

COUNSELING HIGH TECH CLIENTS

The Internet, Software and Computers

Pittsburgh, Pennsylvania

Peter M. Watt-Morse

Morgan, Lewis & Bockius LLP

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INTRODUCTION

- BACKGROUND
- KEY ISSUES
 - Creating and Protecting Intellectual Property
 - People (Employees)
 - Contract Rights (Licensing)

COPYRIGHT

- SOURCE
 - 1976 United States Copyright Act
 - No Common or State Law
 - Berne Convention
 - International Application

COPYRIGHT

- DEFINITION

“Original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived reproduced or otherwise communicated, either directly or with the aid of a machine or device.”

COPYRIGHT

- Includes:
 - Literary works
 - Pictorial and graphic works
 - Audiovisual works and sound recordings
 - Web Sites

COPYRIGHT

– Software

- Source Code
- Object Code (*Midway v. Shannon, 564 F.Supp.741 (NDIll. 1983)*)
- Documentation

COPYRIGHT

- CREATION
 - Automatic
 - Fixed in tangible medium
 - Electronic Storage
 - Copyright notice
 - “©2000, ABC, INC., All Rights Reserved”

COPYRIGHT

- Web Site (linking issue)
- Software (object and source code, disks, displays)
- Related Materials - user documentation, training manuals
- Use ©!

– Registration

- Why (presumed valid, attorneys fees and statutory damages, transfers recorded, initiate litigation)
- How - Form TX (trade secret protection)

COPYRIGHT

- DURATION
 - Individual
 - Life of author, plus 70
 - Work for hire
 - shorter of 95 years from publication or 120 years from creation
 - Pre-1978

COPYRIGHT

- PROTECTION
 - Author given sole right to:
 - Make copies
 - Distribute copies
 - Make derivative works

“Translation, abridgement, condensations or any other form in which a work may be recast, transformed or adapted.”

COPYRIGHT

- LICENSE DRAFTING (Page 5.32)
 - a. Subject to the terms and conditions of this Agreement, Licensor grants Customer a perpetual, nontransferable, nonexclusive license to use the computer program and user documentation listed in Exhibit A (the "Software") at the Installation Address set forth in Exhibit B.

COPYRIGHT

- Customer may install and use the Software's computer program only on one machine at one time at the Installation Address. If Customer desires additional copies of the Software's computer program or user documentation, Licensor will provide such copies at the rates set forth in Exhibit B.

COPYRIGHT

- KEY ISSUES
 - Protects Expression - Not Ideas
 - Business Processes
 - *Baker v. Selden*, 101 U.S. 99 (1879)
 - Facts (No “Sweat of the Brow”)
 - *Feist v. Rural Telephone*, 499 U.S. 340 (1991)
 - Ownership - Author
 - Narrow “Work for Hire”
 - Independent Contractor - Need Assignment

COPYRIGHT

- Prevents Literal Copying and
 - Substantial similarity
- Preventing Infringement
 - Independent development - documentation
 - Do not copy Internet and bulletin boards
 - Segregate third-party code and documentation (copy restrictions)
 - Clean room - isolating employees and computers

COPYRIGHT

- ADVANCED TOPICS
 - Digital Millennium Copyright Act
 - October 28, 1998
 - Safe Harbors for Service Providers
 - Transmission, Caching, Storage, Linking
 - Service Provider and Filing Requirements
 - Protects Copyright Management Tools

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– Other Internet Issues

- Downloading
- Public displays
- “Deep Linking”
- Framing
 - *Total News*

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– Determining Substantial Similarity

- Cases

- *Computer Assoc. v. Altai* (2d Cir. 1992)
- *Apple v. Microsoft* (9th Cir. 1994)
- *Lotus v. Borland* (1st Cir. 1995)

TRADE SECRETS

- SOURCE
 - Common Law
 - Contract Law - NDAs
 - Tort Law - Unfair Competition
 - State Law
 - Uniform Trade Secrets Act
 - Federal Law
 - Interstate Criminal Theft of Goods
 - Economic Espionage Act of 1996

TRADE SECRETS

- DEFINITION

“A trade secret is defined as: any formula, pattern, device or compilation of information which is used in one’s business, and which gives [one] an opportunity to obtain an advantage over competitors who do not know or use it.”

