



Intellectual Property in the New Technological Age

2000

Statutory Supplement

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ASPEN LAW & BUSINESS

**INTELLECTUAL PROPERTY IN THE
NEW TECHNOLOGICAL AGE**
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ASPEN LAW & BUSINESS
A Division of Aspen Publishers, Inc.
Gaithersburg New York

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Aspen Law & Business
A Division of Aspen Publishers, Inc.
1185 Avenue of the Americas
New York, NY 10036

1 2 3 4 5 6 7 8 9 0

Printed in the United States of America

ISBN 0-7355-1715-0

Library of Congress Catalog Card No. 96-79679

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Preface to the 2000 Statutory Supplement of Intellectual Property in the New Technological Age

The impetus for writing *Intellectual Property in the New Technological Age* was our desire to have a book that would encompass and keep pace with the rapid technological advances driving the U.S. economy and changes in intellectual property law. The rapid diffusion of new technology has continued since our book was released in 1997 and the goal of the Second Edition, released in 2000, is to fully integrate these developments.

This supplement includes all of the many changes that were made to the intellectual property statutes during the 105th Congress and the first half of the 106th Congress. We have included the Economic Espionage Act, the Sonny Bono Copyright Term Extension Act, and the Digital Millennium Copyright Act, the American Inventor Protection Act, the Anticybersquatting Consumer Protection Act, and many other developments.

As an additional way for professors to keep abreast of the myriad developments in the field of law and technology, we recommend the *Annual Review of Law & Technology*. Co-sponsored by the Berkeley Center for Law & Technology and the Berkeley Technology Law Journal, the *Annual Review* provides a compendium of case comments on important cases, new legislation, international treatises, and developments in foreign law over the prior year. The first issue, surveying a broad range of developments in intellectual property law and related fields, was published in June 1998; the second was published in April 1999 and the third in April 2000. See the insert in this supplement in order to obtain a copy of the *Annual Review*.

We would like to thank Evelyn McNeil for her invaluable assistance in preparing this edition of the Supplement.

*Robert P. Merges
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July 2000

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Rules and Statutes

Restatement of Torts

§ 757 Liability for Disclosure or Use of Another's Trade Secret — General Principle

One who discloses or uses another's trade secret without privilege to do so, is liable to the other if

- (a) he discovered the secret by improper means, or
- (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or
- (c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was a breach of his duty to the other, or
- (d) he learned the secret with notice of the facts that it was a secret and that disclosure was made to him by mistake.

§ 758 Innocent Discovery of Secret — Effect of Subsequent Notice or Change of Position

One who learns another's trade secret from a third person without notice that it is a secret and that the third person's disclosure is a breach of his duty to the other, or who learns the secret through a mistake without notice of the secrecy and the mistake,

- (a) is not liable to the other for a disclosure or use of the secret prior to receipt of such notice, and
- (b) is liable to the other for a disclosure or use of the secret after the receipt of such notice, unless prior thereto he has in good faith paid value for the secret or has so changed his position that to subject him to liability would be inequitable.

§ 759 Procuring Information by Improper Means

One who, for the purpose of advancing a rival business interest, procures by improper means information about another's business is liable to the other for the harm caused by his possession, disclosure or use of the information.

Uniform Trade Secrets Act

(with California Amendments)

California Civil Code

§§ 3426-3426.11

§ 3426

This title may be cited as the Uniform Trade Secrets Act.

§ 3426.1

As used in this title, unless the context requires otherwise:

(a) “Improper means” includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means. Reverse engineering or independent derivation alone shall not be considered improper means.

(b) “Misappropriation” means:

(1) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(2) Disclosure or use of a trade secret of another without express or implied consent by a person who:

(A) Used improper means to acquire knowledge of the trade secret;

or

(B) At the time of disclosure or use, knew or had reason to know that his or her knowledge of the trade secret was:

(i) Derived from or through a person who had utilized improper means to acquire it;

(ii) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

(iii) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

(C) Before a material change of his or her position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

(c) "Person" means a natural person, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity.

