

Intellectual Property

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§ 1 Very Short Overview

1.1 Patent

1. **Elements of patentability:** subject matter, utility, written description/enablement, novelty, nonobviousness.
2. **Infringement:** claim interpretation, literal infringement, doctrine of equivalents, prosecution history estoppel.
3. **Defenses:** inequitable conduct, exhaustion.
4. **Remedies:** injunctions, damages; willful infringement.

1.2 Copyright

1. **Requirements:** originality, fixation, formalities (notice, publication, registration, deposit).
2. **Subject matter:** idea/expression, merger doctrine, useful article doctrine, government works; nine enumerated types.
3. **Ownership and duration:** works for hire, joint works, collective works; duration, division, transfer, renewal, termination of transfer.
4. **Rights of owners:** reproduction, derivative works, distribution, public performance, display.
5. **Indirect liability:** indirect, vicarious; substantial noninfringing uses.
6. **Fair use:** purpose and character, nature of work, amount, effect on market; parodies, remixes, reverse engineering.
7. **Digital copyright law:** anticircumvention (access control, copy control), safe harbors, fair use, webcasting/compulsory licenses.
8. **International copyright law:** Berne, TRIPS.
9. **Damages:** injunctions (four *eBay* factors), damages (restitution and statutory), attorney fees.

1.3 Trademark

1. **Subject matter:** trademark, service mark, trade name, slogan, certification mark, collective mark, trade dress, product configuration, color/fragrance/sound.
2. **Establishment of rights:** distinctiveness (distinctive, non-distinctive, generic, cancellation, functionality), priority, USPTO procedures, incontestability.

3. **Infringement:** use in commerce, likelihood of confusion, dilution (blurring, tarnishment, parodies), cybersquatting (ACPA, UDRP).
4. **Defenses:** abandonment, lack of supervision, nominative use, noncommercial use exception.
5. **Remedies:** injunctions, damages, corrective advertising.

1.4 Trade Secret

1. **Structure of a claim:** subject matter (value, secrecy), reasonable precautions, misappropriation.
2. **Subject matter:** value, reasonable precautions; multiple avenues of disclosure.
3. **Misappropriation:** reasonable precautions, confidential relationships, reverse engineering, IP assignment clauses, trailer clauses, noncompete agreements, inevitable disclosure.
4. **Agreements to keep secrets:** validity is contested when the secret is no longer a secret.
5. **Remedies:** injunctions, damages, attorney's fees; criminal penalties; head-start injunctions.

1.5 State Law and Federal Preemption

§ 2 Overview

2.1 Patent

1. Elements of patentability.

- (a) **Subject matter** (35 U.S.C. § 101).
 - i. Patentable: process, machine, manufacture, composition of matter. *Chakrabarty*.
 - ii. Not patentable: laws of nature, physical phenomena, abstract ideas. *Bilski*.
- (b) **Utility** (35 U.S.C. § 101).
 - i. Not patentable: compounds without known uses. Courts don't want to grant "hunting licenses." *Brenner*.
 - ii. Patentable: promising clinical results in mice. *Branan*.
 - iii. Deceptive inventions are patentable. *Juicy Whip*. But malicious inventions may not be.
- (c) **Written description and enablement** (35 U.S.C. § 112).
 - i. Must contain a **written description** that can "enable any person skilled in the art" to make it.
 - ii. You can't claim more than you enable. *Incandescent Lamp*.
 - iii. Claims are limited to their written descriptions. *Gentry Gallery*. Applicants must disclose actual structures and actual working examples. *Ariad*.
- (d) **Novelty** (35 U.S.C. § 102).
 - i. Novelty: inventor vs. prior art. Is it new?
 - ii. Priority: inventor vs. inventor. Who invented it first?
 - iii. 1952 Act: first to invent.
 - A. " . . . **priority** generally goes to the first inventor to (1) reduce an invention to practice, without (2) abandoning the invention."¹
 - B. You don't get priority if you unreasonably delayed reduction to practice. *Griffith*.
 - iv. AIA (for patents filed on or after March 16, 2013): first to file.
 - A. Removed the priority requirement.
 - B. "Prior user rights" are granted to non-patentees who were using the invention before someone else patented it, with some limitations (e.g., non-transferability).
 - v. Novelty: newness. § 102(a).
 - vi. Statutory bars: timeliness. § 102(b).

¹Casebook p. 248.

- vii. Earlier use, even if not published, establishes prior art. “Public” means “not explicitly private.” *Rosaire*.
 - viii. Publication of a single copy in a foreign university library can satisfy the publication limitation. *Hall*.
 - ix. Hidden use (i.e., “non-informing public use”) can still be public use. *Egbert*.
 - x. Experimental use is not public use. *City of Elizabeth*.
- (e) **Nonobviousness** (35 U.S.C. § 103).
- i. “Primary gatekeeper of the patent system.”
 - ii. No patent if the differences from prior art would have been obvious to a PHOSITA.
 - iii. § 103 requires an “inventive leap.” Minor obvious improvements don’t qualify. *Graham*.
 - iv. The Federal Circuit’s “teaching, suggestion, or motivation” (TSM) test is too restrictive. The standard for nonobviousness is flexible. Courts can use common sense. *KSR*.
 - v. AIA: obviousness is determined at the *filing date*, not the invention date.

2. PTO administrative procedures.

3. Infringement.

- (a) **Claim interpretation:** Courts can look to extrinsic sources, like dictionaries, to discern the meaning of claim terms. Patent construction is a matter of law, not fact (i.e., for judges, not juries). *Phillips*.
- (b) **Literal infringement:** patent owner must “show the presence of every element” of the claim. *Larami*.
- (c) **Doctrine of equivalents:** patent owner must show the “substantial equivalent” of every element of the claim. *Larami*.
- (d) Test for infringement: “Does the accused product or process contain elements **identical or equivalent** to each claimed element of the patented invention?” The new test focuses on individual elements, so it’s known as the “**all elements rule**.” *Warner-Jenkinson*.
- (e) **Prosecution history estoppel:** prevents patent holders from claiming subject matter that they surrendered during prosecution. It’s a bar to an infringement claim, but the patentee can rebut it (1) by showing that the infringing equivalent was unforeseeable at the time of application, (2) the rationale for the amendment during prosecution bears only a tangential relationship to the infringing equivalent, or (3) some other reason. *Festo*.

4. Defenses (35 U.S.C. 282).

(a) **Inequitable conduct:** To prove inequitable conduct, an accused infringer must show (1) **materiality** (that the PTO would have thought the omitted fact was important) and (2) **intent** to deceive, by a clear and convincing evidence standard. Inequitable conduct on one claim will render the entire patent unenforceable. *Therasense*.

(b) **Exhaustion.**

- i. The first sale exhausts a patentee's control over future sales and repairs (but not reconstructions).
- ii. Downstream *selling* is permitted, but *copying* is not. *Bowman*.

5. **Remedies** (35 U.S.C. §§ 283–87).

(a) **Injunctions:** plaintiffs must satisfy a four-part test to win a permanent injunction (irreparable injury, inadequacy of monetary damages, balance of hardships between plaintiff and defendant, and service of the public interest—see *eBay*). Kennedy, dissenting, would not allow injunctions for minor patents.

(b) **Damages:** (1) lost profits and (2) reasonable royalties.

- i. Goal: find “the difference between [patentee’s] pecuniary condition after the infringement, and what his condition would have been if the infringement had not occurred.” *Yale Lock*. Award the patentee’s loss, not the infringer’s gain.
- ii. *Panduit*: the patentee wants to show that would have had sales that the infringer made. To do so, the patentee must show the “absence of acceptable noninfringing substitutes.”
- iii. Reasonable royalty is a fallback when the patentee can’t show lost profits—the “hypothetical bargain” principle.

(c) **Willful infringement:** requires more than a showing of negligence. *Seagate*.

2.2 Copyright

1. Requirements.

- (a) **Originality**: must have a modicum of creativity. Facts are not copyrightable, but the “selection, coordination, and arrangement” of facts can be. *Feist*.
- (b) **Fixation** in a tangible medium.
- (c) **Formalities**:
 - i. *Notice*: encouraged but not required.
 - ii. *Publication*: not required, but still relevant—see p. 457.
 - iii. (See “Analyzing Publication and Notice Problems” below.)
 - iv. *Registration*: has always been voluntary. Required to bring an infringement suit.
 - v. *Deposit*: mandatory as part of registration, but failure results only in a fine, not invalidity.

2. Subject matter.

- (a) **Idea/expression dichotomy**: no protection for “any idea, procedure, process, system” A useful idea cannot be copyrighted, but an explanation of how to use it can be. *Baker v. Selden*.
- (b) Computer menus are “methods of operation” (under 17 U.S.C. § 102(b)) and therefore not copyrightable. *Lotus v. Borland*.
- (c) **Merger doctrine**: no protection for an expression if it’s the only feasible way to express an idea—e.g., mathematical formulae.
- (d) **Useful article doctrine**: spectrum from purely functional design (e.g., industrial design—*unprotectable*) to pure expression (e.g., applied art, like a lamp sculpture—*protectable*). The only protected parts of a “picture, graphic, or sculpture” work are the “features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” § 101. No protection if form and function are inextricable. *Brandir*.
- (e) **Government works**: not protected.
- (f) **Types of protected works** (“illustrative, not limitative”—§ 101):
 - i. Literary. Includes software.
 - ii. Pictorial, graphic, sculptural. See *Brandir* and the useful article doctrine above.
 - iii. Architectural. Applies to the overall design.
 - iv. Musical works and sound recordings. Musical works (sheet music, lyrics, arrangements): fully protected. Sound recordings: no traditional performance rights (although they now have a digital

performance right). For radio broadcasts, the owner of the copy-right of the *composition* gets a royalty, but the *performer* does not.²

- v. Dramatic, pantomime, choreographic.
- vi. Motion pictures and audiovisual works. Includes soundtracks.
- vii. Semiconductors and vessel hulls: *sui generis*.
- viii. Derivative works: owner of the original controls. Compilations: must involve some degree of creativity.

3. Ownership and duration.

(a) Initial ownership rights:

- i. Vests at the moment of creation.
- ii. **Works for hire:** employer owns. § 201(b). A commissioned work is a work for hire if it falls into one of nine enumerated categories (“work made for hire,” § 101). Courts apply the common law agency rule. See *CCNV v. Reid* and p. 512 top.
- iii. **Joint work:** required (1) a copyrightable work, (2) two or more authors, and (3) intent to merge contributions into an inseparable or interdependent unitary whole. *Aalmuhammed v. Lee*.
- iv. **Collective works:** copyright in a contribution is distinct from copyright in the entire collection. § 201(c).
- v. (See “Analyzing IP Ownership Problems.”)

(b) Duration and renewal:

- i. **Duration:** life of the author plus 70 years.
- ii. To determine duration for works published earlier, see the chart on pp. 527–29.
- iii. Renewal was required under the 1909 Act, but is **no longer required**.
- iv. Copyright law **restricts the alienability of copyrights** in various ways.³
- v. **Division and transfer:**
 - A. 1909 Act: copyright holders could not divide their right. They could assign the whole thing, but any lesser transfer was considered a license.
 - B. 1976 Act: Eliminated restrictions on indivisibility. Allows for exclusive licenses. Any holder of an exclusive license can bring an infringement suit.⁴

vi. Renewal and termination of transfer:

²Casebook p. 502.

³Casebook p. 532.

⁴Casebook p. 533.

- A. 1909 Act: upon renewal, copyright holders could reclaim copyright interests that they had licensed. (But most licensees insisted on advance assignment.)
- B. 1976 Act: eliminated the renewal requirement. Copyright holders could terminate transfers of copyright between the thirty-fifth and fortieth year from the execution of the transfer. Congress wanted to give stronger rights to authors and their families. This violates freedom of contract, but it compensates for publishers' "unequal bargaining power."⁵

4. Rights of owners.

- (a) **Reproduction:** proving infringement requires (1) copying (proof of access, striking similarity) and (2) improper appropriation.
 - i. Circuits are split on whether you must show access. Second: no need to prove access if there is enough similarity. Seventh: you *must* show evidence of access.
 - ii. **Levels of abstraction:** infringement is not limited to the literal text. But there is a level of abstraction where a work is no longer protected [because at that level it's an idea, not an expression]. *Nichols v. Universal*.
 - iii. Software: "those elements of a computer program that are necessarily incidental to its function are . . . unprotectable." *Computer Associates v. Altai*. Apply the **abstraction, filtration, and comparison** test:
 - A. **Abstract** the program into its structural parts.
 - B. **Filter** out the merged ideas and public domain parts.
 - C. **Compare** the remaining protected pieces with the structural parts of the allegedly infringing program.
- (b) **Derivative works:** owner has the exclusive right. § 106(2). Stock scenes and characters are not copyrightable, but specific characters are. *Anderson v. Stallone*.
- (c) **Distribution:** owner has exclusive right—but the right extends only to the **first sale**. *Kirtsaeng v. Wiley*.
- (d) **Public performance and display:**
 - i. 1972: no public performance rights for *analog* sound recordings. But there are performance rights for *digital* sound recordings (1995).
 - ii. **Public interest exemption** (§ 110): generally applies to educational, free, or charitable performances and displays.⁶ Fairness in Music Licensing Act (1998) broadened exemptions for homes, small business, restaurants, and certain larger establishments.

⁵Casebook p. 533.

⁶Casebook p. 592.

- iii. **Compulsory licenses**—five areas: cable, satellite, jukeboxes, public broadcasting, webcasting.⁷
- iv. **Moral rights**: applies only to visual works. Resulted from Berne, 1990.

5. Indirect liability.

- (a) **Indirect liability**: applies to those who **contribute to, induce, or profit from** infringement, or those who **sell products** that others can use to infringe.⁸
- (b) **Vicarious liability**: applies when someone exercises direct control over another.
- (c) **Substantial noninfringing uses** can insulate a manufacturer from contributory liability. *Sony v. Universal*.

6. Fair use.

- (a) Four factors (§ 107):
 - i. **Purpose and character** (e.g., commercial/nonprofit).
 - ii. **Nature of the copyrighted work**.
 - iii. **Amount** and substantiality of the portion used.
 - iv. **Effect of the use upon the potential market** or value of the original.
 - v. (Detailed analysis of the four factors: see *American Geophysical Union v. Texaco*.)
- (b) Overcoming fair use requires the copyright holder to show a likelihood of harm. *Sony v. Universal*.
- (c) Critiques of *Sony*'s "substantial noninfringing use standard":
 - i. If 85% of uses are infringing and 15% are infringing, there is no liability. This is inefficient and costly.
 - ii. Menell and Nimmer: apply a "reasonable alternative design" standard (from tort law). A different product design could significantly reduce infringement at very little cost.
 - iii. Lanier: machines are shaping society instead of the other way around.
- (d) Commercial uses are presumptively *not* fair uses. The effect on the market is a key factor. *Harper & Row v. Nation*.
- (e) Wendy Gordon, fair use as market failure: fair use makes sense when there are no opportunities for private agreements—unfavorable reviews of a book.

⁷Casebook p. 593–92.

⁸Casebook p. 598.

- (f) **Parodies** are fair use because they are transformative, although courts should consider the effects on derivative markets. *Campbell v. Acuff-Rose*.
- (g) **Remixes** can copy entire works if the use is transformative. *Bill Graham Archives v. DK*.
- (h) **Reverse engineering**: “We conclude that where disassembly is the **only way to gain access to the ideas and functional elements** embodied in a copyrighted computer program and where there is a legitimate reason for seeking such access, disassembly is a fair use of the copyrighted work, as a matter of law.” *Sega v. Accolade*.

7. Digital copyright law.

- (a) **Anticircumvention** prohibits (1) circumventing or enabling evasion of TPMs for *access control* and (2) enabling evasion of TPMs for *copy control*. §§ 1201(a), (b). Circumventing authentication violates the DMCA. *Realnetworks*.
- (b) **Safe harbors**: OSPs must (1) have a termination policy for repeat infringers, (2) must adopt “standard technological measures” to screen copyrighted works, and (3) must identify a notice and take-down agent. To be liable, the OSP must have **knowledge or awareness of specific infringing activity**. *Viacom v. YouTube*.
- (c) **Fair use**: Google Image search thumbnails are fair use. A search engine “transforms the image into a pointer, directing a user to a source of information.” *Perfect 10 v. Amazon*.
- (d) **Webcasting and compulsory licenses**:
 - i. Current law: “interactive services” must negotiate directly with copyright owners; non-interactive services have a compulsory license.
 - ii. Lessig, Fisher: there should be an Internet-wide compulsory license for downloading music. We should separate compensation from control. See *Free Culture*.

8. International copyright law.

- (a) Lack of formalities has led to nearly worldwide protection for most works.⁹
- (b) Berne, TRIPS.

9. Enforcement and remedies.

- (a) **Injunctions**—four factors (*eBay*¹⁰):
 - i. Irreparable injury;

⁹Casebook p. 742.

¹⁰Casebook p. 753.

- ii. The inadequacy of other remedies;
 - iii. Considering the balance of hardships between the plaintiff and defendant, an injunction is warranted; and
 - iv. “. . . that the public interest would not be disserved . . .”
- (b) **Damages:** should be compensatory, not punitive. *Sheldon v. Metro-Goldwyn*.
- (c) **Statutory damages:**
- i. Available to copyright holders who registered their work.¹¹
 - ii. Unintentional infringement: \$750 to \$30,000 (or \$200 as a lower bound if the infringer had no reason to believe the activity constituted infringement) per infringed work.
 - iii. Willful infringement: up to \$150,000 per infringed work.
- (d) **Attorney fees:** courts have discretion.¹²

¹¹Casebook p. 759.

¹²Casebook p. 761.

2.3 Trademark

1. Subject matter.

- (a) **Trademark:** “word, name, symbol, or device” to **identify and distinguish** goods and to **indicate the source** of goods. The source can be unknown; what matters is that the trademark is a unique identifier.¹³
- (b) **Service mark:** “word, name, symbol, or device” to identify *services*. Generally subject to the same rules as trademarks. E.g., “Hyatt hotel services.”
- (c) **Trade names:** can only be registered if they *identify the source of particular goods*, rather than a company alone.¹⁴
- (d) **Slogans:** “the greatest show on earth.”
- (e) **Certification mark:** “word, name, symbol, or device” to certify characteristics of a product—i.e., a seal of approval. Used by trade associations and commercial groups—e.g., “Good Housekeeping,” the city of Roquefort.¹⁵
- (f) **Collective mark:** trademark or service mark adopted by a collective. It can be (1) used by its members to distinguish its products from non-member products, or (2) indicating membership in a collective group, like a union.¹⁶ Marks of the first type are useful in franchising arrangements.¹⁷
- (g) **Trade dress and product configuration:** design and packaging—and sometimes the design of the product itself.¹⁸
- (h) Colors, fragrances, sounds. *Qualitex*.

2. Establishment of rights.

- (a) **Distinctiveness:**
 - i. **Distinctive** (protectable): arbitrary, fanciful, suggestive.
 - ii. **Non-distinctive** (require secondary meaning): descriptive, geographic, personal names, colors, fragrances, sounds.
 - iii. **Generic** (not protectable): born generic or suffer genericide. *Murphy Door Bed*. Firms try to police the use of their marks (“You can’t Xerox a Xerox on a Xerox”), but they bump into the First Amendment.
 - iv. Descriptive terms can be trademarked, but the **fair use** defense allows competitors to use them in their original, descriptive sense. Fair use applies only to descriptive marks. *Zatarain’s*.

¹³15 U.S.C. § 1127; casebook p. 771.

¹⁴Casebook p. 772.

¹⁵Casebook pp. 772–73.

¹⁶Casebook p. 773.

¹⁷Casebook p. 774.

¹⁸Casebook p. 774.

- v. Anybody can petition for **cancellation** of a name that has become generic. 15 U.S.C. § 1064 (Lanham § 14). Courts can also declare trademarks to be generic.
- vi. Proof of secondary meaning is **not required for an inherently distinctive trade dress to be protectable**. Trade dress should be treated the same as verbal or symbolic trademarks. *Two Pesos*.
- vii. Product *design*, like color, is not inherently distinctive, so it's protectable only on a showing of secondary meaning. *project packaging* can be inherently distinctive, so it doesn't require secondary meaning. *Wal-Mart*.
- viii. **Functional** trade dress is unprotected. Utility patents can support a finding that trade dress is functional, though courts are split.

