

IN THE SUPREME COURT OF THE UNITED STATES

KEWANEE OIL COMPANY,

Petitioner,

v.

BICRON CORPORATION, et al.,

Respondents.

No. 73-187

Washington, D. C.,

Wednesday, January 9, 1974.

The above-entitled matter came on for argument at
11:10 o'clock, a.m.

BEFORE:

WARREN E. BURGER, Chief Justice of the United States
WILLIAM O. DOUGLAS, Associate Justice
WILLIAM J. BRENNAN, JR., Associate Justice
POTTER STEWART, Associate Justice
BYRON R. WHITE, Associate Justice
THURGOOD MARSHALL, Associate Justice
HARRY A. BLACKMUN, Associate Justice
LEWIS F. POWELL, JR., Associate Justice
WILLIAM H. REHNQUIST, Associate Justice

APPEARANCES:

ERWIN N. GRISWOLD, ESQ., 1100 Connecticut Avenue,
Washington, D. C. 20036; for the Petitioner.

WILLIAM C. MCCOY, JR., ESQ., 625 National City
Bank Building, Cleveland, Ohio 44114; for the
Respondents.

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Erwin N. Griswold, Esq.,
for the Petitioner

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In rebuttal

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William C. McCoy, Jr., Esq.,
for the Respondents

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P R O C E E D I N G S

MR. CHIEF JUSTICE BURGER: We will hear arguments next in No. 73-187, Kewanee Oil Company against Bicron Corporation.

Mr. Griswold.

ORAL ARGUMENT OF ERWIN N. GRISWOLD, ESQ.,
ON BEHALF OF THE PETITIONER.

MR. GRISWOLD: Mr. Chief Justice, and may it please the Court:

This case is here on a writ of certiorari to review a decision of the United States Court of Appeals for the Sixth Circuit.

That court, by a divided vote, held that the Ohio law of trade secrets was preempted by the federal patent laws.

On this basis, it reversed a judgment which had been entered by the District Court, following an extensive trial, which had enjoined the respondents here from using and disclosing trade secrets which they had learned while they were in the employ of the petitioner.

The facts are relatively simple, as far as the issue before this Court is concerned. They may be said, I think, to present a classic case of equity jurisdiction.

The petitioner, through an unincorporated division called Harshaw, manufactures various products in the chemical

field. And these include synthetic crystals. The particular product involved here is sodium iodide thallium activated crystals.

That means that it is basically sodium iodide, but by introducing some thallium in it the crystal becomes effective in detecting radiation. And these crystals are useful in locating uranium ore and oil exploration, and for various medical purposes such as detecting malignant tumors.

QUESTION: Mr. Griswold, I -- excuse me for interrupting you -- I think you said that the Court of Appeals decided this case by a divided vote?

MR. GRISWOLD: Yes, Mr. Justice.

QUESTION: I missed that. Is there a dissenting opinion?

MR. GRISWOLD: Well, I'm sorry. Apparently I am wrong. My recollection was that it was a divided vote, but --

QUESTION: I think it was unanimous.

MR. GRISWOLD: -- it was unanimous.

QUESTION: Unanimous, unh-hunh. Right. I just wanted to be sure I hadn't missed something.

MR. GRISWOLD: Well, --

QUESTION: Yes, that just means that you think they were unanimously wrong.

MR. GRISWOLD: I now say they were unanimously wrong, yes.

[Laughter.]

MR. GRISWOLD: Harshaw was a pioneer in this field, and has been actively developing it for 25 years.

In 1949 it grew a sodium iodide thallium activated crystal less than two inches in diameter. By 1966, after the investment of much money and effort, it was able to grow a crystal seventeen inches in diameter.

And I may say that these crystals are grown in platinum crucibles, it comes out a very substantial mass; it is then sliced, which is a very delicate operation, it must be quickly encapsulated because it is heavily hygroscopic, it will absorb moisture. When it absorbs moisture, it melts. This is full of delicate operations. And the size of the crystal is significant, among other things, because that seventeen-inch crystal will more or less cover the chest of a person who is being examined, whereas the smaller crystals, you'd have to use many, and you might miss places.

Worldwide there are several companies that compete with Harshaw in this business. There are three in the United States, other than the respondent; two in Japan; and one each in Great Britain and in France.

Up to date, however, no company has grown or sold a seventeen-inch-diameter crystal except Harshaw.

In producing such a crystal, Harshaw developed many confidential processes, procedures and techniques, which it claims as trade secrets.

There are six individual defendants. Each of them was employed by Harshaw or by a subsidiary of Harshaw.

QUESTION: There's no patent involved here, though?

MR. GRISWOLD: There's no patent involved here, no claim is made based on a patent.

Each entered into a contract with his employer that he would not disclose the confidential information of Harshaw. Each of these employees occupied a position of trust and confidence with Harshaw, and was given access to the secret operations in connection with his employment.

Thus, each of the individual respondents was bound by contract and by fiduciary relationship resulting from his confidential employment, not to disclose Harshaw's confidential information.

It's one of the traditional functions of equity to enforce such obligations.

While still employed by Harshaw, four of the individual respondents discussed the possibility of forming their own business. In order to have a going business in the shortest period of time, they decided to make scintillation detectors using sodium iodide thallium activated crystals.

During the summer and fall of 1969 they associated

the other individual respondents to them, who had recently left Harshaw's employ.

They built a plant which was completed in late 1969, or early 1970, and soon had produced the seventeen-inch sodium iodide thallium activated scintillation crystal.

The District Court found that there was imminent danger of disclosure of plaintiff's trade secrets to Bicron, which was the company they organized, and the use of these trade secrets by Bicron.

In April 1970 Kewanee filed this suit to enjoin the individual defendants in Bicron from using and disclosing Kewanee's trade secrets.

There was an extensive trial. The District Court found that Kewanee had a protectible interest in twenty of the forty trade secrets on which it relied. It held that the other twenty were common knowledge, and could be freely used.

Accordingly, it entered an injunction enjoining Bicron and the individual respondents from disclosing and using the twenty trade secrets unless and until they became validly publicly known.

Both sides appealed from this decision. Kewanee contended that all forty trade secrets should have been protected, while Bicron cross-appealed, claiming that none of the trade secrets should be protected.

And the Court of Appeals, after reviewing the record, held that the findings of fact made by the District Court were not clearly erroneous within the meaning of Rule 52 of the Rules of Civil Procedure.

The Court further concluded that the District Court properly applied the Ohio law relating to trade secrets, and then it said, and I quote from the opinion as it is set out on page 16 of our brief:

"On this record, as a whole, it appears clear to us, as it did to the District Court, that the individual defendants used the information obtained during their employment by Harshaw for the benefit of Bicron. There can be no question on this record but what these individual defendants appropriated, to the benefit of Bicron, Harshaw's secrets, processes, procedures and manufacturing techniques."

