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## Xerox Finally Wakes Up, But Is It Too Late?

Keith Stephens

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**XEROX FINALLY WAKES UP,  
BUT IS IT TOO LATE?****Keith Stephens†**

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† This paper is dedicated to Shannon Ruth and Sierra Del Stephens. The twins were born March 3, 1990 and reflect all the wonderful things that make life worth living. The author also wishes to express his thanks to Professor Anawalt for applying a two-by-four in an effective manner to transform English prose into legal analysis.

The author wishes to express his appreciation for the invaluable assistance of Mr. David N. Koffsky of the law firm of Perman & Green in Fairfield, Connecticut. Mr. Stephens is a registered Patent Agent and Associate Editor of the CHTLJ who received his JD from Santa Clara University in May 1990.

## I. INTRODUCTION TO XEROX V. APPLE

Thursday, December 14, 1989, Xerox Corporation announced to the judicial system what the technical community had known for years.<sup>1</sup> Xerox was one of the first to commercialize, albeit unsuccessfully, the widely accepted graphical user interface popularized in the Apple Computer, Inc. Lisa and Macintosh computers.<sup>2</sup> Recently, Xerox filed a complaint in United States District Court for the Northern District of California alleging that Apple unlawfully and fraudulently obtained copyright protection for its Lisa and Macintosh computer software.<sup>3</sup> Xerox sought damages of over one hundred million dollars.<sup>4</sup> A copyright infringement claim was conspicuously absent from Xerox's complaint. The court dismissed all the claims for damages, leaving only the surviving declaratory judgment claim.<sup>5</sup>

This paper, employing the backdrop of the *Xerox v. Apple* suit, investigates a court's treatment of an innovative approach to legal protection for software. The paper describes the case and the judge's analysis of this dynamic, legal arena, and concludes in concurrence with the federal judiciary: copyright protection is unavailable under the disguise of an unfair competition complaint.

### A. Background

In the mid-1970's Xerox developed an ergonomic workstation which merged a mouse, microprocessor, high resolution graphic display and unique software, called SMALLTALK, in a user-friendly workstation called "Star Computer."<sup>6</sup> Xerox alleged, and Apple, in its answer, admitted that Steven Jobs and other Apple employees visited Xerox PARC and were impressed with the tech-

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1. *Electron. Power*, J. Inst. Electr. Eng. (UK), Vol. 33, No. 11, pp. 695-98 (1987); see also, Dvorak, *Inside Track*, PC Magazine, March 13, 1990; The Xerox-Apple Suit Dept.: I hope we all know that Xerox has sued Apple for using its Star technology in the Macintosh. Maybe someone at Xerox finally read page 161 of the John Sculley book, ODYSSEY, where Sculley, while talking about the Mac development team says: "Most of the Macintosh technology wasn't invented in the building. Indeed, the Macintosh, like the Lisa before it, was largely a conduit for technology developed at Xerox PARC." Apparently, when Bill Lowe came over from IBM, he nearly died from heart failure when he saw all the inventions made at Xerox PARC that were languishing and not being licensed.

2. *The Mighty Mouse*, Gov. Data Syst., vol. 14, no. 2, pps. 14-16 (Feb. 1985).

3. *Xerox Corp. v. Apple Computer*, Civil Action No. C89-4482-CALENE, USDC NDCA (Dec. 14, 1989) [hereinafter *Xerox Complaint*].

4. *Xerox Complaint*, ¶¶ 34 and 42.

5. In April 1990, the final count was dismissed by Judge Walker. Xerox had one month to file an appeal.

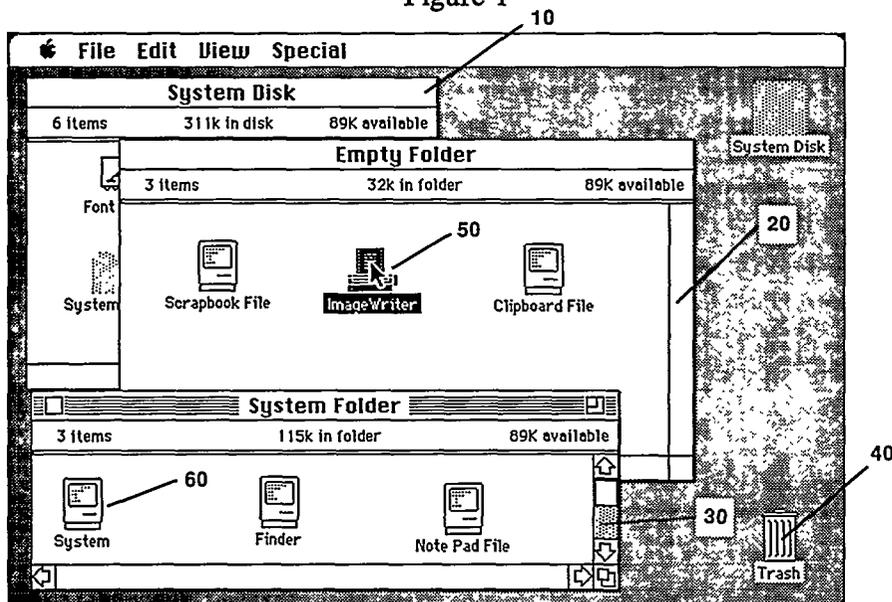
6. *The Star User Interface: An Overview*, National Computer Conference, IN AFIPS Conference Proceedings, vol. 51 (Feb. 1982).

niques embedded in the Star Computer.<sup>7</sup> Subsequently, Apple introduced the Lisa Computer in 1983 and followed shortly thereafter in 1984 with the commercially successful Apple Macintosh Computer.

### B. Iconic Communication

A significant issue raised by the Xerox complaint was: who is entitled to copyright protection for computer programs using icons and windowing?<sup>8</sup> Icons are small rectangular images that represent functions within a system. For example, a picture of a trash can could be used to represent a “delete” file function, as depicted at label 40 of Figure 1.

Figure 1



Used with permission of Apple Computer, Inc.

An early discussion of the use of icons to communicate information via a computer display appeared in a 1971 research paper published by W. H. Huggins.<sup>9</sup> That paper discussed the use of sym-

7. Xerox Corp. v. Apple Computer, Civil Action No. C89-4482-CALENE, USDC NDCA (Apple Computer's Answer filed January 4, 1990) [hereinafter *Apple Answer*], ¶ 7, Answering ¶ 6. "Apple is informed and believes, and on that basis admits, that in late 1979, Steven Jobs visited Xerox PARC with other Apple employees and during that visit they were shown a demonstration of Smalltalk."

8. *Xerox Complaint*, see ¶¶ 13-16, 19-21.

9. Huggins, W. H., *Iconic Communications*, IEEE Conference on Frontiers in Educa-

bols as teaching aids to represent various phenomena. Mr. Huggins recommended and demonstrated computer manipulation of symbols on a computer display to invoke functions that the symbols represented. His psychological research on perception indicated that pictures and symbols play important roles in creative thought. He advocated the use of iconic modes as a communication interface between a user and a computer. Those ideas are now employed by most graphic based workstations utilizing icons to provide a novice or expert with a "user-friendly" interface to computer applications.<sup>10</sup> Thus, to the extent that Xerox and/or Apple claim to be the originator of "aesthetically pleasing graphic displays,"<sup>11</sup> they must contend with, at least, Huggins' earlier work.

### C. *Windowing*

Xerox and Apple also contested the origin of "graphically complex windows."<sup>12</sup> An example of a windowing system is shown in Figure 1. Labels 10, 20 and 30 identify active "windows" that are overlaid. The window at label 30 is the current window with which the user is interfacing. An additional system window icon, depicted at 60, can be used to activate other functions of the operating system or start another application program.

An early reference to a graphic display employing a window for the presentation of information is found in an article by Mr. Blum, presented at the Conference on Mathematical and Computer Aids to Design held in Anaheim, California in October of 1969. That paper discussed a program that created a window of graphic information on an IBM 2250 terminal. The window displayed a function graphed onto the X-Y coordinate axis of the window. Portions of the window could be zoomed in or out at the user's discretion, and the relative scales of the coordinate axis could be dynamically changed.<sup>13</sup>

While the program described by Blum is primitive compared to today's windowing systems, it did disclose the basic ideas used to enable windowing. Shortly thereafter, in 1973, a Carnegie Mellon research team developed a multi-window text editor similar to the windowing system shown in Figure 1. That text editor exploited

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tion, Atlanta, Ga., IEEE, vol. 7, pps. 17-20 (1971), *see also*, Huggins, W. H., *Iconic Communications*, IEEE Transactions on Education, Vol. E14, No. 4, pps. 158-63 (Nov. 1971).

10. *Id.*

11. *Id.*

12. *Xerox Complaint*, ¶ 9.

13. Blum, R., *Window, A Program for Graphic Manipulation of the X-Y Plane*, IEEE Digest of the 1969 Conference on Mathematical and Computer Aids to Design, Oct. 1969.

graphic display technology to provide simultaneous editing of a number of files, each file residing in its own window on the display.<sup>14</sup>

A later arrival in this area was the Star user interface on the Xerox 8010 information system.<sup>15</sup> The Star system improved a computer interface by making it easy for a user to operate the computer.<sup>16</sup> The user was given a mouse to supplement the keyboard for cursor positioning. The mouse could be used to move a cursor around a computer display and interactively select graphic symbols representing various functions.<sup>17</sup> An example of a cursor is at label 50 in Figure 1.

Xerox patented its original mouse hardware and later obtained design patents for its icons.<sup>18</sup> However, Xerox did not patent the original aspects of the early Star Software. While the authors know of no formal written policy, it is generally understood that Xerox's intent for its Palo Alto labs (where the Star was developed) was to encourage "academic freedom," so as to attract quality people. Thus, publishing of research results was encouraged and patenting of those results was apparently not emphasized. Further, software patents were still in their infancy at the time the original Star software was developed.<sup>19</sup> Many in the computer industry, including Xerox and Apple, have subsequently employed patents to protect their windowing and icon interfaces.<sup>20</sup>

14. Gerhardt, *Window: A Formally-Specified Graphics-Based Text Editor*, Carnegie-Mellon Dept. of Computer Science, June 1973.

15. *Apple Answer*, ¶ 10. "Apple is informed and believes, and on that basis admits, that Xerox demonstrated the Star computer system at a trade show in 1981 and that some Apple employees were present at the trade show and saw the demonstration or portions of it."

16. Lipkie, *Star User Interface: An Overview*, AGIPS Conference Proceedings, vol. 51 (1982).

17. Canfield, *Star User Interface: An Overview*, AGIPS Conference Proceedings, vol. 51 (1982).

18. U.S. Patent 4,409,489, *Optical Cursor Control Device*. For a discussion of Xerox's Design Patents, see Kluth, *THE COMPUTER LAWYER*, Design Patents: A New Form of Intellectual Property Protection for Computer Software, vol. 5, no. 6, p. 235 *et seq.* (1988).

19. *Diamond v. Diehr*, 450 U.S. 175 (1981) (Supreme Court found that a rubber molding procedure involving a computer program was patentable subject matter).

20. See US Patents: 4,899,136 to Xerox; 4,786,893 to Apple; 4,896,291; 4,868,785; 4,862,154; 4,847,605; 4,829,470; 4,821,209; 4,814,755; 4,811,241; 4,811,240; 4,739,477; 4,731,606; 4,723,211; 4,723,210; 4,701,752; 4,688,033; 4,663,617; 4,642,790; 4,623,880; 4,598,384; 4,437,093; and 3,716,842 to IBM; 4,876,533 to Schlumberger; 4,875,034 to Daniel Brokenshire; 4,873,652 to Data General; 4,823,303 to Toshiba; 4,814,884 to US Air Force; 4,812,834 to Cadtrak; 4,533,910 to Cadtrak; 4,811,281 to Mitsubishi; 4,811,245 to General Electric; 4,809,166 to Advanced Micro Devices; 4,794,386 to Profit Tech; 4,780,709 to Intel; 4,779,081 to Hitachi; 4,777,485 to Sun Microsystems; 4,772,881 to Silicon Graphics; 4,752,889 to Neuron Data; 4,720,703; and 4,646,078; to Tektronix; 4,710,767; and 3,531,795 to Sanders; 4,710,761; 4,700,320 and 4,555,775 to AT&T; 4,559,533; 4,550,315; and

## II. THE XEROX COMPLAINT

Xerox's complaint contained six counts. Count I sought a declaratory judgment that Xerox is the sole owner of the Star software. Counts II and III endeavored to revoke Apple's Lisa and Macintosh registrations for failing to comply with 17 U.S.C. §§ 409(9) and 103(a) by not informing the Copyright Office that the Apple software was a derivative work of Xerox's SMALLTALK and Star computer software. Counts IV and V requested damages for unfair competition allegedly caused by Apple's assertion of its Lisa and Macintosh copyrights in the *Apple v. Microsoft and Hewlett Packard*<sup>21</sup> copyright infringement suit. Such assertions were said to have made potential licensees reluctant to license Xerox technology. Finally, Count VI, under an unjust enrichment theory, asked the court to impose a constructive trust on Apple's royalties, license fees and judicial awards arising from Apple's copyrights.

Xerox's complaint further alleged that the Lisa and Macintosh software incorporate substantial portions of the Star software,<sup>22</sup> and that no permission was sought or obtained by Apple to use the Star software features. Xerox also declared in the complaint that it has a valid copyright registration covering the Star software. Thus, Xerox essentially alleged the *elements* of copyright infringement: valid copyright, access and substantial similarity. It is difficult to fathom Xerox's failure to plead copyright infringement.<sup>23</sup> The Dis-

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4,542,376 to Unisys; 4,112,422 to Atari; 4,891,631 to Eastman Kodak; 4,813,013 to Cadware Group LTD; and 4,873,515; 4,855,934; 4,763,280; 4,646,251; 4,625,289; 4,539,638; 4,499,457; 3,889,107; and 3,816,726 to Evans and Sutherland Computer Company.

21. No. C-88-20149-WWS, 717 F. Supp. 1428 (N.D. Ca. 1989 (Apple sued Microsoft and Hewlett Packard alleging copyright infringement of their graphical interface. Microsoft and Hewlett Packard moved for summary judgment under the Agreement between Apple and Microsoft dated November 22, 1985. The court ruled that the Agreement was not a complete defense with respect to Windows 2.03. However, the Agreement did license Microsoft to use visual displays and named application programs without infringement. The only remaining issue is whether Microsoft and Hewlett Packard's overlapping main application windows and the changes in the appearance and manipulation of icons infringes Apple's copyright).

22. *Xerox Complaint*, §§ 14, 16 and 17. "The registration fails to identify Lisa as a derivative work of the Xerox Star although the copyright deposits submitted by Apple to the US Copyright Office in support of registration depict and describe substantial portions which are original to Star and were created, published and copyrighted by Xerox. The registration also fails to identify Lisa as a derivative work of SMALLTALK although the copyright deposits submitted by Apple to the U.S. Copyright Office in support of registration depict and describe substantial portions which are original to SMALLTALK and were created, published and copyrighted by Xerox."

23. In *Whelan v. Jaslow*, 797 F.2d 1222 (3d Cir. 1986), Whelan alleged that Jaslow's software infringed Whelan's copyright on a computer program to operate a dental laboratory business. The court applied a two part test in its determination that Whelan's copyright was infringed. First, the court determined that Whelan owned the copyright in its software and

strict Court found Xerox's failure to allege copyright infringement fatal to any recovery of damages and dismissed all counts.

### III. ANALYSIS OF XEROX'S CLAIM

#### A. *Count I — Declaratory Judgment*

Xerox's sole count to escape the court's dismissal asked for a declaratory judgment that Xerox is the originator of the Xerox Star software. The court gave Xerox thirty days to file information establishing an actual case or controversy between Xerox and Apple or face dismissal based on lack of subject matter jurisdiction.

To establish that a particular declaratory action presents an actual case or controversy, Xerox must show that there is a substantial controversy with Apple and the controversy is of sufficient immediacy and reality to warrant declaratory relief.<sup>24</sup>

In *International Harvester Co. v. Deere & Co.*,<sup>25</sup> the Court of Appeals for the Seventh Circuit provided guidance concerning factors that would support an actual controversy. The court in *Deere* was asked by International Harvester (IH) to declare that its corn head tool did not infringe a United States patent held by Deere & Company (Deere). IH established that Deere's patent was the subject of another pending infringement suit. However, IH failed to establish that it had a reasonable apprehension of suit or threat of suit as a result of any action by Deere. Thus, the court dismissed the case because IH could not meet its burden of establishing an actual controversy between itself and Deere.<sup>26</sup> Likewise, Xerox established that Apple had sued others for copyright infringement, but did not advance any reasons for reasonable apprehension of a suit aimed at Xerox.

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secondly that Jaslow had copied Whelan's software. To show copying, the court relied on the widely accepted factors of access and substantial similarity between the alleged copy and the original software. Instead of applying a two tier test for substantial similarity, the court adopted a single, substantial similarity inquiry in which both lay and expert testimony was admissible. Applying the test to our facts, Xerox alleges ownership of the Star software, alleges Apple had access through former employees, and alleges that the Apple Lisa and Macintosh are substantially similar to the Star software. Thus, the elements of copyright infringement are plead without a copyright infringement count.

24. *Hal Roach Studios v. Richard Feiner & Co.*, 883 F.2d 1429 (9th Cir. 1989). The worldwide television rights to many of Laurel and Hardy silent films were contested in this case. Of importance was the court's finding that a declaratory judgment action required a real and reasonable apprehension that plaintiff will be subject to liability if he continues to manufacture his product. Further, the apprehension must be caused by the defendant's actions.

25. 623 F.2d 1207 (7th Cir. 1980).

26. *Id.*

In *State of Texas v. West Publishing Company*,<sup>27</sup> the Court of Appeals for the Fifth Circuit refused subject matter jurisdiction to the State of Texas in its attempt to obtain a declaratory judgment invalidating West's copyright in its arrangement of Texas Statutes. The court explained, "the plaintiff must show that it has actually published or is preparing to publish the material that is subject to the defendant's copyright and that such publication places the parties in a legally adverse position."<sup>28</sup> Similarly, Xerox must establish an adverse position based on an actual case or controversy, such as a copyright infringement claim against Apple. A less likely alternative is for Xerox to somehow provoke Apple to sue it for copyright infringement.

### B. *Counts II & III — Revocation of Apple's Copyright Registration*

Counts II and III sought the court's assistance in revoking Apple's Lisa and Macintosh registrations for failing to comply with 17 U.S.C. §§ 409(9) and 103(a).<sup>29</sup> Xerox argued the registrations were invalid because Apple had not informed the Copyright Office that the Apple software was a derivative work of Xerox's SMALLTALK and Star computer software. The court dismissed these counts on the ground that such allegations must be initially pursued by administrative challenge before the Copyright Office.<sup>30</sup> Xerox is premature in its attempt to enlist the court's aid. The Copyright Office regulations, on the other hand, provide an express administrative remedy.<sup>31</sup> A proper avenue to Federal District

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27. 882 F.2d 171 (5th Cir. 1989).

28. *Texas v. West*, 882 F.2d 171, 177 (5th Cir. 1989).

29. 17 U.S.C. § 409(9) ("The application for copyright registration shall be made on a form prescribed by the Register of Copyrights and shall include—. . . (9) in the case of a compilation or derivative work, an identification of any preexisting work or works that is based on or incorporates, and a brief, general statement of the additional material covered by the copyright claim being registered; . . ."); 17 U.S.C. § 103(a) ("The subject matter of copyright as specified by section 102 includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which material has been used unlawfully.")

30. *Kiddie Rides U.S.A. v. Donald C. Curran*, 231 USPQ 210 (D.D.C. 1986). The court awarded Kiddie Rides costs and attorney fees after setting aside the action of the Copyright Office in cancelling Copyright registrations for amusement ride toys. A court review of a final administrative action by the Copyright Office is proper.

31. 37 C.F.R. § 201.7: Cancellation of completed registrations. . . . Circumstances under which a registration will be cancelled. (1) Where the Copyright Office becomes aware after registration that a work is not copyrightable, either because the authorship is *de minimis* or the work does not contain authorship subject to copyright, the registration will be cancelled. . . (4) Where registration has been made for a work which appears to be copyrightable but after registration the Copyright Office becomes aware that, on the administrative record

Court review would entail Xerox requesting an initial administrative review before the Copyright Office, and then appealing an adverse decision to a Federal District Court.<sup>32</sup> Alternatively, Xerox could bring an infringement action alleging Apple's Lisa and Macintosh were derived from Xerox's Star computer program. However, as noted above, Xerox to date has chosen not to bring a copyright infringement action.

Thus, as noted by Apple, and accepted by the court, a suit for cancellation of a registration because of an alleged omission of relevant information concerning the copyrighted work must initially be pursued before the Copyright Office.

### C. Counts IV, V & VI — Unfair Competition & Unjust Enrichment

The primary underpinnings of Xerox's complaint are in federal and state unfair competition claims.<sup>33</sup> The doctrine of unfair competition is based upon the principle that one may not unfairly appropriate a competitor's skill, expenditure or labor. It prohibits, among other things, false advertising and "passing off" another's work as one's own.<sup>34</sup> The policy behind the law of unfair competi-

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before the Office, the statutory requirements have apparently not been satisfied, or that *information essential to registration has been omitted entirely from the application* or is questionable. . . the registration will be cancelled (emphasis added). Unlike the rigorous examination that patent applications are put through, the Copyright Office performs an administrative review of registration forms with little substantive review of the applications unless a registration is challenged.

32. *Techniques v. Rohn*, 592 F. Supp. 1195 (S.D.N.Y. 1984) presented another failed example of an attempt to invalidate a copyright registration in Federal Court. The *Techniques* court held, "the only remedy available for the non-registrant is to apply for registration. Then, if the application is denied, the applicant may seek a writ of mandamus against the Registrar of Copyrights." *Id.* at 1198.

33. 15 U.S.C. § 1125: False designations of origin and false descriptions forbidden (a) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, false or misleading representations of fact, which (1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or . . . , or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities of another person. . . . Patent Trademark and Copyright Laws, BNA, at p. 118 et seq. (1989).

California Business and Professions Code § 17200, "Definition: As used in this chapter, unfair competition shall mean and include unlawful, unfair or fraudulent business practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by Chapter 1 (commencing with Section 17500) of Part 3 of Division 7 of the Business and Professions Code."

34. *Johnson & Johnson v. Carter-Wallace, Inc.*, 631 F.2d 186 (2d Cir. 1980). Carter used baby oil in its Nair hair removal product and used their advertising campaign to give consumers the false impression that Nair was a J & J product. The court granted relief for

tion is to avoid confusion in consumer's minds. The principal test is referred to as a "likelihood of confusion" analysis.<sup>35</sup> A court examines the facts to determine if a defendant's acts are *likely* to cause confusion in the marketplace.<sup>36</sup> Thus, it is not necessary for the plaintiff to show evidence of actual buyer confusion in order to show a *likelihood* of confusion.<sup>37</sup>

Xerox claims that Apple has confused the computer industry by suing companies for copyright infringement of Apple's software when substantial portions of the software was originated by Xerox.<sup>38</sup> At the hearing on the motion to dismiss, Apple's attorney likened the Xerox unfair competition and unjust enrichment counts to a pair of beavers at the Hoover Dam. One beaver turned to another beaver and asked if he had created the Hoover Dam. The other beaver quipped, "No, but it's based on an idea I had." Xerox, like the pioneer beaver that originated the idea of damming streams, made no more headway than the beaver.

### 1. California Unfair Competition

The court found that no private right of action for damages exists under the California unfair competition statutes. The court followed *Little Oil Co. v. Atlantic Richfield Co.*<sup>39</sup> as a controlling precedent eliminating any California unfair competition private suit for damages. In *Little*, federal deregulation of the oil and gas industry prompted Atlantic Richfield (ARCO) to make changes in its business and marketing practices with a resulting adverse impact on Little. Little sued ARCO under the Petroleum Marketing Practices Act and the statutes codifying California unfair competition laws.<sup>40</sup> The Ninth Circuit Court of Appeals affirmed the trial court's dismissal of Little's case. Xerox was a private party seeking damages under California unfair competition laws. The court followed *Little* and, therefore dismissed Xerox's California unfair competition claims.

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Johnson & Johnson based on a reasonable basis for the belief that the plaintiff is likely to be damaged as a result of the false advertising.

35. *Safeway Stores, Inc. v. Safeway Properties, Inc.*, 307 F.2d 495, 134 USPQ 467.

36. *Atlantic Monthly Co. v. Frederick Ungar Publishing Co.*, 197 F. Supp. 524, 131 USPQ 244.

37. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, (USCA 2d Cir. 1959). The court applied a likelihood of public confusion test to hold that even an unintentional use of the same mark in the same market area constitutes an infringement.

38. *Xerox Complaint*, ¶¶ 1-24.

39. 852 F.2d 441 (9th Cir. 1988).

40. California Business & Professions Code § 17200 *et seq.*

## 2. Federal Preemption of Counts IV and VI

The court was also persuaded by a preemption challenge of Counts IV and VI. It accepted Apple's arguments that Counts IV and VI of its complaint are equivalent to exclusive rights afforded by the Copyright Act.

Federal preemption is an important question in any case where Congress has afforded federal protection under constitutional direction. One area where Congress has spoken that is pertinent to the *Xerox v. Apple* case is the Copyright Act of 1976.<sup>41</sup> The availability of copyright for computer programs does not, of course, affect the availability of trade secret or other common or federal law protection. Under the Copyright Act only those state rights that are equivalent to the exclusive rights of the Copyright Act granted therein are preempted.<sup>42</sup>

Courts employ a two-tier inquiry to determine if a state law, such as a state unfair competition statute, is preempted by federal law.<sup>43</sup> The first inquiry determines if the subject matter falls within Sections 102 and 103 of the Copyright Act.<sup>44</sup> If the subject matter is within Sections 102 and 103, then a second test is applied to determine if the right being protected by the state law is within the general scope of protection afforded by Section 106.<sup>45</sup> If the legal or equitable rights are equivalent to exclusive rights within the scope of the Copyright Act, then the state law is unenforceable.<sup>46</sup>

Apple successfully argued an analogy to *Del Madera Properties v. Rhodes & Gardener, Inc.*<sup>47</sup> In *Del Madera*, the Ninth Circuit Court of Appeals affirmed the dismissal of Del Madera's unfair competition and unjust enrichment claims based on alleged misappropriation of its copyrighted map. The court applied the two-tiered preemption test under Section 301 and found that misappropriation of an author's talent and effort in creating a work is precisely the type of activity the copyright laws are designed to protect against. The court reasoned that ownership of the misappropriated information and a misappropriation of same are "part and parcel of

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41. 17 U.S.C. § 101 *et seq.*

42. LATMAN, COPYRIGHT FOR THE NINETIES, CONTEMPORARY LEGAL EDUCATION SERIES, Chapter 2 — Copyrightable Subject Matter (1990).

43. 17 U.S.C. § 301 (1989).

44. *Id.* § 102 and § 106.

45. *Id.* § 106.

46. Vault Corp. v. Quaid Software Limited, 655 F. Supp. 750 (E.D. La. 1987), *aff'd*, 847 F.2d 255 (5th Cir. 1988). Louisiana's Software License Enforcement Act preempted by federal copyright law.

47. 820 F.2d 973 (9th Cir. 1987).

the copyright claim."<sup>48</sup> The court also noted that the heart of the unjust enrichment claim is an implied promise not to use the copyrighted map. An implied promise not to use or copy materials that are protected by copyright is equivalent to the protection afforded by Section 106 of the Copyright Act. Thus, the court in *Del Madera* held the unfair competition and unjust enrichment claims were preempted by the Copyright Act.<sup>49</sup>

Similarly, the heart of Xerox's California claims for unfair competition and unjust enrichment were found to be intertwined with an attempt to prevent Apple from preparing a derivative work under Section 106(2) of the Copyright Act. (In essence it was an attempt to punish Apple for making unauthorized reproductions of the same). This protection is identical to a copyright infringement act brought under the Copyright Act. Thus, the court found the action was preempted.

### 3. Federal Unfair Competition

The court followed *Chromium Industry v. Mirror Polishing & Plating Co.*<sup>50</sup> in dismissing Xerox's federal unfair competition claim under Section 43(a) of the Lanham Act. In the *Chromium* case, the defendant's product was alleged to be protected by a patent that the plaintiff claimed was invalid. Plaintiff insisted that defendant's false representations concerning the patent were misrepresentations that caused confusion in the marketplace. The court summarily dismissed the claim, basing its decision on the presumption of validity associated with an issued patent.

The *Chromium* case ruling on the first count was found to be directly analogous to Xerox's claims. There was no allegation that Apple told Xerox or any of Xerox's customers that Xerox infringed Apple's copyright. Rather, Apple asserted its copyright against alleged infringers. By doing so, Apple did not assert that they were the sole source of windowing and icon systems or in any way imply any relationship to the Xerox Star system. Xerox incorrectly implied that Apple's assertion of its copyright indicated that Apple is the originator of every element or feature of the Apple system. As the judge pointed out to Xerox, there is nothing to prevent Hewlett Packard and Microsoft from asserting originality as a defense in an actual case and controversy brought under copyright infringement.

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48. *Del Madera*, 820 F.2d 973, 983 (1987).

49. *Id.*

50. 448 F. Supp. 544 (N.D. Ill. 1978).

However, Xerox cannot bootstrap a copyright infringement action onto a federal unfair competition action.

#### D. *Apple Defenses*

Had the case been heard on the merits, Xerox faced a strong challenge to its claim due to Apple's defenses of an elapsed statute of limitations and laches.

