ANNOUNCEMENT

from the Copyright Office, Library of Congress, Washington, D.C. 20559

NOTICE OF INQUIRY

NOTICE OF INQUIRY DEPOSIT OF COMPUTER PROGRAMS AND OTHER WORKS CONTAINING TRADE SECRETS

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LIBRARY OF CONGRESS

Copyright Office

37 CFR Part 202

[Docket RM 83-4]

Notice of Inquiry Deposit Of Computer Programs and Other Works Containing Trade Secrets

AGENCY: Library of Congress, Copyright Office.

ACTION: Notice of Inquiry.

SUMMARY: This notice of inquiry is issued to advise the public that the Copyright Office of the Library of Congress is reviewing its regulations with respect to the deposit under sections 407 and 408 of title 17 of the U.S. Code of computer programs and other works which contain material referred to as "trade secrets." The existing regulations of the Copyright Office governing the deposit of works in satisfaction of mandatory deposit under section 407 or in connection with registration of claims to copyright under section 408 appear at 37 CFR 202.19–21.

Owners of copyright in works containing trade secrets, especially owners of copyright in computer programs, have expressed concern about public availability of materials deposited in the Copyright Office, and have asked that the Office consider the possibility of special deposit provisions. This notice is intended to elicit public comment, views, and information which will assist the Copyright Office in evaluating its present pratices and in considering possible changes in its regulations.

DATES: Initial comments should be received on or before July 18, 1983. Reply comments should be received on or before August 15, 1983.

ADDRESS: Interested persons should submit ten copies of their written comments to the Copyright Office, Library of Congress. If delivered by hand, the copies should be brought to: Office of the General Counsel, James Madison Building, Room 407, First and Independence Ave., SE., Washington, D.C.

If sent by mail: Office of the General Counsel, U.S. Copyright Office, Library of Congress, Department DS, Washington, D.C. 20540.

FOR FURTHER INFORMATION CONTACT: Dorothy Schrader, General Counsel, Copyright Office, Library of Congress, Washington, D.C. 29559. Telephone (202)[1] 287–8380.

SUPPLEMENTARY INFORMATION:

1. Background

Section 702 of title 17 of the U.S. Code, the Copyright Act, authorizes the Register "to establish regulations not inconsistent with law for the administration of the functions and duties made the responsibility of the Register under this title." 17 U.S.C. 702. One of these duties, in the case of published works, is to enforce the mandatory deposit requirements, which apply to any work published in the United States with notice of copyright. 17 U.S.C. 407. Another is to register claims to copyright in any published or unpublished work upon receipt of an adequate application, deposit, and fee, provided the Register determines that the work constitutes copyrightable subject matter and that other legal and formal requirements have been satisfied. 17 U.S.C. 408 and 410. The Register also has the duty to retain articles deposited in the Copyright Office under section 408 but not selected by the Library of Congress for its collections. The Copyright Office also makes certain records of registration available for public inspection, including copyright deposits. 17 U.S.C. 704, 705.

a. *Mandatory deposit.* Deposit is made under two sections of the Copyright Act. Section 407 requires that the owner of copyright or the owner of the exclusive right of publication in any work which has been published in the United States with notice of copyright deposit two complete copies or phonorecords of the best edition of the work for the collections of the Library of Congress. 17 U.S.C. 407. The Register is authorized under this section to exempt from the deposit requirement any types of works not needed for the Library of Congress collections, and has done so in 37 CFR 202.19(c). There is presently no general exemption in this regulation for material which contains trade secrets, although it is possible that most material containing trade secrets is not normally "published" within the meaning of the Copyright Act and is therefore not subject to section 407. 17 U.S.C. 101

[1] Error; line should read: "Washington,D.C.20559. Telephone (202)"

(definition of "publication"). Moreover, computer programs are exempt from mandatory deposit under 37 CFR 202.19(c)(5).

b. *Deposit for registration.* Registration of a claim to copyright under section 408, though voluntary, also requires deposit. Title 17 U.S.C. 408 governs the nature of the deposit required in connection with copyright registration. Except as provided by subsection (c) thereof, subsection (b) generally requires the deposit of one complete copy or phonorecord in the case of an unpublished work, or two complete copies or phonorecords of the best edition in the case of a published work. For works first published outside the United States, the Act requires deposit of one complete copy or phonorecord as so published. Subsection (c) of section 408 authorizes the Register to specify administrative classes of works for purposes of deposit and registration, to determine the nature of the copies to be deposited, and to permit or require the deposit of identifying materials in lieu of actual copies.