(b) **Priority:**

- i. § 45(a): mark must be (1) used in commerce or (2) registered with a bona fide intent to use in commerce.¹⁹
- ii. Knowledge that another person plans to use a mark does not prevent you from using it. However, the **intent to use** rule lets someone “reserve” a mark if it is actually used within six months (extendable to up to three years for good cause). § 1051(b), Lanham § 1(b). *Zazu*.
- iii. Registration establishes national priority. For unregistered marks, concurrent users can expand their geographic areas unless it causes confusion.
- iv. Two types of **concurrent use**: (1) different products in the same market, (2) different geographic markets.

(c) **Trademark office procedures:**

- i. **Principal register**: allows nationwide constructive notice and use, and incontestable status after five years.
- ii. **Secondary register**: to register in foreign countries, it used to be required for a mark to be registered domestically first.
- iii. Marks can be rejected for being immoral, deceptive, or scandalous.
- iv. Can also be rejected for being **merely descriptive, primarily geographically descriptive, or primarily geographically deceptively misdescriptive**—e.g., Wisconsin cheese, Washington apples. Specific exceptions for appellations of origin for wine and spirits (e.g., Bourbon) and certification marks (e.g., Roquefort).
- v. “Nantucket” for men's shirts is ok because buyers are unlikely to be deceived about the shirts' origin. *Nantucket*.

¹⁹Casebook p. 828.

(d) **Incontestability:**

- i. Descriptiveness does not outweigh incontestability. For the requirements to gain incontestable status, see § 1065. *Park 'N Fly*.
- ii. Defenses that survive incontestability: § 33(b). Also: genericness, antitrust, equitable doctrines (laches, etc.).

3. **Infringement.**

- (a) Infringement under the Lanham Act requires “**use in commerce.**” § 1114. Liability arises when the use is “likely to cause confusion [or mistake or deception].” § 1125(a). *Rescuecom*.

- (b) There must be a **likelihood of customer confusion**. See the seven factors from *Sleekcraft*.

(c) **Dilution.**

- i. Five elements (§ 1125(c)):
 - A. Mark must be **famous**. Factors: 42(c)(2)(A).
 - B. Mark must be **distinctive** (spectrum: generic to arbitrary/fanciful).
 - C. Junior user makes commercial use of the mark in commerce...
 - D. ...after the senior mark has become famous.
 - E. Two kinds:
 - **Blurring**: “impairs the distinctiveness.” Six factors. § 42(c)(2)(B).
 - **Tarnishment**: “harms the reputation.” § 43(c)(3)(A).
- ii. Limiting factors (43(c)):
 - A. Can only win an injunction.
 - B. Registration of the defendant’s mark is a complete defense.
 - C. **Exclusions**: fair use, news, noncommercial use.
- iii. Successful **parodies** do not dilute by blurring because they do not “impair the distinctiveness” (43(c)(2)(B)) of the original mark. But parody is a defense only if the trademark is not being used qua trademark. *Louis Vuitton*.

(d) **Cybersquatting.**

- i. Domestic: Anticybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d). Creates a civil cause of action when:²⁰
 - A. **Bad faith intent to profit**.
 - B. Name is **identical or confusingly similar** to a distinctive mark.
 - C. ...or **dilutive of a famous mark**.

²⁰Casebook p. 911.

- D. **Legitimate use factors** (§ 43(d)(1)(B)): trademark or other IP rights of the person in the domain name; use of the person's legal name; prior bona fide uses; offers to transfer for financial gain; knowing registration of multiple confusingly similar names.
 - ii. ICANN/UDRP: WIPO-administered arbitration. Applies when:
 - A. Name is **identical or confusingly similar**.
 - B. **No rights** or legitimate interests.
 - C. Name is registered and used in **bad faith**.
 - (e) Courts don't like bad faith registration. *PETA*.
4. **Defenses.**
- (a) **Abandonment**: requires (1) discontinuation of use (2) with no intent to resume. *MLB v. SNOD*.
 - (b) **Lack of supervision** in a licensing arrangement can cause abandonment. *Dawn Donut*.
 - (c) **Nominative use**: trademark owners do not have the right to control uses beyond the source-identifying function. *Mattel*.
 - (d) Noncommercial use exception: expressive uses are entitled to First Amendment protections. *Mattel*.
5. **Remedies.**
- (a) **Injunctions**: the default.
 - (b) **Damages** (§ 1117(a)):
 - i. Plaintiff can recover:
 - A. Defendant's **profits**.
 - B. Plaintiff's **damages**.
 - C. **Costs** of the action.
 - ii. Courts can award up to **three times** actual damages.
 - (c) Courts can award "**corrective advertising**" damages when a junior user co-opts a senior user's mark, creating confusion as to the origin of the senior user's products.

2.4 Trade Secret

1. Structure of a claim.

- (a) Eligible **subject matter**:
 - i. Derives value from remaining secret.
 - ii. Actually kept secret.
- (b) Owner has taken **reasonable precautions** to keep it secret.
- (c) **Misappropriation**.

2. Subject matter.

- (a) There must be value in keeping it a secret. Factors include: level of confidentiality, the value to the secret holder, and the cost of developing the secret. *Metallurgical Industries v. Fourtek*.
- (b) Evidence of **reasonable precautions** makes acquisition through “proper means” very unlikely. *Rockwell Graphic*.
- (c) **Public disclosure** destroys the secret, but as long as the secret remains secret, it’s protectable. A non-disclosure agreement *may* be good enough. *Data General*.
- (d) Trade secrets can be disclosed in several ways: (1) publication, (2) sale of a product that embodies the secret, (3) disclosure by someone other than the owner, (4) inadvertent disclosure, or (5) forced disclosure by government agencies.²¹

3. Misappropriation.

- (a) Where a person has taken **reasonable precautions** to preserve secrecy, taking the secret is improper. Illegal conduct or a breach of a confidential relationship are not required. *duPont*.
- (b) Confidential relationships can be implied from the circumstances. *Smith v. Dravo*.
- (c) Reverse engineering is a legitimate use of another’s trade secret. *Kadant*.
- (d) **IP assignment clauses**: some states, like CA, don’t allow employers to require assignment of completely independent employee inventions. See *Roberts v. Sears*.
- (e) **Trailer clauses** (or follow-on clauses): IP assignment agreement extends X months after the period of employment.
- (f) California invalidates **noncompete clauses** in employment contracts, unless they are necessary to protect the employer’s trade secrets. The policy is to promote “free and full practice of one’s profession.” But California is a distinct minority. Most states enforce noncompetes. *Edwards v. Arthur Andersen*.

²¹Casebook p. 60-63.

- (g) **Inevitable disclosure:** possible to win an injunction to prevent employees from defecting to competitors because they will inevitably disclose trade secrets. But some courts (e.g., Cal. App.) have rejected it.

4. **Agreements to keep secrets.**

- (a) If the information doesn't meet the requirements to be a trade secret, can the parties still agree by contract to keep it secret? Yes—*Warner-Lambert*. But many courts disagree.
- (b)

5. **Remedies.**

- (a) The UTSA allows injunctions, damages, and attorney's fees.²²
- (b) Criminal provisions: CA penal code § 499(c); federal Economic Espionage Act (1996), § 1831.
- (c) **Head-start injunction:** courts may grant it when (1) a permanent injunction would harm employee mobility and the public interest, and (2) no injunction would give the culpable employees an unfair head start in the market. *Winston v. 3M*.

²²Casebook p. 111–12.

2.5 State Law and Federal Preemption

§ 3 Introduction

3.1 U.S. Const., Article I, § 8, Cl. 8

1. “The Congress shall have power to . . . promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”

3.2 Philosophy

3.2.1 Natural Rights: Locke, *Two Treatises on Government*

1. Property derives from labor of the body and work of the hands—as long as he leaves “enough and as good” in the commons for others.²³
2. How does Locke’s theory apply to intellectual (non-tangible) property?
3. Europeans emphasize natural rights—e.g., reputation and noneconomic aspects.²⁴

3.2.2 Personhood: Radin, *Property and Personhood*

1. Two views of property: personal and fungible.²⁵
2. Hegel: property is embodied will.²⁶

3.2.3 Utilitarian/Economic Incentive

1. The dominant justification for American IP law.
2. Two functions:²⁷
 - (a) Provide incentives to create.
 - (b) Ensure the integrity of the marketplace.

3.3 Overview of Intellectual Property

1. See pp. 25–31.
2. See especially the table on pp. 26–28.
3. Patent: short and fat.
4. Copyright: long and thin.

²³Casebook p. 2.

²⁴Casebook p. 5.

²⁵Casebook p. 7.

²⁶Casebook p. 8.

²⁷Casebook p. 11.

5. Trademark: from consumers to brands.
6. Trade secret: common law, common sense.

§ 4 Patent

4.1 Introduction

4.1.1 Basic Patent Procedure

1. File for a patent with the PTO.
2. An examiner is assigned to the application. The review process takes two to four years on average.
3. Applicants can appeal adverse rulings of the PTO Board of Appeals to a federal appellate court.
 - (a) Pre-1982: Court of Customs and Patent Appeals.
 - (b) 1982 and on: U.S. Court of Appeals for the Federal Circuit.

4.1.2 History

1. First patent system: Venice, fifteenth century.²⁸
- 2.
3. First U.S. patent statute: 1790.
4. 1952: Patent Act.
5. 1982: Federal Courts Improvement Act. Created the Federal Circuit. Aimed to unify patent doctrine, and had the effect of strengthening patent protections.²⁹

4.1.3 Overview of the Patent Laws

4.1.3.1 Requirements for Patentability

1. **Subject matter**.³⁰
2. **Novelty**: not preceded in identical form by prior public art. 35 U.S.C. § 102.
3. **Utility**: it must be useful (a low barrier). 35 U.S.C. § 101.
4. **Nonobviousness**: a nontrivial extension of what was known (the most important requirement). 35 U.S.C. § 103.
5. **Disclosure and enablement**: disclosed in a way that enables a person having ordinary skill in the art (PHOSITA) to make and use the invention. 35 U.S.C. § 112.

²⁸Casebook p. 123.

²⁹Casebook p. 127.

³⁰Casebook pp. 128–29.

4.1.3.2 Rights Conferred by a Patent

1. **Claims:** boundaries of the property right the patent confers.³¹
2. **Specification:** describes the invention.
3. Patents confer exclusive rights for a term of years.³²
 - (a) Post-GATT-TRIPS (1995): 20 years from the filing date.
 - (b) Previously: 17 years from the date the USPTO issued the patent.
4. Patent rights are negative, i.e., they let you prevent others from acting.

4.1.4 Theories of Patent Law

1. Patents give a market-driven incentive to invest in innovation.³³

4.2 Elements of Patentability

4.2.1 Patentable Subject Matter

4.2.1.1 35 U.S.C. § 101: Inventions Patentable

1. “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”

4.2.1.2 Compositions of Matter: *Diamond v. Chakrabarty*

1. Chakrabarty invented a genetically engineered version of pseudomonas to break down hydrocarbons to help with oil spill cleanups.
2. Three claims:³⁴
 - (a) The **process** of creating the bacteria.
 - (b) An “inoculum,” including a carrier (a **combination** claim).
 - (c) “. . . the bacteria themselves.”
3. Patentable subject matter comprises “anything under the sun that is made by [humans].”
4. Things that are *not* patentable:
 - (a) Laws of nature—e.g., Newton’s law of gravitation.

³¹Casebook p. 129.

³²Casebook p. 130.

³³Casebook p. 131.

³⁴Casebook p. 129.

- (b) Physical phenomena—e.g., naturally occurring plants or minerals.
 - (c) Abstract ideas—e.g., $E=mc^2$.
5. Chakrabarty's bacterium was not naturally occurring. Rather, it was "**a product of human ingenuity . . .**"—"not nature's handiwork, but his own."

4.2.1.3 Abstract Ideas: *Bilski v. Kappos*

Rather than adopt categorical rules, the Supreme Court held narrowly that the hedging technique in question was not patentable because it was an abstract idea.

The Federal Circuit's machine-or-transformation test is *not* the sole test for what counts as a "process." Business methods *are* protectable today.³⁵

Unpatentable abstractions include things like risk hedging or algorithms. But the specific applications of these abstract ideas may be patentable.

1. Bilski patented a commodity price hedging technique known as the fixed price contract. He called it a "method." He also made a dependent claim, which applied the general method to energy markets.
2. Held: this process did not physically transform anything (compared to, e.g., a chemical process).
3. Federal circuit (which the Supreme Court rejected):
 - (a)
 - (b) **Machine or transformation test:** to be patentable, a process must either:
 - i. Transform an article to a different state or thing, and/or
 - ii. Be "tied to a particular machine."
4. Supreme Court:
 - (a) Four categories of patentable subject matter:
 - i. Process.
 - ii. Machine.
 - iii. Manufacture.
 - iv. Composition of matter.
 - (b) Three exceptions (derived from the requirement that patentable inventions be new and useful):
 - i. Laws of nature.
 - ii. Physical phenomena.

³⁵Merges, *Six Impossible Patents before Breakfast*, <http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=1162&context=facpubs>.

iii. Abstract ideas.

5. Justice Kennedy, concurring: the machine-or-transformation test might be useful for Industrial Age inventions, but it may not be well suited to the Information Age.
6. Justice Stevens, dissenting: business methods are categorically unpatentable as processes under § 101.

4.2.1.4 Preemption: *Mayo v. Prometheus*

1. “The Court has repeatedly emphasized . . . a concern that patent law not inhibit further discovery by **improperly tying up** the future use of laws of nature.
2. Preemption = overbreadth.
3. Purpose of § 101: preserve the “basic tools” of scientific discovery for common use.

4.2.1.5 Genes: *AMP v. Myriad Genetics, Inc.*

1. *Myriad* decided only the subject matter threshold.
2. Are human DNA sequences patentable?
3. Is isolating DNA a inventive act that gives patent rights to the one who isolated it?
4. Supreme Court:
 - (a) Naturally occurring DNA segments are not patentable, even if the isolation involved significant effort. Cf. *Chakrabarty*.
 - (b) But non-naturally occurring cDNA is patentable because it’s the product of human invention.

4.2.2 Utility

1. § 101: “Whoever invents or discovers any new **and useful** process . . . ”
2. No patents for:
 - (a) **No known utility**, e.g., perpetual motion machines.
 - (b) **Malicious utility** (Justice Story).
3. What about new chemical compounds with no known uses?
4. The presumption is that an invention is useful. The PTO bears the burden of disproving utility.

4.2.2.1 Promising *Experimental* Results—Not Patentable: *Brenner v. Manson*

1. Patents cannot be granted for chemical compounds with no known uses. “ . . . a patent is not a hunting license. It is not a reward for the search, but compensation for its successful conclusion.”³⁶

4.2.2.2 Promising *Clinical* Results—Patentable: *In re Brana*

1. Results from mice testing suggest efficacy in humans, so they pass the utility threshold.³⁷

4.2.2.3 Timing: *In re Fisher*

1. The underlying genes in question had no known function.
2. Held: utility was too attenuated. The patent would have been a hunting license.
3. Applicant must show utility as of the filing date.³⁸

4.2.2.4 Patent Office Utility Guidelines

1. It has to actually work.³⁹

4.2.2.5 Moral Utility

1. Historically, often used to deny gambling patents.⁴⁰

4.2.2.6 Designed to Deceive: *Juicy Whip, Inc. v. Orange Bang, Inc.*

1. Deceptive inventions are patentable.
2. “All that the law requires is, that the invention should not be frivolous or injurious to the well-being, good policy, or sound morals of society. The word “useful,” therefore, is incorporated into the act in contradistinction to mischievous or immoral.” *Lowell v. Lewis*, 15 F. Cas. 1018, 1019 (CC Mass. 1817).
3. Deception can be useful—e.g., cubic zirconium.

³⁶Casebook p. 179.

³⁷Casebook p. 181.

³⁸Casebook p. 182–85.

³⁹Casebook p. 185–87.

⁴⁰Casebook p. 187–88.

4.2.3 Written Description and Enablement

4.2.3.1 35 U.S.C. § 112

1. Must contain a **written description** that can “**enable any person skilled in the art**” to make it.

4.2.3.2 Overly Broad Claims and Enablement: *The Incandescent Lamp Patent*

1. Sawyer and Man had a patent on a lightbulb involving “fibrous or textile material.” They tried to assert it against Edison, who was using bamboo in his own bulbs.⁴¹
2. S&M tried to monopolize the use of “all fibrous or textile material” in lightbulbs. But they had only tried a few types. They hadn’t discovered “a quality common to them all,” so their claim was too broad. Their claim would have included over 6,000 types of plants and products, but really they had only tested a few.
3. The S&M patent only enabled the use of the materials they had tested (carbonized paper, etc.).

4.2.3.3 Written Description: *The Gentry Gallery, Inc. v. The Berkline Corp.*

1. Claims are limited to the written description.
2. “. . . the scope of the right to exclude may be limited by a narrow disclosure.”⁴² Gentry’s patent only described the placement of recliner controls inside the console, so it could not prevent its competitors from placing controls elsewhere.

4.2.3.4 *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*

1. The written description requirement requires the disclosure of actual structures and actual working examples in order to justify the broad scope of a claim.
2. § 112 excludes inventions from patent protection due to inadequate disclosure. Compare to § 101, which excludes entire *categories* for overbreadth.

⁴¹Casebook p. 196 ff.

⁴²Casebook p. 208.

4.2.4 Novelty and Statutory Bars

4.2.4.1 Novelty

1. Old law (1952 Act): **first to invent**. Defines novelty from the *date of first invention*.
2. New law (AIA, 2011): **first to file**. Novelty is measured as of the *date of the patent application*. Takes effect for patents filed on or after March 16, 2013.⁴³
3. **Novelty**: *newness*. Was it new compared to the prior art? 35 U.S.C. § 102(a).
4. **Statutory bar**: *timeliness*. A bar based on too long a delay in seeking patent protection. Did the inventor file soon enough? § 102(b).

4.2.4.2 Main Issues under Novelty

1. **Reference**: a single piece of prior art.
2. **Timing**: what does the prior art include?
3. **Similarity**: how similar must prior art be to anticipate (i.e., destroy) a patent?
4. **Categories of prior art**—35 U.S.C. § 102(a)(1):
 - (a) Patented.
 - (b) Described in a printed publication.
 - (c) In public use, on sale, or otherwise available to the public.

4.2.4.3 Statutory Bars

1. Under § 102(b), an inventor loses the right to patent if, more than one year prior to filing, the invention was:
 - (a) Patented by another elsewhere.
 - (b) Patented by the applicant in a foreign country.
 - (c) Described in a printed publication anywhere.
 - (d) In public use in the United States.
 - (e) On sale in the U.S.

⁴³Casebook p. 226.

4.2.4.4 35 U.S.C. § 102 (1952): Conditions for patentability; novelty and loss of right to patent

1. (a) Novelty.
2. (b) Statutory Bars.
3. (c), (d): (omitted).
4. (e) Secret Prior Art: Previously filed applications.
5. (f) Derivation.
6. (g) (interference proceedings).

4.2.4.5 Novelty: *Rosaire v. National Lead Co.*

Issue: § 102(a) bars patentability if the invention was “known or used by others.” What does it mean to be known or used?

Held: earlier use, even if not published, establishes prior art. I.e., “public” means “not explicitly private.” This is a very liberal definition of prior art. See *Hall* below.

1. 1936: Rosaire and Horovitz patented a method for analyzing soil to detect nearby oil.⁴⁴
2. National Lead argued that the patent was invalid and that there had been no infringement.
3. Rosaire admitted that Teplitz first invented the method, but argued that Teplitz did not publish his ideas and that they were experimental.
4. Held: Teplitz use was actual, not experimental, and that publication was not required as long as Teplitz did the work openly.

4.2.4.6 Inherency Doctrine

1. If somebody accidentally comes up with an invention, is that invention prior art if somebody later deliberately invents the same thing? Courts are divided. Newer cases have focused on whether the earlier invention provided a public benefit.⁴⁵

⁴⁴Casebook p. 228.

⁴⁵Casebook p. 233.

4.2.4.7 Statutory Bars—Defining “Publication”: *In Re Hall*

Publication of a single copy in a foreign university library can satisfy the publication limitation.

- Hall applied for a chemical patent. The PTO rejected it because the same process had been published in a German doctoral dissertation more than a year earlier.⁴⁶
- On appeal, the court held that publication in a university library was “sufficiently accessible, at least to the public interested in the art, so that such a one by examining the reference could make the claimed invention without further research or experimentation.”⁴⁷ Affirmed.

4.2.4.8 Statutory Bars—Public Use: *Egbert v. Lippmann*

Hidden use (i.e., “non-informing public use”) can still be public use. The inventor here slept on his rights for 11 years.