And the Court of Appeals then concluded that it would "affirm the judgment of the District Court" except for the conclusion that it reached that the Ohio law of trade secrets is in direct conflict with the patent laws of the United States. That is, that the law of trade secrets is preempted by the patent laws.

And on this basis the Court of Appeals reversed the order of the District Court, which had entered an injunction against respondents; and that is the issue which has been brought here.

Now, there is nothing unusual about the Ohio law relating to trade secrets. It's similar to the law which has been long in effect in most of the States, and which is derived from English sources, going back over a century. It is, indeed, simply an application of the traditional equity principle for dealing with threatened breach of contract or violations of fiduciary obligations.

Obviously, the value of the trade secret depends upon its being kept secret. This does not mean that it cannot be disclosed in confidence or with suitable safeguards as a means of utilizing the secret.

But unless the safeguards can be enforced, that is, the safeguards arising out of contract or out of fiduciary relationship, the secret will soon no longer be a secret, and accordingly will have no value.

A trade secret is not the equivalent of a patent. A patent, when valid, gives a right reaching to the boundaries of the United States, effective against every person in the United States. It is a true governmental grant of a monopoly.

When a patent is granted, there is disclosure to the public, but no one may utilize the device or process without license for a period of seventeen years.

This is true even as to a person who has independently conceived the same idea. It's true as to everyone within

the outer limits of the United States. It's a true monopoly.

But a trade secret is much more limited. It finds its substance, as I've indicated, in ordinary principles of equity. It's enforced against persons only who have, one way or another, undertaken an obligation not to disclose.

It may be enforced, too, against persons who obtain the secret wrongfully, as by bribery or by burglary. As to all the world, though, other than those who are bound by contract or by fiduciary duty, the trade secret may be utilized by anyone who obtains it without wrongdoing.

Thus, it may be uncovered by inspection, by what is called reverse engineering. You take the thing that you have and the trained engineer works back to see how it was put together. Or by trial and error.

It may also be developed by anyone who carries on the same steps of research and development which were utilized by the original developer of the trade secret.

In this particular case, the record shows that there are a number of competitors who are in no way bound by contract or by fiduciary obligation, and all of them are free to develop the same trade secrets, if they can.

Now, this would not be true with respect to a patent which binds all others, no matter how independent or original their activities may be.

Now, the issue here is whether the State law of

trade secrets long in effect and prevalent throughout the United States has in some way been preempted by the patent laws.

It's true, of course, that Congress has been given power to grant patents. Historically the States granted patents in the early days, but I don't believe they do now.

It may well be true that Congress could, under the necessary and proper clause, preempt the State law of trade secrets. Just as I suppose that Congress could preempt the copyright field, so as to invalidate all State legislation in that area.

In the last term, in Goldstein v. California, this Court refused to find such an effect in the constitutional provision, which is identical with respect to copyrights and patents, and refused to find it as to a matter not covered by the patent law as enacted by the -- by the copyright law as enacted by Congress.

And we submit that the same conclusion should be reached here with respect to the impact of the patent laws on the state law of trade secrets.

QUESTION: General Griswold, there were some of us who dissented in Goldstein last term. Do you think our position is inconsistent with yours here?

MR. GRISWOLD: No, I do not think so, Mr. Justice. I think that there is a -- well, let me put it this way:

If your position was that because of the constitutional clause no State or -- no State can enact either a patent or a copyright law, then I think it would follow that a State could not enact a patent law, just as it was your position that they could not enact a copyright law.

QUESTION: Your position, you keep saying that we've never decided Goldstein -- or we've decided it the other way, I take it?

MR. GRISWOLD: Yes, our position would be exactly the same. Our position is that we're dealing with the trade secret which we're seeking to enforce through ordinary equitable principles, which is in no way inconsistent with a patent and is not a functional equivalent of a patent; although, of course, it is in -- has a related -- it is in a related field, dealing with what might be broadly called industrial property.

There's nothing in the patent law which expressly requires preemption.

As a matter of fact, State trade secret law has co-existed with the patent law in this country for more than a century without interfering with anything that Congress has written in the patent law.

Trade secrets have been clearly established in Ohio, at least since the decision of then Superior Court Judge Taft, in the case of Cincinnati Bell Foundry v. Dodds, decided in

1887.

This Court has many times recognized the existence and validity of trade secrets in its decisions. We have cited several of these cases in our brief, and many more are cited in the numerous amicus briefs which have been filed here.

In the Dubilier Condenser, this Court said that the inventor, and I quote, "may keep his invention secret" and that didn't mean just keep it to himself, because it went on to say "and reap its fruits indefinitely".

These decisions were outstanding and unqualified when the patent law was completely overhauled by Congress in 1952. There's nothing in the statute which indicates any disapproval by Congress of the continuing validity of the law of trade secrets.

Moreover, this Court recognized the validity of trade secrets in the Rules of Civil Procedure, which were adopted in 1938. And Congress has, both before and since 1952, enacted many statutes which recognize the continuing validity of the State law of trade secrets.

Now, these statutes, both before and after 1952, are cited in Appendices B and C of our brief.

The issue which we see here, I think can be put in this way: Congress could, no doubt, by its action, preempt the State law of trade secrets.

Now, Congress has taken no such action. The pressure in that direction comes from several decisions of this Court, all dealing with other factual situations, and not involving trade secrets.

In this connection I would like to call the attention of the Court to an article which is cited in our brief, by Professor Wydick of the University of California at Davis. When we cited it we had it only in manuscript, but I am now advised that it has been published in the December 1973 issue of the Journal of the Patent Office Society, 55 Journal of the Patent Office Society, 736. That issue publishes only the first half of the article; the second half will be in the January issue.

And I will lodge a copy of the entire article with the Clerk, so that it will be available for the Court.

Now, it's said that the trade secrets in this case are invalid because the petitioner has lost his right to get a patent on them.

The argument is based on section 102(b) of the patent law, which is set out on page 3 of our brief, just above the middle, which reads that: "A person shall be entitled to a patent unless ... (b) the invention was ... in public use ... in this country, more than one year prior to the date of the application for patent in the United States."

What this says is that where the idea has been in public use for a year, no patent may be obtained. And of course we don't contest that. It may well be that Harshaw has lost its right to obtain a patent on any of these trade secrets.

However, Harshaw is not claiming under the patent laws. It does not seek a monopoly against the world. It seeks only to invoke the traditional function of equity, to provide protection against breach of contract or violation of fiduciary responsibilities.

Some of the arguments against us in this respect seem to beg the question.

Thus, in the amicus brief filed on behalf of SCM Corporation, it is said on page 13 that the petitioner's rights are, and I quote, "forfeited to the public by commercial use in excess of one year, coupled with failure to file a timely patent application."

