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Combination Litigation: Recent Software Disputes at the Intersection of Trade Secret, Copyright and Patent Law

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In recent years, companies have increasingly needed to employ multiple, overlapping legal regimes – trade secret, copyright and patent law – to protect intellectual property such as software. Companies need to weigh the pros and cons of these different but intersecting protections to safeguard their IP. As these doctrines increasingly converge, companies should also recognize that the convergence of these different doctrines is contributing to a rise in "combination litigation" that puts into play, in a single case, multiple theories regarding exactly what intellectual property is protected and how.

Clarity over the dividing line between trade secret, copyright and patent claims in software-related IP disputes will have to wait as the Supreme Court has postponed oral arguments in *Google v. Oracle* – a case that many hope will clarify the bounds of these three causes of action. As we wait for the Supreme Court to weigh in, we will likely continue to see a rise in combination litigation suits like *Google v. Oracle* that involve multiple overlapping IP claims. Informed plaintiffs and defendants should be aware of the strategies available, and the risks inherent, in this increasingly popular field of combination litigation.

To that end, this alert is the first in a three-part series addressing the topic. Part I provides background on software IP litigation, examines the blurred lines between trade secret, copyright and patent claims in software IP disputes, and discusses recent cases implicating the overlapping regimes. Part II provides practical tips plaintiffs can use in such multipronged suits. Part III provides suggestions for defendants faced with suits where patent, copyright and trade secret claims intertwine.

Complex software IP litigation background

Software has expressive and functional elements and can be kept secret. Each of these aspects speaks to a different body of law, with copyright covering creative expression, patents covering functionality and trade secret law protecting valuable confidential information. Given this complex intersection, the bodies of law to which software IP owners look to protect and litigate disputes has evolved over time and will continue to evolve.

The Supreme Court's *Alice v. CLS Bank* decision, which made it more difficult for companies to secure patent protection for software inventions, and the passage of the DTSA caused a shift toward trade secret litigation – particularly for software. Indeed, trade secret filings increased 30% between 2015 and 2017.

This increase in trade secret filings remained steady through 2019. Last year alone, claimants in federal court filed approximately 1,400 new trade secret cases. One trade secret plaintiff secured over $845 million in damages.

While many software litigants have turned to trade secret allegations, many others have turned to combination litigation. Prominent examples include *Google v. Oracle* and a recent Federal Circuit opinion, *Intellisoft v. Acer*.

Google v. Oracle

Google v. Oracle involves both copyright and patent law. The Supreme Court has accepted the case to address whether the "structure, sequence and organization" of Oracle's Java APIs are entitled to copyright protection and if so, whether use of those APIs by Google for purposes of interoperability constitutes fair use. Google argues that copyright protection for functional aspects of Oracle's Java APIs would extend patent-like protection to functional aspects of software through copyright protection, which historically aimed to protect *expressive*, rather than *functional* aspects.

As **one commentator recently observed**, "Odds are good that the biggest patent case of the year will be a copyright case." The Supreme Court recently postponed the oral arguments in *Oracle v. Google* until the fall. In the interim, and even after that decision, we expect to see complex software IP cases testing the boundaries between and among the realms of patent, copyright and trade secret protection.

Intellisoft v. Acer

The recent Federal Circuit opinion *Intellisoft* also demonstrated how patent and trade secret claims can overlap and how the courts are aiming to navigate their boundaries.

Intellisoft sued Acer in California state court, alleging trade secret theft on the grounds that Acer's patent incorporated Intellisoft's trade secrets. Acer responded that such allegations constituted a patent "inventorship claim" and sought declaratory relief that Intellisoft was not the inventor. Acer removed the case to federal court, arguing, "Intellisoft's state law claim for trade secret misappropriation arose 'under federal patent law.'" Acer later secured summary judgment against Intellisoft.

On appeal, the Federal Circuit vacated Acer's summary judgment win, ruling the case should never have been removed to federal court. The Federal Circuit explained that Intellisoft's burden was to satisfy the ownership standards *for trade secrets* under California law, not prove it was the inventor of Acer's patent. Trade secret ownership "did not necessarily depend on patent laws," and, "Plaintiff's reliance on a patent as evidence to support its state law claims [did] not necessarily require resolution of a substantial patent question." The court's opinion thus aimed to draw a jurisdictional line between patents and trade secrets.

Trade secret litigation trends in software cases

Several recent decisions show the potential impacts of combination litigation concerning patent, trade secret and copyright claims:

- ***Motorola v. Hytera**:* In February, a federal jury found that Hytera stole software trade secrets and infringed copyrights owned by Motorola, awarding over $345 million in compensatory damages. While Motorola's trade secret and copyright claims overlapped, its double-barreled approach likely increased its damage award, as the jury awarded Motorola $73 million in "head-start" damages, representing the amount that Hytera would have needed to invest to develop the stolen trade secrets.
- ***Capricorn Management v. GEICO**:* In March, defendant GEICO leveraged Capricorn's own copyright claim against the plaintiff to obtain summary judgment on Capricorn's trade secret claim. Capricorn accused GEICO of misappropriating Capricorn's trade secret source code for medical billing software. The court granted GEICO's motion for summary judgment, holding that the source code was not entitled to protection because Capricorn had registered it, unredacted, with the Copyright Office.
- ***Financial Information Technologies v. iControl Systems**:* This month, iControl Systems moved for a new trial in a trade secret case, invoking patent law as a reason why the jury verdict on a trade secret claim in favor of plaintiff-competitor, Fintech, cannot stand. The jury found that iControl misappropriated, among other things, Fintech's software interfaces and database architecture. iControl claims that these outward-facing features of Fintech's widely available software program cannot be trade secrets notwithstanding Fintech's terms and conditions, which restrict use and disclosure, because only patent law could afford Fintech a monopoly over the software's readily apparent features.

As these cases demonstrate, litigants in software-related IP cases are increasingly invoking combining copyright, patent law and trade secret claims. In view of this emerging trend, Cooley will be circulating two additional alerts providing practical tips for both

plaintiffs and defendants litigating such disputes in this new climate.

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