

ALI-ABA Course of Study  
Antitrust/Intellectual Property Claims in High Technology Markets:  
Litigating and Advising in an Era of Uncertainty

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Protecting Software and/or Interoperability

By

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## I. PROTECTING SOFTWARE AND/OR INTEROPERABILITY

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### A. Policy Considerations Evolving from Case Law:

1. MAI v. Peak, 991 F.2d 511 (9th Cir. 1993), cert dismissed, 114 S.Ct. 671, 126 L.Ed.2d 640 (1994);
2. Triad Systems Corp. v. Southeastern Express Corp., 1995 WL 514132 (9th Cir. Aug. 31, 1995);
3. Control Data Systems, Inc. v. Infoware, Inc., Civ. File No. 3-95-516 (D. Minn. Aug. 17, 1995);
4. Computer Associates Int'l, Inc. v. Altai, Inc., 61 F.3d 6 (2d. Cir. 1995);
5. Lotus Development Corp. v. Borland Int'l, Inc., 799 F. Supp. 203 (D. Mass. 1992), reversed by, 49 F.3d 897 (1st Cir. 1995);
6. Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435(9thCir. 1994), cert. denied, 115 S.Ct. 1176, 130 L.Ed.2d 1129 (1995); and
7. Sega Enterprises, Inc. v. Accolade, Inc., 971 F.2d 1510 (9th Cir. 1993). (Speaker: Mr. Young)

### B. Litigating the Protection of Software Without Patent or Copyright Protection-- Practical Aspects of Trade Secret Protection

1. Typical Scenario: Departure of key employee to competitor
  - a. Has the employee signed any confidentiality or non-competition agreements?
  - b. Assessment of probability of disclosure and “inevitable disclosure” doctrine.
  - c. Nature of software trade secret.
2. In-house versus outside counsel and patent counsel versus litigation counsel.

3. Causes of action to accomplish protection:
  - a. Against former employee:
    - (1) breach of contract (if agreement)
    - (2) misappropriation of trade secrets
    - (3) breach of fiduciary duty
    - (4) promissory estoppel
    - (5) tortious interference
    - (6) injunctive relief
  - b. Against competitor/new employer:
    - (1) misappropriation of trade secrets
    - (2) tortious interference
4. File motion for temporary restraining order:
  - a. SPEED PARAMOUNT
  - b. Court will likely deny motion, grant motion but set preliminary injunction hearing, or deny motion but set preliminary injunction hearing.
5. File a motion for preliminary injunction:
  - a. Often advisable to ask for evidentiary hearing
  - b. If possible, ask Court for leave to take the former employee's deposition before the evidentiary hearing
  - c. Choose witnesses carefully: Plaintiff's witnesses should be as senior as possible in the corporation's hierarchy. These witnesses carry more weight and demonstrate the seriousness of the actual or threatened infraction

- d. Consider spending money for effective visual displays--this is probably the most important hearing of the case
  - e. Exercise option to exclude other side\*s witnesses from courtroom.
- 6. Consider press release if successful with preliminary injunction
  - 7. Consider criminal proceedings: Economic Espionage Act of 1996
  - 8. Discovery Decisions

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Be first with discovery requests and deposition notices

- 9. Trade Secrets: Define scope of protected information<sup>1</sup>
  - a. Not too broad: maintain credibility
  - b. Not too narrow: retain flexibility
- 10. Reasonable Steps: Prepare list of steps taken to guard subject information (i.e., confidentiality agreements; “need to know” access; locked rooms/drawers; sign-in sheet; segregated area; password)  
  
[NB: Limited disclosure (e.g., to prospective customers) does not necessarily destroy confidentiality]
- 11. Value: Be prepared to explain why subject information gives competitive advantage
- 12. Gather confidential documents
- 13. Enter into protective order:

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<sup>1</sup> UNIFORM TRADE SECRETS ACT

Scope: Information as to which (a) the owner has taken reasonable measures to keep secret, and (b) that has independent value from not being readily ascertainable by public means to those who can obtain value from its disclosure or use.

- a. Can have two (or more) tiers of confidentiality--e.g., "Confidential" and "Restricted Confidential--Attorney Eyes Only"
  - b. Make sure order allows objection to other side\*s expert(s)
14. Choose technical software expert: Exercise right to object to other side\*s expert if, for example, a competitor
  15. Choose industry expert, if appropriate
  16. Choose damages expert