

CASE UPDATE

INTRODUCTION

Case Update is a survey of recent state and federal court decisions relating to various aspects of high technology. The survey contains brief summaries of 1987 decisions. These decisions are not necessarily final dispositions of the cases. The summaries are grouped under appropriate topic headings.

Case Update includes a broad selection of recent state and federal court decisions, however, it is not intended to be comprehensive. In addition, the summaries do not mention aspects of the decisions that are of limited significance to *High Technology Law Journal* readers.

I. COMPUTER

Affiliates for Evaluation & Therapy, Inc. v. Viasyn Corp., 500 So. 2d 688 (Fla. Dist. Ct. App. 1987).

Plaintiff, *Affiliates*, bought multi-user *Viasyn Compupro 816* computers from retailer, *Unicomp*. After experiencing many breakdowns which economically hampered business, *Affiliates* brought suit against *Viasyn*, charging negligence in the selection of an incompetent retailer who was unable to maintain their computer. *Affiliates* also claimed that *Viasyn* breached an implied warranty by failing to take steps to repair computers during periods of mechanical failure. The appellate court affirmed the district court's decision that (1) there was no negligence on the part of *Viasyn* because there was no personal or property damage which is an essential element to an action in negligence; and (2) there was no privity of contract between the consumer and the computer manufacturer which is necessary to maintain the action for breach of implied warranty. The court held that purely economic interests are not entitled to protection against mere negligence. The remedies involved were contractual in nature. *Viasyn* was thus precluded from recovering based on the lack of agreement that the computer product was designed to meet consumer's needs.

Color Connection, Inc. v. Juneau, 505 So. 2d 914 (La. Ct. App. 1987).

Color Connection, Inc., a photo processing company, had an oral contract with defendant, Juneau, who was to provide video analyzer computer equipment. Defendant hired third party Womack (d/b/a Q.E.D. Microengineering) to put the system together. Womack never completed installation and plaintiff brought this action to dissolve the contract and to recover damages from both Juneau and Womack. Juneau argued that plaintiff in effect had two separate contracts (one each with Womack and Juneau) and that Juneau was only liable for the delivery of the equipment. The court ruled that all the elements of an "in solido" agreement were present even though it never explicitly appeared on a contract and that Juneau and Womack together were obliged to pay damages for breach of contract. The court further held that the computer distributor (Juneau) and the programmer (Womack) were not partners in joint venture. Each was liable for their own share, since there was no agreement between the two to share losses.

Cricket Alley v. Data Terminal Systems, 240 Kan. 661, 732 P.2d 719 (1987).

Plaintiff, Cricket Alley, brought breach of express warranty action against defendant. Cricket Alley purchased computerized cash registers for a chain of women's clothing stores. The company already possessed a Wang central computer and wanted the new registers to communicate with the central computer via telephone for purposes of inventory, layaway, sales, and payroll record keeping. Defendant, DTS, assured plaintiff that its ANS-R-TRAN (a mixture of hardware and software) was compatible with all Wang computers. Plaintiff had much difficulty with the new registers. The district court entered judgment for the buyer. The Kansas supreme court affirmed, holding that plaintiff did not have to prove how the design or manufacture caused it not to perform as warranted. DTS' advertising that the ANS-R-TRAN was compatible with the Wang computer system was deemed proof of an express warranty. The supreme court allowed consequential damages even though plaintiff was unable to provide the exact dollar amount.

Arco Resources Technology, Resources Group v. Geo-logic Systems, No. 85C-AU-99, slip op. (Del. Super. Ct. Jan. 4, 1987).

Plaintiff sought to recover \$43,000 paid to defendant pursuant to a contract under which defendant granted a two-year license to plaintiff to use certain computer software. The contract had a provision enabling plaintiff to refuse to accept the software and cancel the contract by written notice within three days of completion of installation. The court held that completion of installation occurred when the system could perform all of its specified functions. Since there

was a dispute of material fact regarding when this occurred, the court denied a summary judgment motion by plaintiff.

Ostalkiewicz v. Guardian Alarm, 520 A.2d 563 (R.I. 1987).

Defendant alarm company, installed an alarm system in plaintiff's jewelry store. The alarm system included a silent alarm which was supposed to signal defendant's computer to summon the police when activated. The silent alarm failed to work during a robbery. Plaintiff subsequently discovered that the alarm had never been wired to defendant's computer. The trial court refused to hear plaintiff's claims of strict liability but allowed the questions of fraud and negligence to go to the jury. As part of the jury instructions on the negligence charge, the trial judge stated that defendant could be held liable only to the amount of the contract. The jury found for plaintiff on both counts, awarding maximum damages on the negligence charge and awarding the amount of plaintiff's loss on the fraud charge. The trial judge then granted defendant's motion for a new trial. Plaintiff appealed. The appeals court upheld the limitation of defendant's liability on the negligence charge because an alarm company is not an insurer, but reversed the order for a new trial on the negligence charge. The court upheld the order for a new trial on the fraud charges because they questioned plaintiff's credibility.

Aubrey's R.V. Center v. Tandy Corp., 46 Wash. App. 595, 731 P.2d 1124 (1987).

Plaintiff bought a computer and compatible software from defendant, computer manufacturer. Defendant neglected to inform plaintiff that the software was not guaranteed. When plaintiff discovered that the system did not work as promised, he wrote a letter to defendant, notifying it of the problem. Defendant negotiated with plaintiff to resolve the dispute and agreed to make modifications to the system. Defendant made some modifications, but never delivered them to plaintiff. Defendant abruptly terminated other services it had promised without notice to plaintiff. Plaintiff sued. The trial court rescinded the contract and awarded damages, including finance charges, to plaintiff. In addition, the trial court found that defendant had violated the Consumer Protection Act (CPA). On appeal, the court affirmed the trial court's decision to rescind the contract and award damages. The appeals court found that defendant had acted in bad faith when it neglected to inform plaintiff that the software was not guaranteed and then discontinued the system modification without notifying plaintiff. In addition, the court upheld the award of finance charges to plaintiff on the ground that the purpose of the judgment was to restore plaintiff to his pre-contractual state. However, the appeals court reversed the lower court's finding that defendant had violated the CPA, basing their decision on *Bowers v. Transamerica Title Ins. Co.*, 100 Wash. 2d 581,

675 P.2d 193 (1987), which gave new criteria for determining whether a violation had occurred. The court found that defendant had not violated the CPA because, although defendant's activities were unfair or deceptive, they did not impact the public interest.

Manufacturing Management Systems, Inc. v. Data Solutions, Nos. 11-074, 11-076, slip op. (Ohio Ct. App. March 20, 1987).

Plaintiff had a contract with defendant in which defendant was to convert plaintiff's software into a format suitable for use on plaintiff's micromation mini-computer. The end-product was to be sold as a turnkey system. Upon the termination of the contract, defendant was to return to plaintiff all modifications and derivative works based on plaintiff's software. Plaintiff canceled the agreement seven months later and requested the return of its original software, together with any modifications and derivative works. Defendant returned the original hard disks and source code, listing all changes. Plaintiff demanded any modifications in machine readable form. Defendant refused, contending it had none. Plaintiff alleged that defendant breached the joint marketing agreement by failing to meet its obligations under the contract. Trial court held for defendant. Plaintiff's claim on appeal was that the trial court erred in its interpretation of the meaning of "derivative works." The court of appeals agreed with plaintiff that it was a technical term which demanded expert testimony for an adequate definition. The court, however, stated that plaintiff had the burden of producing such expert testimony. Moreover, it had had the opportunity, and had failed, to carry such burden in the original trial. The court held that any error of the trial court in using a lay definition was non-prejudicial, and the judgment was affirmed. Defendant had cross-claimed that it should be compensated for the services rendered in converting the software. The court held, however, that any compensation should come from sales of the turnkey operation and from additional services provided by defendant as a result of such sales. The court did not allow any payment of services during the conversion process.

