
Marian S. Lubinsky

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NOTES


I. INTRODUCTION

In 1956 Jane Aronson gave Quick Point Pencil Company an exclusive license to make and sell keyholders that she had designed. The license agreement provided that Aronson receive royalties at the rate of 5 percent of gross revenues, to be reduced to 2 1/2 percent if no patent issued within five years of the contract date. The agreement was to be binding as long as Quick Point continued to sell the keyholders. No patent was issued and Quick Point paid more than $200,000 in royalties from July 1957 through September 1975. In the late 1960's, competitors began making similar keyholders, having the advantage of not paying royalties. Quick Point's share of the market was subsequently reduced.

In November 1975, Quick Point asked for a declaratory judgment that it no longer had to pay royalties.1 The district court treated the case as a contract case, governed by contract law. It held for Aronson, noting that the language of the contract was "plain, clear, and unequivocal" and that Quick Point had continued to pay royalties long after the Patent Office had rejected the defendant's patent.2

Quick Point appealed, arguing that the district court erred in finding that the case was governed by contract law without regard for federal patent and antitrust considerations.3 The Court of Appeals for the Eighth Circuit reversed the district court's decision in Quick Point Pencil Co. v. Aronson,4 ruling that the issue involved the relationship between state contract law and federal patent law. Characterizing Quick Point as a patent application licensee, the court of appeals viewed the issue as whether Quick Point was "bound by the contractual provision requiring it to pay royalties for as long as it manufactures the item described in the patent application even though the licensor abandoned the application many

2. Id. at 602.
years ago and the licensee's competitors are freely manufacturing
the un patented item.5 If a patent had issued, the court reasoned,
Quick Point's liability would have terminated when the patent ex­
pired after seventeen years. Also, Quick Point could have chal­
lenged the patent's validity before then, possibly terminating liabil­
ity earlier 6 The court then concluded that the license agreement
corrupted the policy of the federal patent laws because the li­
censor whose patent application was denied was given more pro­
tection than if a patent had been issued.7 The majority disputed the
dissent's characterization of the contract as a "trade-secret licensing
agreement," arguing that since marketing completely disclosed the
keyholder, it could not be secret.8

The dissenting justice found the existence of a patent applica­
tion irrelevant,9 viewing the issue as whether a contract extending
payments beyond the duration of secrecy is enforceable. The dis­
sent answered the majority's disagreement with its characterization
of the contract by noting that the keyholder was secret at the time
of disclosure and not copied until long after it had been marketed.
He saw the fact that marketing may lead to copying as the reason
that parties enter agreements requiring payments after disclosure
has been made.10 The dissent concluded that the contract did not
conflict with any federal policy

The United States Supreme Court granted Aronson's petition
for certiorari.11 It agreed to decide the extent to which the exis­tence of a patent application affects the issue of federal preemption
when a contract licensing usage of an idea is in conflict with federal
patent law If a patent had been issued, Quick Point could have
challenged the validity of the patent. A successful challenge could
have excused the duty to pay royalties under the contract. Since
the patent was not issued, Quick Point was denied this opportu­
nity In light of these facts, it was necessary to resolve whether a
contract that afforded Aronson benefits greater than she would have
enjoyed if a patent had been granted violated federal patent policy.
In a rather cursory opinion12 the Supreme Court unanimously re­
versed the court of appeals, holding that the contract should be en-

5. Id. at 759, 760.
6. Id. at 762.
7. Id.
8. Id. at 760 n.5.
9. Id. at 762.
10. Id. at 763 n.4.
12. 440 U.S. at 266.
forced because it did not conflict with federal patent policy. It dismissed the possibility that Aronson might be receiving a greater yield without a patent as a matter of speculation. In upholding the contract, the Court necessarily had to confront four previous Supreme Court cases interpreting federal patent policy and the extent to which that policy preempts state powers.

II. BACKGROUND

The Constitution grants Congress the 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. A question arises as to whether constitutional authority exercised by federal patent laws preempts various provisions of state law protecting "Authors and Inventors.

