

Do Copyright Owners Have to Show What Elements of Their Software are Protected by Their Registrations? A Split Federal Circuit Suggests Yes.

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by Connor J. Hansen

In a recent decision, the Federal Circuit approved the use of “Copyrightability Hearings.” Not sure what that means? Read on to find out.

The case involved a dispute between two parties, SAS Institute, Inc. (“SAS”) and World Programming Limited (“WPL”). SAS created and markets a suite of software used for data access, management, analysis, and presentation, while WPL markets a competing system. Both systems generally allow users to input data in a specified format, then perform various functions depending on the users’ needs, and output resulting data. In the case, SAS alleged that WPL infringed several copyright registrations covering SAS’s system.

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The Federal Circuit decision is the latest development in a lengthy and contentious relationship between the parties, who have been suing each other since at least 2009. In its decision, the Federal Circuit considered whether nonliteral elements of SAS's system are protected by SAS's copyright registrations. The nonliteral elements at issue here include input formats—the vocabulary and syntax that dictate how users input their data—and output designs—the format and type of data that is generated and displayed to the users.

The case began in the U.S. District Court for the Eastern District of Texas, where both parties moved for summary judgment on the eve of trial. SAS sought an order that the nonliteral elements are protected by copyright, while WPL sought an order that the nonliteral elements are *not* protected. In the [District Court Decision](#), Judge Gilstrap noted that this put the Court in a tough position. The Court either had to grant one party's motion or it had to deny both motions and let the copyrightability issue to go to trial. As copyrightability is a question of law for the Court to decide, letting it go to trial would risk "injecting copyrightability into the jury trial" and risk confusing the jury during its infringement analysis.

To solve this issue the District Court conducted a "Copyrightability Hearing" to determine what the "core protectable expression" of each of SAS's works is. Specifically, each party was asked to submit briefing and evidence in support of its position as to the copyrightability of the nonliteral elements. Following the hearing, Judge Gilstrap found that WPL showed that nonliteral elements of SAS's system were not protected by copyright because some elements are present in SAS's earlier system, SAS 76, and are now in the public domain, others are open-sourced and available to the public, and still others are well-known, conventional, or not original to SAS. The Court then found that SAS failed to show which nonliteral elements are protectable and instead argued that all of the elements are "creative." Accordingly, the District Court found the nonliteral

elements are not protected and dismissed SAS's claims.

On appeal, SAS argued that the Copyrightability Hearing was a novel procedure that was contrary to the Federal Rules of Civil Procedure. The Federal Circuit disagreed. It cited the well-settled rule that district court judges have discretion to manage their cases and to conduct reasonable pre-trial procedures to narrow the issues in dispute for trial. The majority opinion also relied on an analogy to patent law, citing *Markman v. Westview Instruments, Inc.*, the case that spawned the now-standard *Markman* hearing designed to ascertain the scope and meaning of patent claims before trial. In short, the majority ultimately viewed the Copyrightability Hearing as nothing more than a pre-trial conference within the District Court's discretion.

SAS also argued that the District Court improperly placed the burden on SAS to prove that the nonliteral elements of its system are protected by SAS's copyright registrations. SAS instead believed its copyright registrations entitled it to a presumption that the elements are protected. The Federal Circuit was split on this issue. The majority opinion, authored by Circuit Judge Reyna, affirmed the District Court's decision, while the dissenting opinion, authored by Circuit Judge Newman, would reverse and remand.

The majority opinion clarified that while copyright registrations establish a threshold showing of protectability, if the accused infringer presents evidence that elements of the work are not protected, the burden then falls on the copyright holder to rebut that evidence. Here, after WPL showed that several of the elements are not protectable, SAS failed to show that any of the nonliteral elements of its system are protected by its copyright registrations.

The dissenting opinion expressed concern that the majority's analysis is a "far-reaching change" to the question of copyrightability that would have a significant impact on the software industry. In that regard, the dissent cited a litany of cases finding that nonliteral elements of software programs, even those that may be well-known or pre-existing, are copyrightable when selected and arranged in a creative or original way. The opinion then faulted the District Court and the majority opinion for requiring the parties to engage in "filtering"—isolating protected and non-protected elements—which is "developed for determinations of infringement." In the dissent's view, because SAS has valid copyright registrations and had a non-frivolous argument that the selection and arrangement of its system was sufficiently creative, this case should have proceeded.

It remains to be seen whether the majority's opinion will bring "far-reaching change" to the protectability of software programs. It also remains to be seen whether "Copyrightability Hearings" become standard practice for courts faced with similar issues. In view of this decision, however, plaintiffs should be prepared to clearly explain what is – and what is not – protected by their copyright registrations.

This may not be the last word on this dispute. Given the decades of litigation between the parties, the novel issues, and a split opinion from the Federal Circuit, an appeal to the Supreme Court may be forthcoming.