Burroughs Corp. v. United States, 664 F. Supp. 507 (Ct. Int'l Trade 1987).

Plaintiff contested the U.S. Customs Service (Customs) classification of plaintiff's merchandise as "accounting, computing and other data processing machines incorporating a calculating mechanism." A calculating mechanism is one designed to perform one or more of the four arithmetical operations. Burroughs conceded that the merchandise did perform one or more of the functions, but that it was not a "mechanism" because it does not have moving parts. The court affirmed the classifications of the machines. The court held that it was a mechanism because of the interrelationship between the keyboard (with moving parts), the Arithmetic Logic Unit (ALU), and the

printer (also with moving parts). Burroughs then argued that the machines should be classified under item 676.20, Tariff Schedule of the United States (TSUS), as calculating machines specifically constructed for multiplying and dividing. The court rejected this argument because the machines are programmed to perform certain intricate business calculations, these programs are featured in the advertisements, and these machines are priced higher than those that perform only the four basic operations. The court also defined computer as a calculator especially designed for the solution of complex mathematical problems. The court rejected the requirement that there be a large amount of memory capacity or a reliance on software instead of firmware in order to be classified as a computer.

II. BIOTECHNOLOGY

Aroonsakul v. Flanagan, 155 Ill. App. 3d 223, 107 Ill. Dec. 337, 507 N.E.2d 1 (1987).

Plaintiff brought a second paternity action against an alleged father more than two years after a jury found him not to be the father of the child. Plaintiff sought to show that new testing techniques could measure damage to DNA caused by ingestion of liver ailment medication. The development of these new techniques called into question the results of HLA and KM blood serum tests which showed the genetic impossibility of paternity between defendant and the child. The appellate court affirmed the circuit court's dismissal of the complaint and award of attorney's fees and costs in favor of defendant because petitioner's filing occurred beyond the two year limitations period. The court held that the petitioner had failed to meet the standard necessary to reopen her case. That standard requires that she present evidence which if presented in the first trial, would have compelled a different outcome. Plaintiff did not allege any facts not known at the time of trial which would rebut the evidence relied on by the jury.

Foundation on Economic Trends v. Secretary of Agriculture, 817 F.2d 882 (D.C. Cir. 1987).

Plaintiff alleged that the United States Department of Agriculture ("USDA") was required to prepare a programmatic environmental impact statement ("EIS") in connection with the USDA's animal productivity research. This research is directed to six different areas: genetics and breeding; reproduction; nutrition; disease; insects, ticks and mites; and systems. Plaintiff argued that the USDA's research on developing faster growing, more productive, and larger animals required an analysis of the resulting environmental impacts. The National Environmental Policy Act requires federal agencies to prepare an EIS on "proposals for . . . major Federal actions

significantly affecting the quality of the human environment," 42 U.S.C. §4332(2)(c) (1982). The Council on Environmental Quality has developed guidelines defining what is a "Federal action" requiring an EIS. Under the guidelines, the "adoption of programs, such as a group of concerted actions to implement a specific policy," constitutes "Federal action," as does "systematic and connected agency decisions allocating agency resources to implement a specific statutory program." 40 C.F.R. §1508.18(b)(3) (1986). The USDA argued that its animal productivity research consists of projects too diverse and discrete to constitute either a "major Federal action" or activities sufficiently "systematic and connected" to require a programmatic EIS. The trial court agreed that the USDA's animal research projects were not related to each other closely enough to be a single course of action so as to require a programmatic EIS. The appellate court affirmed. The appellate court noted that a policy disagreement was at the bottom of plaintiff's complaint and that this was an inappropriate forum for such a disagreement. Plaintiffs wanted the USDA to reevaluate, and as a result diversify, its current research focus.

Scripps Clinic & Research Foundation v. Genentech, Inc., 666 F. Supp. 1379 (N.D. Cal. July 20, 1987).

Scripps filed this action against Genentech alleging infringement of a patent covering "Factor VIII:C" protein, which plays an essential part in blood clotting. Hemophiliacs must take this factor in order to prevent excessive bleeding and hemorrhaging. Plaintiff holds two patents covering Factor VIII:C produced from human or porcine plasma using monoclonal antibody purification techniques. Defendant, Genentech, has produced, through recombinant DNA techniques, a plasmid containing the Factor VIII:C gene which is expressed to produce the protein in hamster cells. Genentech has contracted with Cutter to produce commercial quantities of Factor VIII:C. To date Cutter has not been successful in this regard. Plaintiffs made motions for summary judgment on their infringement claims and for a preliminary injunction enjoining defendants from using or selling Factor VIII:C. Plaintiffs claimed infringement of both product-by-process claims and product claims. The court granted plaintiffs' motion for summary judgment on one of the product-by-process infringement claims, since Genentech had used a small batch of Factor VIII:C produced in the same manner covered by plaintiffs' claims in its initial research. The court denied summary judgment on the other product-by-process claims because thereafter Genentech did not produce Factor VIII:C using the process covered in plaintiffs' patents. However, the court granted summary judgment on plaintiffs' product infringement claims, holding that plaintiffs were entitled to claim purified Factor VIII:C in their patent. The court would not read limitations used in the product-by-process claims into the product claims. Undisputed facts show that the recombinant Factor VIII:C conforms to the product claimed in the

product claims. Therefore, Genentech has infringed those claims, notwithstanding that the recombinant Factor VIII:C is a significant improvement over the plasma derived product because it is free of viruses and other disease-producing factors. The court concluded that differences in the carbohydrate content of the recombinant Factor VIII:C were not material in determining infringement. Defendants moved, *inter alia*, for summary judgment of noninfringement under 35 U.S.C. § 271(e)(1). That Act provides that uses of a patented invention solely for the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs is not infringement. The court denied this motion because the legislative intent of the statute was only to permit a limited amount of testing so that manufacturers of generic drugs can establish the bioequivalency of a generic substitute. The court denied plaintiff's motion for a preliminary injunction. Genentech's challenge to the validity of plaintiff's patent remains unresolved. Although plaintiff is entitled to summary judgment on their infringement claims, they have not demonstrated the likelihood of success on the merits required for a preliminary injunction to issue because Genentech's challenge to the validity of plaintiff's patent remains unresolved. Further, a disservice to the public interest would occur if a preliminary injunction were granted since hemophiliacs might suffer by any delay in bringing recombinant Factor VIII:C to market.

In Re Baby Doe, 291 S.C. 389, 353 S.E.2d 877 (1987).

Plaintiff and his wife sought to conceive a child through artificial insemination, using the sperm of an anonymous donor. Plaintiff had full knowledge of the insemination and assisted his wife with daily temperature readings to determine the dates of her fertility. The wife conceived. Plaintiff and his wife separated before the birth of the child. After the birth, plaintiff sought a declaration that he was not the legal father of the child. Family court refused to grant the declaration and granted wife's counter-claim for child support. The supreme court affirmed, holding that when a husband and wife agree to conceive a child through artificial insemination, the husband assumes the legal paternity of the child, including assuming the responsibility of child support. The husband's knowledge and consent to the impregnation was sufficient to charge him with legal parentage. Plaintiff's consent was not required to be in writing where it was sufficiently implied by his knowledge of the insemination and failure to object.

