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Andrew Beckerman-Rodau
Suffolk University Law School, arodau@suffolk.edu

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Prior Restraints and Intellectual Property: The Clash between Intellectual Property and the First Amendment from an Economic Perspective

Andrew Beckerman-Rodau[1]

Suffolk University Law School
120 Tremont Street
Boston, MA 02108
U.S.A.
E-mail: arodau@suffolk.edu
http://www.law.suffolk.edu/arodau

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INTRODUCTION

Freedom of speech and private property rights are among the fundamental concepts upon which the United States is built.[2]

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[1] Professor of Law, Suffolk University Law School, Boston, Massachusetts. B.S., 1976, Hofstra University; J.D., 1981, Western New England College; LL.M., 1986, Temple University. Web site: www.law.suffolk.edu/arodau, e-mail: arodau@suffolk.edu.

[2] *See* Gitlow v. New York, 268 U.S. 652, 666 (1925) (holding that freedom of speech is a fundamental personal liberty); ACLU v. Reno, 217 F.3d 162, 165 (3d Cir. 2000), *cert. granted*, 121 S. Ct. 1997 (2001) (stating that one of society's most cherished rights is freedom of expression) (quoting American Booksellers v. Webb, 919 F.2d 1493, 1495 (11th Cir. 1990)); Fay v. City of Springfield, 94 F.2d 409, 414 (C.C.S.D. Mo. 1899) (holding that the right to private property is a fundamental right); King v. Priest, 206 S.W.2d 547, 556 (Mo. 1947) (finding that freedom of speech is a fundamental right protected from abridgement by government); Raskin v. Town of Morristown, 121 A.2d 378, 386 (N.J. 1956). *See generally* Todd G. Hartman, *The Marketplace vs. The Ideas: The First Amendment Challenges to Internet Commerce*, 12 HARV. J.L. & TECH. 419, 420 (1999)

Freedom of speech favors free dissemination of ideas and information.[3] From an economic perspective, this encourages the free flow of creative ideas and innovations into the marketplace,[4] which facilitates the development of private economic enterprises. Private property rights, in contrast, are based on restricting access to and use of private property. A property owner is given exclusive "monopoly-like" rights to decide who can access or use her property.[5] Such rights are also important to the development of private economic enterprises.[6]

Courts vigorously enforce freedom of speech rights. For example, the prior restraint doctrine[7] represents a collective rejection of preliminary relief [8] when the effect is to restrict speech.[9] Typically, any injury caused by dissemination of speech is properly redressed in an action for damages.[10] However, both permanent and preliminary

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(stating freedom of speech and commerce have co-existed in United States for a long time).

[3] *See* United States v. Carrier, 672 F.2d 300, 305 (2d Cir. 1983) (holding that free dissemination of ideas is essential element of democracy).

[4] "[M]arketplace . . . [refers to] a place where buyers and sellers exchange goods and services." WILLIAM R. ANDERSON & C. PAUL ROGERS III, ANTITRUST LAW: POLICY AND PRACTICE § 1.01, at 1 (1st ed. 1985).

[5] *See* College Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd., 527 U.S. 666, 673 (1999) (noting that the "hallmark of a protected property interest is the right to exclude others.") *See generally infra* note 53. S*ee also* E. Wine Corp. v. Winslow-Warren, Ltd. Inc., 137 F.2d 955, 958-59 (2d Cir. 1943) (stating that although some persons find all monopolies objectionable, most societies have allowed monopolies; the question is which ones should be allowed). *See generally* J. THOMAS MCCARTHY, 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 1:3, at 1-8 (4th ed. 2000) (stating there is a strong relationship between economic and personal freedom). Arguably, the term monopoly is not generally used to refer to private property rights since it has a negative connotation. *See infra* note 89 (discussing monopolies).

[6] *See* G.S. Rasmussen & Assocs., Inc. v. Kalitta Flying Serv. Inc., 958 F.2d 896, 900 (9th Cir. 1992), *cert. denied*, 508 U.S. 959 (1993) (stating that "[p]rivate ownership is the principal incentive for the creation and maintenance of commodities, and for their efficient allocation.").

[7] "Governmental action constitutes a prior restraint when it is directed to suppressing speech because of its content before the speech is communicated." United States v. Kaun, 827 F.2d 1144, 1150 (7th Cir. 1987) (quoting In re G. & A. Books, Inc., 770 F.2d 288, 296) (2d Cir. 1985)). "Prior restraint" is "[a] governmental restriction on speech or publication before its actual expression." BLACK'S LAW DICTIONARY 1212 (7th ed. 1999). *See also* FREDERICK SCHAUER, FREE SPEECH: A PHILOSOPHICAL ENQUIRY 148-52 (1982) (discussion of the concept of prior restraint).

[8] Preliminary relief, as used in this article, refers to preliminary injunctions and temporary restraining orders. Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L. J. 147, 148 (1998) (outlining four factor test which must be satisfied to obtain preliminary injunction).

[9] *See* Lemley & Volokh, *supra* note 8, at 149-50.

[10] *See, e.g.*, Metropolitan Opera Ass'n v. Local 100 et al., 239 F.3d 172, 177 (2d Cir.

injunctive relief is routinely utilized to protect property interests.[11] Often, this represents recognition that money damages will be inadequate.[12] Additionally, even in the absence of economic damages, injunctive relief may be an appropriate remedy to protect the exclusivity of property rights.[13]

A conflict between freedom of speech and private property rights usually does not arise in the context of real or tangible personal property.[14] However, intellectual property is more problematic.

In *Ford Motor Co. v. Lane*,[15] District Court Judge Nancy G. Edmunds refused to grant a preliminary injunction prohibiting Robert Lane from releasing Ford's trade secrets on the Internet.[16] Judge Edmunds found that Ford presented substantial evidence to

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2001) (normally injunctive relief not available remedy for defamation).

[11] *See* CompuServ Inc. v. Cyber Promotions, Inc., 962 F. Supp. 1015, 1017 (S.D. Ohio 1997) (property owner entitled to injunctive relief to protect property).

[12] *See id.* at 1027-28 (injunctive relief available when money damages cannot be ascertained).

[13] *See generally* Richard J. Pierce, Jr., *The Due Process Counterrevolution of the 1990s?*, 96 COLUM. L. REV. 1973, 1994 (1996) (injunction typically available remedy to protect property rights in contrast to damage remedy to protect contract rights).

[14] Nevertheless, so-called "strategic lawsuits against public participation" (hereinafter "SLAPP suits") have been used by land developers against vocal critics of the land development. Some states have, however, adopted anti-SLAPP statutes, and distinguishing between legitimate actions and SLAPP suits is difficult. *See* Barbara Arco, *When Rights Collide: Reconciling the First Amendment Rights of Opposing Parties in Civil Litigation*, 52 U. MIAMI L. REV. 587, 591 (1998) (noting that SLAPP suits are common in matters dealing with environmental issues and real estate development). *See generally* George W. Pring, *SLAPPs: Strategic Lawsuits Against Public Participation*, 7 PACE ENVTL. L. REV. 3 (1989) (seminal article on SLAPP suits). Usually such suits involve defamation actions, but they may also involve business torts, antitrust, nuisance, invasion of privacy and intentional infliction of emotional distress actions. *See* Kathryn W. Tate, *California's Anti-SLAPP Legislation: A Summary of and Commentary on its Operation and Scope*, 33 LOY. L.A. L. REV. 801, 804 (2000). Most SLAPP suits are meritless. They are brought to coerce or intimidate vocal critics into ceasing exercise of their First Amendment rights to speak out. *See* Dora A. Corby, *Clearing Up Civil Procedure Section 425.16—Delivering the Final Knockout Punch to SLAPP Suits*, 29 MCGEORGE L. REV. 459, 460 (1998); *see also* Jerome I. Braun, *Increasing SLAPP Protection: Unburdening the Right of Petition in California*, 32 U.C. DAVIS L. REV. 965, 971 (1999) (stating that "SLAPP suits chill the right of free expression.").

[15] 67 F. Supp. 2d 745 (E.D. Mich. 1999).

[16] Robert Lane operates a website on the Internet, called *Blue Oval News—the Independent Voice of the Ford Community*, available at http://www.blueovalnews.com, where he posts information about the Ford Motor Company (last visited Oct. 18, 2001). This website also contains a review of the lawsuit (*see Ford*, 67 F. Supp. 2d at 745) by Mr. Lane as well as newspaper and other articles about the lawsuit. *See generally* Michael A. Geist, *The Reality of Bytes: Regulating Economic Activity in the Age of the Internet*, 73 WASH. L. REV. 521, 525-30 (1998) (discussing operation and history of Internet).

support its claim that the defendant, Mr. Lane, likely violated the Michigan Uniform Trade Secrets Act.[17] Nevertheless, she held that issuance of the preliminary injunction would be an invalid prior restraint of speech in violation of the First Amendment.[18]

Judge Edmund's decision is novel.[19] Nevertheless, a careful examination of the First Amendment in this context is necessary in order to balance the underlying policies of the First Amendment with the policies underlying protection of intellectual property.

This article explores the interaction of freedom of speech with the need to protect intellectual property. Part I discusses the underlying policy considerations for protecting intellectual property in general, and the specific underlying reasons for providing patent, copyright, trademark and trade secret protection. Part II examines the importance of protecting both free speech and private property as necessary components of our capitalistic economic system. Part III further explores the reasons for protecting both free speech and private property and discusses the underlying policy considerations regarding the general dislike of prior restraints. Part IV asserts that a balance of these policies necessitates allowing prior restraint of third party use or disclosure of the communicative aspects of intellectual

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[17] *Ford*, 67 F. Supp. 2d at 746.

[18] *Id*; *but see* Bartnicki v. Vopper, 532 U.S. 514, ___ , 121 S. Ct. 1753, 1764-65 (2001) (in dicta, court suggests trade secrets are private matters which are less likely to trigger First Amendment concerns than information of general interest to public).

[19] Preliminary relief is usually granted to protect trade secrets from disclosure. *See, e.g.*, PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1263 (7th Cir. 1995) (holding preliminary injunction prohibited former PepsiCo employee from working for competitor for a fixed time period to prevent inevitable disclosure of PepsiCo trade secrets to competitor); *see also* Standard & Poor's Corp. v. Commodity Exch., Inc., 541 F. Supp. 1273, 1275 (S.D.N.Y. 1982) (stating "[i]nterference with access to business confidences and trade secrets is not an abridgement of the freedom of speech and of the press protected by the First Amendment."). *But see* DVD Copy Control Assoc. v. Bunner, 2001 Cal. App. LEXIS 1179 (Nov. 1, 2001) (court found preliminary injunction to enjoin trade secret disclosure invalid prior restraint under First Amendment). *See also* State ex rel. Sports Mgmt. News, Inc. v. Nachtigal, 921 P.2d 1304 (Or. 1996), where the Oregon Supreme Court held that a newsletter publisher could not be barred from publishing trade secrets it lawfully obtained prior to a trial on the merits. Any preliminary relief was held to be a prior restraint in violation of the state constitution because it was based on the content of the speech involved. The court noted that the appropriate remedy was injunctive relief or damages after a trial on the merits. *Id.* at 1309. Nevertheless, the court noted that it was not deciding if the First Amendment would require the same result. *Id.* at 1307 n.6. *See generally* 3 ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS § 14.01[2][a], at 14-26 n.15 (2d ed. 2000) (stating "there is a long line of authority upholding content-neutral injunctions to protect intellectual property and that such injunctive relief is not an impermissible prior restraint.") *Id.* at 14-26, n.15 (criticizing result in *Ford*, 67 F. Supp. 2d at 745).

property when such action is needed to prevent irreparable harm or destruction of the intellectual property.

Most actions prohibited by patent law are conduct based so First Amendment concerns fail to arise.[20] Nevertheless, patent law does allow a patent owner to prohibit offers to sell her invention. Such an offer is a form of commercial speech within the domain of the First Amendment.[21] Prior restraint theory should prohibit the use of preliminary relief to bar such speech prior to a full adjudication on the merits since any damage from such speech is minimal and subsequently compensable at the conclusion of the trial. In contrast, prior restraint of the property interests embodied in copyrighted works and in trademarks should be allowed. Existing limitations in the law already strike a balance between protecting the property interests while minimizing the impact on free speech rights. Failure to permit preliminary relief undermines the incentive to engage in creative efforts because, absent such relief, the intellectual property can be destroyed or seriously impaired.[22] Further, trade secrets, despite any expressive component, should be treated as property that falls outside the domain of the First Amendment. The very existence of a trade secret depends upon maintaining its secrecy.[23] Therefore, protection of a trade secret via preliminary relief is necessary to avoid irreparable destruction of the property prior to any adjudication of rights in the trade secret.[24]

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[20] *See infra* note 147 and accompanying text.
[21] *See infra* note 166 and accompanying text.
[22] *See, e.g.*, *infra* note 331 and accompanying text.
[23] *See* In re Shalala, 996 F.2d 962, 965 (8th Cir. 1993).
[24] *See id.*

I. INDIVIDUAL RIGHTS THAT FACILITATE ECONOMIC DEVELOPMENT: FREEDOM OF SPEECH AND PRIVATE PROPERTY RIGHTS

Freedom of speech is an essential right in a free society.[25] The First Amendment's guarantee of freedom of speech is an important mechanism for preserving the ability of the citizenry to engage in political speech.[26] The ability to criticize the government and governmental officials is central to the preservation of a democratic state.[27] Such a right allows the news media to engage in detailed coverage of governmental actions and allows unbridled reporting of news events both domestically and internationally.[28] Such news coverage limits the ability of government to control the dissemination of information which is a significant weapon that can be used to control the populace.[29] Additionally, free expression of opinions and ideas allows the marketplace to be the ultimate arbiter of what is useful and desirable for society,[30] thus promoting marketplace competition which is the foundation of a free enterprise system.[31] Hence, new methods of doing business,[32] the introduction

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[25] "Freedom of speech has been recognized as one of the preeminent rights of Western democratic theory, the touchstone of individual liberty." RONALD D. ROTUNDA & JOHN E. NOWAK, 4 TREATISE ON CONSTITUTIONAL LAW § 20.2, at 243 (5th ed. 1995) (Knights of Ku Klux Klan v. Arkansas State Hwy. & Transp. Dept., 807 F. Supp. 1427, 1433 (W.D. Ark. 1992), and Dunagin v. City of Oxford, 489 F. Supp. 763, 769 (N.D. Miss. 1980)). Justice Cardozo stated that freedom of thought and speech are indispensable to nearly every other form of freedom. Palko v. Connecticut, 302 U.S. 319, 326-27 (1937).

[26] *See* Collier v. City of Tacoma, 854 P.2d 1046, 1050 (Wash. 1993) (political speech protected by First Amendment).

[27] *See* Jones v. Battles, 315 F. Supp. 601, 607 (D. Conn. 1970) (criticism important to orderly functioning of democracy).

[28] The importance of allowing the news media to have broad rights to criticize government officials (and other public figures) is supported by the application of defamation laws to the media when disseminating information about such individuals. The Supreme Court has held that such individuals must meet a higher standard than ordinary citizens before they can prevail in a defamation action. *See* Gertz v. Robert Welch, Inc., 418 U.S. 323 (1974); New York Times Co. v. Sullivan, 376 U.S. 254 (1964).

[29] *See* Miami Herald Pub. Co. v. Tornillo, 418 U.S. 241, 258 n.24, 94 S. Ct. 2831, 2840 n.24 (1974) (governmental control of the press places liberty in jeopardy).

[30] *See* Konigsberg v. State Bar of Cal., 366 U.S. 36, 63 (1961) (Black, J., dissenting) ("[a] primary purpose of the First Amendment was to insure that all ideas would be allowed to enter the 'competition of the market.'"). Hartman, *supra* note 2 (discussing the "marketplace of ideas" theory of First Amendment jurisprudence that has been adopted by recent judicial decisions dealing with First Amendment issues on the Internet).

[31] *See* MCCARTHY, *supra* note 5, § 1:1; *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 1 cmt. a (1995) (stating that "[f]reedom to engage in business

of new products and services, and new types of creativity can flourish.[33]

The recognition of private property is also a basic component of a free society, especially to a society based on capitalism such as the United States.[34] This recognition is also essential in modern societies where the development of expertise requires division of labor.[35] Individuals develop specific skills that are utilized to provide society with high-quality goods and services.[36] However, these same

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and to compete for the patronage of prospective customers is a fundamental premise of the free enterprise system."); N. Pac. Ry. Co v. United States, 356 U.S. 1, 4 (1958) (stating that antitrust law was designed to be a comprehensive charter of economic liberty aimed at preserving free and unfettered competition as the rule of trade); E. Wine Corp. v. Winslow-Warren, Ltd. Inc., 137 F.2d 955, 958 (2d Cir. 1943), *cert. denied*, 320 U.S. 758 (1943) (holding that "[t]here is a basic public policy, deep-rooted in our economy and respected by the courts, resting on the assumption that social welfare is best advanced by free competition. . .").

[32] The Court of Appeals for the Federal Circuit recently stated expressly that a new method of doing business is intellectual property that can be protected pursuant to patent law. *See* State St. Bank & Trust Co. v. Signature Fin. Group, Inc., 149 F.3d 1368, 1375-77 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1093 (1999). *See generally* Diamond v. Chakrabarty, 447 U.S. 303, 309 (1980) (citing legislative history, the court stated "Congress intended statutory subject matter [of patent law] to 'include anything under the sun that is made by man.'").

[33] *See Northern Pacific*, 356 U.S. at 1, 4 (stating that "[u]nrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest quality and the greatest material progress, while at the same time providing an environment conducive to the preservation of our democratic political and social institutions."); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 1 cmt. a (1995) (stating that "competition in the marketing of goods and services creates incentives to offer quality products at reasonable prices and fosters the general welfare by promoting the efficient allocation of economic resources."). *See generally* Glen Holly Entm't, Inc. v. Tektronix, Inc., 100 F. Supp. 2d 1073, 1081 (C.D. Cal. 1999) (noting that antitrust laws were designed to promote competition which benefits consumers).

[34] Existence of property rights is one of the essential differences between capitalism and Marxism. *See* Paul Heckel, *Proprietary Rights: The Software-Patent Controversy*, 9 No. 12 COMPUTER/L.J. 13, at 14 (Dec. 1992); s*ee also* D. T. ARMENTANO, THE MYTHS OF ANTITRUST 24 (1972) (stating that U.S. economy primarily utilizes private property). *See generally* Michael A. Heller, *The Tragedy of the Anticommons: Property in the Transition from Marx to Markets*, 111 HARV. L. REV. 622, 628 (1998) (stating that socialist legal systems organized property in a fundamentally different way from private property systems); RICHARD POSNER, ECONOMIC ANALYSIS OF LAW 10-13 (1972) ("the legal protection of property rights has an important economic function: to create incentives to use resources efficiently.").

[35] Division of labor is defined as "[t]he process whereby labour is allocated to the activity in which it is most productive—i.e., in which it can make the best use of its skills. As a result no one person carries out all the tasks in the production. . . ." DAVID W. PEARCE, THE MIT DICTIONARY OF MODERN ECONOMICS 113 (4th ed. 1992).

[36] *See generally* LARRY D. SODERQUIST, A.A. SOMMER, JR., PAT K. CHEW & LINDA O. SMIDDY, CORPORATIONS AND OTHER BUSINESS ORGANIZATIONS 5

individuals must purchase most necessities, such as food and clothing, as well as luxury items. On the simplest level, a worker can utilize her labor to earn capital, which can then be used to purchase the various things needed to live in society. Additionally, large business enterprises, such as publicly held corporations,[37] can generate capital from the sale of goods and services. This capital can be used to compensate shareholders with dividends,[38] to expand the business geographically and to develop new products. Such enterprises can also use this capital to engage in research and development activities that can facilitate revenue-generating products.[39] Therefore, a clear body of property law must exist to facilitate the creation, protection and transferability of private property. Such law is fundamental to the growth and development of a capitalistic economic system.[40]

(4th ed. 1997) (noting surging demand for highly skilled workers).

[37] *See id*. at 25-26 (publicly held corporation defined by the existence of public market for buying/selling shares).

[38] *See supra* note 36, at 164 (shareholders have right to corporation's profits). "'Dividends' is the common term for distributions from a corporation to its shareholders. . . ." FRANKLIN A. GEVURTZ, CORPORATION LAW § 2.3.1, at 153 (2000).

[39] *See generally* JULIAN O. VON KALINOWSKI, PETER SULLIVAN & MAUREEN MCGUIRL, 4 ANTITRUST LAWS AND TRADE REGULATION § 72.01[1], at 72-2 (2d ed. 2001) (creation of new ideas essential to society because it enables technological developments resulting in superior products at lower prices).

[40] *See generally* Michael A. Gollin, *Using Intellectual Property to Improve Environmental Protection*, 4 HARV. J.L. & TECH. 193, 193 (1991) ("central tenet of our economic system is that technological innovation is necessary to maintain and improve our standard of living"); *see also* White v. Samsung Elecs. Am., Inc., 989 F.2d 1512, 1513 (9th Cir. 1993) (Kozinski, J., dissenting) ("Private property, including intellectual property, is essential to our way of life.").

