

Intellectual Property

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Final Exam - Fall 2009

This was a relatively straightforward exam without any serious tricks or traps, but the questions were rather more subtle than they may have first appeared. Questions one and two put a premium on giving good strategic advice to the client; question three was more about good technical analysis. On the whole, your exams were good; they showed consistent competence in recognizing which intellectual property doctrines were good fits for the facts. The top and bottom of the class were quite clear, but the middle was more tightly grouped.

I graded the three problems by creating a thirty-three-item checklist for each. You got a point for each item (e.g. “Montagu’s strategy is an uncopyrightable system.”) you dealt with appropriately. I gave out frequent bonus points for creative thinking, particularly nuanced legal analyses, and good use of facts. Organization and writing style counted for about 10% of each question.

Model answers to all three questions are below. They’re not perfect; nothing in law ever is. In many places, I would have given just as much credit for reach exactly the opposite conclusion. The key, as always, is to back up each legal claim with good factual analysis.

If you’d like to discuss your exam, the course, or anything else, please email me and we’ll set up an appointment. If you have exam questions, please read through this memo before getting in touch. It’s been a pleasure and a privilege to teach you and learn from you.

James

	Roasterator	Magazines	Poker	Total
Median	15.0	17.0	14.5	46.5
Mean	15.0	16.6	14.4	46.1
Std. Dev.	4.1	3.9	3.8	9.2

(1) **The Roasterator**

Model Answer

Patent

Beatrice now owns the '213 patent. Accordingly, if Virgil's decides to enter the Roasterator market, there is a danger that Beatrice could sue for patent infringement. It is highly likely that Claim 1 reads on the original Virgil's design of the Roasterator. We are not told specifically that it does, but from the fact that the patent is "on the system of valves" in the Roasterator, this is a fair inference. As the '213 patent was presumably filed no earlier than 1999 (the year of the Roasterator's introduction) it will be in force through 2019. In order to avoid infringement liability, Virgil's must either change the design of the Roasterator or invalidate the '213 patent.

There is ample precedent for Virgil's ability to design a non-infringing variation on the Roasterator: Beatrice appears to have done just that. Claim 1 does not appear to read on the Beatrice Roast-a-ma-rator, as Claim 1 recites "a tank" for oxygen and "a tank" for nitrogen as separate elements, whereas Beatrice's Roast-a-ma-rator design features a single tank. Virgil could use the Roast-a-ma-rator design as-is, since it has been on sale since 2003 with no indication that Beatrice has attempted to patent it; it would now be statutorily barred. Or Virgil could change the design of the Roasterator in some other way: perhaps with a sealed spherical or conical container instead of a cylindrical one. Since Claim 1 is the only independent claim in the '213 patent, as long as Virgil's design does not infringe on it, it will not infringe on any claims in the patent.

Attempting to invalidate the '213 patent will likely fail. The invention it describes is valid statutory subject matter: a "machine." The invention is also likely to be novel (I haven't heard of this cooking method) and nonobvious (the meats are "unexpectedly" flavorful). It is useful for cooking (a fact confirmed by its sales). While the Roasterator was publicly introduced in 1999 and the patent did not issue until 2001, it seems quite plausible that the application was filed within a year of the introduction (given the typically long delays for patent prosecution), so that the statutory bar is not triggered. I will, however, investigate the filing date. On the facts given, there is no reason to question enablement or any other disclosure-related issues.

Copyright

The Roasterator is a "useful article" and its design is therefore uncopyrightable except as to those aspects that are conceptually separable from its utilitarian portions. That would be the painted flames on the side—but Beatrice's Roast-a-ma-rator does not copy the flames (it uses green circles instead). There is thus no case of infringement against Beatrice. If Virgil's acquired Alighieri's assets, it would be able to continue using the painted-flames design.

Trade Secret

Alighieri likely has design documents, manufacturing specifications, extensive know-how in making Roasterators, and other secret information. Virgil's should be certain to structure its

acquisition to acquire this information and to retain the employees skilled in making and marketing Roasterators.