Sears, Roebuck & Co. v. Stiffel Co. and Compco Corp. v. Day Brite Lighting, Inc. were companion cases in which the United States Supreme Court ruled that state unfair competition laws making it illegal to copy products which were not protected by a federal patent or a copyright were inconsistent with the objectives of the federal patent laws. In ruling that state law was preempted, Justice Black, writing for the Court, stated: "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." The breadth of this and other statements in the Sears and Compco opinions gave rise to preemption objections regarding other state laws, including trade secret laws.

Preemption objections prompted the Supreme Court, in Lear Inc. v. Adkins, to overrule a previous decision in which the exist-

13. Id. at 263.
14. Id. at 264.
18. 376 U.S. at 231. Sears dealt with Illinois unfair competition laws. Under those laws, Sears, Roebuck & Co. was enjoined from manufacturing lamps copied from an unpatented design by the Stiffel Co. The court of appeals in essence held Sears liable for doing no more than copying and marketing an unpatented article. Id. at 227. Justice Black's decision was consistent with trade secret principles which allow no protection against copying or reverse engineering. The broad language, however, raised an issue of patent preemption of trade secret law Milgrim, Sears to Lear to Panton: Of Whales and Other Matters, 46 N.Y.U.L. Rev. 17 (1971).
19. 395 U.S. 653 (1969). Adkins, mechanical engineer employed by Lear Co. had developed and patented method of construction which produced gyroscope ac-
ence of a licensing agreement was deemed to estop a licensee from challenging a patent. Consistent with Sears, the Court noted that federal law required that, unless covered by a valid patent, all ideas in general circulation be used for the benefit of the public. The Court declined, however, to follow the broad language of Sears and concluded that it should not attempt in any way to determine what limitations, if any exist to prevent states from enforcing contracts involving unpatented secret ideas. Once again the precise contours of federal preemption of state protection of inventions was an open question.

Kewanee Oil Co. v Bicron Corp. attempted to resolve the question of whether federal patent law preempts state trade secret protection. The Supreme Court reversed the Court of Appeals for the Sixth Circuit. It held that an Ohio statute was not preempted, and states may protect intellectual property relating to invention. Chief Justice Burger said that the state was limited in regulating the area of patents and copyrights only to the extent that they did not conflict with the operation of laws in this area passed by Congress. The Court analyzed possible conflict in terms of three categories of trade secrets: (1) A trade secret believed by its owner to constitute a validly patentable invention; (2) a trade secret

21. 395 U.S. at 668.
22. Id. at 675. Justice Black objected in his concurring opinion to this omission as being in conflict with Sears and Compco. "[P]rivate arrangements under which self-styled inventors do not keep their discoveries secret, but rather disclose them, in return for contractual payments, run counter to the plan of our patent laws."
23. 416 U.S. 470 (1974). Applying Ohio trade secret law, federal district court enjoined the disclosure or use of 20 claimed trade secrets by former employees of the company until the trade secret had been released or had become available to the public or had been obtained by respondents from sources having the legal right to convey the information. The individual respondents had signed agreements not to disclose confidential information or trade secrets. The Court of Appeals for the Sixth Circuit reversed, finding conflict with federal patent laws.
24. Id. at 472.
25. 416 U.S. at 474 & n.4. The Ohio statute forbids the use of a trade secret without the owner's consent when that secret had been learned with the owner consent. OHIO REV CODE ANN. § 1333.51(c) (Page Supp. 1978).
26. 416 U.S. at 479.
known to its owner not to be patentable; and (3) a trade secret whose valid patentability was in doubt. In none of these three categories did the Court find conflict which would prevent the proper operation of the federal patent laws. The Court, however, did not explicitly find that there was no conflict between federal patent law and trade secret licensing agreements. Confusion on this issue and its interaction with state contract law is exemplified by the court of appeals decision in Quick Point. The Supreme Court opinion, however, found enforcement of Quick Point's royalty agreement with Aronson even less offensive to federal patent policies than state law protecting trade secrets. Thus, the validity of a royalty agreement for a period longer than seventeen years regarding an unpatented item is assured. The policy problems, however, still remain.