1. Barnes invented a new type of corset spring in 1855 but did not apply for a patent until 1866. In the meantime, he had given at least two pairs to Frances, who later became his wife and the assignee of the patent.⁴⁸
2. Frances sued for patent infringement. The question was whether the invention had been in public use for more than two years⁴⁹ before the patent application.
3. The Court (Justice Woods) held that it was a public use because (1) a single use is enough, (2) giving the invention to one person is enough, and (3) selling a hidden component of a public machine is still public use.
4. Justice Miller, dissenting: if a hidden corset spring is a public use, how can anything be a private use?⁵⁰

4.2.4.9 Experimental Use Exception: *City of Elizabeth v. Pavement Company*

Experimental use is not public use.

1. Nicholson was issued a patent for wooden pavement in 1854. He had been testing the design for the previous six years on a public street in Boston.⁵¹

⁴⁶Casebook p. 234.

⁴⁷Casebook p. 235.

⁴⁸Casebook pp. 237–39.

⁴⁹Now the period is one year.

⁵⁰Casebook p. 240.

⁵¹Casebook pp. 243–44.

2. Nicholson sued the City of Elizabeth for infringement. Elizabeth argued that the patent was invalid because the invention was in public use.
3. The court held that experimental use is an exception to the public use restriction. Here, Nicholson intended the use to be experimental, and the public's use was only "incidental."⁵²

4.2.4.10 Priority under the 1952 Act: 35 U.S.C. § 102: Novelty and Loss of Right

1. Priority is about being **first**. Novelty is about being **new**.
2. A person gets a patent unless:
 - (a) (g)(1) during the course of an interference, another inventor (from any WTO country) establishes that he got there first, or
 - (b) (g)(2) another U.S. inventor made the invention first.
3. "... priority generally goes to the first inventor to (1) reduce an invention to practice, without (2) abandoning the invention."⁵³ An exception arises if the inventor was not the first to reduce to practice but was reasonably diligent in doing so.
4. AIA sweeps away this complexity in favor of a first-to-file system—see below.

4.2.4.11 Priority and the Reasonable Diligence Exception: *Griffith v. Kanamaru*

Delays to make an invention more marketable do not fall within the reasonable diligence exception. In other words, you don't get priority if you unreasonably delayed reduction to practice.

1. Griffith and Kanamaru both invented the same compound.
2. Timeline:
 - (a) June 30, 1981: Griffith established conception.
 - (b) November 17, 1982: Kanamaru filed for a patent.
 - (c) June 15, 1983 to September 13, 1983: Griffith was inactive.
 - (d) January 11, 1984: Griffith reduced to practice.
3. Griffith argued that he was reasonably diligent in reducing the invention to practice while (1) he sought funding, as a form of peer review, and (2) awaited the matriculation of a particular grad student, even though there were other students who could have done the work.⁵⁴

⁵²Casebook pp. 245–46.

⁵³Casebook p. 248.

⁵⁴Casebook p. 250.

4. The court held that the reasonable diligence exception applies to “every-day problems and limitations” (e.g., illness), but held that delays in order to “refine an invention to the most marketable and profitable form have not been accepted as sufficient excuses for inactivity.”⁵⁵
5. Held (affirming the PTO): Griffith failed to establish a prime facie case of reasonable diligence or a sufficient excuse for inactivity.⁵⁶

4.2.4.12 Prior User Rights

1. Under the 1952 act, a patent holder can exclude another who independently developed the same invention from using it.
2. The AIA addressed this problem by granting “prior user rights” to non-patentees who were using the invention before someone else patented it, with some limitations (e.g., non-transferability).⁵⁷

4.2.4.13 Novelty, Priority, and Statutory Bars under the AIA

1. The AIA introduced **three main changes regarding novelty and priority**:⁵⁸
 - (a) The critical date is when a patent is first filed.
 - (b) Relevant prior art consists of all references available prior to the filing date, with a one-year grace period.
 - (c) Priority contests will be determined by filing dates.
2. **Structure:**
 - (a) 102(a) Novelty; Prior Art: patent granted unless—
 - i. (1) Published before filing date.
 - ii. (2) Described in another previously filed patent.
 - iii.
 - (b) (b) Exceptions—
 - i. (1) Disclosure made less than one year before filing is not prior art if—
 - A. Made by the inventor.
 - B. Based on information from the inventor.
 - ii. (2) Disclosure is not prior art under (a)(2) if—
 - A. Subject matter was obtained from the inventor.
 - B. Subject matter had been disclosed by the inventor.

⁵⁵Casebook p. 250–51.

⁵⁶Casebook p. 251.

⁵⁷Casebook p. 252.

⁵⁸Casebook p. 253.

C. Subject matter disclosed and invention were owned by the same person.

3. No **geographic restrictions** on prior art.⁵⁹

4. **Novelty vs. priority:**

- (a) Priority: inventor vs. inventor. Who invented it first?
- (b) Novelty: inventor vs. prior art. Is it new?
- (c) The AIA only asks **who filed first** (including the one year grace period).⁶⁰

4.2.4.14 Grace period under the AIA

- 1. Generally, under the AIA, an application has to be filed before a prior art event.
- 2. But there's a grace period exception. A disclosure (i.e., any prior art reference) is eligible for the grace period if made by the inventor or if the inventor himself previously made a public disclosure.⁶¹
 - (a) Under the 1952 act, independent third-party disclosure **did** create a grace period. Not so under the AIA.⁶²
 - (b) "In public use" or "on sale" (AIA § 102) can refer to confidential activity. For instance, an inventor's **non-informing public use** is a disclosure (but not third-party non-informing uses).⁶³

4.2.5 Nonobviousness

4.2.5.1 35 U.S.C. § 103

- 1. "A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the *differences* between the claimed invention and the prior art are such that the claimed invention as a whole **would have been obvious** before the effective filing date of the claimed invention **to a person having ordinary skill in the art** to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made."
- 2. Policy: avoid a profusion of paltry patents.

⁵⁹Casebook p. 254.

⁶⁰Casebook pp. 244–45.

⁶¹Casebook p. 255.

⁶²Casebook p. 256.

⁶³Casebook p. 257.

3. Another policy: obvious patents may compromise the incentives to make nonobvious inventions.
4. Merges: “the primary gatekeeper of the patent system.”

4.2.5.2 Testing for Obviousness: *Graham v. John Deere Co.*

§ 103 requires an “inventive leap.”⁶⁴ Minor obvious improvements don’t qualify.

1. First case interpreting § 103.
2. History of the patent system: Jefferson; “limited monopoly might serve to incite ‘ingenuity’”⁶⁵
3. First appearance of nonobviousness: *Hotchkiss v. Greenwood*, 1851. Codified in § 103.⁶⁶
4. *Graham*’s § 103 test:⁶⁷
 - (a) Determine scope and content of the prior art.
 - (b) Determine differences between prior art and the claims.
 - (c) Determine the level of ordinary skill in the art.
 - (d) Evaluate obviousness.
 - (e) Secondary considerations: commercial success, long felt need, failure of others.
5. 1950: Graham got a patent on a shock absorber for tractors (’811).
6. 1953: Graham modified the design and got a second patent (’798), at issue here. The main question was whether this improvement was obvious (and therefore invalid).
7. Graham argued that John Deere infringed the ’798 patent.
8. Another patent, held by Glencoe, had all the elements of the ’798 patent.
9. The Court found that the improvement in the ’798 patent was obvious and therefore invalid. It also found that the Glencoe patent was mechanically identical.⁶⁸
10. The invention here was “destitute of ingenuity”—“the work of the skillful mechanic, not that of the inventor.”

⁶⁴Casebook p. 269.

⁶⁵Casebook p. 259–61.

⁶⁶Casebook p. 261–62.

⁶⁷Casebook pp. 262–63.

⁶⁸Casebook p. 268.

4.2.5.3 Rejecting the TSM Test in Favor of a Flexible Standard: *KSR International Co. v. Teleflex Inc.*

The Federal Circuit’s “teaching, suggestion, or motivation” (TSM) test is too restrictive. The standard for nonobviousness is flexible.

1. Engelgau patented a pedal assembly. Teleflex held the exclusive license.⁶⁹
2. Teleflex sued KSR for infringement. KSR countered that the relevant claim was invalid because its subject matter was obvious.
3. The Federal Circuit had developed the “teaching, suggestion, or motivation” (**TSM**) test, which holds a patent to be nonobvious only if “some motivation or suggestion to combine the prior art teachings” could be found in prior art, the nature of the problem, or the knowledge of a person having ordinary skill in the art.⁷⁰ In other words, the prior art has to explicitly say that the combination shall happen.
4. The PTO rejected one of Engelgau’s other claims on the basis of nonobviousness. It cited two other patents: an adjustable pedal (Redding) and a method for mounting an electronic sensor on a pedal’s support structure (Smith). The PTO rejected the claim that simply put the two together, but it allowed a variation on Redding using a fixed pivot point.⁷¹
5. The District Court found that the claim was obvious. It granted summary judgment in favor of KSR. The Federal Circuit reversed because the District Court had improperly applied its TSM test.⁷²
6. The Supreme Court here found that the TSM test was too formalistic and restrictive. It argued for a broader, more flexible test—one that allows for common sense. It found that Engelgau patent was obvious because any person with ordinary skill in the art would have thought to combine the other patents. Reversed.⁷³
 - (a) The TSM test excluded common sense, which made it hard for PTO examiners to reject patents for obviousness, which led to a proliferation of trivial patents.
 - (b) **New test:** “If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability.”
 - (c) District courts can grant summary judgment for obviousness.

⁶⁹Casebook p. 269.

⁷⁰Casebook p. 270.

⁷¹Casebook p. 272–73.

⁷²Casebook p. 273.

⁷³Casebook pp. 274–77.

4.2.5.4 Nonobviousness and the AIA

1. Shifts the time for determining obviousness from the invention date to the filing date.⁷⁴

4.3 Administrative Procedures at the PTO

4.3.1 The AIA's New Administrative Procedures

1. The AIA created five new administrative procedures:⁷⁵
 - (a) Post-grant review (PGR).
 - (b) Inter partes review (IPR).
 - (c) Supplemental examination.
 - (d) Transitional post-grant review for business method patents ("covered business method" review).
 - (e) Derivation proceedings.
2. These are all about challenges to validity.
3. Previously, there was no chance for third parties to challenge validity until they were sued for infringement.
4. Old procedures:
 - (a) Reissue (still in existence). Only the patentee can request it. Can be used to get a new patent when the original is invalid or inoperative.
 - (b) Ex parte reexamination (also still in existence).
 - (c) Inter partes reexamination (replaced by inter partes review).
5. Post-AIA: no concurrent proceedings allowed.

4.3.2 Post-Grant Review (PGR)

1. Anyone can challenge the validity of a patent within nine months of issuance.⁷⁶
2. In effect, a mini-trial, as an alternative to district court proceedings.
3. In responding to a PGR complaint, the patent holder cannot introduce new evidence of patentability.
4. Appeals go to the Federal Circuit.⁷⁷
5. Can't file both a district court claim and a PGR claim.⁷⁸
6. Issue preclusion from PGR applies to later district court claims.

⁷⁴Casebook p. 289.

⁷⁵Casebook p. 290.

⁷⁶Casebook p. 290.

⁷⁷Casebook p. 292.

⁷⁸Casebook p. 293.

4.3.3 Inter Partes Review (IPR)

1. Anyone can request a review of an issued patent. The one requesting review has to show that he'll likely prevail on at least one claim.⁷⁹
2. Only patents and printed publications can be cited (because IPRs are meant to be efficient and streamlined).⁸⁰
3. Estoppel applies.
4. Can only follow a PGR decision or the nine-month PGR window.
5. Can only review §§ 102 (novelty) and 103 (obviousness).

4.3.4 Derivation Proceeding

1. Responds to the fear that some might try to steal an invention and file it first.⁸¹
2. This is a “special administrative proceeding to sort out claims that one applicant stole or ‘derived’ an invention of another.”
3. Must be brought within one year of patent publication (or unpublished patent issuance).

4.4 Infringement

1. Definition of “infringement”: the accused product has *every element* of the claim.

4.4.1 Claim Interpretation

1. Claims define the boundaries of the owner's property right.⁸²
2. To a businessman, the claim is the shelf space, the bottom line.
3. **Broader claims are more valuable but easier to invalidate on the basis of prior art.** “[T]he stronger a patent the weaker it is and the weaker a patent the stronger it is.”⁸³
4. “Literal infringement”: the infringing product is within the scope of the claims.

⁷⁹Casebook p. 293.

⁸⁰Casebook p. 293–94.

⁸¹Casebook p. 295.

⁸²Casebook p. 295.

⁸³Casebook p. 296.

4.4.1.1 Canons of Claim Construction

1. **Claim differentiation** (use of a term in one claim can suggest its meaning when used in another claim).
2. **Interpretation in light of purpose.**
3. **Plain meaning vs. contextual meaning.**
4. **“Lexicographer rule”** (patentees can define their own terms—e.g., “photocopy machine”).
5. **Disclaimer/disavowal of specific meanings.**

4.4.1.2 Role of Judge and Jury and the Standard of Appellate Review

1. Is claim interpretation a matter of law (for judges) or fact (for juries)?⁸⁴
2. *Markman v. Westview Instruments* (Fed. Cir. 1995): although infringement claims must be tried by a jury, construction of patent claims is best left to judges, since they have “training in exegesis” and are likely to construct claims more uniformly.⁸⁵
3. The Federal Circuit has held that it will review district court findings of patent construction de novo (although it may be moving away from the position that claim construction is purely a matter of law).⁸⁶

4.4.1.3 Standards for Construing Claims; Sources of Construction: *Phillips v. AWH Corporation*

Courts can look to extrinsic sources, like dictionaries, to discern the meaning of claim terms. Patent construction is a matter of law, not fact (i.e., for judges, not juries).

1. The dispute centered on the meaning of “baffle” in Phillips’s patent for “security barriers”. The Federal Circuit initially found that the use of the term in the patent meant that baffles could not be baffles if they were attached at 90 degree angles (because one of their purposes was to deflect projectiles, like bullets, and they can’t deflect if they’re mounted at 90 degrees).⁸⁷
2. In an en banc rehearing, the Federal Circuit here reversed.

⁸⁴Casebook p. 296.

⁸⁵Casebook pp. 296–97.

⁸⁶Casebook p. 298.

⁸⁷Casebook pp. 298–99.

3. The key issue was whether the court should rely on the patent specification to determine the meaning of the terms in the claim, or whether it could look to extrinsic sources, like dictionaries or treatises.⁸⁸
4. *Texas Digital*: courts can seek definitions in extrinsic sources, as long as the definitions are consistent with the usage in the patent itself.⁸⁹
5. *Markman* (holding that patent construction is a matter of law, i.e., for judges, not juries, to decide) is reaffirmed.⁹⁰
6. “Baffles” doesn’t just mean projectile-deflecting baffles; it can also mean baffles mounted at 90 degrees.⁹¹
7. Judge Mayer, dissenting: claim construction absolutely has a factual component. The Federal Circuit has failed to develop a consistent standard. By shifting its standard and reviewing each district court determination *novo*, it wastes time and resources.⁹²

4.4.2 Literal Infringement: *Larami Corp. v. Amron*

There are two ways to infringe: (1) literal infringement and (2) the doctrine of equivalents.

1. Amron sued Larami, claiming that Larami’s SUPER SOAKERS infringed its patents. According to Larami’s motion for summary judgment, six of 35 claims were in dispute, all regarding the hand pump mechanism.⁹³
2. There are two ways to establish infringement:
 - (a) **Literal infringement**,
 - (b) **The doctrine of equivalents**.
 - (c) The patent owner must “show the presence of every element or its substantial equivalent in the accused device.”⁹⁴ If a single element is missing, there is no infringement.
3. Claim 1 describes a housing with a “chamber therein for a liquid . . .” Amron argued that Larami’s design literally infringed Claim 1. The court held that Laramie’s design did not infringe because it used an external chamber.⁹⁵

⁸⁸Casebook p. 300.

⁸⁹Casebook p. 301.

⁹⁰Casebook p. 305.

⁹¹Casebook p. 306.

⁹²Casebook pp. 308–09.

⁹³Casebook pp. 323–24.

⁹⁴Casebook p. 324.

⁹⁵Casebook pp. 324–25.

4.4.3 The Doctrine of Equivalents

4.4.3.1 Basic Issues: *Graver Tank* and *Warner-Jenkinson*

1. *Graver Tank* (U.S. 1950): to avoid infringing, the copyist has to make important and substantial changes. The rationale is to prevent new inventors from defrauding patent holders by making trivial changes to circumvent the patent's protections.⁹⁶
 - (a) “**Triple identity**” test: the doctrine of equivalents applies if a device “performs substantially the same *function* in substantially the same *way* to obtain the same *result*.”⁹⁷
2. In *Warner-Jenkinson* (U.S. 1997), the Court articulated a new test: “Does the accused product or process contain elements **identical or equivalent** to each claimed element of the patented invention?” The new test focuses on individual elements, so it's known as the “**all elements rule**.”⁹⁸

4.4.3.2 Prosecution History Estoppel: *Festo Corp. v. Shoketsu*

1. How **prosecution history estoppel** works:⁹⁹
 - (a) During prosecution, applicants will sometimes amend their claims to narrow their scope in order to avoid prior art.
 - (b) However, in later infringement suits, patent holders sometimes try to expand the scope of their claims through the doctrine of equivalents.
 - (c) Prosecution history estoppel prevents patent holders from claiming subject matter that they surrendered during prosecution.
2. *Warner-Jenkinson*: prosecution history estoppel applies if the patent holder limited claims through amendment during prosecution.
3. *Festo* (here): the Supreme Court held that prosecution history estoppel is not an absolute bar to an infringement claim under the doctrine of equivalents. Instead, the patent holder can rebut the presumption of estoppel in three ways:¹⁰⁰
 - (a) by showing that the equivalent was **unforeseeable** at the application;
 - (b) that the rationale for the amendment bore only a **tangential relationship** to the equivalent in question; or
 - (c) **some other reason** to be determined by future courts.

⁹⁶Casebook p. 328.

⁹⁷Casebook p. 329.

⁹⁸Casebook pp. 329–30.

⁹⁹Casebook p. 333 and *Understanding IP* 2F[2][C].

¹⁰⁰From *Understanding IP*.

4.4.3.3 After-Arising Technologies

1. Inventions that represent small incremental improvements over existing patents are entitled to a narrower range of equivalents.
2. Likewise, pioneering inventions are entitled to a broad range of equivalents—i.e., courts will stretch to find infringement of pioneering inventions.¹⁰¹

4.4.4 The “Reverse” Doctrine of Equivalents

1. Courts will sometimes avoid finding infringement even when the second invention is within the literal terms of the patent.¹⁰²

4.5 Defenses

4.5.1 35 U.S.C. § 282

1. (a) Presumption of validity.
2. (b) Defenses:
 - (a) (1) Noninfringement.
 - (b) (2) Invalidity.
 - (c) (3) Invalidity for failure to comply with § 112 (written description and enablement).
3. Antitrust issues: patents confer market power. Market power can be abused.

4.5.2 Inequitable Conduct: *Therasense, Inc. v. Becton-Dickinson, Inc.*

To prove inequitable conduct, an accused infringer must show (1) materiality (that the PTO would have thought the omitted fact was important) and (2) intent to deceive, by a clear and convincing evidence standard.

Inequitable conduct on one claim will render the entire patent unenforceable.

1. Based in common law. Very powerful—a finding of inequitable conduct renders a patent unenforceable.
2. Causes: manufacture and suppression of evidence; “fraud on the Patent Office”; conspiracy to monopolize a product market (antitrust).
3. Materiality: if the PTO had been aware of the facts, the challenged claims would not have been allowed.

¹⁰¹Casebook p. 350–51.

¹⁰²Casebook p. 355–58.

4. Here, Therasense made arguments before the European Patent Office that conflicted with its USPTO application. It failed to disclose the European argument, which the court found to be inequitable conduct. So, the patent was unenforceable.

4.5.3 Exhaustion of Patent Rights

1. Key distinction between the physical object and the IP rights embodied in that object.
2. The first unrestricted sale of a patented product exhausts the patentee's control. It can be resold and repaired without violating the patent owner's rights.¹⁰³
3. Repair is permissible, reconstruction is not—but the line is blurry.¹⁰⁴
4. Exhaustion applies only to *sale*. It doesn't apply to licenses.

