

LICENSE TO STEAL

by

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Introduction

A fascinating development in the technology law arena is the number of high-profile disputes that raise First Amendment issues. Perhaps this should not be surprising given the growth of the information economy and the degree that technology businesses rely on intellectual property laws to protect their commercial interests. Thus, on a number of fronts, there is a clash between those who wish to control information with those who believe that legal restrictions on expressing ideas are objectionable. This divergence is particularly acute in the Internet space where information is so critical and yet so hard to physically control.

Several highly publicized recent disputes reflect the rising tensions. The criminal case against Dmitry Skylarov and his company, ElcomSoft, may seem to some to be a simple situation of the government taking action against developers of illegal piracy tools.¹ Others though fear that the government is trampling on the free speech rights of American citizens by allowing content publishers to lock up their expressions and control how others may use them.² The litigation against Yahoo! in France for hosting auctions of Nazi artifacts and memorabilia raises fears of censorship back home in the United States.³ Similarly, the government's latest attempt to control the availability of indecent materials over the Internet by requiring public libraries and schools to use filtering technologies has invited the usual First Amendment challenges.⁴

Of all the recent debates, the one garnering the most attention in legal circles involves the distribution on the Internet of a computer program -- called DeCSS -- that breaks piracy protection measures used on DVDs. The motion picture industry already has successfully gained injunctive relief in New York, despite vigorous First Amendment objections, based on the controversial Digital Millennium Copyright Act.⁵ However, with less fanfare, the industry also challenged DeCSS in California based on charges of trade secret misappropriation.⁶

On November 1, 2001 a California appellate court reversed the trial court's decision to grant preliminary relief, claiming that preliminary injunctions preventing disclosure in trade secret cases violate the First Amendment except in situations where there are confidentiality agreements.⁷ This decision is at least a temporary blow to the movie industry. However, the implications are much broader to technology firms in general, since the decision, if allowed to stand on appeal, severely limits the availability of a key remedy to protect trade secrets in California. Clearly, the potential importance of this decision cannot be overemphasized. This paper reviews the case, and explains why the appellate court's analysis is deficient. It also recommends a framework for appraising First Amendment challenges to preliminary injunctions in trade secret cases.

The Basic Facts of DVD Copy Control Association v. Andrew Bunner

The essential facts of the case are relatively simple. Motion pictures that are distributed on DVDs are protected by an encryption system called the Content Scrambling System, or CSS. The DVD Copy Control Association ("DVD CCA") allegedly owns rights to the CSS technology, and provides licenses to companies that wish to use it. With CSS, the content on DVDs is scrambled, and only can be decrypted and played with a device that incorporates the CSS technology. These may be hardware devices, or software players that allow DVDs to be played with particular computer operating systems, such as Windows. The software players include click-wrap licenses that prohibit end-users from reverse-engineering them.

In 1999, Jon Johansen and perhaps other individuals in Norway purportedly reverse-engineered a software player distributed by Xing Technology Corporation and developed a software utility that "breaks" CSS, thereby allowing users to decrypt, copy and transmit motion pictures stored on DVDs. This utility was aptly named DeCSS. Johanson posted the source code for DeCSS on an Internet site. Soon thereafter, sites all over the world posted the source code or provided links to sites that posted it. DVD CCA sued many of these individuals, including Andrew Bunner, in California state court for violating the California Uniform Trade Secrets Act ("UTSA").

The trade secret claim against Bunner and other defendants who post DeCSS depends on the following logic. The UTSA forbids individuals from using improper means to acquire trade secrets. "Improper means" include the expected list of activities, such as theft and espionage. In addition, though, one misappropriates by breaching fiduciary duties or agreements that prohibit efforts to learn or disclose trade secrets. This latter point may cover Johanson and the other Norwegians, since they may have breached a click-wrap agreement by reverse-engineering and then disclosing secrets about CSS. Of course, the legality of click-wrap licenses is somewhat controversial, and the clauses may not be binding in Norway. If so, then even this initial group may have done nothing illegal. The claim against Bunner, though, is more remote. The UTSA prevents a person from disclosing a trade secret if that person reasonably knows that the secret came from someone who used improper means to obtain it. Thus, Bunner violated DVD CCA's trade secrets by disclosing the secrets on his web site if he reasonably knew that Johansen stole the secrets in violation of a click-wrap license that is enforceable under the laws of Norway. Of

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course, all of this logic also requires that CSS be a trade secret, a notion that is debatable, given that it was publicly distributed with extremely weak encryption security methods.⁸

The UTSA provides that injunctive relief is a possible remedy for trade secret misappropriation.⁹ Based on this, DVD CCA sought such relief, and requested that the trial judge grant a preliminary injunction, preventing disclosure of the trade secrets via Internet postings until a full hearing on the merits. The trial judge determined that there was a likelihood of success on the merits, and issued a preliminary injunction, forbidding the defendants from posting DeCSS on their web sites. The Court of Appeals, though, reversed, claiming that the preliminary injunction violated the First Amendment. The appellate court determined that (1) DeCSS is pure speech receiving the highest First Amendment protections¹⁰; (2) preliminary injunctions on pure speech are almost always unconstitutional¹¹; and (3) the availability of preliminary injunctions in other intellectual property contexts can be distinguished from situations involving trade secrets.¹² Following these principles, the court ruled that a preliminary injunction barring the disclosure (as opposed to the use) of trade secrets must be unconstitutional unless the defendant is bound by a nondisclosure agreement.¹³ Since Bunner was not a party to a nondisclosure agreement, the Court of Appeals ruled that the preliminary injunction barring his disclosure of DeCSS must violate the First Amendment.¹⁴