III. ANALYSIS OF THE PROBLEM

Possible conflict between state trade secret protection or state contract law and the federal patent law necessarily must be discussed in terms of the policies underlying the federal patent system. Voiding a state law on the grounds of federal preemption involves considering whether that law interferes with "the accomplishment and execution of the full purposes and objectives of Congress." The congressional purpose of the patent laws is to

27. *Id.* at 484 (citing Panton & Co. v. Bourns, Inc., 442 F.2d 216, 224 (2d Cir. 1971)). Because trade secret laws provide weaker protection than patent laws in that they do not forbid use of the secret when discovered independently or through reverse engineering, the Court found that the possibility of an inventor with patentable invention relying on trade secret law was remote. 416 U.S. at 490. Trade secret law produces beneficial results to owners of only doubtfully patentable and clearly unpatentable inventions. Little would be accomplished by abolishing trade secret protection for unpatentable inventions. "The mere filing of applications doomed to be turned down by the Patent Office will bring forth no new public knowledge or enlightenment." *Id.* at 485. Regarding inventions with doubtful patentability, the Court found no conflict with patent law.

Eliminating trade secret law for the doubtfully patentable invention is likely to have deleterious effects on society and patent policy which we cannot say are balanced out by the speculative gain which might result from the encouragement of some inventors with doubtfully patentable inventions which deserve patent protection to come forward and apply for patents. *Id.* at 489.

28. The *Kewanee* Court did implicitly endorse the enforcement of trade secret licensing agreements by noting the economic waste that would result if this protection were abolished. *Id.* at 486-87

29. 440 U.S. at 266.

30. 416 U.S. at 479 (citing Hines v. Davidowitz, 312 U.S. 52, 67 (1941)); see 440 U.S. at 262.
promote invention, while at the same time preserving free competition. 31

The patent system is based on the quid pro quo of the grant of exclusive rights for a period of years in return for public disclosure of the invention. 32 A patent includes the exclusive rights to make, sell, and use, as well as the right to license others to do so. These rights are limited, however, by a term of years, and any royalty agreement by the patentee that goes beyond the expiration date of the patent is unlawful per se. 33 This is consonant with the concern emphasized in Sears and Compco that competition not be restricted.

Patents are often described as limited monopolies, and as such, militate against free competition. In the case of a patent, however, a monopoly is offered by the government for a limited period in order to promote invention. Without this incentive, inventors might not risk the expense of both time and money in research of new ideas. Since the inventor always has the option of not revealing his invention, a limited monopoly is offered as protection in consideration for public disclosure. Sears and Compco expressed the Court's concern regarding state protection for unpatented ideas, and Lear's primary concern was with the extension of this kind of limited monopoly protection to an invention which might not have been validly patented.

Trade secret protection does not interfere with the patent policy of promoting invention. It offers protection to ideas that are not considered deserving of patent protection, 34 and may be considered a supplemental incentive to invention. The traditional concern regarding possible conflict with patent policy has been the preservation of free competition by way of public disclosure of the idea. Historically it was anticipated that few inventors would decline the temporary monopoly afforded by a patent because the trade secret route contained risks in terms of preservation of the secret. 35 Since patents are costly to obtain and patent suits are notoriously expensive to defend, 36 the concern today is that many companies are

36. Milgrim, supra note 18, at 28 n.48, 32 n.63. Although research has not dis-
choosing to use trade secrets, thereby avoiding the disclosure necessitated by the patent system. The fear is that the aims of the patent system are being circumvented.\(^37\)

In awarding a limited monopoly to an inventor as consideration for disclosure of his invention to the public, the patent system benefits both the inventor and the public. Trade secret laws, on the other hand, offer less protection to an inventor, but do not require disclosure. If the product cannot be easily discovered independently or through reverse engineering, an inventor can possess a monopoly for longer than the statutory seventeen years, potentially reaping rewards greater than those afforded by the patent system. Thus, the inventor prospers without the public benefiting.

