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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Judge Daniel B. Sparr

FILED
UNITED STATES DISTRICT COURT
DENVER, COLORADO

JUN 12 1995

JAMES R. MANSPEAKER
CLERK

BY _____

Civil Action No. 92-S-136

THE GATES RUBBER COMPANY, a Colorado corporation,

Plaintiff,

v.

BANDO CHEMICAL INDUSTRIES, LIMITED, a Japanese company; BANDO AMERICAN, INC., an Illinois corporation; BANDO MANUFACTURING OF AMERICA, INC., a Kentucky corporation, BANDO U.S.A., INC., a Delaware corporation; ALLEN HANANO, an individual; STEVEN R. PIDERIT, an individual; RON NEWMAN, an individual; DENISE HANANO, an individual; and JOHN DOES 1 - 83,

Defendants.

ORDER ON REMAND

THIS MATTER comes before the Court on the remand from the Tenth Circuit Court of Appeals. The Tenth Circuit vacated in part, reversed in part, and affirmed in part this Court's decision on the permanent injunction regarding copyright and trade secrets issues arising out of Plaintiff's claims that its copyright on the "Design Flex" program was infringed, and that the mathematical constants contained in that program were also protected as trade secrets. With regard to the trade secrets issue, the Tenth Circuit affirmed, holding that the trade secrets claim was not preempted by the copyright law, and that the Plaintiff made an adequate showing to prevail on that claim. This order concerning the issues on remand will concern only the issues arising out of the copyright claim on the Design Flex program.

The copyright claim was remanded for reconsideration of the Design Flex program in light of the abstraction-filtration-comparison test which the Tenth Circuit enunciated in its decision. In articulating its abstraction-filtration-comparison test, the Tenth Circuit intended to provide guidance on three different levels by providing (1) a framework for district courts to determine the scope of protection under the copyright law; (2) a summary of constitutional, statutory, and decisional principles controlling and illuminating the court's analysis; and (3) an application of

the applicable legal analysis to the facts (in which the Court of Appeals found error in the district court's determination). Because this Court must examine several different factors in light of the Tenth Circuit's remand, the Court issued an order in which it directed the parties to address specific questions to be briefed to provide the Court with the requisite guidance in order to determine the remanded issues. In its order of March 18, 1994, the Court requested briefing on the following issues:

1. How much weight was given to the constants in this Court's conclusion that the Plaintiff's Design Flex program was infringed?
2. Regarding the menus and sorting criteria:
 - (a) how should these be defined?
 - (b) did Gates waive its infringement claim on these elements?
 - (c) are they protectable expression?
3. Regarding control flow and data flow:
 - (a) should these be filtered out under the idea-expression or process-expression dichotomies?
4. Regarding the engineering calculation module and the design module:
 - (a) was it proper for the Court to consider these separately?
 - (b) should these modules have been filtered out under the process-expression dichotomy or the merger or *scènes a faire* doctrines?
5. Regarding common errors:

is the expression contained in the errors protectable?
6. Regarding the fundamental task:

how should the Court define and apply this definition for purposes of the abstraction-filtration-comparison test?

As the Court has determined that oral argument on this matter would not aid in the determination of these issues, it now makes the following opinion and order on remand concerning the copyright issues relating to the Design Flex program. The Court will undertake the three-step analysis contemplated by the abstractions-filtration-comparison test, and consideration of the issues under that analysis will be undertaken in order to identify any portions of the program erroneously found to be protectable.

As a preliminary matter, the Court will resolve the matter of whether the consideration of additional evidence is proper. The Plaintiff moved for leave to submit additional evidence, on the grounds that the Tenth Circuit's decision sets forth a new test for the analysis of copyright

Infringement of computer programs. To the extent that the Plaintiff asserts that the legal standard has changed since the Initial hearing, the Court would simply note that there was no legal standard which the Court was specifically bound to apply at the permanent injunction hearing. The Tenth Circuit acknowledged that it was considering issues of first impression, and this fact, standing alone, does not provide an appropriate basis for the Court to consider additional evidence. The Tenth Circuit made no mention of such necessity in its decision, and the other grounds set forth in the Plaintiff's motion which regard the alleged consequences of discovery abuses are being addressed in a sanctions matter now pending before Magistrate Judge Schlatter.

