
Appeals Court Reverses Injunction Barring Publication of Trade Secret on a Web Site

2001-11-27

When do private intellectual property rights give way to First Amendment freedoms? For businesses interested in the acquisition and protection of intellectual property, the question has more than academic significance. Concerns about freedom of speech have long had solid, if small, footholds in at least two areas of United States intellectual property law, copyright and trademark. The Eleventh Circuit recently confirmed the power of copyright's fair use defense in [Suntrust Bank v. Houghton Mifflin Company](#), in which the court overturned a preliminary injunction against a parody borrowing generously from the novel *Gone with the Wind*. Parodies also have received protection from trademark claims.

In [DVD Copy Control Association v. Bunner](#), a California court of appeal took First Amendment arguments further. In DVD CCA, the California appellate court reversed a preliminary injunction against an Internet publisher of a trade secret, reasoning that the First Amendment restricts trade secret protection to an even greater degree than it restricts copyright.

DVD Copy Control Association ("DVD CCA"), a trade association of businesses in the movie industry, sought to protect one of their trade secrets in DVD decryption technology, called CSS. In October 1999, the source code for a computer program (DeCSS) describing how to decrypt DVDs, without purchasing DVD CCA's CSS technology, was posted on the Internet. Copies of DeCSS were soon posted on a number of web sites, including that of the defendant.

DVD CCA sued various web site operators in state court under California's version of the Uniform Trade Secrets Act for an order prohibiting the web site operators from republishing or creating Internet links to DVD CCA's trade secret information. The state trial court granted a preliminary injunction against continued republication of DeCSS, but refused to enjoin links to web sites containing the information.

On appeal, the California court of appeal cited an earlier decision by the United States Court of Appeals for the Sixth Circuit, [Junger v. Daly](#), and ruled that source code for a computer program was constitutionally protected speech. It then determined that the trial court's preliminary injunction was an unjustified prior restraint of such speech.

The appellate court explicitly noted a number of limitations on its holding. The court expressed no opinion on the availability of permanent injunctive relief after a full trial. Likewise, the court declined to decide whether DVD CCA could obtain damages from a republisher of the source code. The court did emphasize that DVD CCA could seek damages or injunctive relief against anyone who infringed the association's trade secret by conduct, rather than mere speech. The court also expressed willingness to enjoin publication of a trade secret by anyone whose disclosure violated a contractual agreement. In addition, the court noted that anyone who infringed a DVD CCA copyright could be subject to a copyright infringement action.

Whether and to what extent the reasoning of the DVD CCA court will be followed by other courts and in other cases is unclear. Furthermore, some violations of trade secrets law might be characterized as "commercial speech" entitled to less protection than this case affords. Nonetheless, this decision should put businesses on notice that the First Amendment can curtail their ability to prevent dissemination of their trade secrets, at least in the absence of a non-disclosure agreement.

James Lampert

james.lampert@haledorr.com

Authors

James B. Lampert

RETIRED PARTNER

✉ james.lampert@comcast.net

☎ +1 617 526 6000