Disagreement, however, exists regarding the nature of the aims of federal patent policy. In his concurring opinion in Kewanee\(^38\) Justice Marshall noted that trade secret protection was sometimes more attractive to inventors than the patent system, but he did not find that dispositive. He saw the issue as whether Congress enacted the patent laws merely to offer inventors a limited monopoly in exchange for disclosure of their invention, or instead to exert pressure on inventors to enter into this exchange by withdrawing any alternative possibility of legal protection for their inventions."\(^39\) He decided that the former was the case.\(^40\) Justice Douglas, in his dissent, vehemently disagreed. He interpreted Sears and Compco as standing for the proposition that "every article not covered by a valid patent is in the public domain."\(^41\)

The United States Supreme Court in Goldstein v. California\(^42\) took a middle ground, contending that the constitutional mandate to "promote" invention meant to "stimulate, to "encourage," or to "induce."\(^43\) Thus, there is disagreement whether federal patent policy precludes the existence of an alternative system. Quick Point does not expressly confront this, but by implication it would appear that Chief Justice Burger, writing for the Court, would agree with

\(^{37}\) Orenbuch, supra note 35, at 674-75.
\(^{38}\) 416 U.S. at 493.
\(^{39}\) Id. at 494.
\(^{40}\) Id.
\(^{41}\) Id. at 495. Justice Douglas further expressed his belief that the Constitution expresses an activist policy. Id. at 499 (citing U.S. Const. art. I, § 8, cl. 8).
\(^{42}\) 412 U.S. 546 (1972).
\(^{43}\) Id. at 555.
Justice Marshall, that the purpose of the patent laws was merely an offer by Congress of a limited monopoly. He sees the Aronson agreement as consonant with federal patent policy finding nothing wrong with an additional incentive to invention outside of the patent system.

Trade secret law on the other hand, grew out of a desire to perpetuate ethical dealing in a business context. It is based on a variety of theories, including breach of contract, breach of confidence, violation of fiduciary obligations, misappropriation, unfair competition, and infringement of property rights. Like patent policy, trade secret law is concerned with providing incentives to inventors. “[T]he first principle of trade secret law is the ‘inherent right’ of an innovator to try to keep his innovation secret, whereas one of the policies of the patent system is to promote disclosure.” Trade secret law however does not necessarily discourage disclosure. The dissent in Quick Point at the court of appeals level viewed trade secret protection in licensing agreements as encouraging disclosure to a manufacturer. Although this private disclosure does not necessarily foster competition, it does promote utilization of the invention. There is no disincentive to patent, according to the dissent, because the greater value of a patent license which protects against copying would be taken into consideration in the bargaining process. This premium was reflected in the higher royalties for the patent period in the Quick Point contract. Like patent protection, then, trade secret protection encourages invention, offering protection to inventions of a lesser degree of innovation.

The issue in Quick Point was whether a licensing agreement for an unpatented invention may involve royalty agreements for a

44. 440 U.S. at 262.
47. 416 U.S. at 481.
48. Doerfer, supra note 45, at 1441.
49. 567 F.2d at 765; Milgrim, supra note 18, at 18 n.5.
50. 567 F.2d, at 766.
51. 416 U.S. at 493. It must be noted that although parallel to patent protection and without statutory time limit, this protection is more limited. There is no protection against independent development by third parties. Once an invention is public, anyone is free to copy or reverse engineer the discovery.
longer period of time than would be allowable under federal patent law. Analysis of prior cases clearly indicated that the court of appeals decision warranted reversal. Although cited by the majority in the court of appeals, Lear was primarily concerned with the public policy of encouraging challenges to patents. Since a patent licensee who paid the royalties had the most economic incentive to challenge a patent, the doctrine of licensee estoppel prohibiting such challenges violated that public policy. Since no patent issued in Quick Point, the policy considerations of Lear are not applicable. The Supreme Court noted this, unequivocally stating: 

"[N]either the holding nor the rationale of Lear controls when no patent has issued."

The fears expressed in Sears that competition would be limited are also unwarranted under the Quick Point facts. Sears and Compco were concerned with unfair competition and the freedom of competitors to copy. The design in Sears being protected by Illinois law had already been disclosed to the public by distribution and Illinois was constraining all possible competitors. In Quick Point, the licensing agreement bound no one except the licensee. Competitors of Quick Point were copying the keyholder Quick Point was obliged to pay royalties, but also had the option to cease manufacturing the keyholder.

52. See text accompanying notes 53-62 infra.

53. The Court in Lear weighed the competing considerations of contract law and federal patent law.

On the one hand, the law of contracts forbids purchaser to repudiate his promises simply because he later becomes dissatisfied with the bargain he has made. On the other hand, federal law requires that all Ideas in general circulation be dedicated to the common good unless they are protected by valid patent.

