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Some Aspects of Trade Secrets and Their Protection: The Public Domain and the "Unified Description" Requirement

BY R. M. CUMMINGS*

Editor's Note: Mr. Cummings' article outlines the theory behind trade secret protection with emphasis on the policy considerations of affording them this protection. He outlines the present state of the law and concludes with guidelines as to the future application of the protection.

INTRODUCTION

In contemporary times, large companies that participate commercially in the sciences are keenly aware of the value of research and the necessity of maintaining a thorough familiarity with recent scientific developments. Most major companies collect scientific journals and keep fairly up-to-date libraries of periodicals, or have access to such documents through any of several research institutes whose services are available, some on a profit, and others on a non-profit, basis (*e.g.*, the Battelle Institute in Ohio) to anyone who may seek them. Companies themselves publish trade journals displaying devices or describing processes for trade or general good-will purposes. Consequently, methods of constructing a device or operating a process are sometimes included in a document, either in a journal, an expired patent, or a valid patent of some other device or process, so fully as to enable anyone reasonably skilled in the particular field to make the device, or operate the process without implementing any imaginative force. In such a case, there would appear to be no

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reason why, if such publication is readily available, that its contents could not or should not be freely copied or disclosed without interference.

Where, however, a device or process not protected by a patent is attempted to be kept as a trade secret, and the device or process consists of many parts or stages, all of which are not contained and disclosed in a single publication, certain difficulties are presented. Firstly, if most of the parts or stages are disclosed in one publication, except for an element or elements that would be obvious to one skilled in the field, should the secret be protected? Secondly, if most or all of the essential elements are disclosed separately in several or many publications available to those in the trade, should the secret be protected? Should the result be different where analogous devices or processes are known fully as well? Does the difficulty in assembling the literature constitute the secret itself? Thirdly, and finally, what might be the effect of a contract between the party desiring to use or disclose the device or process and the party seeking to protect the alleged trade secret, particularly where the contract contains specific provisions governing use and disclosure of the device or process?

BACKGROUND

A "trade secret" is, generally, some formula, pattern or device or compilation of information used in one's business. It need not reach the status of invention, and all that is required is that the information or knowledge represent in "some considerable" degree, the independent efforts of its claimant.¹ While a "trade secret" generally relates to the production of goods (*i.e.*, a machine or formula for the production of an article), it may be a list of customers, or any collection of knowledge that gives one an advantage over one's competitors.

The patent laws exist to promote and protect inventions. "Trade secrets," however, need not reach the heights of concepts that warrant a patent. In protecting them, courts give recognition to the work and industry of an entrepreneur by creating a protectable property right in the fruits of his labor in certain instances. As long as one has exercised sufficient initiative in col-

¹ See *Smith v. Dravo Corp.*, 203 F.2d 369 (7th Cir. 1953); *B. F. Goodrich v. Wohlgenuth*, 192 N.E.2d 99 (Ohio 1963); Restatement, Torts § 757(b) (1939).

lecting information adequate to give rise to a competitive advantage, and the collected information is not readily available to the public, it would seem to be justifiable to protect the efforts of the diligent. Such protection gives rise to added incentive and injects a much needed "commercial morality" into the affairs of industry. Where, however, the information in question is readily available to the public, the justification for protection lacks the same intensity.

It is a well established principle that matters in the public domain are available for anyone's use.² As stated in *American Dirigold Corp. v. Dirigold Metals Corp.*:

The discoverer who attempts to keep secret his machine or process of manufacture has no exclusive right to it as against the public who uncovers the secret by fair means, or against those who in good faith acquire knowledge of it without the breach of a contract or of a confidential relationship with the discoverer.³

The problem, semantically, is, however, to define the "public domain" for purposes of applying the rule.⁴ The *Restatement of Torts* section 757, comment b (1939), has made this contribution:

Secrecy: The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret. . . . Nevertheless, a substantial element of secrecy must exist, so that, except by the use of improper means, there would be difficulty in acquiring the information.

Thus, where the item in question has been disclosed by the holder of the secret on the open market where it has been offered for sale, there is generally held to be no protectable trade-secret,⁵

² See, e.g., *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964); *Speciner v. Reynolds Metals Co.*, 177 F. Supp. 291 (S.D. N.Y. 1959).

