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Failure of Copyright Law to Protect Novel Software

Delrina v. Triolet Systems, a recent decision of the Ontario Court of Appeal, highlights the weakness of the copyright law to protect novel software. The case reaffirms some of the basic principles of copyright law in the context of a dispute involving a software designer who had designed a novel software product for his first employer and then designed similar competing software for a second employer (a company established by the designer) who sought to attract the very same customers as the first. The first employer unsuccessfully sued the designer and his company for copyright infringement, and the Court of Appeal upheld the trial judgment dismissing the claim.

The defendant Brian Duncombe completely redesigned the plaintiff Delrina's software product "Sysview", a performance monitoring program for monitoring Hewlett Packard computers. A month after leaving Delrina, Mr. Duncombe began the design of a competing product "Assess" to serve the very same purpose and to be sold to the very same customers as Sysview. There were many similarities in function, interface and programming details between Sysview and Assess. Yet Delrina lost its lawsuit. Why?

Many software designers understand that their products can enjoy limited copyright protection. What is not as well understood is that such protection is ineffective to protect ideas, algorithms, or any functionally determined attribute of a software product. So, for example, if the imitator's interface is similar to the originator's interface only to the extent of meeting the functional requirements of the interface, there can be no copyright infringement. There is no copyright in ideas, but only in expression. Where a given expression is necessary in order to achieve some functional purpose, then expression and idea merge, and in such case, there is no copyright protection for the expression. In a software context, the Court held that "if there is only one or a very limited number of ways to achieve a particular result in a computer program, to hold that that way or ways are protectable by copyright could give the copyright holder a monopoly on the idea or function itself" (which latter of course is prohibited by the copyright law).

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Where a given expression is necessary in order to achieve some functional purpose, then expression and idea merge, and in such case, there is no copyright protection for the expression.

Further, the mere similarity of expression, even where not strictly determined by function, is not sufficient to enable the originator to prevail. Similarity can arise because the imitator borrowed from what others were doing in the industry, or from his own previous work. Or the imitator might have been trying to meet styling or other criteria associated with the application in question. Such acts by the imitator might generate a work product in some respects resembling the originator's work, but the reasons for the similarity would not depend upon the imitator having copied the original work. When a software designer having a set of individual programming preferences undertakes a programming task similar to one that the designer had previously performed, it would not be surprising to see similarities between the first work and the second. But such similarities are not actionable unless the designer has copied the original protectable expression in the first work. If the second work is highly similar in many respects to the first, but the similarities do not arise from the copying of arbitrary original expression in the first work, then there is no infringement.

In finding for the defendant, the Court brought Canadian copyright infringement law more closely into line with U.S. law. The Court accepted that there might be wider copyright protection under Anglo-Canadian law by reason of the acceptance of skill and labour, as distinct from creative originality, as important factors in deciding whether a given work (or fragment) should enjoy copyright protection. But the Court affirmed that there is no copyright in ideas, and specifically "no copyright in any arrangement, system, scheme or method for doing a particular thing or process". The Court noted that the World Trade Organization Agreement incorporated into Canadian law provides that copyright does not extend to "ideas, procedures, methods of operation or mathematical concepts as such". The U.S. doctrine of merger of idea with expression (mentioned above) was expressly endorsed; the U.S. infringement analytical tool "abstraction-filtration-comparison" was also found to be helpful, if not essential, to "weed out" portions of the work not protected by copyright. The latter requires that a plaintiff's work be divided into its constituent elements, that the elements devoid of copyright protection by reason of functionality or the like be filtered out and rejected, and that a comparison be made of the residual copyright-protected elements with the defendant's impugned work.

What in the circumstances could Delrina have done to protect itself? Perhaps the following:

1. Patent the novel functional attributes of the software. These days, patenting novel software is commonplace, and can be effective as long as at least some of the novel functional attributes of the software are likely to persist and generate a market advantage for more than two or three years.