III. LASER

Intra Corporation v. Hamar Laser Instruments, Inc., 662 F. Supp. 1420 (E.D. Mich. 1987).

Plaintiff, Intra Corporation, sought a declaratory judgment that patents issued to Martin R. Hamar, president of defendant, Hamar Laser Instruments were invalid, unenforceable, and not infringed by Intra's laser alignment system. Intra alleged that the subject matter of both patents was obvious at the time they were made to a person having ordinary skill in the art of machine alignment technology. Intra further alleged that Hamar engaged in inequitable conduct in the patent office, falsely marked unpatented equipment, and breached an express warranty by selling an alignment system that was unfit for its intended use. The court held that Intra had not carried the burden of proof of showing the invalidity of the patent, and as a result, judgment was entered in favor of Hamar. Intra was permanently enjoined from further infringement of their patent.

Spectra-Physics, Inc. v. Coherent, 3 U.S.P.Q.2d 1737 (Fed. Cir. 1987).

The district court held both of defendant Coherent's patents entitled "Gas Laser" and "Method of Constructing Gaseous Laser" invalid for lack of enabling disclosure under 35 U.S.C. § 112. The court of appeals upheld the lower court's ruling, but on different grounds. The higher court found that the patents were invalid because they failed to disclose the "best mode," which requires the inventor to disclose the best method of carrying out the implementation of the invention. The enablement requirement, that the district court relied on, requires an inventor to disclose an invention in such a manner that will enable one skilled in the art to make and utilize it. The inventions involved in this case did not specify the "best mode" as required, even if it did provide an enabling disclosure.

IV. CRIMES

Mahru v. Superior Ct. for Los Angeles County (People), 191 Cal. App. 3d 545, 237 Cal. Rptr. 298 (1987).

Mahru was a computer programmer/director of a data processing firm which had a contract with a credit union to operate the credit union's computer system. After the credit union announced that they no longer wanted to use the data processing firm's services, Mahru instructed another employee to change the names of two files in the computer program, causing the credit union to be inconvenienced when the data processing firm walked off the job. Mahru was charged with violating Cal. Penal Code § 502(c), which makes it a public offense to maliciously access, alter, or disrupt a computer

system. In response, Mahru filed a petition for a writ of prohibition, alleging that he did not violate Section 502 because the legislature had intended to prevent unauthorized persons, and not those who were authorized to operate a computer system, from accessing the systems. The appeals court held that criminal sanctions were inappropriate for what was actually a breach of contract. They reasoned that the penal code does not prohibit the owner and operator of a computer system from making changes in that system, even if it causes inconvenience to a third party. Further, the court stated that spiteful actions, which are not usually subject to criminal prosecution, should not become a criminal offense merely because a computer was used.

State v. Olson, 47 Wash. App. 514, 735 P.2d (1987).

Defendant was a duly commissioned police officer for the University of Washington Police Department. Defendant had used the police department computer to generate printouts containing information about co-eds from the University. The printouts were in no way connected to an ongoing police investigation. In a finding to which defendant assigned error, the trial court indicated reliance on an order to a pretrial motion that defendant had no authority to access information about co-eds. Defendant was convicted of computer trespass and appealed. Defendant's contention, both at trial and on appeal, was that his conduct did not come within the prohibition of the computer trespass statute. Wash. Rev. Code § 9A.52.110 reads as follows:

A person is guilty of computer trespass in the first degree if the person, without authorization, intentionally gains access to a computer system or electronic data base of another; and

- (a) The access is made with the intent to commit another crime; or
- (b) The violation involves a computer or data base maintained by a government agency. . . .

Under the statute, "access" means to approach, instruct, communicate with, store data in, retrieve data from, or otherwise make use of any resources of a computer, directly or by electronic means. Defendant contended that his conduct did not amount to unauthorized access either as a matter of fact or as a matter of law. The court of appeals agreed, since the computer trespass statute criminalized only the entry into the computer data base, not the use of the information obtained. The evidence showed that certain uses of retrieved data were against departmental policy, but it did not show that permission to access the computer was conditioned on the uses made of the data. At the time defendant retrieved data, he was authorized to access the department computer. It was the personal use of this data after access that was against departmental policy. The court of appeals held that the evidence at trial showed only unauthorized use of computer data, which was not prohibited by the statute. The

court of appeals held that the facts indicated, at most, a violation of departmental policy on the use of computer data and did not establish unauthorized access beyond a reasonable doubt.

People v. Ryan, 134 Misc. 2d 343, 510 N.Y.S.2d 828 (Dist. Ct. 1987).

Defendant had been sentenced to the Electronic Home Detention Program (E.H.D.P). The E.H.D.P. is comprised of a computer controlled electronic signaling system that is intended to afford continuous monitoring of a defendant's presence in or absence from his residence during the term of a probation sentence. Shortly after sentencing, a probation officer met with defendant and explained the E.H.D.P. Defendant said he understood the program and signed a document, which was admitted in evidence, indicating that he understood the probation conditions and agreed to abide by them. The computer registered three violations of the E.H.D.P. by defendant, and a petition to revoke probation was filed. During a meeting with defendant, a probation officer asked him about the violations noted on the computer printouts. Defendant admitted that he had left his home at those dates and times. Probation officer's statements that defendant had admitted leaving his home were admitted in evidence. Defendant did not testify at the Violation of Probation Hearing. During the hearing, testimony was offered about the operation of the E.H.D.P. The district court found that the People met their burden of proving by a preponderance of the evidence that defendant had violated the special condition of his probation by going beyond the restricted area of the Electronic Home Detention Program at unauthorized times. The testimony concerning defendant's admissions of probation violations was unrefuted, and no satisfactory explanation was given by defendant to the probation officers to dispute the computer registration of "violations." The court was satisfied with the testimony offered as to the procedures followed regarding the accuracy of the equipment. However, the court indicated that more in-depth scientific and technical testimony might be necessary in a case where a defendant charged with a violation of the E.H.D.P. had not made an admission or in an instance where there was an issue of credibility pertaining to a claimed admission. The court found defendant guilty of violating probation and denied defendant's motion to dismiss the violation of probation charges. Defendant's sentence of probation was revoked and he was sentenced to serve a 90-day jail term.

V. AUTOMATIC TELLER MACHINES

United States v. Goldblatt, 813 F.2d 619 (3d Cir. 1987).

Defendant's son used defendant's automated teller machine (ATM) card to remove cash from defendant's bank account. At an

interview with bank personnel, defendant was shown six photographs of his son engaging in transactions at the machine. In order to gain access to his funds, defendant signed an affidavit stating that the withdrawals were made without his permission and he would assist in the criminal prosecution of the person who made unauthorized use of the funds. Pursuant to the Electronic Funds Transfer Act (EFTA), 15 U.S.C. §1693-1693(r), defendant obtained access to all but \$100 of the cash removed by his son and he withdrew some of this cash. After the bank discovered the identity of the user of the ATM card, charges were brought against defendant. He was convicted of bank fraud and larceny and he appealed. Defendant claimed that the EFTA entitled him to the funds he withdrew and that therefore he was convicted of stealing his own money. The court of appeals disagreed and held that the evidence at trial supported all of the elements of both crimes. Specifically, they held that the concealment of the identity of the man in the photographs supported the bank fraud charge, and that taking money from a bank pursuant to a scheme to defraud supported the larceny charge.

Department of Banking and Consumer Finance of the State of Mississippi v. Clarke, 809 F.2d 266 (5th Cir. 1987).