The importance of freedom of speech and private property rights[41] provide the foundation upon which the United States economy is based. These rights and freedoms have contributed to the creation of a country that is a haven for many of the various peoples of the world seeking to escape economic, political or religious oppression and discrimination. The citizens of this country enjoy significant rights and freedoms that allow individualism to flourish.[42] The result is a society that de-emphasizes class structure in favor of actual accomplishments with economic value.[43] This country has produced an entrepreneurial-based society[44] that has fueled an unrivaled economy.[45]

Correspondingly, the standard of living in the United States is higher than in many other countries.[46] The United States is a leader in the production of technology[47] and its application to everyday endeavors such as health care and communications. Private enterprise has developed highly liquid capital markets, bringing together large amounts of private funds with budding companies that have developed products, and that are in need of capital to develop,

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[41] *See generally* Maureen Straub Kordesh, *"I Will Build my House with Sticks": The Splintering of Property Interests under the Fifth Amendment may be Hazardous to Private Property*, 20 HARV. ENVTL. L. REV. 397, 406, n.52 (1996) (protection of private property necessary to create incentive to make business investments).

[42] Entrepreneurialism, individualism, and economic self-reliance are traditional American values. R.A. Katzman, *The Attenuation of Antitrust*, in THE BROOKINGS REVIEW 23 (1984).

[43] *See generally* Leroy D. Clark, *A Critique of Professor Derrick A. Bell's Thesis of the Permanence of Racism and His Strategy of Confrontation*, 73 DENV. U. L. REV. 23, 30 n.42 (1995) (noting rejection of class structure in America).

[44] *See* Janet Whitman, *Level of Entrepreneurship Varies Sharply by Nation, Study of New Business Finds*, WALL ST. J., Nov. 20, 2001, at B9C (U.S. major source of entrepreneurial activity). *See generally id.* (study shows societal dependence on social programs reduces individual innovation which limits entrepreneurial activity).

[45] *See generally* Frederick M. Abbott, *Institutions for International Economic Regulation: Foundation-Building for Western Hemispheric Integration*, 17 J. INTL. L. BUS. 900, 910 (1997) (standard of living in U.S. related to economic success of business enterprises); Aimee M. Adler, *Competition in Telephony: Perception or Reality? Current Barriers to the Telecommunications Act of 1996*, *7* J.L. & POL'Y 571*,* 584 (1999) (noting, in context of telecommunications industry, lack of competition can have negative effect on economy). *See also* MARK S. MASSEL, COMPETITION AND MONOPOLY—LEGAL AND ECONOMIC ISSUES 16 (1962) (pro-competitive policies support free enterprise economic system and individual liberties).

[46] *See* Presidential Proclamation 6013, *The Bicentennial Anniversary of the First U.S. Patent and Copyright Laws*, 54 FR 34125 (Aug. 1989) (noting U.S. standard of living "has long been the highest in the world").

[47] *See id.* (U.S. technology and innovation important factor in high U.S. standard of living).

produce, market and sell those products.[48] Private enterprise has also developed reliable payment and delivery systems that allow almost instantaneous transfer of funds and rapid delivery of goods.[49]

Although many things have contributed to the successful economy developed by this country, the rudimentary importance of the individual rights granted to citizens of this country should not be overlooked.[50] Precisely those rights have contributed to the individualism that has allowed many Americans to pursue dreams and ideas with limited fear of government reprisal. Consequently, any curtailment of freedom of speech or private property rights should be carefully scrutinized.[51] A single limitation may seem small and insignificant on its own; however, the long-term consequences of any restriction can be significant from a macro or long-term perspective.

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[48] Stock exchanges, such as the New York Stock Exchange, the American Stock Exchange and the NASDAQ, and commodity exchanges, such as the Chicago Board of Trade, provide highly efficient mechanisms for raising capital. During the last twenty years numerous new financial products including derivatives have increased the efficiency of financial markets. Additionally, modern computer technology has added new electronic markets that enable equity trading to occur both in cyberspace and on conventional exchanges. *See* Ellen Taylor, *Teaching an Old Law New Tricks: Rethinking Section 16*, 39 ARIZ. L. REV. 1315, 1349 (1997) (U.S. capital markets highly efficient); James H. Freis, Jr., *An Outsider's Look into the Regulation of Insider Trading in Germany: A Guide to Securities, Banking, and Market Reform in Finanzplatz Deutschland*, 19 B.C. INT'L & COMP. L. REV. 1, 66 (1996) (N.Y. Stock Exchange most efficient capital market in world).

[49] Such things work as a result of the highly effective infrastructures that exist in the U.S. *See generally* The Report of the President's Commission on Critical Infrastructure Protection, *Critical Foundations: Protecting America's Infrastructures*, Oct. 1997 at 3, cited in Joginder S. Dhillon & Robert I. Smith, *Defensive Information Operations and Domestic Law: Limitations on Government Investigative Techniques*, 50 A.F. L. REV. 135, 136 (2001).

[50] *See generally* PHILLIP AREEDA & LOUIS KAPLOW, ANTITRUST ANALYSIS ¶ 118, at 28 (4th ed. 1988) (free market competition can be viewed as form of individual liberty).

[51] *See* White v. Samsung Elecs. Am., Inc., 989 F.2d 1512, 1513-14 (9th Cir. 1993) (Kozinski, J., dissenting) (property protection must represent careful balance because overprotecting property, including intellectual property, can be harmful just as underprotecting property can be harmful).

II. PROTECTION OF INTELLECTUAL PROPERTY

A. Background

The current state of property law, as it applies to real property and tangible personal property, provides strong rights to owners. The law generally provides the private property owner with exclusive rights to decide how to use her property.[52] Decisions to transfer the property by gift or sale are also within the exclusive domain of the property owner.[53] Likewise, the property owner has a right to both exclude and grant access to her property.[54] The importance attached to the protection of property is exemplified by the distinction between "liability-based" and "property-based" legal theories.[55] Liability-based theories, which underlie much of both contract and tort law, typically require an economic injury that can be quantified with some degree of predictability before a legal cause of action or

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[52] Of course, no rights are absolute. Therefore, despite the strength of private property rights, exceptions exist. For example, the freedom to utilize real property can be limited by zoning law, land use statutes or regulations, or by designation of property as part of an historic district. Adjacent property owners can also bring private nuisance actions that may limit land use. Likewise, federal and state law limits the transfer of tangible personal property such as firearms and prescription drugs. *See* Moore v. Regents of the Univ. of Cal., 51 Cal. 3d 120, 165-66, nn.6-11 (1990) (Mosk, J., dissenting), *cert. denied*, 499 U.S. 936 (1991). *See also* Spur Indus., Inc. v. Del E. Webb Dev. Co., 494 P.2d 700 (Ariz. 1972) (enjoining a business owner from continuing business on his property pursuant to nuisance action).

[53] Some exceptions also exist with respect to this property right. The government, contrary to a property owner's wishes, can cause a conveyance of property from a private individual to the government pursuant to the right of eminent domain. *See* NORMAN REDLICH, ET AL, UNDERSTANDING CONSTITUTIONAL LAW § 7.03[3], at 199 (2d ed. 1999). Additionally, a court can order the sale of concurrently owned property in response to a partition action, brought by one concurrent owner, pursuant to a remedy called partition-by-sale; *see, e.g.*, Frank v. Frank, 1992 WL 83533 (Conn. Super. Ct. 1992). *See generally* STOEBUCK & WHITMAN, THE LAW OF PROPERTY § 5.13, at 221-24 (3d ed. 2000) (discussing partition actions).

[54] Exceptions to this right also exist. For example, police officers, pursuant to a valid search warrant, can lawfully enter private property despite the owner's objection, in pursuit of a criminal and pursuant to a valid arrest warrant. *See* JOHN G. SPRANKLING, UNDERSTANDING PROPERTY LAW § 1.03[B][2], at 5 (2000). Additionally, anti-discrimination laws prohibit discrimination on the basis of race, color, religion, sex, familial status or national origin in the sale or rental of housing. *See generally* 42 U.S.C. §§ 3601-3619 (1994) (explaining purpose of the Fair Housing Act).

[55] *See* Julie S. Turner, *The Nonmanufacturing Patent Owner: Toward a Theory of Efficient Infringement*, 86 CAL. L. REV. 179, 196-98 (1998) (discussing liability- and property-based rules); *see generally* Guido Calabresi & A. Douglas Melamed, *Property Rules, Liability Rules, and Inalienability: One View of the Cathedral*, 85 HARV. L. REV. 1089 (1972) (discussing property and liability rules).

theory can be successfully pursued.[56] In contrast, a property-based legal theory allows legal recourse even in the absence of an economic injury. The focus of such a theory is on protection of a particular property right such as the right to exclude unwanted parties from your real property.[57]

The underlying policy reasons for the protection of real property and tangible personal property apply with equal vigor to certain types of intellectual property.[58]

B. Intellectual Property as Private Property

Assets utilized by both individuals and businesses include intangible information as well as tangible assets and real property.[59] Such intangible information, generally referred to as intellectual property, has economic value in the marketplace in the same way

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[56] For example, in a successful breach of contract action evidence of economic injury flowing directly from the contract breach is usually demonstrated. If there is no showing of economic injury the result is an award of only nominal damages that is usually either six cents or a dollar. *See* JOHN D. CALAMARI & JOSEPH M. PERILLO, CONTRACTS § 14-2, at 558-89 (3d ed. 1987). Likewise, in a tort action based on a negligence theory an injury causally related to the negligent act is a necessary element of the prima facie case. *See* W. PAGE KEETON, ET AL, PROSSER AND KEETON ON TORTS § 30, at 164-65 (5th ed. 1984).

[57] A trespass action is a property-based theory. An unwanted invasion of real property is actionable by the property owner without regard to whether any quantifiable injury flowed from the invasion. The mere violation of the owner's right to decide whom to exclude from her property is the basis of the action. *See* Kaiser Aetna v. United States, 444 U.S. 164, 176 (1979) (noting that "one of the most essential sticks in the bundle of rights that are commonly characterized as property [is] the right to exclude others.") Typically, in the absence of an economic injury a successful trespass action will lead to an award of nominal damages, and, if appropriate, injunctive relief barring any future trespasses. *See* STOEBUCK & WHITMAN, *supra* note 53, § 7.1, at 411 (explaining that intentional entry onto another's property without permission is wrongful and therefore a trespass). *See also* James Burrough Ltd. v. Sign of the Beefeater, Inc., 540 F.2d 266, 275-76 (7th Cir. 1976) (economic damages not required to succeed in trademark infringement action.); Jacque v. Steenberg Homes, Inc., 563 N.W. 2d 154 (Wis. 1997) (concluding award of $100,000 in punitive damages appropriate for intentional trespass despite lack of economic damages). This suggests that trademarks are viewed as property protected by property-based rules. The federal trademark law also provides broad remedies, including injunctive relief, which is consistent with a property-based rule. *See also* 15 U.S.C. §§ 1114, 1117, 1118; *College Sav. Bank*, 527 U.S. at 673 (noting trademarks are property).

[58] *See generally* POSNER, *supra* note 34, § 3.3, at 38 (economists apply same rationale for protection of tangible property to protection of intellectual property).

[59] Intellectual property is typically classified as intangible personal property in contrast to real property and tangible personal property. *See* SPRANKLING, *supra* note 54, § 1.04[C][2], at 9. *See, e.g.*, 35 U.S.C. § 261 (finding that patents are treated as personal property); *College Sav. Bank*, 527 U.S. at 673 (stating that trademarks are property).

that tangible assets and real property have economic value.[60] The economic value placed on intellectual property is evidenced by the increasing use of such property to generate revenue.[61] Intellectual property is used as security for borrowed capital;[62] a substantial amount of investment dollars flowing into enterprises is based on companies' ownership of intellectual property; and an increasing amount of money is spent in order to obtain patent protection for a corporation's intellectual property.[63]

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[60] The value of intellectual property accounts for two-thirds of the market valuation of U.S. corporations. *See* Jenna Greene, *Patent Office at Center Stage*, THE NAT'L L.J., Jan. 15, 2001, at B8. Major assets of many companies today consist of intellectual property. *See* Lars S. Smith, *Trade Secrets in Commercial Transactions and Bankruptcy*, 40 IDEA 549 (2000) ("[M]ajor assets of many corporations exist in the form of patents, copyrights, trademarks, and trade secrets . . ."); *see also* Margaret Cronin Fisk, *Patent Victories Reflect 2000 Trend*, THE NAT'L L.J., Feb. 19, 2001, at A1 (jury awards increased substantially during 2000, but the largest increase occurred in intellectual property cases). *See generally* Gardiner Harris, *Judge Permits Cheap Knockoff of Bristol Drug*, WALL ST. J., Mar. 14, 2001, at B1 (stating that patents can significantly effect profits); Joseph A. Slobodzian, *Patent Challenges Are Key to Generics*, THE NAT'L L.J., Feb. 12, 2001, at B10 (discussing how successful suit by generic drug maker challenging Eli Lilly & Co. patent on Prozac caused generic drug maker stock to rise 68% with corresponding 30% decline in Eli Lilly & Co. stock).

[61] *See* Hayden R. Brainard, *Survey and Study of Technology Development and Transfer Needs in New York*, 9 ALB. L.J. SCI. & TECH. 423, 433-34 (1999) (businesses and universities view intellectual property as potential revenue source).

[62] *See* Shawn K. Baldwin, *"To Promote the Progress of Science and Useful Arts": A Role for Federal Regulation of Intellectual Property as Collateral*, 143 U. PA. L. REV. 1701, 1730 (1995) ("a company or individual must often offer intellectual property as security in order to obtain financing"); *see also* Aimee A. Watterberg, *Perfecting a Security Interest in Computer Software Copyrights: Getting it Right*, 15 J. MARSHALL J. COMPUTER & INFO. L. 855, 858 (1997) (intellectual property has been used as collateral to raise money in the past by famous inventors such as Thomas Edison).

[63] *See* Mark A. Lemley, *Reconceiving Patents in the Age of Venture Capital*, 4 J. SMALL & EMERGING BUS. L. 137, 138 (2000) (noting the significant increase in the number of patents being obtained); Under Secretary Dickinson's Address to the ABA Section of Intellectual Property Law, Summer Conference Boston, Massachusetts, Section of Intellectual Property Law, (June 23, 2000), 1 USPTO TODAY 49, 54-55, June-July 2000, at 13 (noting that Patent & Trademark Office workload up almost 70% since start of Clinton-Gore presidential administration due to large increase in invention and innovation). Many Internet companies have obtained patents on their new methods of doing business; *See, e.g.*, U.S. Patent No. 5,960,411 (issued Sept. 28, 1999) entitled "Method and system for placing a purchase order via a communications network" (patent owned by Amazon.com); U.S. Patent No. 6,102,406 (issued Aug. 15, 2000) entitled "Internet-based advertising scheme employing scavenger hunt metaphor." Additionally, traditional businesses continue to rely on patent protection to provide a marketplace advantage. For example, IBM was awarded 2,886 U.S. patents in 2000. *See* INVESTOR'S BUSINESS DAILY, Jan. 11, 2001, 8A, at 2; in 1993, Texas Instruments earned over $500 million from licensing patented technology. *See* TURNER, *supra* note 55, at 200 n.84. Some enterprises are even using patent licensing as a source of revenue in lieu of actually making and selling the patented

Recognition of the need for protection of intellectual property is not new.[64] The Constitution grants to Congress the power "[t]o 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."[65] This enabling language of the Constitution is the basis of the federal patent and copyright laws.[66] Although these laws have existed for a long time, recently there seems to be increased public awareness of this body of law.[67] One reason may be the increased commercial importance of intellectual property for business enterprises.[68] As a result, the number of enterprises seeking and relying on patent and copyright protection has increased.[69] Another reason for this heightened awareness is the media's insatiable quest for stories about enterprises conducting business on the Internet.[70] Because some companies may even have intellectual property whose value dwarfs the value of their

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invention. *See generally* Antonio Regalado, *Tiny Company Wields Patents Against Giants*, WALL ST. J., Mar. 9, 2001, at B1.

[64] *See* ROBERT P. MERGES, PATENT LAW AND POLICY 1-13 (2d ed. 1997) (brief overview of history of patent law); PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES 219-21, 552-53 (4th ed. 1997) (giving a brief overview of history of trademark and copyright law). Trade secret law used as early as the 1300's. *See* F.D. Prager, *The Early Growth and Influence of Intellectual Property*, 34 J. PAT. OFF. SOC'Y 106, 120-21 (1952). *See generally* F.D. Prager, *A History of Intellectual Property from 1545 to 1787*, 26 J. PAT. OFF. SOC'Y 711 (1944).

[65] U.S. CONST. art. I, § 8, cl. 8.

[66] *See* DONALD S. CHISUM & MICHAEL A. JACOBS, WORLD INTELLECTUAL PROPERTY GUIDEBOOK § I, at 1-8 (1992) (finding that this Constitutional clause, often called "patent-copyright clause," gives Congress power to enact patent and copyright laws).

[67] The first known patent system existed in Venice in the mid-fifteenth century. The first federal patent law and copyright law were enacted in the U.S. in 1790. *See* GOLDSTEIN, *supra* note 64, at 552.

[68] *See generally* Thomas & Betts Corp. v. Panduit Corp., 108 F. Supp. 2d 976, 988 (N.D. Ill. 2000) (noting importance of strong intellectual property laws to protect business investment and economy).

[69] This increased reliance on intellectual property has led Congress to grant increased protection for such property under the criminal law. *See, e.g.*, 8 U.S.C. § 1832 (criminal sanctions for theft of trade secret); *id*. § 2320 (providing criminal sanctions for trademark counterfeiting); *id.* § 2319 (criminal infringement of copyright). The increased focus on the need to protect intellectual property is also the result of increased counterfeiting of legitimate consumer goods. It is estimated that sales of counterfeit goods, often with fake trademarks, reached $2 billion annually last year. *See Can You Spot the Fake?*, WALL ST. J., Feb. 16, 2001, at W1.

[70] Internet commerce currently generates over three hundred billion dollars in annual revenue. *See* Sandra Szczerbicki, *Comment*, *The Shakedown on State Street*, 79 OR. L. REV. 253, 254 (2000). Internet commerce is expected to grow to over one trillion dollars by 2002. *Id.* at 254 n.6.

physical assets,[71] media coverage of such intellectual property is inevitable.[72] Infringement suits brought by patent owners are also more likely in light of the judicially recognized strength of patent law.[73] Regardless of the cause, the result has been an increase in public knowledge.[74]

Business enterprises and individuals are doing the same things with intellectual property as they have always done, and continue to do, with real property and tangible personal property.[75] All types of private property are typically used to generate revenue.[76] The reliance on intellectual property to obtain an advantageous position in a competitive marketplace is analogous to a real estate investor who acquires a key parcel of real estate needed to complete a large commercial development. The types of assets used by an enterprise do not alter the underlying goal of relying on such assets to maximize revenue generation. Hence, the reliance on intellectual property to obtain an advantageous marketplace position merely represents a shift to increased reliance on a different type of asset and

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[71] *See* Lee G. Meyer, *Intellectual Property in Today's Financing Market*, 2000 ABI JNL. LEXIS 34, *20 (2000) (intellectual property often most valuable asset of modern enterprise).

[72] Interestingly, many new start-up enterprises—especially Internet companies—have few assets other than intellectual property. Additionally, established old-line businesses often have extensive intellectual property portfolios. Such portfolios can contribute to the under valuation of a publicly traded company's shares because under generally accepted accounting principles patents will typically be listed on a company's balance sheet at historical cost, thus misstating the true market value of a patent. *See* Mohammad S. Rahman, *Patent Valuation: Impacts on Damages*, 6 U. BALT. INTELL. PROP. L.J. 145, 149 (1998).

[73] Prior to 1982, U.S. Courts of Appeals applied different standards in evaluating patents. In 1982, Congress created the U.S. Court of Appeals for the Federal Circuit which was given exclusivity over patent appeals. This court has unified and strengthened patent standards. Consequently, a patent is more likely to be found valid today; obtaining injunctive relief against infringement is now easier and monetary damages for infringement have increased substantially. *See* MERGES, *supra* note 64, at 383.

[74] *See* Lemley, *supra* note 63.

[75] Despite the current media focus on intellectual property, business reliance on such property is not new. Business enterprises have relied on patented technology since the first United States patent law was enacted by Congress in 1790. *See* GOLDSTEIN, *supra* note 64.

[76] *See, e.g.*, Brooks Barnes, *Bombshell Photos for EBay*, WALL ST. J., Feb. 22, 2001, at B1 (outtake photos from photo shoot of Marilyn Monroe and her signed model release form to be auctioned on-line); Nathan Koppel, *Productize This! Recycling Briefs and Memos for Resale on the Web May Enrich a Vendor or Two, but Does it Make Sense for Law Firms?*, THE AM. LAWYER, Feb. 5, 2001, at 1 (noting that some firms are selling intellectual property of law firms in form of old briefs, memos, etc.).

is not a new phenomenon.[77]

The ability of a commercial enterprise to rely on intellectual property improves marketplace efficiency.[78] This is especially true when coupled with the electronic interconnection of the world via the Internet.[79] Traditional "bricks and mortar" entities have a natural advantage over new competitors due to the financial barriers to entry. A competitor must have sufficient capital to plan and construct a physical enterprise. Additionally, she must have capital to engage in the expensive task of marketing and advertising her enterprise.[80] Such capital investment entails a level of risk. If the ratio of risk to investment is too high in a particular market sector, an enterprise may choose to shift its capital to a different arena.[81] In contrast, an enterprise can create a virtual presence in cyberspace with limited resources.[82] Once created, the Internet allows over 300 million people throughout the world to access your cyber-enterprise.[83] Additionally, most users navigate the Internet via search engines that

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[77] *See* Meyer, *supra* note 71 (historically value of business based on land ownership; during industrial revolution value of business based on capital goods; today, intellectual property increasingly important with regard to value of business). Both the U.S. Justice Department Antitrust Division and the Federal Trade Commission treat intellectual property rights in the same manner as they treat other property rights pursuant to federal antitrust laws. *See* VON KALINOWSKI, *supra* note 39, § 1.04 [f], at 1-13 to 1-14.