2. By means of a suitable contract of employment, constrain the employee's right to develop competing software for someone else. This is tricky because employees cannot be deprived of the right to work in their chosen field nor of the right to benefit from their own previous experience. But the more senior and the more "key" an employee is, the wider may be the constraint.
3. Introduce deliberate small glitches or irregularities in the software of the original work. If the same glitches or irregularities occur in the imitator's work, that is evidence that there was copying and not the fresh reworking of ideas by the imitator.

The Risk to the Plaintiff in Obtaining an Interlocutory Injunction

A recent decision of the Ontario Court of Appeal highlights the risk to which a plaintiff who has obtained an interlocutory injunction but who has lost the lawsuit at trial is exposed. In *Delrina v. Triolet Systems*, the plaintiff, a producer and vendor of software products, was unsuccessful in a claim for copyright infringement both at trial and on appeal, but had obtained a pre-trial interlocutory injunction restraining the defendant from marketing a competing software product. The successful defendant obtained a damages award of approximately \$7,000,000 plus court costs on a solicitor-client basis for the injury caused to it by the grant of the interlocutory injunction.

In Canada, it is normally a *sine qua non* of a plaintiff's motion for interlocutory injunctive relief that the plaintiff undertake to pay the defendant's damages by reason of the grant of the injunction in the event that the plaintiff is unsuccessful at trial. The doubtful ability of the plaintiff to satisfy such undertaking may be sufficient reason not to grant the interlocutory injunction.

The basic facts of the case are set forth in a companion article in this Newsletter. The plaintiff not only obtained the interlocutory injunction but in a series of motions, extended the injunction and invited the court to find the defendant in contempt. These harassing activities had what was presumably their intended effect; the defendant was unsuccessful in attempting to market its competing software product. The Court held that but for the injunction, the defendant would have established a prosperous business that would have been competitive or would have been saleable. In the result, the Court included a "future value" component of \$4,000,000 in assessing the injury done to the defendant, with a total award of approximately \$7,000,000 plus court costs.

A plaintiff
who has obtained an
interlocutory injunction
but who has lost
the lawsuit at trial is
exposed to
significant risk.

Functional Trademarks Cannot Be Protected

A recent decision of the Federal Court Trial Division indicates that if you plan to use shape to distinguish your wares from those of competitors, it is best to choose a shape for this purpose that lacks any functional component. In *Kirkbi v. Ritvik Holdings*, the Canadian owners and manufacturers of the well-known LEGO toy building blocks were unsuccessful in their claim that the studded top surface of LEGO blocks is capable of trademark-type protection as a distinguishing guise. It is an established principle that no such legal protection is available when the shape of the product for which protection is sought goes beyond mere characteristics that distinguish the product and relates to its functional structure. In this case, the studded top surface of the LEGO toy building blocks may distinguish the LEGO bricks from those of other toy manufacturers, but the studs also allow the blocks to clutch to one another, facilitating their use as building blocks. The Court concluded that as the primary purpose of the studded top surface is functional, the studs on the blocks do not render the shape of the blocks a distinguishing guise capable of attracting trademark-type protection.

First World Internet Copyright Treaty

Unauthorized copying, accessing or transmission of works published over the Internet is digital piracy. The recently-ratified World Intellectual Property Organization Copyright Treaty (WCT) is one of the first international treaties dealing with the intersecting issues of copyright and the Internet, offering protection for reproduction rights, communication rights and technical measures. Canada has not yet ratified the WCT, but is expected to do so.

The WCT confirms the author's exclusive right to digital reproduction of the author's works when published on the Internet, and accordingly gives authors broad rights to restrict the manner of digital use and storage of their creative works. The WCT also grants authors the exclusive right to authorize communication of their works to the public via the Internet, and protects against circumvention of technical-protection measures, such as passwords, encryption and hardware locks. The WCT recognizes that the locks themselves need protection against "hacking" and prohibits tampering with the information used to identify the authors, their works, and the conditions of use of the works.

In view of the many benefits of the WCT, Canada is expected to ratify the WCT wholly or partially in the near future.

Where a feature of a distinguishing guise is primarily functional, it will not attract trademark-type protection.

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