And there are similar statements near the top of pages 18 and 19, and elsewhere in that brief.

Now, of course, if the petitioner's rights have been forfeited, then it has no rights remaining, and can get no relief here.

However, that is not what the statute says, nor is there any basis for reading the statute to reach such a conclusion.

What the statute says is that a person shall be entitled to a patent unless the invention has been in public use more than one year.

The only appropriate conclusion from the language is that the right to obtain a patent is gone after one year. There's nothing in the statute to support the contention that the petitioner forfeited to the public, under the patent laws, every right available to it, including the protection of long and traditionally made available rights extended by courts of equity against breach of contract, or violation of fiduciary duty.

The court below and the respondents here rely heavily on this Court's decisions in 1964 in Sears, Roebuck and Company v. Stiffel Company and Compco Corporation v. Day-Brite Lighting Company, both in 376 U.S.

Those cases seem to us to be clearly distinguishable. They did not involve trade secrets, nor did they involve any threatened breach of contract or violation of fiduciary duty.

Both have some rather sweeping language applied to other facts, but which may well not be properly applicable on the facts involved here. Both of the cases involve lamps. In each case a design patent had been obtained on the lamp, and in each case the design patent had been held invalid.

There was, of course, nothing secret about the lamps.

They were sold to the public and they and their design were available for inspection. They could be photographed and detail drawings could be made of the design.

What the Illinois court did in each case was to hold that the plaintiff whose design patent had been held invalid could nevertheless obtain, in Mr. Justice Black's words in the Sears opinion, the equivalent of a patent monopoly on its unpatented lamp.

It's obvious, of course, that such an injunction by the Illinois court was the functional equivalent of a patent. It would be effective against anybody who sought to make the lamp.

The relief obtained was as wide and as broad as the protection under a patent. It did not depend in any way on breach of contract or violation of a fiduciary duty.

It applied to anyone who sought to make and market a copy of the lamp, despite the fact that the design patent had been held invalid.

This Court did recognize, in the opinion in the case by Mr. Justice Black, that it was not foreclosing all relief. It indicated that if there was evidence of passing off, that the Court could require labeling and otherwise designating the source of the particular lamp.

But here the respondents are not seeking to utilize material which is known to the public or otherwise

in the public domain. On the contrary, the respondents are personally bound by contract and by fiduciary relationship not to disclose what has been communicated to them in confidence.

There is, of course, an interrelation between the patent law and the law of trade secrets. This has been known to the profession, to businessmen, to this Court and to Congress for a great many years.

Some of the briefs, including particularly two of the amicus briefs, present arguments to the effect that the economy would be better served by reducing the protection which has long been granted to trade secrets.

These are arguments on which Congress has never acted. They are essentially legislative arguments, calling for a change in the law in this area, and it has -- as it has long been known and understood, and as Congress has written it.

In the constitutional field it may well be that the Court should sit to some extent as a continuing constitutional convention, bringing about changes in the interpretation of the Constitution from time to time, since no one else has power to authenticate the effect of new developments and new undertakings.

But there's no reason for this Court to sit as a continuing legislative body. Congress is almost continually

in session, and it has undoubted power not only to enact a patent law but also to determine the impact of the patent law on the State law of trade secrets.

Many of the arguments presented in support of the decision below are essentially legislative arguments, and should be presented to Congress.

The fact is, of course, that Congress has never taken any explicit action which affects the State law of trade secrets; and, on the contrary, it has on many occasions, both before and after the enactment of the Patent Code of 1952, and in the Patent Code of 1952, recognized the existence and continuing validity of trade secrets as they have long existed under the laws of the several States pursuant to the traditional doctrines of equity.

For example, in the Patent Code itself, Congress provided that patent applications should be kept secret, so that if the patent is eventually denied, the applicant still has whatever protection he is entitled to from the trade secret laws.

QUESTION: You mean, Mr. Griswold, that applications for patents are, by statute, secret?

MR. GRISWOLD: They are kept secret, with certain exceptions, which are specified in the --

QUESTION: And you think that when the -- if the application is denied, that it is never made public?

MR. GRISWOLD: Then it is not made public, and the applicant continues to have whatever rights he may have under the law of trade secrets.

QUESTION: Do you have a reference to that provision, by any chance?

MR. GRISWOLD: Yes, it's cited in our brief. I'll ask Mr. Springel to --

QUESTION: All right. If it's in your brief, that's fine.

MR. GRISWOLD: -- to find it.

QUESTION: Thank you. That's all.

MR. GRISWOLD: Finally, I would call the Court's attention to the fact that trade secrets play a major role in the economy of the United States, both domestic and foreign.

Many businesses have been founded and conducted on the basis of trade secrets, of which the Coca-Cola Company is perhaps the classic example.

This is 35 U.S. Code, section 122, Mr. Justice White, and it is cited in a footnote on page 35 of our brief. There is similar provision in the regulations of the Patent Office.

QUESTION: Unh-hunh.

QUESTION: I wanted to be sure about your reference to Coca-Cola. This has been my impression that

this is the long-term, classic example of a trade secret that has never been discovered; right?

MR. GRISWOLD: That's my understanding. I think it's part of the folk law, the legal folk law of the country, I might say.

In recent years, much American know-how, many American processes and procedures have been licensed abroad, and the royalties received for these ideas have a very substantial impact on our balance of payments.

It seems odd, indeed, that because of the patent laws, designed to protect American inventors and American industry, this whole structure of industrial property which has been widely and effectively utilized, not hoarded, not suppressed, should be in danger of destruction.

There's nothing in Sears and Compco, we submit, which is inconsistent with the continued application of the State law of trade secrets. The court below misconstrued and misapplied those decisions in reaching its conclusion, and, accordingly, the judgment should be reversed.

MR. CHIEF JUSTICE BURGER: Thank you, Mr. Griswold.
Mr. McCoy.

ORAL ARGUMENT OF WILLIAM C. MCCOY, JR., ESQ.,

ON BEHALF OF THE RESPONDENTS

MR. MCCOY: May it please the Court -- pardon me -- Mr. Chief Justice, and may it please the Court:

Permit me to begin by reference to the specific, precise injunction that's before the Court, and that appears at page 92 to 94 of the Appendix, and this is a Permanent Injunction; the only aspect of it that is not permanent is paragraph D, where it says: It is ordered that defendants, Bicron and the individual respondents, "shall not be restrained by this injunction from using any trade secret of plaintiff after it has been released to the public by plaintiff, such as by the issuance of a patent, or has otherwise become generally available to the public, or other members of the industry, or is obtained by defendants from sources having the legal right to convey such information."

And I also call the Court's attention to the title of this injunction; it says "Order for Permanent Injunction".

Now, there was no award of damages by the District Court, and the action of the Court of Appeals was to reverse the District Court and remand for dismissal of the complaint.