[78] In some cases, ownership of intellectual property such as patents can help level the playing field between large and small enterprises. *See* Antonio Regalado, *Tiny Company Wields Patents Against Giants*, WALL ST. J., Mar. 9, 2001, at B1. *See generally* MARGRETH BARRETT, INTELLECTUAL PROPERTY—CASES AND MATERIAL 2 (1995) (facilitating marketplace competition is main purpose of intellectual property law).

[79] *See infra* note 83 and accompanying text.

[80] *See generally* AREEDA & KAPLOW, *supra* note 50, ¶ 115, at 22 (capital requirements can be barrier to market entry).

[81] *See generally* GARDINER C. MEANS, PRICING POWER & THE PUBLIC INTEREST 176-77 (1976) (capital moves to activities which provide highest rate of return).

[82] A business enterprise can create a place on the Internet for a very small investment. A domain name (essentially an Internet address) can be obtained for a small fee. An Internet Service Provider can host the domain name for a modest monthly fee which may include processing on-line credit card orders. Finally, a web page can be created by the business owner utilizing inexpensive off-the-shelf software; alternatively, she can hire an independent web designer to create the web page. Essentially, for a few thousand dollars, an independent designer can create a basic web page. Consequently, a business can be created on the Internet that can reach hundreds of millions of people throughout the world for a relatively small fee. Of course, there is no limit on the amount of money that can be spent on designing a web page. Some companies spend millions of dollars creating their web pages. *See* Szczerbicki, *supra* note 70, at 253, 280.

[83] *See* Gavin Skok, *Establishing a Legitimate Expectation of Privacy in Clickstream Data*, 6 MICH. TELECOMM. & TECH. L. REV. 61, 63 (2000). It is estimated that the number of Internet users could reach one billion within the next two years. *Id.* at 70.

scour cyberspace looking for specific words or phrases.[84] As a result, despite a lack of marketing, many potential customers will find the cyber-business with the help of a search engine. The minimal economic barriers to entry into the cyber-business world attract new competitors.[85] Furthermore, the shift over the last century from a local to a global economy has made people more accustomed to doing business via the Internet. This is a positive result for a capitalistic economic system because an increased number of competitors coupled with more consumers enable the marketplace to act more efficiently.[86] Increased competition encourages enterprises to strive for efficiency in order to maximize net profit revenue while maintaining the lowest prices possible. Additionally, this encourages innovation both to reduce costs and to enable a competitor to

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[84] For example, Yahoo, Altavista, Webcrawler, Excite!, Lycos, Search.com and Ask Jeeves are some of the search engines available on the Internet. *See ACLU*, 31 F. Supp. 2d at 484. Some of these search engine companies engage in their own substantial marketing and advertising efforts which encourages and increases consumer use of their search engine. This ultimately benefits the small cyber-business with limited funds for marketing and advertising since the increased use of search engines increases their exposure and thus the likelihood they will be seen by potential customers.

[85] *See id.* at 486 (noting the explosive growth of Internet commerce due to low entry barriers coupled with global market).

[86] Although theoretically true, this broad statement must be qualified. Under certain conditions, economies of scale allow a larger enterprise to have greater efficiency than a smaller enterprise. Consequently, some markets may be more efficient if a small number of large producers exist in lieu of a highly fragmented market comprised of numerous small enterprises. On the other hand, a mix of large and small enterprises may be the most efficient in some markets. Ultimately, the mix of enterprises that results in the most efficient market depends upon many factors. *See* HERBERT HOVENKAMP, ECONOMICS AND FEDERAL ANTITRUST LAW § 1.1, at 13-14, § 1.4, at 24-31 (1985); *see also* E. THOMAS SULLIVAN & JEFFREY L. HARRISON, III, UNDERSTANDING ANTITRUST AND ITS ECONOMIC IMPLICATIONS § 2.04, at 25-26 (3d ed. 1998). For example, large enterprises usually can acquire capital at lower costs than smaller enterprises. This would give a large enterprise a significant advantage in a highly capital-intensive business. Conversely, in some markets, such as consumer products, small entities can effectively compete against larger well-known enterprises by "free-riding" on the well-known status of the large enterprise. For example, generic drugs and other off-brand products often use comparative wording on their packages to compete with well-known products produced by large enterprises. Such products are also often displayed adjacent to well-known products that they compete against. Some supermarkets charge the makers of well-known brands slotting fees to insure choice shelf space for their products in order to reduce the effects of "free-riders." The "free-riders" have neither the research and development costs nor the extensive advertising costs that the well-known products have. Consequently, they may have a significant cost advantage over the larger enterprise even if the larger enterprise is more efficiently operated. *See* Gen. Leaseways, Inc. v. Nat'l Truck Leasing Ass'n, 744 F.2d 588, 592-93 (7th Cir. 1984).

differentiate itself in the marketplace.[87]

III. FREEDOM OF SPEECH AND INTELLECTUAL PROPERTY RIGHTS: A CONFLICT?

Intellectual property comprises information or ideas which typically generate market value.[88] Under the traditional property doctrine as applied to intellectual property, the owner is entitled to control any unauthorized use of such property.[89] Typically,

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[87] In light of the fact that intellectual property is used for the same commercial goals as real property and tangible personal property, one might question why separate bodies of law exist to protect intellectual property. *See, e.g.*, 17 U.S.C. §§ 101–332; 35 U.S.C. §§ 1–376; UNIF. TRADE SECRETS ACT, 14 U.L.A. 433 (West 1990) (adopted by majority of jurisdictions). Arguably, such separate bodies of law do not exist to provide additional protection to intellectual property. Rather they exist to address the inadequacies that arise from the application of conventional common law property protection to intellectual property because of the unique characteristics of intellectual property. The common law has certain underlying goals; namely, to provide a property owner with the exclusive right to possess, use and transfer her property. Unlike real property and tangible personal property, intellectual property can be possessed and used simultaneously by multiple parties or entities. Additionally, the amorphous nature of intellectual property makes it difficult to determine who created the property and to regulate property transfers.

[88] An enterprise can use intellectual property in the form of inventions, trade secrets, or technological know-how to create products that can be sold in the marketplace. Sometimes such intellectual property can provide economic advantages that enhance the competitive position of the property owner. Intellectual property can also be sold or licensed to others who use it to create products for the marketplace. Additionally, venture capital firms can bring together inventors who often lack adequate capital to develop and market the invention, with investors who are seeking to make equity investments in new business enterprises in the hopes of achieving above market returns.

[89] Typically, the recognition of real or personal property rights allows the property owner to control possession and use of her property. Further, she has the right to transfer or refuse to transfer her property or any rights in her property. *See Moore*, 271 Cal. Rptr. at 176 (Mosk, J., dissenting) (arguing that property rights include right to possession and use of property, right to exclude others from property and right to transfer property). The owners of intellectual property typically have the same rights with regard to their intellectual property. For example, patent law provides that a patent owner has the exclusive right, during the patent term, to prohibit others from making, using, offering for sale, or selling the patented invention. *See* 35 U.S.C. § 271(a) (1994). Additionally, such patent rights have been judicially interpreted to allow the patent owner to suppress the invention; to grant licenses limited in time or in geographic area; or to limit only certain rights such as the right to sell or use the invention. *See* Ernest S. Meyers & Seymour D. Lewis, *The Patent "Franchise" and the Antitrust Law*, 30 GEO. L.J. 117, 120 (1941); *see also* Special Equip. v. Coe, 324 U.S. 370, 378-79 (1945) (holding that a patent owner is not required to use or license patent). Granting such rights to intellectual property owners supports the idea that intellectual property rights are property rights. The patent law exclusively recognizes this when it states "patents shall have the attributes of personal property." *See* 35 U.S.C. § 261

injunctive relief is an appropriate remedy; it preserves the ability of the property owner to maintain control over her property. Also, like land, intellectual property is often unique,[90] making it difficult to quantify economic damages resulting from unauthorized use.[91] Hence, injunctive relief may be an appropriate remedy to protect intellectual property just as it protects real property.[92]

(1994). *But see Special Equip.*, 324 U.S. at 381-82 (Douglas, J., dissenting) (arguing that the law should not allow patent owners to suppress patented invention because it is not merely another type of private property).

Nevertheless, it is the ability to exclusively control intellectual property that is often the basis for criticism of intellectual property laws. Critics argue that granting exclusive rights to control intellectual property, pursuant to patent or copyright law, for example, amounts to a monopoly on information. However, this view represents a fundamental misunderstanding of monopolies. Typically, the law does not find monopolies objectionable; a company that provides a superior product may exercise a monopoly over its production and sale. *See* United States v. Aluminum Co. of Am., 148 F.2d 416 (2d Cir. 1945). Likewise, the Sherman Act does not prohibit the existence of a monopoly. 15 U.S.C. § 1 (1944). In contrast, it forbids *monopolizing*, which is generally defined as: (1) the possession of monopoly power in the relevant market; and (2) the willful acquisition or maintenance of that power. *See* United States v. Grinnell Corp., 384 U.S. 563, 570-71 (1966). Consequently, the exclusive rights granted to intellectual property owners are analogous to the exclusive rights granted to owners of tangible property. In both cases, it is the conduct with regard to how the property is used, rather than the mere ownership of the property that can be potentially anti-competitive. Additionally, the objectionable conduct of monopolizing requires the existence of monopoly power. Typically, this is defined as the ability to control price or restrict competition. United States v. E. I. duPont de Nemours & Co., 351 U.S. 377, 389 (1956). The mere ownership of a patent or other intellectual property rights does not automatically grant market power. The existence of competing or analogous products provides a check on market power. *See generally* SULLIVAN & HARRISON, III, *supra* note 86, § 2.03, at 21 (stating that a monopoly exists when "there is one seller of a good for which there is an absence of acceptable substitutes"). For example, if the price of a patented product is too high, consumers will avoid the product in favor of less costly alternative products. Additionally, if few alternative products are available, the existence of the patented product will facilitate competition in an effort to find ways to invent around the patented product. *See* PETER D. ROSENBERG, 3 PATENT LAW FUNDAMENTALS § 16.05, at 16-89 (2d ed. 2000), § 16.05[4], at 16-09 to 16-121 (discussion of interaction of patent rights and section 2 of the Sherman Act which prohibits monopolizing); *see also* U.S. v. Dubilier Condensor Corp., 289 U.S. 178, 186 (1933) ("though often so characterized, a patent is not, accurately speaking, a monopoly"); 35 U.S.C. § 271(d) (stating that unlawful patent misuse can only occur if patent owner has market power).

[90] Typically, things that are novel and original are unique. Patents, one type of intellectual property, require patentable subject matter to be both "novel" and "original." *See* 35 U.S.C. §§ 101 (novelty requirement) & 102(f) (originality requirement) (1994). Likewise, copyrightable subject matter must be "original." *See* 17 U.S.C. § 102(a) (1994).

[91] *See, e.g.*, GOLLIN, *supra* note 40, at 200-01 (damages for trade secret misappropriation difficult to establish).

[92] Although only monetary damages, rather than injunctive relief, is the typical remedy for breach of contract, injunctive relief in the form of specific performance is the usual remedy for breach of a contract for the sale of real estate. The classic justification for this is

The goal of injunctive relief is to restrict dissemination of intellectual property. However, intellectual property comprises information and ideas; any restriction on dissemination may be in conflict with the underlying thrust of the First Amendment, which seeks to prohibit restrictions on speech. This raises a fundamental

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that land is unique. *See* CALAMARI & PERILLO, *supra* note 56, § 16-2, at 662-63.

conflict based on the question of whether intellectual property should be treated as property or as speech.[93]

This question cannot be resolved simply by attempting to ascertain whether intellectual property is in fact within the domain of property as that term is generally understood.[94] Case law has held that intellectual property is within the traditional definition of property in certain contexts.[95] Nevertheless, concluding that something is property does not end the analysis. Likewise, concluding that speech is involved does not automatically trigger the full weight of the First Amendment freedom of speech guarantees. Instead, a balance must be struck between protecting private property and free speech rights when both interests are simultaneously involved.[96]

Any mature legal system recognizes that rights, including property or free speech rights, cannot be absolute.[97] Situations always exist,

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[93] In *Ford Motor Co. v. Lane*, 67 F. Supp. 2d 745, 746 (E.D. Mich. 1999), Judge Edmunds stated that the decision whether to issue a preliminary injunction enjoining an unauthorized third party from releasing alleged trade secrets on the Internet created "a clash between our commitment to the freedom of speech and the press, and our dedication to the protection of commercial innovation and intellectual property."

[94] "Property is more than the physical thing—it involves the group of rights inherent in a citizen's relation to the physical thing. Traditionally, that group of rights has included the rights to possess, use, and dispose of property." Alevizos v. Metropolitan Airports Comm'n of Minneapolis & St. Paul, 216 N.W. 2d 651, 661 (Minn. 1974). *See generally* RESTATEMENT (FIRST) OF PROPERTY, Ch. 1, Introduction, at 3 (1936) (discussing how property law provides a framework and rules regarding the legal relationship between persons and things).

[95] *See* Ruckelshaus v. Monsanto Co., 467 U.S. 986, 1003-04 (1984) (holding that trade secrets constitute a property right under Fifth Amendment Takings clause); Consolidated Fruit-Jar Co. v. Wright, 94 U.S. 92, 96 (1876) ("A patent for an invention is as much property as a patent for land. The right rests on the same foundation and is surrounded and protected by the same sanctions."); Patlex Corp. v. Mossinghoff, 758 F.2d 594, 599 (Fed. Cir. 1985) (noting "beyond reasonable debate that patents are property"). *See generally* Yuba River Power Co. v. Nevada Irrigation Dist., 279 P. 128, 129 (Cal. 1929) (stating that property interests can exist in any right and interest which a person can use and transfer, and which has economic value). *See also* Richard A. Epstein, *Property, Speech, and the Politics of Distrust*, 59 U. CHI. L. REV. 41, 61-62 (1992) (arguing property under the Fifth Amendment should be broadly construed to cover all property, including intellectual property).

[96] *See* Universal City Studios, Inc. v. Reimerdes, 82 F. Supp. 2d 211, 221 (S.D.N.Y. 2000) (noting that courts balance public interest in speech restriction against public interest in type of speech involved when evaluating the issue of constitutionality). In Dallas Cowboys Cheerleaders, Inc. v. Scoreboard Posters, Inc., 600 F.2d 1184, 1188 (5th Cir. 1979), the Court stated that "[t]he First Amendment is not a license to trammel on legally recognized rights of intellectual property." The Court also stated that "[t]he judgment of the Constitution is that free expression is enriched by protecting the creations of authors from exploitation by others. . . ." *Id*. at 1187.

[97] Additionally, it is useful to note that the classification of something as "property" or

where a particular right, no matter how important, must give way to a competing concern.[98] In fact, almost all legal rules represent a balance of several competing underlying policies.[99] In the case of freedom of speech rights under the First Amendment, some academics and judicial opinions have opined that such rights should remain unfettered.[100] Nevertheless, the Supreme Court has rejected this absolutist view and recognized speech restrictions in appropriate situations.[101] Typically, these restrictions are viewed as exceptions,

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as "speech" is a policy-based determination. *See* Whaley v. County of Tuscola, 58 F.3d 1111 (6th Cir. 1995) (finding that body tissue constitutes property). However, not everything that exhibits the traditional aspects of property is deemed property by the law. *See Moore*, 51 Cal. 3d 120 (holding that body tissues not property because of potential negative effects on medical research); *see also* Roth v. United States, 354 U.S. 476, 485 (1957) (stating that obscenity is not protected by First Amendment). *See generally* Deborah Meigs Bibbins, *The Goal of Imperfection: Babbitt v. Sweet Home and the Necessity of Imperfect Property Rights*, 29 CONN. L. REV. 919 (1997) (noting that historically, property rights have not been exclusive or absolute).

[98] *See Moore*, 51 Cal. 3d at 165-66, nn.6-11. For example, private property rights are limited pursuant to nuisance law which can prohibit a property owner from engaging in legal behavior on her property when such activity has an unreasonable effect on adjoining land or on the public in general. Additionally, zoning laws routinely provide limits on the use of property. *See supra* note 52.

[99] *See, e.g.*, Faun M. Phillipson, *Fairness of Contract vs. Freedom of Contract: The Problematic Nature of Contractual Obligation in Premarital Agreements*, 5 CARDOZO WOMEN'S L.J. 79, 82-83 (1998) ("tension between the competing policies of freedom of contract and the rules implemented to insure fair dealing and procedural fairness in creating agreements is the most problematic issue surrounding the enforceability of premarital agreements"); Brandon Edward Mary, *James v. Illinois – The Impeachment Exception to the Exclusionary Rule: Here Today . . .*, 40 CATH. U. L. REV. 681, 687 n.53 (1991) (underlying policies of exclusionary rule in evidence law must be balanced against competing policies); HENRY H. PERRITT, JR., TRADE SECRETS—A PRACTITIONER'S GUIDE 34-35 (1994) (noting that the goal of recognizing intellectual property is based on furthering public dissemination of knowledge, but accomplishment of that goal requires granting property rights to innovations which inherently restrict dissemination). *See also* MCCARTHY, *supra* note 5, § 1:3, at 1-7 (stating that the U.S. economic system is best explained as regulated competition representing compromise between socialism and laissez faire system); Zippo Manufacturing Co. v. Rogers Imports, Inc., 216 F. Supp. 670, 694-95 (S.D.N.Y. 1963) (stating that unfair competition law is based on several competing policies including preventing consumer confusion, promoting competition and preventing misappropriation of benefits created by one party).

[100] *See* Smith v. California, 361 U.S. 147, 155 (1959) (Black, J., concurring); Hugo L. Black, *The Bill of Rights*, 35 N.Y.U. L. REV. 865, 867, 874 (1960). Similar arguments about the absolute nature of private property rights have been advanced. Additionally, the proponents of such absolute property rights have succeeded in passing legislation designed to strengthen private property rights in real property. *See* Bibbins, *supra* note 97, at 925. This absolutist view of property rights is one of the causes of the dispute between environmentalists and private real property owners. *See id.* at 923.

[101] *See* Konigsberg v. State Bar of Cal., 366 U.S. 36, 49 (1961) (First Amendment does not provide absolute freedom of speech rights). *See also* ERWIN CHEMERINSKY, CONSTITUTIONAL LAW—PRINCIPLES AND POLICIES § 11.1.2, at 750 (1997). *See*

limited to tightly defined categories. Generally, "prior restraints"[102] have been found so abhorrent to freedom of speech that they are rarely allowed.[103] If the speech involved is harmful, for example, because it is libelous, the remedy is an action for damages after the fact rather than restricting dissemination of the speech.[104]

Despite the general judicial dislike for prior restraints, in the area of intellectual property law, preliminary relief, in the form of temporary restraining orders and preliminary injunctions, is often granted to protect intellectual property.[105] In some cases, the owner of the intellectual property may even obtain preliminary relief ex parte.[106] It has been asserted, although rarely successfully, that such preliminary relief is a prior restraint on speech when a third party is barred from publicly disclosing intellectual property.[107]

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also Knights of Ku Klux Klan, 807 F. Supp. at 1433 (stating that rather than treating First Amendment rights as absolute, Supreme Court has subordinated such rights to other societal interests in some situations); *Dunagin*, 489 F. Supp. at 769 (finding that "freedom of speech is not absolute"). Speech in the workplace environment can sometimes amount to illegal sexual harassment. Nevertheless, the Supreme Court has been aware of the need to balance free speech rights with an employee's right to a workplace free of sexual harassment. *See generally* Clark County School Dist. v. Breeden, 532 U.S. 268 (2001), *rehearing denied*, 121 S. Ct. 2264, and Faragher v. City of Boca Raton, 524 U.S. 775 (1988).

[102] *See* SHAUER, *supra* note 7, at 148-85.

[103] *Id*. at 131-35 (prior restraints are generally impermissible in the U.S. absent the satisfaction of an almost insurmountable burden). *But see* ROTUNDA & NOWAK, *supra* note 25, at 732 (stating that obscenity is one of the few areas where prior restraints are allowed).

[104] *See* Lothschuetz v. Carpenter, 898 F.2d 1200, 1206 (6th Cir. 1990); Kisser v. Coalition for Religious Freedom, 1996 U.S. Dist. LEXIS 3906, at *3 (N.D. Ill. 1996).

[105] *See* Lemley & Volokh, *supra* note 8, at 158-59 (stating courts more likely to grant preliminary injunction in copyright cases than in other cases). Additionally, preliminary relief is commonly used in trade secret misappropriation cases. *See id.* at 229. Injunctions are statutorily recognized remedies for protecting intellectual property. *See* UNIF. TRADE SECRETS ACT § 2 (1985), 14 U.L.A. 433, 449 (1990) (injunctions available to remedy trade secret misappropriation); 15 U.S.C. § 1116 (1994) (injunctions available under Lanham Act to protect trademarks); 17 U.S.C. § 502 (injunctions available to protect rights under copyright law); 35 U.S.C. § 283 (1994) (injunctions available to protect rights under patent law); 18 U.S.C. § 1836(a) (federal government can obtain injunctive relief under Economic Espionage Act to protect trade secrets).