In reliance on this authorization, the Copyright Office established regulations governing deposit for registration of claims to copyright at 37 CFR 202.20 and 202.21. Section 202.20 of 37 CFR provides a number of modifications to the deposit requirement in the case of certain works, but does not specifically provide for the deposit of identifying material in lieu of copies solely on the ground that the work contains trade secrets. However, special provision has been made for the deposit of literary works fixed or published in machine-readable form. 37 CFR 202.20(c)(vii). For computer programs, the regulations now require the deposit of "one copy of identifying portions of the program," which means the first and last 25 pages or their equivalent. In applying this regulation, the Copyright Office has taken the position that the source code format of a computer program constitutes the best representation of the authorship in the program and therefore satisfies the "identifying portions" requirement.

Registration may be made for computer programs under the Office's "rule of doubt" based on an object code format as the deposit. In this exceptional case, the Office makes no independent determination that the object code format identifies an original work of authorship. The registration is made for whatever it may be worth based on an applicant's assertion that the object code identifies an original work of authorship. The Office also examines all other elements of the claim to determine whether formal and legal requirements have been satisfied.

The regulations also allow applicants the opportunity in exceptional cases to seek "special relief" from the deposit requirements by specific written request. Special relief may consist of allowing the deposit of identifying material in lieu of a copy or copies. 37 CFR 202.20(d). Under this procedure, the Examining Division has received many requests for such relief where the applicant seeks to maintain the confidentiality of a trade secret. Where it is possible to excise the confidential material and deposit a substantial representation of the authorship in the works, special relief is more likely to be granted.

c. *"Secure test" regulation.* Special provision is made in the deposit regulations for the registration of any work which is a "secure test." Section 202.20(c)(vi) provides that:

> In the case of tests, and answer material for tests, published separately from other literary works, the deposit of one complete copy will suffice in lieu of two copies. In the case of any secure test the Copyright Office will return the deposit to the applicant promptly after examination: Provided, that sufficient portions, description, or the like are retained so as to constitute a sufficient archival record of the deposit.

Section 202.20(b)(4) defines a "secure test" as:

> * * * nonmarketed test administered under supervision at specified centers on specific dates, all copies of which are accounted for and either destroyed or returned to restricted locked storage following each administration. For these purposes a test is not marketed if copies are not sold but it is distributed and used in such a manner that ownership and control of copies remain with the test sponsor or publisher."

In the case of the mandatory deposit of published works under section 407, "tests, and answer material for tests, when published separately from other literary works," are completely exempt from deposit. 37 CFR 202.19(c)(8). Although no specific mention is made of "secure tests," this exemption is meant to encompass them and will, in almost every case, since most secure tests are published separately, if published at all.

Special provision for secure tests first appeared in our proposed rulemaking on deposit requirements, in Volume 42, No. 221 of the **Federal Register** for Wednesday, November 16, 1977 (pp. 59302–9). The preamble to the proposed regulations explained that the Copyright Office had considered the "special problems of confidentiality" faced by creators and administrators of secure tests. Consideration of the matter was prompted by correspondence from Educational Testing Service, whose position was supported by the American College Testing Program, The College Entrance Examination Board, The American Council on Education, and nineteen other examining boards and councils including the Law School Admission Council, the National Board of Medical Examiners, the Federation of State Medical Boards, and the National Conference of Bar Examiners.

After examining the concerns raised by these interested parties, the Copyright Office concluded that, although secure tests should be deposited in the Copyright Office for examination incident to registration under section 408, their retention by the Office and availability for public inspection could "severely prejudice the future utility, quality, and integrity of the materials." Accordingly, the proposed deposit regulation required that only one copy of any such test need be deposited, and provided for the special treatment which became, without change from the language in the proposed rulemaking, the present § 202.20(c)(vi). The proposed rulemaking also noted that the Library of Congress does not require such works for its collections and exempted them from mandatory deposit in proposed § 202.19, the regulation which prescribed deposit requirements for works subject to 17 U.S.C. 407. This exemption also became part of the final deposit regulations, as quoted above, at § 202.19(c)(8).