TRADE SECRETS

- PROTECTION
 - Misappropriation
 - Breach of Contract
 - Espionage

TRADE SECRETS

- CREATION
 - Employees
 - Confidentiality agreements
 - Identify and Protect
 - Security programs
 - Physical
 - Computer Networks
 - Documentation

TRADE SECRETS

- DURATION
 - Perpetual
 - Coca-Cola
 - Interface with Patent Law
- KEY ISSUES
 - Secrecy
 - Definition
 - Valuation

TRADE SECRETS

- Novelty
 - Independent development permitted
 - Reverse engineering
- “Memorizing” trade secrets is not a defense
 - Residuals
- Impact of the Internet on trade secret protection

TRADE SECRETS

- NDA (Page 2.39)
 - 2. Scope of Use. Company agrees that it shall not use all or any portion of the Software except to the extent reasonably necessary to perform an internal evaluation of the Software with the intent to make a licensing determination. Company agrees to make no other use of the Software or any of the related materials and documentation furnished by Owner to Company . . .

TRADE SECRETS

- 3. Definition of “Confidential Information.”
For the purposes of this Agreement,
“Confidential Information” shall mean
information or material proprietary to Owner or
designated as “Confidential Information” by
Owner, and not generally known by non-Owner
personnel, which Company may obtain
knowledge of or access to as a result of its
evaluation of the Software. . .

TRADE SECRETS

- Information publicly known and that is generally employed by the trade at the time that Company learns of such information or knowledge shall not be deemed part of the Confidential Information.

TRADE SECRETS

- OTHER EXCEPTIONS
 - (i) Received from Third Party
 - (ii) Pre-existing and Independent Development
 - (iii) Residuals

EMPLOYMENT ISSUES

- AT-WILL EMPLOYMENT
 - (i) Absent a contract - can terminate employment for any or no reason
 - *Geary v. U.S. Steel (Pa. 1974)*
 - (ii) Exception - termination violates public policy
 - Statutory (polygraph)

EMPLOYMENT ISSUES

- Narrow

- *Ross v. Penn State (Pa. Super 1985)* (public funds)
- *Spierling v. First American (Pa. Super.1999)*
(Medicare fraud reporting)

- INTELLECTUAL PROPERTY ISSUES

- “Work for Hire” - Copyrights, Not Patents
- Common law protections for trade secrets

EMPLOYMENT ISSUES

- CONFIDENTIAL AND INVENTION ASSIGNMENT AGREEMENTS
 - Patent Matters
 - Scope of inventions and confidential information
 - Third Party / Client Information
 - Prior employment agreements
 - Non-solicitation

EMPLOYMENT ISSUES

- COVENANTS NOT TO COMPETE
 - Prophylactic protection
 - Reasonable restrictions
 - Market (Protectable interest)
 - Time
 - Geographic

EMPLOYMENT ISSUES

- Blue Pencil Rule
 - *Davis vs. Tripodi (Pa. Super. 1992)*
- Consideration
- Basis for termination
 - *Insulation vs. Brobston (Pa. Super. 1995)*

EMPLOYMENT ISSUES

- POLICIES AND HANDBOOKS
 - Contractual Obligations
 - Must renounce at-will employment
 - *Reilly vs. Stroehmann (Pa. Super. 1987)*
 - Protection regarding discrimination and sexual harassment
 - Drafting issues

EMPLOYMENT ISSUES

- EMPLOYMENT AGREEMENTS
 - Why (Severance, Covenant)
 - Compensation flexibility
 - Termination rights/severance
- OTHER ISSUES
 - Equity Compensation
 - Immigration