

## CASE COMMENT

### A CAUTIONARY TALE: AVOID CUTTING CORNERS IN COMPUTER SOFTWARE COPYRIGHT

© 2015 Sean Stephen Crisafulli\*

#### INTRODUCTION

Plaintiff-appellee Ernest Group, doing business under the name Paycom Payroll, is a payroll processing company, which developed, copyrighted, and utilized two software programs in the normal course of its business operations.<sup>1</sup> Plaintiff-appellee alleges that Defendant-appellant David Richison infringed its copyrights in the two software programs.<sup>2</sup> It is a well-established principle of copyright law that copying in fact is merely a threshold question for establishing a claim of copyright infringement.<sup>3</sup> In order to succeed in such a claim, a plaintiff must show not only copying in fact but also show that the defendant copied protectable elements of the copyrighted work.<sup>4</sup> Since only protectable elements can be infringed, copyright infringement cases involving computer software often must utilize a process known as the abstraction-filtration-comparison test in order to separate the non-protected elements from the protected elements of the copyrighted work before making a determination regarding whether infringement has occurred.<sup>5</sup> The outcome of the copyright infringement action in the instant case was dependent upon a judicial determination of the necessity of conducting and documenting each step of the abstraction-filtration-comparison test in a copyright infringement claim.<sup>6</sup>

Richison founded and worked for Ernest Group in the late 1990s and during that time, he developed two software programs for use at Ernest Group: BOSS and Independence.<sup>7</sup> After Richison left Ernest Group, he developed two additional programs which formed the basis for this copyright infringement action: Period Indy and Cromwell.<sup>8</sup> Ernest Group

---

\* Sean Stephen Crisafulli, J.D. Candidate, May 2016, University of Florida Levin College of Law. I would like to thank my wife Rayven for her love and support.

1. Paycom Payroll LLC v. Richison, 758 F.3d 1198, 1200 (10th Cir. 2014).

2. *Id.*

3. Mitel, Inc. v. Iqtel, Inc., 124 F.3d 1366, 1370 (10th Cir. 1997).

4. *Id.*

5. *Paycom Payroll LLC*, 758 F.3d at 1205.

6. *Id.*

7. *Id.* at 1201.

8. *Id.*

brought this action in the U.S. District Court for the Western District of Oklahoma, and after settling the action with respect to Period Indy, the parties obtained a consent decree for a Special Master to evaluate Cromwell and make a determination as to whether infringement of protected elements of BOSS and Independence had occurred in the development of Cromwell.<sup>9</sup> The Special Master concluded that Cromwell did indeed infringe upon copyright protected elements of BOSS and Independence and the District Court ruled in favor of Ernest Group, but Richison appealed on the basis that the Special Master failed to properly utilize and document the abstraction-filtration-comparison test as required by law.<sup>10</sup> HELD: the Special Master's failure to document his application of each step of the abstraction-filtration-comparison test warranted vacating the judgment of the District Court and remanding for further proceedings.<sup>11</sup>

### BACKGROUND

There are two important elements that a plaintiff must prove to establish a copyright infringement action such as the one involved in the instant case.<sup>12</sup> The first is that the plaintiff owns a valid copyright.<sup>13</sup> The second, which is at issue in the instant case, is that the defendant copied protectable elements of the copyrighted work.<sup>14</sup> When making a determination as to the second element, the court must further consider two related issues: whether the defendant in fact copied the plaintiff's work, and whether the portion of the plaintiff's work copied by the defendant was protected.<sup>15</sup>

Therefore, in a copyright infringement case involving software, the court must ensure that only the protected elements of the copyrighted work are being compared to the defendant's allegedly infringing software.<sup>16</sup> This necessity led the Tenth Circuit Court of Appeals to impose the requirement of applying the abstraction-filtration-comparison test in such matters in a 1996 decision.<sup>17</sup> Abstraction-filtration-comparison testing is a three-step process.<sup>18</sup> In *Country Kids 'N City Slicks, Inc. v. Sheen*, the Court of Appeals explained the process of

---

9. *Id.* at 1200.

10. *Id.* at 1205.

11. *Id.* at 1200.

12. *Mitel, Inc. v. Iqtel, Inc.*, 124 F.3d 1366, 1370 (10th Cir. 1997).

13. *Id.*

14. *Id.*

15. *Paycom Payroll LLC*, 758 F.3d at 1204.

16. *Id.* at 1205.

17. *Country Kids 'N City Slicks, Inc. v. Sheen*, 77 F.3d 1280, 1284 (10th Cir. 1996).