The district court granted an injunction to stop defendant, the federal comptroller of the currency, from opening a branch bank in the form of an automated teller machine. Defendant appealed and the court of appeals reversed. After first determining that Savings and Loan Associations engage in the banking business, the court held that the National Banking Act's branching provisions apply. The court accepted the use of "targeted functional analysis" in defining what constitutes a branch bank. Then the court followed *Independent Bankers Association of America v. Smith*, 534 F.2d 921 (D.C. Cir. 1976), cert. denied, 429 U.S. 862, 97 S.Ct. 166, 50 L.Ed.2d 141 (1976), which found that automatic teller machines constitute branch banks for purposes of the National Bank Act, 12 U.S.C. § 36(h).

VI. VIDEO

Newman v. Universal Pictures, 813 F.2d 1519 (9th Cir. 1987).

Plaintiffs' contracts with defendants entitled them to a percentage of all production revenues of certain films produced by defendant motion picture studios during the 1970s. After the release of these films, video cassettes became a popular medium to view films. All of defendants classified their video cassette income as distribution income, rather than production revenues. Plaintiffs brought antitrust claims under the Sherman Antitrust Act, 15 U.S.C.A. § 1, but the district court dismissed for failure to state a claim. The court of

appeals affirmed, holding that plaintiffs were required to show that their injuries were caused by anticompetitive acts in order to state a claim under the antitrust laws. Plaintiffs alleged that an anti-competitive conspiracy arose after they had provided all services under the contracts in question. The court held that the subsequent conspiracy could not have affected the competition for plaintiffs' services at the time plaintiffs made the contract. To constitute a section one violation, the contract, combination, or conspiracy must be in restraint of trade. That conspiracy could not have affected plaintiffs' right to negotiate for profits from video cassette distribution, since their contracts with defendants covered distribution of the films in all forms. Allegations of price-fixing alone do not state a claim under the antitrust laws.

Cable Holdings of Georgia, Inc., v. Home Video, Inc., 825 F.2d 1559 (11th Cir. 1987).

A cable company brought an antitrust action against two competing cable companies which had recently merged. The court of appeals held that: (1) an antitrust plaintiff must show that he has been damaged and that the antitrust violation alleged is the cause of the injury; (2) the cable company was unprepared to expand into new territory, and thus, the activity of the merged company did not violate the Sherman Antitrust Act; and (3) the merger did not violate the Clayton Act. In order to successfully maintain a cause of action the harmed company would have to show that the merger of the two companies resulted in their control of a significant portion of the relevant product market. Defined as passive visual entertainment, the relevant product market included cable television, satellite television, videocassette recordings, and free over-the-air-television. Since plaintiff failed to demonstrate these essential elements, the court dismissed the action.

Showe-Time Video Rentals, Inc. v. Douglas, 727 S.W.2d 426 (Mo. App. 1987).

Showe-Time brought this action to enforce a covenant not to compete. Appellant, Showe-Time, entered into an agreement with appellees, the Douglases, to provide videocassettes to the Douglases' store for rental to consumers. The agreement provided that either party could terminate the contract with two days notice. Further, it provided that upon termination for any reason, the Douglases could not be engaged or involved in the business of movie tape rentals for two years within Butler City, Missouri. After thirteen months, Showe-Time terminated the agreement. The Douglases then purchased fifty videocassettes from a St. Louis supplier, and began renting them to customers. Showe-Time sued for injunctive relief to prevent the Douglases from competing. The trial court denied the prayer for injunction. The court of appeals held that the Douglases had not breached any provision of the agreement. Showe-Time

admittedly terminated the agreement, and the Douglasses lost that opportunity to earn income through no fault of their own. The court believed that injunctive relief to enforce a non-competition clause was inappropriate when the party seeking enforcement was the one to terminate the contract. The court upheld the denial of injunctive relief noting that a right to terminate at will does not carry the right to injunctive enforcement of the non-compete covenant.

VII. HIGH TECHNOLOGY EVIDENCE

Montgomery Ward, Inc. v. Davis, 398 N.W.2d 869 (Iowa 1987).

Creditor (Ward) brought action against Davis who defaulted on payments owed for furniture bought by defendant. Davis claimed that she did not receive the required statutory notice of her right to cure default (Iowa Code §§ 537.5110, 5111 (1981), requiring creditor to prove by a preponderance of the evidence that creditor gave notice of right to cure to the customer). The trial court ruled in favor of Ward, and the supreme court affirmed. The court held that Ward had sufficiently presented evidence showing that its computer system operated according to standard procedure in mailing credit notice. The Ward account representative testified with a display of computer printout (reproduction of microfilm collection screen) which indicated that a request had been entered in December for a notice to cure letter. Previous billing statements produced in the same fashion by the same computer had been successfully sent to Davis at the same address. The Ward witness also noted that the computer had a built-in memory to catch mistakes. The supreme court upheld the jury conclusion that they could reasonably infer that the computer system operated correctly and that the debtor received mailed notice.

Windmere, Inc. v. Int'l Ins. Co., 105 N.J. 373, 522 A.2d 405 (1987).

Windmere sued insurance company to recover for losses incurred when the Crosswinds Restaurant (owned by Windmere) burned down. An anonymous caller had phoned the fire department to notify them of the fire and told them that there was a bomb in the restaurant. An expert voiceprint (spectrogram) analyst testified that he made a "positive" identification of the caller as the maintenance man for the restaurant. A subsequent criminal trial revealed other evidence implicating the owner of the restaurant (and president of Windmere, Inc.) in a planned arson conspiracy to collect from the insurance company. The criminal trial had revealed that the anonymous caller had not been the maintenance man. The New Jersey Supreme Court held that the improper admission of voiceprints into evidence was not a prejudicial error; even though the witness was an expert with the device, this did not establish general

acceptance of voiceprint analysis within the professional community and mandate admission of the results of the analysis.

Norton v. State, 502 So. 2d 393 (Ala. Ct. App. 1987).

Norton drove with a suspended license and the police caught him. At his trial, the prosecution entered a computer printout into evidence to prove that his license had been suspended on the date the police apprehended him. The trial judge overruled objections of the defense, admitted the printout as proof of Norton's "prior conviction," and found him "guilty as charged." Norton appealed. The appellate court reversed the lower court's decision on the basis that the printout had been improperly entered into evidence. The court printout to meet evidentiary standards, it must be certified by the official in custody of the record and be relevant to the issues in the case. Without the proper certification, the printout is merely a written statement made by an individual who is unavailable to testify, and therefore, unavailable for cross-examination. Thus, it is inadmissible.

Minnis v. State, 505 So. 2d 17 (Fla. Dist. Ct. App. 1987).

Defendant appealed a judgment of conviction and sentence for robbery entered below on an adverse jury verdict. Defendant raised three points on appeal. Among the issues raised on appeal was the legality of introducing a computer printout to corroborate the state's record of defendant's prior convictions. The printout established that defendant had been previously convicted of two felonies and four misdemeanors. The court of appeal found no sentencing error where the state relied on an otherwise official court computer printout. There was no showing that this printout was inaccurate in any way. The state had the burden of corroborating defendant's prior convictions, and the court of appeal held that the court computer printout was sufficient corroboration.

Ellis v. State, 353 S.E.2d. 19 (Ga. 1987).