[106] *See* MILGRIM, *supra* note 19, § 14.01[2], at 14-25 (noting that in appropriate cases an ex parte temporary restraining order may be obtained in a trade secret action even if it is possible to provide notice to the defendant).

[107] *See Ford*, 67 F. Supp. 2d at 746; *see also supra* note 19.

IV. PRELIMINARY RELIEF IN JUDICIAL DISPUTE RESOLUTION

A. Background

The United States' legal system is a fault-based system. Although there are exceptions to this rule,[108] typically liability and punishment result from a final adjudication that a legally established standard of conduct has been violated.[109] Nevertheless, the law is responsive to the reality of the marketplace. Therefore, this fault-based theory may be inappropriate in certain contexts.[110] This notion is evidenced by widespread acceptance of preliminary relief in appropriate cases.[111] Issuance of temporary restraining orders and preliminary injunctions occur prior to a court's final determination of the facts and adjudication of the relevant law in a dispute.[112] However, in certain situations such preliminary relief can preserve the status quo until the final decision by the court.[113] Issuance of such relief has the effect of prohibiting actions that may or may not be in violation of the law.[114] The determination of whether the actions enjoined by the preliminary relief are in fact legal is unknown until the court's final decision.

Issuance of a preliminary injunction is typically based on a judicial belief in the likelihood that one party will prevail.[115] Nevertheless, the correctness of that assumption must await a determination

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[108] Common law vicarious liability is not based on fault, but rather on a policy of allocating risk of loss from employee to employer as a cost of doing business. *See* Reed v. House of Decor, Inc., 468 So. 2d 1159, 1162 (La. 1985). *See also* KEETON, ET AL, *supra* note 56, § 70, at 499-501. Under workers' compensation statutes in effect in all states, "[t]he employer is charged with injuries arising out of his business, without regard to any question of his negligence, or that of the injured employee. He is liable for injuries caused by pure unavoidable accident, or by the negligence of the worker." *Id.* § 80 at 573.

[109] *See, e.g.*, KEETON, ET AL, *supra* note 56 (tort liability arises from breach of duty imposed upon individuals by law).

[110] *See, e.g.*, *Reed*, 468 So. 2d 1159.

[111] *See infra* note 368 for test that must be satisfied to obtain a preliminary injunction.

[112] *See* Am. Hosp. Ass'n v. Harris, 625 F.2d 1328, 1330 (7th Cir. 1980) ("purpose of a preliminary injunction is to preserve the status quo pending a final hearing on the merits.").

[113] *See* CMM Cable Rep., Inc. v. Ocean Coast Properties, Inc., 48 F.3d 618, 620 (1st Cir. 1995).

[114] *See generally* Pittsburgh Press Co. v. Pittsburgh Comm'n on Human Relations et al., 413 U.S. 376, 390 (1973) ("The special vice of a prior restraint is that communication will be suppressed . . . before an adequate determination that it is unprotected by the First Amendment.").

[115] *See* Xeta, Inc. v. Atex, Inc., 852 F.2d 1280, 1284 (Fed. Cir. 1988) (likelihood of success threshold issue with regard to granting preliminary relief).

following a complete adjudication of the controversy. Hence, a party in a judicial dispute may be enjoined from engaging in lawful conduct during the trial if ultimately the court finds the conduct at issue is not violative of the law, and therefore dissolves the preliminary relief at the conclusion of the trial.[116]

Despite the fact that preliminary relief may prohibit legal conduct such relief is tolerated to avoid the irreparable injury that might occur during the course of a legal determination if the status quo is not preserved.[117] This problem is exacerbated by the glacial speed at which courts often operate. In some cases, absent the availability of preliminary relief, the time it takes a court to render a decision may result in significant harm to a party in a dispute such that no available remedy at the end of the trial will fully compensate the injured party.

Arguably, declaratory judgment actions[118] serve a similar function. Here, a court can render a decision before action resulting in harm has occurred; reaching a determination before significant injury results is economically efficient.[119]

The consequences caused by the time delay in judicial evaluation of conduct may be unacceptable if the conduct is ultimately adjudged unlawful. Prevention of such consequences is simply viewed, in certain circumstances, as outweighing the potential short-term curtailment of lawful conduct. Therefore, in appropriate cases, preliminary relief is a permissible remedy.

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[116] *See generally* Lemley & Volokh, *supra* note 8, at 174 (preliminary relief may enjoin a party from engaging in lawful speech prior to an action on the merits determining that the speech is lawful).

[117] *See* Bd. of Higher Educ. v. Marcus, 63 Misc. 2d 268, 271, 311 N.Y.S.2d 579, 584 (N.Y. Sup. Ct. 1970) (preliminary injunction used to preserve status quo to avoid irreparable injury prior to final judgment).

[118] In re Dewar, 548 P.2d 149, 153-54 (Mont. 1976) (finding declaratory judgment liquidates the uncertainties and controversies which might result in future litigation by defining the rights and duties of the parties.)

[119] This same practical marketplace logic explains the reason why courts issue permanent injunctions after a full adjudication based only on a likelihood of confusion. In trademark infringement actions, a plaintiff need only prove a likelihood of consumer confusion to prevail. *See* 15 U.S.C. § 1114(1)(a) (1994); *see also* Pikle-Rite Co. v. Chicago Pickle Co., 171 F. Supp. 671, 675 (N.D. Ill. 1959). Likewise, certain antitrust actions allow an injunction against future conduct based only on a likelihood of an anticompetitive effect on the marketplace. *See* Clayton Act § 7 (codified at 15 U.S.C. § 18) (1994) (prohibiting mergers if "the effect . . . *may* be substantially to lessen competition, or to *tend* to create a monopoly") (emphasis added).

B. The First Amendment as a Limitation on Preliminary Relief

In light of the judicial acceptance of preliminary relief, should a different result prevail when the conduct being judicially reviewed is speech? When speech is involved an additional policy must be added to the equation. In addition to balancing potential short term curtailment of lawful conduct with the long term consequences of irreparable injury, the court must consider the potential negative effect of a speech restriction. The First Amendment guarantee of free speech is a fundamental right with substantial importance.[120] Consequently, courts generally do not allow preliminary relief that restricts free speech.[121] Any short-term restriction of free speech that might ultimately be adjudicated constitutionally protected speech is unacceptable to a court. Hence, an injunction against speech must await a judicial determination that the speech in constitutionally unprotected; as a result, preliminary relief against speech is rarely allowed. This balancing of interests in favor of speech is generally expressed as the judicial doctrine of "prior restraint."[122]

The application of the prior restraint doctrine in the context of impending disclosure of intellectual property must be evaluated by balancing the underlying policies at issue. Typically, the fear of restricting constitutionally protected speech has led courts to deny preliminary relief for speech under the prior restraint doctrine.[123] Whether this doctrine should apply to use or disclosure of intellectual property depends upon whether any countervailing policy underlying or related to intellectual property outweighs the First Amendment interest protected by the prior restraint doctrine.

In support of this analytical approach, it should be noted that even the Supreme Court has indicated that First Amendment rights are not

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[120] *See supra* note 2 and accompanying text.

[121] *See* Nebraska Press Ass'n v. Stuart, 427 U.S. 539, 559 (1976) (holding that "prior restraints on speech and publication are the most serious and the least tolerable infringement on First Amendment rights."); Gilbert v. National Enquirer, Inc., 51 Cal. Rptr. 2d 91, 96 (Cal. Ct. App. 1996) (stating that prior restraint of defamation is impermissible). *See generally* Near v. Minnesota, 283 U.S. 697 (1931).

[122] *See generally* Lemley & Volokh, *supra* note 8, at 169-78.

[123] Pittsburgh Press Co. v. Pittsburgh Comm'n on Human Relations, 413 U.S. 376, 390 (1973) ("The special vice of a prior restraint is that communication will be suppressed, either directly or by inducing excessive caution in the speaker, before an adequate determination that it is unprotected by the First Amendment.").

absolute.[124] Despite the importance of First Amendment freedom of speech guarantees, the Supreme Court has rejected the argument that they provide the citizenry with an unlimited license to talk.[125] Rather, certain forms of speech are outside the domain of Constitutional protection.[126] For example, the First Amendment does not protect obscenity, [127] fighting words [128] or incitement of illegal activity.[129] Protected speech may fall outside the scope of the First Amendment when it is uttered in certain contexts.[130] Finally, governmental regulatory schemes that incidentally regulate the time, place and manner of public expression in order to serve some legitimate governmental purpose are permissible, provided the schemes do not regulate the content of speech.[131]

Therefore, it should be clear that, due to competing policies, free speech rights may be limited.[132] This limitation underlies the Court's differential treatment of commercial speech in contrast to other types of speech.[133] The question that remains is how to balance the underlying reasons for the protection of intellectual property against the underlying policies for protecting freedom of speech.

This suggested balancing is premised on the belief that law is not decided in a vacuum;[134] nor should law merely represent the

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[124] *See* Bibbins, *supra* note 97, at 925.

[125] *See Konigsberg*, 366 U.S. at 49-50.

[126] *See* CHEMERINSKY, *supra* note 101, § 11.3, at 800-01.

[127] *See Roth*, 354 U.S. 481.

[128] *See* R.A.V. v. City of St. Paul, 505 U.S. 377, 383 (1992) (citing Chaplinsky v. New Hampshire, 315 U.S. 568, 572 (1942)).

[129] *See* CHEMERINSKY, *supra* note 101, § 11.3.2, at 802.

[130] *See* Aguilar v. Avis Rent-A-Car Sys., Inc., 980 P.2d 846, 848 (Cal. 1999) ("remedial injunction prohibiting the continued use of racial epithets in the workplace does not violate the right to freedom of speech if there has been a judicial determination that the use of such epithets will contribute to the continuation of a hostile or abusive work environment and therefore will constitute employment discrimination"). *But see R.A.V.*, 505 U.S. at 377 (holding that criminal hate speech statute is unconstitutional under First Amendment).

[131] *See Konigsberg*, 366 U.S. at 49-51.

[132] *See Knights*, 807 F. Supp. at 1433 (stating that rather than treating First Amendment rights as absolute, the Supreme Court has subordinated such rights to other societal interests in some situations).

[133] Commercial speech that is false or misleading can be regulated and restricted in some cases. *See* Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, 425 U.S. 748, 771-72 (1976). Additionally, the government may be allowed to bar commercial speech related to illegal activity. *See* Bolger v. Youngs Drug Prods. Corp., 463 U.S. 60, 69 (1983). *See generally* Gold Coast Publ'n, Inc. v. Corrigan, 42 F.3d 1336, 1347 (1994) (First Amendment provides less protection for commercial speech than for non-commercial speech).

[134] *See* Portland Residence, Inc. v. Minn. Dept. of Pub. Welfare, 274 N.W.2d 500, 502

application of rules as controlling the outcome of a dispute. For example, saying that the First Amendment protects free speech and therefore, the prior restraint doctrine prohibits issuance of a preliminary injunction barring third-party trade secret disclosure is a one-dimensional analysis.[135] Real law utilizes a multi-dimensional analysis. Competing interests and policies must be identified and balanced.[136] Additionally, there must be an understanding of the need to engage in such a balancing. Justice Cardozo stated:

> [T]he work of deciding cases in accordance with precedents that plainly fit them is a process similar in its nature to that of deciding cases in accordance with a statute. It is a process of search, comparison, and little more. Some judges seldom get beyond that process in any case. Their notion of their duty is to match the colors of the case at hand against the colors of many sample cases spread out upon their desk. The sample nearest in shade supplies the applicable rule. But, of course, no system of living law can be evolved by such a process, and no judge of a high court, worthy of his office, views the function of his place so narrowly.[137]
>
> If that were all there was to our calling, there would be little of intellectual interest about it. The man who had the best card index of the cases would also be the wisest judge. It is when the colors do not match, when the references in the index fail, when there is no decisive

(Minn. 1979).

[135] No document, including the Constitution and its Amendments, can cover all situations because things evolve over time and the drafters could not foresee all the situations to which the Constitution would be applied. Consequently, the general principles embodied in the Constitution and its Amendments must be applied in a constantly changing world. This concept is still applicable today. Joseph Albo, a Spanish Jewish philosopher, stated during the fourteenth century: "It is impossible for the Torah of God to have covered all possible cases that may ever arise, because the new situations that constantly arise in human affairs, in law, and as a result of human enterprise are so manifold that a book cannot encompass them. Therefore, general principles, which the Torah only briefly suggests, were revealed orally to Moses at Sinai, so that . . . [rabbinic] authorities of every generation would use them to derive new laws." *See* MENACHEM ELON ET AL, JEWISH LAW (MISHPAT IVRI): CASES & MATERIALS 6 (1999) (quoting Sefer ha-Ikkarim 3:23).

[136] *See generally supra* note 99.

[137] BENJAMIN CARDOZO, THE NATURE OF THE JUDICIAL PROCESS 20-21 (1921).

precedent, that the serious business of the judge begins.[138]

Consideration must be given to the surrounding facts and circumstances because they can ultimately alter the balance of competing policies in an area of law.[139] Today, the availability of the Internet is often asserted as a ground for radical changes in the law.[140] However, this impulse should be resisted.[141] Throughout history numerous innovations and advances have created more efficient systems to disseminate data. For example, development of the mail system, printing press, telegraph, telephone, radio and television all represent vast improvements in the ability to disseminate information. The Internet is simply the most recent, albeit the most effective, technological advance useful in the dissemination of information.[142]

While the giant technological leap represented by the Internet must be noted, this reality should be kept in perspective. The Internet

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[138] *Id.*

[139] *See generally* Square Construction Co. v. Wash. Metro. Area Transit Auth., 657 F.2d 68, 72 (4th Cir. 1981) (competing policies must be balanced in view of all the facts).

[140] In UMG Recordings, Inc. v. MP3.Com, Inc., 2000 U.S. Dist. Lexis 13293, at *18 (S.D.N.Y. 2000), the Court noted that "[s]ome of the evidence in this case strongly suggests that some companies operating in the area of the Internet may have a misconception that, because their technology is somewhat novel, they are somehow immune from the ordinary application of the laws of the United States, including copyright law. They need to understand that the law's domain knows no such limits." *See* Bruce W. Sanford & Michael J. Lorenger, *Teaching an Old Dog New Tricks: The First Amendment In An Online World*, 28 CONN. L. REV. 1137 (1996) (arguing that existing First Amendment law is not easily applicable to Internet). *See generally* In re Microsoft Corp. Antitrust Litigation, 127 F. Supp. 2d 702, 716 (D. Md. 2001) (stating that determining jurisdiction on the basis of geographic boundaries is archaic in light of Internet).

[141] *See* Playboy Enters., Inc. v. Webbworld, Inc., 991 F. Supp. 543, 561 (N.D. Tex. 1997) (noting that in copyright infringement cases the court should strictly apply intellectual property laws to e-commerce for the public interest). Recent history has demonstrated that some courts have had difficulty applying traditional legal concepts in the face of technological advances. For example, the copyrightability of computer software was initially problematic for courts. Ultimately, the courts realized that software was simply another way of expressing information and therefore that expression was within the domain of copyright law. *See* Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240 (3d Cir. 1983). Additionally, the issue of whether computer software was considered a "good" under Article 2 of the Uniform Commercial Code was initially a disputed issue. Today, software is generally considered a "good." *See* Advent Sys. v. Unisys Corp., 925 F.2d 670, 672 (3d Cir. 1991).

[142] *See* Blumenthal v. Drudge, 992 F. Supp. 44, 49 (D.D.C. 1998) (stating that the Internet enables people to communicate with one another with unprecedented speed and efficiency); State of Florida v. Cohen, 696 So. 2d 435, 439 (Fla. Dist. Ct. App. 1997) (stating that the Internet allows virtually instantaneous worldwide distribution of images).

represents a highly efficient distribution mechanism that allows rapid transfer of information worldwide in a matter of minutes.[143] It is therefore important to remember the fundamental underlying policy considerations that have shaped and developed freedom of speech rights, private property rights and intellectual property law. Although the existence of the Internet may alter the weight given to particular considerations, the underlying policies should be kept in mind.

Arguably, the Internet did not create the need for strong property protection for intellectual property. However, it has exacerbated the problem of unauthorized copying and distribution of intellectual property, which militates in favor of strong private property protection for intellectual property.[144]

V. PROTECTION OF INTELLECTUAL PROPERTY AND THE FIRST AMENDMENT: A BALANCING ACT

Despite the legitimate economic reasons dictating protection of intellectual property,[145] such protection must be balanced against the important rights afforded under the First Amendment. Specifically, the First Amendment provides that "Congress shall make no law . . . abridging the freedom of speech, or of the press. . . ."[146] This part will examine the various bodies of intellectual property law in light of their impact, if any, on freedom of speech.

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[143] *See* David E. Sorkin, *Unsolicited Commercial E-Mail and the Telephone Consumer Protection Act of 1991*, 45 BUFF. L. REV. 1001, 1007 (1997).

[144] *See* Sanford & Lorenger, *supra* note 140, at 1159 (stating that the Internet facilitates unauthorized copying and dissemination of intellectual property). In fact, it is the overall efficiency of the Internet that has caused some enterprises to increase enforcement of their intellectual property rights. For example, the music industry has always been the victim of unauthorized copying of its intellectual property. Nevertheless, this was not a serious problem due to the inability to make large numbers of high quality recordings. Additionally, even if large numbers of copies were made it was expensive and time consuming to engage in widespread distribution of those copies. The Internet, coupled with modern personal computers and readily available software, allows almost perfect copies of music to be easily placed on the Internet for negligible cost. Additionally, such copies can made available worldwide to hundreds of millions of individuals in a matter of minutes. *See* A&M Records v. Napster Inc., 2001 U.S. App. Lexis 1941 (9th Cir. 2001); *see also* Recording Indus. Ass'n of Am. v. Diamond Multimedia Sys. Inc., 180 F.3d 1072 (9th Cir. 1999).

[145] *See* White v. Samsung Elecs. Am., Inc., 989 F.2d 1512, 1513 (9th Cir. 1993) (Kozinski, J., dissenting) ("provides an incentive for investment and innovation").

[146] U.S. CONST. amend. I.

A. Patent Law

Patent law grants a patent owner the exclusive "right to exclude others from making, using, offering for sale, or selling the patented invention throughout the United States or importing the invention into the United States"[147] for a limited time period.[148] Such inventions can be new or improved processes, machines, manufactures or compositions of matter.[149] These invention categories are broadly construed by judicial decision[150] and include methods of doing business.[151]

Nevertheless, a prerequisite to obtaining patent protection is the filing of a patent application with the U.S. Patent and Trademark Office pursuant to an administrative procedure called patent prosecution.[152] The application must fully disclose the invention including how the invention can be constructed and utilized.[153] The disclosure, which typically includes detailed diagrams,[154] must be sufficiently specific so that someone skilled in the relevant field of technology could make and use the invention.[155] If the patent is issued at the end of the prosecution process, the patent application and all documentation created during the administrative proceeding

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[147] 35 U.S.C. § 154(a)(1) (1994). Additionally, an owner of a patented process can extend her patent rights to any products made by the patented process. *Id.* at §154(a)(2).

[148] *Id*. § 154(a)(2) (twenty-year patent term measured from date patent application filed).

[149] *Id*. § 101. "A *process* is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing." Diamond v. Diehr, 450 U.S. 175, 183 (1981) (quoting Cochrane v. Deener, 94 U.S. 780, 788 (1877)). A *machine* is a structure or device distinguished by its mode of operation. *See* Burr v. Duryee, 68 U.S. 531, 570-71 (1863). A *manufacture* is an article produced from raw or prepared materials as a result of giving such materials new forms, qualities or properties. *See* American Fruit Growers v. Brogdex Co., 283 U.S. 1, 11 (1931). A *composition of matter* includes "all compositions of two or more substances and . . . all composite articles, whether they be the results of chemical union, or of mechanical mixture, or whether they be gases, fluids, powders or solids." Diamond v. Chakrabarty, 447 U.S. 303, 308 (1980) (quoting Shell Dev. Co. v. Watson, 149 F. Supp. 279, 280 (D.C. 1957)).

[150] *See* Diamond v. Chakrabarty, 447 U.S. 303, 309 (1980) (stating that patentable subject matter should be broadly construed to include anything made by man).

[151] *See* State St. Bank & Trust Co. v. Signature Fin. Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998).

[152] *See* MARTIN J. ADELMAN, ET AL, CASES AND MATERIALS ON PATENT LAW 708 (1998).

[153] *See* 35 U.S.C. § 112 (1994).

[154] *Id.* § 113.

[155] *Id.* § 112.

becomes available to the public.[156] Additionally, recent legislation makes patent applications, in some cases, available via publication eighteen months after they are filed even if the patent has not yet issued.[157] Such information is freely accessible from the U.S. Patent and Trademark Office because government-granted patent rights are premised on full public disclosure.[158]

The underlying purpose of the patent law is to provide benefits to the public with the creation of new inventions.[159] The patent rights granted to the inventor are merely the incentive to encourage investment of time and resources in inventive activities.[160]

Despite the rights granted pursuant to the patent law, in general the patent law does not conflict with the First Amendment. The patent owner has the right to control the use of the invention.[161] However, anyone is free to reproduce and disseminate any information about the invention including copies of the patent. The invention can be freely and fully reviewed, discussed, described and criticized. The rights granted to the patent owner typically involve the ability of the patent owner to prohibit third-party conduct. Namely, the owner can exclude others from making, using, offering for sale, selling or importing the patented invention.[162] All of these rights primarily prohibit the type of conduct that is normally associated with property ownership and is normally protected by a property-based rule.[163] Consequently, injunctive relief is an appropriate remedy.[164]

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[156] *Id.* § 122 (b)(1)(A). This information is typically called the "file history" or the "prosecution history." *See* Summa v. Energy Conservation Prod., 5 U.S.P.Q.2d (BNA) 1891, 1893 (S.D.N.Y. 1987). Older cases refer to it as the "file wrapper." *See* Autogiro Co. of Am. v. United States, 384 F.2d 391, 398 (Ct. Cl. 1967).