The action of the Court of Appeals appears at page 26 of the Petitioner's Appendix to their Petition for Writ of Certiorari.

Now, still going to the -- if I may, Your Honor, refer to the decision of the Court of Appeals, and it's at page A7 of the Certiorari Petition, where the Sixth Circuit characterized the issue that it felt was in front of it, and the Sixth Circuit said:

"Therefore, the issue presented to this Court in the instant case may be summarized as follows: Whether a state trade secret law which protects an invention which would be an appropriate subject for a patent under the Patent Laws of the United States, and which has been used commercially for more than one year conflicts with the policies and purposes of Article I, Section 8, Clause 8, of the Constitution and the Patent Laws adopted pursuant thereto."

Now, this is the last thing I'll read. If I may go back to page 6 of the Appendix, also in the same Sixth Circuit opinion, they -- this is setting up their question, the Sixth Circuit says:

"We must determine whether the trade secrets laws of the State of Ohio are required to be struck down in this case as being in conflict with the United States Patent Laws, and, if so, to what extent. Kewanee urges that the issue presented to this Court requires a determination as to whether the enforcement of any and all state trade secrets laws conflict with the policies of the United States Patent Laws. Thus framed we consider the issue too broad for our consideration in this case."

Now, as we have set out in our brief, we say the issue is a permanent injunction, granted by a District Court, as to subject matter, the trade secret subject matter, in conflict with the patent laws of the United States.

The specific --

QUESTION: Is that because it's that much longer than seventeen years in part?

MR. McCOY: Yes, that is.

QUESTION: Of course, Coca-Cola has managed to keep its secret for more than seventeen years, haven't they?

MR. McCOY: Well, Your Honor, yes, I was coming to that; but the thing is we don't think that Coca-Cola is -- that's a trade secret that's outside of the scope of what we're dealing with now.

The kind of trade secrets we're dealing with are, first, trade secrets that are patentable subject matter, as provided in the Patent Code, 35 USC 101. And Coca-Cola, in our view, is a food recipe and it would not be susceptible of getting a patent.

QUESTION: Are you suggesting that if a man applies for a patent and it's rejected as not patentable, say, no invention, no -- that that would be subject to, under your argument could be validly subject to a trade secret?

If it's rejected by the Patent Office.

MR. McCOY: I suggest -- I would say that under the decisions of this Court in Sears, Compco and Lear, that if a man applies for a patent and it's held not patentable, and it's been in public use for more than a year, he could not get an injunction.

QUESTION: Yes.

MR. McCOY: To prohibit somebody else, even if there is a -- what is argued as a --

QUESTION: Do you think the -- this you spin out as an intent of Congress to prohibit that, by the virtue of the patent laws?

It's a preemption or a conflict sort of argument, isn't it?

MR. McCOY: I would say it's a conflict, yes.

QUESTION: And so you say Congress couldn't have intended the State trade secrets law to stand along with the patent law?

MR. McCOY: I'd want to be careful, Your Honor. I'd say that the aspect of the State trade secret law that is in front of this Court is the injunction only.

QUESTION: Yes, unh-hunh.

MR. McCOY: And I say as to, if a man files for a patent application and it's rejected and he can't get a patent application, he should not be able to get injunctive relief.

QUESTION: Well, why do you suppose Congress provides for secrecy of patent applications?

MR. McCOY: Well -- the circumstances in which patent applications are filed. A number of patent applications, there's no license activity whatsoever. And I think that the idea, there is an election theory and this is what --

QUESTION: Well, there is a specific provision in the Code that says patent applications will be kept secret unless the applicant permits the publication.

MR. McCOY: Correct. Yes. But actually the word used is not "secret", it's "confidential".

QUESTION: Yes.

MR. McCOY: That's correct.

QUESTION: And do you agree that the Patent Office interprets the statute to require or permit confidentiality if the application for a patent is denied?

MR. McCOY: Well, I think, with all due respect, Your Honor, you're -- the Patent Office, as I understand it, would never disclose a patent application. But --

QUESTION: That's to avoid publication, isn't it?

MR. McCOY: Why, sure.

QUESTION: Yes, I know.

MR. McCOY: And it's --

QUESTION: Then what's the difference between that and what Justice White is asking you?

QUESTION: The question is: does Congress -- if Congress -- it seems to me if Congress, in the patent laws, has recognized there is a role for secrecy or confidentiality with respect to certain processes or designs, or patentable material or unpatentable material, you at least have to get over that in arguing that the patent laws were intended to

preempt State laws.

MR. McCOY: Well, Your Honor, I think you're attaching much too much importance to that provision.

QUESTION: I gather you'd think that.

MR. McCOY: The other people have --

QUESTION: You say you have to get around it.

MR. McCOY: All right.

QUESTION: You just can't say --

MR. McCOY: All right. May I, please?

QUESTION: -- that it's important.

MR. McCOY: They've cited a number of other statutes. For example, when a corporation deals with the SEC, it discloses its inner workings and financial information, and the government is forbidden against disclosure of that information. And they've cited a number of statutes here where the idea is, in our view, that when you deal with the government, if it's important to the person making the submission, the government says, Well, we'll keep that confidential, we'll not disclose.

Now, the government isn't, in the patent statutes or the SEC statutes or anything else, they're not saying: We thereby put -- we thereby put an impermanence on the sort of relief that's provided, that was provided by the District Court in this case.

QUESTION: Well, I don't -- let me go back to the

question I asked and you didn't answer. Do you -- is it the practice of the Patent Office, when an application is denied, a patent application is denied, to still treat the application confidentially?

MR. McCOY: Yes.

QUESTION: And they will not reveal it to anyone without the consent of the applicant, I take it?

MR. McCOY: That's the practice, yes.

QUESTION: And would you suggest that that's wholly consistent with the Act of Congress?

MR. McCOY: Certainly, yes. I see no problem with it.

QUESTION: Unh-hunh.

QUESTION: And what's the purpose of that? To protect the secrecy or confidentiality?

MR. McCOY: I think the real purpose is to let a man with an invention deal with the Patent Office in confidence, in knowing that he has an invention and he thinks it's a --

QUESTION: I know, but when his dealings are over, which they are, substantially, at the denial of the application, --

MR. McCOY: Yes.

QUESTION: -- then what is the rationale for continuing the confidentiality of that information?

MR. McCOY: Well, I think it's the same rationale.

The man has --

QUESTION: It's a secret, just keep it a secret.

For what purpose?

MR. McCOY: Well, it isn't saying it will keep the -- what they say is, We'll not disclose what you've disclosed to us. So the man feels free to disclose an invention.

QUESTION: Do you know why?

QUESTION: What is the purpose of it?

MR. McCOY: I think the purpose is to make people feel free to deal with the U. S. Patent Office.

QUESTION: Well, I suppose then you would say there would be a federal cause of action against the Commissioner of Patents if he proceeded to disclose a patent application, whether pending or denied?

MR. McCOY: You mean by an individual against the --

QUESTION: Yes. By the applicant.

MR. McCOY: I suppose there would. I'm not aware that anybody has done that.

QUESTION: Well, I know, but if they would, you'd nevertheless say that that same owner, in the interest of protecting confidentiality, couldn't sue somebody he had a contract with to maintain that trade secret.

MR. McCOY: No, I'm not saying that, Your Honor.

QUESTION: You're saying you couldn't get an injunction against him.

MR. McCOY: Correct.

QUESTION: But he could get an injunction against the Commissioner.

MR. McCOY: No, he couldn't. I don't think he should be able to do that, either.

QUESTION: Well --

QUESTION: Suppose three members of the Patent Office technical staff, who had dealt with the patent application, resigned from the Patent Office and set up a company, after the patent application was denied, and then began producing the very substance that was involved in the confidential file; would you think the court of equity could enjoin them?

Laying aside any statutory violation which there might be, could a court of equity stop them from using this secret information?

MR. McCOY: I think the relief in the court of equity should be, in that situation, against disclosure of the trade secret, because there they're -- assuming it's not disclosed in the product that they're selling.

As far as the use is concerned, that is, can always be measured by reasonable royalties. The idea of a --

QUESTION: Well, but if there's no patent, how do you get any royalties?

MR. McCOY: Well, they have the same concept with respect to trade secrets, Your Honor.

QUESTION: Oh. But then they could be -- they could not be enjoined but they could collect royalties?

MR. McCOY: No, Your Honor, I'm saying that if three examiners in the Patent Office, taking your example, leave the Patent Office and there's been a disclosure in confidence to them, and they then set up and start abusing the disclosure, that --

QUESTION: The fiduciary information.

MR. McCOY: Yes. Yes, I'd say that they should -- that they should be enjoined against any further disclosure of their -- of the secrets, assuming it's not disclosed when they use it. In other words, if the irreparable harm has not been done, then they should be enjoined from doing it; as for use, I would say that you can always measure the damages by the use, by, in effect, the same rules that you apply in a patent royalty accounting.

QUESTION: Well, then are you suggesting that the remedy here is to get some kind of an equity decree fixing a royalty for the use of this material, this information?

MR. McCOY: Well, I'm not sure what case you're

talking about, Your Honor.

QUESTION: We're now on your case.

MR. McCOY: If it's the case right in front of you.

QUESTION: No, your case.

MR. McCOY: Well, there's been no use of the invention in this case. Our people haven't used these secrets at all, and I say that they -- that the -- and there's no real threat of disclosure. So I say there should be no injunction whatsoever.

QUESTION: But if, then, this was followed by use and production, then you have indicated, I take it, that a court of equity might fashion some kind of a decree for royalties or damages.

MR. McCOY: Well, I'd say if our people use it in production and abuse the confidence, then there should be damage relief.

But there should not be any injunctive relief. Because, when they give injunctive relief, you're enjoining somebody from doing something where the Kewanee people rejected the idea of federal patent protection, they could not get a patent -- they couldn't get a patent, they couldn't get a patent injunction; they're getting better relief under the State trade secret laws than they could get under the patent laws. And that's where I say there's a conflict.

QUESTION: Well, isn't that why some industries now deliberately refrain from seeking patents, where they might get them, if the structure of the situation is such that they can preempt the market in the field by simply producing, and hoping that no one will be able to exercise the reverse engineering and figure out how to make it, make the particular product?

MR. McCOY: Well, Your Honor, by the nature of the amici briefs, that seems to be the case, yes. There seems to be a flight from the patent system over to the trade secret system.

QUESTION: But it does give only -- the trade secret system gives relief only against those who are subject to the trade secret restriction. It certainly doesn't give a right against the public or anybody who independently arrives at this --

MR. McCOY: No, but that is so --

QUESTION: -- particular information.

MR. McCOY: That's, in a way, an illusory argument. The relief that you want -- in this case there are three U. S. companies, three U. S. competitors of Kewanee, Bicron is the fourth. Now, there -- assuming they had a patent, there are only four people they'd even consider suing.

What I'm saying is that I don't say that it's equivalent to a patent monopoly, but, for practical purposes,

it's very close to it.

QUESTION: Well, if any of their competitors came by this information independently, through their own staff, they certainly wouldn't be subject to any litigation under the trade secret law.

MR. MCCOY: No question about it.

If I may go back to Mr. Justice White's -- your other question was the man who gets the abandoned patent that's rejected. There is a Sixth Circuit case of American Gage vs. Mazdem, that's 245 F. 2d 62, where an individual made a contract with a corporation for the manufacture of a wire stretcher for fences, and a patent application was filed and the patent application was rejected, and the individual received royalties for a period of time, and then he did not advise the corporation that the patent application had been rejected. And then the corporation terminated its contract, and the corporation continued to sell stretchers. So the individual sued for unjust enrichment.

And the Sixth Circuit said that the individual had the right, along with the rest of the world, to produce and sell wire stretchers; and they cited Singer v. Jones, Kellogg, West Point, that series of cases which are cited in Sears and Compco.

QUESTION: How does that help here? You lost me somewhere.

MR. McCOY: Well, I think it helps me on the idea that if a person submits an idea to the Patent Office and the Patent Office says that it's not patentable subject matter, then that -- he should not be -- he should not be enjoined from doing that. Under any circumstances.

QUESTION: Well, in that case it wasn't a secret, though, was it?

MR. McCOY: Well, it was disclosed in secrecy to the corporation, and it was in a factory. I think it certainly was a secret, yes.

QUESTION: But publicly used.

MR. McCOY: Well, it would be publicly used in accordance with the patent laws; yes, Your Honor.

QUESTION: Yes, but there was no patent here.

MR. McCOY: That's correct.

QUESTION: In your case.

MR. McCOY: The Patent Office said, The Patent Office considered the development; and said, It doesn't rise, it's not a patentable subject matter.

So if the Sixth Circuit had granted an injunction, the effect would be to give injunctive relief, under State trade secret laws, where there would be no such relief under the patent statute.

QUESTION: In that case was there any contract between them not to disclose?

MR. McCOY: I don't know, Your Honor.

QUESTION: That would be quite important, wouldn't it?

MR. McCOY: There would probably be an implied contract to that effect. But I don't know whether -- I don't know the nature of the contract.

I'd like to pick up where General Griswold was talking about the subject matter that's before the Court, and by that I mean the sodium iodide thallium activated crystals, that they are used in -- that this is a subject matter which is very vital to this country at this point in time. It's detecting malignant tumors in medicine, it's used in oil exploration, it's used in the location of uranium oil.