18. *Id.* at 1284–85.

abstraction-filtration-comparison as follows:

At the abstraction step, we separate the ideas (and basic utilitarian functions), which are not protectable, from the particular expression of the work. Then, we filter out the nonprotectable components of the product from the original expression. Finally, we compare the remaining protected elements to the allegedly copied work to determine if the two works are substantially similar.<sup>19</sup>

While it is standard practice in the Tenth Circuit to perform the abstraction-filtration-comparison test in a software copyright infringement case, there is some precedent to support the proposition that such analysis is not always necessary.<sup>20</sup> In the case of *Mitel, Inc. v. Iqtel, Inc.*, the Tenth Circuit determined that in cases involving “admitted literal copying of a discrete, easily-conceptualize portion of a work,” it was not necessary to perform a full abstraction-filtration-comparison test.<sup>21</sup> It is important to note this is a very narrow exception to the abstraction-filtration-comparison test requirement, as it related to only relatively simple infringement cases involving admitted copying.<sup>22</sup>

In the case of *Gates Rubber Co. v. Bando Chemical Industries, Ltd.*, the Tenth Circuit noted that if the first step of the abstraction-filtration-comparison test—namely, abstraction—is found to be deficient, then the entire test must necessarily be deficient.<sup>23</sup> This is because the filtration step of the process depends entirely on a comprehensive completion of the abstraction step.<sup>24</sup> The filtration step involves “examin[ing] each level of abstraction in order to filter out those elements of the program which are unprotectable,” and therefore a deficient abstraction step will render all subsequent steps of the test useless.<sup>25</sup> Further, the court in *Gates Rubber* stated that the abstraction step must be applied “conscientiously and systematically” so as to help guide the court in reaching its conclusions.<sup>26</sup>

---

19. *Id.*

20. *Mitel, Inc. v. Iqtel, Inc.*, 124 F.3d 1366, 1373 (10th Cir. 1997).

21. *Id.*

22. *Id.*

23. *Gates Rubber Co. v. Bando Chem. Indus., Ltd.*, 9 F.3d 823, 834 (10th Cir. 1993).

24. *Id.*

25. *Id.*

26. *Id.*

### THE INSTANT CASE: PAYCOM PAYROLL LLC V. RICHISON

Richison worked for Ernest Group in the late 1990s and during that time Richison wrote two software programs for use at Ernest Group.<sup>27</sup> The first program was named BOSS and the second program was named Independence.<sup>28</sup> After Richison left Ernest Group in the early 2000s, Richison developed two more software programs for his own company called Period Financial Corporation.<sup>29</sup> These programs were known as Period Indy and Cromwell.<sup>30</sup>

Ernest Group brought this action in the United States District Court for the Western District of Oklahoma, alleging that Richison had infringed Ernest Group's copyrights for BOSS and Independence by producing Period Indy and Cromwell.<sup>31</sup> The parties settled as to the claim regarding Period Indy, and agreed to submit to a Special Master's analysis and review of Cromwell to determine whether Cromwell infringed the protectable elements of either BOSS or Independence.<sup>32</sup> The Special Master subjected the material to some level of abstraction-filtration-comparison analysis and determined that Cromwell did in fact infringe upon protected material that was copyrighted by Ernest Group.<sup>33</sup> Relying on the Special Master's opinion, the trial court entered judgment for the Plaintiff.<sup>34</sup> The trial court further ordered that all copies of Cromwell be destroyed.<sup>35</sup>

Richison appealed, arguing that the Special Master's report was inadequate and that Cromwell was not substantially similar to any protected elements of BOSS or Independence.<sup>36</sup> The Tenth Circuit held that the Special Master had a responsibility to document his application of each step of the abstraction-filtration-comparison test.<sup>37</sup> Since the Special Master in the instant case failed to fulfill this responsibility, the judgment was vacated and the case was remanded for further consideration.<sup>38</sup>

In reaching this holding, the court first determined that it was in fact necessary to utilize the abstraction-filtration-comparison test.<sup>39</sup> The Court stated that the instant case does not fit the exceptions to the

---

27. *Paycom Payroll LLC v. Richison*, 758 F.3d 1198, 1200–01 (10th Cir. 2014).

28. *Id.* at 1201.

29. *Id.*

30. *Id.*

31. *Id.*

32. *Id.*

33. *Id.*

34. *Id.* at 1200.

35. *Id.*

36. *Id.* at 1202.

37. *Id.* at 1205.