[157] 35 U.S.C. § 122(b)(1)(A) (1999).

[158] *See* Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 480-81 (1974).

[159] *See id.* at 480. *See also* Paulik v. Rizkalla, 760 F.2d 1270, 1276 (Fed. Cir. 1985) ("The reason for the patent system is to encourage innovation and its fruits: new jobs and new industries, new consumer goods and trade benefits."). *See generally* Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 151 (1989) ("[U]ltimate goal of the patent system is to bring new designs and technologies into the public domain through disclosure."); Shaw v. Cooper, 32 U.S. (7 Pet.) 292 (1833) ("[P]atent law was designed for the public benefit.").

[160] Shaw, 32 U.S. (7 Pet.) at 319; *see* also Grant v. Raymond, 31 U.S. (6 Pet.) 218, 241 (1832).

[161] *See supra* note 147 and accompanying text.

[162] *See* 35 U.S.C. §§ 154(a), 271(a) (1994).

[163] *See generally Bonito Boats*, 489 U.S. at 149 (stating that patent law creates property rights).

[164] *See* 35 U.S.C. § 283 (1994) (showing statutory authority for court to grant injunctive

The existence of damages should not be controlling under a property-based action. The invasion of the owner's property rights should be actionable in the same way that a property owner can obtain an injunction against a continuing trespass despite a lack of any demonstrable economic damages.[165] Therefore, use of a preliminary injunction or temporary restraining order to redress alleged patent infringement does not invade the domain of the First Amendment. Hence, a prior restraint concern does not arise.

However, it is possible to argue that some of the conduct proscribed by the patent law includes both a conduct and a speech component. Arguably, prohibiting third parties from making, using, selling or importing a patented invention does not involve speech, but rather deals strictly with conduct. But the patent owner's right to prohibit anyone from offering the invention for sale restricts commercial speech,[166] to some extent, in addition to conduct.[167]

Marketing and advertising clearly involve commercial speech, which the Supreme Court has viewed as within the domain of First Amendment free speech protection. This raises [168] the question of whether offers to sell an invention are limited to legally sufficient contractual offers or are more broadly construed to include marketing and advertising activities.[169] To date, few courts have addressed this issue. One court has stated that a magazine advertisement for an allegedly infringing gun holster was an offer to sell.[170] Additionally, the Court of Appeals for the Federal Circuit

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relief to protect patent owner's rights).

[165] *See generally* STOEBUCK & WHITMAN, *supra* note 53, § 7.1, at 415.

[166] Commercial speech includes speech that proposes a commercial transaction. *See Virginia State Bd. of Pharmacy*, 425 U.S. 748. Commercial speech can also include advertising. *See Bolger*, 463 U.S. at 69.

[167] *See* Agar Corp. v. Multi-Fluid Inc., 45 U.S.P.Q.2d (BNA) 1444, 1450 (S.D. Tex. 1997) (offering to sell patented product became an act of patent infringement on January 1, 1996). *See generally* Lemley & Volokh, *supra* note 8, at 232-37; Robert Ryan Morishita, *Patent Infringement After GATT: What is an Offer to Sell?*, 1997 UTAH L. REV. 905, 916-30 (1997).

[168] *See* Morishita, s*upra* note 167, at 916-27.

[169] Several commentators believe it is unclear whether future judicial opinions will analyze the meaning of "offer to sell" broadly to cover advertising and other promotional activities, or narrowly to only cover an offer that rises to the level of a contractual offer. Nevertheless, these commentators believe a broad interpretation is warranted. *See* Edwin D. Garlepp, *An Analysis of the Patentee's New Exclusive Right to "Offer to Sell"*, 81 J. PAT. & TRADEMARK OFF. SOC'Y, 315, 318-25 (1999); Morishita, *supra* note 167, at 916-27.

[170] *See* DeSantis v. Hafner Creations, Inc., 949 F. Supp. 419, 426 (E.D. Va. 1996); *see also* Lifting Tech., Inc. v. Dixon Indus. Inc., No. CV-96-98-M-CC, 1996 WL 653391, at *3 (D. Mont. Aug. 27, 1996) (stating that magazine advertisement that shows infringing device

held that mailing eight letters to four different companies describing the products for sale and quoting prices was an offer for sale even if the letters did not create a contractual offer.[171] The Court rejected state contract law as controlling, holding that the meaning of offer for sale would be broadly construed.[172] Hence, a patent owner has a statutory right to prohibit certain commercial speech in the form of advertising and marketing activities with regard to a patented invention.

In light of the ability of a patent owner to interfere with commercial speech, should preliminary relief be an appropriate response to a patent infringement action? A third party charged with patent infringement on these grounds will ultimately be an infringer only if the invention offered for sale does in fact infringe the patent owner's invention. In the event the alleged infringing device is held not to infringe at the conclusion of a trial on the merits, any preliminary relief issued at the start of the case will have had the effect of prohibiting lawful speech during the course of the trial. Under traditional prior restraint theory the possibility of barring legally protected speech renders issuance of preliminary relief impermissible.[173] Nevertheless, commercial speech has been held to have less protection than non-commercial speech.[174] Additionally, other limitations on both commercial and non-commercial speech have been upheld.[175] This indicates that the Supreme Court has balanced the underlying policies of the First Amendment against competing considerations in other contexts. In light of these limitations, the important considerations underlying the First Amendment freedom of speech protections must be balanced against the underlying policies of protecting the rights of a patent owner.[176]

Offering a product for sale falls within the category of commercial speech; hence, such speech is subject to at least some degree of

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and provides toll-free number for customers to call to obtain product information constitutes an offer to sell in violation of 35 U.S.C. § 271(a)).

[171] *See* 3D Sys. Inc. v. Aarotech Lab. Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998).

[172] *Id*. at 1379.

[173] *See* Lemley & Volokh, *supra* note 8, at 169-73.

[174] *See* CHEMERINSKY, *supra* note 101, at 800-01.

[175] *See supra* notes 126-131 and accompanying text.

[176] *See* SCHAUER, *supra* note 7, at 131-41 (determining scope of legal principles, including freedom of speech under First Amendment, requires balancing of relevant policies and interests).

regulation.[177] The commercial goal of a third-party offer to sell a patented product is to ultimately receive a commercial gain from such sale. However, the sale of the patented invention is an unlawful act.[178] Consequently, the only purpose of the offer for sale is to further the unlawful act of patent infringement. Little justification exists for protecting such commercial speech.[179]

Nevertheless, whether a particular product or method infringes an issued patent is often unclear. An issued patent contains "claims" which set out the legal metes and bounds of the patented invention.[180] Such claims are written in a highly specialized format which does not always clearly put the public on notice of precisely what is protected by the patent.[181] Patent infringement can turn on the meaning of a single word in a claim.[182] Claims may also be written in a means plus function format, which describes an invention in terms of its function.[183] For example, a claim for an electronic device may be written in a functional format, which describes the function of the various elements of the invention without describing the precise components.[184] Typically, such functional elements are limited to the structural components actually described in the patent specification.[185] However, the claim language may also cover elements that are equivalent to but not mentioned in the specification or claims.[186] Determining whether an element or component is equivalent is often difficult.[187]

Finally, courts may apply the equitable doctrine of equivalents to enlarge the scope of patent claims to cover a competitor's product despite the fact that the product falls beyond the metes and bounds of

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[177] *See generally supra* note 133.

[178] *See* 35 U.S.C. § 271(a) (1994).

[179] *See Bolger*, 463 U.S. at 69 (stating that the government may be allowed to bar commercial speech related to illegal activity).

[180] *See* Corning Glass Works v. Sumitomo Elec. U.S.A., Inc., 868 F.2d 1251, 1257 (Fed. Cir. 1989); *see also* 35 U.S.C. § 112 (1994).

[181] *See generally* MARTIN J. ADELMAN, ET AL, *supra* note 152, at 642-47 (brief overview of patent claims).

[182] *See, e.g.*, Fromson v. Advance Offset Plate, Inc., 720 F.2d 1565, 1569 (Fed. Cir. 1983) (meaning of claim turned on what was meant by the word "reaction").

[183] *See* 35 U.S.C. § 112 (1994).

[184] *See generally* Arrhythmia Research Tech., Inc. v. Corazonix Corp., 958 F.2d 1053, 1060 (Fed. Cir. 1992) (discusses means plus function claiming used in patent for apparatus for analyzing electrocardiographic signals).

[185] *See id.*

[186] *See id.*

[187] *See, e.g.*, Al-Site Corp. v. VSI Int'l, Inc., 174 F.3d 1308 (Fed. Cir. 1999).

the claim at issue.[188] This doctrine, recently upheld by the Supreme Court,[189] conflicts with the notice function of claims by rendering the precise scope of a claim uncertain absent judicial evaluation of a claim.[190] A competitor may therefore have difficulty determining if a product or method infringes a patented invention.

Even if an invention is covered by the patent claims, an alleged infringer is entitled to contest the validity of a patent in an infringement suit.[191] In such an action, a court is free to determine if the patent was properly issued.[192] Hence, any preliminary relief in a patent infringement action restricting offers for sale may also restrict legitimate commercial speech during the course of the infringement litigation. This militates against utilization of such relief except for actions where infringement is clear, such as in the case of intentional infringement.

Additionally, the importance of preserving freedom of speech in a free democratic state[193] suggests that such a right should be protected unless a countervailing legitimate state interest is contravened. The patent law creates private property rights in inventions specifically to benefit the public, which reaps the rewards of inventive activity.[194] Therefore, the fundamental question is whether the denial of preliminary relief in a patent infringement action interferes with the public benefit received from patents. The answer to this question depends largely upon whether infringing activities are fully compensable via remedies available subsequent to a trial on the merits that finds the existence of infringement.

The property interests created by patent law are really economic rights that allow an inventor to reap a monetary reward based on the economic market value of her invention.[195] Consequently, any loss

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[188] *See* Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 234 F.3d 558, 564 (Fed. Cir. 2000) (brief discussion of doctrine), *cert. granted*, 121 S. Ct. 2519 (2001); *see also* Graver Tank & Mfg. Co. v. Linde Air Prods. Co., 339 U.S. 605, 608-10 (1950).

[189] *See* Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17, 40 (1997).

[190] *See id.* at 28-29; *see also Festo*, 234 F.3d at 564.

[191] *See* 35 U.S.C. § 282 (1994).

[192] *See, e.g.*, Graham v. John Deere Co. of Kansas City, 383 U.S. 1 (1966) (court held patents invalid in patent infringement actions).

[193] *See* U.S. v. Treatman, 408 F. Supp. 944, 954 (C.D. Cal. 1976) ("free speech and free communication is the essence of democracy").

[194] *See* United States v. Winner, 28 F.2d 295, 299 (N.D. Ill. 1928) ("primary purpose of the patent laws is to benefit the public"), *aff'd*, 33 F.2d 507 (7th Cir. 1929).

[195] *See* Melissa L. Sturges, *Who Should Hold Property Rights to the Human Genome?*

or injury due to third-party infringement is economic in nature. Therefore, the property owner can be accurately compensated through economic damages. The patent owner is thus not deprived of the ability to be made economically whole after an action for infringement if preliminary relief restraining offers to sell by the infringer are denied.

Additionally, economic loss will not generally flow from mere third-party offers to sell. Typically, a third party will only have economic gain, at the expense of the patent owner, if she actually uses or sells the patented invention. These activities all involve actions rather than speech so they are subject to preliminary relief in an appropriate situation without impinging on the freedom of speech rights under the First Amendment.

In light of the above discussion, prohibiting preliminary injunctive relief with regard to third-party offers to sell a patented invention has little impact on the economic rights of a patent owner. Therefore, denial of this remedy is unlikely to dissuade inventors from engaging in inventive activities and seeking patent protection for their inventions. As a result, the basic underlying goal of patent law, to benefit the public from disclosure of new inventions,[196] will not be diminished or affected. Therefore, on balance, preliminary relief restricting offers to sell a patented invention should be denied.

B. Copyright Law

Copyright law was originally designed to protect printed works that were published.[197] From its inception the law interfered with speech since the owner of a copyrighted book had the legal right to restrict others from copying and distributing that book. Nevertheless, such restrictions provide an economic incentive for authors to maximize distribution of their work for their own gain.[198] This facilitates widespread public distribution of published works, which can then increase the pool of public knowledge.

An Application of the Common Heritage of Humankind, 13 AM. U. INT'L L. REV. 219, 233 (1997) ("The decision to patent an invention is . . . an economic one, enabling its owner to profit without risk of competition.").

[196] *See supra* note 194.

[197] *See* BARRETT, *supra* note 78, at 354 (noting first U.S. copyright statute protected maps, charts and books for fourteen-year term).

[198] *See* Mazer v. Stein, 347 U.S. 201, 219 (1954).

Consequently, the underlying policy of copyright law, to bestow property status on original works of authorship in order to reap the resultant public benefit, is also furthered.[199]

Modern copyright law provides an author with certain exclusive rights in her original works. These include the right to make copies,[200] the right to make derivative works,[201] the right to distribute the work,[202] and the right to publicly display[203] and publicly perform certain works.[204]

The domain of copyright law has expanded beyond books to include almost any original work of authorship that is memorialized in a permanent form.[205] Copyright law predominantly provides property status to speech and other forms of communication.[206] Hence, unlike patent law, which is focused primarily on restricting conduct,[207] the copyright law has a direct impact on speech. In light of this, preliminary relief in copyright infringement actions has the potential to be problematic. Nevertheless, copyright law contains built-in limitations that alleviate, to some degree, its impact on

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[199] *See id.* (quoting Washingtonian Co. v. Pearson, 306 U.S. 30, 36 (1939)).

[200] *See* 17 U.S.C. § 106(1) (1994).

[201] *Id.* § 106(2). *See generally* 17 U.S.C. § 101 ("A 'derivative work' is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recordings, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.").

[202] *Id.* § 106(3). However, this distribution right is limited. For example, if the owner of a copyright in a book sells a copy of the book to a third party that third party is free to dispose of that copy by transfer or otherwise. The initial sale by the copyright owner terminates or cuts off the distribution right with regard to the specific copy sold. This is referred to as the "first sale doctrine." *See id.* § 109(a). Recent amendments to the "first sale doctrine" have limited it with regard to sound recordings and software. *See id.* § 109(b)-(e).

[203] The public display right applies to literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including individual images of a motion picture or other audiovisual work. *See id.* § 106(5). It also applies to sound recordings performed via a digital audio transmission. *See id.* § 106(6).

[204] The public performance right applies to literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures or other audiovisual works. *See id.* § 106(4).

[205] *See id*. § 102(a) (The copyright statute specifically notes that the following are copyrightable: literary works, musical works, dramatic works, pantomimes and choreographic works, pictorial, graphic and sculptural works, motion pictures and other audiovisual works, sound recordings and architectural works.) The statute is not limited to these categories. It also includes, for example, software. *See Apple Computer, Inc.*, 714 F.2d at 1248.

[206] *See id.*

[207] *See supra* text accompanying note 147.

freedom of speech.

Most importantly, copyright law does not protect ideas, concepts or principles, but [208] merely protects the form of expression from unauthorized copying.[209] For example, if a journalist writes a news story about a recent event, a third party is free to extract the relevant information from the story and utilize it to write her own story. Copyright merely prohibits the third party from copying the specific words used by the journalist. In the event the underlying information is not separable from the way it is expressed, the form of expression can be freely utilized in order to prevent the journalist from having a property interest in the underlying factual information.[210]

Additionally, the scope of protection is relevant to the type of information contained in the copyrighted work. Purely fictional works receive a higher degree of protection than factual works.[211] Many believe that because a purely fictional work contains more originality than a factual work, it contains more intellectual property and is therefore entitled to more protection. Additionally, fictional works are more analogous to traditional property in that the author creates the works from the raw material of real-life experiences in the same way that a carpenter creates a cabinet from wood. Facts, in contrast, are merely discovered rather than created.[212] Therefore, they are not analogous to traditional property. Additionally, some believe that factual works are more important to public discourse because the free flow of factual matter greatly limits the ability of the government to restrict freedom.[213] Hence, limiting protection of factual works furthers the underlying policy concerns of the First

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[208] *See* 17 U.S.C. § 102(b) (1994).

[209] "Copyright's idea/expression dichotomy 'strikes a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author's expression.'" Eldred v. Reno, 239 F.3d 372, 375 (D.C. Cir. 2001) (quoting Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 556 (1985)). *See also* United Video, Inc. v. FCC, 890 F.2d 1173, 1191 (D.C. Cir. 1989) (finding that copyright's idea/expression dichotomy resolves the tension between copyright and freedom of speech).

[210] *See* Johnson Controls, Inc. v. Phoenix Control Sys., Inc., 886 F.2d 1173, 1175 (9th Cir. 1989) ("Where an idea and the expression 'merge,' or are 'inseparable,' the expression is not given copyright protection.").

[211] *See generally* Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 349-50 (1991) (holding that facts receive minimal copyright protection).

[212] *See Miller*, 650 F.2d at 1368-69.

[213] *See generally supra* notes 25 and 27.

Amendment.[214]

The "fair use" doctrine provides another limitation on the rights of a copyright owner.[215] This doctrine is a common law doctrine,[216] codified in the copyright law, which allows third parties, in certain cases, to legally ignore the rights of copyright owners.[217] Traditionally, use of copyrighted works for a parody,[218] or for criticism, comment, news reporting, teaching or scholarship are exempted from being subject to an infringement action.[219] Other uses of copyrighted works, such as for classroom teaching,[220] are also exempted from the protection of the copyright law.[221] Such exempted uses reflect important forms of communication that are the types of speech the First Amendment seeks to protect from government intervention.

In determining whether use of a copyrighted work is a fair use, a court evaluates several statutory factors.[222] However, the key factor is whether the use has an economic effect on the copyright owner's property rights.[223] This economic focus suggests an attempt to protect the economic value of a copyright owner's work[224] while minimizing the effect on freedom of speech. The fair use doctrine can therefore be viewed as an attempt to balance the important underlying goals of the First Amendment with the goal of protecting property that falls within the domain of the copyright law.[225]

Despite the above limitations on the scope of copyright rights, real life applications of the above limitations turn on distinctions that have proven difficult for judicial decision makers. The distinction between an idea and the form of expression of that idea is often

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[214] *See supra* notes 25-31 and accompanying text.

[215] *See* 17 U.S.C. § 107 (1994).

[216] *See* SunTrust Bank v. Houghton Mifflin Co., 2001 U.S. App. LEXIS 21690, at * 19 (11th Cir. 2001).

[217] *See* 17 U.S.C. § 107 (1994).

[218] *See* Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (1994).

[219] *See* 17 U.S.C. § 107 (1994).

[220] *See id.* § 110(1).

[221] *See, e.g.*, *id.* § 110(3) (certain uses permitted in religious services).

[222] Purpose and character of use; nature of copyrighted work; amount of copyrighted work used; and effect upon potential market for or value of copyrighted work. *See id.* § 107.

[223] *See Harper & Row*, 471 U.S. at 566.

[224] *See* U.S. v. Norwest Corp., 1995 U.S. Dist. LEXIS 21360, at * 5 (D. Minn. 1995) ("Copyright Act exists to protect the economic interests of the copyright holder and thereby provide an incentive to produce works").

[225] *See Harper & Row*, 471 U.S. at 566.

unclear.[226] Distinguishing between infringing use of a copyrighted work and fair use of such work has been a source of considerable, and long-term, controversy.[227] Identifying a parody of a copyrighted work has also proven difficult.[228] Consequently, preliminary relief will probably restrict lawful speech protected by the First Amendment in some situations.

However, in light of the above limitations built into copyright law, any intrusion into the domain of First Amendment rights is, at most, minimal. In contrast, failure to protect the property rights of copyright owners can have substantial societal and marketplace consequences. The creation of works of authorship may be deterred because the ability to freely pirate such works would substantially reduce potential economic gain, thus reducing the societal enrichment that flows from creative works, and consequently affecting business enterprises that rely on copyright law to protect their investment in intellectual property.[229]

One of the basic underlying policies of preliminary injunctive relief is prevention of irreparable injury.[230] Additionally, preliminary relief is appropriate when damages are difficult to award because they are hard to quantify despite their existence.[231] Both of these policies are applicable to copyrighted works. Intellectual property, unlike tangible property, is hard to control and subject to multiple simultaneous uses by different parties. In some cases, once intellectual property is released to the public it is impossible to regain control over the property. This is especially true with copyrighted works which can easily be copied and distributed. For

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[226] *See* MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW § 2.13[A], at 77-79 (3d ed. 1999) (distinction between idea and expression easy to state but hard to apply in practice).

[227] *See id.* § 10.2, at 319 ("[fair use] is an elusive doctrine, reputed to be the most troublesome in copyright law").

[228] *See id.* § 10.14, at 338-43 (discussing parody).