³ 125 F.2d 446, 452 (6th Cir. 1942). See also, *Darsyn Laboratories v. Lenox Laboratories*, 120 F. Supp. 42, *aff'd.*, 217 F.2d 648, *cert. denied*, 349 U.S. 921 (1954).

⁴ See generally, *Simplex Wire & Cable Co. v. Dulong*, 196 F. Supp. 437 (E.D. N.Y. 1961), discussing the definition of trade secrets in *Restatement, Torts* § 757 (1939).

⁵ See, e.g., *Speedry Chem. Prods., Inc. v. Carter's Ink Co.*, 306 F.2d 328 (2d Cir. 1962) (disclosure on market and in publications); *Northrup v. Reish*, 200 F.2d 924 (7th Cir. 1953); *Speciner v. Reynolds Metals Co.*, 177 F. Supp. 291 (S.D. N.Y. 1959); *Carver v. Harr*, 132 N.J. Eq. 207, 27 A.2d 895 (1942); *cf. Ricordi v. Haendler*, 194 F.2d 914 (2d Cir. 1952).

since the "right to protection begins and ends with the life of secrecy."⁶

The right of the public to make use of things in its domain is necessarily contrasted with the rights of the holder of the secret. Attempted harmonious syntheses of these rights lead to statements such as made by the New York Court of Appeals in *Tabor v. Hoffman*, where it was stated:

Independent of copyright or letters patent, an inventor or author has, by the common law, an exclusive property in his invention or composition, until by publication it becomes the property of the general public.⁷

Where there is a confidential relationship between the parties by virtue of an agreement between them (*i.e.*, employer-employee relationship), a trade secret will be carefully protected.⁸ Where, however, there has been a public disclosure, notwithstanding a contract, the secret will no longer be protected unless the contract contains a provision to the contrary.⁹ Thus, if a publication discloses the secret in full, it is in the public domain and not protected,¹⁰ just as if the item had been disclosed by virtue of its having been offered for sale on the open market by the holder of the secret.

The rationale in such cases is clear. No protectable value can be attributed to a device or process that is ascertainable, without effort, by actually seeing the device or process in operation, or by examining a publication revealing the device or process in its entirety from which one skilled in the field could readily reconstruct such device or process. Where, however, any more

⁶ *Dollac Corp. v. Margon Corp.*, 164 F. Supp. 41, *aff'd.*, 275 F.2d 202 (3d Cir. 1960).

⁷ 118 N.Y. 30, 23 N.E. 12 (1889). See also, *Cincinnati Bell Foundry Co. v. Dodds*, 19 Weekly L. Bull. 84, 10 Ohio Dec. Reprint 154 (1887) (Taft, J.). See generally, Turner, *The Law of Trade Secrets* (1962).

⁸ See *Sperry Rand Corp. v. Rothlein*, 241 F. Supp. 549 (D. Conn. 1964).

⁹ See *American Dirigold Corp. v. Dirigold Metals Corp.*, 125 F.2d 446 (6th Cir. 1942); *Dollas Corp. v. Margon Corp.*, 164 F. Supp. 41 (3d D. N. J. 1960); *Darsyn Labs. v. Lenox Labs.*, 120 F. Supp. 42 (D. N.J. 1954).

¹⁰ See *Ferroline Corp. v. General Aniline & Film Corp.*, 207 F.2d 912 (7th Cir.), *cert denied*, 347 U.S. 979 (1953); *Conmar Prods. Corp. v. Universal Slide Fastener Co.*, 172 F.2d 150, 154-55 (2d Cir. 1949); *cf. JNOT, McCoy, Inc. v. Schuster*, 44 F. Supp. 499 (S.D. N.Y. 1942); *Tampax, Inc. v. Personal Prods. Corp.*, 38 F. Supp. 663 (S.D. N.Y.), *aff'd.*, 127 F.2d 722 (2d Cir.), *cert. denied*, 316 U.S. 665 (1941).

effort is necessary, such as even that requiring the collection of publications, the problem becomes somewhat different.

The problem is not dissimilar to that of "patent anticipation." Under this doctrine, a patent cannot be obtained if from prior literature, including previous patents, one skilled in the art could reconstruct the device for which a patent is sought.