Defendant was convicted of cocaine trafficking and appealed. In January 1985, investigators began using a pen register, a device that attaches to phone lines and automatically indicates numbers dialed from that phone. The device does not record conversation. Although the United States Supreme Court concluded in *Smith v. Maryland*, 442 U.S. 735, 99 S.Ct. 2577, 61 L.Ed 2d. 220 (1974), that the installation and use of a pen register was not a search as contemplated by the Fourth Amendment and did not require a warrant, the question in this case was whether Georgia law required that a search warrant be obtained. OCGA § 16-11-64 requires a wiretap warrant for devices, as defined in OCGA § 16-11-60(1), that overhear,

record, intercept, or transmit sounds. The court ruled that a pen register is a device under the Georgia statute since it is the equivalent of devices used to record conversation. Because defendant was acquitted on the charge directly springing from the use of the pen register, the admission of this evidence at trial did not constitute reversible error.

State v. Reed, 732 P.2d 66 (Or. App. 1987).

Defendant appealed her conviction for driving under the influence (DUI), claiming that the horizontal gaze nystagmus (HGN) test should not have been admitted into evidence. The HGN test consists of holding a solid object such as a pen about twelve inches in front of a person's face, moving the object back and forth, and asking the person to follow the object with his or her eyes while holding their head still. Jerking of the eyes indicates probable intoxication. The Oregon Court of Appeals held that the results of the test are inadmissible because the investigating officer was not qualified as an expert on the reliability of the test, and because the state failed to develop any other record as to the probative value of the HGN test for determining intoxication.

State v. Cooper, 353 S.E.2d 451 (S.C. 1987).

Defendant was accused of sexual assault of a minor child. Defendant's three-year-old victim testified on videotape outside defendant's presence. Defendant viewed the testimony from a closed-circuit television and communicated constantly with his counsel, via headphones, to assist in counsel's cross-examination of the child. Defendant objected to the introduction of the videotape into evidence at trial on the grounds that it violated his Sixth Amendment right to confront witnesses. The supreme court upheld the circuit court decision to admit the videotape over defendant's objection. The court relied on statutes to protect child witnesses from courtroom trauma and the parallel case of *State v. Sheppard*, 484 A.2d 1330 (N.J. 1984), holding that defendant's confrontation right did not guarantee eye-to-eye contact with every witness. In this case, the confrontation right was satisfied by the opportunity for full cross-examination of the witness with defendant's assistance, the presence of the judge to emulate the courtroom atmosphere, the jury's opportunity to observe the child's demeanor on the videotape, and the court's determination that the video process did not diminish the three-year-old child's reliability.

VIII. COPYRIGHT

Forry, Inc. v. Neundorfer, Inc., No. C87-478, slip op. (N.D. Ohio Apr. 9, 1987).

Plaintiff, Forry filed a motion for preliminary injunction to prevent defendants from manufacturing, distributing, and/or selling printed circuit boards for automatic voltage controls containing a computer program without plaintiff's consent. Defendants' computer program was an exact copy of, or substantially similar to, a computer program copyrighted by plaintiff. Forry contended that he and defendants were codevelopers of the program and they held an undivided interest in the copyright in trust for defendants. At the time they developed the program, defendants did not have anyone in their employ capable of contributing to the development of the software. Their contributions were in other aspects. Defendants did not contend, nor did the evidence indicate that defendants were authorized to copy or use plaintiff's computer program in any way. The court held that there was copyright infringement.

Easter Seals Soc. v. Playboy Enterprises, 815 F.2d 323 (5th Cir. 1987).

The Easter seals society brought an action of copyright infringement against Playboy enterprises for its unauthorized use of a field tape in an adult movie. A public cable television station made the tape for plaintiff as an indirect charitable contribution. The court questioned whether independent contractors could be statutory "employees." It was held that the nature of the work and the lack of specificity of the television station and plaintiff as to the work-for-hire nature of the tape, did not afford plaintiff copyright protection.

IX. PATENTS

Hazeltine Corp. v. U.S., 820 F.2d 1190 (Fed. Cir. 1987).

In March, 1973, the United States awarded plaintiff, an experienced government contractor, a two-phased contract to develop and test an open array antenna. The contract contained a patent rights clause pursuant to 41 C.F.R. § 12-9/6102(c) which gave the government the exclusive power to determine the disposition of all rights in any invention reduced to practice under the contract. This included the right of the government to grant itself an exclusive, royalty-free license to use any such invention. In 1971 plaintiff had built and tested a model antenna that it claimed was an open array antenna. During the precontract negotiations plaintiff sought unsuccessfully to obtain the government's acknowledgement that plaintiff had already reduced an open array antenna to practice. The contract plaintiff signed made no mention of an exclusion to the patent rights clause or of any agreement that plaintiff had reduced the open array

antenna to practice. Plaintiff filed a patent application for the open array antenna on June 25, 1973, three months after it began performance of the contract. The patent was issued on September 17, 1974 and plaintiff successfully completed the contract. The government subsequently awarded another company a contract to supply a substantial number of the antennas. Plaintiff sued the government for infringement of its antenna patent based on the government's purchase of antennas under contract from the other supplier. The claims court dismissed the complaint, holding that the invention had not been reduced to practice during the performance of the contract and that the government had an unfettered right to use the invention. The court of appeals affirmed. Under the terms of the contract, there was a prima facie presumption of reduction to practice during performance of the contract, plaintiff had the burden to overcome this presumption by proving that the antenna was *not*, for the first time, actually reduced to practice during the contract. The court of appeals agreed with the claims court that plaintiff failed to carry that burden where plaintiff did not file the patent application until three months after it had begun work under the contract.

Vieau v. Japax, Inc., 823 F.2d 1510 (Fed. Cir. 1987).

Plaintiff sued for infringement of its patent entitled "Multiple Wire Electrode Feed Mechanism for Electroerosion Machine." The machine, which uses an electric spark to cut metal, can make multiple identical cuts in a single workpiece or multiple workpieces. Defendant's machines were two multiwire electroerosion devices developed and manufactured in Japan and imported into the United States. At a bifurcated trial, the judge submitted 53 "Special Questions" and 14 "Verdict" questions to the jury. The jury returned a verdict for plaintiff on the issues of anticipation, obviousness, best mode, enforceability, and infringement. At the second phase of the trial, the district court granted a directed verdict for defendant on the issues of damages and willful infringement. The court then granted defendant's motion for judgment notwithstanding the verdict ("JNOV") on the issues of validity and infringement, holding that plaintiff's patent was invalid for failure to disclose best mode or, if not invalid, not infringed. The key issue on appeal was whether the term "assembly" meant a device in which all wires were operated by one set of controls or a device with plurality of individually operable controls. The court of appeals affirmed the district court's grant of JNOV on the issue of infringement, finding that no reasonable juror could have concluded that "assembly" covered separate devices.

Gould v. Quigg, 822 F.2d 1074 (1987).

Petitioner sought to direct the Commissioner of Patent and Trademarks to issue a patent. The patent was for an invention that uses gas discharge light amplifiers by stimulated emission of radiation.

The court allowed expert opinion that the 1959 patent application contained an enabling disclosure for the gas discharge light amplifier could be considered in an action challenging the denial of a patent application, despite the contention that the expert's opinion was based upon knowledge acquired by him since 1959. In addition, the court of appeals also held that the district court did not have authority to direct, rather than authorize, an issuance of a patent.

Fonar Corp. v. Johnson & Johnson, 821 F.2d 627 (Fed. Cir. 1987).