[229] *See generally* Doris Estelle Long, *The Protection of Information Technology in a Culturally Diverse Marketplace*, 15 J. MARSHALL J. COMPUTER & INFO. L. 855, 858 (1996) ("growing perception that failure to protect intellectual property rights serves as a strong disincentive to foreign investment").

[230] *See supra* note 117.

[231] The Copyright Act appears to explicitly recognize this problem. It provides a copyright owner the option of electing to recover actual or statutory damages from an infringer. *See* 17 U.S.C. § 504(a) (1994). Statutory damages are in the range of $500 to $20,000 with the amount set by what the court considers just. *See id.* § 504(c)(1). Additionally, the court has discretion to increase statutory damages up to $100,000 if the infringement was willful. *See id.* § 504(c)(2).

example, the widespread use of the Internet has allowed the unauthorized worldwide distribution of unlimited copies of musical creations.[232] Once released onto the Internet, the copyright owner has little realistic chance of ever regaining control over all of those copies.[233] Nor will she be able to even know the quantity of illegal copies that were made and distributed, making it virtually impossible to determine the extent of economic injury suffered by the copyright owner. Consequently, preliminary relief is appropriate to protect the copyright owners property rights because in the absence of such a remedy, the value of her property will be substantially reduced, if not destroyed. The importance of protecting the marketplace or economic value of private property, as previously discussed, from substantial diminution necessitates accepting the minimal intrusion into the freedom of speech arena.[234]

C. Trademark Law

Justice Frankfurter stated:

> The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he had been led to believe he wants. The owner of a trademark exploits this human propensity by making every human effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same — to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears.[235]

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[232] *See generally* Kenneth D. Suzan, *Tapping to the Beat of a Digital Drummer: Fine Tuning U.S. Copyright Law for Music Distribution on the Internet*, 59 ALB. L. REV. 789 (1995).

[233] *See generally id.* at 794 (Internet makes it difficult for copyright owners to track use of intellectual property).

[234] *See* Hartman, *supra* note 2, at 444 (noting that historically application of copyright law not restricted by First Amendment); *see also* LEAFFER, *supra* note 226, at 458 (discussing idea/expression distinction coupled with the fair use doctrine provides a balance between copyright and the First Amendment).

[235] Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205

Trademarks represent a method of identifying and distinguishing products from those sold by competitors.[236] This allows members of the intended consumer market to easily identify specific products.[237] For example, a consumer seeking a non-aspirin headache relief medicine would recognize the trademark TYLENOL on a product package located on a store shelf.[238] Trademarks therefore limit consumer confusion in making choices between various products available in the marketplace.[239]

The amount of trademark recognition is generally directly proportionate to the amount of advertising and marketing conducted by a business enterprise.[240] Such activities are extremely costly.[241] Hence, trademarks require protection of extensive monetary investments in advertising and marketing.[242] Lack of such protection would be a disincentive for commercial enterprises to heavily invest in marketing and advertising.[243] The result would also be increased consumer marketplace confusion.

(1942).

[236] *See* 15 U.S.C. § 1127 (1994) (defining a trademark as "any word, name, symbol, or device, or any combination thereof . . . used . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.").

[237] *See id.* § 1053 (noting that modern trademark law permits the use of "service" marks which serve the same function as trademarks except that they are directed to identifying and distinguishing services rather than products).

[238] Trademarks such as TYLENOL, McDONALDS, COKE, PEPSI and SONY are all well known to most members of the general public. Trademarks can also have significant value and name recognition in very specific or narrow markets. For example, PARK is a well-known maker of bicycle tools, which is highly recognized among bicycle mechanics. However, it is relatively unknown to the general public or even to those who use tools other than special tools for working on bicycles. Likewise, WEST, a well-known trademark among lawyers and other professionals who use legal publications, is generally not well known to the general public.

[239] *See* NEC Elecs. v. CAL Circuit Abco, 810 F.2d 1506, 1509 (9th Cir. 1987) ("[T]rademark law is designed to prevent sellers from confusing or deceiving consumers about the origin or make of a product. . .").

[240] *See id.*

[241] *See id.*

[242] *See* In re Owens-Corning Fiberglass Corp., 774 F.2d 1116, 1127 (Fed. Cir. 1985) (evidence advertising expenditures to develop recognition of trademark exceeded $42 million); S. REP. NO. 1333, at 1-17 (1946) (trademark law prevents consumer confusion and protects investment of trademark owner in establishing consumer recognition of trademark); *see also* Quality Inns Int'l, Inc. v. McDonald's Corp., 695 F. Supp. 198, 212 (D. Md. 1988) (McDonald's spends almost a billion dollars a year on marketing and advertising.). *See generally* Smith, *supra* note 60 (COCA-COLA trademark valued at $34 billion by Coca-Cola Company).

[243] *See* MCCARTHY, *supra* note 5, § 2:3, at 2-4 (quoting William F. Baxter, former Assistant Attorney General in charge of Justice Department Antitrust division).

Protection of trademarks, like the protection of other intellectual property, promotes innovation, ultimately benefiting the public. The ability of a producer to create a strong trademark makes her products highly recognizable to consumers.[244] This provides a strong incentive for competitors to develop superior products that compete directly with established products.[245] Often, the only way of convincing consumers to switch from an established brand to a new competing brand is to create a superior product.[246] This provides pressure on the established brand to maintain its superiority and to continuously improve its product to minimize the likelihood that a superior competing product will establish market dominance.[247] Ultimately, the public benefits from this competition because producers have a direct economic incentive to continuously provide products that meet marketplace demands in order to maintain economic viability.[248]

Furthermore, "knock-offs," or copies of successful products may also enter the marketplace based solely on a price differential achieved by free-riding[249] on the market created by the established product which is sold under a well-known trademark. Such free-riders can undersell existing brands because they do not have extensive advertising and marketing costs to recoup.[250] This competition creates downward price pressure on the established product.[251] Additionally, it spurs the company that sells the established product to improve the existing product and to develop

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[244] "Business people regard trademarks as valuable assets and are willing to pay large sums to buy or license a well-known mark." *Id.* § 2:14 at 2-32.

[245] *See generally Qualitex Co.*, 514 U.S. at 164 (noting that trademark law promotes production of quality goods).

[246] "Humans have a psychological momentum to continue doing the same thing in the same way as was done in the past. Buying habits are no exception. There is a comforting security in returning to a product or service with which one is familiar." MCCARTHY, *supra* note 5, § 2:18, at 2-39.

[247] *See* Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 193 (1985).

[248] *See* Monarch Licensing, Ltd. v. Ritam Int'l Ltd., Inc., 24 U.S.P.Q.2d (BNA) 1456, 1461 (S.D.N.Y. 1992) (quoting William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267 (1988) (discussing that trademark law facilitates economic efficiency)).

[249] "Free-riding is the diversion of value from a business rival's efforts without payment." Chicago Prof'l Sports Ltd. P'ship v. NBA, 961 F.2d 667, 675 (7th Cir. 1992).

[250] *See General Leaseways, Inc.*, 744 F.2d at 592-93; *see also* Chas. D. Briddell, Inc. v. Alglobe Trading Corp., 194 F.2d 416, 418 (2d Cir. 1952).

[251] *See* Crystal D. Talley, *Japan's Retreat from Reverse Engineering: An Unnecessary Surrender*, 29 CORNELL INT'L L.J. 807, 822 (1996) ("increased competition reduces prices").

new products that are superior in order to retain the consumer association with its trademark.[252] Both of these consequences benefit the public.[253]

In addition to improving existing products, an effective technique for economic success is the development of new products to satisfy newly identified markets or new market segments identified in established consumer markets.[254] Such new products can often be successful if they fulfill a market demand simply due to being first in the marketplace. Such a market lead can enable a new product to gain substantial market share if a trademark is utilized to develop brand recognition via advertising and marketing. However, this can take time since a new trademark does not have instant consumer recognition. Often, an existing trademark that is well established can provide almost instantaneous consumer recognition for a totally new product.[255] Such market extension of the trademark to a new product

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[252] *See* Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 452-54 (1999) (argues free-riding can promote innovation).

[253] Typically, a product copier can use the trademark of an established product on their version of the product for comparative purposes. For example, a store brand copy of TYLENOL could include a legend on it that states "Equivalent to TYLENOL," provided the statement is in fact truthful and the packaging makes it clear the copier is not trying to pass-off the copy as the established product. This encourages competition but it also allows the copier to get a free ride from the market reputation that TYLENOL has created as a consequence of substantial advertising and marketing expenditures. Arguably, this result, although not totally fair to the trademark owner, is necessitated by the important policies of freedom of speech and the policy of favoring promotion of competition. In this case, it represents a judicial balancing of these policies against private intellectual property rights.

[254] *See* Robin Cooper Feldman, *Defensive Leveraging in Antitrust*, 87 GEO. L.J. 2079, 2094 (1989).

[255] For example, DANNON is a well-known yogurt producer that entered the bottled water market several years ago. They utilize the well-recognized DANNON trademark on their bottled water which enables consumers to instantly associate their water with the company that sold a popular yogurt. Arguably, this extension of the trademark from yogurt to bottled water allows quicker consumer recognition of their water than would otherwise have been achieved without the use of the DANNON trademark.

Some companies also use a single identical mark on all of their products (often called a "house-mark") coupled with a second unique mark which is different for each product. If the house-mark is strong, any new product generates immediate consumer recognition which is often transferred to the new mark used on the product. For example, McDonald's might use McDONALD'S as its house mark on each of its sandwiches. In addition, it might use a second mark, unique to each product, on individual products (e.g. EGG McMUFFIN). Other companies use a family of trademarks which typically involve a series of marks in which the same syllable or syllables appear. For example, the Eastman Kodak Company owns all of the following trademarks which represent a family of trademarks: KODAK, KODACRAFT, KODAFIX, KODAFLAT, KODAGRAPH, KODAGUIDE, KODALINE, KODAMATIC. *See* GOLDSTEIN, *supra* note 64, at 319-20. The Alberto-Culver Company owns a family of trademarks for hair care products that start with the TRES prefix. They

is dependent upon the trademark having very strong recognition value to members of the target consumer market.[256]

Likewise, a strong trademark can enable a company to engage in geographic market extension by entering new geographic regions in which it had not previously done business.[257] This is especially important to a business that starts locally and utilizes franchising to expand regionally or nationally.[258] A well recognized trademark allows the business to quickly attract business in new geographic markets. The ability to use a well-known trademark to enter new product and geographic markets provides an incentive for a company to develop strong consumer associations with its trademark.[259]

The value of a trademark is its ability to create a mental association in the minds of consumers.[260] Any third-party use of the trademark can alter or interfere with this mental association. Hence, protection of a trademark owner's property rights[261] typically involves restricting third-party use of trademarks, or of words, phrases or designs, that are confusingly similar to the trademark at issue. Since trademarks are inherently communicative in nature any

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successfully opposed federal trademark registration of the trademark TREVIVE NUTRIENTS FOR THE LIFE OF YOUR HAIR for hair care products by another company on the basis of a likelihood of confusion. *See* Han Beauty, Inc. v. Alberto-Culver Co., 236 F.3d 1333 (Fed. Cir. 2001); *see also* McDonald's Corp. v. McBagel's, Inc., 649 F. Supp. 1268, 1272 (S.D.N.Y. 1986) (court held McDonald's owns family of marks that begin with "Mc"). *See generally* J & J Snack Foods Corp. v. McDonald's Corp., 932 F.2d 1460, 1462 (Fed. Cir. 1991) (definition of family of marks).

[256] The Coca-Cola Company recently started marketing a line of designer clothing called COKE WARE. This extension of the mark to a new product strengthens consumer awareness of the trademark. *See* Cathleen Egan, *Coke is Ready to Work the Runways*, WALL ST. J., Feb. 12, 2001, at A23. *See generally* Scarves by Vera, Inc. v. Todo Imp. Ltd., 544 F.2d 1167, 1174 (2d Cir. 1976) (noting owner of strong trademark may have rights to enter new product line).

[257] *See* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1690-91 (1999).

[258] *See id.*

[259] The law even provides extra legal protection for well recognized marks that have become famous. *See* 15 U.S.C. § 1125(a) (1994) (federal action available for dilution of famous trademarks). A state dilution action is available in about half of the states. *See* MCCARTHY *supra* note 5, § 24:80 at 24-135.

[260] "[T]he exclusive property right of a trademark is defined by customer perception." MCCARTHY *supra* note 5, § 2:14 at 2-30; *see also James Burrough, Ltd.*, 540 F.2d at 276 (stating that "trademark laws exist not to 'protect' trademarks, but . . . to protect the consuming public from confusion, concomitantly protecting the trademark owner's right to a non-confused public.").

[261] *See College Sav. Bank*, 527 U.S. at 673 (noting that trademarks are property).

restriction amounts to restricting speech.[262] Nevertheless, such restrictions are necessary, at least to some extent, to protect the property interests of trademark owners.[263]

The property interests of trademark owners are subject to several limitations that reflect a balance of the private property rights of trademark owners against other important underlying policies including the public's First Amendment rights.[264] Property rights in a trademark are generally limited to commercial activities related to

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[262] *See* Lemley & Volokh, *supra* note 8, at 219 (trademarks are commercial speech).

[263] *See* United States v. Hon, 904 F.2d 803, 806 (2d Cir. 1990) (holding important underlying policy of trademark law to protect investment by trademark owner is necessary to create association between product and trademark).

[264] Some limitations on the rights of trademark owners also reflect a balance between these private property rights and other underlying policies. For example, an action for trademark infringement requires that the allegedly wrongful third-party action results in a likelihood of consumer confusion in the intended consumer market. This reflects the fact that trademark law has its origins in unfair competition law rather than property law. Likewise, unfair competition law is arguably a species of tort law since it involves establishing acceptable conduct in the commercial marketplace. *See Bonito Boats, Inc.*, 489 U.S. at 157; *see also* Lockridge v. United State, 200 U.S.P.Q. 271, 272 (BNA) (Ct. Cl. 1978) (stating that "trademark infringement sounds in tort"). At its most basic level, tort law involves setting a standard of conduct that is imposed on everyone. In the commercial marketplace such conduct is subsumed into the area of law generally referred to as unfair competition law, which strives to maintain a degree of commercial morality in the marketplace. *See E.I. duPont deNemours & Co.*, 431 F.2d at 1016 ("[O]ur devotion to free wheeling industrial competition must not force us into accepting the law of the jungle as the standard of morality expected in our commercial relations."). Anchoring a trademark infringement action to consumer confusion furthers the underlying policy of maintaining fair competition. Likewise, limiting common law trademark rights to the geographic area of actual trademark use and to the products on which the trademarks were actually used is also consistent with maintaining fair competition.

Even if a trademark creates a strong mental association, trademark rights will be denied if the trademark is primarily a functional item for which alternatives do not exist. This result is necessary to prevent trademark rights from creating property rights in functional products which are free for anyone to use absent trade secret or patent protection for such products. This can be a problem with objects, such as a container, which are serving as trademarks. *See* MCCARTHY *supra* note 5, § 7:63 at 7-137-139. *See* 15 U.S.C. § 1115(b)(8) (functional nature of trademark defense to infringement action). Additionally, the color of a product has been held to be a trademark if it creates the requisite mental association; *see Qualitex Co. v. Jacobsen Products Co.*, 514 U.S. 159 (1995); In re Owens-Corning Fiberglass Corp., 774 F.2d 1116 (Fed. Cir. 1985). Nevertheless, in some cases the color of a product can give a company a significant market advantage. In light of this, the judicial doctrine of aesthetic functionality provides that trademark rights in the color of a product are denied if granting such rights would give the trademark owner an unfair competitive advantage. *See* Deere & Co. v. Farmhand, Inc., 560 F. Supp. 85 (S.D. Iowa 1982); *see also* Colburn v. Puritan Mills, Inc., 108 F.2d 377, 378 (7th Cir. 1939) (finding injunctive relief available to protect trademarks provided result does not interfere with legitimate competition). *See generally* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17, cmt. c at 175-76 (1995).

the advertising, sale and marketing of products. This reflects an understanding that the value of a trademark is primarily as an economic marketplace tool.[265] Use of a trademark in non-commercial contexts has limited effect on the marketing value of the trademark. Hence, using a trademark in everyday speech, in news reporting or as a parody is typically not actionable since such uses are not commercial uses that compete with the trademark owner's use of the mark to advertise, market or sell a product.[266]

Additionally, using a trademark for an alternative meaning is generally permissible. For example, the trademark WEST is well known to attorneys and creates a mental association with a legal publisher. Nevertheless, anyone can use the word WEST when giving directions, such as telling someone to "proceed two miles WEST and then turn right." Use of the word WEST in giving directions is not a commercial use, nor is it related to the marketplace use of the trademark. Arguably, this illustrates that the underlying property interest in a trademark is not in the trademark *per se*, but rather is the mental association created by the trademark in the minds of consumers in the intended market.[267] Viewing the property

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[265] *See generally Qualitex*, 514 U.S. at 163-64 (source indicating function of trademarks facilitates consumer product choices and protects reputation of product manufacturer).

[266] Third parties typically are free to use descriptive aspects of a trademark in a non-trademark sense. *See* GOLDSTEIN, *supra* note 64, at 320; 15 U.S.C. § 1115(b)(4). Words that create a mental association with McDonald's Corporation are commonly used in newspaper articles. *See McDonald's Corp.*, 649 F. Supp. at 1272; Patrick Barta, *New American Home is Smaller, Near City—Builders Eschew Suburban McMansions for more Urban Flavor*, WALL ST. J., Feb. 27, 2001, at 2A. Such uses are typically not actionable. In contrast, commercial uses aimed at selling products or services are actionable. The trademark McBAGEL to sell bagels, McDENTAL for dental services and McSLEEP for a hotel were all enjoined pursuant to trademark infringement actions brought by McDonald's Corporation. *See McDonald's Corp.*, 649 F. Supp. at 1272 (use of McBAGEL enjoined); McDonald's Corp. v. Druck and Gerner, 814 F. Supp. 1127 (N.D.N.Y. 1993) (use of McDENTAL enjoined); *Quality Inns Int'l*, 695 F. Supp. 221-22 (use of McSLEEP enjoined); *see also* Reddy Communications, Inc. v. Environmental Action Found., 477 F. Supp. 936, 948 (1st Cir. 1979) (use of trademark in a parody not actionable as trademark infringement). Additionally, federal trademark dilution actions under the Lanham Act (*see supra* note 259) cannot be based on use of a trademark in comparative advertising, non-commercial use of the trademark or use of a trademark in news reporting and news commentary. *See* 15 U.S.C. § 1125(a)(1) (1998).

[267] Trademarks that consist of made-up words are the easiest to protect under trademark law since the only mental association that typically exists for such words is whatever has been created by the advertising and marketing activities of the trademark owner. In contrast, it is more difficult to protect words that have existing meanings other than the mental association created by the trademark owner. Typically, the trademark owner can only obtain trademark protection for words with an alternate meaning upon a showing of secondary meaning. *See* Charcoal Steak House of Charlotte, Inc. v. Staley, 139 S.E.2d 185, 187 (N.C.

interest this way allows the law to focus on protecting the core property interest in a trademark.[268] This minimizes the intrusion into the free speech arena resulting from preliminarily enjoining third-party use of a trademark, or a similar word, phrase or design. Such an approach is analogous to the constitutional doctrine of least restrictive means as a measure of whether an impingement of constitutional rights is legally permissible.[269]

The geographic area where the trademark is used in such a way that a mental association in the minds of consumers is created also defines the property interest in a trademark at common law.[270]

1964) stating that

> [w]hen a particular business has used words . . . for so long or so exclusively or when it has promoted its product to such an extent that the words do not register their literal meaning on the public mind but are instantly associated with one enterprise, such words have attained a secondary meaning. This is to say, a secondary meaning exists when, in addition to their literal, or dictionary meaning, words connote to the public a product *from a unique source*.

The federal trademark law has adopted the doctrine of secondary meaning although it uses the word "distinctive" in lieu of secondary meaning. *See* 15 U.S.C. § 1052(f) (1999). This doctrine insures that trademark protection does not extend beyond the core property interest in a trademark by denying any protection for a trademark at issue if it is not acting as a trademark in the commercial marketplace. Likewise, trademark rights can be lost in the strongest trademark—even a made-up word—if the mental association affiliated with the trademark is eliminated for any reason. Typically, this is referred to as a trademark becoming a generic name for a type of product rather than being associated with a particular version of that product produced by a particular producer. ASPIRIN, THERMOS, CELLOPHANE, SHREDDED WHEAT AND ESCALATOR are all former trademarks that became generic. *See* ROCHELLE COOPER DREYFUSS & ROBERTA ROSENTHAL KWALL, INTELLECTUAL PROPERTY 173 (1996). The federal trademark law recognizes the need to prevent granting property rights in a trademark once it has lost its ability to create a mental association with a particular product. Rights in a trademark become incontestable if the mark is registered and subsequently used continuously for five years. *See* 15 U.S.C. § 1065. However, if a mark becomes generic, its registration is subject to cancellation without regard for its incontestable status. *See id.* §§ 1065, 1064(3).

[268] *See supra* text accompanying note 267.

[269] The Supreme Court has often evaluated the constitutionality of laws that impinge on constitutional rights on the basis of whether the law achieves a legitimate state interest in the least restrictive manner possible. *See* ROTUNDA & NOWAK, *supra* note 25, § 20.10, at 39 (least restrictive means test important in free speech arena); s*ee also* CHEMERINSKY, *supra* note 101, § 5.3, 5.3.5, at 325 (discussing that the least restrictive test applied to laws burdening interstate commerce); *id.* § 9.1.2, at 532 (discussing that the least restrictive test used in equal protection analysis); *id*. § 10.1.2, at 643-44 (stating that the least restrictive test used to evaluate burden on fundamental rights). *But see id.* § 11.3.7.3, at 888-90 (explaining that the Supreme Court has found least restrictive test too stringent, in some cases, when evaluating restrictions on commercial speech).