The Importance of Preliminary Injunctions for Trade Secret Protection in the Internet Age

Trade secret laws extend protection to valuable information that is not generally known by others in the field and is subject to reasonable security measures. The Internet poses a striking problem for trade secret holders since any information that is posted is instantaneously available to millions of viewers. In addition, the longer that the information is posted, the more likely it is that other operators will duplicate the information and post it from their sites. Thus, trade secret holders must act quickly to remove any leaks of information on the Internet if they are to have any chance to control widespread dissemination to the public.¹⁵

Courts that have addressed this issue recognize the enormous tension posed by the Internet. The trial judge in the DeCSS litigation, for instance, stated “If the Court does not immediately enjoin the posting of this proprietary information, the Plaintiff’s right to protect this information as secret will surely be lost, given the current power of the Internet to disseminate information. . . .”¹⁶ A series of cases brought by the Church of Scientology echo these concerns. The earlier cases claimed that trade secrets become part of the public domain once they are posted on the Internet.¹⁷ The most recent case, though, indicated that this might be an overly broad generalization. Rather, loss of trade secret status requires a thorough review of the circumstances to determine if it has become generally known to relevant people.¹⁸ From these cases, one message is loud and clear. Once information is available on the Internet, time becomes the enemy of the trade secret holder.

Under specially circumscribed circumstances, courts have the power to issue preliminary injunctions, preventing conduct before a full trial on the merits. Due to the extraordinary nature of the relief, the court is supposed to carefully consider: (1) whether the plaintiff is likely to succeed on the merits at a full trial, (2) whether the plaintiff will suffer irreparable injury if the injunction is not granted, (3) whether the plaintiff would suffer greater hardship without an injunction than the defendant would incur from the injunction, and (4) whether granting the injunction would be in the public interest.¹⁹ Clearly, the fragility of trade secrets in the Internet context must bear heavily in this balance, and some might presume that preliminary injunctions should be routinely granted to prevent irreparable harm. However, this position likely is too strong since there might be times when the relief would inflict undue harms on others. On the other hand, it also would be an overgeneralization to claim that trade secrets never merit preliminary relief due to the public’s interest in free speech. Yet, that is close to the position held by the Court of Appeals in *Bunner*.

The Court of Appeals focused its attention on First Amendment interests, and determined that those rights trump all the others in the preliminary injunction balance when trade secrets involve “pure” speech. This approach is not sound, nor does it follow applicable precedents. It is important to engage in a more sophisticated and complete balancing of competing considerations to arrive at the correct decision regarding preliminary injunctions. Perhaps the appellate court was influenced by the weakness of the case, and yet felt hamstrung by the trial judge’s decision. The Court of Appeals focused considerable attention on the “problematic” nature of the plaintiff’s position, including concerns about the actual secrecy of CSS, the legality of click-wrap licenses under Norwegian law, and whether the defendant reasonably knew that DeCSS included misappropriated trade secrets.²⁰ The court, though, noted that it only could consider whether the trial court “abused its discretion”, and in that regard, it assumed that the trial court correctly concluded that DVD CCA had established a reasonable likelihood of success on the merits at trial.²¹ It also assumed that the trial judge correctly determined that the balance of hardships favored the imposition of the preliminary injunction.²² With these variables now exogenous to its determinations, the Court of Appeals was perhaps forced to overplay the categorical importance of the First Amendment.

The First Amendment and Prior Restraints

The First Amendment prohibits laws and governmental actions that abridge freedom of speech. Freedom of speech is based on the notion that the public interest is served by the unrestrained interchange of ideas. However, the right to speak is not absolute, and the courts have struggled with defining the permissible parameters of regulation. For instance, the following issues are relevant in determining the limits of constitutional government action:

(1) *Does the regulation affect speech?*

Speech entails communication between human beings who can derive meaning from the speech. When humans utter or write words for others to hear or read, speech clearly is involved. Also, individuals may speak to others using short-hand notations, such as with musical notes. Beyond these obvious examples, one also must recognize that people may relay thoughts by demonstrating behavior or performing actions. For instance, a person who shows someone “the bird,” or burns a draft card in public engages in speech because he or she intends to communicate ideas to others.²³

(2) *What degree of protection does the First Amendment provide to the speech?*

Different kinds of “speech” merit different levels of First Amendment protection. For instance, the amendment does not protect certain kinds of speech, such as obscenity and libel.²⁴ It also does not cover direct threats of violence.²⁵ The First Amendment protects commercial speech, but not to the same degree as other kinds of speech.²⁶ Thus, government has some flexibility to regulate commercial speech as long as it has important reasons to do so. The First Amendment provides its greatest protection to communications involving matters of public policy since these lie at the core of what the drafters intended to preserve.²⁷ For speech at these levels, the government must demonstrate compelling reasons to support regulation.