Because the Court does not otherwise deem it necessary to add to the already voluminous record in this case, and because it is equipped to determine the remand issues without the benefit of additional evidence, the Plaintiff's motion for leave to submit additional evidence is DENIED. The Court must consequently disregard those portions of the Plaintiff's arguments which rely upon such new or additional evidence.

I. The Abstractions Prong of the Test

Perhaps the most significant aspect of the Tenth Circuit's decision (for remand purposes) was its holding that the mathematical constants were observed or discovered by the Plaintiff, and were not invented or created by them. It also held that Plaintiff's "sweat of the brow" argument arising out of the thousands of hours that were devoted to the testing and refining of the constants does not provide a basis for protection under the copyright law. Gates Rubber Co. v. Bando Chemical Industries, Ltd., 9 F.3d 823, 842-43 (10th Cir. 1993). That decision limited the impact of the similarity of the constants to the issue of copying, holding that the district court should have filtered out the constants before it arrived at the ultimate question of infringement. It noted the district court's heavy reliance on the similarity of the constants in its conclusion that the Defendants' Chauffeur program infringed the Design Flex copyright. Indeed, the Circuit's remand was for the district court to consider whether the remaining protectable elements found to have been copied are such a substantial part of the Design Flex program that their misappropriation could amount to copyright infringement. 9 F.3d at 843.

In its brief, the Plaintiff offers a new argument in support of protecting the constants under the copyright law. It asserts that they are protectable as an original compilation, arrangement, or selection of facts, and that how the constants are used in the Design Flex program (beyond the fact of their existence as part of the program) now provides a basis for protection. Using this line of argument, Plaintiff proceeds to examine the idea-expression and process-expression dichotomies, essentially arguing that the methods chosen to use the constants were unique and creative, and as such, constitute protectable expression. The Court has considered these new arguments which Plaintiff presents for the first time in its brief on remand issues. It is also mindful of the holding as well as the scope of the remand contained in the Tenth Circuit's opinion. Plaintiff's arguments, if adopted by the Court, would essentially frustrate the underlying purpose of the remand by injecting a whole new line of argumentation which was not previously presented to either the district court or the court of appeals. The Plaintiff essentially avoids answering the question presented by this Court concerning how much weight was given to the constants in favor of positing its newly asserted arguments, which appear to be based in substantial part on newly submitted evidence.

The Court of Appeals' holding in this case is clear - while consideration of the constants was probative of the factual question regarding copying, the constants "were unprotectable and therefore should have been filtered out before the district court addressed the ultimate question of whether the defendants infringed on Gates' copyright." 9 F.3d at 843. The constants fall beyond the scope of copyright protection. The method of their use, as distinguished from the fact of their use, can have little impact on that holding for purposes of the remand before the Court. To the extent that the Plaintiff argues that the compilation of the constants, as used in some aspect of the Design Flex program such as data structure, amounts to a creative use of the constants which renders them protectable expression, the Court must find that such distinction is not consistent either with the applicable law or the Tenth Circuit's opinion.

The Court must concur with the observation contained in the Defendants' brief regarding the Court's heavy reliance on the constants (as protectable expression in and of themselves), as well as the Plaintiff's dependence on them in its arguments in the course of the permanent injunction proceeding. The brief of Defendant Bando American, Inc., notes the prominent role of the constants at the permanent injunction hearing - both in the Plaintiff's brief (referring to the

Plaintiff's supplemental brief in support of injunctive relief) as well as in the course of the hearing. Defendant's brief on remand issues at 3.