This is the substance. And I, of course, am drawing a parallel with the subject matter in Goldstein, which, depending upon your age group, is or is not substance.

Now, the specific trade secrets involved in this case are set out in Volume 1 of the Appendix in the Sixth Circuit Court of Appeals, pages 108 to 110, in case you want to look at them.

The point I want to make there is that those trade secrets are not described in the way a patent is described, they are merely identified. You just look at them, they're just -- it's a one or two or three lines, that's all.

Now, the cases --

MR. CHIEF JUSTICE BURGER: I think we'll pick up there right after lunch.

MR. McCOY: Okay.

[Whereupon, at 12:00 noon, the Court was recessed, to reconvene at 1:00 p.m., the same day.]

AFTERNOON SESSION

[1:00 p.m.]

MR. CHIEF JUSTICE BURGER: Mr. McCoy, we've taken perhaps a little inordinate amount of your time and you have a, we have a complex case before us, so we'll enlarge you five minutes, and add something to the Solicitor General's, the former Solicitor General, as well.

It's hard to break habits here.

MR. MCCOY: Thank you.

MR. CHIEF JUSTICE BURGER: You may proceed. So that will give you fifteen minutes yet.

MR. MCCOY: Thank you.

May it please the Court:

I'd like to pick up on this matter of the section 122 of the patent statute. I have two very brief points.

The first one is that, in our view, the purpose of that statute is no different than any of the other statutes that have been cited in the brief of the petitioner.

And, secondly, that if somebody violates any one of those statutes, the relief is provided in section 19 USC 1905, at page 1a of petitioner's appendix.

QUESTION: Would you tell me what an abandoned patent application is?

MR. MCCOY: Pardon me?

QUESTION: What is an abandoned patent application?

MR. McCOY: Well, you file --

QUESTION: Does that include one that's been denied and you don't press it?

MR. McCOY: Yes. It would, it would -- but it would include other kinds, too. It would include an application where it's been denied and you determine that --

QUESTION: There's no use.

MR. McCOY: -- you don't think you're going to get good enough protection, so you don't press it. I mean it's --

QUESTION: I notice the regulations speak of pending applications and abandoned ones; but it doesn't speak specifically of denied ones. I take it, the abandoned category includes the denied ones.

MR. McCOY: Yes. Yes. Thank you.

The cases we rely upon, and that the Sixth Circuit relied upon, were the Sears, Compco and Lear. In a nutshell, we read those cases to hold three things.

First, that there is a strong federal policy favoring the full and free use of ideas in the public domain.

Secondly, that the public domain is anything which is not protected by a patent, copyright, or trademark. That concept is developed in our brief, but I think that's a fair definition of the public domain; and, if I may, I believe it's discussed in a somewhat different context in the majority

opinion in Goldstein. I'm not -- I don't have the official report, but where this Court said: "In regard to mechanical configurations, Congress has balanced the need to encourage innovation and originality of invention against the need to insure competition in the sale of identical or substantially identical products. The standards established for granting federal patent protection to machines thus indicated not only which articles in this particular category Congress wished to protect, but which configurations it wished to remain free."

"The application of State law in these cases to prevent the copying of articles which did not meet the requirements for federal protection disturb the careful balance which Congress had drawn, and thereby necessarily gave way under the supremacy clause of the Constitution."

Now, I believe a further development of that concept is the thought that this word "public" when you speak of public domain may be a little confusing. I think that the thrust of the Sears, Compco cases are: if you have intellectual property and you wish to protect it, get yourself a patent or a copyright or a trademark.

QUESTION: Mr. McCoy, --

QUESTION: And that you can't protect yourself by a contract.

MR. MCCOY: Pardon me?

QUESTION: And that you can't protect yourself by a contract.

MR. McCOY: You can protect yourself by a contract, Your Honor. Like these disagreements --

QUESTION: But I gather your argument is that the contract made with these respondents not to disclose what they learned while employed with the petitioner, that's irrelevant to the case entirely? The argument that you're making.

MR. McCOY: Well, I can't say it's irrelevant.

QUESTION: But I --

QUESTION: You say it's specifically enforceable, though?

MR. McCOY: I say they're not enforceable, as far as an injunction is concerned. I say they can't enjoin them from using.

QUESTION: How about damages?

MR. McCOY: I say you can get damages. And the cases that discuss, there's a dissent in a Second Circuit case, it's Franke v. Wiltschek, , 209 F. 2d. 493, a dissent by a Judge Frank, where he made that very point. He said you can't get an injunction, you can get damages.

QUESTION: Is that in your brief, by the way?

MR. McCOY: I'm afraid it isn't, Your Honor, no.

QUESTION: Well, what's the cite again?

MR. McCOY: All right. It's Franke v. Wiltsehek,
209 F. 2d. 493.

QUESTION: What year is that?

MR. McCOY: 1953, Second Circuit.

QUESTION: That was Jerome Franke?

MR. McCOY: Yes.

QUESTION: 209 Fed. 2d, what's the page?

MR. McCOY: 209 F. 2d. 493.

QUESTION: Thank you.

QUESTION: Mr. McCoy, you've used the words
"public domain" twice now. Do you draw any distinction
between public domain and public use?

MR. McCOY: Yes.

QUESTION: Well, I take it that Coca-Cola is in
public use, I suppose the Coke people would question whether
it's in the public domain. And I take it that the Solicitor
General would take the same position here.

MR. McCOY: Well, my -- with respect to Coca-Cola,
I'd say this, Your Honor, that a Coca-Cola is not patentable
subject matter.

QUESTION: Well, suppose it were. What would your
answer be?

MR. McCOY: My answer would be there would be a
public use.

QUESTION: But I take it, then, you would say it is

not in the public domain?

MR. McCOY: I'd say it is in the public domain, too.

QUESTION: It is?

MR. McCOY: By the definition of this Court in Sears, Compco and Lear.

QUESTION: Well, then, how can you say you could get damages? You get damages because there's a wrongful use, a use that's forbidden, that the law forbids. And you get damages because the law forbids you to break your contract.

MR. McCOY: Yes.

QUESTION: And so it's a wrongful use, but you say equity could not enjoin the use.

MR. McCOY: Should not; correct.

QUESTION: Although the same court could give damages based on the fact that it's a wrongful use.

MR. McCOY: Correct.

QUESTION: Unh-hunh.

MR. McCOY: And if I may go back, Your Honor, the Sixth Circuit has had, really, three cases before it on trade secrets. Your confusion arises by reason of the way the petitioner is characterizing this case.

They're saying we're trying to outlaw all trade secret agreements, all know-how, we're trying to upset the balance of payments. And we say no.