Fonar Corporation owned a patent that employed nuclear magnetic resonance to detect cancerous tissue. Cancerous tissue has a different resonance than normal tissue, the difference measured by the "spin relaxation times" between the two types of tissue. The patent provided for "measuring and establishing standard. . . relaxation times for both normal and cancerous tissue. . ." The district court held that the patent had not been infringed by Johnson & Johnson's imaging machines. The court of appeals affirmed, rejecting Fonar's argument that infringement occurs when the users of Johnson & Johnson's imaging equipment compare images obtained for suspect tissue with images previously obtained for known normal and cancerous tissue of the same type. Because the patent did not define the word "standard" to mean images stored in a doctor's memory, it did not support Fonar's argument that "standard" means such images and that the use of such images infringes the patent. The court of appeals affirmed the district court's JNOV order that using the accumulated experience of the diagnostician was extraordinary and impermissible—a meaning that cannot be accepted by a reasonable person.

Hartness Int'l, Inc. v. Simplimatic Eng'g Co., 819 F.2d 1100 (Fed. Cir. 1987).

Plaintiffs invented and patented a grid set used for packing bottles into cases with rigid fingers positioned at the corners of cartons. Defendant, Simplimatic, bought a number of Hartness' fingers and used them, with some modifications, in its own manufacture and sale of a four-finger grid set and packing machines. Simplimatic also developed a two-finger grid set, entirely of its own manufacture, for packaging widemouthed jars. After the decision by the district court, appeals and cross-appeals raised five issues.

The first issue, raised by defendant, alleged error in the district court's holding that defendant had failed to prove by clear and convincing evidence that plaintiff had obtained one of its patents through inequitable conduct. The alleged inequitable conduct involved the failure of one of the inventors to disclose to the examiner that he had "heard of" corner-mounted fingers from other bottlers. The district court found that plaintiff's limited knowledge of corner-mounting limited materiality in the prosecution of the patent, and

that it was not intentional misrepresentation or gross negligence for plaintiff to disclose the information. The appeals court stated that it was required to defer to the trial court in the absence of evidence clearly establishing error, and held that no such evidence had been shown.

The second issue on appeal was whether the district court erred in holding that seven of the claims under one of plaintiff's patents were valid, and that claim three was invalid. Defendant alleged that all these claims were invalid on the basis of obviousness. The appeals court held that the district court erred in holding that claim three was obvious, and reversed the holding that claim three was invalid. However, the appeals court held that the award of damages would not be increased even if claim three were found to be infringed, therefore a remand was unnecessary. The appeals court also held that there was no reversible error in the district court's holding of nonobviousness for the seven other contested claims. The appeals court held that the district court had correctly applied the test of *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966), in answering factual inquiries.

The third issue was whether the district court erred in holding that plaintiff's second patent was invalid because of obviousness-type double patenting. The district court reached this decision because of a copending application and on the prior art, where a terminal disclaimer had not been filed. The appeals court pointed out that in *In re Longi*, 759 F.2d 887, 892-93 (Fed. Cir. 1985), it held that patent claims could be rejected for obviousness-type double patenting based on a copending patent application, where a terminal disclaimer had not been filed.

The fourth issue was whether the district court clearly erred in holding that five of the claims under the first patent were infringed. The district court inquired whether certain elements of defendant's structure performed substantially the same function, in the same way, to accomplish the same result as devices claimed under plaintiff's patent. The district court rejected defendant's claim that its means was so different and so superior to plaintiff's that it should not be classified as an equivalent. On appeal, defendant argued that the application of the reverse doctrine of equivalents was a question of law freely reviewable by the appeals court. However, the appeals court pointed out that it had previously held in *SRI International v. Matsushita Electric Corp. of America*, 775 F.2d 1107, 1125 (Fed. Cir. 1985), that this was a question of fact reviewable under the clearly erroneous standard. Defendant failed to show clear error in the district court's finding that defendant's four-finger structure infringed claims under plaintiff's pattern.

The final issue on appeal was whether the district court abused its discretion in awarding damages based on plaintiff's proved actual lost profits on fingers, expressed in terms of a seventy percent

royalty on defendant's gross sales price for fingers. The appeals court recognized that the methodology of assessing and computing damages under 35 U.S.C. § 284 was within the sound discretion of the district court. The appeals court affirmed damages on the basis of proved actual lost profits, even though expressed in terms of a royalty rate.

Burlington Industries v. Quigg, 822 F.2d 1581 (Fed. Cir. 1987).

The Patent and Trademark Office (PTO) determined that Burlington's invention to control cotton dust was unpatentable under 35 U.S.C. § 103 because of its obviousness. After a full trial, the district court authorized the issue of a patent for it. The court of appeals affirmed, holding that Burlington had successfully rebutted the prima facie case of obviousness through the use of expert witnesses. The court reasoned that the district court had a powerful advantage over the PTO in that the court heard and saw witnesses testifying under both direct and cross examination and had the benefit of extensive discussion and argument. By using a full trial, a resource not available to the PTO, the court reached an independent conclusion that the invention was not obvious and there was no reversible error in that decision.

Martin v. Mayer, 823 F.2d 500 (Fed. Cir. 1987).

Martin brought an action for interference by Mayer with Martin's patent on high frequency attenuation cables. The Board of Patent Appeals placed the burden of proving Mayer's interference with Martin's patent on Martin. The court of appeals reversed, holding that it is Mayer, the copier of claims from Martin's patent, who has the burden of proving by clear and convincing evidence that the disclosure on which he relies supports his right to copy the claims. The court relied principally upon *Bursen v. Carmichael*, 731 F.2d 849, 852 (Fed. Cir. 1984), in support of its conclusion.

Christianson v. Colt Indus. Operating Corp., 822 F.2d 1544 (Fed. Cir. 1987).

Christianson sued Colt for damages and injunctive relief for violations of antitrust law and for wrongful interference with business relations. The court of appeals reversed the district court's judgment in favor of Christianson. The appeals court held that Colt's failure to disclose data and drawings developed to achieve interchangeability of M-16 parts in its patents covering production of these parts did not violate patent law. Reciting a string of authorities, the court held that patents are not production documents, and nothing in the patent law requires the disclosure of data on how to mass-produce the invention. "Patents enable the practice of inventions, not the organization and operation of factories." This reasoning applies to both

the enablement and best mode requirements; neither have anything to do with mass production. Colt's refusal to disclose its mass production techniques was consistent with both the patent law and state trade secrets laws.

Lewmar Marine, Inc. v. Barient, Inc., 827 F.2d 744 (Fed. Cir. 1987).

Lewmar sued Barient for the infringement of Lewmar's patents on sailboat winches used on racing yachts that compete in the America's Cup race. Barient defended on the ground that its "American Eagle" winch, made many years before, anticipated each of the claims in issue. The court of appeals reversed judgment by the district court in favor of Barient. The court noted that after the Patent Act of 1952 "anticipation" became a restrictive term meaning that the claimed invention lacked novelty, or was unpatentable under 35 U.S.C. § 102. No prior art claims anticipate in the strict sense. Some may be infringements under the doctrine of equivalents. After carefully evaluating the mechanical details of Lewmar's winch and Barient's winch, the court held that the district court's anticipation was wrong as a matter of law.

J.P. Stevens Co. v. Lex Tex, Ltd., 822 F.2d 1047 (Fed. Cir. 1987).