395 U.S. at 668.

54. 440 U.S. at 264.

55. 376 U.S. at 231-32.

56. See Painton & Co. v. Bourns, Inc., 442 F.2d 216, 263 (2d Cir. 1971); Johnson, supra note 45, at 1006. The Court in Sears was really considering Stiffel's activities as violation of federal antitrust policy rather than federal patent policy and would be better understood in those terms. Doerfer, supra note 45 at 1457, 1461.

The public does not have right to unpatented information that has not been already disclosed. Wydick, Trade Secrets: Federal Preemption in Light of Goldstein and Kewanee (Part II), 56 J. PAT. OFF Soc'y 4, 20-21 (1974).

57 It is important to distinguish between contracts in which parties intend the obligation to be perpetual from those in which there is no fixed date of termination, but where termination is conditioned on an event. See Warner-Lambert Pharmaceutical Co. v. Reynolds, 178 F Supp. 655, 661-62 (S.D.N.Y. 1959), aff'd, 280 F.2d 197 (2d Cir. 1960). After more than 75 years of paying royalties on the formula for Listerine, Warner-Lambert sought release from the contract. The court upheld the
The most recent Supreme Court decision in this line, *Kewanee* held that in a trade secret misappropriation case, state trade secret law was not preempted by federal patent law.\(^{58}\) The *Quick Point* dissent in the court of appeals opined that by implication, *Kewanee* also approved enforcement of trade secret licensing agreements, thereby limiting the potentially broad implications of *Lear*.\(^{59}\) This interpretation of *Kewanee* is buttressed by the California decision in *Sinclair v. Aquarius Electronics*.\(^{60}\) The court in *Sinclair* found that the policy principles considered decisive in *Kewanee* are applicable with equal, if not greater, force to a private contract where the licensee voluntarily assumes that in return for gaining possession of a trade secret he is going to pay the agreed consideration to the inventor.\(^{61}\) Other cases with congruent fact patterns would uphold the *Quick Point* contract.\(^{62}\) Thus, the Supreme Court's decision in *Quick Point* to reverse was well grounded.

The consequences of affirming the court of appeals decision and disallowing trade secret licensing agreements in order to further patent law policy would have been detrimental to the dissemination of new ideas. Since the court of appeals concern seemed to be that royalties under the contract for an unpatented idea had to be paid for a longer period than allowable under the patent laws, the main thrust of affirming the court of appeals decision would have been to prohibit licensing agreements with royalty payments for more than seventeen years. Presumably this would not have been restricted to situations where patents had been applied for and denied, because potential licensees would have circumvented this limitation by simply not applying for a patent. If payments had been restricted to seventeen years, inventors might have preferred to sell their ideas for a lump sum payment which would not have been prohibited by a decision affirming the court of appeals.\(^{63}\) Percentage royalty payments are usually agreed on because of the differ-

\(^{58}\) 416 U.S. at 493.

\(^{59}\) 567 F.2d at 765.

\(^{60}\) 42 Cal. App. 3d 216, 116 Cal. Rptr. 654 (1974) (enforced royalty agreement obligating Aquarius to pay royalties on Sinclair unpatented device which converted brain waves into an audible form).

\(^{61}\) *Id.* at 225, 116 Cal. Rptr. at 666.


\(^{63}\) 84 HARV L. REV 477, 482-83 (1970).
If the lump sum sales of ideas were substituted for licensing agreements, they would be premised on highly speculative prices which manufacturers might not be willing to pay. Thus, the effect would have been to reduce the number of new ideas exposed to the public. This might have increased disclosure for clearly patentable inventions but would have decreased dissemination of unpatentable ideas and ideas of doubtful patentability. This result loses the advantages of maintaining a supplementary system of protection. The prime disadvantage of eliminating long term licensing of trade secrets would have fallen upon inventors who do not have the financial capability of manufacturing their own inventions. Ideas belonging to large companies could still have been utilized without the disclosure required by patent law.