(3) *Does the government intend to restrict the speech or does it merely affect speech by regulating other matters?*

The courts review regulations that are meant to limit particular kinds of speech or speakers with the highest degree of scrutiny. However, there are times that government regulations affect speech interests when the government’s goal is not so much focused on the particular speech, but rather other kinds of issues or problems. For instance, the government may impose noise ordinances at music events to protect neighborhoods from undue disturbance.²⁸ Also, municipalities have the power to zone strip-clubs to reduce the level of crime in particular areas.²⁹ The courts also recognize that governments may need to regulate communicative conduct, not so much because of the speech involved, but because of its desire to constrain the conduct.³⁰ For example, the government may want to prohibit the burning of draft cards not because it objects to the symbolic antiwar sentiments, but because of the administrative problems that might result when draft cards are destroyed.³¹ Although speech is affected in all of these situations, the government nonetheless will not run afoul of the First Amendment as long as the regulations serve important objectives without unduly burdening speech interests.

Thus, when analyzing the First Amendment, one must consider whether speech is involved, what form the speech takes, the intent of regulators when they affect the speech, and the reasons the government gives to support its actions.

First Amendment concerns are greater when courts are considering preliminary relief than when they impose permanent injunctions after a full trial on the merits.³² Restrictions on speech in the context of preliminary injunctions are called prior restraints. According to the Supreme Court, 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.³³ For example, it would not offend the First Amendment for a court to enjoin the release of obscene speech if it had determined after a complete review of the record that the speech truly is obscene. However, a preliminary injunction prevents speech based only on a likelihood of success on the merits. This, of course, leaves open the possibility that the preliminary injunction would temporarily bar communications that the government has no right to control, since the determination at trial might be that the speech is not obscene.

Some scholars argue that preliminary injunctions on speech should be unconstitutional in every circumstance; that the public interest in preserving the right to speak outweighs any other interest that the preliminary injunction is designed to protect.³⁴ However, as even the *Bunner* court acknowledged, preliminary injunctions have been upheld in many intellectual property contexts that involve speech.³⁵ Thus, the absolute approach certainly is not the current law, and it overly simplifies a policy determination that demands greater attention to balancing relevant interests.

The Court’s Determination That DeCSS is Pure Speech is Wrong

The Court of Appeals determined that the DeCSS source code is pure speech, and thus demands the highest level of First Amendment protection. The court acknowledged that most people would not understand the message relayed by the source code.³⁶ Nonetheless, the code does have meaning to computer programmers, and it may serve as a short-hand way for them to express their ideas.³⁷ The court understood that source code can be compiled by a computer, and then control how the computer functions, but it dismissed the potential relevance of the functional attributes.³⁸ The court said, “That the source code is capable of such compilation, however, does not destroy the expressive nature of the source code itself.”³⁹ Based on this logic, the court concluded that DeCSS should be treated as pure speech.⁴⁰

The court’s analysis is woefully off-track. DeCSS is expressive just like a key is expressive.⁴¹ Keys do not communicate information to the general public. However, locksmiths certainly can read the patterns on keys and learn a lot about the nature of security systems from them. However, no one would seriously contend that the government may not regulate the distribution of keys due to the expressions contained within them. This is because the expressions are intimately

connected to functional attributes of the keys, which surely are susceptible to governmental controls. In a very real sense, a key should be treated in the same way as expressive conduct. This, of course, means that the functional or conduct aspects of the key may be regulated based on important governmental reasons.⁴²

The *Bunner* court showed confusion about the relationships of source code and object code. The court stated that when source code is compiled into object code, the 1's and 0's of the object code do not convey ideas.⁴³ Nonetheless, it concluded that source code is pure speech. This analysis overlooks the fact that source code is simply a method that allows humans to easily instruct computers how to operate. Thus, although source code may communicate ideas to humans, it also is designed to communicate instructions to a computer. No one would seriously contend that communications with a machine are entitled to full First Amendment protections. Thus, source code clearly combines speech and nonspeech attributes in terms of First Amendment considerations. For this reason, DeCSS should be treated like expressive conduct, which thereby provides the government the power to regulate based on important reasons.⁴⁴ Therefore, the *Bunner* court's application of strict scrutiny to DeCSS was faulty; instead it should have addressed the situation in terms of an intermediate standard. This is how the Second Circuit analyzed DeCSS, and the California appellate court should have followed its reasoning.⁴⁵

The appellate court engages in a startling mistake by claiming to follow the precedence in *Junger v. Daley*⁴⁶, but by then misapplying the analysis used in that case. *Junger v. Daley* involved a First Amendment challenge to encryption software regulations. As quoted in *Bunner*, the Sixth Circuit held in *Junger* that the First Amendment protects computer source code because source code is an expressive means for the exchange of information and ideas.⁴⁷ Based on this statement, the court in *Bunner* characterized DeCSS as pure speech. Such a conclusion stands in startling contrast to the Sixth Circuit's view. According to the court in *Junger*, "[t]he functional capabilities of source code . . . should be considered when analyzing the governmental interest in regulating the exchange of this form of speech. Under intermediate scrutiny, the regulation of speech is valid, in part, if it furthers an important or substantial governmental interest."⁴⁸ Given that the California court relied so heavily on the opinion in *Junger*, it is hard to explain why it summarily decided that source code is pure speech. This conclusion is not supported by *Junger* or any other precedence, and is simply wrong.⁴⁹

The Court's First Amendment Analysis of Trade Secret Disclosures is Wrong

Once the court determined that DeCSS was pure speech, it summarily concluded that a preliminary injunction would violate the First Amendment. As stated, the court erred by finding DeCSS to be pure speech, and the case likely will be reversed on these grounds.⁵⁰ Nonetheless, the court's analysis has wider implications, for most acts of trade secret misappropriation do not involve computer code, but rather documents and other information that are designed to be read strictly by humans. Therefore, even if DVD CCA finally prevails, most trade secret holders ultimately could be losers.