The primary task presently at hand, is the clarification of the extent to which its conclusion that the constants were protectable formed the basis for its determination that the Chauffeur program infringed Plaintiff's copyright on the Design Flex program. In the order granting the permanent injunction, the Court noted that in considering the constants it was important to acknowledge the quality of their significance rather than their proportional makeup in the overall program (which was relatively small). In light of this consideration and the subsequent reversal of the conclusion that the constants were protectable expression, the Court feels compelled to conclude that, based on the heavy reliance by the Court on the substantial similarity of the constants in its finding of copyright infringement, the deletion from consideration of the constants makes it very unlikely that the Plaintiff can otherwise establish sufficient similarity of protectable expression to support a finding of infringement.

While the above conclusion might appear to render moot any further consideration of the remaining issues subject to the Tenth Circuit's reversal and remand, the Court will nonetheless examine the remaining issues in order to provide a complete record and to perform conscientiously within the scope of the remand.

Another important observation that the Court must make here is that the circuit's opinion instructed that the fact of copying, in and of itself, is of only limited consequence. This Court will endeavor to move beyond the copying "label," which admittedly was a major portion of the Plaintiff's case, as well as this Court's analysis in its decision regarding the permanent injunction. The Tenth Circuit has clearly directed that the fact of copying, unless it is copying of protectable expression, is of little relevance to the abstraction-filtration-comparison analysis which must be applied here. The Court will now consider the remaining issues on remand.

II. The Filtration Prong of the Test

Another aspect of the remand was for clarification of what the Court intended in its references to certain components of the computer programs. The Tenth Circuit's filtration

analysis was impeded due to the lack of definition of these terms by this Court. The Court will divide its analysis according to the points on which clarification was sought for the remand portion of the case.

A. Menus and Sorting Criteria

Here the remand requires clarification of terms, consideration of whether Gates waived infringement claims; and protectability of these elements if it is determined there has been no waiver. 9 F.3d at 844.

Clarification of these terms requires examination of whether the Court considered these to consist of screen displays alone (which are not protectable under the law) or whether the Court considered the underlying code creating the visual displays. There is no dispute that the Plaintiff has waived any claim regarding copyright infringement of the screen displays.

Plaintiff here advances a "susceptible to alternative" argument as the basis for its argument that the menus and sorting criteria are protectable expression. This seeming variation on the merger or *scenes-a-faire* analyses is not helpful, and the fact that other alternatives may have been available is of little assistance in determining whether the sorting criteria code is protectable expression for filtration purposes. Defendants' brief focuses on the lack of similarity between the Design Flex and Chauffeur codes, and there is virtually no argument concerning protectability.

The Design Flex and Chauffeur menus are necessarily found at a high level of abstraction. This is so because the programs are menu-driven as a means of accomplishing their end results - designing and fitting the appropriate industrial belt. The menus must be considered with the sorting criteria as part of the programs' "user interface." These user interfaces are functional in nature in the respect that they facilitate the accomplishment of the goal of both programs.

With regard to the sorting criteria, the Court must observe that there is a limited number of possibilities to consider for inclusion in the selection of sorting criteria which are used to select that appropriate belt. While it is true that both programs share the center distance calculation

as one of these criteria, this fact does not necessarily assist the Court in either the filtration or comparison analysis. The universe of choices available to accomplish the task is relatively small, and this fact causes the menus and sorting criteria to fall towards the idea end of the idea-expression dichotomy. See Engineering Dynamics, Inc. v. Structural Software, Inc., 26 F.3d 1335, 1343-44 (5th Cir. 1994). The fact of the limited choices available place these criteria on a higher level of abstraction, and the Court must conclude that it is not a sufficient level of abstraction to withstand filtration.

For comparison purposes, notwithstanding the Court's holding that these should be filtered out prior to the comparison analysis, there is no expert testimony to support a conclusion that the underlying code is substantially similar.

The Court concludes that the menu is not protectable under the abstractions prong, and that the sorting criteria are properly filtered out under the idea-expression dichotomy. These conclusions are reinforced by the recent decision of the First Circuit in Lotus Development Corp. v. Borland International, Inc., 49 F.3d 807 (1st Cir. 1995) (holding that the Lotus menu command hierarchy is a noncopyrightable method of operation).