38. *Id.*

39. *Id.* at 1206.

abstraction-filtration-comparison test requirement outlined in *Mitel*, where the court stated that cases of “admitted literal copying of a discrete, easily-conceptualized portion of a work” do not require the abstraction-filtration-comparison test.<sup>40</sup> The instant case was distinguishable because there was no admission by Richison, and further, the infringement alleged in the instant case was broad rather than discrete and easily-conceptualized.<sup>41</sup>

After establishing that the abstraction-filtration-comparison test needed to be performed in the instant case, the court stated that each step must be consciously and systematically documented, as outlined in *Gates Rubber*.<sup>42</sup> The Court determined that the Special Master in the instant case failed to document the abstraction step of the test in sufficient detail.<sup>43</sup>

The Court also opined that the Special Master’s report was deficient because it seemed to depend upon the misperception that copyright infringement analysis hinges only upon copying in fact.<sup>44</sup> The fact is that the law of copyright requires an additional showing that what has been in fact copied is protected under copyright law, which is precisely why the Tenth Circuit has consistently required the abstraction-filtration-comparison test to be performed in the first place.<sup>45</sup>

Ultimately the Tenth Circuit chose to vacate the judgment and remand the case back to the trial court.<sup>46</sup> On remand, the Special Master should have an opportunity to further explain his methodology and to document each step of the abstraction-filtration-comparison test that was performed related to the Boss, Independence, and Cromwell software programs.<sup>47</sup>

## ANALYSIS

This case serves as an interesting cautionary tale for entrepreneurs who are involved in software development. Two pitfalls could have been avoided through the use of a bit more diligence and legal foresight: the dispute which gave rise to the action, and the reversal of the Trial Court’s decision in the instant case.

The first pitfall was defendant-appellant’s decision to assign the copyright for BOSS and Independence to Ernest Group without retaining any rights for himself. Practitioners in the field of intellectual property

---

40. *Id.*

41. *Id.*

42. *Id.*

43. *Id.* at 1205–04.

44. *Id.* at 1206–07.

45. *Mitel, Inc. v. Iqtel, Inc.*, 124 F.3d 1366, 1370 (10th Cir. 1997).

46. *Paycom Payroll LLC*, 758 F.3d at 1200.

47. *Id.* at 1200–01.

law should take notice of this case and advise their clients to retain some degree of copyright over their own creations. It is likely that Richison envisioned a long future with Ernest Group, which was a company that Richison himself founded.<sup>48</sup> However, over time, Richison's relationship with others involved in Ernest Group became sour and he left Ernest Group.<sup>49</sup> When he left, it appears Richison that left his intellectual property rights with Ernest Group as it relates to the BOSS and Independence programs. Some have suggested that Richison should have retained the right to make derivative works when he assigned his copyright ownership to Ernest Group.<sup>50</sup> In this way, this case serves as an important reminder to entrepreneurs to be cautious in signing away their property rights and it should further encourage entrepreneurs to think carefully about the long-term consequences of such decisions.

The second pitfall, and the one that brought about the reversal in the instant case, occurred when the trial court accepted the Special Master's report without further inquiry into the Special Master's methodology.<sup>51</sup> Parties engaged in copyright litigation involving abstraction-filtration-comparison should take note and demand thorough documentation of each step of the process, if only to avoid the costs of future litigation.

The decision in the instant case produces the benefit of holding trial courts to a high standard when it comes to their analysis of copyright infringement in a highly complex and technical field. The case further provides defendants with an important level of protection when Special Masters are appointed to reduce software to its essential components and make determinations as to infringement.

Lastly, this case calls attention to the unique nature of computer software in the field of copyright law. The Tenth Circuit utilized this case as an opportunity to specifically dispel "the misconception that an infringement analysis begins and ends with "copying in fact."<sup>52</sup> When it comes to a technological product made up of various components – some of which may be in the public domain—it is crucial to break the technology down into both its protectable and non-protectable components and to analyze only the protectable components for infringement. Practitioners must keep in mind that computer software, being made of both protectable and non-protectable components, is unique in this respect.

---

48. *Id.* at 1200.

49. *Id.* at 1201.

50. Tonya Gisselberg, "No Shortcuts Allowed in Copyright Infringement Analysis," *Seattle Copyright Watch*, <http://www.seattlecopyrightwatch.com/copyright/no-shortcuts-allowed-in-copyright-infringement-case-analysis/> (July 18, 2014).

51. *Paycom Payroll LLC*, 758 F.3d at 1208.

52. *Id.* at 1207.

## CONCLUSION

This case serves as a valuable safeguard for defendants in copyright infringement actions involving computer software by ensuring that the abstraction-filtration-comparison test is performed in a manner that provides an opportunity for defendants to object to the Special Master's methodology or conclusion. The factual scenario that gave rise to the action also provides a valuable reminder of the importance of long-term planning related to the assignment of any intellectual property interest in copyright to one's own company. Lastly, legal practitioners should take note that the law is beginning to recognize that computer software is unique in the field of copyright law insofar as "copying in fact" is simply a threshold question for the more determinative inquiry of whether the copied portion of a software program is a copyright protected element of the broader software product.