##### 1. Statute of Limitations

Apple's answer asserts that Xerox's claims are barred by the applicable statute of limitations.<sup>51</sup> It is unclear from Apple's answer what "applicable" statute of limitations was being asserted. Under Section 507 of the Copyright Act, there is a three year limit for both civil and criminal actions. The time period is measured from the time of the act of infringement sued upon. If such act occurred within three years prior to filing of the complaint, the action will not be barred even if prior infringements by the same party as to the same work are barred because they occurred more than three years previously.<sup>52</sup>

The more difficult question is whether alleged repeated acts of infringement by Apple would constitute a single continuous wrong, so that Xerox would have been barred from bringing any suit.<sup>53</sup>

The Lanham Act does not have its own statute of limitations, so the applicable state statute is used.<sup>54</sup> Unfair competition claims are controlled by a four year period set forth in the California Business and Professions Code Section 17208. Section 17208 prescribes a statute of limitations for claims under the California Unfair Business Practices Act. Thus, an action would only arise based on an act which occurred within a four year period.<sup>55</sup> Therefore, Xerox's

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51. *Apple Answer*, Fourth Affirmative Defense p. 7. "Xerox's claims are barred by the applicable statutes of limitation."

52. *Mount v. Book-of-the-Month Club, Inc.*, 555 F.2d 1108 (2d Cir. 1977); *see also M. NIMMER*, 3 *NIMMER ON COPYRIGHT* § 12.05 (1989).

53. *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983); *but see, Gaste v. Kaiserman*, 669 F. Supp. 583 (S.D.N.Y. 1987).

54. *Fox Chemical v. Amsoil*, 445 F. Supp. 1355, 197 USPQ 898 (D. Minn. 1978).

55. *Adrian C. Eichman v. Fotomat Corp.*, 871 F.2d 784 (1989); Rejection of Rehearing En Banc July 13, 1989. Eichman's unfair business practice claims are controlled by the four year statute of limitations of California Business and Professions Code § 17208. Section 17208 prescribes the statute of limitations for claims under the California Unfair Business Practices Act, California Business and Professions Code § 17200 et seq. Accordingly, only those claims based on conduct that occurred prior to the four year period are barred by the statute of limitations.

claim to damages is limited to claims that have occurred prior to the date of their complaint.

## 2. Laches

Since Xerox has been aware of Apple's marketing activities for an extended period of time, a defense of laches is probably available to Apple. Laches is an equitable defense based upon the initiation of a lawsuit being delayed or neglected and damages thereby compounded.<sup>56</sup> A lawsuit must be brought in a timely manner once the complained of damage is detected. However, mere delay will not create a bar on the ground of laches unless the delay is inexcusable and prejudicial to the defendant by reason of reliance or change of position as a result of such delay.<sup>57</sup> Whether the claim of laches is sufficient to bar relief depends on a consideration of the circumstances of each particular case and a balancing of the interests and equities of the parties.<sup>58</sup> Should it have proven necessary, Apple could have shown that it had relied on Xerox's inaction while it actively marketed its Macintosh product.

## IV. CONCLUSION

Xerox's Achilles heel was its failure to bring suit in a timely manner. The court dismissed all but one of Xerox's counts on March 23, 1990, citing copyright infringement as the only appropriate remedy available to Xerox. The judge repeatedly asked Xerox why it had not alleged copyright infringement, but received no satisfactory answer. Finally, the judge asked Xerox what would prevent Hewlett Packard and Microsoft, in their pending litigation, from asserting Xerox's arguments in an attempt to invalidate Apple's copyright. Xerox's attorney noted a fact the judge must also have been aware of, "they already have, your Honor." Thus, it appears the battleground has shifted to an actual case and controversy in copyright infringement, and Xerox's nap has probably cost it any legal damages to which it might once have been entitled.

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56. *Ewert v. Bluejacket*, 259 U.S. 129 (1922).

57. *Baez v. Fantasy Records, Inc.*, 144 USPQ 537 (1964); *Brunswick v. Spinnet Reel Company*, 823 F.2d 513, 4 USPQ2d 1497 (10th Cir. 1987). Spinnet manufactured a knockoff spin cast reel to unfairly compete with a Zebco reel. Spinnet asserted the defense of laches due to Brunswick's failure to file suit until more than a year after notice of sales of the Spinnet reel. However, the court, citing many other federal cases, found that "mere passage of time does not constitute laches; defendant must also have been lulled into a false sense of security and act in reliance."

58. *Cuban Cigar Brands N.V. v. Upmann International, Inc.*, 457 F. Supp. 1090, 199 USPQ 193 (SDNY 1978).