs from patent and copyright whose governing principles are largely distinct from those of their state law counterparts, trade secrets and common law copyright. Unfair competition protects a seller of goods or services against a competitor's appropriation of his goodwill if there is a consequent or probable confusion among consumers as to the source of the goods or services.[78]

Trademark law modifies this basic formula by identifying goodwill with the mark used by the seller in connection with his goods or services and by presuming that the mark's replication or close approximation by a competitor will cause consumer confusion.[79] Also, although trademark, like copyright and patent, balances interests in incentive against interests in free access, that is, interests in the protection of trade symbols against interests in their free availability, it has the added concern of the consumer interest in a marketplace free from confusion respecting the source of goods or services. Enforcement of the first, incentive, interest is relied upon to bar the infringer's deceptive acts respecting indication of the source of goods and services and, thus, serves to vindicate this third, consumer, interest.

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author's life plus 50 years; in actuarial terms, at least, the change would enlarge the copyright term.

76. 17 U.S.C. § 1 (1964).

77. *See* Rosemont Enterprises, Inc. v. Random House, Inc., 366 F.2d 303 (2d Cir. 1966); Berlin v. E.C. Publications, Inc., 329 F.2d 541 (2d Cir. 1964). *See generally* Cohen, *Fair Use in the Law of Copyright*, in 6 ASCAP COPYRIGHT LAW SYMPOSIUM 43 (1955). *See also* S. 543, 91st Cong., 1st Sess. § 107 (1969).

78. *See* RESTATEMENT OF TORTS §§ 711, 716, 717(1), 730 (1938); R. CALLMAN, *supra* note 22, § 4. *See generally* Chafee, *Unfair Competition*, 53 HARV. L. REV. 1289 (1940); Handler & Pickett, *Trade-marks and Trade Names*, 30 COLUM. L. REV. 168, 759 (1930).

79. *See* R. CALLMAN, UNFAIR COMPETITION AND TRADEMARKS § 80 (2d ed. 1950); *Developments in the Law—Trademarks and Unfair Competition*, 68 HARV. L.

Under trademark law's elastic technique, a trade symbol is protected only to the extent of its nondescriptiveness and difference from matter that is already protected or is in the public domain. This means that, all else being equal, the proprietor of the mark, "Cheerios," for a wheat breakfast cereal would, for example, be entitled to more commodious protection than the proprietor of the mark, "Wheaties," for the same product. The central justification for according protection relative to the degree of a mark's nondescriptiveness or uniqueness is that the more generic or common a mark is, the greater is the likelihood that competitors must use it for purposes of description in the course of trading in similar goods or services. Conversely, as a mark's arbitrariness and uniqueness increase, its use for purposes of descriptive reference decreases and, at the same time, its capacity to indicate origin decreases; a corresponding presumption arises that the unique mark's subsequent selection by a competitor, from among the countless number available, was made with a deceptive purpose.[80]

Elasticity is also accomplished, although more roughly, through the trademark act's provision for three degrees of protection for marks of three different strengths: First, weak marks not qualified for registration on the Principal Register may in many cases be registered on the Supplemental Register and accorded rights narrower than those that attach to marks on the Principal Register;[81] second, if the mark qualifies for registration on the Principal Register, the registrant is accorded an exclusive right, prima facie, to use of his mark;[82] third, continuous use of the mark for five consecutive years subsequent to registration on the Principal Register will convert the right's presumption of exclusiveness into incontestability subject only to specified defenses.[83] The Lanham Act possesses another balancing mechanism that is more sensitive than those of the patent and copyright acts. By tying the monopoly period to the duration of the mark's active use, rather than to a uniform and probably arbitrary term, the Act tends to assure that the balance between incentive and access will be accurately struck in every case, that when the justification for the monopoly given any one mark ends, the monopoly will end.[84] To some extent, trademark law comports

REV. 814, 843-51 (1955). *See generally* Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

80. *See, e.g.*, Sunbeam Lighting Co. v. Sunbeam Corp., 183 F.2d 969 (9th Cir. 1950), *cert. denied*, 340 U.S. 920 (1951); Arrow Distilleries, Inc. v. Globe Brewing Co., 117 F.2d 347 (4th Cir. 1941); *cf.* Communications Satellite Corp. v. Comcet, Inc., 166 U.S.P.Q. 353 (4th Cir. 1970). *See generally* Garner, *Narrow and Weak Trade-Marks*, 22 GEO. WASH. L. REV. 40 (1953).

81. 15 U.S.C. §§ 1091-96 (1964).