(d) "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and*

(2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

§ 3426.2

(a) Actual or threatened misappropriation may be enjoined. Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.

(b) If the court determines that it would be unreasonable to prohibit future use, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time the use could have been prohibited.

(c) In appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order.

§ 3426.3

(a) A complainant may recover damages for the actual loss caused by misappropriation. A complainant also may recover for the unjust enrichment caused by misappropriation that is not taken into account in computing damages for actual loss.

(b) If neither damages nor unjust enrichment caused by misappropriation are provable, the court may order payment of a reasonable royalty for no longer than the period of time the use could have been prohibited.

(c) If willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subdivision (a) or (b).

* The original version of the Uniform Act reads "not being generally known to or readily ascertainable by proper means by the public . . ." – Eds.

§ 3426.4

If a claim of misappropriation is made in bad faith, a motion to terminate an injunction is made or resisted in bad faith, or willful and malicious misappropriation exists, the court may award reasonable attorney's fees to the prevailing party.

§ 3426.5

In an action under this title, a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include granting protective orders in connection with discovery proceedings, holding in-camera hearings, sealing the records of the action, and ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval.

§ 3426.6

An action for misappropriation must be brought within three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim.

§ 3426.7

(a) Except as otherwise expressly provided, this title does not supersede any statute relating to misappropriation of a trade secret, or any statute otherwise regulating trade secrets.

(b) This title does not affect (1) contractual remedies, whether or not based upon misappropriation of a trade secret, (2) other civil remedies that are not based upon misappropriation of a trade secret, or (3) criminal remedies, whether or not based upon misappropriation of a trade secret.

(c) This title does not affect the disclosure of a record by a state or local agency under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code). Any determination as to whether the disclosure of a record under the California Public Records Act constitutes a misappropriation of a trade secret and the rights and remedies with respect thereto shall be made pursuant to the law in effect before the operative date of this title.

§ 3426.8

This title shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this title among states enacting it.

§ 3426.9

If any provision of this title or its application to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of the title

which can be given effect without the invalid provision or application, and to this end the provisions of this title are severable.

§ 3426.10

This title does not apply to misappropriation occurring prior to January 1, 1985. If a continuing misappropriation otherwise covered by this title began before January 1, 1985, this title does not apply to the part of the misappropriation occurring before that date. This title does apply to the part of the misappropriation occurring on or after that date unless the appropriation was not a misappropriation under the law in effect before the operative date of this title.

§ 3426.11

Notwithstanding subdivision (b) of Section 47, in any legislative or judicial proceeding, or in any other official proceeding authorized by law, or in the initiation or course of any other proceeding authorized by law and reviewable pursuant to Chapter 2 (commencing with Section 1084) of Title 1 of Part 3 of the Code of Civil Procedure, the voluntary, intentional disclosure of trade secret information, unauthorized by its owner, to a competitor or potential competitor of the owner of the trade secret information or the agent or representative of such a competitor or potential competitor is not privileged and is not a privileged communication for purposes of Part 2 (commencing with Section 43) of Division 1. This section does not in any manner limit, restrict, impair, or otherwise modify either the application of the other subdivisions of Section 47 to the conduct to which this section applies or the court's authority to control, order, or permit access to evidence in any case before it. Nothing in this section shall be construed to limit, restrict, or otherwise impair, the capacity of persons employed by public entities to report improper government activity, as defined in Section 10542 of the Government Code, or the capacity of private persons to report improper activities of a private business.

Economic Espionage Act of 1996

18 U.S.C. § 1831 et seq.

Sec. 1831. Economic Espionage

(a) In General. — Whoever, intending or knowing that the offense will benefit any foreign government, foreign instrumentality, or foreign agent, knowingly —

(1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains a trade secret;

(2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys a trade secret;

(3) receives, buys, or possesses a trade secret, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;

(4) attempts to commit any offense described in any of paragraphs (1) through (3); or

(5) conspires with one or more other persons to commit any offense described in any of paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy, shall, except as provided in subsection (b), be fined not more than \$500,000 or imprisoned not more than 15 years, or both.

