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Combination Litigation Series Part III: Tips for Defendants Litigating Software Disputes at the Intersection of Trade Secret, Copyright and Patent Law

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As companies increasingly employ multiple legal regimes to protect IP, defendants face an increase in combination litigation, where they need to simultaneously fend off a combination of trade secret, patent and copyright claims. Such litigation, which often arises in software disputes, raises defendants' exposure and creates multiple, vulnerable flanks. These disputes are making their way through courts at all levels, including in the pending Supreme Court case of *Google v. Oracle*, which concerns the overlap of patent and copyright claims.

The first two installments in this three-part series addressed the **rise of combination litigation** and **suggested strategies plaintiffs can use** in these cases. In this, the final installment, we provide strategies for defendants faced with combination litigation in software IP disputes at the intersection of trade secret, copyright and patent law.

Defendants should evaluate potential preemption defenses

When disputes over software give rise to both copyright claims and state law trade secret claims, defendants should analyze possible preemption defenses. The Copyright Act explicitly preempts state-law claims "that are equivalent to any of the exclusive rights within the general scope of copyright."

Many federal circuit courts employ their own tests to determine whether preemption applies. For example, the Ninth Circuit finds that a claim arising under the Copyright Act preempts a state-law claim when (1) the work at issue must come within the subject matter of copyright law, and (2) the rights granted under state law must be equivalent to those protected by the Copyright Act. Where a plaintiff seeks remedies for the trade secret theft of ideas "fixed" in the "tangible medium" of software, the Ninth Circuit's preemption test will likely be met.

Although copyright law will not preempt a trade secret claim based on the federal Defend Trade Secrets Act, pursuing preemption may still have advantages where both federal and state trade secret claims are at issue. In some instances, the DTSA may be more favorable to the defense than state law, particularly given precedents from federal district courts requiring plaintiffs to identify their trade secret with sufficient particularity. Similarly, defendants disputing claims regarding the "inevitable disclosure" of trade secrets may fare better under the DTSA's federal standard than under certain state law regimes, so there is an advantage to securing preemption of the state law trade secret claims.

Defendants should investigate where plaintiffs waived trade secret protection through public disclosures – including in the plaintiffs' own copyrights and patents

Defendants often check published articles and patents to see if they disclose a plaintiff's alleged trade secrets. They should do the same for copyright registrations. The recent case of *GEICO v. Capricorn Management Systems* highlights how a plaintiff's attempt

to secure copyright protection can facilitate a defendant's attack on the plaintiff's trade secrets. In *GEICO*, the plaintiff alleged that the defendant misappropriated its alleged trade secrets with respect to its medical billing software. The source code for that medical billing software had been submitted to the US Copyright Office without redactions. As a result, the court granted summary judgment in the defendant's favor, finding that the plaintiff's alleged trade secret was not in fact secret.

That decision underscores the value defendants can reap by scouring public disclosures by plaintiffs (and third parties), including both patent and copyright filings. Defendants should also pursue other avenues of potentially unprotected disclosures, including where plaintiffs shared allegedly secret information with customers or other third parties.

Defendants should assess potential reverse engineering defenses when litigating trade secret and copyright claims

Unlike in patent cases, reverse engineering or other independent development is a strong defense in trade secret cases – particularly for software cases. As a result, plaintiffs bringing additional claims for trade secret theft or copyright infringement can make available a reverse engineering defense that would otherwise not be available in a case featuring only patent claims.

Reverse engineering and disassembly of copyrighted software may also be a defense to copyright infringement. A transient copy created for purposes of accessing information about the software's functional principles may be protected by the fair use doctrine – a defense to copyright infringement allegations. Reverse engineering is still not a defense to a patent infringement claim, so defendants facing multiple claims need to analyze the value, and risks, of raising such a defense.

As defendants are likely to see a rise in combination litigation, keeping these tips in mind should help in mounting a formidable defense.

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