82. 15 U.S.C. § 1057(b) (1964); *cf. id.* § 1115(a).

83. 17 U.S.C. § 1065 (1964); *cf. id.* §§ 1064, 1115(b).

84. *See, e.g.*, 15 U.S.C. § 1127 (1964):

with patent's and copyright's basic paradigm, under which individual standing to assert the interest in incentive is lodged in the inventor or author or his assignees and standing to assert the interest in access is lodged in the infringer, in that the trademark owner is identified with the interest in incentive to create and sustain economic goodwill and the infringer with the interest in free public access to commercial symbols. Additionally, since one result of the infringer's use of the owner's symbol may be confusion among consumers as to the source of the goods or services bearing the symbol, the trademark owner asserts another interest—that of the individual consumer to be free of confusion.

Judicial decisions, although they adjust only one or two of a federal law's individual techniques in any one case, invariably affect the entire law's underlying balance. For example, a number of decisions rendered by the Supreme Court since 1964 have, by heightening the standards implicit in two of patent law's three statutory requirements for protection—nonobviousness[85] and utility[86]—measurably shifted its balance away from incentive and toward broadened public access. The balance has been further weighted to the side of free access by decisions curtailing the patent owner's rights respecting the re-use of his invention[87] and, apparently, enlarging the range of fraudulent acts that, if employed in procuring a patent, will bar the patent owner's subsequent attempts to recover for infringement.[88] A combination of specific con-

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A mark shall be deemed to be "abandoned"—

(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.

(b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin.

*See also id.* §§ 1058, 1059.

85. The concern in three of these cases was the degree to which subject matter must constitute an advance over the prior art to be patentable. Graham v. John Deere Co., 383 U.S. 1 (1966); United States v. Adams, 383 U.S. 39 (1966); Anderson's Black Rock, Inc. v. Pavement Salvage Co., 163 U.S.P.Q. 673 (1969). The Court's concern in the fourth case was the proper scope to be given prior art. Hazeltine Research, Inc. v. Brenner, 382 U.S. 252 (1965).

86. Brenner v. Manson, 383 U.S. 519 (1966).

87. Wilbur-Ellis Co. v. Kuther, 377 U.S. 422 (1964).

88. Walker Process Equipment, Inc. v. Food Machinery Chemical Corp., 382 U.S. 172 (1965). The Court's decision in Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 169 U.S.P.Q. 513 (1971), rendered after this Article had been set in galley, casts into the balance yet another weight on the side of free access. There, after granting certiorari, 400 U.S. 864 (1970), the Court requested the parties to brief the question, nowhere raised in the petition for certiorari, "Should the holding of Triplett v. Lowell, 297 U.S. 638, that a determination of patent invalidity is not res judicata as against the patentee in subsequent litigation against a different defendant, be adhered to?" Drawing on the philosophy developed in *Sears* and *Lear* and relying in part upon the general judicial erosion of the doctrine of mutuality

gressional action and judicial gloss has somewhat offset these developments by according the patent owner's action for contributory infringement a broader scope than had previously been allowed.[89]

Copyright and trademark law, although less frequently addressed by the Court in recent years, have also experienced a marked shift toward wider public access. In one case, the Court narrowed the range of a copyright owner's rights by substantially eroding, if not implicitly overruling, a precedent of long standing.[90] In another, contrary to the clear trend of lower court decision, it excluded attorney's fees from the items recoverable by a trademark owner in an infringement action.[91] Sometimes explicitly, other times not, the Court in these cases struck the balance for individual monopolies in terms of the objectives of the mandate for a competitive economy.

In situations involving more than one federal law monopoly, in which, for example, the subject matter in question is protected by both patent and trademark, the balancing task differs only numerically: two or three monopolies, rather than one, are to be individually balanced in terms of the paramount right. Thus, in *In re Mogen David Wine Corp.*,[92] in which appellant sought to compel registration on the Principal Register of the configuration of its decanter bottle as a trademark for its wines, Judge Smith, concurring, properly rebuffed the Patent Commissioner's argument that appellant was, as a matter of law, precluded from registration on the ground that a design patent protecting the bottle's design had expired.[93] Although agreeing with the Commissioner and the majority that, as a matter of fact, the configuration did not serve to identify appellant as the source of the wine and was for this reason not entitled to registration, Judge Smith took the opportunity to amplify the court's position, announced in an earlier case, that, contrary to the Commissioner's contention, the combination of design patent and trademark protection for a single device would not

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of estoppel, and in part upon evidence of the high cost of patent litigation and the consequent tendency of competitors to take licenses even though the underlying patent has been declared invalid in an action involving another competitor, the Court answered in the negative and ruled that the estopped patent proprietor need only "be permitted to demonstrate, if he can, that he did not have a 'fair opportunity to pursue his claim the first time.'" 169 U.S.P.Q. at 521.

89. Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964).

90. Fortnightly Corp. v. United Artists Television, Inc., 392 U.S. 390 (1968) ("The *Jewell-LaSalle* decision [283 U.S. 191 (1931)] must be understood as limited to its own facts.").

91. "Until this case, every federal court that has faced the issue has upheld judicial power to award counsel fees in trademark infringement cases." Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 721 (1967) (Stewart, J., dissenting).

92. 152 U.S.P.Q. 593 (C.C.P.A. 1967).

93. *Id.* at 596.

constitute a "perpetual patent."[94] Discerning that "the heart of the controversy here is the duration of these interests"[95]—design patent law providing for a limited period, trademark law for an indeterminate one[96] —Judge Smith concluded that there was no question of a perpetual patent involved since, their objectives being discrete, each of the two laws is to be judged independently rather than in terms of the other. On the facts, the trademark monopoly was in this case balanced in favor of public access. Since the design patent had expired, no balancing of its monopoly was placed in issue.

The balancing task, although perhaps more apparent, is hardly more problematic in situations involving state and federal law monopolies, in which, for example, the subject matter in question has been protected by trade secret and patent law or unfair competition and patent law. Like *Mogen David*, which called for independent balancing of each federal monopoly in terms of the competitive mandate, cases involving joint state and federal protection require that the balance be struck independently for each monopoly, state and federal. The Court in *Sears* and *Compco* erred on this point in its measurement of state unfair competition doctrine against federal patent doctrine rather than against the requirements of the competitive mandate. That *Sears* and *Compco* formed the basis for the Commissioner's argument in *Mogen David* that trademark doctrine should be measured against patent doctrine suggests the danger that lies in uncritical acceptance of their reasoning. It suggests, moreover, the need for close examination of the relationship between the state law monopolies and their federal law counterparts.

## III

## THE STATE LAW MONOPOLIES

Trade secrets, common law copyright, and unfair competition are, in terms of the subject matter they protect, the state law counterparts to the federal patent, copyright, and trademark monopolies, respectively. Trade-secret law typically protects interests in technological information relating to manufacturing processes or chemical formulae. Protection, afforded for so long as the information remains secret, is potentially perpetual. In some situations, trade-secret protection operates as a preliminary to patent protection, affording a needed shelter during the period in which an inventor develops his discovery to the stage required for a patent application; in others, it serves as an alter-

94. *Id.* at 598.
95. *Id.* at 597.
96. *Id.*

native to patent protection, the feature of potential perpetuity encouraging bypass of the durationally limited federal scheme.[97]

Common law and federal statutory copyright form an integrated system. Common law copyright protects, from their creation until their publication, all the types of subject matter protected by the federal statute; upon publication, with inscription on the work of the requisite copyright notice, the subject matter is divested of common law copyright and invested with federal protection. Like the law of trade secrets, common law copyright can serve either of two functions: insulating a work's early development and refinement, or, to the extent that divestitive publication of the subject matter can be avoided, bypassing federal protection altogether.[98]

Unlike trade secrets and common law copyright, which serve threshold or bypass functions with respect to their federal counterparts, the law of unfair competition fully encompasses its federal counterpart. In the basic design that protects against the appropriation of goodwill by a competitor if confusion among consumers as to the source of goods or services results, federal trademark law is concerned with the stronger embodiments of goodwill, unfair competition with the weaker ones. When goodwill is represented not in an arbitrary mark but in a descriptive word or in a personal or geographic name, for example "Signalite" warning lamps and "Midwest Farms" dairy products, an action for unfair competition will lie if plaintiff can prove both that the name used by him possesses some secondary meaning, some capacity to identify him as the source of goods or services, and that its use by defendant is likely to confuse customers as to source. And, if the term plaintiff uses is so weak as to possess no secondary meaning, he can yet recover under an unfair competition theory if he can prove that defendant actively passed off his goods or services as plaintiff's, that is, actually misled customers as to their source.[99]

Each state system, like its federal counterpart, is designed to advance the competitive mandate. Because they are the products of ad hoc decision and tend in some respects to be crude or indecisive, the state systems presumably fulfill the mandate less precisely than do their

97. *Compare, e.g.*, Lear, Inc. v. Adkins, 395 U.S. 653 (1969); A.O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531 (6th Cir. 1934) (preliminary to patent) *with* E.I. du Pont de Nemours & Co. v. Christopher, 166 U.S.P.Q. 421 (5th Cir. 1970); Forest Laboratories, Inc. v. Formulations, Inc., 161 U.S.P.Q. 622 (E.D. Wis. 1969) (alternative to patent).