(d) *Retention of copyright deposits and public access.* Retention and disposal of deposits and public access to deposits made under sections 407 and 408 are governed by sections 704 and 705 of the Copyright Act, respectively, and material containing trade secrets, as well as all other deposit material retained by the Copyright Office, is subject to these provisions.

The statutory duty of the Register to retain works deposited in the Copyright Office is set forth in 17 U.S.C. 704. Subsection (a) recognizes three types of deposits: Copies, phonorecords, and identifying materials. The subsection provides that all types of deposits become U.S. Government property. In subsection (b), deposits for published works are available to the Library of Congress for its collections or for exchange or transfer to any other library, and the Library may select unpublished works for its collections or for transfer to the U.S. National Archives or to a Federal records center. Subsection (d) states that any deposits not selected are retained for the longest period practicable and desirable by the Register and the Librarian, but then may be destroyed or otherwise disposed of in accordance with the Act. The Copyright Office has recently published a policy

decision regarding retention of deposits. (48 FR 12862). Published deposits will be retained for five years, except for works of the visual arts, which will be retained ten years or longer. No unpublished deposit will be disposed of during its term of copyright unless a facsimile reproduction of the entire deposit has been made and added to the Copyright Office records.

Title 17 U.S.C. 705 imposes upon the Register a duty to prepare and maintain records of "all deposits," registrations, recordations and other actions [subsection (a)]. Under subsection (b), such records and all articles deposited in connection with completed copyright registrations "shall be open to public inspection."

2. Some Policy Considerations

a. *General.* A number of requests for special relief from the deposit requirement, asking that various exceptions be made for computer programs and works containing trade secret material, caused us to institute this inquiry. Many requests asked for treatment similar to that now provided for "secure tests."

The secure test provision of the deposit regulations were sustained in a challenge in *National Conference of Bar Examiners and Educational Testing Service v. Multistate Legal Studies, Inc.*, 629 F. 2d 478 (7th Cir. 1982), (petition for certiorari filed), a copyright and trademark infringement case in which the defendant asserted that either the regulations under which plaintiffs' claims to copyright were registered, § 202.20(c)(vi), were inconsistent with the Copyright act, or that the Act was unconstitutional. The Seventh Circuit held that the secure test regulation is authorized by 17 U.S.C. 408(c), that the regulation does not conflict with 17 U.S.C. 704(d), and that the regulation does not violate Article I, Section 8 of the Constitution.

Based on the *Multistate* decision, representations have been made to the Copyright Office that the Register has the necessary authority to promulgate regulations allowing the deposit of identifying material for works containing trade secrets. The purpose of this notice is to elicit comment, views, information, and suggestions that will assist the Office in reaching policy decisions regarding the appropriate deposit for computer programs and works containing trade secrets in general. The policy issues are important and may have profound significance for the system of copyright registration.

Registration before or within five years of publication creates a legal presumption of copyright validity and of the facts stated in the certificate of registration. 17 U.S.C. 410(c). Certain remedies (statutory damages and attorneys fees) are conditioned on timely registration. In the case of unpublished works, the registration record arguably establishes the metes and bounds of the claim to copyright, which, although arising upon creation of the work, is amorphous and undefined before registration.

To what extent should the benefits of a public registration record be offered to the claimants who may, for various reasons, be unwilling to disclose on the record at least a substantial portion of the authorship on which the claim is based? Is there any public interest in encouraging the disclosure of the scope of the claim to copyright? Can infringement actions be defended effectively where the public record discloses none or only a small portion of the authorship in a work which is the subject of litigation?

b. *Freedom of Information Act and the Trade Secrets Act.*

The Freedom of Information Act requires Federal agencies to make public all material in their possession that does not fall within nine specific exemptions. The fourth of these exemptions covers trade secrets and confidential commercial or financial information. 5 U.S.C. 552(b)(c)(4). In *Chrysler Corp. v. Brown*, 441 U.S. 281 (1979), the Supreme Court held that a private party had no right under FOIA to block the release of documents containing trade secrets that had been submitted to a government agency, stating that Congress intended the agency, and not the private entity submitting the documents, to have discretion over disclosure.