[270] *See* United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 96-100 (1918). In a modern world many businesses start small in a local market area and then expand regionally and, in some cases, nationally or internationally. Therefore, the common law creates a problem because it does not allow a trademark owner to reserve the right to use a trademark

Additionally, the products on which the trademark is affixed define the property interest in the trademark.[271] Again, this reflects that the core protectable interest in a trademark is the mental association with the trademark as opposed to the trademark itself.[272]

A successful action for trademark infringement requires third-party use of a trademark, or a confusingly similar word, phrase or design that results in a likelihood of consumer confusion in the intended consumer market.[273] This effectively allows the core value of a trademark to be protected.[274] The only way to evaluate whether third-party conduct interferes with the underlying property interest in a trademark, the mental association created by the trademark, is to ascertain whether confusion is likely to occur from the third-party action. This allows all free speech uses of a trademark except for those that directly interfere with the primary property interest in a trademark.

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in areas the business plans to enter in the future. In contrast to the common law, the federal trademark law (Lanham Act) allows a company, using a trademark in interstate commerce, to register the mark pursuant to the Lanham Act. Such registration essentially reserves nationwide trademark rights, which protects the ability of a business to continue to use its trademark as it expands geographically. *See* Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358 (2d Cir. 1959); s*ee also* Burger King of Fla., Inc. v. Hoots, 403 F.2d 904 (7th Cir. 1968). *See generally* 15 U.S.C. §§ 1114-1115. The Lanham Act, contrary to the common law, also allows registration of a trademark prior to actual use of the trademark, provided the owner has a bona fide intent to subsequently use the trademark. *See id.* § 1051(b).

[271] For example, different parties in the same geographic area could use the same trademark without resulting consumer confusion if one party uses it in wholesaling and another party uses it in retailing. *See Dawn Donut Co.*, 267 F.2d at 365; *see also* TCPIP Holding Co. v. Haar Communications Inc., 244 F.3d 88, 101 (2d Cir. 2001). *See generally* Sun-Maid Raisin Growers of Cal. v. Sunaid Food Prods. Inc., 356 F.2d 467, 469 (5th Cir. 1966) (stating that the use of similar trademarks on dissimilar or non-competing goods is unlikely to cause consumer confusion).

[272] *See supra* text accompanying note 267. In contrast, it can be argued that the recent creation of a federal trademark dilution action coupled with broad interpretation of what constitutes a "famous" mark under the statute represents a subtle shift in the direction of providing property rights in the trademark itself rather than a property right only in the mental association created by use of the trademark. *See supra* note 259 for brief discussion of dilution action. A dilution action does not require competition between the parties nor any likelihood of confusion as to the source of the goods involved. *See* 15 U.S.C. § 1127. Therefore, such actions are moving in the direction of protecting the actual trademark. *See generally TCPIP Holding Co.*, 244 F.3d at 88.

[273] *See* 15 U.S.C. § 1114(1)(a) (1994); *see also* Tri-Star Pictures, Inc. v. Leisure Time Productions, 17 F.3d 38, 43 (2d Cir. 1994).

[274] *See James Burrough Ltd.*, 540 F.2d at 274 (holding that in a trademark infringement action the actual trademark is not infringed, but "[w]hat is infringed is the right of the public to be free of confusion and the synonymous right of a trademark owner to control his product's reputation.").

The above discussion reflects the fact that property rights in trademarks are limited to the extent necessary to protect the important economic interests associated with trademarks. Typically, courts have balanced these rights against the underlying policy of promoting competition in order to strike a balance between limiting consumer confusion, protecting the trademark owner's investment and maintaining marketplace competition.[275] Nevertheless, a preliminary injunction or temporary restraining order barring activity that allegedly infringes a trademark has the potential to prohibit permissible speech. As already discussed, the test for infringement is likelihood of consumer confusion.[276] This is a heavily fact-dependent question, the answer to which may be difficult to predict in many cases.[277] Courts usually consider the following factors in determining infringement: strength of the trademark; similarity between the trademark at issue and the allegedly infringing trademark; proximity or similarity of the products on which the trademarks are used; the likelihood that the first trademark user will expand her product line into the alleged infringer's product line (referred to as bridging the gap); existence of any actual consumer confusion; good-faith adoption of the trademark by the alleged infringer; relative quality of the products involved; and sophistication of the consumers involved.[278]

The strength of a trademark can be determined, at least to some extent, by the amount of money and effort invested in marketing and advertising the trademark.[279] However, since marketing varies in terms of effectiveness, this is not determinative. Also, many factors beyond the control of the trademark owner can affect the strength of a trademark.[280] Evaluation of the proximity of the products involved can be based on a variety of factors including whether they have

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[275] *See generally supra* notes 242, 260 and 263.

[276] *See supra* note 273 and accompanying text.

[277] *See Colburn*, 108 F. 2d at 378 (stating that the likelihood of confusion is a matter of varying human reactions and requires a determination of the purchasing public's state of mind when confronted with similar trade names).

[278] *See* McGregor-Doniger, Inc. v. Drizzle, Inc., 599 F.2d 1126 (2d Cir. 1979) (providing a detailed discussion of each factor in light of facts in case).

[279] *See, e.g.*, In re Owens-Corning Fiberglas, Corp., 774 F.2d 1116, 1125, 1127 (Fed. Cir. 1985) (advertising expenditures exceeding $42 million dollars significant factor supporting creation of strong mark).

[280] Unforeseen situations or news events, for example, can affect the strength of a trademark since [a] critical element in determining whether a term is a trademark is the impression the term makes on the relevant public. In re Remington Products, Inc., 3 U.S.P.Q.2d 1714, 1987 TTAB LEXIS 91, at *4 (T.T.A.B. 1987).

dissimilar prices, whether they are sold in the same stores or whether they are advertised in the same periodicals.[281] Traditional trademark law provides that use of the same or a similar trademark on dissimilar goods is a defense to a trademark infringement action.[282] However, the use of trademarks on diverse product lines coupled with licensing of trademarks for use by third parties on other products minimizes this defense. In light of this, courts have often allowed breathing room or a permissible zone of expansion for trademark owners with regard to preventing competitors from using similar trademarks on products not made by the trademark owner.[283] For example, it is not uncommon for well-known clothing designers to use their trademarks on perfume and other non-clothing products.[284] This might permit a designer to enjoin a third party from using their trademark on a product the designer does not currently produce.[285]

The cost of the product can also be relevant. The amount of mental energy invested in a purchasing decision is proportionate to the cost expended to purchase the product at issue. For example, a consumer will typically spend minimal time deciding which type of pencil to buy when such an item costs less than a dollar. In contrast, a buyer of a complicated medical device, which costs hundreds of thousands of dollars, is likely to invest substantial time and effort in making a purchasing decision. The more time spent in the decision-making process, the less likely the buyer will be confused even if similar trademarks are involved.[286]

All of the above factors utilized to evaluate whether infringement exists are intertwined with the strength of the mark. The weaker the mark, the less likely the mark will have any consumer association beyond the specific product it is used on. This is especially true if the allegedly infringing mark is not identical to the trademark

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[281] *See McDonald's Corp.*, 649 F. Supp. at 1280 (noting that the use of similar advertising mediums supports the existence of consumer confusion).

[282] *See Sun-Maid Raisin Growers of Cal.*, 356 F.2d at 469.

[283] *See infra* note 285.

[284] *See Scarves by Vera, Inc.*, 544 F.2d at 1171 (finding that most top clothing designers also sell perfumes, cosmetics and toiletries).

[285] *See, e.g.*, *id.* (finding that well-known fashion designer, who used VERA trademark on women's scarves, apparel and linens was entitled to enjoin third party from using same trademark on cosmetics and fragrances even though designer did not make or sell any cosmetics or fragrances).

[286] *See McDonald's Corp.*, 649 F. Supp. at 1279.

owner's trademark. In contrast, a strong mark may create a consumer association with almost any product and even trademarks that are similar but not identical.[287]

The difficulty in measuring or establishing an intangible such as the likelihood of consumer confusion has resulted in the use of survey evidence as a method of establishing such confusion.[288] Ultimately, the amorphous nature of the standard for establishing trademark infringement suggests that predicting the likelihood of trademark infringement, in advance, may be difficult in many cases. Hence, the probability exists that preliminary relief in trademark infringement disputes may enjoin lawful commercial speech protected by the First Amendment.[289] The question is whether the possibility of impinging on such free speech rights can be justified by the necessity for preliminary relief in some cases. Arguably, infringing use of a trademark can have a substantial effect on the mental association that exists in consumer minds. Any alteration of this mental association may be difficult, if not impossible, to fix after the fact. Since this is the core property interest protected by trademark law failure to allow preliminary relief could result in permanent damage to a trademark's value.[290] Arguably, any monetary damages would be difficult to calculate.[291] Consequently, any impingement on First Amendment rights resulting from preliminary relief should be permitted. As discussed above, the limitations of trademark law minimize the effect on speech to the greatest extent possible while still protecting necessary private property rights in trademarks.

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[287] *See Quality Inns Int'l, Inc.*, 695 F. Supp. at 209 (noting that there is a protected property interest in trademark directly proportionate to strength of trademark).

[288] *See id.* at 207 (noting that in trademark infringement action, appropriate survey evidence meaningful to establish likelihood of confusion).

[289] *See generally* Lemley & Volokh, *supra* note 8, at 219-24.

[290] *See generally* Faberware, Inc. v. Mr. Coffee, Inc., 740 F. Supp. 291, 295 (D. Del. 1990) (injunctive relief necessary because monetary damages often inadequate).

[291] *See* First Savings Bank v. U.S. Bancorp, 117 F. Supp. 2d 1078, 1087 (D. Kan. 2000) (in trademark infringement action proving damages may be difficult).

D. Trade Secret Law

Trade secret law, the oldest type of intellectual property protection,[292] provides a legal regime for protecting information that is economically valuable to a business enterprise. The law is broadly interpreted to include inventive processes that could be protected by patent law. Additionally, commercial information and other business know-how, which is outside the scope of patent law, are candidates for trade secret protection.[293] The easiest way to define a trade secret is with a functional definition. Anything that is not generally known to competitors and provides an actual or potential economic advantage to an enterprise is a trade secret, provided the enterprise takes reasonable steps to maintain its secrecy.[294]

Unlike patent and copyright law, trade secret is primarily a state-based body of law[295] traditionally based on common law. However, the majority of states have adopted a version of the Uniform Trade Secrets Act.[296] This Act codifies the basic principles of the common law, which courts continue to look to when applying and interpreting the Act.[297]

Trade secret law permits the possessor of a trade secret to exclude third parties from using the trade secret if it is acquired via improper means.[298] Additionally, a third party who has acquired a trade secret

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[292] *See* PERRITT, *supra* note 99, at 1.

[293] *See, e.g.*, Zoecon Indus. v. American Stockman Tag Co., 713 F.2d 1174, 1179 (5th Cir. 1983) (finding that customer lists are protectable trade secrets).

[294] *See* UNIF. TRADE SECRETS ACT § 1(4)(i)(1985), 14 U.L.A. 433, 438 (1990); 18 U.S.C. § 1839(3) (definition of trade secret under Economic Espionage Act); *see also* Smith v. Dravo Corp., 203 F.2d 369, 373 (7th Cir. 1953) (stating that almost any secret knowledge or information used to conduct business can be trade secret).

[295] *See* Smith, *supra* note 60, at 550. However, recently enacted federal legislation creates a federal criminal action for certain types of trade secret theft. *See* ECONOMIC ESPIONAGE ACT, 18 U.S.C. §§ 1831-1839 (Supp. V 1999).

[296] *See* Smith, *supra* note 60, at 550; *see also* UNIF. TRADE SECRETS ACT §§ 1-12, 14 U.L.A. 433 (1990).

[297] *See* UNIF. TRADE SECRETS ACT §§ 1-12, 14 U.L.A. 433- 34 (1990). The Act was intended to protect intellectual property and business information by eliminating some inherent inconsistencies that existed in the common law. *See* Flavorchem Corp. v. Mission Flavors and Fragrances, Inc., 939 F. Supp. 593, 595 (N.D. Ill. 1996). Nevertheless, courts continue to look to prior common law rules when determining if something is a trade secret. *See* RESTATEMENT (FIRST) OF TORTS § 757(b) (1939); *see also* Spottiswoode v. Levine, 730 A.2d 166, 175 (Me. 1999).

[298] The Uniform Trade Secrets Act § 1(1) states "[t]hat 'improper means' includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy,

by accident or mistake without engaging in unlawful or improper conduct may also be barred from using the trade secret.[299] This right of exclusion supports the conclusion that a trade secret is property since the right to exclude others is the prime indicia of whether something is property.[300] Nevertheless, independent creation of the subject matter of a trade secret by a third party is not actionable by the trade secret owner.[301] Additionally, if a third party lawfully acquires an object or device, which incorporates a trade secret, she is free to disassemble the object to determine the trade secret it embodies.[302] Such conduct, generally referred to as reverse engineering, is not actionable by the trade secret owner.[303] Consequently, the conduct of a third party is relevant to whether unlawful misappropriation of a trade secret has occurred.

This focus on conduct supports an argument that actions seeking redress for unlawfully acquiring a trade secret are based on tort law.[304] Additionally, it is not uncommon for a trade secret owner to license third parties to use a trade secret subject to certain limitations.[305] If the licensee uses the trade secret in violation of the agreement, any action by the trade secret owner against the licensee is, arguably, contractually based.[306] Finally, rights to maintain a trade secret may arise from the relationship between the trade secret

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or espionage through electronic or other means." 14 U.L.A. 433, 437 (1990). Improper conduct can include otherwise lawful conduct that violates no laws. *See, e.g.*, *E. I. duPont deNemours & Co.*, 431 F.2d 1012 (holding that aerial photography of an otherwise inaccessible construction site was under the circumstances, improper conduct).

[299] *See* UNIF. TRADE SECRETS ACT § 1(1)(ii)(C), 14 U.L.A. at 433, 438 (1990).

[300] *See College Sav. Bank*, 527 U.S. at 673. *But see infra* note 304 (noting property versus tort view of trade secrets).

[301] *See Kewanee Oil Co.*, 416 U.S. at 476.

[302] Reverse engineering has been defined as the process of "starting with the known product and working backward to divine the process which aided in its development or manufacture." *Id.*

[303] *See id.*

[304] *See* PERRIT, *supra* note 99, at 7-9 (providing a brief discussion of property versus tort view of trade secrets). Trade secrets were covered in the RESTATEMENT (FIRST) OF TORTS § 757 (1939). Today, however, this merely represents an historic tie to tort law. A conscious decision was made to omit this area of law from the Restatement (Second) of Torts because it was believed that trade secret law was no longer dependent on tort law. Hence, the current Restatement of Torts does not include trade secrets. *See* MILGRIM, *supra* note 19, § 1.01[1], at 1-19 to 1-20.

[305] *See* Brunswick Corp. v. Riegel Textile Corp., 752 F.2d 261, 267 (7th Cir. 1984) (stating that "rational profit-maximizer presumably would . . . license . . . a trade secret"). *See generally* MILGRIM, *supra* note 19, §2.02, at 2-22 (stating that trade secrets assignable property).

[306] *See* MILGRIM, *supra* note 19, §2.02, at 2-22.

owner and others.[307] For example, a principal-agent relationship is a fiduciary relationship that implies that the agent must maintain the principal's trade secrets and other information in confidence.[308] Breach of confidentiality by the agent is a breach of her fiduciary duty which is arguably a tort theory; alternatively, the breach may be based on an implied contract theory or an unjust enrichment theory.[309] These various theoretical bases underlying an action for misappropriation of a trade secret have caused some degree of confusion.[310] For example, does a statute of limitations for contract actions or for tort actions apply to an action for misappropriation of a trade secret; should damages be limited to actual economic losses or should other types of damages, such as punitive damages, be available; and should injunctive relief be available as a remedy?[311]

The Uniform Trade Secrets Act does not resolve the confusion over the theoretical underpinnings of trade secret law.[312] However, it provides a statute of limitations and a workable framework which facilitates the application of the law.[313] It also specifies that actual or threatened misappropriation of a trade secret may be enjoined;[314] money damages can be recovered for more than just actual economic losses;[315] attorney fees can be recovered[316] and damages may be doubled if misappropriation is willful.[317]

Nevertheless, it is logical to view a trade secret as a form of intellectual property.[318] Like other types of intellectual property, a

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[307] *See id.*

[308] *See* RESTATEMENT (SECOND) OF AGENCY §§ 395-396 (1958).

[309] *See* MILGRIM, *supra* note 19, §2.02, at 2-22.

[310] *See* MERGES, *supra* note 64, at 1245 (stating that trade secret law is a legal hybrid including elements of property and tort law); *see also* American Credit Indemnity Co. v. Sacks, 262 Cal. Rptr. 92, 96 (Cal. Ct. App. 1989) (stating that common law trade secret law relied on property, quasi-contract and fiduciary duty theories); WILLIAM H. FRANCIS & ROBERT C. COLLINS, CASES AND MATERIALS ON PATENT LAW 8 (4th ed. 1995) (noting that "law of trade secrets has been developed largely from the basic legal concepts of the law of torts, restitution, agency, trusts, quasi-contract, property and contracts").

[311] *See id.*

[312] *Id.*

[313] *See* UNIF. TRADE SECRETS ACT § 6, 14 U.L.A. 433, 462 (1990) (providing for three-year statute of limitations).

[314] *See id.* § 2, at 449 (suggesting property basis for action).

[315] *See id.* § 3, at 455-56 (damages available suggest tort basis for action since contractual theory normally limits damages to actual loss).

[316] *See id.* § 4, at 459.

[317] *See id.* § 3(b), at 456 (provides for punitive damages which suggests tort basis for action).

[318] The wrongful conduct engaged in by a third party who acquires the trade secret may

trade secret is information or knowledge that is commercially valuable.[319] A trade secret is typically a business asset resulting from an expenditure of time and effort.[320] Providing legal protection for trade secrets acts as an incentive for investment in innovation.[321] Typically, the results of creative activity and research are not known in advance. However, the knowledge that legal protection is available for some of the results of such activity encourages investment in such activities.[322] With more protection available, the risk that the investment will not provide an adequate economic return is minimized. The existence of different types of protection improves the likelihood that the investment will yield results that can be legally protected.

Consequently, trade secret law facilitates innovation by allowing an enterprise to gain protection for things that would not receive protection via patent or copyright law.[323] Additionally, trade secret law allows an enterprise to choose between various types of

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be tortious in nature or it may represent a breach of contract. However, this merely refers to the method used to obtain the trade secret and is irrelevant to whether the secret is property. Arguably, this is analogous to a contracting party who engages in tortious conduct when breaching a contract such that the party is liable for both breach of contract and an independent tort. Likewise, a party with a contractual right of access to real property could engage in trespass by exceeding the rights granted. *See* MILGRIM, *supra* note 19, at § 2.01, at 2-4 (noting that property right underlies any trade secret action). One leading commentator views trade secrets as property. *See id.* at 2-2 to 2-4.1. Judicial decisions have also recognized trade secrets as property. *See, e.g.*, Imed Corp. v. Systems Eng'g Assocs. Corp., 602 So. 2d 344, 346 (Ala. 1992) (noting that the purpose of trade secret law is to protect individual property rights in trade secrets); American Tobacco Co. v. Evans, 508 So. 2d 1057, 1059 (Miss. 1987) (finding that trade secrets are property).

[319] The fact that a trade secret ceases to exist after public disclosure (due to breach of secrecy, reverse engineering or independent invention) does not affect its status as property. Trade secrets are a volatile form of property that requires constant vigilance on the part of the owner to maintain secrecy. Cessation of secrecy destroys the trade secret property in the same manner that a fire destroys a house. In both cases, the property at issue ceases to exist. *See* MILGRIM, *supra* note 19, at §2.01[2], at 2-8 to 2-11. Additionally, this is analogous to a real property owner who must be diligent in protecting her property from trespassers to avoid losing ownership of her property under the doctrine of adverse possession. *See* HERBERT HOVENKAMP & SHELDON F. KURTZ, THE LAW OF PROPERTY § 4.2, at 54 (5th ed. 2001).

[320] *See supra* notes 293-94 and accompanying text.

[321] *See Kewanee Oil Co.*, 416 U.S. at 481 ("[e]ncouragement of invention . . . [is one of] the broadly stated policies behind trade secret law."); *see also Imed Corp.*, 602 So. 2d at 346 (explaining that the purpose of trade secret law "to foster the development of new products and technology.").

[322] *See* sources cited *supra* note 321.

[323] *See Ford Motor Co.*, 67 F. Supp. 2d at 749 (noting that trade secret law encourages innovation by supplementing patent law).

protection.[324] For example, a company can choose to rely on patent law to protect a novel manufacturing process.[325] This would provide protection for up to twenty years[326] and requires full disclosure of the process as a condition of obtaining a patent.[327] In contrast, trade secret protection does not involve any disclosure and the protection can potentially last indefinitely.[328] But reliance on trade secret law runs the continuing risk of a third party developing the process via independent invention or reverse engineering.[329] Learning the process by either method allows the third party to freely use the process as its own.[330] Additionally, disclosure of the process to the industry destroys the existence of the trade secret and any corresponding economic advantage it provides.[331] In contrast, independent invention and reverse engineering do not affect the rights of a patent owner.[332] Consequently, protection of trade secrets furthers the goal of encouraging innovation and creativity, one of the broad underlying policies of intellectual property protection.