IV Possible Solutions Not Considered by the Supreme Court

The Supreme Court unanimously reversed the court of appeals, denying any conflict between enforcement of the Quick Point contract and federal patent policy. The Court found enforcement of the agreement even less in conflict with the patent system than state trade secret law and said:

The most commonly accepted definition of trade secrets is restricted to confidential information which is not disclosed in the normal process of exploitation. Accordingly, the exploitation of trade secrets under state law may not satisfy the federal policy in favor of disclosure, whereas disclosure is inescapable in exploiting a device like the Aronson keyholder.

The Court's decision to enforce the contract was a relatively easy one because Aronson's invention was completely revealed upon examination of the keyholder. The Court's opinion stated:

The device which is the subject of this contract ceased to have any secrecy as soon as it was first marketed, yet when the contract was negotiated the inventiveness and novelty were sufficiently apparent to induce an experienced novelty manufacturer to agree to pay for the opportunity to be first in the market. Federal patent law is not a barrier to such a contract.

64. Id. at 482.
65. 416 U.S. at 486; Panton & Co. v. Bourns Inc., 442 F.2d 216, 223 (2d Cir. 1971); 84 HARV L. REV 477 482 (1970).
66. 416 U.S. at 486.
67. 440 U.S. at 266 (emphasis added).
68. Id.
A void, therefore, exists in the Court's opinion. The question remains whether a similar contract regarding an idea not totally disclosed upon inspection of the item would be enforceable. Enforcement of the Quick Point contract furthers the federal policy of disclosure of inventions, but this would be true primarily for items which could be easily reverse engineered. The Court did not deal with this problem. In a rather cursory decision, the Court reversed the court of appeals, ignoring situations not covered by the facts of this case, such as where inventions cannot be easily reverse engineered. It need not have done so.

The Court could have affirmed or reversed the court of appeals decision, abolishing state protection for trade secret licensing agreements, upholding such protection (perhaps while requesting explicit guidelines from Congress), or modifying the amount of protection allowed through partial preemption. The Court might have followed the course of its decision in Goldstein. In dealing with state copyright laws in Goldstein, the Court upheld state protection, emphasizing the need to distinguish situations of possible conflict between federal and state laws from those in which conflicts would necessarily arise. It found it difficult to see how concurrent powers of Congress and the states in the copyright area would necessarily and inevitably lead to conflicts. By analogy one might argue that state trade secret and contract laws also should not be preempted. Here, too, there is no inevitable conflict. Perhaps this is not a matter for judicial decision but an issue for congressional action. In the new federal copyright law for example, state laws are explicitly preempted or explicitly left intact. The Goldstein Court made it plain that the Constitution did not itself deny state protection of copyrights. As with copyrights, in the absence of congressional action regarding trade secrets, one may argue that state law may be left intact. Furthermore, the long con-

69. 412 U.S. 546. Goldstein was convicted under California statute forbidding the making of recordings produced by others. He moved to dismiss the complaint claiming that the California law was in conflict with federal copyright laws. Id. at 548.

70. Id. at 554.

71. Id. at 559. Further, the Court interpreted the language of the Constitution providing for copyrights "for limited Times" as a limitation on Congress and stated that "state statute cannot be voided because of the indefinite duration of its protection. Id. at 560-61 (citing U.S. CONST. art. I, § 8, cl. 8).

72. The Kewanee Court makes this analogy. 416 U.S. at 478-79.


74. 412 U.S. at 553, 560.

75. See Wydick, supra note 56, at 10; Comment, Goldstein v. California: Break-
gressional silence regarding trade secrets might be deemed evidence of a lack of preemptive intent. Indeed, some federal statutes implicitly recognize trade secret law.

Trade secret protection offers an alternative system to the patent system. Advantages over the patent system, such as lower costs, indefinite duration, and lack of the need to meet an objective standard of novelty are balanced by risks that do not exist in the patent system, such as nonexclusivity of rights after independent discovery or reverse engineering. The Kewanee Court found that another form of incentive to invention was not inconsistent with patent policy. Indeed, trade secret laws supplement the patent system by allowing protection for inventions which fall below the standards required by the patent laws.