The court used a three-prong approach to substantiate its conclusions. It noted that the First Amendment has precluded preliminary injunctions in situations involving far more public harms than those that might arise from the disclosure of DeCSS or typical commercial trade secrets. It also determined that previous cases allowing preliminary injunctions with trade secrets could be distinguished. Finally, it concluded that justifications permitting preliminary injunctions in copyright cases do not apply to trade secrets. Although there is some appeal to each of these arguments, in the end they fail to substantiate the court's blanket condemnation of preliminary injunctions to protect trade secrets from disclosure.

Error #1: The Public Interest Never Justifies a Preliminary Injunction

The court pointed to cases such as *New York Times Co. v. U.S.*⁵¹ and *U.S. v. The Progressive, Inc.*⁵² to justify its ruling that a preliminary injunction in the DeCSS situation would be an unlawful prior restraint.⁵³ In *New York Times*, the Supreme Court determined that courts could not preliminarily enjoin the Washington Post from publishing the contents of a classified study, popularly known as the Pentagon Papers, about the Viet Nam war. The California appeals court claimed that if national security interests do not justify a preliminary injunction to prevent the publication of secret information, then private commercial interests certainly should not qualify either.⁵⁴ Similarly, in *U.S. v. The Progressive*, a district court stated that "it is clear that few things, save grave national security concerns, are sufficient to override First Amendment interests."⁵⁵

Although there is simplistic appeal to the California court's decision, it nonetheless was wrong to conclude that the public's need to know always trumps the need for secrecy. Both of these cases involved established newspapers attempting to publish information that dealt with important public policy issues. This is a far cry from individual web sites or even specialized web magazines that attempt to publish specific misappropriated information about DVD security measures. Indeed, in *The Progressive*, the court ultimately did issue a preliminary injunction, claiming that other national interests outweighed the public's need to know the technical details of hydrogen bomb construction.⁵⁶ Similarly, the national interests in preserving a viable trade secret protection system might outweigh the public's need to know the technical details of how to defeat DVD protection measures.

The California appellate court also relied on *Religious Technology Center v. Lerma*⁵⁷ to substantiate its conclusion that courts may not prevent the disclosure of misappropriated trade secrets through preliminary injunctions unless the situations involve confidentiality agreements. In *Lerma*, a reporter for the Washington Post copied an unsealed court file that contained copies of allegedly secret documents from the Church of Scientology. The Post subsequently published an article about the lawsuit that contained brief quotations from the documents. The church requested a preliminary injunction to prevent further disclosure of its trade secrets and copyrighted materials. The court refused to grant the order, noting that "if a threat to

national security was insufficient to warrant a prior restraint in *New York Times Co. v. U.S.*, the threats to plaintiff's copyrights and trade secrets is woefully inadequate."⁵⁸ The California court, though, overextended the significance of this statement and took it out of context. The *Leerma* court determined that the materials likely were not trade secrets and that the Post likely did not misappropriate under the circumstances.⁵⁹ In addition, the court determined that the plaintiff's harm from disclosure was "at best slight."⁶⁰ It also believed that the copyright claim was weak due to fair use arguments.⁶¹ Thus, the court concluded that there was not a substantial likelihood of success on the merits.⁶²

Error #2: A Breach of a Confidentiality Agreement Leads to a Different Result

DVD CCA provided the California appeals court with numerous precedents to show that courts routinely issue preliminary injunctions to preserve trade secret rights even in light of First Amendment defenses.⁶³ The court, though, distinguished these cases, either because they involved the use of trade secrets or involved breaches of confidentiality agreements.⁶⁴ Obviously, the First Amendment does not affect injunctions on use, and the court was correct to make that distinction. However, the notion that courts should treat secrets subject to confidentiality agreements differently than those that are not is more difficult to understand.

In reaching this decision, the California appeals court clearly relied on *Ford Motor Co. v. Lane*⁶⁵, although the court never cited the case as a precedent. In *Lane*, the defendant posted trade secrets about Ford products and technologies on his web site. The defendant likely knew that the information was confidential and was disclosed by current and former employees. Nonetheless, the court refused to issue a preliminary injunction, claiming that it would violate the First Amendment. In this regard, the court in *Lane* was impressed by cases such as *New York Times*, in the same way as was the California court.⁶⁶ The court concluded, "In the absence of a confidentiality agreement or fiduciary duty between the parties, Ford's commercial interest in its trade secrets and Lane's alleged improper conduct in obtaining the trade secrets are not grounds for issuing a prior restraint."⁶⁷

It is hard to fathom why the existence of a confidentiality agreement has magical power to summarily allow what the First Amendment otherwise would never permit. For instance, by the court's reasoning, the movie industry could convince a court to issue an injunction prohibiting Johanson from posting DeCSS, since he allegedly violated a click-wrap confidentiality agreement when he disclosed the program. However, once Johanson passed the information to anyone else, the court lost the power to prevent redistribution due to the First Amendment. Assuming that the recipients knew about Johanson's misappropriation, they surely were no less evil when they furthered the harms. Also, the public interest in preventing the damage was no less with the recipients than it was with Johanson.

