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Sector and product guides: Software and Computer-Related Inventions

4/19/2010

The forms of protection available for software vary significantly from country to country and depend largely on the application of the software. While these differences are more marked with regards patents, there can also be implications for terms of any licences or user agreements due to variations in whether particular restrictions on use are enforceable in any given country.

As a preliminary step, it is important that all parties involved in the development of an innovation agree on the strategy adopted, at least in terms of the rights each party is to have at the end of the project. Subject to controls over restraint of trade clauses, whether and to what extent each party may use and market the development are essentially commercial decisions that are open to negotiation. While it is easy to skip over this step, it is important that due consideration is given, particularly in view of the number of parties that are commonly involved with software developments, including independent contractors. Unless an explict, written agreement is set in place, statutory rules may be used to prescribe rights to each party including who owns any intellectual

property. Decisions on this basis may not be in your best interests and are complicated by different rules for different forms of intellectual property and for different types of products (e.g. in the absence of a written agreement, a person commissioning a software development may automatically own copyright in the software code but not any associated literature such as a user manual or guide).

These issues are only really brought into question when there is a breakdown in a relationship and without a written agreement, can become a somewhat lengthy and costly dispute as to what, if any, implied terms there were to an arrangement. They may also be important if you ever have to take action for infringement as you may have to evidence how you came to own the rights you are attempting to exercise.

A brief outline of the forms of protection is provided below with comments on the advantages and limitations of each.

Copyright - this is useful in preventing others from clear, relatively straightforward theft of software. It has no direct cost and comes into being as the software is written. It is important to maintain records of developments as you will at least need to be able to prove that your software was in existence prior to any alleged infringement. In practice, collating evidence to prove this can be relatively costly and so, while there is no cost for establishing the rights, there are costs involved in enforcing them. Other than ensuring adequate records are kept, one way of enabling copyright to be enforced is to take advantage of the US copyright registration process. This simply involves filing a copy of the particular work or product in question at the US Copyright Office and paying a

small fee. At least the date the product was filed at the Copyright Office is readily verifiable and while only strictly binding in US courts, other jurisdictions may be unlikely to question the legitimacy of a copyright claim backed up by a copy of the material submitted to and provided by the US Copyright Office. Note that it is not essential to register copyright in the US to secure protection. However, it does make enforcement easier and has advantages with regards compensation against infringement.

Copyright can protect software at different levels (at least the source code and visuals provided by the user interface, assuming they are original) but it only protects against someone actually copying. It does not prevent someone from viewing your software in operation and writing their own original program to perform the same task. The risk of this will depend on many factors, including whether it is possible to easily re-create your software and the development time and costs involved. For example, if someone could develop their own software quickly and cheaply, they are unlikely to be willing to pay any copyright licence fees. Pricing a product on this basis may even provide an incentive to others to provide a competing product if you show that there is is demand for the product.

Patents - New Zealand takes a broad view on the types of technology that can be patented and this extends to computer software. While some countries require patentable software inventions to provide a technical solution to a technical problem (e.g. an application for efficiently controlling pumps in a water distribution network), New Zealand has no such requirement. However, it is necessary for the software to provide a comercially useful effect and not be a mere abstract scheme or plan. Consequently, an algorithm on its own is generally not protectable, it is the

implementation or use of a particular algorithm to achieve a particular effect. A good knowledge of the differences in the levels of protection available around the world is also important - there may be little point in applying for patent protection if your key target markets take a very restrictive view of what types of software invention may be protected.

Unlike copyright which protects the way a program is written (or the layout or content of visuals provided to users), patents protect functionality or concepts behind the program. For example, consider the first ever word processing application. Copyright would prevent unauthorised copying or distribution of copies of the application, whereas a patent may enable you to stop anyone else from providing a competing word processing application, even if they had no knowledge of your application. The increased scope of protection provided by patents does come at a cost, which can be high, particularly in some overseas jurisdictions where examination can be more rigorous. As with any commercial decision, cost-benefit analysis is required to assess whether pursuing patents would be worthwhile.

At least in principle, patents are easier to enforce than copyright because patents are officially examined on their merits and therefore assumed to be valid.

Secret Know-How - an alternative to patents for protecting concepts is to keep key enabling aspects of your technology secret. This option is not available in all cases and a realistic assessment must be performed on how difficult it is for others to derive these aspects based on a knowledge or use of your software application.

Unlike patents which last for 20 years, this form of protection can last forever. On the other hand, it can be lost at any instant by a single disclosure, then potentially leaving you with little ability to stop others exploiting your ideas.

If this option is chosen, it is important that the aspects being kept secret are clearly identified, as few people as possible have knowledge of them and that they are made aware of the importance of keeping the information secret and bound by written agreements to do so.

Regardless of whether you intend to rely on copyright or patents, or keep aspects of your technology secret, it is necessary to consider and prescribe what actions users of your software are authorised to perform. Agreements of this type are widely available on the internet. It is important to understand that the limitations that can be imposed on users will vary from country to country, and that the ideal restrictions will depend on your own business model and needs. Care therefore needs to be taken when using any "standard" terms of use. Often a single form of agreement will be appropriate for many different customers and it is therefore worthwhile considering seeking professional advice at the outset and have a document you can rely on, rather than later try to correct any deficiencies in an inappropriate or some way deficient agreement. Most agreements of this nature will be relatively low cost.

This review is by no means exhaustive and we recommend you seek IP specialist advice at an early stage to ensure the best strategy is adopted. It is important to bear

in mind that after a software application has been released (even possibly for testing purposes), the possibility of obtaining patents may be closed to you, or at least substantially more limited.