The Court left open the possibility that another federal law, the Trade Secrets Act, in combination with the requirements of the Administrative Procedure Act, could be used to block such disclosures of confidential material. The Trade Secrets Acts, 18 U.S.C. 1905.

If the Freedom of Information Act were applicable to copyright deposits, the Copyright Office would have discretion under the *Chrysler* case to issue a regulation governing disclosure of material which contains trade secrets. The Copyright Act, however, in making the Copyright Office subject to the Administrative Procedure Act of June 11, 1946, as amended, specifically exempted copyright deposits. 17 U.S.C. 701(d). The controlling disclosure provision is therefore section 705(b) of the Copyright Act which expressly requires that all section 408 copyright deposits, as well as other related material, "shall be open to public inspection." 17 U.S.C. 705. The Trade Secrets Act does not prevent disclosure where authorized by another federal statute. Disclosure of copyright deposits, whether they contain trade secrets or not, is not only authorized, but mandated by law.

Nevertheless, it is not clear that trade secrets are actually disclosed by copyright registration. Since the Copyright Office records are grouped in broad subject matter classifications, extensive searching may be required to locate a work unless one or more identifiers (title, author, claimant) is known precisely before hand.

c. *Alleged impairment of trade secrets.*

The principal argument for granting special treatment to works containing trade secret material, as expressed in requests for special relief, is that the public access that attends the deposit of such works arguably destroys or impairs their value to the copyright owner. In the case of deposit in connection with a copyright registration, it is argued that the harm done by public access may vitiate the benefits that copyright registration would otherwise provide to the copyright owner and thus discourage registration.

Some of the benefits of copyright registration were noted earlier. Additionally, no action for infringement of a copyright may be instituted until registration has been made or refused. 17 U.S.C. 411(a). Moreover, the importance of having deposits on record in the Copyright Office as evidence in litigation has long been acknowledged, particularly in the case of unpublished works. House Report 94–1476 notes the "continued value of deposits in identifying copyrighted works," and refers to the "many difficulties encoutered when copies needed for identification in connection with litigation or other purposes have been destroyed." [1] This philosophy lies behind the retention provision of section 704 of the Act.

The Copyright Office and the public have long been concerned with having an adequate record of a copyright registration or refusal to register, to protect those who must rely on the public record in infringement actions and commercial transactions. It is possible that the deposit of minimal identifying material in lieu of an actual copy or a reproduction of the complete authorship would weaken the value of the registration record in litigation.

The definition of the term "trade secret" is fundamental to consideration of any system of special treatment in the deposit regulations. The Roger Milgrim

[1] H.R. REP. No. 94–1476, 94th Cong., 2d Sess. 171–172 (1976).

treatise, *Trade Secrets*, Volume II, Sec. 2.01, defines the term as follows:

A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving material, a pattern for a machine or other device, or a list of customers. It differs from other secret information in a business * * * in that it is not simply information as to single or ephemeral events in the conduct of the business, as, for example, the amount or other terms of a secret bid for a contract or the salary of certain employees, or the security investments made or contemplated, or the date fixed for the announcement of a new policy or for bringing out a new model or the like. A trade secret is a process or device for continuous use in the operation of the business. Generally it relates to the production of goods, as for example, a machine or formula for the production of an article. It may, however, relate to the sale of goods or to other operations in the business, such as a code for determining discounts, rebates or other consessions in a price list or catalogue, or a list of specialized customers, or a method of bookkeeping or other office management.

It is unclear whether this definition is adequate to describe all of the "trade secret" materials likely to be submitted for deposit. If special provision is to be made by regulation, for works containing trade secrets, a workable definition which can be applied by examiners and the public, must be developed. The Copyright Office is concerned that the universe of "trade secret" materials may be exceedingly large.