For all practical purposes, this loophole may leave a trade secret holder without any recourse even against those having fiduciary obligations, since those trusted individuals need only leak the information to a third party to defeat any opportunity to prevent public disclosure via preliminary injunctive relief. In the Internet age, this also means that permanent injunctive relief will not be available, since the secret surely will be destroyed by the time the court resolves the matter at a full trial on the merits. For these reasons, the sole remedy for disclosure of misappropriated trade secrets now may only be damage recoveries against those who revealed the information when it still might have been secret. However, as is so often the case, the damages likely will far exceed the financial resources of these individuals.

Error #3: Trade Secrets Are Different Than Copyrights

Preliminary injunctions in copyright disputes routinely survive First Amendment challenges. DVD CCA argued that since trade secrets and copyrights are both elements of the intellectual property system, they should receive equal treatment under free speech analyses.⁶⁸ The appeals court, though, did not agree.

The court first claimed that copyright is not on an equal footing with trade secrets because the Copyright Act is rooted in Article I of the Constitution, while the Uniform Trade Secrets Act has no constitutional foundation.⁶⁹ Presumably, the constitutional basis allows courts to give greater weight to the objectives of copyright policy when they balance the public benefits from copyright against free speech interests.

A couple of counter-examples illustrate the weakness of this argument. For instance, if the DeCSS trade secret action had been brought under the Economic Espionage Act, would a preliminary injunction have been more acceptable because the Act is a federal law that is founded on the Commerce Clause of the U.S. Constitution? After all, the Commerce Clause is also within Article I, and it explicitly allows the federal government to make laws that regulate commerce among the several states. One also can look to trademark law to recognize the weakness of the constitutional balancing argument. The Lanham Act is a component of the intellectual property system, although it is founded on nothing more explicit in the Constitution than the Commerce Clause. Yet, preliminary injunctions are upheld with trademarks in situations involving pure speech.⁷⁰ If one believes the court's constitutional balancing argument, there is no reason to prefer trademarks over trade secrets. Therefore, without more, preliminary injunctions also should be available for trade secrets.

The court also concluded that trade secrets must be treated more harshly than copyrights when appraising First Amendment concerns because copyrights have limited duration while trade secrets may last potentially for an infinite period of time.⁷¹ It is hard to fathom why the duration of potential protection has any bearing on a decision to impose a preliminary injunction. The only relevant question is whether the court imposes an undue burden on speech interests by preventing disclosure until the issues may be resolved at trial. Thus, the only time period that should be of concern is the duration of that

waiting period. For this reason, some courts permit preliminary injunctions when there is a process assuring that the issues will be resolved promptly at trial.⁷² Perhaps the appeals court should have considered this option rather than perfunctorily denying preliminary injunctions in all trade secret misappropriation cases lacking confidentiality breaches. In any event, distinguishing copyrights from trade secrets on the basis of possible duration is silly in and of itself. Copyrights generally last at least 95 years, which is far longer than trade secrets usually can be maintained.⁷³ In other words, although trade secrets may in theory last forever, for all practical purposes their duration is limited to a far greater extent than are copyrights. Also, once again, the treatment with trademarks disproves the court's rationale, for trademarks theoretically can last forever, yet preliminary injunctions are available for their protection.⁷⁴

The court also claims that trade secrets must be handled differently from copyrights because First Amendment considerations are built into copyright's fair use doctrine while trade secret laws offer no intrinsic First Amendment safeguards.⁷⁵ The court admits that copyright offers a means to balance the rights of copyright holders with the public's interest in the dissemination of information, and that preliminary injunctions may be appropriate within this balance.⁷⁶ It is hard to understand why it then assumes that such balancing is not appropriate in the context of trade secrets. For instance, the court recognizes that fair use allows speakers greater freedom to engage in scholarly or public discourse, and implies that preliminary injunctions are less appropriate under such circumstances.⁷⁷ There is no reason that courts could not engage in the same balancing of interests when making decisions regarding preliminary injunctions in trade secret actions. Indeed, as already noted, courts are supposed to balance the respective hardships and the public interests when making decisions regarding preliminary injunctions.

Although the court does not directly make this point, one also might argue that the Copyright Act does not protect ideas, and through fair use provides less protection to works that consist substantially of ideas. The notion here would be that since the First Amendment is about preserving free discourse in ideas, it does not clash with the Copyright Act, which provides no protection to such ideas.⁷⁸ Trade secret laws, on the other hand, do protect ideas, thereby creating potential conflicts with the First Amendment.

The problem with this argument is that the First Amendment protects expressions along with ideas.⁷⁹ Individuals, for instance, may want to demonstrate anger at a public rally. Various words and inflections might be used to express such displeasure. Could the government limit the words used to evoke the ideas on the theory that they are simply ways to express ideas, and not the ideas themselves? Since the government clearly cannot do this, there is a clash with the copyright statute, which does protect these very expressions. So, again, there is little justification for treating copyrights differently than trade secrets under First Amendment analysis.

