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Lotus Development Corp. v. Borland International, Inc.,


INTRODUCTION

The plaintiff, Lotus Development Corp. ("Lotus"), brought a copyright infringement claim against the defendant, Borland International, Inc. ("Borland"), for Borland's use of the Lotus 1-2-3 menu command hierarchy in its Quattro and Quattro Pro version 1.0 ("Quattro") spreadsheet programs. The parties filed cross-motions for summary judgment. The United States District Court for the District of Massachusetts found that the Lotus menu command hierarchy was copyrightable expression and that Borland had infringed on Lotus' copyright as a matter of law, but it concluded that a jury trial was necessary to determine the scope of Borland's infringement. Borland appealed, and the United States Court of Appeals for the First Circuit reversed, holding that Borland did not infringe Lotus' copyright when it copied the Lotus 1-2-3 menu command hierarchy because the Lotus menu command hierarchy was uncopyrightable subject matter. The United States Supreme Court affirmed the First Circuit's decision without opinion.

FACTS

Lotus developed a spreadsheet program called Lotus 1-2-3 that enables users to perform accounting functions electronically on a computer. Menu commands, such as "Copy," "Print," and "Quit," allow users to manipulate and control the program. These commands are activated either by highlighting them on the screen or by typing their first letter. Four hundred sixty-nine total commands are arranged into more than fifty menus and submenus. Of vital importance to the users of this program is the creation of "macros." "Macros" are programs, written by the user, which designate a series of command choices with a single macro keystroke. This enables the user to type a single, pre-programmed macro keystroke which causes the program to recall and perform the designated series of commands automatically.

Borland released its first Quattro program in 1987, with the goal of developing a spreadsheet program superior to any existing program, including Lotus 1-2-3. Borland's programs have "a virtually identical copy of the entire 1-2-3 menu tree; the structure of Lotus' menu command hierarchy."\(^1\) Borland did not, however, copy the underlying computer codes. Borland created its program in an effort to maintain uniformity between the two programs, so that Lotus 1-2-3 users would be able to switch to the Borland programs without having to learn new

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commands or rewrite their Lotus macros. This was accomplished by offering Lotus users an alternate user interface called the “Lotus Emulation Interface.” When activated, this interface enabled Borland users to see the Lotus menu commands on their screens.

The United States District Court for the District of Massachusetts, in a separate case, ruled that the Lotus 1-2-3 menu structure, taken as a whole, was protected expression covered by Lotus’ copyrights. Four days after that case was decided, Lotus sued Borland and the parties filed cross-motions for summary judgment. The district court denied Borland’s motion and ruled that Borland had infringed Lotus’ copyright for Lotus 1-2-3 as a matter of law. The court reached this conclusion based on three considerations: (1) the extensiveness of the copying of the menu command and menu structure; (2) the extent to which the copied elements contained expressive aspects separable from the underlying functions; and (3) the scope of the copied, expressive aspects as an integral part of Lotus 1-2-3. However, the court concluded that a jury trial was necessary to determine the scope of the infringement.

After the district court’s decision in 1992, Borland removed the Lotus Emulation Interface from its products. Thus, users of Quattro could no longer communicate with the software as if they were using Lotus 1-2-3. Borland’s Quattro continued to be partially compatible with Lotus 1-2-3 through the use of the “Key Reader,” because, once activated, the Key Reader allowed Quattro to understand and perform some Lotus 1-2-3 macros. After Borland removed the Emulation Interface, Lotus filed a supplemental complaint alleging that the Key Reader also infringed its copyright. Thereafter, two bench trials were held to resolve: (1) all remaining issues raised in the original complaint and (2) the issue raised in the supplemental complaint.

At the first trial, the district court held that Borland had failed to show that its use of the Lotus 1-2-3 menu command hierarchy in its Emulation Interface was a fair use. The court also found that “each of Borland’s Emulation Interfaces contain[ed] a virtually identical copy of the Lotus 1-2-3 menu tree and that the menu tree [was] ‘capable of a wide variety of expression.’” Finally, the court rejected Borland’s affirmative defenses of laches and estoppel.

In the second trial, the district court found that Borland’s Key Reader file

4. Lotus Dev. Corp. v. Borland Int’l, Inc., 831 F.Supp. 202, 208 (D. Mass. 1993). “[W]hen determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include: 1) the purpose and character of the use . . . ; 2) the nature of the copyrighted work; 3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and 4) the effect of the use upon the potential market for or value of the copyrighted work.” Id. (citing 17 U.S.C.A. § 107 (West 1996)).
5. Id. at 218.
6. Id. at 218-23.
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contained a virtually identical copy of the Lotus 1-2-3 menu tree structure and, therefore, infringed Lotus' copyrights. The court reasoned that a change in the form, "with the first letters of menu command names in place of the full menu command names," was not enough to escape liability. The district court rejected Borland's affirmative defenses of waiver, laches, estoppel and fair use. The court, however, granted a permanent injunction against Borland, holding that the Lotus menu structure, organization, and the first letters of the command names were part of the protectable expression found in Lotus 1-2-3. Borland appealed the court's decision, focusing on the copying of the Lotus menu command hierarchy and Borland's affirmative defenses to such copying.