Variations in deposit requirements which involve the submission of identifying material (unless adopted to conserve storage space) or special processing of any kind, tend to add significant administrative costs to the operating expenses of the Copyright Office. This additional expense must be considered by the Copyright Office in making its decision regarding deposit of computer programs and other material containing trade secrets.

The Office must also consider carefully the benefit to the public in having the most complete and representative collections possible in the Library of Congress. To some degree any replacement of actual copies by identifying material, for a large category such as trade secret materials, undermines the scope and worth of the Library's collections.

Finally, the Copyright Office in this Notice of Inquiry does not invite comment on deposit of confidential materials in general. The Office believes that exceptions from the deposit requirements for non-trade secret, confidential material can continue to be considered by means of requests for special relief under 37 CFR 202.19(e) and 202.20(d). However, if members of the public believe it is not possible to define trade secret material in a way that excludes confidential material, the Office will consider such comments.

3. Specific Questions

The Copyright Office is interested in receiving comments, views, information about business practices, and alternative deposit suggestions relevant to the deposit of computer programs and of material containing trade secrets. Of particular interest are answers to the following questions:

(1) To what extent is "industrial espionage" a problem with materials containing trade secrets, and to what extent would the presence of a copy of such a work in the Copyright Office records or in the Library of Congress collections exacerbate that problem?

(2)(a) Are works containing trade secrets usually registered for copyright? (b) Would a significantly greater number be registered but for the problem of public access to deposits? (c) What is the most typical type of trade secret material for which registration would be sought? (d) Is copyright registration considered an important system of protection for trade secret material by the owners of such material?

(3)(a) How should trade secret material be defined for the purposes of allowing special treatment, if any? (b) What proof regarding trade secrecy should be required, if any? (c) Should specific assertions of the harm which would be caused by public disclosure be required, e.g. an assertion that disclosure would jeopardize national security, or would completely or substantially destroy the value of the work? (d) Should any attempt at definition be made, or should a simple assertion that a work contains trade secret material be sufficient?

(4) Are most materials containing trade secrets published or unpublished in terms of the definition of publication in 17 U.S.C. 101?

(5)(a) What are the public benefits in keeping trade secrets confidential? (b) How do such benefits compare to the public benefit in maintaining complete and open records of copyright registration? (c) To what extent should the benefits of copyright registration be available to claimants who are unwilling or unable to disclose on the public record at least a substantial portion of the authorship on which the claim is based?

(6)(a) To what extent are deposit copies of trade secret materials valuable in infringement actions or other lawsuits? (b) How would the evidentiary value of the deposit be affected if the deposit consisted of identifying material? (c) What type of identifying material would be best as an evidentiary copy? (d) Can infringement actions be defended effectively where the public record discloses none or only a small portion of the authorship in the contested work?

(7) If special treatment is granted for materials containing trade secrets, should it be handled as special relief on a case-by-case basis, or as a specific exemption in the deposit regulations?

(8) Would copyright owners be willing to bear part or all of the administrative cost of special treatment?

(9) What specific proposals for special treatment would be most effective in meeting the concerns of copyright owners in trade secret material?

(10)(a) Would owners of copyright in such materials be willing to maintain a secure file copy and produce it in court, or deposit the entire work whenever the material loses its trade secret status, as a condition of special treatment? (b) How could the Copyright Office enforce the condition, if adopted?

(11) Since the Copyright Office has no subject matter classifications other than the broad literary, visual arts, performing arts, and sound recording classes, does not the extensive searching ordinarily required to locate a work containing trade secret material constitute a generally effective bar to actual disclosure of the trade secret?

(12)(a) Since object code formats of computer programs cannot be examined by the Copyright Office, under what conditions, if any, should the Office accept object code as the identifying reproduction of a computer program? (b) Should the Office require the deposit of both source code and object code, make its examination, and then return the source code? (c) Should the Office retain part of the source code in such form that no trade secret is disclosed? (d) What should be deposited if source code never existed?

(17 U.S.C. 407, 408, 410, and 701–706)

List of Subjects in 37 CFR Part 202

Copyright registration requirements.

Dated: May 12, 1983.

David Ladd,

Register of Copyrights.

Approved:

Daniel J. Boorstin,

The Librarian of Congress.

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