The Appropriate Preliminary Injunction Framework for Trade Secret Cases

The California appeals court's approach to preliminary injunctions in trade secret cases is far too rigid given the important role that trade secrets play in the intellectual property system. With copyrights and trademarks, courts are willing to grant preliminary injunctions preventing disclosure under circumstances involving pure speech. There is no legitimate rationale for treating trade secrets under a different framework. Thus, trade secrets should be analyzed using traditional preliminary injunction standards with the understanding that the government has substantial interests in maintaining incentives for creative activities and preserving ethical business environments.

The appeals court clearly felt constrained by certain determinations of the trial court due to the abuse of discretion standard for review. For this reason, it skeptically accepted the determinations that there was a likelihood of success on the merits and that the balance of hardships tipped toward DVD CCA. Nonetheless, the court recognized that in cases raising First Amendment issues, it has an obligation to make an independent examination of the whole record.⁸⁰ However, instead of deciding narrowly that First Amendment concerns outweighed the other factors in the context of this case, it assumed the other factors were exogenous, and held that the First Amendment controlled regardless of the circumstances. This approach was an error.

As noted before, the determination to issue a preliminary injunction requires careful balancing of the following four factors:

- a) The likelihood that the plaintiff will succeed on the merits;
- b) Whether the plaintiff will suffer irreparable harm;
- c) Whether the balance of hardships tips in the plaintiff's favor; and
- d) Whether the preliminary injunction is in the public interest.

What the court failed to recognize is that First Amendment concerns are intimately tied to this balance through the last two items that consider the relative weight of hardships and the public interest. Principles ensuring freedom of speech serve a dual purpose: (1) to protect the speaker's interest in spreading a message and (2) to preserve the public's interest in unfettered discourse. The court assumed that in situations involving pure speech, these factors always have such great weight that they must dominate and control all other concerns. However, as demonstrated by precedents with copyrights, this conclusion is simplistic when the public has other compelling interests, such as preserving intellectual property rights.⁸¹

When courts weigh the importance of factors (c) and (d) in intellectual property cases, they should consider the following two issues. First, the defendant's purpose for disclosing the information and society's interest in receiving it should bear on the ultimate determination. This is one element that distinguishes the release of the Pentagon Papers from disclosure of DeCSS. The New York Times published the Pentagon Papers to provide information on a topic at the center of a highly controversial public debate regarding military policy. The release of DeCSS, on the other hand, does not contribute markedly, if at all, to any political or social debate. Rather the intent and result of releasing the information is to harm the ability of private companies to protect private commercial interests. Although this factor may strike some as vague or arbitrary, it is a central component of the fair use doctrine in the Copyright Act, which many argue subsumes First Amendment considerations. For example, the Copyright Act allows greater liberty to disclose information for purposes such as criticism, comment, and news reporting.⁸²

The second factor regards the type of information involved. As already mentioned, the government has greater liberty to regulate certain kinds of speech to satisfy the public interest. For instance, functional speech receives a reduced level of protection under the First Amendment. That is why courts may have an easier time justifying preliminary injunctions in trade secret cases when the information is contained within computer programs. Commercial speech also merits a lower level of protection. This may be one reason that injunctions in trademark actions often do not violate the First Amendment. Likewise, trade secret information could be judged under a lower standard when it primarily has commercial value to competitors. Under these circumstances, the public would have little to benefit from disclosure, which might tip the balance toward allowing a preliminary injunction.

By following these principles, the appeals court could have lifted the preliminary injunction for DeCSS without condemning the remedy so broadly for trade secret actions. Sure, it is true that DeCSS is a computer program, which perhaps supports the imposition of a preliminary injunction. In addition, the disclosure perhaps was intended more to hurt the movie industry than to benefit the public in some recognized policy sense. However, given all the uncertainties, one might not give great weight to the likelihood of success on the merits. Coupled with this weakness is the fact that the secrets in CSS already had been widely distributed before the district court even had an opportunity to rule in the preliminary injunction action. For this reason, a preliminary injunction, practically speaking, might not have saved DVD CCA from irreparable harm. In effect, substantial irreparable harm had already been done, and the preliminary injunction might not have prevented further damage in a meaningful sense. By making these findings, and balancing them against the public interest, the court could have reached the conclusion that, in this particular situation, a preliminary injunction is not appropriate. Although the result thereby is the same, the difference in the approach is significant, since it leaves the door open for preliminary injunctions in trade secret actions when the likelihood of success on the merits and the degree of potential harm are greater.

Conclusion

The California appeals court made two important errors in *Bunner*. Classifying DeCSS as pure speech is clearly wrong, and the California Supreme Court likely will correct this defect on appeal. However, the Court of Appeals also erred by condemning preliminary injunctions in all trade secret misappropriation cases that do not involve breaches of confidentiality agreements. Preserving the traditional balancing approach for preliminary injunctions in trade secret disputes is much more satisfactory than dismissing the remedy altogether based on the First Amendment. The courts should recognize that there is an important or compelling public interest in a viable trade secret protection system, just as there is with copyrights. Also, they should appreciate that the public does not have a compelling interest in the disclosure of misappropriated information when that information primarily has commercial value to competitors. Hopefully, the California Supreme Court will step forward and clarify these points.