4.5.3.1 Exhaustion: *Bowman v. Monsanto*

1. Monsanto customers were not allowed to replant or resell Roundup Ready soybeans.¹⁰⁵
2. Bowman tried to circumvent the license by buying grain from a local source, hoping that some of the seeds would be Roundup Ready.
3. Bowman argued that as a downstream buyer, he was protected by patent exhaustion/first sale.
4. Held: exhaustion does not prevent the sale of patented items, but it does prevent making copies, which is what Bowman did. The exhaustion doctrine is limited to “the particular item sold.”

4.6 Remedies

4.6.1 35 U.S.C. § 283: Injunction

1. Courts can grant injunctions “in accordance with the principles of equity.” See *eBay* below.

4.6.2 35 U.S.C. § 285: Attorney Fees

1. In “exceptional cases,” courts have discretion to award reasonable fees to the prevailing party.

¹⁰³Casebook p. 382.

¹⁰⁴Casebook p. 383.

¹⁰⁵Supp. 12.

4.6.3 35 U.S.C. § 286: Time Limitation on Damages

1. No recovery if the plaintiff files the complaint more than **six years** after the alleged infringement.

4.6.4 35 U.S.C. § 287: Limitations, Marking, Notice

1. (a) Notice and marking requirements, including new virtual marking provisions.

4.6.5 Injunctions: *eBay, Inc. v. MercExchange, LLC*

Plaintiffs must satisfy a four-part test to win a permanent injunction.

The payoff is that courts no longer issue automatic injunctions. Courts still issue them in about 75% of cases¹⁰⁶, but they can prevent patentees from using minor patents to gain undue leverage.

1. MercExchange held a patent involving the sale of goods through a central authority (“consignment nodes”). It sued eBay for infringement.
2. District court: the patent was valid and eBay (and Half.com) infringed. It awarded damages but denied an injunction.
3. Federal Circuit applied the **automatic injunction rule**, which awards a permanent injunction upon an infringement finding.
4. The Supreme Court rejected the automatic injunction rule and instead implemented a four-part test. To win an injunction, the plaintiff must show:
 - (a) **Irreparable injury**.
 - (b) Remedies at law (i.e., monetary damages) are **inadequate**.
 - (c) Considering the **balance of hardships** between the plaintiff and defendant, an injunction is warranted.
 - (d) A permanent injunction would **not disserve the public interest**.
5. Justice Kennedy, dissenting:
 - (a) There are now cases where patentees use patents primarily to obtain licensing fees. They might use an injunction as a tool to charge “exorbitant licensing fees.”¹⁰⁷
 - (b) “When the patented invention is **but a small component** of the product the companies seek to produce and the threat of an injunction is employed simply for **undue leverage** in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”¹⁰⁸

¹⁰⁶See Merges PowerPoint.

¹⁰⁷Casebook p. 405.

¹⁰⁸Casebook p. 405.

- (c) The “hold-up problem.”

4.6.6 Damages

4.6.6.1 35 U.S.C. § 284: Damages—Lost Profits and Reasonable Royalties

1. “[T]he court shall award [the patentee] damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer”
2. Two measures of damages:
 - (a) Actual damages, i.e., lost profits.
 - (b) Reasonable royalty.
3. Goal: find “the difference between [patentee’s] pecuniary condition after the infringement, and what his condition would have been if the infringement had not occurred.” *Yale Lock*.
4. Award patentee’s loss, not infringer’s gain.
5. *Panduit*: the patentee wants to show that would have had sales that the infringer made. To do so, the patentee must show the “absence of acceptable noninfringing substitutes.”
6. Reasonable royalty is a fallback when the patentee can’t show lost profits—the “hypothetical bargain” principle.

4.6.6.2 Willful Infringement: *In re Seagate Technology, LLC*

Willful infringement requires more than a showing of negligence.

1. In cases of willful infringement, courts can increase damages up to 3x. 35 U.S.C. § 286.
2. Traditional rule: when a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise care to determine whether he is infringing.
3. This has led to punitive damages for a negligent failure to proceed with due care.
4. Here: this conception of negligence is at odds “with the general understanding of negligence in the civil context.”
5. “Accordingly, we overrule the standard set out in *Underwater Devices* and hold that proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness. Because we abandon

the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.”¹⁰⁹

¹⁰⁹Casebook p. 418.

§ 5 Copyright

5.1 Introduction

5.1.1 17 U.S.C. § 101: Definitions

1. See supplement p. 248.
2. “Created”: fixed for the first time. Work \neq copy.

5.1.2 History

1. Venice in the fifteenth century recognized exclusive rights in the printing of particular books (as opposed to the technology of creating the books).¹¹⁰
2. **Statute of Anne** (1710): authors gain exclusive rights for 14 years, renewable for another 14 years, subject to registration, notice, and deposit. The government could also set maximum prices.¹¹¹
3. The continental approach emphasized moral rights, as opposed to the English system of property rights.
4. The original Copyright Act (1790) mirrored the Statute of Anne. By the end of the nineteenth century, it had been amended to include a range of new technologies (e.g., photography).¹¹²
5. **1909 Act**: extended protection to “all writings”; extended term to 28 years plus a 28 year renewal.
6. **1976 Act**: extended protection to anything “fixed in a tangible medium of expression”; extended term to life of the author plus 50 years; loosened notice and registration requirements; established compulsory licensing regimes; and codified exceptions, including fair use. The 1998 Act extended the term to life of the author plus seventy years.¹¹³
7. 1989: the United States joined the Berne convention, scaling back formalities and restoring copyright for foreign works still under protection in their source countries.
8. **DMCA** (1998): anticircumvention provisions and liability protections for service providers for infringing acts of their subscribers.¹¹⁴
9. The Patent Act is industry-neutral. The Copyright Act: not so.

¹¹⁰Casebook p. 430.

¹¹¹Casebook p. 431.

¹¹²Casebook p. 432.

¹¹³Casebook p. 433.

¹¹⁴Casebook pp. 433–34.

5.1.3 Overview

5.1.3.1 Elements of a Protectable Copyright

1. **Copyrightable subject matter:** any literary or artistic expression (but not the idea itself).
2. **Threshold for protection:** must (1) have a “modicum of **originality**” and (2) be **fixed** in a “tangible medium of expression.”
3. **Formalities:** notice is required for works published before 1989. Registration is required to sue for infringement (but not strictly necessary to create copyright). Deposit is required for registration.
4. **Authorship and ownership:** only the creator, transferee, or employer can bring an infringement suit (whereas in patent law, the inventor himself is the author, and then he assigns ownership to a corporate entity).
5. **Duration of copyright:** life plus 70 years; or 95 years from the publication of anonymous, pseudonymous, or for-hire works; or 120 years from the year of creation, whichever comes first.
6. The Copyright Office does not assess validity (other than requiring a modicum of creativity) or prior art.
7. A copyright is protectable at the moment of creation.¹¹⁵

5.1.3.2 Ownership Rights

1. Long but narrow protection.
2. **Reproduction:** owner has the exclusive right to make copies. She can sue for “material” and “substantial” copying.
3. **Derivative works:** original owner has the exclusive right to prepare derivative works (e.g., translations, or a film based on a book).
4. **Distribution:** the owner controls sale and distribution, but only for the first sale.
5. **Performance and display:** owner has the right to control.
6. **Anticircumvention:** prohibitions on bypassing technological protections (DMCA).
7. **Moral rights:** visual artists have an attribution right and a right to prevent “intentional distortion, mutilation, or other modification . . . ”¹¹⁶
8. **Limitations:** fair use, compulsory licensing.

¹¹⁵Casebook p. 434.

¹¹⁶Casebook p. 435.

5.1.3.3 Copyright vs. Patent

1. Copyright holders can prevent copying and certain uses (e.g., public performance), but they cannot prevent others from making, using, or selling their creations.
2. “The independent development of a similar or even identical work is perfectly legal.”¹¹⁷ (Not so in patent law.)
3. Infringement requires (1) **proof of copying** and **substantial similarity**.
4. Limiting doctrines: idea/expression dichotomy; useful article doctrine; government work (§ 105); fair use.

5.1.4 Philosophy

1. Personhood, natural law.
2. Predominant in the United States: utilitarian. The primary goal is to enhance the public interest. The secondary goal is to reward authors.¹¹⁸
3. There is an increasing recognition of moral rights in the United States.¹¹⁹

5.2 Requirements

5.2.1 Originality

5.2.1.1 17 U.S.C. § 102: Subject Matter of Copyright: In General

1. Original.
2. “. . . fixed in any tangible medium of expression . . . ”
3. A work gains copyright protection if it was independently created, even if it’s identical—see *Learned Hand on Keats*.¹²⁰ The originality requirement is very low; exceptions are slogans, familiar symbols, etc.
4. Must have a **modicum of creativity**.

5.2.1.2 No Copyright for Facts: *Feist Publications v. Rural Telephone Services*

Copyright requires originality, because “writings” in the constitutional language implies it. Facts and unoriginal creations cannot be copyrighted. Authors discover facts; they don’t originate them.

Things that *can* be copyrighted in a compilation: the selection, coordination, and arrangement.

¹¹⁷Merges, http://www.law.berkeley.edu/files/bclt_2-6-12_Intro_to_Copyright.ppt

¹¹⁸Casebook p. 436.

¹¹⁹Casebook p. 437.

¹²⁰Casebook p. 439.

1. Feist copied records from Rural's phonebook for its own phonebook. Rural sued for infringement.
2. Justice O'Connor:
 - (a) Facts are not copyrightable. But compilations of facts generally are.¹²¹
 - (b) Originality is "the touchstone of copyright protection" because it is constitutionally and statutorily mandated.¹²² Originality requires (1) independent creation and (2) a minimal degree of creativity. Facts are not original. Therefore, facts are not copyrightable.
 - (c) Copyright of an entire work does not imply copyright of each element.¹²³
 - (d) "Not all copying, however, is copyright infringement."¹²⁴ Infringement requires copying of elements that are original.
 - (e) Rural's alphabetical arrangement "is not only unoriginal, it is practically inevitable."¹²⁵ Since Rural's arrangement was unoriginal, it was not copyrightable. Therefore, Feist's copying was non-infringing.

5.2.2 Fixation

5.2.2.1 H.R. Rep. No. 94-1476: On the Copyright Act of 1976

1. Any medium satisfies the fixation requirement.¹²⁶ Unfixed works may still be eligible for protection under State common or statutory law, but federal protection requires fixation.¹²⁷
2. Broadcasts are covered by a provision that allows protections for works that are simultaneously recorded and transmitted.
3. "The two essential elements—**original work** and **tangible object**—must merge through fixation in order to produce subject matter copyrightable under the statute."¹²⁸
4. Fixation is (1) a requirement for protection and (2) plays a role in determining whether a defendant has infringed a copyright (because copies are material objects in which a work is "fixed").¹²⁹

¹²¹Casebook p. 441.

¹²²Casebook p. 443.

¹²³Casebook p. 443.

¹²⁴Casebook p. 443.

¹²⁵Casebook p. 445.

¹²⁶Casebook p. 449.

¹²⁷Casebook p. 450.

¹²⁸Casebook p. 451.

¹²⁹Casebook p. 551.

5. Do bootlegs infringe? They're based on non-fixed performances. The Second Circuit upheld the anti-bootlegging criminal provisions under the Commerce Clause because they do not create additional rights; however, the implication is that the civil provisions are unconstitutional.¹³⁰
6. Why require fixation?¹³¹
 - (a) If copyright is meant to protect communication, then it should not apply to expressions that do not actually communicate.
 - (b) It's a practical requirement for litigation (cf. the statute of frauds in contract law).
7. Data residing in a buffer for less than 1.2 seconds is "merely of **transitory duration**" and thus not a copy.

5.2.3 Formalities

5.2.3.1 Three Eras of Formalities

1. 1909 Act.
2. 1976 Act (effective Jan. 1, 1978).
3. 1989 Berne Implementation Act (effective March 1, 1989).

5.2.3.2 Notice

1. Historically: required; today: encouraged.
2. 1909 Act: failure to follow precise notice requirements resulted in forfeiture. Notice *required*.
3. 1976 Act/Pre-Berne: copyright begins upon creation, not publication. Notice was still required, but the requirements were significantly looser.
4. Post-Berne: completely eliminated the notice requirement, but encouraged voluntary notice (e.g., by allowing the innocent infringement defense if the work lacked proper notice).¹³² Notice *encouraged*.

5.2.3.3 Publication

1. 1909 Act: publication triggered copyright. Unpublished works could be protected under state common law, or "constructively" published by registration with the Copyright Office.
 - (a) *Divestive* publication: publication without notice; results in forfeiture of common law copyright protection.

¹³⁰Casebook pp. 451–52.

¹³¹Casebook p. 452.

¹³²Casebook p. 455.

- (b) *Investive* publication: publication *with* notice; results in forfeiture of federal statutory protection if notice is inadequate.
- 2. 1976 Act/Pre-Berne: creation triggered copyright, but still determined when notice was required.¹³³
- 3. Post-Berne: after March 1, 1989, publication no longer determines validity, though it still has relevance in several areas—see casebook p. 457.

5.2.3.4 Analyzing Publication and Notice Problems

- 1. For works fixed or published ***before* 1/1/78**, ask: was there strict compliance with the 1909 notice rules?
 - (a) Yes: copyright applies.
 - (b) No: work is in the public domain.
- 2. For works fixed or published ***after* 1/1/78**, ask: was the work disclosed to the public before 3/1/89?
 - (a) No (i.e., published after 3/1/89): copyright applies.
 - (b) Yes: ask, was notice included?
 - i. Yes: copyright applies.
 - ii. No: ask, was publication limited?
 - A. Limited publication: copyright applies
 - B. General publication: in public domain if there was no notice.

5.2.3.5 Registration

- 1. Has always been voluntary.
- 2. 1909 Act: term was 28 years, plus a 28 year renewal, but only if the owner registered.
- 3. 1976 Act/Pre-Berne: abolished renewal, but created new incentives for registration.¹³⁴
- 4. Post-Berne: no registration requirement for foreign works, but Congress preserved the registration requirement for domestic works for bringing infringement suits.
 - (a) You can register after infringement, but you only recover damages for the period after registration, so there's an incentive to register early.

¹³³Casebook pp. 456–57.

¹³⁴Casebook p. 458.

5.2.3.6 Deposit

1. After 1976, still mandatory (as part of registration), but failure results only in a fine, not invalidity or forfeiture of the right to bring suit.¹³⁵

5.2.3.7 Restoration of Foreign Copyrighted Works

1. Post-Berne, many foreign works that had entered the public domain in the United States (e.g., J.R.R. Tolkien's works) were restored to copyright. The Supreme Court affirmed in *Golan v. Holder*, holding that the IP clause allows Congress to "induc[e] the dissemination of works . . . to promote science."¹³⁶

5.3 Copyrightable Subject Matter**5.3.1 Limitations on Copyrightability: Distinguishing Function and Expression****5.3.1.1 The Idea-Expression Dichotomy****5.3.1.2 17 U.S.C. § 102(b)**

1. Copyright protection does not extend to "any idea, procedure, process, system" ¹³⁷

5.3.1.3 Use vs. Explanation, Idea vs. Expression: *Baker v. Selden*

A useful idea cannot be copyrighted, but an explanation of how to use it can be. "There is a clear distinction between a book, as such, and the art which it is intended to illustrate."¹³⁸

1. Selden published a book about a ledger system, which included his specific ledger design. He sued Baker for infringement. Baker argued that the book was "not a lawful subject of copyright."¹³⁹
2. Justice Bradley:
 - (a) Selden did not have a valid copyright in the ledger system itself.¹⁴⁰
 - (b) The book itself might be copyrightable, but the underlying system is not.

¹³⁵Casebook p. 459.

¹³⁶Casebook p. 460.

¹³⁷Casebook p. 461.

¹³⁸Casebook p. 462.

¹³⁹Casebook p. 461.

¹⁴⁰Casebook p. 462.

- (c) “To give the author of the book an exclusive property in the art described therein, when no examination of its novelty has ever been officially made, would be a surprise and a fraud upon the public. That is the province of letters-patent, not of copyright. The claim to an invention or discovery of art or manufacture must be subjected to the examination of the Patent Office before an exclusive right therein can be obtained; it can only be secured from a patent from the government.”¹⁴¹
- (d) The use cannot be copyrighted, but the explanation can be.¹⁴² Any other holding would allow copyright to swallow patent law.
- 3. At a certain level of abstraction, descriptions of how to use an idea are no longer copyrightable (Learned Hand).¹⁴³
- 4. Another example of the idea-vs.-expression principle: Edward Tufte diagrams of public domain data.

5.3.1.4 Computer Menus and Subject Matter: *Lotus Development Corp. v. Borland International*

Computer menus are “methods of operation” (under 17 U.S.C. § 102(b)) and therefore not copyrightable.

- 1. Borland copied the menu configuration of Lotus 1-2-3.
- 2. The district court found infringement. The question on appeal was whether computer menus are copyrightable subject matter.
- 3. This case is distinct from *Baker v. Selden* because that case involved the design of the spreadsheet grid, while this case involves the commands used for interaction.¹⁴⁴
- 4. Held: the menu commands are a “**method of operation**” because they are necessary for the program to work. Thus, they are not copyrightable subject matter under § 102(b). Lotus’s underlying code is copyrightable, but the menu structure is not.¹⁴⁵
- 5. The menu commands are analogous to the buttons on a VCR.
- 6. Judge Boudin, concurring:
 - (a) Users are likely to be locked in to Lotus’s menu structure (like a QWERTY keyboard). If Borland comes along with a better product, there are good reasons for freeing users to make the switch.

¹⁴¹Casebook p. 462.

¹⁴²Casebook p. 463.

¹⁴³Casebook pp. 465–66.

¹⁴⁴Casebook p. 471.

¹⁴⁵Casebook p. 472.

- (b) There are two ways Borland might prevail.¹⁴⁶
 - i. The menu is a “method of operation.”
 - ii. Borland’s use is privileged under something like fair use, because it enables users to exploit their previous efforts in writing macros.
- (c) The second approach would introduce administrative problems, so the majority’s approach is as good as it gets for now.¹⁴⁷

5.3.1.5 Merger Doctrine

1. When “there is only one feasible way of expressing an idea, so that if the expression were copyrightable it would mean that the idea was copyrightable,” the **expression is not protected**. *Buckle v. Hawkins* (7th Cir. 2003).
2. E.g., mathematical diagrams are not protected if they are the only way of expressing an idea. The specific visual arrangement might be protected, but the formula itself would not be.

5.3.1.6 The Useful Article Doctrine

1. Under § 101, a “useful article” is a picture, graphic, or sculpture only if the PGS features can be identified separately from the “utilitarian aspects.”¹⁴⁸ A useful article has a utilitarian function that is separate from its appearance.
2. The protected aspects of a PGS work are the parts that include “artistic craftsmanship” but not the “mechanical or utilitarian aspects.” § 101.
3. The only protected parts of a PGS work are the **“features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”** § 101.
4. At a certain level of abstraction, aspects of a work are no longer protected. E.g., *Romeo and Juliet* might be protected, but the general “boy-meets-girl” plot is not.
5. Problem areas: applied art vs. industrial design.
6. Spectrum:
 - (a) **Not protectable:** industrial design.
 - (b) **Protectable:** art, e.g., a lamp sculpture.
 - (c) The tough cases are in the middle.

¹⁴⁶Casebook p. 477.

¹⁴⁷Casebook p. 478.

¹⁴⁸Casebook p. 482–83.

5.3.1.7 H.R. Rep. No. 94-1476: On the 1976 Act

1. Congress attempted to distinguish between “copyrightable works of applied art and uncopyrighted works of industrial design.”¹⁴⁹

5.3.1.8 Industrial Design: *Brandir International, Inc. v. Cascade Pacific Lumber Co.*

Here, the bike rack’s design was determined entirely by its utilitarian purpose, so there was no separate protectable expression. “Form and function are inextricably intertwined in the rack”¹⁵⁰

1. Brandir developed bicycle racks based on wire sculptures. The Copyright Office and the district court denied copyright.
2. When are a work’s design and utility “conceptually separate”? Courts have struggled to come up with a good test.¹⁵¹
3. The court here rejected Judge Newman’s test from *Carol Barnhart*, the “temporal displacement” test, which finds the two to be separate if they “stimulate in the mind” a conceptual separation.¹⁵²
4. Instead, it adopted the Denicola test, which finds conceptual separation if the artistic judgment was separate from the functional influence, but not if the design elements reflect both design and functional considerations.¹⁵³
5. The bike rack here was based on a wire sculpture of a bike. It was enlarged to hold actual bikes, and slightly modified so that it could hold bikes more efficiently.¹⁵⁴
6. The court held that the rack was not copyrightable under the Denicola test because its design was “in its final form essentially a product of industrial design.” There was no separate, independent artistic aspect.
7. Judge Winter, dissenting: a better test would be whether the article “causes an ordinary reasonable observer to perceive an aesthetic concept not related to the article’s use.”¹⁵⁵ The rack passes that test—for instance, it could be successfully displayed as a sculpture with no utilitarian purpose—and so it should be copyrightable.

¹⁴⁹Casebook p. 483.

¹⁵⁰Casebook p. 482.

¹⁵¹Casebook p. 484.

¹⁵²Casebook pp. 484–85.

¹⁵³Casebook p. 487.

¹⁵⁴Casebook pp. 486–87.

¹⁵⁵Casebook p. 489.

5.3.1.9 Government Works

1. Any “law, which, binding every citizen, is free for publication to all, whether it is a declaration of unwritten law, or an interpretation of a constitution or statute.”¹⁵⁶
2. *Veck* centered on a dispute over whether model laws adopted by municipalities must be released into the public domain.¹⁵⁷

5.3.2 The Domain and Scope of Copyright Protection: Types of Works of Authorship

1. § 101 describes eight categories of protected works, but the list is “illustrative and not limitative.”¹⁵⁸

5.3.2.1 Literary Works

1. Courts will not judge artistic merits.
2. “Short phrases” are not protected.
3. Protection extends to non-literal elements (e.g., structure).
4. Courts have struggled with whether to protect fictional characters.¹⁵⁹
5. Computer software is considered a “literary work.”

5.3.2.2 Pictorial, Graphic, and Sculptural Works

1. Most significant limitation: the utilitarian function exception—see *Brandir* above.

5.3.2.3 Architectural Works

1. Protection applies to overall form and elements in the design, but does not include “individual standard features” (e.g., doors and windows).¹⁶⁰ Original, non-functional design elements are protected.
2. Protection does not extend to pictorial representations of the building. It also does not prevent others from modifying or destroying it.¹⁶¹

¹⁵⁶Casebook p. 493.

¹⁵⁷Casebook pp. 494–96.

¹⁵⁸Casebook p. 498.

¹⁵⁹Casebook p. 499.

¹⁶⁰Casebook p. 500.

¹⁶¹Casebook p. 501.

5.3.2.4 Musical Works and Sound Recordings

1. Different rules apply depending on whether the work is a **musical work** or a **sound recording**. (This category only includes musical works; see below for sound recordings.)
2. Musical works (sheet music, lyrics, arrangements): fully protected, including performance rights.
3. Sound recordings: no traditional performance rights (although they now have a digital performance right). For radio broadcasts, the owner of the copyright of the composition gets a royalty, but the performer does not.¹⁶²

5.3.2.5 Dramatic, Pantomime, and Choreographic Works

1. Protection extends to written or fixed instructions.
2. Performance and display rights can vary depending on whether the work is classified as dramatic or nondramatic.¹⁶³
3. Short dance steps are not protected in the same way that “short phrases” are not protected as literary works.

5.3.2.6 Motion Pictures and Other Audiovisual Works

1. Soundtracks are integral parts.¹⁶⁴

5.3.2.7 Semiconductors and Vessel Hulls

1. Both have received sui generis protections through separate acts of Congress.¹⁶⁵

5.3.2.8 Derivative Works and Compilations

1. Derivative works: translations, film adaptations, etc. The original copyright owner controls the rights to derivative works.
2. Compilations: anthologies, encyclopedias, etc. Must involve “some minimal degree of creativity” (*Feist*), but just how much is a contentious issue.¹⁶⁶

¹⁶²Casebook p. 502.

¹⁶³Casebook p. 503.

¹⁶⁴Casebook p. 504.

¹⁶⁵Casebook p. 504.

¹⁶⁶Casebook pp. 505–06.

5.4 Ownership and Duration

5.4.1 Initial Ownership of Copyrights

1. 17 U.S.C. § 201(a): copyright vests initially in the owner or owners.
2. 201(b): for works for hire, the employer is the author.
3. Cf. three levels of ownership in patents:
 - (a) Hired to invent: employer owns.
 - (b) Related to employer's business, made with employer's resources: employee owns, but the employer may have "shop rights."
 - (c) Unrelated to the employer's business, made with the employee's resources: employee owns.

5.4.1.1 Scope of Employment—Employee vs. Independent Contractor: *CCNV v. Reid*

1. Work for hire: (1) made by an employee or (2) specially commissioned in one of nine enumerated categories—see § 101 ("work made for hire"), *supp.* p. 253.
2. Four tests:
 - (a) Hiring party retains right to control.
 - (b) Hiring party wields actual control.
 - (c) Common law agency meaning.
 - (d) Only formal, salaried employees.
3. Supreme Court: "Congress intended to describe the conventional master-servant relationship as understood by the common-law agency doctrine . . ." ¹⁶⁷ (i.e., it rejected the first two approaches in the list above). For applying the law of agency, see casebook p. 512 top.
4. Held: Reid was an independent contractor, not an employee.

5.4.1.2 Joint Works: *Aalmuhammed v. Lee*

1. Why was this not a work for hire? § 101: work for hire agreements require a written agreement. ¹⁶⁸
2. "Joint work": two or more authors intend to merge their contributions into inseparable or interdependent parts of a unitary whole.
3. Basic elements:

¹⁶⁷Casebook p. 511–12.

¹⁶⁸*Supp.* p. 254.

- (a) A copyrightable work.
 - (b) Two or more authors.
 - (c) Intent to merge.
4. Ninth Circuit, here: making a valuable and copyrightable contribution is not the same thing as authorship. Authorship requires a degree of control. Aalmuhammed lacked that degree of control.
 5. Scholars (Nimmer and Goldstein) disagree about whether the individual contributions must be independently copyrightable.
 6. Result of joint authorship:
 - (a) Undivided interest in the whole.
 - (b) Duty of accounting to co-authors.
 - (c) Each can license non-exclusively.
 - (d) All must agree to license exclusively or assign.
 - (e) Duration measured by last life.

5.4.1.3 Contribution to Collective Works: 17 U.S.C. § 201(c)

1. Copyright in a contribution is distinct from copyright in the entire collection.
2. Owner of the collective work only acquires rights to include the contribution in that work and later editions.
3. Open source software is a challenge. Are programs jointly authored? Is each new modification a derivative work?

5.4.1.4 Analyzing IP Ownership Problems

1. What does the statute say? Who is the initial or default owner?
2. Did the parties enter into an employment or other *pre-creation* agreement?
3. Has there been an assignment or license *after the work was created*?

5.4.2 Duration and Renewal

1. Current duration: life of the author plus 70 years.
2. To determine duration for works published earlier, see the chart on pp. 527–29.
3. Renewal was required under the 1909 Act, but is **no longer required**.
4. Should we bring back renewal to address the orphan works problem?
5. Renewal lives on in the “termination of transfer” provisions. See below.

5.4.3 Division, Transfer, and Reclaiming of Copyrights

5.4.3.1 Division and Transfer Generally

1. Copyright is distinct from the property rights in a material object. You can own a book without owning the rights to its copyrighted contents.
2. Similarly, the author of a letter retains her copyright interests even though she mails the letter to the addressee.
3. Unlike real property, copyright law **restricts the alienability of copyrights** in various ways.¹⁶⁹

5.4.3.2 Division and Transfer under the 1909 Act

1. **Indivisibility:** copyright holders could not divide their right. They could assign the whole thing, but any lesser transfer was considered a license.

5.4.3.3 Division and Transfer under the 1976 Act

1. Eliminated restrictions on indivisibility. Allows for exclusive licenses. Any holder of an exclusive license can bring an infringement suit.¹⁷⁰
2. **Transfer of copyright:** any sale or assignment of all or part of the copyright; any exclusive or non-exclusive license; and/or any mortgage or hypothecation.

5.4.3.4 Reclaiming Copyrights (Renewal and Termination of Transfer)

1. 1909 Act—**termination of transfer:** upon renewal, copyright holders could reclaim copyright interests that they had licensed. (But most licensees insisted on advance assignment.)¹⁷¹
2. 1976 Act:
 - (a) Eliminated the renewal requirement.
 - (b) Copyright holders could terminate transfers of copyright between the thirty-fifth and fortieth year from the execution of the transfer. Congress wanted to give stronger rights to authors and their families. This violates freedom of contract, but it compensates for publishers' "unequal bargaining power."¹⁷²

¹⁶⁹Casebook p. 532.

¹⁷⁰Casebook p. 533.

¹⁷¹Casebook p. 533.

¹⁷²Casebook p. 533.

5.5 Traditional Rights of Copyright Owners

5.5.1 17 U.S.C. § 106: Exclusive Rights

1. Reproduction.
2. Derivative works.
3. Distribution.
4. Performance.
5. Display.

5.5.2 The Right to Make Copies

5.5.2.1 Copying: *Arnstein v. Porter*

1. Arnstein claimed Porter copied one of his songs.
2. District court granted Porter's summary judgment motion.
3. What's the standard for proving infringement? Two elements:
 - (a) **Copying.**¹⁷³
 - i. Proof of access.
 - ii. Striking similarity.
 - (b) That the copying went to far as to constitute **improper appropriation.**
4. Held:
 - (a) Similarities alone do not permit the inference that Porter copied the songs. However, if there was enough evidence of access for the case to go to a jury, the jury could infer that the similarities did not result from coincidence.¹⁷⁴
 - (b) The standard is the judgment of the lay listener, not the expert.

5.5.2.2 Second vs. Seventh Circuit: Do You Need to Show Access to Prove Infringement?

1. Second: no evidence of access needed if there is enough similarity.
2. Seventh: infringement suit must show *some* evidence of access.

¹⁷³Casebook p. 539.

¹⁷⁴Casebook p. 540.

5.5.2.3 Improper Appropriation: *Nichols v. Universal Pictures Corporation*

1. Did the film *The Cohens and the Kellys* infringe the play *Abie's Irish Rose*?
2. Judge Hand: “. . . the right **cannot be limited literally to the text**, or else a plagiarist would escape by immaterial variations.”¹⁷⁵
3. **Abstractions test**: “Upon any work, and especially upon a play, **a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out** . . . there is a point in this series of abstractions where they are no longer protected [because they are the idea, not the expression].”¹⁷⁶

5.5.2.4 Computer Software and the “Abstraction, Filtration, Comparison” Test: *Computer Associates International v. Altai*

1. The software in question was (1) CA scheduler (a task manager) and (2) CA adapter (an OS interface module).
2. Allegations of copying involved a departing employee.
3. CA argued that Altai infringed its copyright in its software. Altai argued that it took steps to ensure that the literal elements of its software were no longer substantially similar to the literal elements of CA's program. But what about the structure?
4. Software is both literary expression (protected) and process or method (unprotected under § 102(b)).
5. **Merger**: “we conclude that those elements of a computer program that are necessarily incidental to its function are similarly unprotectable.”¹⁷⁷ I.e., there is only one expression for a certain idea, so the idea and the expression merge.
6. CA approach—the **abstraction, filtration, comparison test**:
 - (a) **Abstract** the program into its structural parts.
 - (b) **Filter** out the merged ideas and public domain parts.
 - (c) **Compare** the remaining protected pieces with the structural parts of the allegedly infringing program.

5.5.2.5 Limitations on the Exclusive Right to Copy

1. See pp. 572–73.

¹⁷⁵Casebook p. 546.

¹⁷⁶Casebook p. 546–47.

¹⁷⁷Casebook p. 559.

5.5.3 The Right to Prepare Derivative Works

1. **Derivative work:** based on a preexisting work. § 101.
2. § 106(2): copyright owner has the exclusive right to prepare derivative works.
3. Generic “scenes a faire” and stock characters are not copyrightable, but specific characters are. See *Stallone* below.
4. Aren’t all derivative works “substantially similar,” rendering them infringing, rendering § 106(2) superfluous? Often, yes—but if there is a chain of derivatives, the last may not be substantially similar to the original.

5.5.3.1 Derivative Works and Fictional Characters: *Anderson v. Stallone*

1. Stallone publicly sketched some ideas for *Rocky IV*. Anderson wrote a 31-page script based on the ideas and presented it to MGM.
2. The court granted summary judgment to the defendants. It held:
 - (a) The *Rocky* characters are copyrightable.
 - (b) Anderson lacked copyright in his script because it was an unauthorized derivative work (under § 102(6)) based on these characters.

5.5.4 The Distribution Right

5.5.4.1 First Sale Doctrine: *Kirtsaeng v. Wiley*

1. Kirtsaeng imported Wiley textbooks from Thailand, where they were cheaper, and sold them at a profit in the U.S.
2. Wiley argued that Kirtsaeng violated its “exclusive right to distribute copies” under 17 U.S.C. § 602(a)(1).
3. Kirtsaeng argued he was protected under the first sale doctrine, i.e., the rightsholder cannot control sales past the first sale. The work (copyrightable) is distinct from the copy (unprotectable). First sale: 17 U.S.C. § 109.
4. Supreme Court (grudgingly) found for Kirtsaeng.
5. First sale doctrine applies **only to sales—not to licenses**.

5.5.5 Public Performance and Display Rights

1. If it moves, it's a performance, and if it's still, it's a display.
2. No public display rights in architectural works.¹⁷⁸
3. Limited public performance right in *sound recordings*—see below. But broadcasting a recording still infringed the *musical composition*; licenses for broadcasting are typically handled through blanket licenses from ASCAP, BMI, or SESAC.¹⁷⁹
4. The distinction between performance and display matters. Displaying a painting in an art gallery is not infringement, but showing a movie in a movie theater is.
5. See § 101 for definitions of “performance” and “display.”

5.5.5.1 Public Performance of Sound Recordings

1. When sound recordings entered federal copyright protection in 1972, broadcasters convinced Congress to **deny public performance rights for sound recordings**.
2. However, there are performance rights for **digital sound recordings**. Digital Performance Right in Sound Recordings Act (1995).¹⁸⁰

5.5.5.2 Statutory Limits on Performance and Display Rights

1. Statutory exemptions limiting performance and display rights (in addition to fair use):
 - (a) **Public interest exemption** (§ 110):
 - i. Generally applies to educational, free, or charitable performances and displays.¹⁸¹
 - ii. Fairness in Music Licensing Act (1998): broadened exemptions for homes, small business, restaurants, and certain larger establishments.
 - (b) **Compulsory licenses** (§ 111):
 - i. Cable, satellite, jukeboxes, public broadcasting, webcasting.¹⁸²

5.5.6 Moral Rights

1. Apply only to works of visual art. § 106(a). Results from the Visual Artists Rights Act (1990), a consequence of Berne. For specific protections, see casebook pp. 594–95.

¹⁷⁸Casebook p. 588.

¹⁷⁹Casebook p. 588 n. 31.

¹⁸⁰Casebook p. 591.

¹⁸¹Casebook p. 592.

¹⁸²Casebook p. 593–92.

5.6 Indirect Liability

1. Indirect liability: applies to those who **contribute to, induce, or profit from** infringement, or those who **sell products** that others can use to infringe.¹⁸³
2. Common law roots (vicarious liability, etc.) with major implications for the digital age.
3. Line between vicarious liability and indirect liability: whether a person exercises **direct legal control** over the other.

5.6.1 Contributory Infringement: *Sony v. Universal*

Sony found not liable for contributory infringement. (See below for details on the fair use analysis.)

1. Contributory infringement: first, there needs to be an act of **actual infringement**.
2. Universal and Disney argued that Sony was liable for contributory infringement because its customers were using Betamax machines for time shifting.
3. District court: no direct or indirect infringement. There was an implied home taping privilege.
4. Ninth Circuit: Sony was liable for contributory infringement; remand to determine remedies.
5. Issue before the Supreme Court: if Sony knew that the primary use of its machines was to make illegal copies, was it liable for contributory infringement?
6. Justice Stevens:
 - (a) Time-shifting was fair use, so the Betamax had **substantial noninfringing uses**, so it was ok.
7. Justice Blackmun, dissenting:
 - (a) Private taping was not fair use.
8. Dispute between the majority and the dissent focused on the nature of the copying. Stevens treated it as **time-shifting**; Blackmun treated it as **archiving/librarying**. The potential effect on the market was key.

¹⁸³Casebook p. 598.

5.7 Defenses

5.7.1 Fair Use

5.7.1.1 17 U.S.C. § 107: Four Fair Use Factors

1. **Purpose and character** (e.g., commercial/nonprofit).
2. **Nature of the copyrighted work.**
3. **Amount** and substantiality of the portion used.
4. **Effect of the use upon the potential market** or value of the original.
5. (Codified in 1976; evolved from common law.)

5.7.1.2 Videotaping and “Substantial Noninfringing Uses”: *Sony Corporation of America v. Universal City Studios, Inc.*

Overcoming fair use requires the copyright holder to show a likelihood of harm. (See above for more details on Sony.)

1. Universal sued Sony over VCRs for indirect infringement.
2. Buyers used VCRs for time shifting (recording shows and watching them later). Sony could only be found liable indirectly if time shifting was directly infringing. So, the issue was whether time shifting is fair use.
3. Plaintiffs had less than 10% market share. There may have been other broadcasters who would have welcomed time shifting. In an action for infringement against a seller of equipment, the holder can only prevail if the infringement affects only his programs or if he speaks for virtually all copyright holders with a stake in the outcome.¹⁸⁴
4. Time shifting was noninfringing. It counted as a substantial noninfringing use.
5. Courts should ask if the use is commercial or nonprofit. Noncommercial uses fall outside fair use if they would adversely affect the market if they became widespread. Here, the plaintiffs failed to show current or future harm.¹⁸⁵
6. Justice Blackmun, dissenting: this does harm the market. There’s no private use exception.

¹⁸⁴Casebook p. 624.

¹⁸⁵Casebook pp. 625–27.

5.7.1.3 Critique of the “Substantial Noninfringing Use” Standard

1. If 85% of uses are infringing and 15% are infringing, there is no liability. This is inefficient and costly.
2. Menell and Nimmer: apply a “reasonable alternative design” standard (from tort law). A different product design could significantly reduce infringement at very little cost.
3. Lanier: machines are shaping society instead of the other way around.

5.7.1.4 *Harper & Row Publishers, Inc. v. Nation Enterprises*

1. An anonymous source disclosed part of a forthcoming Gerald Ford memoir to the Nation, which published excerpts from it.¹⁸⁶ It was times to scoop the same piece to come out in Time. As a result, Time canceled its agreement with Harper & Row.
2. Second Circuit: this was fair use.
3. Justice O’Connor:
 - (a) The author has a right to control prepublication of works.
 - (b) Commercial uses are presumptively *not* fair uses. The effect on the market is a key factor.
 - (c) 1992: unpublished nature of work does not bar fair use.
 - (d) § 107: news reporting is one example of fair use.
 - (e) Held: this was not fair use.
4. Wendy Gordon, fair use as market failure: fair use makes sense when there are no opportunities for private agreements—unfavorable reviews of a book.

5.7.1.5 Photocopying and the Four Factors: *American Geophysical Union v. Texaco Inc.*

1. Instead of buying multiple journal subscriptions, Texaco would buy one and let its scientists make photocopies for their personal archives.
2. Here, fair use aims to strike a balance between the “integrity of copyright” and “the benefits that photocopying technology offers.”¹⁸⁷
3. Four § 107 factors:

¹⁸⁶Casebook p. 610–11.

¹⁸⁷Casebook p. 629.

- (a) **Purpose and character of use:** commercial or nonprofit? Transformative? The main purpose here was to archival—“personal archival copies”—to make copies to avoid payment. The use was not transformative because it did not add anything new of value. It’s a duplication, not a transformation. Weighs against Texaco.¹⁸⁸
 - (b) **Nature of copyrighted work:** “manifestly factual,” and therefore entitled to lower protection. Favors Texaco.
 - (c) **Amount and substantiality of portion used:** here, all of it. Weighs against Texaco.
 - (d) **Effect upon potential market or value:** there is no traditional market for individual journal articles. If there were no market, unauthorized use should be considered “more fair” (the *market failure* theory of fair use). However, the publishers could have earned licensing fees through a clearinghouse. There *was* a market. An unauthorized use is “less fair” when there is a market to pay for the use.
 - (e) Judge Newman also looked at the impact of a fair use holding on *future* markets (e.g., copyright clearinghouses that are in the process of developing).
4. Held for the publishers since they were able to show “substantial harm.”¹⁸⁹

5.7.1.6 Parodies: “Separating the Fair Use Sheep from the Infringing Goats:” *Campbell v. Acuff-Rose Music, Inc.*

Transformative parodies are fair use, although courts should consider the effects on derivative markets.