If this were not so, it would be burdensome and unreasonably difficult for professionals in any field to make use of "prior art." Also, an undue reward would be given to one whose contribution consists of no more than a slight refinement of a device already known and available to the public.

PUBLICATIONS WHERE ALL THE ELEMENTS HAVE NOT BEEN DISCLOSED

As a general rule, if all "essential details" have been disclosed, the process has become part of the public domain and cannot be claimed by the claimant as his or its property.¹¹ The significant words here are "essential details." Thus, if everything is disclosed except certain aspects that would be obvious to one skilled in the art, it should follow that there is no protectable trade secret. There is no authoritative case directly on this point in the area of trade secrets, but the problem has been dealt with in "patent anticipation" situations.

In the area of patent anticipation, the rule is established that to determine anticipation "the description in the prior printed publication is to be read in the light of the knowledge possessed by persons skilled in the art to which the invention relates."¹² Thus, while essential elements cannot be read into the description, the description need not give information known to those skilled in the art.¹³

Prior patents to anticipate must disclose that which would enable one skilled in the art to practice the invention without

¹¹ See *Ferroline Corp. v. General Aniline & Film Corp.*, *supra* note 10.

¹² 1 Walker, Patents 278 (Deller's ed. 1964). See also, *Vacuum Cleaner Co. v. Thompson Mfg. Co.*, 258 F. 239 (D.C. Iowa 1919), *appeal dismissed*, 272 F. 1023 (8th Cir. 1919); *In re Hooker*, 36 C.C.P.A. (Patents) 1164, 175 F.2d 558, 562 (1949), where the court stated that "a cited patent does not lose its validity as a reference by failure to describe in detail that which is obvious to those skilled in the art."

¹³ *Cohen v. United States Corset Co.*, 93 U.S. 366 (1876); *Willamette-Hyster Co. v. Pacific*, 122 F.2d 492 (9th Cir. 1941).

inventive skill or further experimentation.¹⁴ The following appears in 1 Walker, *Patents* 296 (Deller's ed. 1964):

"Mere omission of element which may be supplied by skillful mechanic not fatal to anticipation."

A difference which consists of a mere omission of something which a skillful mechanic would supply is not fatal to anticipation. The phrase "skillful mechanic," as used in this connection, does not include mechanics who are skillful only in methods of servile imitation. It refers only to mechanics who know how to vary form without varying substance and who, in constructing a machine or manufacture from a printed description or from Patent Office drawings, could readily, and would freely, alter proportions and change details in order to adapt the contrivances to a particular use, or in order to secure greater merit of workmanship for the thing constructed.

Thus, the omission of obvious details in a prior publication does not avoid anticipation.¹⁵ Furthermore, even if the device disclosed in the prior art was not designed for the exact purpose of the one for which the patent is sought, there is still anticipation if from the prior art one could construct the new device.¹⁶

In the leading case of *Busell Trimmer Co. v. Stevens*,¹⁷ where the issue of insufficiency of prior publications was raised as to descriptions of a type of rotary blade, the Court found that there was no patentable difference between a rotary cutter of leather, in which the teeth were solidly incorporated in one piece with the hub, and a cutter, in which the teeth were detachable. The Court stated:

¹⁴ *Miller v. Eagle Mfg. Co.*, 151 U.S. 186 (1893); *Hoff v. Iron Clad Mfg. Co.*, 139 U.S. 326 (1890). In the case of *In re Blondiau*, 37 C.C.P.A. (Patents) 1018, 181 F.2d 2223, 225 (1950), the court said, "a reference patent need not describe in detail that which is obvious to one skilled in the art." See also, *In re Haney*, 34 C.C.P.A. (Patents) 767, 158 F.2d 296, 298 (1946), where the court stated that "the law is well settled that a reference patent need not describe in detail that which is obvious to any person skilled in the art."

¹⁵ See, e.g., *Ranco, Inc. v. Gwynn*, 128 F.2d 437 (6th Cir. 1942); *Chase v. Fillebrown*, 58 F. 374 (C.C.D. Mass. 1893); *In re Barsky*, 20 C.C.P.A. (Patents) 779, 62 F.2d 192 (1932). See also, *Downton v. Yeager Milling Co.*, 108 U.S. 462 (1883).