Footnotes

¹ U.S. v. Elcom Ltd., No. CR 01-20138 RMW (N.D. Cal. 2002).

² See, e.g., Lawrence Lessig, *Jail Time in the Digital Age*, N.Y. TIMES ON THE WEB, July 30, 2001, available at www.nytimes.com/2001/07/30/opinion/30LESS.html (last visited May 17, 2002); Electronic Frontier Foundation, *Unintended Consequences: Three Years Under the DMCA*, May 3, 2002, available at www.eff.org (last visited May 17, 2002).

³ Yahoo!, Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme, 169 F. Supp 2d 1181 (N.D. Cal. 2001).

⁴ See David Morgan, *Judges End U.S. Library Porn Trial on Skeptical Note*, FORBES.COM, April 4, 2002, available at <http://www.forbes.com/newswire/2002/04/04/rtr559809.html> (last visited May 17, 2002). The Supreme Court also recently reviewed First Amendment challenges to laws regulating pornography over the Internet in *Ashcroft v. The Free Speech Coalition*, 122 S.Ct. 1389, 2002 U.S. LEXIS 2789 (2002) and *Ashcroft v. American Civil Liberties Union*, 2002 U.S. LEXIS 3421 (2002).

⁵ Universal City Studios, Inc. v. Corley, 273 F.3d 429 (2d Cir. 2001).

⁶ DVD Copy Control Association, Inc. v. McLaughlin, Case No. CV 786804 (Cal. Sup. Ct. 2000), available at http://www.eff.org/IP/Video/DVDCCA_case/20000120-pi-order.html (last visited May 17, 2002).

⁷ DVD Copy Control Association v. Bunner, 93 Cal. App. 4th 648 (Cal. Ct. App. 2001), *petition for review granted*, 41 P. 3d 2 (Cal. Sup. Ct. 2002)

⁸ CSS is protected with 40-bit encryption, which is widely regarded as weak protection. *See, e.g.*, Electronic Frontier Foundation, *Defendant's Memorandum of Points And Authorities in Opposition to Preliminary Injunction in DVD CCA v. McLaughlin*, available at http://www.eff.org/IP/Video/DVDCCA_case/20000107-pi-motion-response.html (last visited May 17, 2002).

⁹ Uniform Trade Secret Act, §2, provides: "Actual or threatened misappropriation may be enjoined."

¹⁰ *Bunner*, 93 Cal. App. 4th at 661.

¹¹ *Id.* at 665.

¹² *Id.* at 663-64.

¹³ *Id.* at 663, 666.

¹⁴ *Id.* at 665.

¹⁵ *See, e.g.*, Note, *WWW.Misappropriation.com: Protecting Trade Secrets After Mass Dissemination on the Internet*, 78 WASH U.L.Q. 931, 931-34 (Fall, 2000); Franklin Goldberg, *Ford Motor Co. v. Lane*, 16 BERKELEY TECH. L.J. 271, 271 (2001).

¹⁶ *McLaughlin*, *supra* note 6, at 3.

¹⁷ *Religious Technology Center v. Lerma*, 897 F. Supp. 260, 266 (E.D. Va. 1995); *Religious Technology Center v. F.A.C.T.*, 901 F. Supp. 1519, 1527 (D.Colo. 1995); *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 923 F. Supp. 1231, 1256 (N.D. Cal. 1995).

¹⁸ *Religious Technology Center v. Ehrlich*, 1997 U.S. Dist. LEXIS 23572 (N.D. Cal. 1997) at 41.

¹⁹ *See* Mark Lemley and Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 158 (Nov. 1998).

²⁰ *Bunner*, 93 Cal. App. 4th at 656-58; 660.

²¹ *Id.* at 658, 660.

²² *Id.* at 660.

²³ *See* *U.S. v. O'Brien*, 391 U.S. 367, 376 (1968).

²⁴ *See, e.g.*, *Roth v. U.S.*, 354 U.S. 476, 484-85 (1957); *Ashcroft v. The Free Speech Coalition*, 122 S.Ct. 1389, 2002 U.S. LEXIS 2789 at 23.

²⁵ *See, e.g.*, *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886 (1992). *Planned Parenthood of the Columbia/ Willamette, Inc. v. American Coalition of Life Activists*, 244 F.3d. 1007 (9th Cir. 2001).

²⁶ *See, e.g.*, *Thompson v. Western States Medical Center*, 122 S. Ct. 1497, 2002 U.S. LEXIS 3035 (2002); *Central Hudson Gas & Electric Corp. v. Public Service Comm'n of N.Y.*, 447 U.S. 557 (1980).

²⁷ *Planned Parenthood*, 244 F.3d at 1019 ("[S]peech made through the normal channels of group communication, and concerning matters of public policy, is given the maximum level of protection by the Free Speech Clause because it lies at the core of the First Amendment.").

²⁸ *Ward v. Rock Against Racism*, 491 U.S. 781, 799 (1989).

²⁹ *Renton v. Playtime Theatres*, 475 U.S. 41 (1986).

³⁰ *Id.* at 46-49.

³¹ *U.S. v. O'Brien*, 391 U.S. 367 (1968).