98. *See* American Visuals Corp. v. Holland, 239 F.2d 740 (2d Cir. 1956); M. NIMMER, NIMMER ON COPYRIGHT §§ 46-49 (1970). *See generally* B. KAPLAN & R. BROWN, COPYRIGHT 22-99 (1960).

99. *See* William Warner & Co. v. Eli Lilly & Co., 265 U.S. 526 (1924); RESTATEMENT OF TORTS § 717 (1939); R. CALLMANN, *supra* note 22, § 4.1.

federal counterparts which, formed by statute, are comparatively structured and articulate. The federal patent, copyright, and trademark systems can, for this reason, serve as models for the refinement of their counterpart state laws.[100] When, in any case involving state law monopoly, there is, for lack of clear guidelines, indecision as to how the balance between incentive and access ought to be struck, the counterpart federal law monopoly can be referred to for guidance, as good evidence of the sorts of balanced monopolies that are capable of advancing the competitive mandate. To be sure, the state systems should not mimic the federal systems. Proper regard for state interests and a healthy skepticism about the exclusive wisdom of the balance struck by the federal monopolies suggest that the states should be given considerable leeway in administering their trade secret, common law copyright, and unfair competition doctrines.

To a significant extent, the state law monopolies' fundamental techniques resemble those of their federal counterparts and, to this extent, need not borrow from them. Each state law, for example, accords protection on an elastic basis commensurate with the degree to which the subject matter involved departs from material that is already protected or in the public domain. In the case of trade secrets, elasticity is a function of the secrecy requisite. Implicit in proof of secrecy is proof that the claimed subject matter is not generally known and is, consequently, novel. Novelty is, of course, a relative concept so that, as a matter of elasticity, subject matter is secret and, for this reason, protectable, to the extent of its novelty.[101] As under federal copyright law, elasticity in common law copyright depends upon the rules governing the idea-expression distinction.[102] Under unfair competition law, a name, word, or symbol is protected to the extent that it departs from the ordinary or the descriptive and to the related extent to which it is capable of distinguishing the user's goods or services from those of others.[103] Also, in the case of trade secrets and common law copyright, as in pat-

100. Professor Kaplan has suggested that some aspects of the common law copyright monopoly might properly be fashioned after statutory copyright precepts. Kaplan, *Publication in Copyright Law: The Question of Phonograph Records*, 103 U. PA. L. REV. 469, 487-88 (1955).

101. Sarkes Tarzian, Inc. v. Audio Devices, Inc., 166 F. Supp. 250 (S.D. Cal. 1968); Forest Laboratories, Inc. v. Formulations, Inc., 161 U.S.P.Q. 622 (E.D. Wis. 1969); RESTATEMENT OF TORTS § 757 (1938).

102. Smith v. Little, Brown & Co., 245 F. Supp. 451 (S.D.N.Y. 1965), *aff'd*, 360 F.2d 928 (2d Cir. 1966); Twentieth Century-Fox Film Corp. v. Dieckhaus, 153 F.2d 893 (8th Cir. 1946); *see* M. NIMMER, *supra* note 98, §§ 11, 141 (1967).

103. *See, e.g.*, Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916); American Waltham Watch Co. v. United States Watch Co., 53 N.E. 141 (1899). *See generally* Chafee, *supra* note 78; Handler & Pickett, *supra* note 78; *Developments in the Law*, *supra* note 79, at 843-67.

ent and copyright, the private infringer is given standing to assert the public interest in access, while the interest in incentive is identified with the trade secret or common law copyright proprietor. In unfair competition, as in trademark law, the infringer asserts the public interest in access while his competitor is identified both with the interest in incentive and consumer freedom from confusion.