¹⁶ See, e.g., *Allied Wheel Prods. v. Rude*, 206 F.2d 752 (6th Cir. 1953); *Liesham v. General Motors Corp.*, 191 F.2d 522 (9th Cir. 1951); *Ranco, Inc. v. Gwynn*, *supra* note 15; *Chiplets, Inc. v. Inv. v. June Dairy Prods.*, 114 F. Supp. 129 (C.D. N.J. 1953).

¹⁷ 137 U.S. 423 (1890).

The evidence, taken as a whole, shows that all of those claimed elements are to be found in various prior patents—some in one patent, and some in another, but all performing like functions in well-known inventions having the same object as the Orcutt patent, and that there is no substantial difference between the Brown metal cutter and the Orcutt's cutter, except in the configuration of their molded surfaces. That difference, in our minds, is not a patentable difference, even though the one cutter was used in the metal art, and the other in the leather art.¹⁸

Hence, if a publication reveals the equivalent material elements of a subsequent patent used for an analogous purpose, in a similar combination, performing an identical function in substantially the same way, there is anticipation, even if the publication does not include elements that would be obvious to any person skilled in the art. It should follow, by analogy, that if one publication contains the material elements of a would-be trade secret except for those things that would be obvious to one skilled in the art, there is no secrecy. As stated in *Sarkes Tarzian, Inc. v. Audio Devices, Inc.*,¹⁹ quoting *Ellis, Trade Secrets* section 244 (1953):

[W]here the idea was well-known *or readily ascertainable* the courts will rule that there is no legally recognizable trade secret. In other words, the discloser must treat the recipient of the disclosure equitably. That means that he cannot take advantage of the recipient's ignorance of facts well-known or readily ascertainable.²⁰ (All italicized in original.)

While no trade secret case has been found stating that something was not a protectable trade secret because a publication contained a majority of the elements while the others missing were obvious to one skilled in the art, this should be a logical conclusion from the analogy to the patent anticipation cases. That this is the law is indicated in *Sarkes Tarzian, Inc. v. Audio Devices, Inc.*,²¹ where the court refers to publications "which were distributed to the industry describing the essentials details of what

¹⁸ *Id.* at 433.

¹⁹ 166 F. Supp. 250 (S.D. Cal.), *aff'd.*, 283 F.2d 695 (9th Cir.), *cert. denied*, 365 U.S. 869 (1961).

²⁰ *Id.* at 263.

²¹ *Supra* note 19.

Tarzian claimed to be its exclusive process.”²² On the basis of such publications, the court found the trade secret to be in the public domain.

DISCLOSURE OF PARTS SEPARATELY IN SEVERAL
OR MANY PUBLICATIONS

In a recent decision, *Sperry Rand Corp. v. Rothlein*,²³ the court found that a confidential relationship between a former employee and employer had been breached by virtue of a misappropriation of a trade secret. The court found that the prior art references did not disclose each separate part of the secret, and added in a dictum:

However, even if each item were disclosed by prior art (and the finding is to the contrary) and the plaintiff combined them in a method or process which produced a superior product, it would still have met the standard of a protectible trade secret.²⁴

The significance of this statement must be understood in terms of different situations. Where a party has not made a search of the literature itself and has relied entirely on information given to it by the holder of the secret, it is arguable that Judge Anderson's conclusions in the *Sperry Rand* case should govern. Where, however, a party has been diligent in its search of the literature and has maintained a familiarity with recent developments, and this could enable one skilled in the art to construct the device or implement the process, it would seem that this is good faith uncovering and acquisition of the secret by fair means that should not be penalized.²⁵

Even if the party seeking to make use of the secret has not searched the literature, it is arguable that if the secret was “readily ascertainable” at the time it was disclosed by the holder, at least he should not be able to get equitable relief to restrain the use

²² *Id.* at 283.

²³ 241 F. Supp. 549 (D. Conn. 1964).

²⁴ *Id.* at 560.