Trademark

Alighieri held a trademark in ROASTERATOR. This mark is on the descriptive/suggestive boundary. The device literally roasts meats; however, the “erator” suffix may be unusual enough to make the mark as a whole merely suggestive. Since it has been on the market for some years, it has likely acquired enough secondary meaning to be a protectable mark, but it is not likely to be a strong mark unless those sales were particularly extensive. It is possible that the mark has become the generic name for the category of high-pressure roasters, but it would be hard to say without more information.

Because Alighieri was using ROASTERATOR in commerce from 1999, it is the senior user. (No geographic regions have been specified, so I will assume that the relevant region is the entire United States.) Beatrice, however, may argue that Alighieri abandoned the trademark when it sold off its entire stock and ceased making new Roasterators. Its argument is bolstered by the sale of the patent, as Alighieri could not legally manufacture new Roasterators after the sale. A court is more likely than not to hold that once Alighieri’s supply was exhausted, it abandoned the mark, as it was no longer using the mark in commerce and could have had no lawful intention of resuming use.

Beatrice may also argue that Virgil’s purchase of the ROASTERATOR mark is an assignment in gross and therefore a constructive abandonment. By structuring its purchase as a purchase of “all remaining assets,” however, Virgil’s also will be purchasing the associated goodwill along with the mark, so this is not a forbidden assignment in gross. If Alighieri had abandoned the mark or if the sale is an assignment in gross, then Beatrice will become the senior user.

In case of an infringement lawsuit (filed by whomever is senior), consumer confusion is likely. The goods are identical and sold to the same consumers through presumably identical channels. Purchasers of grills may take some care, but for recreational items of this sort, they may not inspect the grills closely. The marks are also highly similar: they look the same, are pronounced the same except for an additional nonsense syllable, and have essentially identical meanings. Alighieri could presumably have sued Beatrice in the past, but now the shoe is likely on the other foot, and Virgil’s will face trademark infringement should it use the mark.

The design of the Roasterator is potentially protectable as distinctive trade dress. However, the shape and construction of the Roasterator are likely to be functional, leaving only the designs painted on the side. As already noted, however, these differ between the Roasterator and the Roast-a-ma-rator to such an extent that consumer confusion is unlikely (regardless of who is the plaintiff).

Advice

Virgil’s know-how, trade secrets, and manufacturing infrastructure are probably the only assets worth purchasing. The trademark is likely to be worthless in light of the effective abandonment.

If Virgil's is interested in entering the Roasterator market, it should demand a suitable discount from Alighieri to reflect this fact. Virgil's would need to change the design of the Roasterator (not trivial but quite possible) and adopt a new trademark (new trade dress would also be a good idea). The road will not be easy, but it can be traveled.

Comments:

This was the most explicitly transactional problem on the exam, but it also required you to exercise good judgment about litigation risks. The transfer of assets and three-party setup was meant to be tricky, but many of you understood the essential issue: can your client assemble enough of an IP portfolio to support the business venture it would like to? It was sneaky of me to include both an abandonment issue and an assignment in gross issue in the same problem, but many of you spotted both.

(2) **Magazines for You!**

Model Answer

Copyrightability

Haverbrook's 100+ magazines almost certainly include plenty of copyrightable materials. These include the original text written by its authors, the pictures taken by its photographers, and the layout and graphic design of the pages. Even highly "factual," current-affairs magazines will include expressive choices in phrasing made by the writers. As a major publisher, Haverbrook has likely either commissioned the magazines as works made for hire or obtained copyright assignments from the contributors.

Infringement

Brockway has made electronic copies of each magazine. Because electronic copies are considered "fixed," each copy infringes the reproduction right. Because Brockway has copied entire magazines, there is no question of substantial similarity: the copies are all but identical. Brockway may also have infringed on the public display right, depending on whether its employees are considered "the public," but I believe they would not. It doesn't matter: violation of any exclusive right is sufficient to constitute infringement.

Technically, Brockway's employees carrying out the scanning may be the infringers. If so, it is easy to hold Brockway liable. Under *respondeat superior* from first-year torts, Brockway is liable for the torts of its employees acting within the scope of their employment. Under vicarious infringement its sales are up 20% (direct financial interest) and it can direct its employees' actions (right and ability to control). Under contributory or inducement infringement, it supplied the employees with the scanning machine (material contribution) and affirmatively directed them to use it (knowledge and intent).