Trade secrets typically involve information that must be protected from public disclosure.[333] Since information is communicated either orally or in written form, any action to preserve a trade secret invariably must attempt to limit third-party communication of the trade secret. Any legal action which can limit a person's ability to freely engage in communicating information has the potential to run afoul of free speech rights guaranteed by the First Amendment.[334]

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[324] *See* ADELMAN, ET AL, *supra* note 152, at 51 (1998) (discussing how an inventor can opt to seek patent or rely on trade secret law to protect invention).

[325] *See id.*

[326] *See* 35 U.S.C. § 154(a)(2) (1994).

[327] *See id.* § 112.

[328] *See* Brunswick Corp. v. Riegel Textile Corp., 752 F.2d 261, 267 (7th Cir. 1984) (noting that trade secret protection can provide the same or more market dominance that a patent).

[329] *See supra* text accompanying notes 301-303.

[330] *See id.*

[331] *See* In re Shalala, 996 F.2d 962, 965 (8th Cir. 1993) (stating that public disclosure destroys property rights in trade secret).

[332] *See* ROGER E. SCHECHTER, UNFAIR TRADE PRACTICES AND INTELLECTUAL PROPERTY 164 (2d ed. 1993) (noting patents are protected against reverse engineering).

[333] *See Smith*, *supra* note 294.

[334] In *Universal City Studios, Inc.*, 82 F. Supp. 2d at 226, the Court noted that the expressive content of computer code is incidental to its predominant character; therefore, the underlying rationales for the prior restraint doctrine are inapplicable to code. Arguably, trade secrets are analogous in that the expressive or communicative aspect of a trade secret does not represent its predominant character. Instead, a trade secret is more akin to

Furthermore, limitations on speech, which are based on the content of the speech, are inherently suspect.[335] Therefore, if a trade secret is involved, limiting speech via preliminary injunction or temporary restraining order may be problematic under conventional First Amendment jurisprudence.

The interplay between the First Amendment and property rights in trade secrets can be viewed from several perspectives.[336] Arguably trade secret law prohibits certain conduct and is therefore based on a tort theory.[337] Alternatively, the improper conduct triggering liability may be breach of an agreement, which is based on a contractual theory. Arguably, the First Amendment protects speech not conduct.[338] Therefore, if trade secret law is viewed from the perspective that it makes certain conduct unlawful, any attempt by a trade secret owner to prohibit third-party disclosure of a trade secret is merely an attempt to prohibit conduct, not speech.[339] A trade secret owner must limit disclosure of the trade secret if he or she wants to prevent destruction of any property interest. Therefore, any limitations on speech rights are simply unavoidable consequences of the necessity of preserving a trade secret.

The reliance on tort or contract theory implies the use of a liability rule with regard to a remedy.[340] Typically, money damages are a remedy intended to make the injured party whole by granting the economic value of the lost trade secret.[341] This allows someone who interferes with the rights of a trade secret owner to be held liable while preventing any interference with free speech rights via

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commercial private property utilized by an enterprise to generate revenue.

[335] *See* CHEMERINSKY, *supra* note 101, § 11.2.1, at 758-59 (discussing distinction between content-based and content-neutral laws).

[336] *See* ALLISON COFLMAN, THE LEGAL PROTECTION OF TRADE SECRETS, 47-48 (1992) (discussing role of tort law in trade secret protection).

[337] *See id.* § 3.5.1, at 37 (noting that "if trade secret is disclosed, the obligation to respect its confidentiality can be stated expressly in the contract, or it can be implied by law").

[338] *But see* CHEMERINSKY, *supra* note 101, § 11.3.6.1, at 867-69 (stating that conduct such as using flag, armband or other symbol intended to convey a specific message may be First Amendment protected speech).

[339] *See id.*

[340] *See generally* AMEDEE E. TURNER, THE LAW OF TRADE SECRETS 427-459 (1st ed. 1962) (discussing the application of remedies and damages for the disclosure of trade secrets).

[341] *See id.* at 430-31 (noting remedies available include: "damages for loss suffered because of breach of confidence or contract, an account of profits flowing to the defendant from such breach, and an injunction").

preliminary relief.[342] Additionally, since the value of trade secrets is economic, a monetary recovery has the potential to fully compensate the trade secret owner.[343] On its face, this provides a strong argument against allowing preliminary relief in trade secret actions.

Nevertheless, even if a liability rule is utilized, in most cases damages cannot be quantified with sufficient specificity to establish a basis for an award.[344] Even liability-based theories, such as contract, recognize this possibility and therefore use injunctive relief in limited cases.[345] Typically, such injunctive relief is allowed, for example, in the form of specific performance, only if monetary damages are impossible to ascertain or would fail to fully compensate the injured party.[346] While trade secrets by their nature are typically unknown to others in a particular industry, they provide an ongoing economic advantage; the value of the trade secret is hard to determine since it is difficult, if not impossible, to know when or if such a trade secret will be destroyed.[347] Unforeseen technological advances may also render an existing trade secret valueless.[348] Additionally, trade secrets, pursuant to the Uniform Trade Secrets Act, are entitled to protection even if they only have potential commercial value.[349] In light of the difficulty, if not the impossibility, of reducing a trade secret to a measurable monetary value, utilizing money damages after the fact as a remedy for trade secret misappropriation will often be misplaced.[350] Consequently, preliminary relief is necessary; disclosure of the trade secret prior to a trial on the merits destroys the trade secret, leaving nothing to enjoin after the trial.[351]

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[342] *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 35 cmt. c (1995) (noting that the constitutional right of free speech can limit the scope of injunctive relief in unfair competition cases).

[343] *See* TURNER, *supra* note 340, at 427-59.

[344] *See id.*

[345] *See id.*

[346] *See* CALAMARI & PERILLO, *supra* note 56, at 660-61 (explaining that specific performance is an extraordinary remedy available in situations where money damages are inadequate); *see also* U.C.C. § 2-716, 1 B.U.L.A. 497 (1989) (stating that specific performance is allowed for breach of contract for unique goods).

[347] *See* CALAMARI & PERILLO, *supra* note 56.

[348] *See id.*

[349] *See* UNIF. TRADE SECRETS ACT § 1(4)(i), 14 U.L.A. 433, 438 (1990).

[350] *See* CALAMARI & PERILLO, *supra* note 56.

[351] *See* Smith v. BIC Corp., 869 F.2d 194, 199 (3d Cir. 1989) (explaining that damage suffered by a business due to public disclosure of trade secrets cannot be remedied by an appellate court because the court cannot make the information secret again).

Alternatively, trade secrets are property; therefore, it is arguably appropriate to protect a trade secret under a property theory rather than under a liability theory.[352] Under a property theory, it is the property owner's right to exclude third parties from accessing, using or interfering with the property.[353] The establishment of economic damages due to third-party action is not necessary since the property owner's exclusive rights in the property are protected. Protection of such rights is most appropriately accomplished with injunctive relief since any other remedy does not protect the rights at issue.[354] In the case of trade secrets, any disclosure must be enjoined to prevent destruction of the trade secret owner's property rights in the trade secret; unauthorized third-party disclosure of a trade secret is analogous to trespassing on real property.[355] Therefore, just as a real property owner is allowed to protect her property rights with injunctive relief prohibiting unauthorized invasion of the sanctity of her property, a trade secret owner should be allowed to enjoin unauthorized communication of her trade secret to protect her property rights. The need to provide such protection for a trade secret is even more critical than providing such protection for real property because public disclosure of a trade secret essentially destroys any property interest in the trade secret.[356] In contrast, trespassing on realty typically does not destroy the real property. Hence, preliminary relief is critical in a trade secret misappropriation action. Absent preliminary relief, no guarantee exists than any property interest will exist at the conclusion of a trial on the merits.

This analysis comports with the conventional view of intellectual property generally as property, thereby making injunctive relief available as a remedy to protect the property interests pursuant to a property theory.[357] Nevertheless, mere reliance solely on a property theory is inadequate to justify preliminary relief in trade secret actions in light of the fact that such relief will often restrict speech.[358] The allowance of such relief requires a balancing of the fundamental importance of protecting commercial private property with minimizing restrictions on First Amendment rights.

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[352] *See supra* text accompanying note 57.
[353] *See* U.C.C. § 2-403 (stating that a thief cannot transfer good title to a third party).
[354] *See supra* text accompanying note 92.
[355] *See supra* note 57 and accompanying text.
[356] *See supra* note 331.
[357] *See* Lemley & Volokh, *supra* note 8, at 211.
[358] *See In re Shalala*, 996 F.2d at 965.

Typically, the only value of trade secrets is commercial in nature.[359] They provide a degree of competitiveness in the marketplace, which enhances competition.[360] Additionally, this encourages innovation by competitors to maintain marketplace viability.[361] Failure to allow preliminary relief in a trade secret action undermines these policies.[362] A trade secret owner would have to bear the risk of trade secret disclosure and the resulting marketplace injury with the only remedy being the potential for money damages upon prevailing at trial.[363] This would discourage enterprises from relying on trade secrecy; justice delayed often amounts to a lack of justice. This is exacerbated by the difficulty of ascertaining the monetary value of a trade secret.[364] Furthermore, a party who improperly acquired a trade secret would have substantial bargaining power.[365] In light of the fact that public disclosure destroys a trade secret, a trade secret owner may feel compelled to settle an action merely to avoid disclosure. This would enable the trade secret misappropriator to engage in economic coercion because marketplace damage to an enterprise may be too great to absorb in the short run.[366] Therefore, pursuing legal action resulting in uncertain damages in the distant future may not be a viable business option.[367] Preliminary injunctions equalize the commercial playing field because the potential for economic coercion is removed. The ability of a trade secret owner to interfere with competition by improperly asserting trade secret rights is checked by the basic requirements that must be established to obtain preliminary relief.[368]

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[359] UNIF. TRADE SECRETS ACT § 1(4)(i), 14 U.L.A. 438 (1995).

[360] *See generally* BARRETT, *supra* note 78, at 26 (facilitating marketplace competition is main purpose of intellectual property law).

[361] *See Kewannee Oil*, 426 U.S. at 481.

[362] *See, e.g.*, Scott D. Mars, *Trade Secrets, Preliminary Relief in Trade Secret Cases*, 61 TEX. B. J. 880, 884 (noting preliminary relief is powerful equitable remedy).

[363] *See generally supra* note 351 and accompanying text.

[364] *See* Ryan Lambrecht, *Trade Secrets and the Internet: What Remedies Exist for Disclosure in the Information Age*, 18 REV. LITIG. 317, 326 (1999).

[365] *See* Ruckelshaus v. Montsano Co., 467 U.S. 986, 1011 (1984).

[366] *See* UNIF. TRADE SECRETS ACT, 14 U.L.A. 433, 455-56 (1995).

[367] *See id.*

[368] Four-factor test for a preliminary injunction requires plaintiff to establish: (1) likelihood of success on the merits; (2) irreparable harm or injury will result if injunction denied; (3) balance of hardships favors plaintiff; and (4) public interest favors granting injunction. *See* Lemley & Volokh, *supra* note 8 at 158. It can be argued that once a likelihood of success is shown the other factors can be assumed to be satisfied. In the usual case, irreparable injury will result since the value of a trade secret and the resulting injury from its disclosure cannot be easily and accurately quantified. This strongly suggests that

Namely, the party seeking the preliminary relief must typically show a likelihood of success on the merits before such relief will be granted.[369]

Protection of the underlying economic value of a trade secret requires the issuance of preliminary relief. Although an incidental restriction on free speech may result, such as in *Lane*,[370] this must be balanced against the effect on the trade secret. Disclosure prior to conclusion of a trial on the merits is permissible absent preliminary relief. The consequence of public disclosure of the trade secret is its total destruction.[371] Therefore, on balance, the preservation of the private property interest embodied in a trade secret can only be protected by preliminary relief. Any minor restriction on free speech must give way to protection of this private property interest.

CONCLUSION

Freedom of speech is a fundamentally important interest in our society that is necessary to maintain a democratic system of government.[372] Free speech rights allow the news media to engage in unfettered reporting, which provides an important check on the activities of government. It also allows the dissemination of information which facilitates the flow of information [373] and provides individuals with the ability to freely express their ideas and thoughts even if they are unpopular or contrary to prevailing viewpoints.

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the balance of hardships favors plaintiff. Finally, the public interest generally favors strong protection of trade secrets to provide an incentive for innovation for the benefit of the public. Judicial decisions seem to support this view by allowing preliminary relief in intellectual property cases simply upon a showing of likelihood of success on the merits. *See, e.g.*, *Johnson Controls, Inc.*, 886 F.2d at 1174 (holding that "in a copyright infringement claim, a showing of a reasonable likelihood of success on the merits raises a presumption of irreparable harm"); *Apple Computer, Inc.*, 714 F.2d at 1254 ("prevailing view that a showing of a prima facie case of copyright infringement or reasonable likelihood of success on the merits raises a presumption of irreparable harm"); American Direct Mktg., Inc. v. Azad Int'l, Inc., 783 F. Supp. 84, 96 (E.D.N.Y. 1992) (explaining that irreparable injury is presumed in copyright actions, therefore, preliminary injunction is automatic once likelihood of success on merits is shown); *id*. at 91 ("Irreparable injury usually follows almost inevitably in a trademark . . . infringement case once a strong likelihood of confusion has been shown because damage to reputation is difficult to prove or quantify.").

[369] *See* Lemley & Volokh, *supra* note 8, at 158 (discussing how several courts have held that likelihood of success on the merits is a prerequisite to preliminary relief).

[370] *See Ford Motor Co.*, 67 F. Supp. 2d 745.

[371] *See supra* note 331 and accompanying text.

[372] *See generally supra* note 3.

[373] *See* United States v. Carrier, 672 F.2d 300 (2d Cir. 1982).

Ultimately, society reaps the benefit of seeing and hearing numerous ideas that can help to both educate and inform individuals.

Private property rights are also fundamentally important in an economic system based on free enterprise.[374] The recognition of and strong protection afforded to private property under our legal system have been critical factors in the growth and development of our economy.[375] Private property rights are an essential aspect of our economic system which facilitate development of business enterprises.[376] Typically, private property enables businesses to create revenue and thereby engage in research and development activities that benefit society.

Today, enterprises increasingly utilize intellectual property in addition to tangible property.[377] Intellectual property, like tangible property, is typically viewed by a business as a useful asset in the generation of revenue.[378] Law has therefore always protected such intellectual property.[379] Absent such protection, little incentive would exist for the creation of intellectual property.[380] Consequently, an enterprise would be reluctant to make any investments in research and development, and ultimately the public would lose the benefits that flow from the creation of such property.

Nevertheless, unlike real property and most tangible property, intellectual property often contains a communicative element since it comprises ideas, information, creativity and forms of expression. It is this communicative aspect that conflicts, to some extent, with the freedom of speech right protected by the First Amendment.

Historically, the Supreme Court has never viewed any right as absolute.[381] Consistent with this view, the Court has recognized that even fundamental rights, such as freedom of speech, must be balanced against other important underlying policies.[382] Likewise, even private property rights are subject to limitations based on

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[374] *See generally supra* note 34 and accompanying text.
[375] *See G.S. Rasmussen & Assoc.*, 958 F. 2d at 900.
[376] *See id.*
[377] *See supra* text accompanying notes 60-62.
[378] *See id.*
[379] *See supra* note 64 and accompanying text.
[380] *See generally supra* notes 145, 224 and 229.
[381] *See* United States v. Mine Workers of Am., 330 U.S. 258, 385 (1947).
[382] *See, e.g.*, Schneider v. State, 308 U.S. 147, 161 (1939) ("As cases arise, the . . . difficult task falls upon the courts to weigh the policies against the rights.").

competing public policy interests.[383] Nevertheless, preliminary relief in the form of injunctions or temporary restraining orders are typically denied when such First Amendment rights are involved.[384] Such preliminary relief is a common remedy when a party can demonstrate a likelihood of success on the merits.[385] This relief minimizes injury by maintaining the status quo during the legal adjudication process.[386] Nevertheless, under the prior restraint doctrine such relief is routinely denied when speech is involved.[387] This insures that lawful speech, protected by the First Amendment, is not temporarily enjoined during the adjudication process.[388] Arguably, this makes sense because of the impossibility of knowing conclusively if the speech at issue can be lawfully enjoined until the conclusion of the legal process.

Preliminary relief is a commonly granted remedy in actions involving the infringement or misappropriation of intellectual property.[389] Few courts have refused to allow such a remedy on the grounds that it would be a prior restraint.[390] Nevertheless, preliminary relief to protect intellectual property may, in some cases, amount to a speech restriction in light of the communicative nature of much intellectual property. The fundamental importance of both intellectual property and free speech rights necessitates that these rights be balanced so that the private property interests embodied in intellectual property can be protected while at the same time minimizing the intrusion into the freedom of speech arena.

An examination of the various intellectual property laws indicates that limitations, which strike a balance between protecting both private property rights and free speech rights, are already built into these laws.[391] Such limitations minimize the interference with free

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[383] *See supra* notes 52-54.

[384] *See* Brockett v. Spokane Arcades, Inc., 472 U.S. 491, 503 (1985).

[385] *See Johnson Controls, Inc.*, 886 F.2d 1173.

[386] *See supra* notes 112 and 117.

[387] *See generally* John Calvin Jeffries Jr., *Rethinking Prior Restraint*, 92 YALE L.J. 409, 417 (1983) (arguing that injunctions against speech are presumptively unconstitutional because they are a type of prior restraint).

[388] *See id.*

[389] *See, e.g.*, K & G Oil Tool Serv. Co. v. G & G Fishing Tool Serv., 314 S.W. 2d 782, 790 (Tex. 1958) ("True protection of a trade secret is a well-recognized objective of equity. . .").

[390] *See* Alexander v. United States, 509 U.S. 544, 551 (1993) (holding that prior restraint does not *per se* prohibit preliminary relief).

[391] *See id.*

speech rights while providing adequate protection for intellectual property to insure an economic incentive exists for engaging in the development of creative and innovative property.

Patent law primarily prohibits conduct [392] by allowing a patent owner to prohibit a third party from making, using, selling or offering for sale the invention protected by the patent.[393] Anyone is free to discuss the invention or to explain how it operates. Information about the invention is public record.[394] Consequently, the law has little impact on free speech rights. Nevertheless, the right to prohibit offers to sell a patented invention can be considered a restriction on commercial speech.[395] However, such speech will not generate revenue absent sale of the patented invention, which is conduct that can be enjoined without affecting freedom of speech. Therefore, prohibiting preliminary relief when a third party engages in such commercial speech is not problematic since such speech alone is unlikely to cause irreparable harm to the patent owner's property.

Copyright law specifically deals with the communication of information and other creative forms of expression.[396] The economic value of copyrighted work depends on the ability to profit from controlling the reproduction and distribution of copies of the work. Therefore, failure to provide preliminary relief for copyrighted work can result in irreparable harm. This reduces the economic incentive to produce creative things since this potential for economic reward provides the incentive for devoting time and resources to creative endeavors. This reduction of economic incentives would ultimately be detrimental to the public.

Trademark law provides legal protection for words, phrases or symbols that create a mental association in the minds of consumers.[397] Extensive marketing and advertising are typically required to develop a strong mental association with a trademark.[398] Therefore, unless the law provides protection for trademarks, little

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[392] *See Schneider*, 308 U.S.147.
[393] *See* 35 U.S.C. § 271 (1994).
[394] *See id.*
[395] *See* 37 C.F.R. § 1.11(a) (1985).
[396] *See* Lemley & Volokh, *supra* note 8, at 158.
[397] *See* Dallas Cowboys Cheerleaders, Inc. v. Scoreboard Posters, Inc., 600 F.2d 1184, 1187 (5th Cir. 1979).
[398] *See* 15 U.S.C. § 1127 (1994).

incentive exists for enterprises to devote resources to the creation and maintenance of trademarks.

The marketplace value of a trademark is based on the mental association created in the minds of consumers by the trademark.[399] This is an intangible that is easily affected by the actions of third parties.[400] Damage resulting to the mental association may be difficult, if not impossible, to undo.[401] Hence, preliminary relief is necessary to prevent such damage to this mental association during the course of an action for trademark infringement.

Trade secrets are broadly defined to protect information that is subject to reasonable secrecy efforts and which has economic value to an enterprise.[402] Secrecy is the very heart of trade secret protection. Public disclosure of a trade secret destroys the trade secret.[403] Therefore, preliminary relief in a trade secret misappropriation action is necessary to prevent destruction of the intellectual property prior to adjudication on the merits.

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[399] *See* Charles D. Paglee, *Chinese Trademark Law Revised: New Regulations Protect Well-Known Trademarks*, 5 U. BALT. INTELL. PROP. J. 37, 81 (noting that the value of trademark is dependent on its popularity).

[400] *See id.*

[401] *See* Stern's Miracle-Gro Prods., Inc. v. Shark Prods. Inc., 823 F. Supp. 1077 (noting that consumers may be attracted to the competitor's product based on the strength, goodwill and positive image established by trademark holder).

[402] *See Scarves by Vera, Inc.*, 544 F.2d 1167.

[403] *See supra* note 331.