Lex Tex sued J.P. Stevens Co. for infringement of patent claims. After J.P. Stevens prevailed because the patent was found unenforceable, it requested the award of attorney's fees. The court of appeals affirmed the district court's denial of the request. The decision to award attorneys' fees is a two-step process. First, the district court must determine if the case is "exceptional." If so, it is within the court's discretion to award attorneys' fees to the prevailing party. Although the district court properly found that Lex Tex used inequitable conduct in the prosecution of its unenforceable patent, neither 35 U.S.C. § 285 nor *Rohm & Haas Co. v. Crystal Chemical Co.*, 736 F.2d 688 (Fed. Cir. 1984), requires or contemplates that attorneys' fees be awarded in all inequitable conduct cases. The purpose of allowing the award of attorneys' fees is to provide discretion where it would be "grossly unjust" to leave the prevailing litigant to bear the cost of his own counsel. Since the court of appeals found that the district court made its decision in light of all the facts, there was no abuse of discretion.

American Standard, Inc. v. Pfizer, Inc., 3 U.S.P.Q.2d 1817 (Fed. Cir. Aug. 31, 1987).

American Standard sought discovery from Biomet, Inc., a non-party to an action by American Standard for the infringement of a bone implant patent. Biomet also made bone implants, and American Standard's discovery requested detailed information about Biomet's

bone implant production. The district court denied discovery of data that it found was either irrelevant to the case or available from a party to the action. The court granted discovery of data on capacity of implants to enhance bone ingrowth which was unavailable from other sources. The court of appeals affirmed, endorsing the district court's view that "[i]n this case, there is a significant potential for abuse and this court refuses to permit abuse of pre-trial discovery." The court of appeals found that the district court conducted the required balancing described in *Heat & Control, Inc. v. Hester Industries*, 785 F.2d 1017 (Fed. Cir. 1986), and did not abuse its discretion.

BGT Enterprises, Inc. v. Gronholz, 406 N.W.2d 321 (Minn. App. 1987).

Charles Boisjolie, Donald Gronholz, and Michael Tierney formed BGT Enterprises Inc. to market a router guide invented by Gronholz. The corporation contacted Sears in 1975, who referred them to a manufacturer, the Singer Company. Meanwhile, Gronholz applied for and received a patent for his invention. Gronholz specifically refused to assign patent rights to BGT. In 1978, Singer broke off negotiations for the router guide. In the Fall of 1981, Sears began selling a router guide remarkably similar to Gronholz's. Tierney and Boisjolie considered a civil suit against Sears, but Gronholz informed them that they had no interest in the invention. BGT sued for the assignment of the patent to it. The district court held for Gronholz, relying on Gronholz's contention that he explicitly refused to assign the patent to the corporation. The court of appeals affirmed. The appeals court dismissed Gronholz's offer to "contribute" his invention to the corporation as inconclusive, holding that this offer probably indicates some sort of licensing arrangement, and not total assignment.

Newkirk v. Lulejian, 825 F.2d 1581 (Fed. Cir. 1987).

Plaintiff and defendant were competing for priority of invention for a camless electronic glassware conveyor delivery apparatus with a pushout robot rotational operation controlled by a digital stepping motor. The motor speed of the invention varied according to a stored program, and there was a mechanism for changing this program. The Board of Patent Appeals held that Newkirk had not proved "reduction to practice" of the invention prior to Lulejian's filing date, and that therefore Lulejian had priority of invention. The question on appeal to the Federal Circuit was whether, in order to prove reduction to practice, Newkirk had to show that he had achieved not only successful operation of one program together with a change to a second program, but also successful operation of that second program. Proof of reduction to practice requires demonstration that the embodiment relied upon as evidence of priority actually works for its intended purpose. Newkirk's apparatus had the capability of changing a stored program prior to Lulejian's filing date, but it did not

actually operate with the changed program. Capability is insufficient as proof of actual reduction to practice. The award to Lulejian of priority of invention was affirmed.

Suprex Corporation v. Lee Scientific, Inc., 660 F. Supp. 89 (W.D. Pa. 1987).

The complaint alleged unfair competition, Sherman Act violations, and tortious interference with contractual relationships. Codefendant, Brigham Young University (BYU) moved for dismissal for lack of personal jurisdiction, and dismissal under Fed. R. Civ. P. 12(b)(7) and 19(b) because the university, as owner of the patent in controversy, is an indispensable party. The court held that the university had engaged in no forum related activities and its contacts with the forum state were not of a continuous and substantial nature. The court therefore dismissed the action against BYU.

X. TRADE SECRETS

Cad Cam, Inc. v. Underwood, No. CA 9858 (Ohio Ct. App. Mar. 10, 1987).

Cad Cam sought to enforce the non-compete clause in Underwood's employment contract. The clause stated that if an employee ceases employment with Cad Cam and becomes employed by "another employer who services, uses, manufactures, or contemplates the service, use or manufacture of computer-aided design equipment or facilities," the employee owes Cad Cam half of his annual salary. The court affirmed the lower court's decision in favor of Underwood, holding that the trial court could reasonably have found from the evidence that the sole purpose of the clause was to ensure that Cad Cam's employees did not leave Cad Cam in order to work for a competitor. Further, the trial court could reasonably have found that the contract was manifestly unconscionable, unreasonable, and disproportionate in amount, because any adverse impact upon Cad Cam's business resulting from Underwood's going to work for a competitor was quite limited. There are many software systems to facilitate the work done by both Cad Cam and its competitor, so that the Computervision and Intergraph systems learned by Underwood at Cad Cam were not valuable trade secrets of Cad Cam.

Fish v. Ford Motor Co., No. 46871, slip op. (Ohio Ct. App. Aug. 14, 1987).

Fish, a tool and die maker employed by the Ford Motor Company, submitted an idea for building a common adapter for carburetors or fuel injection, utilizing a remote air cleaner system. Under a Ford Motor Co. program, Fish was eligible for awards of up to \$6,882 for his idea. Fish's idea was initially incorporated in the design of the 1982 Ford Escort, but the company eventually rejected Fish's idea because it was not cost effective. The court also found that Fish had

signed an employment contract with Ford containing a provision which conveyed ownership of any invention, discovery, or improvement made to the company. In addition, every document he signed when he submitted his proposal contained an additional provision which stated: "I agree that any decision made by my employer regarding eligibility, adoption, rejection, award, or commendation with reference to my idea shall be binding, and that my employer shall have the right to withdraw or change the program at any time." As a result of these provisions, the court found that Fish was ineligible for any monetary award, and thus upheld the lower court's grant of defendant's motion for summary judgment.

Caras v. American Original Corp., No. 1258, slip op. (Del. Ch. July 31, 1987).

Plaintiff, Caras, a former employee, sought interim injunctive relief providing that defendants could not interfere with his employment opportunities with other companies engaged in a similar line of business. Plaintiff, while employed with American, signed a "noncompete" employment contract in which he agreed not to work with any company that engaged in business similar to the employer's business upon termination for at least 18 months. The agreement, however, did not specify a geographic limitation. Upon review, the Court of Chancery of Delaware held agreements of employees not to compete against a former employee must be closely scrutinized because they are restrictive to trade and should be enforced only to the extent it is reasonable to do so. The court found the "noncompete" agreement unreasonable, and granted plaintiff's motion for a temporary restraining order.

A.M.P., Inc. v. Fleischacker, 823 F.2d 1199 (7th Cir. 1987).

