A Very Basic Introduction to Intellectual Property

I. Introduction

A. There are four basic intellectual property schemes

1. Copyright law - which you use to protect your source and object code
2. Patent law - which some use to protect their algorithms (Unclear whether this really applies to computer software. People are getting patents covering software and algorithms, but the Supreme Court has yet to rule on their validity. This could turn out to be a very troublesome area.)
3. Trade Secret law - which you use to protect your source and object code, algorithms and ideas (basically everything protected and not protected by copyright).
4. Trademarks - which you use to protect what you call your program or the packaging.

II. Copyright law

A. Copyright law is a very important source of protection for computer software, and is rooted in the Constitution (Art I, § 8, clause 8)

B. Copyright law only protects "original works of authorship fixed in any tangible medium of expression." It does not protect ideas, procedures, processes, systems, methods of operation, concepts, principles or discoveries.

C. Computer programs usually are protected as literary works (although some screen displays have been protected as graphic or audiovisual works - this area is evolving).

D. The owner of a copyright has exclusive right to:

1. Reproduce the copyrighted work;
2. Prepare derivative works based upon copyrighted work;
3. Publicly distribute the copyrighted work;
4. Publicly perform the copyrighted work;
5. Publicly display the copyrighted work.
   a) **Usually, the first three rights are the most critical to owners of computer software.**

E. Copyright rights are automatically created when the author creates a work - "puts pen to paper" idea. No registration is required for the right to exist, but registration is required for certain remedies for infringement.

F. Ownership

1. Individual - ownership vests in the author (person who created the software program).
2. Joint Works - if two or more authors created the work, then each has an undivided interest in the whole. To be considered a joint author, each author must contribute copyrightable subject matter to the work (ie. work with original expression).
3. Work Made for Hire - works prepared by "employees" are owned by the employer unless there is a written agreement to the contrary. "Employment" status is determined under common law rules of agency. Works by independent contractors are owned by the independent contractor. Certain categories of specially commissioned works can be work made for hire if there is a written agreement, but these categories are not usually applicable to computer software.
   a) **Factors used to determine whether someone is an independent**

contractor or a common law employee for purposes of copyright ownership (Community for Creative Non-Violence v. Reid, 109 S.Ct. 2166 (1989))

(1) the source of instrumentalities and tools, the location of work, the duration of the relationship between the parties, the hiring party's right to assign additional projects to the hired party, the extent of the hired party's discretion over when hand how long to work, the method of payment, the hired party's role in hiring and paying assistants, the regular business of the hiring party, the provision of employee benefits and the tax treatment of the hired party.

b) Since works by independent contractors are owned by them, if you hire an independent contractor make sure they are contractually obligated to assign the copyright to you**.**

4. To transfer ownership you must have the agreement (transfer) in writing, an oral agreement or transfer won't work.

G. Registration

It is easy to register your copyright and there are definite benefits to doing so. Remember, you don't have to register your copyright to have a copyright - a copyright is created automatically when you write your software program.

1. Benefits
   - **a) prerequisite to filing a copyright infringement suit**
   - **b) provides constructive notice of ownership**
   - **c) creates a rebuttable presumption of validity of your copyright in litigation**
   - **d) you are eligible for statutory damages and attorneys' fees (and given how expensive attorneys are - this is no mean thing!)**
2. How to register
   - **a) Get a registration form - either from the Copyright Office or from a book on copyrighting software (Nolo Press). You only need one registration per work.**

     To order forms write to: Publications Section, LM-455, Copyright Office, Library of Congress, Washington, D.C. 20559 -- or call (202)707-0700. [This info was good as of April 1990, but should help you find out where to get the forms.]

     (1) Form TX for literary works (computer programs)
     (2) Form PA for audiovisual works (screens?)
   - **b) Deposit copies - you have to deposit two copies of identifying portions of your program - the below are requirements as of September, 1991**

     (1) The first 10 pages and last 10 pages of source code with no blackouts for trade secret protection; or
     (2) The first 25 pages and the last 25 pages of source code with no more than 49% of the material blacked out to protect trade secrets; or
     (3) The first 25 pages and last 25 pages of object code plus 10 or more consecutive pages of source code with no blackouts for trade secret protection.
     (4) For programs whose source code is 50 pages or less

     (a) The first 10 pages and last 10 pages of source code with no

blackouts for trade secret protection; or

(b) The entire source code with no more than 49% of the material blacked out to protect trade secrets.

H. Copyright Notice

1. Put this on your software!! For works published on or after March 1, 1989, use of the copyright notice is optional, but the Copyright Office highly recommends it. For works published before March 1, 1989, the use of the notice is mandatory on all published works, and any work first published before that date must bear a notice or risk loss of copyright protection.
2. On computer programs the notice should appear on at least a few of these areas:
   - **a) with or near the title or at the end of the program when printed out (put it in a header file or in a comment at the beginning of your files);**
   - **b) when the user signs on - ie splash screen;**
   - **c) displayed continuously (but this can get a bit much);**
   - **d) on the disk label or container used to store the program**
3. Notice should be in the following form:
   - **a) Copyright [or use the © symbol], the year of first publication of the work, the name of the owner of the copyright. All rights reserved.**
     (1) © 1992 David Shayer. All rights reserved.

III. Trade Secrets

A. Trade secrets are a very valuable way of protecting your information. Trade secrets protect ideas, unlike copyright which protects expression.

B. Basically, a trade secret is information you would not want your competitor to have.

1. California Uniform Trade Secrets Act (Civil Code §§ 3426)
   - **a) "'Trade secret' means** information**, including a formula, pattern, compilation, program, device, method, technique, or process, that:**
     (1) Derives **independent economic value**, actual or potential, **from not begin generally known** to the public or to other persons who can obtain economic value from its disclosure or use; and
     (2) Is the subject of **efforts that are reasonable** under the circumstances to **maintain its secrecy**."
2. Restatement (First) of Torts Section 757, comment b - is used by some other states
   - **a) "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."**
   - **b) "Some factors to be considered in determining whether given information is one's trade secret are:**
     (1) the extent to which the information is known outside of his business;
     (2) the extent to which it is known by employees and others involved in his business;
     (3) the extent of measures taken by him to guard the secrecy of the information;
     (4) the value of the information to him and to his competitors;

(5) the amount of effort or money expended by him in developing the information;
(6) the ease or difficulty with which the information could be properly acquired or duplicated by others."

C. Distinguished from Copyrights and Patents

1. trade secrets are of potentially unlimited duration (unlike patents which are good for 17 years), but goes away if someone finds it out
2. trade secrets protect ideas and information, which is not protected by copyright
3. lack of novelty does not defeat an assertion of a trade secret (you need novelty to get a patent)
4. there is no requirement of nonobviousness that there is for a patent
5. trade secrets **are** vulnerable to reverse engineering and independent development, unlike patents

D. A couple of ideas on how to protect your trade secrets

1. Mark important documents "Confidential" or "Trade Secret", especially if you are sending them to someone outside of your company.
2. Make sure that your employees and independent contractors sign non-disclosure agreements.
3. Make sure you make your beta testers sign non-disclosure agreements.
4. If you keep valuable information on a server, make sure that everyone has a password and only those who need access to source code can have it -- ie janitor shouldn't be able to sign onto the server and get to the source code.
5. If you're big enough - have employee badges and visitor badges.
6. Shred confidential information.
7. Use your common sense!!