All we're concerned with is the narrow question of an injunction of former employees in this case, where the Harshaw Chemical Company, dealing with subject matter of vital interest to this country, these are the sodium iodide thallium activated crystals, they chose to avoid the patent system where, if they had patented, they could have gotten their injunction. Instead of going through the patent system, they said, We're smarter, we'll stay out of it. And suddenly a situation arose, and then they come in and they want to be given, and they got, a permanent injunction; which is better than any relief they could have gotten in the patent system.

And we say that is a -- there is a -- they are defeating the purposes of the patent system; and that isn't correct.

QUESTION: Well, you have another element in this case, and that's violation of a fiduciary relationship alleged. And apparently, to some extent, found.

MR. MCCOY: Well, Your Honor, with all due respect, where the language of the Court of Appeals came from about that, I don't know. If there -- the findings of fact are referred to in our brief, and there was no violation of any fiduciary relationship here.

QUESTION: What did the District Court find on that?

MR. MCCOY: The District Court found there had been no use or disclosure of the trade secrets. The findings are

referred to in about the third page of our brief. And in the transcript, we've cited you to the record on that.

There wasn't any. Our people didn't do anything wrong, that's the reason they're so concerned. They try to go out and start their own business, and they say, It's a free country, isn't it? And they didn't do anything wrong, and they're put under an injunction. And the injunction is a severe handicap on their -- that they're trying to raise money.

QUESTION: But they did break a contract.

QUESTION: Any of the secrets --

MR. McCOY: They didn't break a contract.

QUESTION: By that, when they tried to make use of it.

MR. McCOY: No. They didn't break any contract. They haven't done anything wrong.

QUESTION: Well, what -- did they have a contract not to disclose on that?

MR. McCOY: Yes, they did. But they made no disclosure.

QUESTION: How did they come up with the seventeen-inch thing?

MR. McCOY: Pardon me?

QUESTION: How did they come up with this seventeen-inch, when there's only one other person that had?

MR. McCOY: They came up with it from the ---

QUESTION: Only one other person had.

MR. McCOY: First, there's nothing --

QUESTION: Didn't they use the secrets they got?

MR. McCOY: No, they didn't.

QUESTION: Well, how did they do it?

MR. McCOY: There are expired patents, there are publications of government research laboratories. And, incidentally, the government paid Harshaw a million dollars to develop -- oh, I don't know exactly how much, but a lot of money to develop these secrets.

QUESTION: Did they use anything that they learned at the other company? Anything? You don't think --

MR. McCOY: I'd have to answer, certainly they used what they learned at the other company.

QUESTION: Well, that's --

MR. McCOY: But it doesn't mean that they were trade secrets. They didn't use anything at the other company which --

QUESTION: Did they use any trade methods that the other company had?

MR. McCOY: Not that were secret, Your Honor, no. Not that --

QUESTION: I didn't say secret. Did they use any methods that the other one had? Did they use any methods

that they had learned --

MR. McCOY: Well, they couldn't have helped but apply the knowledge they learned at Harshaw.

QUESTION: Well, thank you. Thank you for admitting that much.

MR. McCOY: Right.

Certainly. But all I'll say, Your Honor, --

QUESTION: And in doing that, didn't they violate the terms of the contract?

MR. McCOY: No. They didn't.

QUESTION: Why not?

MR. McCOY: Because the contract says they can't disclose confidential or secret information. It doesn't say they can't use what they learned there, other than confidential and secret information.

QUESTION: Well, you think that -- well, who else made a seventeen-inch one?

MR. McCOY: Well, there are actually --

QUESTION: If this was so public, I mean, how come the other companies didn't do it?

MR. McCOY: Your Honor, at page 1410 of the transcript in the District Court, the Harshaw man finally admitted, in response to questions of the judge, that -- and this is cited in our brief, too, -- that there is no magic in the trade secrets in seventeen inches. They said

there were secrets that applied to all different sizes.

QUESTION: But the District Judge found to the contrary, didn't he?

Didn't the District Judge find that twenty of these were trade secrets?

MR. McCOY: Yes.

QUESTION: Didn't he? He found that.

MR. McCOY: Yes, he did. Yes, he did.

QUESTION: And you still say they weren't trade secrets?

MR. McCOY: Correct. We say none of them were trade secrets.

QUESTION: Well, you just say the District Court was wrong in its findings.

MR. McCOY: Yes.

QUESTION: Yes.

QUESTION: But the Court of Appeals was against you on that, as well as the District Court.

MR. McCOY: In what respect, Your Honor?

QUESTION: Well, I thought the Court of Appeals upheld all the findings of the District Court, except for the patent argument.

MR. McCOY: That's correct.

QUESTION: Just the remedy was all they disagreed on.

MR. McCOY: Correct.

QUESTION: Mr. McCoy, as I understand your position now, it is that there has been no violation of the contract.

MR. McCOY: Correct.

QUESTION: I thought you had said earlier that there could be a suit for damages, but I suppose you mean if there had been a violation.

MR. McCOY: No, Your Honor. I was speaking generically as to the relief -- the point I'm trying to make when I speak of suit for damages is that we're not seeking to outlaw all these technical service agreements between various companies and so forth. In this case, no, there shouldn't be a suit for damages, because there was no violations found.

The instructions of the Court of Appeals are to reverse and dismiss the complaint.

QUESTION: And the District --

QUESTION: At page 67 of the findings of fact, in Article 48 in the Appendix, is this a typical agreement, the one that Hamner executed: "The Employee agrees to carefully guard and keep all secret or confidential information which shall or may concern the Company, its inventions, discoveries, improvements, techniques, methods of manufacture, finances" and so forth, and "shall at no time, either during

or after his employ ... disclose, directly or indirectly, any such information..." Is that --

MR. McCOY: Yes, sir, it is.

QUESTION: And you say there was no contract.

MR. McCOY: No, Your Honor, I --

QUESTION: And each of the respondents signed that form of contract.

MR. McCOY: Well, there's -- yes.

QUESTION: Did Hamner sign one?

MR. McCOY: Well, he signed it with a different company. But -- yes.

QUESTION: Oh.

QUESTION: Well, this says he executed it on or about March 11, '64, an Agreement which provided. Wasn't that an agreement with --

MR. McCOY: Yes. Well, it was not with Kewanee, it was with a wholly owned subsidiary with Kewanee; and the reason that Hamner left Kewanee is because they had a contract with him to keep him employed until 1974, and they dissolved the company to avoid the contract. So he left them, and started another business.

QUESTION: That's another lawsuit, though, isn't it?

MR. McCOY: Yes, sir, it is, Your Honor.

QUESTION: Unh-hunh.

QUESTION: Mr. McCoy, may I ask you one more question?

You've emphasized the fact that this injunction could extend longer than the seventeen-year period covered by a patent. Suppose the contract had provided for limitation on the use of secrets only, say, for three years; would you think an injunction would be appropriate there?