- 1. Parodies criticize specific works; satires criticize society broadly.
- 2. 2 Live Crew parodied “Pretty Woman,” using only as much as was necessary to “conjure up” the original.
- 3. 2LC’s use would be infringing but for a finding of fair use.¹⁹⁰
- 4. **Purpose and character:**
 - (a) Does it “supersede the objects” of the original or add something new?
 - (b) The more transformative, the less important are the other factors, including commercialism. (Commercial use is not presumptively harmful.)
 - (c) Parody needs to mimic the original.¹⁹¹

¹⁸⁸Casebook pp. 631–32.

¹⁸⁹Casebook p. 636.

¹⁹⁰Casebook p. 641.

¹⁹¹Casebook p. 643.

5. Nature of the copyrighted work:

- (a) “. . . some works are closer to the core of intended copyright protection than others”—e.g., expressive works, as opposed to factual works.
- (b) This factor is not “likely to help much in separating the fair use sheep from the infringing goats” because parodies almost always copy publicly known, expressive works.¹⁹²

6. Amount and substantiality:

- (a) “. . . extent of permissible copying varies with the purpose and character of the use.”¹⁹³
- (b) Parodies require the original to be recognizable. This parody added something new in addition, and it took no more than what was necessary.¹⁹⁴

7. Effect on the market:

- (a) Parodies are not substitutes for the original.
- (b) The district court failed to address the possible effect of the parody on derivative rap markets (e.g., if the copyright holder wanted to create its own rap parody of “Pretty Woman”). Remanded for factfinding.

5.7.1.7 Remixes: *Bill Graham Archives v. Dorling Kindersley Ltd.*

Remixes can copy entire works if the use is transformative.

1. DK published a coffee table book on the Grateful Dead that included seven images of posters copyrighted by Bill Graham Archives.

2. Purpose and character:

- (a) DK’s use was transformative because its purpose (biography) was different than the images’ original purpose (promotion). DK published the images at a smaller size and in collages. Finally, BGA’s images were a tiny fraction of DK’s overall work. The commercial purpose of DK’s use was not dispositive—“DK does not seek to exploit the images’ expressive value for commercial gain.”¹⁹⁵

3. **Nature of the copyrighted work:** although the original images were expressive and thus entitled to strong copyright protections, DK did not exploit the images’ expressive value.¹⁹⁶

¹⁹²Casebook p. 645.

¹⁹³Casebook p. 645.

¹⁹⁴Casebook p. 646.

¹⁹⁵Casebook pp. 654–56.

¹⁹⁶Casebook pp. 656–57.

4. **Amount and substantiality:** DK copied the images in their entirety, but the reduced size was consistent with the transformative use.¹⁹⁷
5. **Effect upon the market:** DK's use did not harm BGA's license market, even if DK had been willing to pay licensing fees to BGA and other copyright holders.¹⁹⁸

5.7.1.8 Reverse Engineering: *Sega Enterprises, Ltd. v. Accolade, Inc.*

1. Accolade took apart Sega cartridges to discover an initialization code to make games run on the Genesis console.¹⁹⁹
2. Ninth Circuit here: disassembly is fair use because it's **necessary to understand the functional requirements** for compatibility with the Genesis.
3. "We conclude that where disassembly is the **only way to gain access to the ideas and functional elements** embodied in a copyrighted computer program and where there is a legitimate reason for seeking such access, disassembly is a fair use of the copyrighted work, as a matter of law."
4. (DMCA prevents circumvention of technological measures that control access to a work—but it provides an exemption for reverse engineering for the "sole purpose of identifying and analyzing those elements of the program that are necessary to achieve **interoperability** of an independently created computer program . . .")

5.8 Digital Copyright Law

5.8.1 Digital Copyright Legislation

5.8.1.1 Anticircumvention Prohibitions

1. Prohibits two broad sets of activities:
 - (a) Circumventing and making items designed primarily to evade "technological protection measures" (TPMs) for **access control**. 17 U.S.C. § 1201(a).
 - (b) Making items designed primarily to evade TPMs for **copy control**. 17 U.S.C. § 1201(b).
2. *Realnetworks*: Streambox VCR product violated the DMCA by circumventing authentication measures to allow users to download streaming content.²⁰⁰

¹⁹⁷Casebook pp. 657–58.

¹⁹⁸Casebook pp. 658–59.

¹⁹⁹Casebook p. 671.

²⁰⁰Casebook p. 692.

5.8.1.2 Online Service Provider Safe Harbors

1. Online service providers: ISPs (e.g., Comcast), platforms (e.g., Yahoo!).²⁰¹
2. OSPs must have and use termination policies for repeat infringers.
3. They must adopt “standard technological measures” to screen copyrighted works.
4. They must identify a “notice and takedown” agent.

5.8.1.3 Safe Harbors: *Viacom Int’l, Inc. v. YouTube* For the OSP to be liable, § 512(c)(1)(A) (safe harbors) requires it to have knowledge or awareness of *specific* infringing activity. Remanded for findings on other issues: (1) right and ability to control infringing acts, (2) financial benefit from infringement. 512(c)(1)(B).

5.8.1.4 *MGM v. Grokster*

1. See Merges PPT 10/14/13.

5.8.2 Fair Use in Cyberspace: *Perfect 10, Inc. v. Amazon*

Google Image search thumbnails are fair use. A search engine “transforms the image into a pointer, directing a user to a source of information.”

1. Perfect 10 sued Google for showing its images in Google Images search results.²⁰²
2. Specifically, Perfect 10 argued that Google’s thumbnails infringed its **display rights and distribution rights**.
3. Held: thumbnails *transform* the original, rather than copy or frame it, so they do not violate the display right.
4. Also held: links to the original do not violate the distribution right.

5.8.3 Webcasting

1. Compulsory licenses or private negotiations?²⁰³
2. Current law: “interactive services” must negotiate directly with copyright owners; non-interactive services have a compulsory license.
3. Lessig, Fisher: there should be an Internet-wide compulsory license for downloading music. We should separate compensation from control. See *Free Culture*.

²⁰¹Casebook p. 694 ff.

²⁰²Casebook p. 732.

²⁰³See Merges PPT 10/14/13.

5.9 International Copyright Law

1. Lack of formalities has led to nearly worldwide protection for most works.²⁰⁴

5.9.1 Evolution of the International Copyright System and U.S. Participation

1. Berne, 1886: foreign authors get “domestic treatment”—i.e., the same rights as domestic authors.²⁰⁵
2. The United States joined in 1989.²⁰⁶

5.9.2 International Copyright Treaties

5.9.2.1 Berne Convention for the Protection of Literary and Artistic Works

1. **National treatment:** foreign authors from Berne member nations receive the same protections as domestic authors.²⁰⁷
2. Minimum requirements:²⁰⁸
 - (a) Works covered.
 - (b) Limitations on formalities.
 - (c) Duration.
 - (d) Exclusive rights.
 - (e) Moral rights.
 - (f) Restoration of rights.

5.9.2.2 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)

1. Expands Berne, including more extensive enforcement obligations and a new WTO dispute resolution process.²⁰⁹
2. Expansions on Berne:²¹⁰
 - (a) Works covered.
 - (b) Exclusive rights.
 - (c) Exceptions.

²⁰⁴Casebook p. 742.

²⁰⁵Casebook p. 742.

²⁰⁶Casebook p. 743.

²⁰⁷Casebook p. 744.

²⁰⁸Casebook pp. 744–45.

²⁰⁹Casebook p. 746.

²¹⁰Casebook p. 746.

5.9.3 Protection of U.S. Works Against Infringement Abroad

1. U.S. copyright law does not apply beyond the United States. Copyright holders can only enforce their rights in nations that are parties to multi-lateral treaties (Berne, TRIPs) or where the United States has specific bilateral agreements.²¹¹
2. Standing is the threshold question.²¹²
3. The extend of protections depend on applicable law. Local law also determines applicability and remedies.²¹³
4. **Rule of the shorter term:** under Berne, if the term of protection is different between the protecting country and the country of origin, the shorter duration applies, unless the protection country chooses otherwise.²¹⁴

5.9.4 Protection of Foreign Works Against Infringement in the United States

1. The United States protects all copyrights originating in Berne and TRIPs countries.
2. The United States does not apply the rule of the shorter term. So, if the term is shorter in the originating country, the work still enjoys the full term of U.S. copyright protection.²¹⁵

5.10 Enforcement and Remedies

5.10.1 Injunctions

1. Before 2006, courts routinely granted injunctive relief. This approach has since been replaced by a “searching, equitable balancing framework.”²¹⁶
2. The *eBay* court established the four-factor test for determining whether injunctive relief is called for. The plaintiff must show:²¹⁷
 - (a) Irreparable injury;
 - (b) The inadequacy of other remedies;
 - (c) Considering the balance of hardships between the plaintiff and defendant, an injunction is warranted; and
 - (d) “. . . that the public interest would not be disserved . . .”

²¹¹Casebook p. 747.

²¹²Casebook p. 747.

²¹³Casebook p. 748.

²¹⁴Casebook p. 748.

²¹⁵Casebook p. 751.

²¹⁶Casebook p. 752.

²¹⁷Casebook p. 753.

5.10.2 Damages

5.10.2.1 Actual Damages and Profits: *Sheldon v. Metro-Goldwyn Pictures Corp.*

Damages should be compensatory, not punitive.

1. What portion of the infringer's profits should be awarded to the copyright holder?
2. The district court (grudgingly, but with obedience to precedent) awarded *all* of the defendants' profits.²¹⁸
3. The appellate court awarded one-fifth of profits.
4. Damages should give just compensation. They should not be punitive—even if the infringement was deliberate.²¹⁹

5.10.2.2 Statutory Damages

1. Available to copyright holders who registered their work.²²⁰
2. Unintentional infringement: \$750 to \$30,000 (or \$200 as a lower bound if the infringer had no reason to believe the activity constituted infringement) per infringed work.
3. Willful infringement: up to \$150,000 per infringed work.

5.10.3 Attorney Fees

1. Can be awarded to prevailing plaintiffs or defendants on an equal basis.²²¹

²¹⁸Casebook p. 755.

²¹⁹Casebook p. 757.

²²⁰Casebook p. 759.

²²¹Casebook p. 761.

§ 6 Trademark

6.1 Introduction

6.1.1 Basic Goals of Trademarks

1. Protect consumers.
2. Protect the integrity of the marketplace.

6.1.2 Background

1. Trademarks “help to reduce information and transaction costs by allowing customers to estimate the nature and quality of goods before purchase.”²²²
2. 1870: first federal trademark statute. Struck down as beyond Congress’s powers under the patent and copyright clause.²²³
3. 1881: second federal statute, passed under the Commerce Clause. Significantly modified in 1905 and 1920.
4. 1946: Lanham Act, 15 U.S.C. §§ 1051 et seq.
5. Trademark protections have generally expanded.²²⁴ For instance, they now include trade dress (in addition to marks) and intent to use (in addition to actual use).

6.1.3 A Brief Overview of Trademark Theory

1. Trademarks do not protect or reward novelty or invention. They reward the first user of a mark.²²⁵
2. Traditional trademark principles resemble tort law: preventing unfair competition and consumer deception.
3. Infringement actions can protect consumers.²²⁶
4. Trademarks protect three kinds of investment:
 - (a) Creation of the mark.
 - (b) Advertising.
 - (c) Product creation.
5. **Guiding principle:** customer perception as a test for validity and infringement.

²²²Casebook p. 763.

²²³Casebook p. 764.

²²⁴Casebook p. 765.

²²⁵Casebook p. 765.

²²⁶Casebook p. 766.

6.1.4 The Basic Economics of Trademark and Advertising

1. No consensus on the economic function of trademarks.²²⁷
2. Does advertising help or manipulate consumers? Does it communicate valuable price or quality information, or does it artificially create demand for nonessential features?
3. Early commentators—“product differentiation theory”:
 - (a) Trademarks are bad.
 - (b) Advertising unnaturally stimulates demand.
 - (c) Advertising perpetuates oligopoly. For instance, brand-name drugs can sell for twice as much as chemically identical generic drugs. Arguably, this hurts consumers.²²⁸
4. Now—“product information theory”:
 - (a) Trademarks are good.
 - (b) Consensus that advertising cheaply conveys information to consumers.
 - (c) Product’s “search characteristics”: price, color, shape, etc.
 - (d) Product’s “experience characteristics”: taste, long-term durability. These are only apparent after purchase. Advertising and trademarks can help identify these characteristics and encourage repeat purchases.
5. *Consumer protection theory*: advertising cheaply conveys valuable information to consumers.
6. *Producer incentive theory*: trademarks are “essential shorthand” for consumers’ positive associations with a product.²²⁹
7. Copyright protections have expanded beyond protecting against consumer deception to a broader range of property-like protections.²³⁰

6.2 What Can Be Protected as a Trademark? (Subject Matter)

6.2.1 Trademarks, Trade Names, and Service Marks

1. **Trademark**: “word, name, symbol, or device” to **identify and distinguish** goods and to **indicate the source** of goods. The source can be unknown; what matters is that the trademark is a unique identifier.²³¹

²²⁷Casebook p. 766.

²²⁸Casebook pp. 766–67.

²²⁹Casebook p. 768.

²³⁰Casebook pp. 769–70.

²³¹15 U.S.C. § 1127; casebook p. 771.

2. **Service mark:** “word, name, symbol, or device” to identify *services*. Generally subject to the same rules as trademarks. E.g., “Hyatt hotel services.”
3. **Trade names:** can only be registered if they *identify the source of particular goods*, rather than a company alone.²³²
4. **Slogans:** “the greatest show on earth.”

6.2.2 Certification and Collective Marks

1. **Certification mark:** “word, name, symbol, or device” to certify characteristics of a product—i.e., a seal of approval. Used by trade associations and commercial groups—e.g., “Good Housekeeping,” the city of Roquefort.²³³
2. **Collective mark:** trademark or service mark adopted by a collective. It can be (1) used by its members to distinguish its products from non-member products, or (2) indicating membership in a collective group, like a union.²³⁴ Marks of the first type are useful in franchising arrangements.²³⁵

6.2.3 Trade Dress and Product Configuration

1. Design and packaging—and sometimes the design of the product itself.²³⁶

6.2.4 Color, Fragrance, and Sounds: *Qualitex Co. v. Jacobson Products Co., Inc.*

Colors can be trademarked, but like other trademarks, they require secondary meaning. The secondary meaning allows consumers to identify the product’s source.

1. Qualitex manufactured drycleaning pads with a distinctive green-gold color.
2. Circuit courts were split on whether colors could be trademarked.
3. “Symbol” or “device” can refer to “almost anything at all that is capable of carrying meaning . . . ”²³⁷
4. Colors can signify brands. When a color signifies a product’s origin, it has taken on a “secondary meaning.”²³⁸

²³²Casebook p. 772.

²³³Casebook pp. 772–73.

²³⁴Casebook p. 773.

²³⁵Casebook p. 774.

²³⁶Casebook p. 774.

²³⁷Casebook p. 775.

²³⁸Casebook p. 776.

- (a) “‘secondary meaning’ is acquired when ‘in the minds of the public, the primary significance of a product feature . . . is to identify the source of the product rather than the product itself’”²³⁹
- 5. Color meets the basic requirements for use as a trademark. It can distinguish goods and identify their source without serving any other function.²⁴⁰
- 6. Jacobson made four arguments for why color alone should not be granted trademark protections:
 - (a) *First*: it will create uncertainty (“shade confusion”).
 - i. But courts are skilled at making difficult decisions.
 - (b) *Second*: colors are in limited supply.
 - i. Maybe, but that “occasional problem” does not justify a “blanket prohibition.”
 - ii. The **functionality doctrine** “forbids the use of a product’s feature as a trademark where doing so will put a competitor at a significant disadvantage because the feature is “essential to the use or purpose of the article” or “affects [its] cost or quality.””²⁴¹ Here, if a limited supply of colors would harm competitors, courts would not allow exclusive use of one of the colors as a trademark.
 - (c) *Third*: many older cases support its position.
 - i. No—those were pre-Lanham Act.
 - (d) *Fourth*: firms can already use color as part of another trademark or trade dress.
 - i. A company might have a reason to use a color instead of a word or symbol.
- 7. Justice Breyer, dissenting:
 - (a) Four reasons not to extend trademark protections to colors:
 - i. Slippery slope.
 - ii. Depletion.
 - iii. Old cases.
 - iv. Companies can incorporate color into their broader mark.

²³⁹Casebook p. 776.

²⁴⁰Casebook p. 777.

²⁴¹Casebook p. 779.

6.3 Establishment of Trademark Rights

6.3.1 Distinctiveness

6.3.1.1 Classification of Marks and Requirements for Protection

1. When a trademark can identify a **unique** product source, rights are determined by priority of use.²⁴² These types of marks are then further subdivided:
 - (a) **Arbitrary**: Kodak, Exxon, Google.
 - (b) **Fanciful**: Apple Computer. The line between arbitrary and fanciful is thin; *Zatarain's* conflates them—p. 784.
 - (c) **Suggestive**: Coppertone.
2. All other marks—**non-distinctive**—require **secondary meaning**. Types:
 - (a) **Descriptive**: describes something about the goods or services—e.g., “Tender Vittles” for cat food or “Arthriticare” for arthritis treatment.²⁴³
 - (b) **Geographic**.
 - (c) **Personal names**.
 - (d) “Secondary meaning exists when buyers associate a descriptive term with a single source of products.”²⁴⁴ Buyers do not need to know the *identity* of the source; they only need to know that the product comes from a *single* source.
 - (e) **Colors, fragrances, sounds**: UPS brown, IBM blue.
3. **Generic**: aspirin, cellophane, thermos, yo-yo, escalator, google, kleenex. These become generic through genericide, i.e, they become associated with a **category** or type of products, rather than a specific source—so they no longer serve the goals of trademark law (to protect consumers and preserve the integrity of the marketplace). **Unprotectable even if they have acquired secondary meaning.**²⁴⁵

6.3.1.2 Descriptive Marks and Fair Use: *Zatarain's, Inc. v. Oak Grove Smokehouse, Inc.*

Descriptive terms can be trademarked, but the fair use defense allows competitors to use them in their original, descriptive sense. So, Zatarain's can have an exclusive right in the phrase “Fish-Fri” for its fish frying batter, but its competitors can use the words “fish” and “fry” to describe their own products.

Also: consumer surveys can help show secondary meaning.

Also: fair use in trademark law **applies only to descriptive marks**.

²⁴²Casebook p. 781.

²⁴³Casebook p. 781.

²⁴⁴782.

²⁴⁵Casebook p. 785.

1. Zatarain's brought infringement suits for two of its registered trademarks: "Fish-Fri" and "Chick-Fri."
2. **Fair use** "prevents a trademark registrant from appropriating a descriptive term for its own use to the exclusion of others, who may be prevent thereby from accurately describing their own goods."²⁴⁶
3. "Fish-Fri":
 - (a) Is "Fish-Fri" descriptive?
 - i. *Dictionary*: refers to fried fish, so yes, "Fish-Fri" is descriptive of the product (which is used to fry fish).
 - ii. *Imagination test*: if imagination is required to associate the term with the product, the term is suggestive, not descriptive. But here, no imagination is required to associate the two.
 - iii. *Competitive need*: do competitors need to use the term to describe their products? Here, probably yes, because there is a "paucity of synonyms" for "fish" and "fry."²⁴⁷
 - iv. *Actual use*: have competitors used the term to describe their own products? Here, yes.
 - v. So, "Fish-Fri" is descriptive.
 - (b) Does "Fish-Fri" have a secondary meaning?
 - i. Yes—survey evidence (of Louisiana, at least) and circumstantial evidence showed that consumers associated "Fish-Fri" with a specific source.
 - (c) Was there fair use?
 - i. Zatarain's cannot claim an exclusive right in the original, descriptive sense of "fish fry." So, its competitors are free to use them in that sense.²⁴⁸
 - ii. Also, dissimilar trade dress would likely prevent consumer confusion.
4. "Chick-Fri":
 - (a) Descriptive? Yes.²⁴⁹
 - (b) Secondary meaning? No ("paltry"—ha).²⁵⁰

²⁴⁶Casebook p. 785.

²⁴⁷Casebook p. 787.

²⁴⁸Casebook p. 789.

²⁴⁹Casebook p. 789.

²⁵⁰Casebook p. 790.

