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Beyond Copyright Law: How To Protect Software

The Supreme Court punted in January, so lawyers are looking at patent law, licensing and trade secret remedies.

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INTELLECTUAL PROPERTY attorneys have been scrambling since January to find new strategies to protect computer software in the wake of several decisions that eroded their once-substantial protection under copyright law.

Faced with the slow pace of developing case law and the rapid obsolescence of computer products, attorneys are turning to a package of protections including trade secrets, patents and private licensing as the first line of defense to protect programs.

"Since January, it's been a real challenge," said Victoria A. Cundiff, a partner at Los Angeles' Paul, Hastings, Janofksy & Walker. "You can't rely on copyright protection to the extent people used to."

Little Guidance

Computer software is unique in that it often includes original expression protected by federal copyright law, as well as novel and non-obvious types of technology that meet the requirements of patent law.

But as the software industry has grown, new programs often contain elements of older ones, and courts have struggled to determine the extent to which copyright law protects one software program when elements are copied with changes in a second program. Courts are trying to determine exactly what is protectable about program codes to avoid stifling competition, attorneys said.

In January, the U.S. Supreme Court divided on *Lotus Development Corp. v. Borland International Inc.*, 116 S.Ct. 804. It allowed to stand a 1st U.S. Circuit Court of Appeals ruling that copyright did not protect the set of menu commands included in a Lotus spreadsheet because it is a "method of operation" rather than an expression of an idea.

In March, U.S. District Judge Constance Baker Motley in New York dismissed a copyright suit, *Fonar Corp. v. Magnetic Resonance Plus Inc.*, 93 Civ. 2220, after finding that Fonar's description of the software failed to show it was assembled "in an orderly form" required to establish a valid copyright.

In the wake of these and other cases, "it's important to research how different parts of intellectual property law apply," said William A. Tanenbaum, a partner at New York's Kenyon & Kenyon and president of the Computer Law Association. "It's how you coordinate them that's the trick."

Trade Secrets, Patents Gain

While no one is willing to give up on copyright entirely, attorneys said the cases make it difficult to predict when the law will protect their products.

Some believe that trade secret law will be key in protecting new computer software programs with a shorter shelf life, because it protects the idea behind the invention. Products with broad appeal that will be commercially viable for years are better candidates for patent protection, which takes longer to obtain.

The U.S. Patent and Trademark Office is prepared to take a greater role in protecting software. Its Examination Guidelines for Computer-Related Inventions, which took effect March 29, clarify patent standards and help federal officials evaluate whether a product has sufficient practical application to warrant a patent.

"The general consensus is [the regulations] represent a significant step forward for patenting inventions," said Stephen D. Kahn, a partner at New York's Weil, Gotshal & Manges L.L.P., who concentrates on intellectual property and computer software law. "If it's considered a horse race, the patent law horse is moving up."

But there are no clear paths, attorneys said. Most software programs developed 20 years ago would not need patent protection today, and few copyrighted programs released now will be valuable in 75 years. That has some attorneys and scholars calling for new laws specifically geared to protect software.

"We're trying to use 19th century legal tools to accommodate 21st century information technology," said Joel R. Reidenberg, an associate professor at Fordham University School of Law who specializes in information technology law.

Back to the Future

Attorneys relied on trade secret law for protection of computer software in the early to mid-1970s, the advent of the software age. The federal Copyright Act of 1976 made clear that software could be copyrighted, and included a special rule allowing companies to deposit the program code in a variety of forms, and to keep much of the key program elements in numerical code. This helped retain protection for trade secrets as well.

The high-water mark for copyright protection, attorneys said, came in 1986 when the 3d Circuit found that copyright protection could extend beyond a program's literal code to its "structure, sequence and organization" to determine the substantial similarity needed to prove infringement. *Whelan Associates Inc. v. Jaslow Dental Laboratory Inc.*, 797 F. 2d 1222.

But that broad protection ebbed six years later, when the 2d Circuit established a complex three-part test to identify the functional elements of a program that do not qualify for protection and to determine if the remaining portions of the program infringe. *Computer Associates International Inc. v. Altai Inc.*, 982 F. 2d 693.

Attorneys had been hoping the U.S. Supreme Court would clarify the law in the *Lotus* case. But the court deadlocked after Justice John Paul Stevens withdrew, and the 1st Circuit ruling held, without setting a precedent.

"The scope of copyright protection is not as broad as some were hoping," said Pamela Samuelson, a visiting professor at Cornell Law School who has written on copyright law. But she noted that Congress included exclusions in the statute to prevent software copyright from being construed too broadly, and the case-by-case analysis of claims "is giving effect

to the public policy limits in the statute."

Benefits, Drawbacks

Because computer products become outdated so quickly, intellectual property attorneys will have to tailor protections to specific products, attorneys said.

While copyright relies on how much the lines of code match, "trade secret law looks at the similarity of the ideas rather than the precise expression of them," Ms. Cundiff said. "More than any other form it protects ideas."

Trade secrets may also protect the sequence in which particular steps are performed in a program, she said.

But software companies must deal with the risk that competitors will develop a similar product independently.

"The effect of recent [copyright] cases is to increase the value of patent protection," Mr. Tanenbaum said. Patent law guards against independent creation of a similar program--copyright does not--and patent law "provides protection against reverse engineering where copyright may not," Mr. Tanenbaum said.

But a software patent often takes two years to obtain and is out of reach for many start-up companies.

"By time you get your patent, in two or three years, there is the chance no one will use the technology anymore," said John M. DiMatteo, a senior associate at New York's Patterson, Belknap Webb & Tyler L.L.P. "You've spent time and money, and disclosed your trade secrets, and the industry has already passed you by."

Disclosing the key elements of the program means there is no trade secret protection, and determining whether a patent is being infringed by taking apart a competitor's product can be time consuming and costly, he said.

Software developers will need more restrictive private contracts, such as non-disclosure and licensing agreements, which would allow companies to sue for breach of contract and obtain injunctive relief for misappropriating trade secrets, Mr. Reidenberg said.

The new patent guidelines, which follow Federal Circuit and Supreme Court rulings, call for examiners to determine how a computer functions with new software, how the computer is configured to achieve that function, and distinguish whether elements of a program fall within the definition of an invention.

As of 1995, a Uniform Trade Secrets Act--to establish national standards for protecting trade secrets--had been adopted by 39 states. It includes a discovery provision allowing the statute of limitations to begin when the misappropriation is discovered.

The act is no panacea.

While it would protect secrets in the national marketplace, it would be difficult to apply to mass-marketed programs, Professor Samuelson said.

"Anything you can learn by testing and reverse engineering is supposedly free for appropriation as long as you write your own code in the absence of a valid license."□

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