



CALIFORNIA LITIGATION ALERT

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California Supreme Court Resolves Apparent Conflict Between Trade Secret Law And Free Speech Rights

In a recent case of first impression, the California Supreme Court unanimously held a trial court's preliminary injunction preventing publication of a computer program for descrambling digital video disks ("DVDs") did not violate the defendant's free speech rights, assuming the trial court properly issued the injunction under California's trade secret law. In its August 25, 2003 decision in *DVD Copy Control Assoc., Inc. v. Andrew Bunner*, No. S102588, the Court resolved an apparent conflict between the free speech clauses of the United States and California Constitutions and California's trade secret laws. This decision is significant because it is one of the first in the country to deal with the interplay between the free speech rights of parties who wish to publish technical information on the Internet and the property rights of parties who claim trade secret ownership in such information.

Plaintiff DVD Copy Control Association is an entity formed by various motion picture, computer, and consumer electronics companies to administer the licensing of DVD encryption technology. Plaintiff filed suit in 1999, alleging defendant's posting of a computer program called "DeCSS" was a misappropriation of plaintiff's trade secrets. DeCSS allowed users to decrypt, copy and distribute DVD movies encrypted with plaintiff's "CSS" encryption technology. DeCSS was written by a 15-year-old Norwegian programmer who reverse-engineered software written by a licensee of plaintiff's DVD encryption technology. Plaintiff sought a preliminary injunction enjoining defendant from disclosing, distributing, or linking to any proprietary property or trade secrets relating to the CSS technology.

Defendant alleged that after first finding it on another Internet web site, he published the DeCSS program so Linux operating system users could use and enjoy DVD movies. (Linux is a free "open source" computer operating system currently developed by a worldwide team of volunteer programmers and also sold by several large software companies.) Defendant further stated his motivation in posting DeCSS was to make Linux more attractive to consumers and to ensure that other programmers

would have access to the program to add new features, fix defects, and generally improve the DeCSS program.

The trial court granted the preliminary injunction, concluding that plaintiff was likely to prevail on the merits and would suffer irreparable harm without injunctive relief. The trial court concluded that CSS contained protectable trade secrets, that reasonable efforts had been made to protect these trade secrets, and that defendants knew or should have known that DeCSS was developed by improper means, through reverse engineering in violation of a license agreement. Defendant appealed, and a unanimous Sixth District Court of Appeal reversed, holding that even if the injunction was justified under California's trade secret law, republishing the code was "pure speech" under the First Amendment. Plaintiff appealed to the California Supreme Court, which reversed and remanded.

The Court limited its decision to the narrow question of whether the preliminary injunction violates defendant's right to free speech under the United States and California Constitutions even though the plaintiff was likely to prevail on its trade secret claim. The Court first concluded that dissemination of computer codes is subject to First Amendment scrutiny, concluding that, as computer code is "a means of expressing ideas," the First Amendment must be considered before its dissemination can be prohibited or regulated.

Looking next at the level of scrutiny that must be applied to determine the constitutionality of the injunction, the Court stated that the "critical question" is whether the injunction is content neutral, subjecting it to the intermediate scrutiny test of *Madsen v. Women's Health Center*, 512 U.S. 753, 114 S. Ct. 2516 (1994), or whether the injunction was content based,

requiring the strict scrutiny test outlined in *Perry Ed. Assn. v. Perry Local Educator's Assn.*, 460 U.S. 37, 103 S. Ct. 948 (1983). The Court concluded that the injunction was content neutral, as its purpose was to protect plaintiff's statutory trade secret rights and not to suppress the content of defendant's communications. The Court further reasoned that while an injunction of this type must necessarily identify the prohibited speech by content, the injunction remains content neutral "so long as it serves significant government purposes unrelated to the content of the proprietary information."

Applying the *Madsen* test, the Court elaborated that an injunction properly issued under California's trade secret law "undoubtedly" serves a significant government interest, as trade secret law incentivizes innovation and helps maintain standards of commercial ethics. The Court then found that the injunction burdened no more speech than necessary to serve these interests, noting the unique nature of trade secrets in that their only value consists in their being kept private.

The defendant argued that the injunction was improper as it enjoined persons with no connection to plaintiff or the persons who improperly acquired the trade secret. Defendant relied upon *Bartnicki v. Vopper*, 532 U.S. 514, 121 S. Ct. 1753 (2001) as holding that limitations on disclosures of information by those who merely know or have reason to know the information was improperly obtained violates the First Amendment. However, the Court distinguished *Bartnicki*, stating that the content of the trade secrets neither involved a matter of public concern nor implicated the core purpose of the First Amendment. As the content defendant posted was *only technical information*, and not debate or comment on any public issue, the trade secrets related to matters of a purely pri-

vate concern and not matters of public importance. Additionally because of its content-neutral nature and the fact it was issued due to defendant's prior unlawful conduct, the injunction was not a prior restraint on free speech. The Court also concluded the injunction did not violate the free speech clause of the California Constitution. While California's free speech clause is independent of federal law, the Court stated its analysis under the First Amendment would not yield a different result under the California Constitution.

The Court concluded by stating that its holding relies on the assumption that plaintiff is likely to prevail on the merits of its trade secret claim against defendant. In remanding the case to the Court of Appeal, the Court stated that the appellate court must examine the record to determine if it supports the factual finding that the injunction was warranted under California's trade secret law.

In a concurring opinion, Justice Moreno agreed with the majority's narrow holding, but stated that he would forego further proceedings in the Court of Appeal and affirm the judgment of the trial court. Justice Moreno was of the opinion that defendant (one of a group of 20 or so originally sued by plaintiff) was merely a republisher of no-longer-secret information and not in privity with the original misappropriator. As the plaintiff bears the burden of proving a trade secret remains secret despite Internet posting, Justice Moreno pointed to a lack of evidence in the record and concluded that

plaintiff failed to establish the information was still secret at the time defendant republished it on his web site.

In sum, the Court concluded that a preliminary injunction directed to the Internet posting of purely technical information is not a violation of the poster's First Amendment free speech rights when the injunction is based on a misappropriation of trade secrets. This decision will likely have long-term significance in clarifying the law governing the relationship between trade secrets and free speech rights.

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