6.3.1.3 Genericness

1. A trademarked term must point to a specific source.
2. “Toyota” is a species. “Car” is a genus.²⁵¹
3. Terms are either born generic (“copier”) or become generic through genericide (“Xerox”).
4. Anybody can petition for **cancellation** of a name that has become generic. 15 U.S.C. § 1064 (Lanham § 14). Courts can also declare trademarks to be generic.
5. No protection for “merely descriptive terms”—§ 1052 (Lanham § 2). However, descriptive marks can be registered if they have “become distinctive of the applicant’s goods in commerce.” § 1052(f), Lanham § 2(f).
6. Firms use advertising and lawsuits to protect their trademarks against dilution, but these tactics might conflict with competition and the First Amendment.²⁵²
7. Generally, generic terms are not trademarkable, but at least one state has held that a generic term in public use can be protected if used uniquely by a product developer (“Anti-Defamation League”).²⁵³
8. Brandeis on genericide: *Kellogg Co. v. National Biscuit Co.*²⁵⁴
9. Non-word marks can be generic—e.g., grape leaves.²⁵⁵

6.3.1.4 Genericide: *The Murphy Door Bed Co., Inc. v. Interior Sleep Systems, Inc.*

Marks that have become generic are no longer protectable as trademarks.

1. 1918: Mr. Murphy won a patent for his bed design.²⁵⁶
2. 1925: Murphy incorporated the Murphy Door Bed Company.
3. 1981–84: The PTO and TTAB denied trademark protection for “Murphy bed” because the term had become generic.
4. 1981: Defendants entered into a distribution agreement with the plaintiffs, requiring it to identify Murphy beds as trademarked. Upon learning of the TTAB’s rejection, defendants incorporated a new company with “Murphy bed” in the name.

²⁵¹Casebook p. 794.

²⁵²Casebook pp. 798–99.

²⁵³Casebook p. 799.

²⁵⁴Casebook p. 799.

²⁵⁵Casebook p. 800.

²⁵⁶Casebook p. 794.

5. The district court held that “Murphy bed” was not generic because it had a secondary meaning.²⁵⁷
6. Rule: trademark protection is denied to a generic term unless there is a secondary meaning.
7. Who has the burden of proving genericness?
 - (a) If the term was originally generic (e.g., “Video Buyer’s Guide”), the plaintiff has the burden of showing that it’s not generic.
 - (b) If the term was originally specific but the public later expropriated it, the defendant has the burden of showing that it is generic.²⁵⁸
8. Since this term was originally not generic, the defendants had the burden of showing that it had become generic.
9. Held: the term was generic because of (1) the TTAB’s findings, (2) the presence of “Murphy bed” as a generic term in dictionaries, and (3) newspaper and magazine use as a generic term. Reversed.

6.3.1.5 Genericide, Language, and Policing Costs

1. Genericide takes away some rights that the creator earned through his or her creativity.²⁵⁹
2. Some creative works create **network externalities**: users benefit from the fact that others use the work (e.g., technical standards like TCP/IP). Generic marks can have network externalities. These externalities derive partly from collective labor, rather than from the labor of an individual creator, so it might make sense not to give the creator exclusive rights.²⁶⁰
3. Should the cost of policing (e.g., “you can’t Xerox a Xerox on a Xerox”) be a factor in the genericness analysis? Policing can indicate an attempt to provide an alternative generic standard. On the other hand, it can also indicate an attempt to maintain barriers to entry and to create free advertising. Policing noncommercial uses also raises First Amendment concerns.²⁶¹

6.3.1.6 Trade Dress and Secondary Meaning: *Two Pesos, Inc. v. Taco Cabana, Inc.*

Trade dress is the “total image of the business.” Proof of secondary meaning is **not required for an inherently distinctive trade dress to be**

²⁵⁷Casebook p. 795.

²⁵⁸Casebook p. 796.

²⁵⁹Casebook p. 801.

²⁶⁰Casebook pp. 802–03.

²⁶¹Casebook p. 803.

protectable. Trade dress should be treated the same as verbal or symbolic trademarks.

Also: functional trade dress (e.g., Korean barbecue) cannot be protected under trademark law.

1. Two Pesos opened restaurants that mimicked the decor of Taco Cabana's restaurants.
2. The question was whether inherently distinctive trade dress (i.e., restaurant decor) requires proof of secondary meaning to be protectable.²⁶²
3. § 43(a) does not require secondary meaning for inherently descriptive words or symbols. There is no basis in the statute for distinguishing between trade dress and other types of marks. Thus, proof of secondary meaning is not required where the trade dress is inherently distinctive.²⁶³

6.3.1.7 Product Design and Inherent Distinctiveness: *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*

"Symbol" or "device" can mean just about anything. Product *design*, like color, is not inherently distinctive, so it's protectable only on a showing of secondary meaning.

On the other hand, product *packaging* can be inherently distinctive, so it doesn't require secondary meaning.

1. Wal-Mart copied the design of a line of clothing that Samara manufactured.²⁶⁴
2. Trade dress includes product design.²⁶⁵
3. Marks can be distinctive in two ways: (1) inherently distinctive (i.e., arbitrary, fanciful, or suggestive) or (2) secondary meaning.
4. *Qualitex* (see above) held that colors can never be inherently distinctive.
5. Similarly, product design can never be protected without a showing of secondary meaning.²⁶⁶
6. The court distinguishes three elements of trade dress:
 - (a) Product *design* (at issue here): not inherently distinctive, so it requires a showing of secondary meaning.
 - (b) Product *packaging*: *can* indicate origin and therefore can be protectable.
 - (c) "Tertium quid": something "akin to product packaging."²⁶⁷

²⁶²Casebook p. 806.

²⁶³Casebook pp. 807–08.

²⁶⁴Casebook p. 810.

²⁶⁵Casebook p. 811.

²⁶⁶Casebook p. 813.

²⁶⁷Casebook p. 814.

6.3.1.8 Conflicts among IP Protections

1. The “principle of election” allowed only one type of protection per item. Rejected in *Yardley*.²⁶⁸
2. Utility patent protection generally trumps other forms of protection regarding functional features because it has the highest burden.²⁶⁹
3. Trademark law does not protect against copying of works whose copyright protections have expired.²⁷⁰

6.3.1.9 Functionality and the Primacy of Patent: *TrafFix Devices, Inc. v. Marketing Displays, Inc.*

Functional trade dress is unprotected. Utility patents can support a finding that trade dress is functional, though courts are split.

1. Two distinct issues:
 - (a) Trademark: “WindMaster” vs. “WindBuster.”
 - (b) Trade dress (i.e., product configuration as an indication of source) in the dual spring design for road signs.
2. The district court held that there was no trademark protection here because (1) there was no secondary meaning in the dual spring design, and (2) the design was functional.
3. Is an expired utility patent relevant to the trademark analysis? Circuits are split.
4. Unregistered trade dress is **not protectable if it is functional**. § 1125(a)(3), Lanham § 43(a)(3).
5. Held: “A utility patent is strong evidence that the features therein claimed are functional.”²⁷¹ Here, the elements of the claimed trade dress were patented—so the court found them to be functional, and thus unprotectable as trade dress.

6.3.2 Priority

1. § 45(a): mark must be (1) used in commerce or (2) registered with a bona fide intent to use in commerce.²⁷²
2. The analysis depends on **how** and **how much** the mark is used.

²⁶⁸Casebook p. 815.

²⁶⁹Casebook pp. 815–16.

²⁷⁰Casebook p. 816.

²⁷¹Casebook p. 818–19.

²⁷²Casebook p. 828.

6.3.2.1 Priority and the Use Requirement: *Zazu Designs v. L’Oreal, S.A.*

Knowledge that another person plans to use a mark does not prevent you from using it. However, the **intent to use** rule lets someone “reserve” a mark if it is actually used within six months (extendable to up to three years for good cause). § 1051(b), Lanham § 1(b).

“Use” means “used in commerce.” Sales are probative of use, but neither is necessary nor sufficient.

1. Timeline:
 - (a) 1985: Zazu met with chemists; made sales in its salon.
 - (b) 11/85, 2/86: Zazu send small shipments to Texas and Florida.
 - (c) 4/86: L’Oreal entered into a covenant with Riviera; made its first interstate shipment.
 - (d) 6/12/86: L’Oreal registered the mark.
 - (e) 1987: Zazu brought suit.
2. To establish priority, you have to win the race to the marketplace.²⁷³ But there are some rules to the race:
 - (a) The owner of a trademark **used in commerce** can request registration. § 1051, Lanham § 1.
 - (b) Caselaw balances two factors:²⁷⁴
 - i. Prevent rent-seeking: entrepreneurs reserve brand names in order to raise rivals’ costs.
 - ii. Allow firms to seek protection for a mark before investing substantial sums in promotion.
 - (c) Policy justifications for the use requirement:
 - i. Furthers the purpose of trademark law.
 - ii. Prevents warehousing of trademarks.
 - iii. Provides notice to others.
 - (d) Drawbacks:
 - i. May cause uncertainty about when rights attach.
 - ii. May result in the loss of preparatory expenses.
3. “Knowledge that ZHD planned to use the ZAZU mark in the future does not present an obstacle to L’Oreal’s adopting it today.”²⁷⁵

²⁷³Casebook p. 830.

²⁷⁴Casebook p. 830.

²⁷⁵Casebook p. 832.

6.3.2.2 Geographic Limitations on Trademark Use

1. Registration establishes national priority. For unregistered marks, concurrent users can expand their geographic areas unless it causes confusion.
2. Two types of **concurrent use**:
 - (a) Different products in the same market.
 - (b) Different geographic markets.
3. Geographic priority is determined by (1) first use in a given area and (2) customer associations in that area.
4. If one concurrent user registers the mark, the other can keep using it, but it will be frozen at its current geographic area. The senior party gains constructive national rights.

6.3.3 Trademark Office Procedures

1. **Principal register**: allows nationwide constructive notice and use, and incontestable status after five years.
2. **Secondary register**: to register in foreign countries, it used to be required for a mark to be registered domestically first.
3. Marks can be rejected for being immoral, deceptive, or scandalous.
4. Can also be rejected for being **merely descriptive**, **primarily geographically descriptive**, or **primarily geographically deceptively misdescriptive**—e.g., Wisconsin cheese, Washington apples. Specific exceptions for appellations of origin for wine and spirits (e.g., Bourbon) and certification marks (e.g., Roquefort).
5. “Nantucket” for men’s shirts is ok because buyers are unlikely to be deceived about the shirts’ origin. *Nantucket*.

6.3.4 Incontestability: *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*

Descriptiveness does not outweigh incontestability. For the requirements to gain incontestable status, see § 1065.

1. Can an alleged infringer of an incontestable trademark defend on the grounds that the trademark is descriptive?
2. Here, Dollar Park counterclaimed for cancellation on the grounds that Park 'N Fly was descriptive.²⁷⁶
3. Held: nothing in the statute supports the view that a trademark, once it has become incontestable, can be cancelled for being descriptive. See Lanham Act § 33(a), 15 U.S.C. § 1115(a).

²⁷⁶Casebook p. 862.

6.3.4.1 Defenses that Survive Incontestability

1. § 33(b):
 - (a) Obtainment by fraud.
 - (b) Abandonment.
 - (c) Used to misrepresent source or origin.
 - (d) Fair use (only for descriptive marks).
 - (e) Prior third-party rights (e.g., concurrent use).
 - (f) Prior registered mark.
 - (g) Functional.
2. Mark is generic. § 1064(c).
3. Others: antitrust, laches, other equitable doctrines.

6.4 Infringement

6.4.1 Use as a Trademark

6.4.1.1 “Use in Commerce”: *Rescuecom Corp. v. Google, Inc.*

Infringement under the Lanham Act requires “use in commerce.” § 1114. Liability arises when the use is “likely to cause confusion [or mistake or deception].” § 1125(a).

1. Rescuecom offered computer repair services. Google suggested “Rescuecom” as a paid search keyword to Rescuecom’s competitors.
2. District court: Google’s use was not a “use in commerce” because the final ads did not display Rescuecom’s trademark.
3. How does Google’s actions affect Rescuecom’s trademark interests? According to the Second Circuit, the key is **customer confusion**.
4. We don’t know whether Rescuecom can prove that Google’s use causes likelihood of confusion or mistake. The case settled after remand.

6.4.2 Likelihood of Consumer Confusion: *AMF Inc. v. Sleekcraft Boats*

1. Is “Slickcraft” likely to be confused with “Sleekcraft”?
2. Here, there is not high cross-elasticity of demand—i.e., the goods aren’t perfect substitutes for each other. But they’re close enough that the similar marks might cause *some* competitive harm.
3. The court considered seven factors in its **strength of mark analysis**:

- (a) Strength of the mark.
 - (b) Proximity or relatedness of the goods.
 - (c) Similarity of the marks.
 - (d) Evidence of actual confusion.
 - (e) Marketing channels used.
 - (f) Degree of customer care in purchase.
 - (g) Defendant's intent in selecting the mark.
 - (h) Likelihood of expansion into other marks.
4. This is separate from the **invalidity analysis**—e.g., *Park n' Fly*.
 5. Courts often use the “sight, sound, and meaning” test.
 6. Disclaimers can play a role.

6.4.3 Dilution

1. Two kinds: **blurring** and **tarnishment** (see below).
2. Courts can find infringement without confusion if dilution is likely.²⁷⁷
3. Federal Trademark Dilution Act of 1995 (FTDA), 15 U.S.C. 1125(c), Lanham Act 43(c).²⁷⁸
4. Five elements (§ 1125(c)):
 - (a) Mark must be **famous**. Factors: 42(c)(2)(A).
 - (b) Mark must be **distinctive** (spectrum: generic to arbitrary/fanciful).
 - (c) Junior user makes commercial use of the mark in commerce...
 - (d) ...after the senior mark has become famous.
 - (e) Two kinds:
 - i. **Blurring**: “impairs the distinctiveness.” Six factors. § 42(c)(2)(B).
 - ii. **Tarnishment**: “harms the reputation.” § 43(c)(3)(A).
5. Limiting factors (43(c)):
 - (a) Can only win an injunction.
 - (b) Registration of the defendant's mark is a complete defense.
 - (c) **Exclusions**: fair use, news, noncommercial use.

²⁷⁷Casebook p. 889.

²⁷⁸Casebook pp. 890–91.

6.4.3.1 Parody and Dilution: *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*

Successful parodies do not dilute by blurring because they do not “impair the distinctiveness” (43(c)(2)(B)) of the original mark. But parody is a defense only if the trademark is not being used qua trademark.

1. Haute Diggity Dog made dog toys that parodied high-fashion brands, including “Chewy Vuitton.”²⁷⁹
2. LVM argued that HDD’s products would blur and tarnish its “LOUIS VUITTON” mark.²⁸⁰
3. Dilution by blurring? No.
 - (a) Is the association between HDD’s and LVM’s marks likely to impair the distinctiveness of LVM’s marks?²⁸¹
 - (b) LVM argued that any imitation of a famous mark dilutes the mark.²⁸²
 - (c) After analyzing the six statutory factors (43(c)(2)(B)), the court held that HDD’s parody “will not blur the distinctiveness of the famous mark as a unique identifier of its source.”²⁸³
 - (d) No dilution by blurring because HDD’s parody was not likely to **impair the distinctiveness** of LVM’s marks.
4. Dilution by tarnishment? No.
 - (a) LVM argued that the possibility that a dog could choke on HDD’s toys harms the reputation of LVM’s mark.²⁸⁴
 - (b) The court dismissed this claim, finding that it was unlikely that a dog would choke “on such a toy.”²⁸⁵
5. Affirmed.

6.4.4 Domain Names and Cybersquatting

1. Goal (as with all of trademark law): prevent the likelihood of confusion.
2. Two legal regimes:
 - (a) Domestic: Anticybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d). Creates a civil cause of action when:²⁸⁶

²⁷⁹Casebook pp. 892–93.

²⁸⁰Casebook p. 894.

²⁸¹Casebook p. 895.

²⁸²Casebook p. 896.

²⁸³Casebook p. 898.

²⁸⁴Casebook p. 898.

²⁸⁵Casebook p. 899.

²⁸⁶Casebook p. 911.

- i. **Bad faith intent to profit.**
 - ii. Name is **identical or confusingly similar** to a distinctive mark.
 - iii. ...or **dilutive of a famous mark.**
 - iv. **Legitimate use factors** (§ 43(d)(1)(B)): trademark or other IP rights of the person in the domain name; use of the person's legal name; prior bona fide uses; offers to transfer for financial gain; knowing registration of multiple confusingly similar names.
- (b) ICANN/UDRP: WIPO-administered arbitration. Applies when:
- i. Name is **identical or confusingly similar.**
 - ii. **No rights** or legitimate interests.
 - iii. Name is registered and used in **bad faith.**

6.4.4.1 *PETA v. Doughney*

Courts don't like bad faith registration.

1. Doughney registered peta.org and labeled it "People Eating Tasty Animals."²⁸⁷
2. Doughney argued that his use was a parody. The Fourth Circuit found that (1) Doughney had a bad faith intent to profit and (2) peta.org was identical or confusingly similar to, or dilutive of, the PETA mark.

6.4.4.2 New Domain Name Abuses

1. **Tasting:** registering domain names and returning them for a full refund within five days.
2. **Kiting:** automated tasting and re-tasting.
3. **Spying:** squatters see the names you search for and register them first.

6.5 Defenses

6.5.1 Abandonment

6.5.1.1 *Major League Baseball Properties, Inc. v. Sed Non Olet Denarius, Inc.*

Abandonment requires (1) discontinuation of use (2) with no intent to resume.

1. After the Dodgers moved to LA, SNOD opened restaurants in Brooklyn called the "Brooklyn Dodger." MLB sued.

²⁸⁷Casebook p. 921..

2. SNOD argued that MLB had failed to make commercial or trademark use of the “Brooklyn Dodgers” mark for at least 25 years.
3. A mark has been abandoned if its **“use has been discontinued with no intent to resume.”**²⁸⁸
4. Burden of proof:
 - (a) On the party requesting cancellation.
 - (b) Registration is prima facie evidence of continuous use.
 - (c) Must show abandonment by a preponderance of the evidence.
5. Los Angeles would have had to continue to use “Brooklyn Dodgers” as the name of its baseball team. Only in this way would the public continue to identify the name with the team. LA tried to “warehouse” the mark.
6. Lanham Act § 45: “Nonuse for three consecutive years shall be prima facie evidence of abandonment.”
7. Held for SNOD.

6.5.1.2 Unsupervised Licenses: *Dawn Donut Company, Inc. v. Hart’s Food Stores, Inc.*

Lack of supervision in a licensing arrangement can cause abandonment.

1. Dawn was a wholesaler of donut mix. Hart’s started using “Dawn” to market its donuts.
2. Hart’s counterclaimed, arguing that Dawn had abandoned the mark because of its licensees’ **inadequate quality control and supervision.**²⁸⁹ The district court rejected the counterclaim.
3. Majority opinion: no abandonment.
4. Judge Lumbard, dissenting:
 - (a) Controlled licensing is not abandonment.
 - (b) However, inadequate supervision could lead to abandonment.
 - (c) “[U]nless the licensor exercises supervision and control over the operations of its licensees the risk that the public will be unwittingly deceived will be increased and this is precisely what the [Lanham] Act is in part designed to prevent.”
 - (d) Should remand for further factfinding.

²⁸⁸Casebook p. 956.

²⁸⁹Casebook p. 960.

6.5.2 Nontrademark (or Nominative) Use, Parody, and the First Amendment

6.5.2.1 Noncommercial Use: *Mattel, Inc. v. MCA Records*

Nominative use: trademark owners do not have the right to control uses beyond the source-identifying function.

Noncommercial use exception: expressive uses are entitled to First Amendment protections.

1. Mattel sued MCA over Aqua's "Barbie Girl."²⁹⁰
2. The district court held that Aqua's use was nominative fair use, there was no likelihood of confusion, and no dilution.
3. Was there infringement?
 - (a) The likelihood-of-confusion test doesn't accommodate expressive uses. Trademark owners do not have the right to control uses beyond the source-identifying function.²⁹¹
 - (b) *Rogers*: a literary title does not violate the Lanham Act unless it has "no artistic relevance" or "misleads as to the source or content" of the work.²⁹²
 - (c) Under *Rogers*, MCA's use of "Barbie" did not infringe Mattel's trademark.
4. Dilution? No.
 - (a) MCA's use here was "a classic blurring injury."²⁹³
 - (b) However, it falls under the noncommercial use exemption, 15 U.S.C. § 1125(c)(4)(B).²⁹⁴ *Hoffman*: any amount of noncommercial speech entitles the work to full First Amendment protection.²⁹⁵

6.6 Remedies

6.6.1 Injunctions

1. Derives from trademarks' property traits.

²⁹⁰Casebook p. 972.