In other respects, when state laws depart from the techniques of their federal counterparts, reference to the federal techniques may be a prudent method for assuring compliance with the competitive mandate. For example, the recurrent and difficult determination in the law of trade secrets, whether subject matter is in fact secret—or, what is much the same thing, novel—may be alleviated by reference to the patent statute's list of events and conduct that operate to defeat patentable novelty.[104] This is not to say that the patent law's novelty provisions ought to be grafted upon the law of trade secrets, but rather that they should be taken as good evidence of a considered view of what sorts of events or conduct ought to bar protection for technological subject matter. The problems sometimes encountered, because of lack of an established market, in assessing damages in cases of common law copyright infringement, might be avoided by partial reliance upon the federal copyright act's schedule of suggested maximum, minimum, and fixed damages awards for a wide variety of types of infringement.[105] Similarly, the critical determination under unfair competition law—whether secondary meaning has attached to a name or symbol—may, when appropriate, be assisted by introduction of an affidavit, accepted as prima facie evidence under the Lanham Act, that the word or symbol has been used by its proprietor exclusively over a five-year period.[106]

The operation of state contract rules in cases involving any of the three sorts of subject matter, technological, artistic, or commercial, calls for somewhat different considerations. The difference does not lie in the basic function of contract law which, like that of the state and federal law monopolies, is in the broadest sense to strike a balance between incentive and access. Commercial incentive is effected by the enforcement of contracts and the consequent assurance to businessmen that their bargained-for expectations will be legally honored. Access, on the other hand, is effected by the judicial refusal to enforce contracts and can be justified by the presence of illegality or fraud; the defaulting party in these cases is permitted to assert the public interest at stake. Under this approach, a court's task in determining whether or not to enforce a contract involving some one of the state or federal law

104. 35 U.S.C. § 102 (1964).
105. 17 U.S.C. § 101(b) (1964).
106. 15 U.S.C. § 1052(f) (1964).

monopolies remains one of deciding whether vindication of the competitive mandate calls for enforcement or abstention.[107]

Contract law's relevant difference from the other state law monopolies is that instead of a counterpart federal model it possesses a direct federal regulator—antitrust law's determination whether a contract has the effect of restraining trade. Tying arrangements, under which the sale of one product is conditioned upon the purchase of another, are, for example, condemned by antitrust law if the seller possesses "sufficient economic power with respect to the tying product to appreciably restrain free competition in the market for the tied product."[108] Although "sufficient economic power" is, in the usual case, a fact to be proved, the requisite economic leverage is presumed when the tying product is the subject of a patent or copyright, and the balance is consequently struck closer to the side of free public access.[109]

The ease with which the federal patent, copyright, and trademark laws can be employed in the design of state law monopolies should not obscure two critical limitations on their use. First, the interests that underlie the state law monopolies may differ in vital respects from the interests that underlie the federal law monopolies. So long as effectuation of these discrete state interests does not contradict the competitive mandate, they should not be subordinated through unexamined adherence to the federal models. The constitutional requirement, for example, that federal patent and copyright protection be for "limited times" is not applicable to the states which may, as a consequence, grant perpetual protection through their trade secret and common law copyright doctrines. Although the federal requirement is good evidence that some durational limit is necessary to a properly set balance between incentive and access, independent state interests may require protection in perpetuity. Thus, to the extent that state common law copyright incidentally protects individual interests in privacy, perpetu-

107. Under this view, which draws broad support from the constitutional prohibition against states' impairment of the obligation of contracts [U.S. CONST. art. I, § 10, cl. 1], the concerns of "the two different worlds of contract and patent" are, contrary to Justice Harlan's suggestion, not "radically different." Lear, Inc. v. Adkins, 395 U.S. 653, 668 (1969).

108. Fortner Enterprises, Inc. v. United States Steel Corp., 394 U.S. 495 (1969); Northern Pac. Ry. v. United States, 356 U.S. 1, 6 (1958).

109. *See, e.g.*, United States v. Loew's, Inc., 371 U.S. 38 (1962); Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661 (1944). That a patent, copyright, or trademark has been used in violation of the antitrust laws is sometimes urged defensively in infringement actions. This misuse defense has been accredited, in the patent and trademark, but not the copyright, contexts. *See* Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100 (1969); Glen Mfg., Inc. v. Perfect Fit Indus., Inc., 420 F.2d 319 (2d Cir. 1970); Forstmann Woolen Co. v. Alexander's Dep't Stores, Inc., 11 F.R.D. 405 (S.D.N.Y. 1951); 15 U.S.C. § 1115(b)(7) (1964).

ity may be a valid expression of state interests.[110] Perpetuity in this context should be overridden only upon a showing both that vindication of the competitive mandate requires the result and that other constitutional interests—in this example, the interest in the integrity of individual personality—coincide with or can properly be subordinated to the competitive mandate.