³² *See, e.g.*, Lemley & Volokh, *supra* note 19, at 169-180.

³³ *Pittsburgh Press Co. v. Pittsburgh Comm'n on Human Relations*, 413 U.S. 376, 390 (1973).

³⁴ Lemley & Volokh, *supra* note 19, at 175-77.

³⁵ *DVD Copy Control Association v. Bunner*, 93 Cal. App 4th 648, 663 (Cal. Ct. App. 2001); *See id.* at 158-63, 216-32.

³⁶ *Bunner*, *id.* at 661.

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *See* *Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 452-53 (2d Cir. 2001)

⁴² *Id.* at 453-55.

⁴³ *Bunner*, 93 Cal. App. 4th at 661 ("If the source code were 'compiled' to create object code, we would agree that the resulting composition of zeroes and ones would not convey ideas.").

⁴⁴ *Corley*, 273 F. 3d at 453-54.

⁴⁵ *Id.*

⁴⁶ 209 F. 3d 481 (6th Cir. 2000).

⁴⁷ *Id.* at 485.

⁴⁸ *Id.*

⁴⁹ *See also* *U.S. v. Elcom Ltd.*, No. CR 01-20138 RMW (N.D. Cal 2002).

⁵⁰ On February 20, 2002, the California Supreme Court granted a petition for review. *DVD Copy Control Association v Bunner*, 41 P. 3d 2 (Cal. Sup. Ct. 2002).

⁵¹ 403 U.S. 713 (1971).

⁵² 467 F. Supp. 990 (W.D. Wisc. 1979).

⁵³ *DVD Copy Control Association v. Bunner*, 93 Cal. App 4th 648, 665 (Cal. Ct. App. 2001)

⁵⁴ *Id.*

⁵⁵ *The Progressive*, 467 F. Supp at 992.

⁵⁶ *Id.* at 994.

⁵⁷ 897 F. Supp. 260 (E.D. Va. 1995).

⁵⁸ *Id.* at 262-63.

⁵⁹ *Id.* at 266 (The documents “have escaped into the public domain and onto the Internet.”); *Id.* (The Washington Post had a right to access the documents because no sealing order was in place.).

⁶⁰ *Id.* at 263.

⁶¹ *Id.* at 263-65.

⁶² *Id.* at 266.

⁶³ *DVD Copy Control Association v. Bunner*, 93 Cal. App 4th 648, 662-63 (Cal. Ct. App. 2001).

⁶⁴ *Id.*

⁶⁵ 67 F. Supp. 2d 745 (E.D. Mich. 1999).

⁶⁶ *Id.* at 751.

⁶⁷ *Id.* at 753.

⁶⁸ *Bunner*, 93 Cal. App. 4th at 663.

⁶⁹ *Id.*

⁷⁰ See Lemley & Volokh, *supra* note 19, at 216-225.

⁷¹ *Bunner*, 93 Cal. App. 4th at 664.

⁷² See Lemley & Volokh, *supra* note 19, at 178-80; *Freedman v. Maryland*, 381 U.S. 51, 59 (1965). The district court relied on this reasoning when issuing a preliminary injunction in the New York DeCSS case brought under the Digital Millennium Copyright Act. *Universal City Studios v. Reimerdes*, 82 F. Supp. 2d 211, 226 (S.D. N.Y. 2001).

⁷³ The Copyright Act, 17 U.S.C. §302 (2002) (For works made for hire, copyrights have a duration of 95 years from the date of first publication or 120 years from the date of creation.).

⁷⁴ The Lanham Act, 15 U.S.C. §1058 (2002).

⁷⁵ *Bunner*, 93 Cal. App. 4th at 663-64.

⁷⁶ *Id.*

⁷⁷ *Id.* at 664 (The Uniform Trade Secrets Act “prohibits even speech that is scholarly, addresses legitimate concerns, and seeks no profit for the speaker, while the Copyright Act’s fair-use doctrine would permit copyright infringement in those circumstances.”).

⁷⁸ See *New York Times Co. v. U.S.*, 403 U.S. 713, 726 n* (1971) (Justice Brennan, concurring) (Copyright laws are not restrictions on freedom of speech since copyright protects only the form of expression and not the ideas expressed.); *Video Pipeline, Inc. v. Buena Vista Home Entertainment*, 192 F. Supp 2d 321, 2002 U.S. Dist. LEXIS 5400 (D. NJ 2002) at 63-64.

⁷⁹ See, e.g., *Ashcroft v. American Civil Liberties Union*, 2002 U.S. LEXIS 3421 (2002) at 18 (“As a general matter, the First Amendment means that government has no power to restrict expression....”).

⁸⁰ *Bunner*, 93 Cal. App. 4th at 658.

⁸¹ The government also has a substantial interest in preliminary relief for trade secret misappropriation so that the U.S. can comply with its obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights, which requires signatories to provide trade secret holders “provisional relief” to prevent theft. Agreement on Trade-Related Aspects of Intellectual Property Rights, Art. 41, 33 I.L.M 1191, 1213-14 (April 15, 1994).

⁸² See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 455 n.40 (1984) (Copying for productive uses, such as scholarship or news reporting has a stronger claim to fair use than entertainment. This has an important bearing on the equitable balancing of the fair use analysis, but it is not wholly determinative.).