First Sale

Brockway could raise a first-sale defense as the "owner" of each copy of a magazine it purchases, but not successfully. First sale is only a defense to the distribution and display rights, not to the reproduction right. Brockway may legally destroy the magazines it purchased; it may not scan them to make fresh copies. Even though the electronic copy might substitute for a single paper copy, it is not the same copy, and therefore first sale does not apply, even metaphorically.

Fair Use

Brockway could also raise a fair-use defense.

Under the first factor, the purpose and character of the use, Brockway's use is not news reporting, commentary, teaching, or one of the specifically favored uses. Brockway does not comment on the magazines other than to say what is in them. Its use is also directly commercial: it is designed to help customers find magazines. Brockway could argue that, like Google's search index, its use

is transformative: it takes magazine contents and makes them far more browseable. Haverbrook could respond that even if the index is transformative (which it would dispute), the full-page reproductions shown to employees are not transformative. Overall, this factor tends to favor Haverbrook, although the result might be different if a court accepted the transformative argument.

On the second factor, the nature of the work, Haverbrook's magazines are published and include both substantial informational and substantial expressive elements. Since Brockway is copying both, the overall nature should be considered expressive—Brockway may not excuse its copying of expressive elements by showing that it *also* copied informational ones. Thus, this factor is neutral or favors Haverbrook.

On the third factor, the amount copied, Brockway copied the whole of each magazine. This factor strongly favors Haverbrook.

On the fourth factor, the effect on the market, *Magazines for You!* has increased sales of Haverbrook's magazines by 20%. This fact favors Brockway, as it indicates that the use has a positive effect on the market, rather than taking away sales. Haverbrook could argue that they have a right to license fees for this use, but a court might dismiss that argument as circular. Haverbrook could also argue that the employees who are viewing the magazines are making additional unauthorized copies for their own use. Although Brockway might counter that the employees would have non-infringing paper magazines previously, Haverbrook could point out that this is precisely the point: the employees have shifted to infringing behavior.

As to the question of the number of tattered copies that need to be discarded, this point could cut either way. If Brockway buys them wholesale, then fewer discarded magazines actually means fewer sales for Haverbrook, and thus constitutes market harm. On the other hand, since these discards are wasteful, a reduction in waste might appear to be more eco-conscious and thus in society's interest.

In conclusion, while some of the factors strongly favor Haverbrook, the positive effect on the market and the ambiguously transformative nature of the project make fair use a risky prospect. Haverbrook could win on the issue, but it might not.

Trademark

Haverbrook's magazine titles are probably trademarks, since they are used in commerce to identify the different issues of each magazine. Haverbrook could argue that *Magazines for You!* infringes on these trademarks. The *Netscape* case would suggest that *Magazines for You!* might make actionable uses of the trademarks internally. Brockway, however, could respond that customers never see the trademarks on the system, and so could not be confused by them, It could also convincingly argue that the use of the trademarks was necessary under nominative fair use: to accurately describe the magazines.

Brockway's IP Rights

Brockway has valuable IP rights. While the database as a system is uncopyrightable, it is possible that its arrangement of entries, or the computer software implementing it, are protected by copyright. *MAGAZINES FOR YOU* may be protectable as a trademark, although it is a descriptive term and would require proof of secondary meaning. Brockway's technique for creating the database may potentially be patentable, and I would search the PTO's records to see whether it has applied for or been granted one. In light of the fact that Haverbrook has tried and failed to create such a system, it is quite possible that Brockway has made some sort of breakthrough in scanning technology that would render the invention novel and nonobvious. Finally, Haverbrook's continued failures also indicate that Brockway's unknown techniques are valuable, and thus are trade secrets. (While the system is in use by employees at all of Brockway's newsstands, there is no indication that any of them know how the scanning and indexing itself are implemented, thus likely satisfying actual secrecy and reasonable efforts.) All of these could only be acquired through licensing from Brockway.

Advice

Haverbrook should be strongly interested in Brockway's technology for three reasons. First, a 20% sales increase is a significant deal. Haverbrook would like to be to realize as much of that increase as possible. As a major magazine publisher, it is in a much better position to commercialize the system than Brockway's small newsstand chain would be. It could attempt to roll out the system at newsstands nationwide, greatly increasing its overall sales. Second, Haverbrook has tried for some time to create a similar system for its own use; a strategic acquisition would allow it to finally achieve that goal. And third, Haverbrook's desire for control over the scans could better be satisfied if it had a contractual relationship with Brockway and some ability to inspect the system and monitor how it is being used.

All of these factors suggest that Haverbrook should approach Brockway to strike a licensing deal—or possibly even buy out Brockway outright. In this negotiation, the threat of a copyright infringement lawsuit could provide useful leverage: Haverbrook has superior resources and thus, while a suit would not be without risk, may be able to credibly threaten long and expensive litigation. This combination of carrot and stick should be sufficient, if suitably used, to convince Brockway to enter into some kind of mutually beneficial arrangement. Perhaps, for example, Haverbrook could create a joint venture with Brockway, in which Brockway provides technology and Haverbrook provides magazines, financing, and national distribution.

Comments

This question generated the highest scores; many of you saw both the legal details and the big picture. I meant the problem to resemble the Google Books case, and those of you who noticed the similarity had a substantial leg up on both the detailed fair use analysis and the business advice. Note that there are some real differences in the facts of the two; you also needed to be able to engage in good old-fashioned legal analysis to draw out the similarities and distinctions. I didn't give much credit for long discussions of policy. The fair use issue is genuinely hard; you needed to be able to see both sides to get full credit.

(3) **Minting Money**

Model Answer

Trade Secret

Montagu may have had a trade secret in his betting strategy. By writing his book and applying for a patent, however, he destroyed actual secrecy on any elements of his strategy disclosed in the book or his patent application. Moreover, anything that Bayes or Runyon learned by observing Montagu's play style would be legally obtained through reverse engineering. No actionable misappropriation has occurred.

Patent

Montagu's patent application faces several substantial obstacles. For one thing, he has a severe Bilski issue. Any method for success at gambling would like fail Bilski's machine-or-transformation test, as it is not tied to any particular apparatus or specify particular transformations of matter. Bilski is on review before the Supreme Court, so you may need to revisit this question after the Supreme Court rules.

Additionally, Montagu will have trouble with the statutory bar. His book, published "recently," may or may not be more than a year before "this year." But he has been a prominent poker player for at least four years, and presumably has been using his poker strategies at tournaments for all of that time. This would be public use sufficient to start the clock ticking, rendering his strategy unpatentable at least three years ago. His use was probably not experimental, given that he was achieving significant success with it—although there is a potential argument that this sort of invention can only be tested in the open (much like the plank road).

Other obstacles Montague might face include:

- Novelty: are his techniques really original? People have been playing poker for a long time and someone else may have used all of his strategies.
- Nonobviousness: because his bets are "unpredictable," perhaps his strategy would not have been obvious to others skilled in the art of poker.
- Utility/enablement/definiteness: there is no longer a moral utility objection to gambling patents, but Montagu may face difficulty in proving that his strategy really works. Alternatively, it could be difficult or impossible to draft a patent precisely enough to explain exactly how the strategy works in sufficient detail for others to practice it fully or for them to know the scope of its claims. This point is speculative until we see the actual patent.

All in all, Montagu's patent is unlikely to issue. If it did, he could sue Bayes for using his patented strategy. He could probably not sue Runyon, as patents do not confer the right to sue those who describe the patented process.

Copyright

It will be easy for Montagu to prove that Runyon had access to his book: it was published, has sold 15,000 copies, and it would be unlikely that a commercial publisher of a poker book about Montagu would be unaware of Montagu's own book. Given that fact, there are enough similarities between the books to allow a finding of copying-in-fact. In addition to the many similarities detailed below, the books have similar titles: both include one of Montagu's minty slogans and his name. Thus, the court will need to proceed to an analysis of substantial similarity.

Following *Nichols*, it will be helpful to look at various layers of abstraction in Montagu's book and at the various expressive elements in it:

- The introduction to Montagu's book is likely highly expressive, but it does not appear that Runyon's book copies from the introduction in any significant respect.
- Montagu's strategy for playing poker is an uncopyrightable process or system under *Baker*. Thus, even though Runyon's book also describes the system, this similarity cannot contribute to a finding of infringement.
- The way that Montagu has played in the past at tournaments consists of facts, and is thus uncopyrightable. Runyon does not infringe by reporting on how Montagu has actually played in a given situation.
- Poker hands themselves are simple arrangements of a few cards in ways determined by the mathematical possibilities of dealing from a deck of cards. Each individual hand, therefore, likely consists only of the "idea" of the hand, rather than any actual expression.
- An arrangement of hands, however, is copyrightable, per *Feist*. Montagu's subjective choice of order—most aggressive to least aggressive—is a simple idea, but the choices he has made to assemble hands in this order are creative and may be copyrightable. However, if Montagu truly assembled its own order from pure statistical analysis, then they did not copy *from Montagu's book*, and thus cannot have infringed on this aspect of it. Any similarity between the order they derived and Montagu's order would be noninfringing, under the doctrine of merger: the expression in Montagu's choice of order has merged into the idea of an order based on aggressive betting.
- Each of Montagu's overall slogans may be too short to be copyrightable—but the compilation of slogans could be copyrightable. Determining whether Runyon has infringed on this compilation will require further factual development: you will need to look more closely at the slogans and the overlaps.
- The first-person stories Montagu tells about the hands are likely to be expressive, reflecting his personal impressions and his creative voice. Again, determining whether the strategy-focused third-person stories that Runyon tells are too similar to Montagu's stories will require further factual development.

All in all, Montagu has a plausible but not conclusive case for copyright infringement. Runyon could raise a fair-use defense, which will primarily turn on the same set of similarities and differences discussed above. Runyon could potentially make a transformative use argument, claiming that its book is intended to be an expression of its own views on Montagu's poker strategy, although you will need to look more closely at the book to evaluate this claim. He does not have any viable copyright claims against Bayes.

Trademark

Montagu's playing style is not a trademark (his book title notwithstanding). It is functional, since it serves to win poker games. Similarly, popping breath mints is probably not a trademark. However far trademark subject matter reaches, it does not reach this far. Popping breath mints is not a "word, name, symbol, [or] device." Nor is it an aspect of how a product is packaged or designed. It's just a personal habit.

Montagu could claim that JOHN MONTAGU is a trademark. He has his own permission, as is needed for a name trademark. The hard part for him would be proving secondary meaning for his name when used as a trademark. Similarly, he could try to claim that his slogans are trademarks. They are inherently distinctive: mints have nothing to do with poker. Even taking into account the idea of "mint" referring to a lot of money or a place that makes money, the connection is still indirect, making the marks suggestive at worst. The difficulty would be proving that he has used these phrases *as trademarks*.

The only goods on which he appears to have used any of these marks would be his book, on which both JOHN MONTAGU and MINTING MONEY appear. Given his sales, this may suffice. If he tried to argue that these are marks for his poker-playing services, the argument would likely fail, given that he doesn't sell these services to the public.

Assuming that Montagu has protectable trademarks, he could sue Runyon for infringement. The marks are not identical, but the common mint elements render them similar. The goods are similar, and will be sold in similar parts of a bookstore. The disclaimer may help with point-of-sale confusion, but Montagu could perhaps raise an initial-interest confusion claim, pointing to the fact that it appears in smaller type. Runyon could also argue that it uses Montagu's trademarks fairly (the line between fair use and nominative fair use here is quite indistinct) to describe Montagu-style poker.

Comments

This question required both precision and imagination. The more carefully you tried to determine which aspects of Montagu's book were both copyrightable and copied, the better you did. (Reciting elements of the tests for infringement at length—which some of you did for over a page—did not help your score.) Also, the more possible trademarks you came up with, the better you did. Never jump to the conclusion that there is "a" trademark or copyright at issue. Instead, look closely for all the different possibilities: that kind of detail-oriented creativity is what wins cases.