²⁵ See *Conmar Prods. Corp. v. Universal Slide Fastener Co.*, 172 F.2d 150 (2d Cir. 1949); *American Dirigold Corp. v. Dirigold Metals Corp.*, 125 F.2d 446 (6th Cir. 1942); *Tom Lockerbie, Inc. v. Frihling*, 207 F. Supp. 648 (E.D. Minn. 1962).

or disclosure of the secret, since no grave and irreparable damage can be shown.²⁶

Several decisions have relied on a combination of references in finding a trade secret to be in the public domain.²⁷ The most relevant and edifying, because of the facts, is *Sarkes Tarzian, Inc. v. Audio Devices, Inc.*²⁸ Plaintiffs sought to enjoin defendants from using and disclosing information obtained from former employees, constituting a trade secret, consisting of know-how and information used in manufacturing and selling silicon rectifiers. The defendant, in its answer, asserted the materials and methods, as well as the products involved, were generally well-known in the industry and were described in numerous publications and documents including textbooks, periodicals, lectures, patents and government reports, all widely circulated in the trade and available to the public. The court denied relief, both injunctive and compensatory, on the grounds that there was no trade secret because the alleged "secret" was a matter of public knowledge and also because defendant's processes and devices were different from plaintiff's by virtue of their own development and expenditure, and differences in appearance (largely size). While the court, at one point, refers to plaintiff's trade secrets, in considering injunctive relief, the court went on to say that "of course, even in the absence of proof of damages injunction may still issue provided that Tarzian has a trade secret which was taken from them and used, even though so-far profitlessly, by the defendant."²⁹ (Emphasis added.) The court, in other places, refers to the possible existence of a single trade secret, and makes many statements of value in considering the problem of disclosure and protection. The court stated:

²⁶ See *Simplex Wire & Cable Co. v. Dulon*, 196 F. Supp. 437 (E.D. N.Y. 1961); *National Starch Prods. v. Polymer Indus.*, 273 App. Div. 732, 79 N.Y.S.2d 357 (1948). See also, *Restatement, Torts* § 757 (1939); *Turner, The Law of Trade Secrets* (1962).

²⁷ See *Tom Lockertie, Inc. v. Frihling*, 207 F. Supp. 648 (E.D. Minn. 1962); *Sarkes Tarzian, Inc. v. Audio Devices, Inc.*, 166 F. Supp. 250 (S.D. Cal. 1958); *Mycalex Corp. of America v. Pemco Corp.*, 64 F. Supp. 420 (D. Md.), *aff'd.*, 159 F.2d 907 (4th Cir. 1946); *Kaunagraph Co. v. Stampagraph Co.*, 235 N.Y. 1, 138 N.E. 485 (1928). But see, *Smith v. Dravo Corp.*, 203 F.2d 369, 374 (7th Cir. 1953); *Head Ski Co. v. Kam Ski Co.*, 158 F. Supp. 919 (D. Md. 1958); *Minnesota Mining & Mfg. Co. v. Technical Tape Corp.*, 23 Misc. 2d 671 (Sup. Ct.), 192 N.Y.S.2d 102, *aff'd.*, 226 N.Y.S.2d 1021 (1959).

²⁸ *Supra* note 27.

²⁹ *Id.* at 269.

What is a trade secret is difficult to define. However, on the whole it must consist of a particular form of construction of a device, a formula, method or process that is of a character which does not occur to persons in the trade with knowledge of the state of the art or which cannot be evolved by those skilled in the art from the theoretical description of the process, or compilation or compendia of information or knowledge.³⁰

Nothing that the process involved consisted of eight basic steps necessary to manufacture a silicon rectifier, the court found the "secret" to be in the public domain by virtue of the fact that all the separate parts were well-known in the trade. The court observed that "an analysis of the literature and especially of five exhibits indicates that these steps and the alternative choice of materials to use were generally known in the art late in 1957 and earlier."³¹

Some of the publications referred to by the court were government publications "which were distributed to the industry describing the *essential* details of what Tarzian claimed to be its exclusive process."³² (Emphasis added.) Hence it should follow that such publications can put a "trade secret" in the public domain.

The court indicated that if each separate component were available commercially, and publications revealed all the essential steps, the "secret" was in the public domain. The court stated:

The evidence is overwhelming that the machines and equipment for pulling crystals, slicing crystals, dicing crystals and performing all the other steps necessary to the production of this device are advertised in catalogues by nationally known firms who sell them either from stock or modify them to suit the particular need of a manufacturer. They were not a *secret source of supply* open only to Tarzian which he could bind his employees not to disclose to others.³³

Taking all the prior art into consideration, the court concluded that "the individual steps of plaintiff's process, or the process in

³⁰ *Id.* at 257-58.