B. Control and Data Flow

The remand requires the Court to clarify these terms, as well as reconsider these elements in light of the idea-expression and process-expression dichotomies. 9 F.3d at 844.

The experts' examination of control and data flow focused on one particular module in both programs - the module for calculating the drive design of V-belts. In his testimony, Dr. Randall Davis explained that computer programs in general can be discussed as being composed of structure and behavior. Vol. V, 569, ls. 13-14. Both control flow and data flow are properly considered as part of the structure of the programs because they embody the sequence of events of how information is transmitted within the program. Dr. Davis also testified that the flow of information which takes place in its structure can be largely determined or dictated by the particular language which the program employs. Vol. V, 575, ls. 7-25. Because the *Chauffeur* program was written in a more powerful language (QuickBASIC), but Dr. Davis did not think that

the program fully utilized the inherent power of that language, he implied that portions of the structure were similar to the Design Flex program.

Dr. Davis's consistent point of reference was to examine aspects of the Chauffeur program to determine similarities consistent with copying. As has been previously stated, this is not the proper focus of the issues on remand of this matter. Without this focus on Dr. Davis's testimony, there is insufficient testimony to support a conclusion that either the control flow or data flow is a protectable aspect of the program's structure or that there is sufficient similarity.

In addition, the control and data flow aspects of the program's structure, apart from reflecting different programming styles, indicate similar methods of obtaining similar goals or results. This similarity is properly considered in terms of the process-expression dichotomy, and these aspects of the program fall close to the process-end of the process-expression dichotomy. The control and data flow in the programs also reflect standard techniques (such as those described in Altai at 709), and they should otherwise not be considered in the substantial similarity analysis (the similarity going to the efficiency of structure is not particularly probative of copying).

With regard to the idea-expression dichotomy, it appears that the control and data flow fall into an intermediate level of abstraction, therefore the Court must look behind them to discover what is being accomplished, namely whether it is idea or expression. The Plaintiff offers no assistance here in its reliance on the argument that because the expression chosen was not the exclusive means for the expression (or the accomplishment of a particular task), the expression is therefore protectable. Dr. Davis testified that the data structure or flow describes how information is organized and packaged inside the program. Transcr. Vol. V, 575, ls. 5-9. It is therefore apparent that, based on its review of the record, the Court must conclude that the purpose of "control flow" and "data flow" within the context of the programs under scrutiny involves the description of an idea, not a protectable expression. These elements are properly filtered from the Court's consideration under the idea-expression dichotomy, and cannot be considered in any comparison analysis.

G. Engineering Calculation and Design Modules

The Tenth Circuit's remand here requires examination of whether these elements are in fact separate modules, and also a consideration of the process-expression dichotomy, merger, and *scenes-a-faire*. 9 F.3d at 845.

Based on its review of the expert testimony as well as the exhibits reflecting the reports of the experts, the Court must conclude that it was error to consider these as two separate modules. The fact that the functions of input and output are separated is of little consequence. The Plaintiff concedes that the two tasks are performed in a single module, but argues that because they constitute separate expression, the Court properly considered them separately. There is no basis for the Court to make such an artificial distinction here.

Plaintiff's frequent reiteration regarding the qualitative importance of particular aspects of a program has no bearing on the Court's analysis of whether particular elements are protectable expression which can withstand the filtration analysis. This argument is viewed by the Court as an attempt to bootstrap from the copying or substantial similarity analysis. The Court will decline such invitation as it involves a misapplication of the abstraction-filtration-comparison test as set forth in the Tenth Circuit's opinion.

There is also ample expert testimony to support the conclusion that under either the process-expression dichotomy or the merger doctrine, a program to design industrial belts must of necessity perform these input-output calculations in order to achieve the stated purpose. The fact that measurement from the center distances is similar in both Design Flex and Chauffeur is not critical. The Court must therefore conclude that these modules are properly considered as a single module, which, under both the process-expression dichotomy as well as the merger doctrine, are properly filtered from the Court's consideration because such a module is a necessary aspect of a computer program with the common stated aims of the Design Flex and Chauffeur programs.