Second, although state and federal law monopolies are easily compared, the fundamental comparison is between the state law monopolies and the constitutional mandate for a competitive economy. The comparative function of the federal monopolies is strictly modular; they suggest how a legal monopoly over the subject matter in question can be structured to advance the competitive mandate. In particular, the federal models should not be used to preempt the introduction, by proprietor and infringer respectively, of empirical data addressed to the capacity or incapacity of the state law monopoly in question to perform its single legitimate function of advancing the competitive mandate. It should be noted, too, that there may be areas in which the state laws can be put to modular use; certain gaps in the federal laws, notably trademark, might be filled by reference to state doctrine.[111]

Application of the proposed method of inquiry would have produced different rationales for the decisions in *Sears* and *Brulotte* but would probably have altered the result only of *Brulotte*. In *Sears*, the question for decision would have been framed: Does the state unfair competition monopoly, as applied to the subject matter in suit, tend to advance or retard the competitive mandate? The propriety of the Court's decision for defendant is suggested by the absence of convincing proof that the similarity between the lamps would actually, probably, or presumptively confuse customers as to source—the sort of proof that is vital to the justification for the unfair competition monopoly. Additionally, comparison with federal trademark law's far more restrictive provisions for configurations of goods indicates that the monopolies effected by the decisions of the lower federal courts in *Sears* and *Compco* surpassed the needs of incentive, a conclusion also supported by the fact that the decisions significantly exceeded the boundaries of unfair competition's rules governing product simulation generally.[112]

110. The analytical tie between the right to privacy and common law copyright, first clearly perceived in Warren & Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193 (1890), is evident in, *e.g.*, Estate of Hemingway v. Random House, Inc., 23 N.Y.2d 341, 244 N.E.2d 250, 296 N.Y.S.2d 771 (1968).

111. A broad federal law of unfair competition—obliterated by Erie R.R. v. Tompkins, 304 U.S. 64 (1938)—might, for example, be reconstructed through judicial use of state unfair competition doctrine as evidence of the sort of conduct to be proscribed under 15 U.S.C. § 1125(a) (1964).

112. *See generally*, Note, *Unfair Competition and the Doctrine of Functionality*, 64 COLUM. L. REV. 544 (1964).

In *Brulotte* the question for decision would have been: Will enforcement of the contract provision for payment of royalties materially retard the competitive mandate? Two considerations indicate the wisdom of a negative answer. On the one hand, enforcement would have advanced the long range competitive interest in the security of contract expectations; on the other, enforcement would not even peripherally have affected legitimate interests in free access, a conclusion suggested both by the absence of any governing antitrust rule proscribing this sort of contract and by Justice Harlan's description of a number of clearly acceptable contract provisions which exert, at the least, the same degree of impairment.

Although Justice Harlan implicitly applied the proposed method of inquiry in *Lear,* his failure to reason explicitly from the governing competitive mandate leaves lingering—and potentially dangerous—ambiguities concerning the Court's position. Of the two questions posed in *Lear,* the second, which called for accommodation of the federal patent and state contract monopolies, was the more clearly stated and resolved. Recognizing that a basic choice could not be avoided, Justice Harlan framed the question for decision as whether the competitive mandate would be more extensively impaired by validation of the patent or contract interests. Finding, only after extended appraisal of the marketplace implications, that the immediate contract interests could be sacrificed with little harm to the competitive mandate, he correctly chose to endorse the patent doctrine.

The Court remanded for resolution by the California courts *Lear's* first question, whether the state's trade secret law comports with the requirements of the competitive mandate. Because the rationale of *Lear* was not explicit there is a danger that some lower courts, when presented with *Lear's* first issue, may resolve it by using the *Sears* rationale. The California supreme court's sensitive handling of some analogous questions raised in a series of cases involving liability for the asserted use by movie producers and broadcasters of ideas submitted to them by outsiders indicates that, had *Lear* not been settled on remand, the issue raised by the case would have been congenially received and resolved within the tenets of the competitive mandate. For example, in the first case in the series, *Stanley v. Columbia Broadcasting System, Inc.,*[113] the plaintiff brought an action to recover on an alleged