MR. MCCOY: My position on that, Your Honor, is no, I don't think it's appropriate to give any injunctive relief under a trade secret contract, because you are enjoining somebody from doing something that, at that point, is supposedly in the public domain.

I'll go back to that American Gage case of the Sixth Circuit, and these -- and other cases to the same effect.

The -- I started with Sears, Compco, the other case we do rely upon is Goldstein. We've touched that in our brief. I don't think that -- and I've read what I feel is the relevant language there.

QUESTION: From Sears and Compco, Mr. McCoy, the object was something you could see as to its configuration, just as you could this thermal drinking cup. You can't -- a stranger can't look at this mass of crystals, or whatever they are, and know how to make it, or copy it, can he?

MR. McCOY: No.

QUESTION: So that there is some distinction between Sears and Compco cases and this situation in that respect.

MR. McCOY: Well, legally, I don't know, I don't think so.

I think that what you said in Sears, Compco was that if you have intellectual property and you want to protect it, then get yourself a patent or a trademark or a copyright.

QUESTION: Well, you can't keep a secret of something that you actually issue to the whole world, as you do with a book if you publish it without a copyright, or the lamp stand in these other cases, can you?

That's distinguishable from a trade secret situation, is it not? Nothing very secret about the lamp involved in these earlier cases.

MR. McCOY: Well, no, Your Honor. But the concept of the lamp case was that there was a design patent involved there, I believe, and the Illinois -- I mean the courts in Illinois said that's an invalid patent. So therefore there was no protection under the patent laws.

But then the court turned around and said: But we'll give you protection under Illinois unfair competition laws.

And I would go back to the language I quoted from

your Goldstein decision, and that -- and I'm saying that the Supreme Court and the Congress have said, this is the patentable subject matter, and anything that's outside that, in the penumbra, or whatever you want to call it, that people can use.

Your Honor, I see my time is up. I do -- may I read very briefly this Painton v. Bourns, language in that case where the decision was -- it's relied upon substantially by the petitioner.

And I want to say that, about two-thirds down in the second column at page 225, the Court clearly cuts itself out from the injunction concept that we're discussing now, the -- this is the majority opinion of the decision there. It says:

"Provisions against competition not utilizing the secret after expiration of agreement are a different matter which must be judged on their own facts."

And I think that's the case we're after.

I thank you.

MR. CHIEF JUSTICE BURGER: Thank you, Mr. McCoy.

Do you have anything further?

REBUTTAL ARGUMENT OF ERWIN N. GRISWOLD, ESQ.,

ON BEHALF OF THE PETITIONER

MR. GRISWOLD: Yes, Mr. Chief Justice.

QUESTION: I wish you would straighten out for me

whether there was a contract or not.

MR. GRISWOLD: Oh, there were six contracts, Mr. Justice. There was a contract with each of the employees.

The contract in the case of Hamner was with a predecessor company, which was taken over by Harshaw.

QUESTION: And the contract had a succession clause in it, did it not?

MR. GRISWOLD: It had a what?

QUESTION: Succession clause.

MR. GRISWOLD: It applied with respect to successors, yes. And Hamner was in the employ of Harshaw for a while before he left.

QUESTION: Now, what about the Menefee trade secret agreement; was that only with Menefee or were there other trade secret agreements like that one? Menefee's, I know --

MR. GRISWOLD: There were contracts with all -- there were contracts with all six; some of them were employment contracts, some of them were more sweeping trade-secret contracts.

QUESTION: Yes.

MR. GRISWOLD: There was not a trade-secret contract with every one, but there was an employment contract with every one, or a trade-secret contract. This is spelled out in the finding, that there was a contract; and either contract is broad enough to cover what's involved here.

Moreover, they were all employees, so that they are all covered by -- were all confidential employees, so that they were all covered by the fiduciary relationship.

QUESTION: And I take it the District Court found that there was an imminent danger of disclosure of trade secrets that they were forbidden, that the defendants were forbidden to disclose.

MR. GRISWOLD: Yes, Mr. Justice. This is on page 89 of the Appendix, in conclusion 6 of the Court.

QUESTION: Yes.

MR. GRISWOLD: "The plaintiff has submitted convincing proof not only that the Richert formula will not grow such a crystal but also that in order to grow a sodium iodide thallium activated scintillation crystal the defendants must, of necessity, supplement the Richert formula with plaintiff's trade secrets."

"The Court concludes that there is an imminent danger of disclosure of plaintiff's trade secrets to Bicron and the use of these trade secrets by Bicron."

QUESTION: And they found that that disclosure and use would be violative of contracts that had been signed by --

MR. GRISWOLD: Would violate the contracts and the fiduciary relationship.

Now, I would like to make a further answer to the

question which Mr. Justice Blackmun asked me at the beginning of the argument, with respect to the opinion of Justice Marshall, in which Justices Blackmun and Brennan joined, in the Goldstein case.

That did not turn, at all, on the constitutional question. It turned on the fact that the statute involved there, that is, the Federal Copyright Act, uses the exact wording of the Constitution; specifically, the words "writings of an author". And from that, those three Justices reached the conclusion that Congress had occupied the field and that there was no room for a State statute in the area.

There is nothing comparable to that with respect to the patent law.

And then with respect to Mr. Justice White's question, I should have been quicker in bringing to your attention that the statute, the Patent Office statute, is printed in full in our brief, Title 35, section 122, is in the Appendix, at page 6a:

"Applications for patents shall be kept in confidence" and so on.

And then on page 3a is the Patent Office regulation which that statute puts into statutory language, "Pending patent applications are preserved in secrecy." The regulation used the word, though I don't think that there is

QUESTION: How about the denied patent applications, are they published?

MR. GRISWOLD: What applications?

QUESTION: What about applications that don't succeed, that they are not --

MR. GRISWOLD: They are not published, they are kept in secrecy.

QUESTION: Where do you find that in the statute or the regulation?

MR. GRISWOLD: That is discussed in footnote 35 -- in footnote 11 on --

QUESTION: It just talks about abandonment.

MR. GRISWOLD: Well, that's -- there's a good deal of this patent language that I'm not --

QUESTION: Well, I take it you're --

MR. GRISWOLD: It's my understanding that patents which are abandoned, that you are free to terminate your patent application at any time you want to, and that the material remains secret.

QUESTION: Yes, but --

MR. GRISWOLD: The only thing the Patent Office publishes is patents which are granted.

QUESTION: Or where it's waived.

MR. GRISWOLD: Or where?

QUESTION: Or where it's waived, and there's another

one ---

MR. GRISWOLD: Oh, if it's waived, yes. Yes, if you want to make it free, you can.

Thank you.

MR. CHIEF JUSTICE BURGER: Thank you, gentlemen.

The case is submitted.

[Whereupon, at 1:24 o'clock, p.m., the case in the above-entitled matter was submitted.]