³¹ *Id.* at 271-72.

³² *Id.* at 283.

³³ *Id.* at 285-86.

toto, as described in plaintiff's statement filed herein July 15, 1958, are not trade secrets in law and in fact."³⁴ In determining the dates of the references that the court may look at in determining if it will protect a trade secret, the court said that "as this is an equity case, it must be decided on the state of the record as it exists on the date of the decree, and the court may find the facts as they exist then without supplemental pleading."³⁵

The following findings of fact by the court are of interest:

36. The production know-how, information and data which plaintiff claimed to be restricted, confidential and secret in paragraph VIII of the complaint herein is set forth in detail in 43 steps and combinations thereof described in plaintiff's answers to interrogatories, filed herein July 11, 1957 and marked Exhibit JN in these proceedings.
37. The trial of this case consumed 17 days. The transcript in the case covers over 2,500 pages. Portions of depositions were introduced which were not transcribed into the record. The plaintiff introduced 214 exhibits, the defendant 274. Many of the exhibits consist of pamphlets and documents of many pages. All have been restudied since the trial in arriving at the conclusion that Tarzian had no trade secret.³⁶

This indicates that many publications will be considered in finding a trade secret in the public domain. The court also looked to analogous processes and the published literature in these areas to reach its decision, *e.g.*, the court stated that "there is a known equivalency between germanium and silicon and between transistors and rectifiers made of such semiconductive materials and the fused junction rectifier is similar to the fused junction transistor in construction."³⁷ The court cites many exhibits in reaching the conclusion that the process involved several basic steps which were known generally to the trade.³⁸

The result would seem to be sound. Parties are, or should be, aware of the practice of companies in collecting journals and conducting independent research. The benefits of such activity should be available to those who are diligent enough to operate companies with such progressive and enlightened policies. Other-

³⁴ *Id.* at 290.

³⁵ *Id.* at 273.

³⁶ *Id.* at 286.

³⁷ *Ibid.*

³⁸ *Id.* at 286-87.

wise, improvements could not be made available to the public and competition would unnecessarily be hampered.

THE EFFECT OF A CONTRACT BETWEEN THE HOLDER OF THE TRADE SECRET AND THE PARTY WISHING TO USE OR DISCLOSE IT

The purpose of this article is not to rehash the problem of post-employment restraints which has already been dealt with at great length,³⁹ and which has been the subject involved in two recent decisions.⁴⁰ Briefly, these cases and the article cited indicate that an injunction will be granted to restrain a former employee from disclosing a trade secret learned while an employee, where there is an express or implied term in his employment contract not to disclose the trade secret. Apart from any provisions in a contract, "general knowledge" in the trade is not protectable, but an injunction may lie to prevent disclosure of "special knowledge" or a particular skill that is peculiar to the employer concerned. Even in a case where a protectable trade secret exists, a contract may permit its unfettered use and disclosure. Thus, the court, in *American Dirigold Corp. v. Dirigold Metals Corp.*,⁴¹ observed:

The discoverer who attempts to keep secret his machine or process of manufacture has no exclusive right to it as against the public, who uncovers the secret by fair means, or against those who in good faith acquire knowledge of it without the breach of a contract, or of a confidential relationship with the discoverer.⁴²

It follows that the terms of the contract shall govern, and where they permit use and disclosure of a trade secret even if it is still secret, there is no breach of contract if the party uses or discloses the secret. Where a contract is unclear as to a party's rights to use and disclose a trade secret, there is still no right to injunctive relief since equity will not enforce a vague contract.⁴³ The principle is also well established in state courts.⁴⁴

³⁹ See Blake, *Employee Agreement Not to Compete*, 73 Harv. L. Rev. 625, 667 (1960).

⁴⁰ See *E. I. DuPont v. American Potash & Chem. Corp.*, 200 A.2d 428 (Del. 1964); *B. F. Goodrich Co. v. Wohlgemuth*, 192 N.E.2d 99 (Ohio 1963).

⁴¹ 125 F.2d 446 (6th Cir. 1942).

⁴² *Id.* at 452.