D. Common Errors

As to these "elements" of the program, the remand requires an examination of whether any of the common errors contain protectable expression. 9 F.3d at 845. Reference here to common errors was perhaps due to a misnomer on the Court's part, as the expert testimony more appropriately categorizes these as common misbehaviors - misbehaviors implying a nonliteral source of malfunction or inconsistency. Errors would seem to more specifically imply that a particular task was accomplished incorrectly or with some existent error. One of the "common misbehaviors" about which Dr. Davis testified was the portion of the Chauffeur program which concerned the checking for reversal of values (for inputted data). Dr. Davis noted that the Chauffeur program's warning about taking care not to reverse, but its failure to actually check for such was indicative of "some form of" copying of the Design Flex program.

Here again, the Court is cognizant of the limitations of evidence of copying and that it bears little relation to the analysis of whether a particular portion of a program is protectable under the copyright law. Plaintiff explains in its brief that these common errors are not qualitatively important to Design Flex, and therefore the Court will treat this as a waiver of its argument here, notwithstanding the ambiguity in its statement that it is not pursuing this aspect of its claim given the undisputed findings of copying by this Court. The Court must conclude here that the common errors or misbehaviors cannot be considered protectable expression. This can serve as an example of how the filtration-comparison test, as distinguished from the comparison-filtration test, can serve to exclude elements which are primarily only indicative of copying but not necessarily protectable expression. The Court is not allowed to consider evidence of copying as an element unto itself for analyzing the programs under the abstraction-filtration-comparison test. There is no evidence that the common errors were caused by similar shortcomings in the source code or other aspects of the program. The mere fact of their existence as similar is not sufficient to render them protectable expression, and they are properly filtered out of consideration.

E. Fundamental Task

The remand as to this aspect of the Court's decision granting the permanent injunction

requires an explanation of what was meant by the term - what it is, as well as why the merger doctrine would or would not apply to such aspect of the program. Here the Court must essentially indicate whether it meant something other than the ordinary meaning of this term, which would typically signify one of the highest levels of abstraction. If this aspect of the program is not otherwise found at such a high level of abstraction, then the Court must necessarily consider whether the merger doctrine would otherwise render it unprotectable. Upon review of this issue, the Court must explain that the inclusion of this element in the similarity analysis was the result of an inappropriate emphasis on copying, and that this element should have been properly filtered out under the analysis conducted by this Court at the entry of the permanent injunction, and is also properly filtered out under the test set forth by the Tenth Circuit in the present case. The Plaintiff asserts that what the Court really meant by its use of the term was fundamental "sub-tasks" which connote the breakdown of fundamental tasks into sub-tasks, which it asserts are protectable expression. The assertions underlying this argument are novel, but bear no relation to the necessary determination here by the Court.

In addition, the Plaintiff's vague reference to "sub-tasks" does not specifically identify the source or nature of the alleged protectable expression. Dr. Davis's testimony did refer to "the breakdown of fundamental tasks," Vol. V, 494, ls. 17-20, as well as "the fundamental task," in response to a question on cross-examination regarding his statement of what constituted similar expression in the two programs. Vol. V, 568, ls. 16-23. The Court must conclude that its definition of fundamental task did not amount to a deviation from the standard term, and consequently, it was error not to filter this aspect of similarity out of the analysis to support the conclusion that there was infringement.

F. Install Files

With regard to this final aspect of the remand, the Circuit's opinion requires an analysis of whether Plaintiff actually holds copyright on this file, and if so, whether it constitutes protectable expression. 9 F.3d at 846. Plaintiff has abandoned any claim to infringement as to the install files. Consequently, that portion of the remand is now moot. Here again, the expert testimony bears out the over-emphasis on explaining similarity as the logical result of copying. The Chauffeur program's install file was considered to have been copied from the Design Flex.