113. 35 Cal. 2d 653, 221 P.2d 73 (1950). *See also* Desny v. Wilder, 46 Cal. 2d 715, 299 P.2d 257 (1956); Burtis v. Universal Pictures Co., 40 Cal. 2d 823, 256 P.2d 933 (1953); Kurlan v. Columbia Broadcasting System, 40 Cal. 2d 799, 256 P.2d 962 (1953); Weitzenkorn v. Lesser, 40 Cal. 2d 778, 256 P.2d 947 (1953); Golding v. R.K.O. Pictures, Inc., 35 Cal. 2d 690, 208 P.2d 1 (1949), *aff'd on rehearing,* 35 Cal. 2d 690, 221 P.2d 95 (1950); Kaplan, *Implied Contract and the Law of Literary Property,* 42 CALIF. L. REV. 28 (1954); Kaplan, *Further Remarks on Compensation for*

implied agreement of defendant to pay plaintiff for a radio program plaintiff had originated. Affirming the judgment for the plaintiff, the court characterized the problem essentially as one of common law copyright and relied in part upon a federal rule governing proof of copyright infringement as an analogical aid in determining liability under state law.[114] Justice Traynor's dissent,[115] which formed the conceptual basis for the court's later decisions in the area, faulted the majority for relying too heavily upon a property theory. Recognizing that copyright formed an exclusive monopoly, effective as against the world, Justice Traynor noted that "[i]t would be ironic if copyright law, designed to encourage creative activity, became the instrument of its destruction."[116] He argued that since copyright protection extends only to the arrangement of words it could not protect an abstract idea, rather, such protection would be better rested upon a contract ground:

> Even though an idea is not property subject to exclusive ownership, its disclosure may be of substantial benefit to the person to whom it is disclosed. That disclosure may therefore be consideration for a promise to pay . . . . Any person not a party to the contract is free to use the idea without restriction.[117]

Justice Traynor's rationale and the court's subsequent opinions reflect both a marked appreciation of the entertainment trade's customs and needs and a capacity to introduce these facts into principled decision.[118]

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*Ideas in California*, 46 CALIF. L. REV. 699 (1958); Nimmer, *Law of Ideas*, 27 S. CAL. L. REV. 119 (1954).

114. 35 Cal. 2d at 661, 221 P.2d at 77.

115. *Id.* at 672, 221 P.2d at 84.

116. *Id.* at 673, 221 P.2d at 85.

117. *Id.* at 674, 221 P.2d at 85.

118. Compare, for example, the remark in *Stanley* that

> [i]t is not a reasonable assumption, however, in the absence of an express promise, or unequivocal conduct from which one can be implied, that one would obligate himself to pay for an idea that he would otherwise be free to use . . . .

35 Cal. 2d at 674, 221 P.2d at 85 with the remark in *Desny* that

> [t]he person who can and does convey a valuable idea to a producer who commercially solicits the service or who voluntarily accepts it knowing that it is tendered for a price should likewise be entitled to recover. In so holding we do not fail to recognize that free-lance writers are not necessarily members of a learned profession and as such bound to the exalted standards to which doctors and lawyers are dedicated. So too we are not oblivious of the hazards with which producers of the class represented here by defendants and their related amici are confronted through the unsolicited submission of numerous scripts on public domain materials in which public materials the producers through their own initiative may well find nuclei for legitimately developing the "stupendous and colossal."

46 Cal. 2d at 734, 299 P.2d at 267.

*See also* Sinatra v. Goodyear Tire & Rubber Co., 435 F.2d 711 (9th Cir.), *cert. denied*, 39 U.S.L.W. 3455 (U.S. Apr. 20, 1970), in which singer Nancy Sinatra sought to enjoin defendants' broadcast of a recorded performance, by another performer possessing a style closely similar to hers, of a song which she had popularized. The

Application to trade secrets of the treatment given to the idea-submission cases would likely produce results consonant with the requirements of the competitive mandate.[119] For example, trade secret law, like the law governing idea submissions, has long been troubled by the question whether its proper basis is in property or contract;[120] framing this question in the terms suggested by Justice Traynor's *Stanley* dissent, and resolving it in light of trade and marketplace factors of the type adduced in the later cases, may represent a step in the right direction. Moreover, while to some extent the question can be answered through comparison of the trade secret and patent law monopolies, direct comparison with the competitive mandate will be unavoidable. This latter comparison should probe not only the incidence of commercial need for trade secret protection and the respective degrees to which it serves as an alternative or preliminary to patent protection, but also the extent to which it actually bars free access to technological ideas. For example, trade secret law, unlike patent law under which the protected discovery is publicly disclosed at the outset, permits a competitor who is able to deduce a secret process through analysis of its product to use the process freely.[121] The con-

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circuit court, applying California law, affirmed the district court's dismissal of the complaint, and expressly considered the implications of a contrary decision for the federal policy announced in *Sears* and *Compco*:

> The Court made it very clear that just as a state could not encroach upon the federal patent laws directly it could not do so indirectly under guise of enforcing its laws against unfair competition where those laws would clash with the federal objectives. Here, the defendants had paid a very substantial sum to the copyright proprietor to obtain the license for the use of the song and all of its arrangements. The plaintiff had not sought or obtained the same rights which would have protected the secondary meaning which she asserts. The resulting clash with federal law seems inevitable if damages or injunctive remedies are available under state laws. Moreover, the inherent difficulty of protecting or policing a "performance" or the creation of a performer in handling copyrighted material licensed to another imposes problems of supervision that are almost impossible for a court of equity.
>
> An added clash with the copyright laws is the potential restriction which recognition of performers' "secondary meanings" places upon the potential market of the copyright proprietor. If a proposed licensee must pay each artist who has played or sung the composition and who might therefore claim unfair competition-performer's protection, the licensee may well be discouraged to the point of complete loss of interest. Finally, as Judge Hand pointed out in his dissent in Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 666-667, 105 USPQ 163, 169-170 (2d Cir. 1955), to allow unfair competition protection where Congress has not given federal protection is in effect granting state copyright benefits without the federal limitations of time to permit definite public domain use.

435 F.2d at 717-18.

119. *See generally* Hays, *Unfair Competition—Another Decade*, 51 CALIF. L. REV. 51, 60-64 (1963); Hays, *The California Law of Unfair Competition Takes a Turn*, 41 CALIF. L. REV. 38 (1953).

120. *See, e.g.*, Conmar Prods. Corp. v. Universal Slide Fastener Co., 172 F.2d 150, 155 (2d Cir. 1949); Stedman, *Trade Secrets*, 23 OHIO ST. L.J. 4, 22 (1962).

121. *See, e.g.*, K & G Tool & Serv. Co. v. G & G Fishing Tool Serv., 158 Texas

sequence of this often overlooked rule is, obviously, to encourage broad and early public access.

## CONCLUSION

Questions of the legitimate scope of any state or federal law monopoly should be resolved by comparing the effect of its rules and doctrines with the requirements of the competitive mandate. The Supreme Court's explicit adoption of this comparative method, implicitly espoused for federal monopolies in all cases and for state monopolies in *Lear*, would advance a number of interests. State and lower federal courts, troubled since *Sears* by the Court's recondite and sometimes aimless criteria, would no doubt benefit from the formulation of a clear, sound, method for resolution of these recurrent questions. Clarification would also inject a significant measure of certainty into business planning for the management of intellectual properties.[122]

That the task of accommodating state doctrines to the competitive mandate may be prolonged is no argument against either its propriety or manageability. The judicial and legislative chore need be no less tractable than the one imposed by the Court's decisions governing the administration of criminal procedure; unlike its desegregation and reapportionment decisions, which required the design of entirely new systems, these decisions call only for the adjustment of existing doctrine.

Indeed, prolongation may represent a third, more lasting, benefit of the comparative method. Underlying the decision in every case involving a state or federal law monopoly is the determination that the competitive mandate requires either expansion or curtailment of the monopoly in suit. For the state law monopolies, this determination can to some extent be made through comparison with the federal law monopolies that presumably strike the correct balance between the com-

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594, 314 S.W.2d 782 (1958). The rule was used for analytical rather than decisional purposes in Painton & Co. v. Bourns, Inc., 169 U.S.P.Q. 528, 533 n.5 (2d Cir. 1971). In the course of his searching opinion in that case, Judge Friendly noted, more generally:

> The district judge cited no data to prove that licensing of trade secrets had worked adversely to the public interest. To the contrary, such facts as have been brought to our notice indicate that the sharing of technological know-how on the basis of proper agreements has been beneficial not only within this country but in its relations with others. 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.

169 U.S.P.Q. at 535.

122. The business of planning for the management of intellectual properties may have been particularly unsettled by dicta in *Lear*. 395 U.S. 653, 671-74. *See generally* Arnold and J. Goldstein, *Life Under Lear*, 48 TEXAS L. REV. 1235, 1244, 1252-55 (1970).

peting needs of incentive and access. But, to a more profound extent, and in the case of federal law as well as state law monopolies, this determination will have to be rested upon a hard and sustained empirical look at the effects upon innovation and competition of the decision for expansion or curtailment. The judicial and legislative judgments produced—conceivably, for example, judgments that to reduce the duration of the patent or copyright term by half would not diminish technological or artistic incentive one whit—would mark a worthy return to first principles.[123]

123. The extent to which some aspects of copyright protection fall short of the constitutional purpose is charted in Breyer, *The Uneasy Case for Copyright*, 84 HARV. L. REV. 281 (1970).