⁴³ See *Colson v. Thompson*, 15 U.S. (2 Wheat.) 336 (1817) (No specific performance unless contract is "certain, fair and just in all its parts."); *Salisbury v. Tibbetts*, 259 F.2d 59 (10th Cir. 1958) (same); *Gulbenkian v. Gulbenkian*,

(Continued on next page)

Several possible contract situations should be examined further to complete this analysis.

First, where there is a licensing contract between the holder of a trade secret and a licensee, and subsequently, information about the trade secret is revealed in trade journals, it would seem that the license royalties must be contained to be paid for the trade secret under the terms of the contract even if the process becomes known to the public.⁴⁵

If this be so, suppose that the person having access to a trade secret by contract, or a person acquiring the trade secret in a confidential relationship (*e.g.*, a proposed buyer of the business) uses the trade secret in breach of the contract. After this breach of contract or tort, the trade secret is revealed in trade journals and placed in the public domain. What type of remedy does the owner of the trade secret still retain?

One solution is that proposed by the Seventh Circuit in *Shelmar Prods. Co. v. Allen-Qualley Co.*⁴⁶ Under this decision, a prior wrong of breach of confidence bars one from an advantage free to the rest of the world and a permanent injunction will ensue. Hence, the injured party would be entitled to money damages to compensate for his loss up until the time of the action and a permanent injunction.

A better, more recent, and apparently the majority approach is that expounded by the court in *Conmar Prods. Corp. v. Universal Slide Fastener Co.*⁴⁷ The result under this decision is that there will be no liability of the first unauthorized use if the disclosure occurs after the end of secrecy unless express or implied terms in a contract agree to the contrary. There would be liability, however, for improper use until disclosure.

(Footnotes continued from preceding page)

147 F.2d 173 (2d Cir. 1945) (same); *Okeh Phonograph Corp. v. Armstrong*, 63 F.2d 637 (9th Cir. 1933) (No injunction to prevent breach if contract is vague.); *Standard Fashion Co. v. Magrane Houston Co.*, 251 F. 559 (1st Cir. 1918) (same); 5A Corbin, Contracts § 1171 (1964); 5 Williston, Contracts § 1424 (rev. ed. 1937).

⁴⁴ See *Hunter v. Superior Court*, 136 Cal. App. 2d 100, 97 P.2d 492 (1939); *Hein v. Shell Oil Co.*, 315 Ill. App. 297, 42 N.E.2d 949 (1942); *Potter v. Wolff*, 138 N.J. Eq. 114, 47 A.2d 9 (1946); *Linder Co. v. Myrod Shoe Co.*, 38 Ohio App. 182, 175 N.E. 879 (1930).

⁴⁵ See *Warner-Lambert Pharmaceutical Co. v. John J. Reynolds, Inc.*, 178 F. Supp. 655, 280 F.2d 197 (2d Cir. 1960).

⁴⁶ 87 F.2d 104 (7th Cir. 1936).

⁴⁷ 172 F.2d 150 (2d Cir. 1949) (L. Hand, J.).

Finally, if the information is related tortiously, or in breach of contract, into the trade journals, the result might well be different. It is established in the *American Dirigold case*⁴⁸ that the information disclosing the secret must be acquired in "good faith" and by "fair means," "without the breach of a contract, or of a confidential relationship with the discoverer."⁴⁹ It would follow then, as Turner points out, that it does not matter how the secrecy ends, except that the disclosee cannot rely on his own unlawful act that ended the secrecy to prove the defense that the disclosure is no longer secret.⁵⁰

CONCLUSION

When a party agrees not to disclose or use a trade secret, and then finds that it has been revealed to the public and that anyone skilled in the art could recreate the device or implement the process, there is no reason why as in the case of an expired patent that party should be prevented from using or disclosing the secret, although royalties may still have to be paid for its use. Where a contract permits disclosures of a trade secret once it has entered the public domain, there is no relief for use or disclosure if from publications, one skilled in the field could reproduce the device or implement the process, provided the disclosee did not itself unlawfully publish the secret. It is not clear whether or not something will be considered in the public domain if extended effort is necessary to gather all the literature, piece it together, and thus assemble the parts of the secret. The "readily ascertainable" and "difficult to acquire" tests of *Sarkes Tarzian, Inc. v. Audio Devices, Inc.*,⁵¹ and the *Restatement of Torts* section 757 (1939), are difficult to apply, particularly when a trade secret consists of many parts and a great deal of literature is involved that discloses the parts separately. Perhaps the only workable rule is to find everything in the public domain that can be recreated from all the prior art references by one skilled in the field, if it can be shown by use of expert witnesses that there was the literature. While this test also leaves much to be desired, it permits

⁴⁸ 125 F.2d 446 (6th Cir. 1942).