²⁹¹Casebook pp. 973–74.

²⁹²Casebook p. 975.

²⁹³Casebook p. 976.

²⁹⁴Casebook p. 976.

²⁹⁵Casebook p. 978.

6.6.2 Damages

6.6.2.1 15 U.S.C. § 1117(a)

1. Injunctive relief is the default, but damages are also sometimes appropriate.
2. Plaintiff can recover:
 - (a) Defendant's **profits**.
 - (b) Plaintiff's **damages**.
 - (c) **Costs** of the action.
3. Courts can award up to **three times** actual damages.

6.6.2.2 Infringer's Gain and Mark Owner's Loss: *Lindy Pen Co., Inc. v. Bin Pen Corp.*

1. Lindy sued Bic for use of "Auditor's."²⁹⁶ Lindy won an injunction. The issue here was whether Lindy could recover damages.
2. If the defendant willfully infringed, there is a strong tendency towards accounting of profits. But for innocent infringement, courts have broad discretion. The court here held that Bic's infringement was innocent, so an accounting of profits would be unnecessarily punitive.²⁹⁷
3. Lindy could recover damages on two theories: actual damages (i.e., its lost profits) and unjust enrichment. It failed on both counts.

6.6.2.3 Corrective Advertising: *Big O Tire Dealers, Inc. v. The Goodyear Tire & Rubber Company*

Courts can award "corrective advertising" damages when a junior user co-opts a senior user's mark, creating confusion as to the origin of the senior user's products.

1. Big O, then a small company, developed a tire called "Big foot." Goodyear then launched a massive advertising campaign using the term "Bigfoot."
2. This case involves "reverse confusion." Goodyear didn't trade on Big O's goodwill. Instead, its use of the mark created confusion as to the origin of Big O's products.
3. The court here held that plaintiffs can recover for reverse confusion.
4. Goodyear spent about \$10 million on its national advertising campaign. Big O sought to recover \$2.8 million on one of two rationales:²⁹⁸

²⁹⁶Casebook p. 991.

²⁹⁷Casebook p. 992–93.

²⁹⁸Casebook p. 999.

- (a) Big O operates in 14 states, or 28% of states. \$2.8M is 28% of \$10M.
 - (b) The FTC often awards 25% for corrective advertising in misleading advertising cases.
5. The court here awarded \$678,302, calculated as (1) 28% of the amount Goodyear spent, (2) reduced by 75%, following the FTC rule.²⁹⁹

²⁹⁹Casebook p. 1000.

§ 7 Trade Secret

7.1 Introduction

7.1.1 History

1. Acto servi corrupti: corrupting a slave, i.e., bribing to get secret information.³⁰⁰

7.1.2 Overview

1. Traditionally a common law tort.³⁰¹
2. 1979: Uniform Trade Secrets Act (UTSA), adopted by 44 states and DC.³⁰²
3. Structure of a trade secret claim:³⁰³
 - (a) Trade secret-eligible **subject matter**.
 - i. Information that derives value from being kept secret.
 - ii. Must be secret.
 - (b) **Reasonable precautions** to keep it secret.
 - (c) Misappropriation.
4. Features of trade secret law:
 - (a) Potentially unlimited protection—as long as the information is valuable and secret.
 - (b) Cases often, but not always, arise from preexisting relationships, like employment contracts or expectations of confidentiality.
5. Federal IP laws **do not preempt state trade secret laws**.

7.1.3 Theory

1. Utilitarian: protecting secrets against theft encourages investment in proprietary information.³⁰⁴
2. Tort theory: prevent and punish wrongful acts—“the maintenance of commercial morality.”³⁰⁵

³⁰⁰Casebook p. 33.

³⁰¹Casebook p. 35.

³⁰²Casebook p. 36.

³⁰³Casebook p. 37.

³⁰⁴Casebook p. 37.

³⁰⁵Casebook p. 37–38.

7.2 Subject Matter

7.2.1 Defining Trade Secrets: *Metallurgical Industries, Inc. v. Fourtek, Inc.*

To determine whether information is a trade secret, courts should consider the level of confidentiality, the value to the secret holder, and the cost of developing the secret.

1. Metallurgical developed improvements to the zinc recovery process. It alleged that these improvements were trade secrets and that former employees stole them and brought them to Fourtek.³⁰⁶
2. The district court held that the modification process was not protectable as a trade secret.
3. What is a trade secret?
 - (a) Metallurgical's improvements were unknown to the industry. It took steps to protect this information (e.g., NDAs), suggesting it was secret.³⁰⁷
 - (b) Courts should *consider* these factors, but they are not *required*.³⁰⁸
 - i. Confidentiality.
 - ii. Value to the secret holder.
 - iii. Cost of developing the secret.
4. Here, Metallurgical had a trade secret.

7.2.2 Reasonable Efforts to Maintain Secrecy: *Rockwell Graphic Systems, Inc. v. DEV Industries, Inc.*

Evidence of reasonable precautions makes acquisition through "proper means" very unlikely.

1. Rockwell manufactured printing presses. It sometimes subcontracted the manufacture of replacement parts, which involved providing subcontractors with "piece part drawings" of the parts to be made.³⁰⁹
2. Some of Rockwell's employees left for DEV, a competitor. They allegedly copied some of the drawings.
3. DEV argued that the drawings were not trade secrets because Rockwell "made only perfunctory efforts to keep them secret."³¹⁰ Rockwell did take some measures to preserve secrecy, but DEV argues that it could have done more.

³⁰⁶Casebook p. 40.

³⁰⁷Casebook p. 41.

³⁰⁸Casebook p. 41–42.

³⁰⁹Casebook p. 49.

³¹⁰Casebook p. 50.

4. Posner described two conceptions of requirement that the owner take reasonable precautions to preserve secrecy.³¹¹
 - (a) *Deterrence*: prevent actions that redistribute wealth from one firm to another. The plaintiff must prove that the defendant obtained the secret through a wrongful act.
 - (b) *Utilitarian*: encourage investment. The owner's actions have evidentiary significance, but mainly to show that the secret has value. It matters less how the defendant acquired the information.
5. Under both conceptions, efforts to preserve secrecy also matter for remedies, because if the owner had let the secret fall into the public domain, he would receive a windfall by enforcing exclusive ownership of the secret.³¹²
6. Here, whether Rockwell's efforts were "reasonable" is a question of fact. Motion for summary judgment denied.
7. Perfect security can be inefficient, so it is not required—"perfect security is not optimum security." The standard is reasonableness.

7.2.3 Disclosure of Trade Secrets: *Data General Corp. v. Digital Computer*

Public disclosure destroys the secret, but as long as the secret remains secret, it's protectable. A non-disclosure agreement *may* be good enough.

Trade secrets can be disclosed in several ways: (1) publication, (2) sale of a product that embodies the secret, (3) disclosure by someone other than the owner, (4) inadvertent disclosure, or (5) forced disclosure by government agencies.³¹³

1. Data General included design drawings with the computers it sold. The drawings included an NDA. Digital acquired the drawings from one of Data General's customers and used it as a template to develop a competing product.³¹⁴
2. Held: whether Data General took adequate measures to protect its secret was a factual question.

7.3 Misappropriation of Trade Secrets

7.3.1 Improper Means: *E.I. duPont de Nemours & Co. v. Christopher*

Where a person has taken reasonable precautions to preserve secrecy, taking the secret is improper. Illegal conduct or a breach of a confidential relationship are not required.

³¹¹Casebook p. 51.

³¹²Casebook p. 52.

³¹³Casebook p. 60-63.

³¹⁴Casebook p. 58-59.

1. Christopher was hired to fly over the duPont plant, which was under construction, to discover their secret process for making methanol.
2. The court held that duPont had taken reasonable precautions to preserve secrecy, so the flyover was improper.³¹⁵

7.3.2 Confidential Relationship: *Smith v. Dravo Corp.*

Confidential relationships can be implied from the circumstances.

1. Dravo expressed interest in buying Smith's shipping container business. Smith sent detailed information to Dravo about its operations.³¹⁶
2. Dravo used Smith's designs to build its own containers.
3. Smith did not get an express promise to keep the information confidential. But everybody understood that Smith was disclosing the information solely for the purpose of appraising the business. "There can be no question that defendant knew and understood this limited purpose."

7.3.3 Reverse Engineering: *Kadant, Inc. v. Seeley Machine, Inc.*

Reverse engineering is a legitimate use of another's trade secret.

1. After Kadant terminated Corlew, Corlew went to work for Seeley, which developed a similar product line.
2. Kadant argued that the only way Seeley could have developed the product so fast was through trade secret theft. Seeley argued that it reverse engineered Kadant's products.
3. Seeley argued that the products were simple, so reverse engineering was quick and easy. Held: Kadant failed to rebut this argument.

7.3.4 The Special Case of Departing Employees

1. What's the optimal rate of employee mobility?
2. Two competing needs: (1) need to train employees and (2) need to trust employees.
3. Tools to protect secrets in the context of departing employees: non-compete agreements, IP assignment clauses, and trade secrecy per se.
4. A lot of the action is in the evidence.

³¹⁵Casebook p. 67.

³¹⁶Casebook p. 70–71.

7.3.4.1 IP Assignment Clauses

1. Typically broad (why not?).
2. Some states (“right to invent” states) regulate the effect of broad IP assignment clauses.
3. Common law of IP ownership—three categories of employee (which only apply when there is not a formal contract—i.e., almost never):
 - (a) “Employed to invent.” IP rights belong to the employer, even in the absence of an explicit agreement.
 - (b) “Inventions made with employer resources”—e.g., somebody who supervises manufacture. Employer gets a “shop right,” meaning they can use the invention, but they don’t own it.
 - (c) “Independent invention.” Employee owns it.
4. Limits on employment contracts:
 - (a) E.g., Cal. Labor Code § 2870: can’t require assignment of completely independent inventions.
 - (b) *Roberts v. Sears Roebuck*: salesman who invented a quick-release socket wrench on his own time did not have an obligation to assign.
5. Trailer clauses (or follow-on clauses): IP assignment agreement extends X months after the period of employment.
 - (a) *General Signal*: employee waited until days after the expiration of the trailer clause. Held: the invention was actually conceived during the trailer period; the employee’s timing was too convenient.

7.3.4.2 Noncompete Agreement: *Edwards v. Arthur Andersen*

California invalidates noncompete clauses in employment contracts, unless they are necessary to protect the employer’s trade secrets. The policy is to promote “free and full practice of one’s profession.” But California is a distinct minority. Most states enforce noncompetes.

1. Cal. Bus. & Prof. Code § 16600: noncompetes are per se unenforceable in CA, but there are many exceptions—e.g., you can require nondisclosure of confidential information.
 - (a) Most states would impose a common law reasonableness requirement, but CA does not.
2. Agreement in this case: no similar work for eighteen months, and no customer poaching for twelve months.³¹⁷

³¹⁷Casebook p. 90.

3. HSBC acquired Arthur Andersen and required employees to sign non-competes. Edwards was fired for refusing to sign. He argued that the agreement was unenforceable.
4. The court agreed with Edwards. California law protects the freedom to pursue enterprise and employment.³¹⁸
5. Classic exception (footnote 4): nondisclosure agreements are enforceable if they are necessary to protect trade secrets.
6. Choice of law: even if the noncompete is signed in another state, and indicates that that state's laws applies, CA courts will *still* likely apply their laws and find the agreements to be unenforceable.

7.3.4.3 “Inevitable Disclosure”

1. Pepsi won an injunction to prevent an executive from going to Quaker, because disclosure of trade secrets would have been inevitable. A confidentiality agreement wasn't enough.³¹⁹
2. But CA appellate courts have rejected the inevitable disclosure doctrine as counter to the policy of employee mobility.

7.4 Agreements to Keep Secrets

1. If the information doesn't meet the requirements to be a trade secret, can the parties still agree by contract to keep it secret?³²⁰
2. *Warner-Lambert*: yes. But many courts disagree.

7.4.1 *Warner-Lambert Pharmaceutical Co. v. John J. Reynolds*

Destruction of the trade secret (e.g., by public disclosure) does not always render license agreement unenforceable.

1. Warner-Lambert licensed the secret formula for Listerine. After the formula became public, it sued for declaratory judgment to remove its obligation to pay royalties.³²¹
2. Held: the agreement was indefinite. “One who acquires a trade secret or secret formula takes it subject to the risk that there be a disclosure.”³²²
3. Many courts disagree.³²³

³¹⁸Casebook p. 92.

³¹⁹Casebook p. 99–101.

³²⁰Casebook p. 106.

³²¹Casebook p. 107.

³²²Casebook p. 108–09.

³²³Casebook p. 109–11.

7.5 Remedies

1. The UTSA allows injunctions, damages, and attorney's fees.³²⁴
2. Injunctive relief casts trade secrets as property, but damages sound like restitution, which would make the aim trade secret remedies to make the plaintiff whole, as in tort or contract.
3. Criminal provisions: CA penal code § 499(c); federal Economic Espionage Act (1996), § 1831.
 - (a) Elements of an EEA offense:
 - i. Defendant appropriated proprietary information.
 - ii. Knew that it was proprietary.
 - iii. The information was a trade secret.
 - iv. Intended to economically benefit someone other than the trade secret owner.
 - v. Trade secret is related to a product involved in interstate or foreign commerce.
 - (b) Penalties: fines, jail time.

7.5.1 Head-Start Injunction: *Winston Research Corp. v. 3M Corp.*

1. Mincom employees developed tape recorder technology and then left to form Winston to market the same technology.
2. Remedies aim to balance the rights of the employer and the employee.³²⁵
3. There was trade secret misappropriation here.
4. The district court granted (and the court here affirmed) a two-year injunction. A permanent injunction would harm employee mobility and the public interest, while no injunction would give the culpable employees an unfair head start in the market. A limited injunction would be a good compromise.

³²⁴Casebook p. 111–12.

³²⁵Casebook p. 113–14.

§ 8 State Law and Federal Preemption

1. Six ways that state law protects IP (other than trade secret and trademark):³²⁶
 - (a) Misappropriation.
 - (b) Contract.
 - (c) Idea submissions (implied contracts).
 - (d) Right of publicity.
 - (e) Trespass to chattel.

8.1 The Tort of Misappropriation

8.1.1 Quasi-Property: *International News Service v. Associated Press*

News stories can be protect as a form of “quasi-property” which can be protected against misappropriation by direct competitors.

1. INS and AP competed to deliver “hot news” to newspapers across the country. INS began copying AP’s stories and sending them to newspapers itself—for instance, by copying stores published on the East Coast and sending them to West Coast newspapers.³²⁷
2. Can AP win an injunction?
3. Justice Pitney:
 - (a) INS argued that AP did not have a property right in its published stories.
 - (b) News articles are copyrightable, but the underlying facts, apart from their expression, are not.³²⁸
 - (c) The case depends on whether INS’s actions counted as unfair competition.
 - (d) Since news has value in the context of the competition between INS and AP, courts can consider to be a form of “quasi-property.”³²⁹ Misappropriation of this form of property is actionable.
 - (e) Affirmed (held for AP).
4. Justice Holmes, concurring:

³²⁶Casebook p. 1005.

³²⁷Casebook p. 1006–07.

³²⁸Casebook p. 1008.

³²⁹Casebook p. 1009.

- (a) This is the same harm as misrepresentation (i.e., passing off your goods using another's name).³³⁰
- 5. Justice Brandeis, dissenting:
 - (a) AP has no property right in its published stories. Failure to give credit is not fraud.³³¹
 - (b) INS's conduct was unfair, but it's not the court's rule to create a new, complex property right.

8.2 Protection by Contract

8.2.1 Shrinkwrap Licenses: *ProCD, Inc. v. Zeidenberg*

Software shrinkwrap license agreements are enforceable, even if the consumer can't read them until he has bought the product.

1. ProCD published a CD compilation of 3,000 telephone directories. It sold to commercial users at a higher price than individual consumers, and used a shrinkwrap agreement (i.e., EULA) to enforce its price discrimination scheme. Users did not have to agree to the license terms before they bought the product or opened the box, but they did have to agree before using the software.³³²
2. Zeidenberg copied ProCD's products and put them online at a lower price.
3. Zeidenberg argued that only the terms on the outside of the box counted as license terms.
4. There are plenty of "money now, terms later" transactions—like airline tickets, insurance, or concert tickets. Buyers can return the product if they don't agree with the terms. The UCC supports this approach.³³³
5. Held: the agreement was enforceable.

8.2.2 Browsewrap Agreements: *Specht v. Netscape Communications Corp.*

1. When users downloaded Netscape's SmartDownload, they were not required to agree to Netscape's terms. The terms were, however, printed on the page—offscreen below the download button.

³³⁰Casebook p. 1012–13.

³³¹Casebook p. 1014.

³³²Casebook p. 1021–1023.

³³³Casebook p. 1024–26..

2. In a class action, Netscape sought to enforce an arbitration clause in the SmartDownload agreement. Netscape argued that the plaintiffs were on “inquiry notice” of the terms.³³⁴
3. Held: a “reasonably prudent offeree” would not have been aware of the SmartDownload terms.³³⁵ Downloading did not count as assent. *ProCD* is distinct because in that case, users had to agree to the terms each time they ran the application.

8.2.3 Copyright Preemption of Contract Law: *ProCD II*

1. Does federal copyright law preempt the shrinkwrap agreement in *ProCD*?
2. See casebook 1037 ff.

8.3 Idea Submissions

1. What happens when ideas are communicated without a formal contract? Should state law protect ideas that are not trade secrets?

8.3.1 General Novelty vs. Novelty to the Buyer: *Nadel v. Play-by-Play Toys & Novelties, Inc.*

At least under New York law, breach of contract actions for stealing ideas are viable if the idea was novel *to the buyer*, even if it was generally known.

1. Nadel, a toy inventor, sent a prototype of a toy to Play-by-Play, which released a very similar toy soon after. Nadel argued that Play-by-Play used his idea without compensating him, claiming breach of contract, a quasi-contract claim, and misappropriation. Play-by-Play argued that it developed the idea independently.³³⁶
2. The district court granted Play-by-Play’s motion for summary judgment because the idea was not generally novel.
3. On appeal, Nadel argued that for the breach of contract claim, he only needed to prove that the idea was not novel *to the buyer*, rather than the industry generally.
4. The New York standard (from *Apfel*):³³⁷
 - (a) Contract claim: idea need only have been novel *to the buyer*. Since it has value to the buyer, the idea counts as valuable consideration.
 - (b) Misappropriation claim: originality (i.e., general novelty) is needed.

³³⁴Casebook p. 1033.

³³⁵Casebook p. 1034.

³³⁶Casebook p. 1045.

³³⁷Casebook p. 1047 ff.

5. Misappropriation claim: remanded to determine whether the idea was novel generally.
6. Contract claim: there was a genuine issue of material fact as to whether Nadel's idea was novel to Play-by-Play.

8.3.2 Avoid Blurting: *Desny v. Wilder*

To be enforceable, there has to be a contract *before* disclosure of the idea. Don't blurt out your valuable ideas.

1. Desny gave Wilder a synopsis of his screenplay without a compensation agreement. Wilder made a movie based on the idea without paying Desny.
2. The appellate court granted summary judgment for Wilder.
3. Defendants argued that Desny disclosed the idea before they expressed willingness to pay (or not).³³⁸
4. Brandeis in *INS v. AP*: value alone does not turn ideas into property.
5. But ideas can be protected by contract—e.g., advice that doctors and lawyers give.
6. Ideas can constitute valuable consideration and be bargained for, but after disclosure to a second party, that party is free to use them as his own.³³⁹
7. To be enforceable, there has to be a contract *before* disclosure of the idea. Desny blurted out his idea, so he is not entitled to contractual protections.
8. Justice Carter, concurring;
 - (a) Writers as sellers are in a much inferior bargaining position.³⁴⁰
 - (b) Buyers wouldn't buy ideas if the terms are "I won't tell you what my idea is until you promise to pay me for it."³⁴¹
 - (c) Department stores don't have to say explicitly that their goods are for sale. Similarly, it should have been implied that Desny's idea was for sale.

³³⁸Casebook p. 1056.

³³⁹Casebook p. 1058.

³⁴⁰Casebook p. 1059.

³⁴¹Casebook p. 1059.

8.4 The Right of Publicity

8.5 Patent Preemption of State Laws