The ABCs of Software IP

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Nearly every company is a software company on some level. Below, we discuss how to protect and enforce your rights in your software:

Q: How can I protect my software under copyright law?

A: The U.S. Copyright Office has ruled that most software expresses sufficient creativity and is thus copyrightable. Specifically, the U.S. Copyright Office allows the human-readable version of software, called source code, to be protected by copyright.

The "unregistered" copyright in source code attaches the instant it is typed into a computer. However, technology companies go a step further and submit their source code to the U.S. Copyright Office to get a "registered" copyright. Doing so provides certain enhanced protections, such as the ability to file a lawsuit and receive statutory damages. Importantly, the U.S. Copyright Office has made a specific exemption for source code to be submitted in redacted or partial form to make sure the entire codebase is not made public.

Q: How do I protect my software under trade secret?

A: In addition to being protectable via copyright, source code can also be protected as a trade secret.

> **Trade secret = Information that is not known by others outside of the owner, has independent economic value independent of its secrecy, and for which the owner has taken reasonable measures to keep secret. Most software falls into this category, and is therefore protected as a trade secret.**

There is no trade secret registration database like there is for copyrights and patents. Instead, companies should take reasonable efforts to protect their software from unauthorized access and use. These measures will vary based on the value of the trade secret and the measures others in the industry take to protect their source code. But, at a high level, they include physical, electronic and contractual security measures:

- **Physical security includes security cameras, restricted access zones, need-to-know access, etc.**
- **Electronic security includes passwords, firewalls, encryption, limitations on printing and downloads, etc.**
- **Contractual measures include employee confidentiality agreements, use of Non-Disclosure Agreements (NDAs), confidentiality clauses in agreements, etc.**

Q: Is my software patentable?

A: Some software is patentable. As compared to a copyright or trade secret, which protects the specific lines of code that are written by developers, a patent rarely contains any actual source code. Instead, it claims the algorithm underlying the software, typically in flow charts that show how the software architects a solution to a particular problem. Software patents must be filed with the U.S. Patent Office, which will review the patent before it issues.

Because software patents exclude others from practicing in a space even if they did not explicitly copy the software, they are much more difficult to get than other forms of intellectual property protection. For example, software patents must be novel and non-obvious. They also must pass heightened scrutiny in

order to prove they are "patentable subject matter." At a high level, this requirement means that a software patent must show an advance in the "computer technology space" and not simply the execution of a well-known process on a computer. Hundreds of previously-issued patents have been struck down for failing to meet this requirement; it is important to carefully consider whether your software meets patentable subject matter requirements before filing.

Q: How do I know I am not infringing someone else's software?

A: To avoid infringement of someone else's software, the most important thing is to track where employees are getting their code. Companies should not be using code from another job or from the internet without permission, and should not be reverse engineering or code hacking a third party's software. If companies follow these basic restrictions, then, generally speaking, they will not violate a third party's software copyrights or trade secrets.

Avoiding patent infringement is much more difficult, as one does not need to know of a patent or explicitly copy a patent to infringe. There are many weak software patents on basic internet functionalities which are asserted indiscriminately against legitimate companies by "patent trolls", also referred to as Non-Practicing Entities ("NPEs").

If companies are concerned about software infringing a third party's patent, discuss doing a "freedom to operate" search with counsel, who can pull relevant patents and analyze how similar they are to your software. If a specific patent is discovered that could be similar, companies **must** design around it; otherwise, they could be liable for enhanced damages for willful infringement.

Q: How do I best protect myself from patent troll claims?

A: Although there is no sure–fire way to prevent a patent claim from being asserted against a company, there are steps that can be taken to help defray the costs once a claim is threatened or raised.

One way to reduce potential exposure is to negotiate a patent indemnity provision in contracts with technology providers that puts the responsibility for any patent claims relating to the technology on the provider. If a claim is raised, companies can seek indemnification for the claim from the appropriate provider.

Another option to consider is to use a defensive patent aggregator, which acts almost like an insurance policy. A defensive patent aggregator acquires patent rights to make available to its members for an annual fee. These patents are strategically purchased by the aggregator to stave off patent troll claims for its members.

Q: What if an employee leaves with software or technology?

A: Protecting a company's technology upfront can prevent disputes over ownership down the road. It is a best practice to require employees to enter into Work for Hire agreements upon joining the company, agreeing that whatever technology they participate in as part of their employment is a work for hire that is owned by the company, not the employee, despite whatever they may have contributed to the development of the technology.

With such an agreement signed by the employee, any claim that they have rights in the company's technology when they leave can be quickly addressed. It is also important to have employees agree to NDAs at the onset of their employment to protect any potential trade secret information belonging to the company from being used to compete against the company when they leave.

Q: What if someone comes out with software that competes against your software?

A: If someone believes that there might be infringement on patented technology, the best thing to do is to seek the advice of counsel to determine whether the patent is being infringed. If it is determined that the competing software is infringing, counsel will then advise you on the next steps that should be taken, which can include sending a cease and desist letter or filing a lawsuit.

Q: What if I get a letter asking to pay for a license or threatening an infringement claim?

A: Depending upon the history of the party sending the letter, you may be better off responding rather than taking a wait and-see approach. Legal counsel can assist with making this assessment, as often they will have had prior experience with the patent owner making the threat or seeking the license.