⁴⁹ *Id.* at 452.

⁵⁰ Turner, *The Law of Trade Secrets* 438 (1962).

⁵¹ 166 F. Supp. 250 (S.D. Cal. 1958).

parties to make use of their own efforts and research without inflicting hardship on the holders of alleged trade secrets. On the other hand, such cases as *Tabor v. Hoffman*⁵² indicate that there must be an awareness of the publications at the time of disclosure, and hindsight that analysis of trade journals might well have revealed the same information is not sufficient. This is not unreasonable because in such a case the thing unlawfully disclosed is still secret as far as the disclosee is concerned at the time of the disclosure. Perhaps the holder of the secret should not be able to take advantage of obvious publications not known to the disclosee, but short of this, a reasonable familiarity with trade literature should be required before a disclosee can free itself of non-disclosure obligations by virtue of the trade secret's entering the public domain.

If all the essential elements of a trade secret are revealed by the literature, and the disclosee is familiar with the literature, and the elements missing would be obvious to one skilled in the art (permitting that such person can rely on knowledge acquired through his education and on general knowledge known throughout the field), then the trade secret should also be considered to be in the public domain.

If the outcome of this discussion seems to favor disclosure and use of trade secrets, it is because the benefit to society generally outweighs the maintenance of secrecy. While property rights in trade secrets will still be recognized, the covert process or device must, in fact, be secret.

If further protection is desired, a patent should be sought. Where a patent has expired, an extension of the patent monopoly should not be permitted through the use of "trade secret" protection,⁵³ and where state law forbids the use and copying of unpatented articles, this may be a violation of the patent law.⁵⁴ As the United States Supreme Court has recently said, "an unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to

⁵² 118 N.Y. 30, 23 N.E. 12 (1889).

⁵³ See *Brulotte v. Thys Co.*, 379 U.S. 29 (1964); *Ar-Tik Sys., Inc. v. Dairy Queen, Inc.*, 302 F.2d 496 (3d Cir. 1962) (Royalties for patent license after expiration of patent not permitted.); cf. *Timken Roller Bearing Co. v. United States*, 341 U.S. 593 (1950).

⁵⁴ See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964).

do so.”⁵⁵ While a state can protect holders of property rights and protect purchasers from confusion, “because of the federal patent laws a state may not, when the article is unpatented and uncopyrighted, prohibit the copying of the article itself or award damages for such copying.”⁵⁶ It is generally accepted that the protection of “trade secrets” is generally governed by state law.⁵⁷ However, *Sears, Roebuck & Co. v. Stiffel Co.*⁵⁸ raises the possibility that when a trade secret falls into the public domain, a state law that forbids its free use may violate the federal patent laws. Furthermore, in *Compco Corp. v. Day-Brite Lighting, Inc.*,⁵⁹ the Court indicated that a federal standard would be imposed to determine what is in the public domain in such cases. If this is so, the ultimate result would be towards even greater permissiveness in disclosures of trade secrets that have become part of the public domain by virtue of a yet unclear federal standard. Unfortunately, the law is not as precise as it should be and hopefully this discussion has shed some new light on the subject.

⁵⁵ *Id.* at 231.

⁵⁶ *Id.* at 232-33.

⁵⁷ See, e.g., *Engelhard Indus., Inc. v. Research Instrumental Corp.*, 324 F.2d 347 (9th Cir.), *cert. denied*, 377 U.S. 923 (1964); *Ferroline v. General Aniline & Film Corp.*, 207 F.2d 912 (7th Cir. 1953); *Smith v. Dravo Corp.*, 203 F.2d 369 (7th Cir. 1953).

⁵⁸ 376 U.S. 225 (1964).

⁵⁹ 376 U.S. 234 (1964).