Dr. Davis hypothesized that because the author of Chauffeur presumably had access to the object code of Design Flex's install file, the author of Chauffeur also had access to the object code of the Design Flex program and presumably used that code to at least structure the Chauffeur program. Vol. IV, 481, ls. 1-5.

It is clear that any similarity, whether it was part of the "big picture" of copying which supported the Court's conclusion of infringement, must now be excluded because these files were not part of the Design Flex program. Even if this Court could determine that they were part of the Plaintiff's program, they are a necessary part of it and are therefore excludable under the process-expression dichotomy (or at least the merger doctrine).

III. The Comparison Prong of the Test

In light of the above findings and conclusions made by the Court, there is virtually nothing for this Court to consider because the elements of Plaintiff's copyrighted Design Flex program have already been filtered out by virtue of applying the previous two prongs of the abstraction-filtration-comparison test. Because there is nothing to compare under the final prong of the analysis articulated by the Tenth Circuit, the Court must conclude that there is no basis on which to find any infringement of the Plaintiff's Design Flex copyright.

The Court concludes that although the Plaintiff has clearly established a valid copyright of the Design Flex program and has further established that the Defendant as a matter of fact copied the Plaintiff's Design Flex program, the Plaintiff has failed to satisfy its burden of establishing that the copying was of precisely identified protected elements of the Design Flex program and the Plaintiff has therefore failed to satisfy the ultimate requirement to establish copyright infringement. The mere fact that the Design Flex program was copyrighted does not mean that the elements of the work are protected. 9 F.3d at 833. Nor can the inquiry end with a finding of copying of the Design Flex program. Copyright infringement will only attach where protected elements of the program were copied. Baker v. Selden, 101 U.S. 99 (1879). On reexamination of this case on remand, the Court concludes there has been no infringement of the Design Flex copyright.

Accordingly, the Court now enters the following ORDER:

The Plaintiff's motion to submit additional evidence is DENIED;

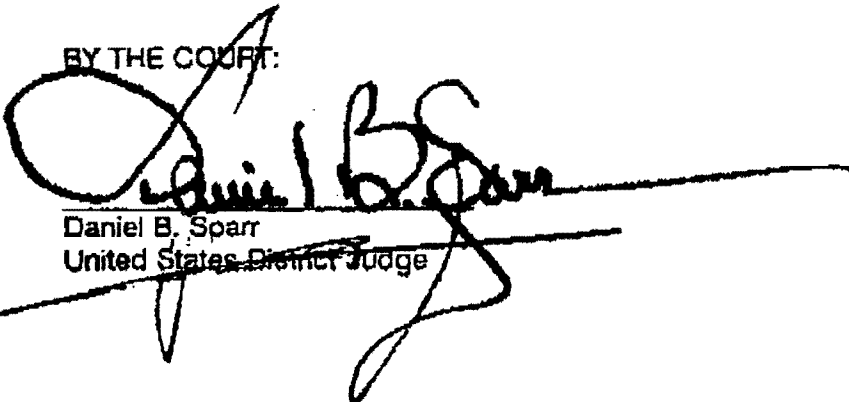
The permanent injunction, (as well as any other orders which may be premised on the injunctive relief on the Plaintiff's copyright claim) to the extent that it involves copyright infringement of the Plaintiff's Design Flex program, is hereby VACATED;

The permanent injunction remains in full force and effect to the extent that it restrains the use of the constants as trade secrets;

The permanent injunction remains in full force and effect with regard to the requirement that the Bando Defendants return any and all information pertaining to the trade secrets.

DATED at Denver, Colorado, this 12th day of June, 1995.

BY THE COURT:


Daniel B. Sparr
United States District Judge

Case No. 92-S-136

CERTIFICATE OF MAILING

I hereby certify that a copy of the ORDER OF REMAND by Judge Daniel B. Sparr and filed on June 12, 1995, was mailed on June 13, 1995, to the following:

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