LEGAL ANALYSIS

The issue on appeal, whether a computer menu command hierarchy constituted copyrightable subject matter, was a matter of first impression. This case differed from past copyright infringement cases in that the dispute involved whether the menu command hierarchy was capable of being protected, not whether the menu command was actually copied. In deciding the issue, the First Circuit examined the test for copyright infringement and the nonliteral copying test. The court, in determining whether the Lotus menu command hierarchy was protectable, found that: (1) the proper inquiry focused on whether the menu command hierarchy could be copyrighted as a whole; (2) the menu command hierarchy was a "method of operation" and foreclosed from protection by section 102(b) of the Copyright Act of 1976; and (3) the menu command hierarchy was not protectable "expression."

The First Circuit found that to establish a copyright infringement claim, the plaintiff must first satisfy the two-prong test outlined by the Supreme Court in Feist Publications, Inc. v. Rural Telephone Service Co. The Feist test requires a plaintiff to prove both "the ownership of a valid copyright and copying of constituent elements of the work that are original." In the case at hand, Borland conceded that Lotus had a valid copyright in Lotus 1-2-3, as a whole, and admitted to factually copying the Lotus menu command hierarchy. Thus, there was no dispute over the first prong of the test, and the court centered its analysis on the second prong — whether the Lotus menu command hierarchy was copyrightable subject matter protected by Lotus' copyrights.

The court next examined the test asserted by the Second Circuit in Computer
Associates International, Inc. v. Altai, Inc.\(^\text{15}\) Altai dealt with the infringement of "literary works" through "nonliteral" copying, or copying that is paraphrased or loosely paraphrased rather than word for word.\(^\text{16}\) The test was designed to determine if similarities between the works were due "merely to the fact that the two works share the same underlying idea or whether they indicate that the second author copied the first author's expression."\(^\text{17}\) The First Circuit rejected the applicability of this test, because the complaint alleged literal copying of the Lotus menu command hierarchy rather than nonliteral copying that was the basis of the test in Altai.\(^\text{18}\)

The court found that the relevant inquiry was whether "the menu command hierarchy, as a whole, could be copyrighted."\(^\text{19}\) Borland argued that the menu command hierarchy was uncopyrightable because it was a "system, method of operation, process or procedure" specifically foreclosed from copyright protection by section 102(b) of the Copyright Act of 1976.\(^\text{20}\) The court concluded that the Lotus menu command hierarchy was a method of operation and thus not protected by Lotus' copyrights. The court reasoned that method of operation was defined as "the means by which a person operated something."\(^\text{21}\) Specifically, the court found that the Lotus menu command hierarchy served as the method, and therefore the means, by which users controlled and operated Lotus 1-2-3. Furthermore, the court noted that without the menu command hierarchy the user was not able to access, control or make use of Lotus 1-2-3's functional capabilities.\(^\text{22}\)

The First Circuit also differentiated between the menu command hierarchy and the underlying computer codes. The court found that a code is necessary for a program to work, and in the instant case, Borland did not copy the underlying code. Borland copied the Lotus menu command hierarchy which enabled users to operate its programs in substantially the same way as Lotus 1-2-3, without having to copy Lotus' underlying codes. The court concluded that this distinction mandated that Lotus' underlying code was copyrightable, and not a method of operation.

The First Circuit also rejected the district court's finding that the Lotus menu command hierarchy, with its specific choice and arrangement of command terms, constituted an "expression" of the "idea" of operating a computer program with commands arranged hierarchically into menus and submenus. The First Circuit held that the expressions were not copyrightable because they constituted a part

\(^{16}\) Id. at 701.
\(^{17}\) Id.
\(^{18}\) Lotus Dev. Corp. v. Borland Int'l, Inc., 49 F.3d 807, 815 (1st Cir. 1995).
\(^{19}\) Id.
\(^{20}\) Section 102(b) reads: "[I]n no case does copyright protection for an original work of authorship extend to any idea, procedure, process system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work." 17 U.S.C. § 102(b).
\(^{21}\) Lotus Dev. Corp., 49 F.3d at 815.
\(^{22}\) Id.

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of Lotus 1-2-3’s method of operation, which “were the means by which a user operated something.” Therefore, if the specific words were essential to the operation of something, they were also a part of the method of operation. The court noted that further inquiry was not necessary to determine whether the method of operation could have been designed differently, because the proper inquiry was whether the Lotus menu command hierarchy was a method of operation, not whether the command hierarchy contained any expression. The court further held that Lotus wrote its menu command hierarchy so that people could learn to use it, therefore, “it fell squarely within the prohibition” of section 102(b) of the Copyright Act of 1976.

Lastly, the court considered the compatibility of the programs as a means to better discern whether the Lotus menu command hierarchy was a method of operation. The court found that there were a number of ways to operate a computer program, including different hierarchically arranged command terms. The program’s function remained a method of operating the computer and was, therefore, uncopyrightable. The Supreme Court, on January 16, 1996, affirmed the First Circuit’s holding without issuing an opinion.

CONCLUSION

The First Circuit held, and the Supreme Court affirmed, that the Lotus menu command hierarchy was a method of operation and thus not protected by Lotus’ copyrights. The court looked to section 102 of the Copyright Act of 1976 and found that a method of operation was specifically excluded from protection under the Act. The court reasoned that the means which control the use of a program were included within the meaning of method of operation, and since the menu command hierarchy did just that, it was not protected under the Copyright Act of 1976.

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23. Id. at 816.
24. Id.
27. Id.