Fleischacker, formerly a division manager for AMP, was hired by Molex, Inc., AMP's chief competitor. AMP sued Fleischacker and Molex for the misappropriation and threatened misappropriation of AMP's trade secrets and for a pattern of unfair competition against AMP. Fleischacker was not bound by a restrictive covenant not to compete, but only a confidentiality agreement which the court found unenforceable for its lack of definitiveness. AMP was unable to identify any particular trade secrets at risk. The court of appeals affirmed judgment for Fleischacker. Citing *Fleming Sales Co. v. Bailey*, 611 F. Supp. 507 (N.D. Ill. 1984), the court stated that "when an employer has failed to take such a simple step on its own [such as the use of restrictive covenants not to compete], a court will not raise to trade secret status the fruits of ordinary experience in business, thus compelling former employees to reinvent the wheel as the price for entering the competitive market." The court denied relief, declaring that "[a]ny other result would severely impede employee mobility and undermine the competitive basis of our free economy. The hiring of a close competitor's executives is a usual and

permissible practice in any industry. . . . Any other rule would force a departing employee to perform a prefrontal lobotomy on himself or herself."

Tate v. Scanlan Intern., Inc., 403 N.W.2d 666 (Minn. Ct. App. 1987).

Plaintiff is a nurse who invented a product that protects Prolene suture from damage caused by surgical clamps. She approached the president of a surgical supplies manufacturing company, Scanlan International, who agreed that the idea was worth further development. Scanlan eventually marketed "Suture Boots," but did not sufficiently compensate plaintiff. Plaintiff sued for breach of express or implied contract, unjust enrichment, conversion, and breach of confidence. Defendant had claimed at trial that plaintiff's idea was an obvious combination of existing products, and therefore not novel. Furthermore, it was not sufficiently developed in her mind to constitute anything but a purely abstract idea. The appeals court upheld the jury verdict for plaintiff. The court concluded that the determination of future damages was adequate for submission to the jury, and that interest on past damages could not be deducted from the award even if delay was caused by plaintiff.

Boeing Co. v. Sierracin Corp., 108 Wash. 2d 38, 738 P.2d 665 (1987).

Boeing claimed misappropriation of trade secrets regarding the design of airplane windows. Sierracin counterclaimed that Boeing violated antitrust laws in attempting to protect its trade secrets. The trial court found for Boeing on its claim and for Sierracin on its counterclaim. The appeals court reversed the counterclaim judgment and affirmed Boeing's trade secret judgment. The court found that Sierracin used Boeing's data, which it obtained as a manufacturer for Boeing, to obtain the mandatory FAA approval for sale of airplane cockpit windows. By using the data for such purposes, it had breached a contractual confidential relationship with Boeing. On the counterclaim, the appeals court upheld the trial court's findings that Boeing's ties with the FAA did not restrain trade and that Boeing's attempts to maintain trade secrets were in good faith and did not violate antitrust laws. In order to recover damages under the antitrust act, a potential market entrant must show "substantial demonstrable steps" to enter the market, and that they were thwarted by the antitrust violator. In this case, Sierracin stole Boeing's data in an attempt to enter the market, and no evidence was shown to indicate that Sierracin could have entered the market legally.

Eenkhorn v. New York Telephone Co., 134 Misc. 2d 633, 514 N.Y.S.2d 160 (N.Y. App. Term 1987).

Plaintiff, a managerial employee of defendant, developed a procedure to streamline termination of service to nonpaying residential customers of the defendant telephone company. Plaintiff brought this action to recover damages after the company failed to compensate her for this development. The trial court denied company's motion for summary judgment and estopped company from pleading shop right theory at trial. The company appealed. The appeals court affirmed the denial of summary judgment, explaining that issues regarding the company's policy of compensation for innovation are justiciable. The court reversed the ruling on estoppel. Although plaintiff claims to have developed her idea on her own time, the issue has not been conclusively settled, and should be considered at trial.

Business Trends Analysts v. Freedonia Group, Inc., 650 F. Supp. 1452 (S.D.N.Y. 1987).

Both plaintiff and defendant companies are in the business of producing industry analysis reports. Defendant company is composed of employees from plaintiff's predecessor company. Plaintiff sought a preliminary injunction and brought suit on several causes of action including copyright infringement, misappropriation of trade secrets, inducement of employee's breach of fiduciary duties and duty of good faith and loyalty, misidentification of goods in interstate commerce, and three claims of unfair trade practices under New York's anti-dilution law. Defendant alleged lack of personal jurisdiction, lack of venue, and failure to state a cause of action. The court held that it did not have personal jurisdiction over defendant for the fiduciary duties claim or the interstate commerce claim because of defendant's limited distribution and sales of reports in New York. The court had jurisdiction to hear all the other claims because they alleged "tortious acts within the state" and thus invoked New York's long-arm statute. The court further held that venue was appropriate since it could be shown that a "substantial" part of plaintiff's claim arose in the Southern District. The court also held that plaintiff stated a cause of action with respect to all claims except those alleging unfair trade practices under New York law. New York's anti-dilution law does not apply to infringements of trademark use by competitors with similar products, thus plaintiff's unfair trade practices claims were unfounded. The court denied plaintiff's motion for a preliminary injunction since plaintiff failed to show it would suffer irreparable harm or either a likelihood of success on the merits or that the balance of hardships tipped in plaintiff's favor.

Marshall v. Gore, 506 So. 2d 91 (Fla. Dist. Ct. App. 1987).

Plaintiff brought this action to alter an injunction granted previously in an action brought by defendant, MRB. In the previous action, MRB sought to enforce a covenant not to compete in an employment contract with plaintiff. The non-compete clause stated that plaintiff would not engage in the business of development or marketing of computer software, or in any business that competed with MRB for five years from the termination date. The court in that action granted the employer's claim for an injunction to enforce the covenant. Plaintiff, Marshall had developed a formula and computer software for feeding dairy cows. The trial court denied plaintiff's motion to alter the injunction. The appeals court noted that while the injunction was proper and not an unreasonable restraint of trade, its scope in prohibiting appellant from participating in any computer software business was too broad. An injunction must not unduly restrict a person's livelihood. In addition, since defendant was not in the general business of developing and marketing computer software, the injunction which prohibited plaintiff from participating in any such business protected more than defendant's legitimate business interests. The court therefore altered the scope of the injunction to prohibit plaintiff from engaging in any business which competed with MRB in the development and marketing of computer software for the management and programming of dairy feeding programs.

XI. MISCELLANEOUS

Consolidated Freightways Corp. of Delaware v. State of Idaho Dep't of Revenue & Taxation, 112 Idaho 652, 735 P.2d 963 (1987).

Consolidated acquired tariff schedules for various moving companies from special tariff bureaus in the form of computer tapes and sheets of paper. The Idaho Supreme Court upheld the lower court's decision that the tariff schedules were subject to Idaho's use tax. These schedules met the criteria of being tangible personal property purchased outside Idaho. Consolidated's exercise of power and control over the schedules incident to its ownership of the tariffs was held to justify the imposition of the use tax along with a 5% penalty for delay in payment of tax.

Intel Corp. v. Malaysian Airline System, No. C-86-1760, slip op. (N.D. Cal. Jan. 16, 1987).

Intel sued Malaysian Airline System (MAS) for the loss of cartons of computer chips. Intel ships partially processed chips to Malaysia, the chips are processed and shipped back. MAS handles part of the shipping. Intel desired high security measures due to the high value

of the chips. Intel alleged that in 1984 they entered into an agreement under which MAS agreed to provide special security measures for the chips. Intel alleged that the measures were followed until the shipment in question. MAS moved for *forum non conveniens*. MAS raised the burden of citizens performing jury duty, but no jury had been requested. The court held MAS did not meet its substantial burden to show inconvenience to itself or the court sufficient to upset plaintiff's choice of forum. Malaysia's interest in this dispute to assure quality service by its government-run airline is simply too diffuse to be entitled to much weight in the *forum non conveniens* balance. The interest of California in protecting its high technology industry and enforcing contracts made by its citizens are at least equally compelling.