The Court might have preempted state protection for patentable ideas. Trade secret protection might have been reserved for those inventions clearly not patentable in order to create additional incentives to obtain patents. This would have led, however, to problems in determining which inventions are patentable or, using a lesser standard, what a reasonable inventor would consider clearly patentable. Pressure would thus be exerted for inventors to obtain patents for ideas of dubious patentability. Potential licensees would find it profitable to assert the patentability of inventions to negate trade secret protection and then challenge the patent after issuance, thereby relieving the inventor of patent protection. Indeed the Lear decision exacerbated one of the problems of the patent system by encouraging challenges to patents. Perhaps this

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76. E.g., 5 U.S.C. § 552b(c)(4)(1976) (government agencies must conduct public meetings except for those portions of meeting which are likely to disclose trade secrets); Id. § 1905 (sanctions imposed on federal officers or employees who disclose trade secrets learned in the course of office or employment). See also Milgrim, supra note 18, at 32; Wydick, supra note 56, at 14.

77. Rosenberg, supra note 32, at 15; RESTATEMENT OF TORTS § 757, Comment (a) (1939).

78. 416 U.S. at 483-84.

79. Doerfer, supra note 45, at 1456; Milgrim, supra note 18, at 34; Orenbuch, supra note 35, at 664-65; Wydick, supra note 56, at 27-28.

80. 416 U.S. at 492; Orenbuch, supra note 35, at 665; Stern, A REExamination of State Trade Secret Law after Kewanee, 42 GEO. WASH. L. REV 927, 931 (1974); see Comment, supra note 46, at 807.

81. See Comment, supra note 46, at 807

82. Stern, supra note 80, at 986.

83. Although challenge may be unsuccessful, the expense of defending such suit could be ruinous for patentee.
problem could be alleviated by legislation converting patent licenses to trade secret licenses in the event of a patent being successfully challenged.

Another alternative would have been preemption in terms of remedy only in order to comply with federal patent policies. The Court could have allowed trade secret protection but disallowed any rights in excess of those allowed by federal patent law. In terms of trade secret licensing agreements, this would mean limiting royalties to a seventeen-year period, and mandating disclosure after this time. In cases of trade secret misappropriation or breach of contract actions between employer and employee, the Court could have restricted remedies to money damages and disallowed permanent injunctions. This limitation would meet the objections expressed by Justice Douglas in his Kewanee dissent. This might be more consistent with the federal patent policy favoring disclosure while permitting the innovation also fostered by trade secret protection.

Since the Court found no need for preemption at all, it might have suggested congressional action to federalize trade secret protection by implementing a two-tiered federal system which would offer lesser advantages for inventions which do not meet the strict standards now required by the patent system.

V CONCLUSION

The Supreme Court has decided that a contract requiring royalties for longer than seventeen years for a device completely disclosed on exposure and for which a patent was denied, does not conflict with federal patent policy. Although clearly mandated by prior cases, this decision is troublesome in terms of both its possible application to agreements on devices which are not readily revealed and possible disincentives for inventors to enter the patent system. Since patent rights exist for only seventeen years, a contract which calls for royalties over a longer period may grant advantages greater than those that can be legally obtained through the federal patent system. Perhaps the emphasis should be on the Goldstein Court's concept of actively encouraging inventors to en-

84. See Doerfer, supra note 45, at 1148. An amicus curiae brief in Quick Point suggests limiting royalties, not by duration, but by court determined head start value. Brief for Ercon, Inc., as Amicus Curiae at 8.
85. Orenbuch, supra note 35, at 676-77.
86. Johnson, supra note 45, at 1027; Stern, supra note 80, at 931.
87 416 U.S. at 496, 499.
ter the patent system rather than Justice Marshall's view of offering a passive alternative. Although the Court states that enforcement of this agreement does not discourage anyone from seeking a patent, this conclusion is questionable. In view of the seventeen year limitation imposed on royalties and the encouragement given, by *Lear* to patent challenges, it is not clear that an inventor whose idea is not as easily revealed as Aronson's would risk the disclosure involved in a patent application rather than rely on private licensing agreements. In such a case, the federal policy desiring disclosure of new ideas would be frustrated.

The Supreme Court decision is disappointing in its failure to explicate the policies surrounding this decision. The Court cited *Kewanee* regarding its concern to encourage invention in areas where patent law does not reach. It would have been preferable to expand on this concern by encouraging Congress to revise patent law to reach these areas.

*Marian Solomon Lubinsky*

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88. 440 U.S. at 263.
89. *Id.* at 266 (quoting, *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. at 485).