(b) Organizations. — Any organization that commits any offense described in subsection (a) shall be fined not more than \$10,000,000.

Sec. 1832. Theft of Trade Secrets

(a) Whoever, with intent to convert a trade secret that is related to or included in a product that is produced for or placed in interstate or foreign commerce, to the economic benefit of anyone other than the owner thereof, and intending or knowing that the offense will, injure any owner of that trade secret, knowingly —

(1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains such information;

(2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys such information;

(3) receives, buys, or possesses such information, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;

(4) attempts to commit any offense described in paragraphs (1) through (3); or

(5) conspires with one or more other persons to commit any offense described in paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy, shall, except as provided in subsection (b), be fined under this title or imprisoned not more than 10 years, or both.

(b) Any organization that commits any offense described in subsection (a) shall be fined not more than \$5,000,000.

Sec. 1833. Exceptions to Prohibitions

This chapter does not prohibit —

(1) any otherwise lawful activity conducted by a governmental entity of the United States, a State, or a political subdivision of a State; or

(2) the reporting of a suspected violation of law to any governmental entity of the United States, a State, or a political subdivision of a State, if such entity has lawful authority with respect to that violation.

Sec. 1834. Criminal Forfeiture

(a) The court, in imposing sentence on a person for a violation of this chapter, shall order, in addition to any other sentence imposed, that the person forfeit to the United States —

(1) any property constituting, or derived from, any proceeds the person obtained, directly or indirectly, as the result of such violation; and

(2) any of the person's property used, or intended to be used, in any manner or part, to commit or facilitate the commission of such violation, if the court in its discretion so determines, taking into consideration the nature, scope, and proportionality of the use of the property in the offense.

(b) Property subject to forfeiture under this section, any seizure and disposition thereof, and any administrative or judicial proceeding in relation thereto, shall be governed by section 413 of the Comprehensive Drug Abuse Prevention and Control Act of 1970 (21 U.S.C. 853), except for subsections (d) and (j) of such section, which shall not apply to forfeitures under this section.

Sec. 1835. Orders to Preserve Confidentiality

In any prosecution or other proceeding under this chapter, the court shall enter such orders and take such other action as may be necessary and appropriate to

preserve the confidentiality of trade secrets, consistent with the requirements of the Federal Rules of Criminal and Civil Procedure, the Federal Rules of Evidence, and all other applicable laws. An interlocutory appeal by the United States shall lie from a decision or order of a district court authorizing or directing the disclosure of any trade secret.

Sec. 1836. Civil Proceedings to Enjoin Violations

(a) The Attorney General may, in a civil action, obtain appropriate injunctive relief against any violation of this section.

(b) The district courts of the United States shall have exclusive original jurisdiction of civil actions under this subsection.

Sec. 1837. Applicability to Conduct Outside the United States

This chapter also applies to conduct occurring outside the United States if —

(1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or an organization organized under the laws of the United States or a State or political subdivision thereof; or

(2) an act in furtherance of the offense was committed in the United States.

Sec. 1838. Construction with Other Laws

This chapter shall not be construed to preempt or displace any other remedies, whether civil or criminal, provided by United States Federal, State, commonwealth, possession, or territory law for the misappropriation of a trade secret, or to affect the otherwise lawful disclosure of information by any Government employee under section 552 of title 5 (commonly known as the Freedom of Information Act).

Sec. 1839. Definitions

As used in this chapter —

(1) the term “foreign instrumentality” means any agency, bureau, ministry, component, institution, association, or any legal, commercial, or business organization, corporation, firm, or entity that is substantially owned, controlled, sponsored, commanded, managed, or dominated by a foreign government;

(2) the term “foreign agent” means any officer, employee, proxy, servant, delegate, or representative of a foreign government;

(3) the term “trade secret” means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods,