

## Introduction

- I. Philosophical Perspectives
  - a. Natural Rights Perspective
    - i. Lockean Labor Theory: removes from a state of nature and mixes with labor
    - ii. The author is entitled to all the social benefits produced by his or her efforts
  - b. Personhood Perspective
    - i. To achieve proper self-development – to be a person – an individual needs some control over resources in the external environment
    - ii. Two types of property
      1. Personal property: property that is bound up with a person
        - a. Not readily replaceable
          - i. More than just monetary value
      2. Fungible property: property that is held purely instrumentally
        - a. Property that is perfectly replaceable
  - c. Utilitarian / Economic Perspective (primary justification)
    - i. Promotion of new and improved works
      1. Technological or expressive
        - a. Ex: patent, copyright, and trade secrets
    - ii. Ensuring the integrity of the marketplace
      1. Reduces consumer confusion and enhances incentives for firms to invest in activities that improve brand reputation
        - a. Ex: trademark and related bodies of unfair competition law
    - iii. Principal is to enrich the public at large
      1. Rewarding the inventor is a secondary consideration
- II. Need to balance the goals of IP
  - a. Access: we want the public to have access to inventions
  - b. Incentives: we want to create incentives for people to engage in the inventive process
- III. Intangibility is a key feature of IP works
  - i. People will not invest in invention or creation unless the expected return from doing so exceeds the cost of doing so
- IV. Overview of IP
  - a. [Chart on page 26-27]
  - b. Trade Secrets
    - i. State law doctrine that protects against the misappropriation of certain confidential information
      1. Information must be a secret (only relative and not absolute secrecy is required)
      2. Owner must take reasonable steps to maintain its secrecy
      3. No definite term – protection as long as secrecy is maintained
        - a. Once a trade secret is disclosed, protection is lost
    - ii. Protection: where the secrets were obtained by theft or other improper means, or where they were used or disclosed by the defendant in violation of a confidential relationship
      1. Trade secret holder will have a misappropriation claim
    - iii. No protection: independent discovery or invention, or reverse engineering
      1. Trade secret holder will not have a misappropriation claim
    - iv. Equitable doctrine, rooted in notions of fairness
  - c. Patent
    - i. Limited period of exclusive rights to encourage research and development aimed at discovering new process, machines, and compositions of matter

- ii. Economic justifications for the patent system
    - 1. An incentive to invent
    - 2. Stimulates the investment of additional capital
    - 3. Encourages early public disclosure
    - 4. Promotes the beneficial exchange of products, services, and technological information
  - iii. Requirements:
    - 1. Patentable subject matter
    - 2. Usefulness (Utility)
    - 3. Novelty
    - 4. Non-obviousness
    - 5. Disclosure (sufficient for others skilled in the art to make and use the invention)
      - a. Written Description
      - b. Enablement
      - c. Best Mode
  - iv. Protection lasts for 20 years
  - v. Infringement will be found where the accused device, composition, or process embodies all of the elements of a valid patent claim ("all-elements")
    - 1. Or accomplishes substantially the same function in substantially the same way to achieve the same result ("function, way, results")
- d. Copyright
  - i. Literary and artistic expression
    - 1. Ideas themselves are not copyrightable, but the author's particular expression of an idea is protectable
  - ii. Requirements:
    - 1. Copyrightable subject matter
    - 2. Modicum of originality
    - 3. Fixed in a tangible medium of expression
  - iii. Protection lasts for the life of the author plus 70 years
    - 1. Or a total of 95 years in the case of entity authors
- e. Trademark / Trade Dress
  - i. Purpose: protect consumers and the integrity of the marketplace
  - ii. Mark must represent to consumers the source or the good of service
  - iii. Famous marks receive protection against dilution by blurring or tarnishment
  - iv. Protection lasts until the mark is abandoned by its owner or it becomes unprotectable

## Trade Secrets

- I. Introduction
  - a. Idea that information should be protected against "theft"
    - i. Protection against active wrongdoers
      - 1. Does not protect against independent discovery/creation or reverse engineering
        - a. Relatively weak protection, compared to other IP areas
  - b. What law does the jurisdiction apply?
    - i. RST of Torts (old): protected as a trade secret any information "used in one's business" that gives its owner "an opportunity to obtain an advantage over competitors who do not know or use it," so long as the information was in fact a secret
      - 1. Factors:
        - a. The extent to which the information is known outside the claimant's business
        - b. The extent to which it is known by employees and others involved in the business

- c. The extent of measures taken by the claimant to guard the secrecy of the information
  - d. The value of the information to the business and its competitors
  - e. The amount of effort or money expended by the business in developing the information
  - f. The ease or difficulty with which the information could be properly acquired
- ii. RST of Unfair Competition (new): “A trade secret is any information that can be used in the operation of a business or other enterprise that is sufficiently valuable and secret to afford an actual or potential economic advantage over others”
  - 1. **New RST Trade Secret = value + secrecy**
  - 2. New RST does not contain a requirement that plaintiffs take reasonable precautions to protect their secrets (pg. 54)
    - a. While precautions taken to maintain secrecy of information are relevant in determining whether the information qualifies for protection as a trade secret, if the value and secrecy of the information are clear, evidence of specific precautions taken by the trade secret owner may be unnecessary
    - b. Uniform Trade Secrets Act does contain such a requirement
- iii. Uniform Trade Secrets Act
  - 1. §1. Definitions
    - a. “Improper means” includes theft, bribery, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage through electronic or other means
    - b. “Misappropriation” means:
      - i. acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
      - ii. disclosure or use of a trade secret of another without express or implied consent by a person who
        - 1. used improper means to acquire knowledge of the trade secret; or
        - 2. at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was
          - a. derived from or through a person who has utilized improper means to acquire it;
          - b. acquired under circumstances giving rise to a duty to maintain its secrecy or limits its use; or
          - c. derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limits its use; or
        - 3. before a material change of his or her position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake ...
  - c. “Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:
    - i. **derives independent economic value**, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and

- ii. is the **subject of efforts that are reasonable under the circumstances to maintain its secrecy**
    - 2. Under this view, once a secret is readily available through public sources, it loses all trade secret protection
      - a. At this point, the defendant is free to obtain the information from the public source or from the plaintiff herself
      - b. Basically, if third parties could have acquired this information from public sources, then it should not qualify for trade secret protection
    - iv. So, information that qualifies for trade secret protection is that which is relatively secret and there have been reasonable efforts to protect the secrecy of the information and defendant misappropriated the trade secret
      - 1. Matters of general knowledge in an industry cannot be appropriate by one as his secret
        - a. Therefore, trade secret inquiries are highly fact/circumstance specific and industry specific
        - b. Information in the public domain cannot be turned into a secret merely by treating it like a secret
  - c. Policy
    - i. Utilitarian: protecting against theft of proprietary information encourages investment in such information
    - ii. Tort: emphasizes deterrence of wrongful acts
      - 1. Want to punish and prevent illicit behavior to preserve some baseline level of commercial morality
        - a. Utilitarian aspects are in the background because one consequence of deterring wrongful behavior would be to encourage investment in trade secrets
    - d. Hypo: Wonka Confections guards its secret formula for chocolate. The formula is valuable, because Wonka uses it to make especially delicious chocolate, envied by competitors. Wonka's formula is not protected by *copyright* (which does not protect functional matter) or *patent* (because Wonka has not applied for a patent, and if the formula has been in commercial use for more than a year, any patent rights are now lost) or *trademark* (the formula is not a source-identifying signal). Wonka does not have exclusive rights in the formula – but Wonka does have **trade secret protection**
- II. Secrecy Requirement
- a. Factors:
    - i. Subjective belief of the trade secret holder – as illustrated by the measures the holder took to protect what he believed to be a secret (subjective belief manifested through objective behavior)
      - 1. Notion that if you are asking the court to protect your rights, you should have been taking measures yourself to protect the information too
      - 2. We assume people are rational economic actors and will not take efforts to protect something that is not in fact a secret
    - ii. Direct evidence and/or testimony re: industry norms and standards (i.e. whether the information is widely known in the industry)
    - iii. Economic value of the secret
    - iv. Cost and resources expended re: developing the trade secret
      - 1. Rational economic actors only spend money if they think it is going to bring them value
      - 2. This is an indirect, but persuasive, way of establishing that your information is secret
  - b. Disclosures
    - i. The secrecy of the information does not have to be absolute
      - 1. Limited disclosures are OK and will not necessarily destroy the secrecy

- ii. Consider whether there was any confidentiality/non-disclosure agreement (helpful, but not necessarily a prerequisite)
- iii. Consider whether the disclosure occurred because the trade secret holder was seeking an economic advantage (i.e. disclosure would help the holder's economic interests)
  - 1. *Metallurgical Industries v. Furtek* (5th Cir. 1986): Claimant modified furnaces and told information/secret to two companies in order to manufacture and sell the furnaces
    - a. **"If disclosure to others is made to further the holder's economic interests, it should, in appropriate circumstances, be considered a limited disclosure that does not destroy the requisite secrecy"**
      - i. Court viewed the disclosure here as part of a business relationship/transaction, which is similar to a disclosure to an employee; it was not a public announcement/disclosure
    - b. Note: that this case is a relative outlier → it is very unusual to see a court say that a disclosure to a third party that implied absolutely no confidentiality does not destroy the secrecy of the information
  - 2. Hypo: Chemical Co. A uses a highly secret process to develop chemical for sealing car tires to protect against punctures. A licenses bicycle manufacturer B to use the process to use the process to develop a similar product for bicycles. Can A get trade secret protection?
    - a. Yes, this is not a public disclosure – only disclosed to one company and did so to leverage the economic value of their trade secret
      - i. Should advise A to get a nondisclosure agreement from B to make sure that B treats the trade secret as such and takes measures to protect it
  - 3. Hypo: Chemical Co. A leases the process to all major automobile tire manufacturers and gets a nondisclosure agreement from every one of them. One of the companies discloses the secret to a third party. Does A have a trade secret misappropriation claim against the firm?
    - a. Is this a secret?
      - i. Limited disclosures can still be made to many important companies and remain a secret with the right agreements in place, but it is a close call
      - ii. Could matter that the disclosure was to tire companies and not chemical companies, who are their direct competitors

### III. Reasonable Efforts to Maintain Secrecy

- a. The law of trade secrets requires a plaintiff to show that he took reasonable precautions to keep the secret a secret
  - i. Policy
    - 1. Utilitarian approach: emphasizes the desirability of encouraging inventive activity by protecting its fruits from efforts at appropriation that are, indeed, sterile wealth-redistributive – not productive – activities (i.e. this is about rewarding/incentivizing people)
      - a. We should only reward people who have taken reasonable steps to protect their trade secret information
        - i. Do not want to give plaintiffs who have taken no steps to protect their "secrets" windfalls
        - ii. Trade secret protection is an equitable doctrine, so claimant must come in with clean hands
    - 2. Tort approach: emphasizes the desirability of deterring efforts that have as their sole purpose and effect the redistribution of wealth from one firm to another

- a. Plaintiff must prove that the defendant obtained the plaintiff's trade secret by a wrongful act
      - i. The greater the precautions taken to maintain the secrecy, the lower the probability that the secret was obtained properly (and the higher the probability that the secret was misappropriated)
        - 1. Precautions to protect secrecy put potential wrongdoers on notice that this information is a secret
  - b. Reasonableness is a balancing test / sliding scale
    - i. A trade secret holder must act *reasonably under the circumstances* and balance the cost of the precautions against the value of heightened security
      - 1. Must consider at what point additional measures would start to unduly impair productivity
      - 2. Ex: *Rockwell v. DEV* (7th Cir. 1991): claimant took steps to protect secrecy, but there was also evidence that cut against their reasonable efforts (kept piece part drawings in a vault, but also gave copies to vendors/bidders (after they signed confidentiality agreements) and did not enforce their return policy)
        - a. Only reasonable measures are required, not extravagant ones
  - c. Factors to consider:
    - i. Value of the trade secret
    - ii. Nature of the trade secret (i.e. a formula or a recipe vs. something more abstract)
      - 1. The more abstract the nature of the information, the greater the efforts must be in some ways to show that you have identified the information as proprietary and put people on notice of that fact
    - iii. Who *needs* access
    - iv. How feasible/expensive it is to limit access
    - v. Level of espionage in the industry
      - 1. How foreseeable is it that someone is going to use sneaky practices, e.g.
    - vi. Level of employee mobility
      - 1. If there is a lot of movement between employers in a particular industry, employers must be very clear as to what skills and information are proprietary to their organization (i.e. must put employees on notice)
  - d. Hypo: MidContinent is a small company with only five employees, two of whom are father and son and two more of whom are family friends. The company describes itself as having a "relaxed, congenial" working atmosphere. In order to avoid what the present considered excessive formality, the employees have never been required to sign confidentiality agreements, and documents kept within the company are not stamped confidential. The company has never conducted "exit interviews" or instructed its employees about trade secrecy. According to the company present, "we trust our employees, and that trust has never been misplaced." On the other hand, the company does take certain steps to keep outsiders from accessing its customer lists and its adhesive manufacturing process. And there is little history of economic espionage in the decal-manufacturing business
    - i. Has the firm taken reasonable efforts to protect its secrets?
      - 1. Cost-benefit analysis: very little gain to be had to impose very substantial formalities given that it was *reasonable under the circumstances* to expect that all of these people would keep the secret
        - a. Consciously choosing relaxed, congenial atmosphere over trade secret protection (by forgoing confidentiality agreements)?
      - 2. But if you have a company with trade secrets that only a few people need to know and you let the secrets filter throughout the company that can cut against reasonable efforts

- e. Hypo: D owns a small hometown bike shop and comes up with a special compound. A shop in MN also worked for years on a formula and came up with an identical compound
  - i. Each take extraordinary measures to protect their TS
    - 1. If a person misappropriates from D, D is protected (but MN is not)
    - 2. If a person misappropriates from MN, MN is protected (but D is not)
  - ii. D takes extraordinary measures to protect their TS. MN is sloppy and does not
    - 1. If MN's lack of efforts has not caused public disclosure yet, then D is protected by TS law, but MN is not because no reasonable efforts

#### IV. Disclosure

- a. Trade secret protection can last forever, if you are effective in protecting the secrecy of your information
  - i. However, once the secret is disclosed, secrecy and protection are lost
- b. Disclosure means:
  - i. Publication via filing a patent application
    - 1. So, as a practical matter, you have to choose between patent protection and trade secret protection (if the trade secret is patentable subject matter)
      - a. Patent info is typically published 18 months after the application is filed
  - ii. Some government agencies require disclosure
    - 1. FDA, safety reasons, e.g.
  - iii. Publication in an academic journal or other forum
  - iv. Disclosure through the sale of products, in which the trade secret is embedded
    - 1. Reverse engineering
    - 2. However, if the product cannot be reversed engineered, then the sale of the product may not be a disclosure that destroys secrecy (i.e. because the secret is not evidenced from examining the product; ex: Coke recipe)
  - v. Third parties
    - 1. A third party could overhear trade secret conversation in public, e.g.
      - a. However, must satisfy "misappropriation," so third party must know or have reason to know the conversation was about a trade secret
    - 2. A third party could independently develop or discover the secret
    - 3. If this third party publishes the secret, for example, then both the claimant and the third party no longer have rights to trade secret protection
  - vi. Disgruntled employees, e.g.
  - vii. Internet posting
    - 1. A widely available internet posting will clearly destroy secrecy
    - 2. In some cases, if the posting is not widely available and if it is caught early enough, trade secret holder may be able to get an injunction to remove the post and preserve secrecy
      - a. As a practical matter though, most internet postings will be viewed as a public disclosure that destroys secrecy

#### V. Misappropriation

- a. Improper Means
  - i. *E.I. DuPont v. Rolfe* (5th Cir. 1970): defendant hired by plaintiff's competitor to take aerial photos of plaintiff's plant construction; plaintiff did all it could to protect against misappropriation (cannot put a canopy over the entire construction site without extreme expense and there was no reasonable expectation that someone would aurally spy (i.e. unforeseeable))
    - 1. Violation of commercial morality
      - a. Defendant was aware of plaintiff's reasonable efforts and intentionally circumvented them
  - ii. Inquiry requires a balance between reasonable precautions and foreseeability
- b. Confidential Relationship

- i. Express confidential relationship via agreement/contract
- ii. Implied confidential relationship
  - 1. *Smith v. Dravo Corp.* (7th Cir. 1953): defendant interested in buying plaintiff's shipping container business; plaintiff shared proprietary information; rather than buying corporation, defendant misappropriates trade secrets and starts a competing company, now having knowledge of how to replicate and design around plaintiff's containers; defendant claims no express promise of confidentiality
    - a. Court implied a confidential relationship because the parties understood that the purpose of the meeting and negotiations were regarding acquisition of plaintiff's business
      - i. Implied confidentiality factors:
        - 1. Disclosure was made for a *limited* purpose
        - 2. Defendant was aware of the *limited* purpose
          - a. (Defendants acts feel wrongful)
        - 3. Plaintiff acted *reasonable* in trusting that disclosure would be used only for that *limited* purpose
    - 2. Note: courts *may* imply confidentiality absent an express confidentiality agreement (and therefore impose limits on the use of information), but it is not required – it is a flexible doctrine
- iii. RST of Unfair Competition: a confidential relationship is established when:
  - 1. The person made an express promise of confidentiality prior to the disclosure of the trade secret
  - 2. The trade secret was disclosed to the person under circumstances in which the relationship between the parties to the disclosure or the other facts surrounding the disclosure justify the conclusions that, at the time of the disclosure
    - a. The person knew or had reason to know that the disclosure was intended to be in confidence, and
    - b. The other party to the disclosure was reasonable in inferring that the person consented to an obligation of confidentiality
- iv. Arrow's Information Paradox
  - 1. The party disclosing has information that is valuable to a third party only because it is secret
    - a. Third party may promise to pay for the secret, but will not actually pay for the secret until they know what it is (and can judge its value)
      - i. So if there is no way to enforce confidentiality, there may be no disclosures, and this could be seen as a negative if we want to encourage disclosures in situations that could bring products to the mark / make productive use of the secret information, e.g.
  - c. Hypo: Solomon, a regular customer of ToolCo's products, comes up with an idea for a new tool. He sends the idea to ToolCo, suggesting that they manufacture it. ToolCo does in fact product and sell the new tool. Is Solomon entitled to compensation/protection?
    - i. General Rule: Unsolicited, unilateral disclosure of ideas does not give rise to trade secret protection/confidentiality
  - d. Note: Venture capitalists usually do not sign nondisclosure agreements, but this does not necessarily mean that they will not be found to have misappropriated if they use very specific information that has been disclosed to them – notion that there still may be an understanding of confidentiality
    - i. Viability of trade secret claims against VCs probably rely on the detail of the information disclosed to the VC and the specificity of the information later used

## VI. Reverse Engineering



- a. This is a “proper means” / defense, because it does not deny the existence of a trade secret or the defendant’s use of that secret
  - i. Rather, it is a legitimate use of trade secrets by a competitor
    - 1. Once a product is placed on the market, trade secret protection is lost if the sale of the product contains the secret
  - ii. The presumption is that products in the public marketplace can be studied and reverse engineered
    - 1. Plaintiff needs to persuade the court that it was misappropriation and not reverse engineering
- b. Reverse engineering may be explained as a legal rule designed to weaken trade secret protection relative to patent protection
  - i. Reverse engineering is not permissible for patented products
- c. *Kadant v. Seeley Machine* (N.D.N.Y. 2003): claimant is alleging that a former employee went to their competitor (Seeley) and disclosed the information, which is the only way Seeley would have been able to put a competing product out in such a short time (i.e. the misappropriation gave them a leg up), however, claimant has no direct evidence of misappropriation; Seeley is claiming that the products were legitimately reverse engineered and it was relatively simple; Court denied claimant’s motion for a preliminary injunction because claimant had no evidence that the means used by defendants to obtain the alleged trade secret were improper or dishonest (**claimant only had inferences, i.e. failed to make a “clear showing”**)
  - i. Reverse engineering a product to determine its design specifications is therefore permissible so long as the means used to get the information necessary to reverse engineer is in the public domain, and not through the confidential relationship established with the maker or owner of the product
    - 1. The fact that an employee might have a leg up on reverse engineering/replicating a former employer’s product is not always improper means – if it is part of the employee’s general knowledge and skills – he should be able to take that with him from job to job
  - ii. You do not always need direct evidence to win a trade secret claim
    - 1. *However*, when there is enough conflicting evidence re: how simple or complex the products were and how easy or hard the reverse engineering process is, plaintiff has not made a “clear showing” at the preliminary injunction phase (plaintiff might win later down the road though)
- d. Why allow reverse engineering?
  - i. Honors patent law’s role as the pinnacle of IP law
    - 1. By making trade secret protection leaky, we incentivize people to turn to the patent system for protection (for useful inventions)
      - a. Risk: if your process/trade secret is discovered, it will no longer be secret
      - b. Risk: if someone independently discovers the process and gets a patent on it, this will bar you from practicing it
  - ii. Good for the market because it creates competition
    - 1. In theory, robust competition brings the best results for consumers: encourages innovation and brings prices down
  - iii. Contracting to promise not to reverse engineering is a completely unresolved issue in trade secret law (i.e. “By purchasing you agree not to study and reverse engineer”)
    - 1. Some states will invalidate the contract as against public policy (for the above reasons)

## VII. Departing Employees

- a. Tension → need to balance employee rights concerns & employer rights concerns
  - i. Employees: deserve to make a living, learn, grow, expand, etc. (value of employee mobility; do not want to impair employee mobility / a person’s livelihood)

1. Notion that restrictions upon the use and disclosure of information limit the employee's employment opportunities, tie him to a particular employer, and weaken his bargaining power with that employer
  - a. Such restrictions may diminish potential competition and impede the dissemination of ideas and skills throughout the industry
- ii. Employers: interested in protecting its trade secrets and confidential information is has developed within the firm (protecting employers' legitimate interests)
  1. Notion that restrictions upon an employee's disclosure of information that was developed as a result of the employer's initiative and investment, and which was entrusted to the employee in confidence, are necessary to the maintenance of decent standards of morality in the business community
    - a. Lack of such restrictions may demoralize employee-employer relationships, cause employers to limit communication among employees with a consequent loss in efficiency, and encourage espionage, deceit, and fraud amount employers
- b. General types of employment agreements:
  - i. Confidentiality agreements: generally recite that the employee will receive confidential information during her employment, and that she undertakes to keep it secret and not to use it for anyone other than the employer
  - ii. Invention assignments: give the employer the right to intellectual property created by the employee while she was employed
  - iii. Noncompetition agreements: limit the circumstances in which former employees can compete for customers with their former employers
- c. Ownership Issue: three categories re: invention and ownership rights
  - i. Inventions that employee was hired to invent
    1. If employees are hired to invent and they develop trade secrets in the course of their employment, then the employer owns this trade secret
      - a. Employer still has to satisfy the trade secret requirements though
  - ii. Inventions that are subject to so-called shop rights
    1. If the employee is working for the employer and they develop an invention partly using employer's facilities/time/etc., but they were not hired to engage in this kind of innovation, then the employee is granted the rights to the invention, but the employer is granted shop rights (i.e. allowed to use the invention without paying any royalties to the employee)
  - iii. Independent invention
    1. If the employee developed an invention all on her own time (i.e. nights & weekends at home), then the employee is given rights in the invention
- d. Trailer Clauses:
  - i. A contractual provision that requires employees to assign their rights not only in inventions made during the period of employment but also for a certain time thereafter
    1. Still the risk that the former employee will simply wait out the duration of the term and then conveniently make the discovery upon the trailer clause's expiration
    2. Trailer clauses are generally enforceable
      - a. They should be limited to *reasonable times* and to *reasonable, defined subject matter* (i.e. that the employee worked on or had knowledge of during his employment)
        - i. However, if the duration is particularly long or indefinite, they may be unenforceable and run into antitrust issues
- e. Noncompetition Agreements
  - i. Standard form contracts: "In exchange for valuable consideration, you agree that you will not work for \_\_\_\_ (specific company, industry, e.g.) for \_\_\_\_ amount of time."

1. Goal is to protect the employer and its trade secrets/confidential information, at least for a specified period of time
    - a. Relatively common in practice
      - i. But the enforceability is somewhat variable
  - ii. Majority of states allow enforcement of noncompetition agreements if they are **reasonable in time and scope**
    1. What interest is the employer trying to protect?
      - a. Trade secret, confidential information, personal relationship employee has developed in context of employment, e.g.
        - i. Is it reasonable/legitimate to protect this information?
    2. Is the agreement reasonable to protect this interest?
      - a. Agreement cannot be broader than necessary to protect the employer's legitimate business interest
      - b. Ex: if the employee is a marketing executive with intimate knowledge of plans/forecasts for the 12 months, then many courts would uphold an agreement prohibiting the employee from working in the marketing department elsewhere for this time
  - iii. *Edwards v. Arthur Andersen* (Cal. 2008): need to apply a balancing approach
    1. Legitimate interests in protecting confidential information vs. Employee mobility
- f. Inevitable Disclosure Doctrine
  - i. *Pepsi Co. v. Redmond* (7th Cir.): Redmond signed a non-disclosure agreement; went to Quaker to work in sports drink department; Pepsi sues because Redmond's new employment would inevitably require disclosure of trade secrets he learned at Pepsi; Redmond did not sign a non-competition agreement (Quaker argued that if the Court is worried about this, they should make people sign a limited non-competition agreement, rather than non-disclosure); Redmond cannot help but use the information though – he cannot cabin off information in a part of his brain and not use it – the kind of information at issue is by its very nature the sort that he can't help but use
    1. Most courts have rejected an overall inevitable disclosure doctrine
      - a. Some courts will adopt limited remedial relief though (probably only in the presence of a non-disclosure agreement though)
- g. Nonsolicitation Agreements
  - i. Typically stating that if an employee leaves, she will not solicit people she worked with to come with her
    1. Sometimes these are enforced, but less often because typically the legitimate business interest is not clear
      - a. Must be limited in scope and time
- VIII. Agreements to Keep Secret
- a. Can an owner of information avoid trade secret restriction by requiring others to agree to keep the information secret, whether or not the information meets the requirements for protection?
    - i. *Warner-Lambert Pharm. v. Reynolds* (S.D.N.Y. 1959): for 75 years, plaintiff has been paying royalties for Listerine, and the agreement is indefinite, plaintiff alleges that the formula has become known and therefore the contract should no longer be enforced – the trade secret is no longer secret; defendant notes that the contract is valid (no duress, no changed circumstances, e.g.) and therefore there is nothing that would change the contract; Court defers to contract law, more or less (i.e. it should have been put into the contract if you wanted the contract to end upon the disclosure of the trade secret)
      1. The parties are free to contract with respect to a secret formula or trade secret in any manner which they determine for their own best interests
        - a. But that does not mean that one who acquires a secret formula or trade secret through a valid and binding contract is then enabled to

escape from an obligation which he bound himself simply because the secret is discovered by a third party or by the general public

- i. Because of such risk that a trade secret will be reverse engineered or publicly disclosed, the party seeking a license should have this risk reflected in the contract (either an express provision or a price discount to reflect the risk)
- ii. Note that the RST and a majority of case law will not enforce agreements like the one in *Warner-Lambert* once the secret becomes public knowledge
  1. However, the Federal Circuit has seemingly endorsed the *Warner-Lambert* decision

IX. Remedies (trade secret is an equitable doctrine)

- a. UTSA Remedies: injunction, payment of royalties, affirmative acts to protect trade secret, damages (actual loss, unjust enrichment, exemplary damages (for willful and malicious conduct)), attorneys fees
- b. Damages or Royalties
  - i. May need economic expert testimony re: how the market works in this industry to determine damages or what a “reasonable” royalty would be
- c. Preliminary Injunction
  - i. Plaintiff must demonstrate:
    1. A likelihood of irreparable harm if the injunction is not granted; and
    2. Either a likelihood of success on the merits of its claim – **or** – the existence of serious questions going to the merits of its claims + a balancing of the hardships tipping decidedly in its favor
  - ii. High burden of proof → plaintiff must make a “clear showing” of these requirements
  - iii. Preliminary injunctions are routine when monetary damages are not adequate
    1. Note that since trade secret terms are indefinite, “permanent” injunctions are difficult to grant because of figuring out how long they will last
      - a. Courts have denied permanent injunctions based on the notion that the secret would have eventually been reversed engineered, publicly disclosed, or independently developed
- d. Head-start Injunction
  - i. Enjoins the defendant from practicing the misappropriated process/product for as long as the court thinks it would have taken for the defendant to legitimately reverse engineer (instead of hired away a former employee who knew the trade secret, e.g.)
    1. Typically require expert testimony re: how long it *would* have taken to engineer and develop the product at issue
    2. As a practical matter, if the defendant already has the product out on the market, for example, then courts can award damages for this head-start period

Patents

I. Introduction

- a. Patent system is specially designed to incentivize innovation
  - i. Trade secret protection is not enough because products that can be easily observed and replicated from use will not remain secret, e.g. (and these inventions will be sold because the innovator wants to realize the value of them)
- b. Requirements:
  - i. Patentable subject matter (§101)
  - ii. Novelty (§102)
    1. Must be introducing something new to deserve the reward of exclusive rights
      - a. Cannot be something previously patented, made, or sold in the U.S.
  - iii. Utility (§101)
  - iv. Nonobviousness (§103)
    1. Must be more than an incremental change from what was there before

- v. Disclosure (written description, enablement, & best mode) (§112)
      - 1. Patent holder must disclose his invention because the goal is not just to make valuable products, but also to promote learning and cumulative innovation (we want the relevant community to learn about the products)
  - c. Patent rights are **exclusive** for 20 years
    - i. Patent holder can exclude others from making, using, selling, offering for sale, or importing the claimed invention
      - 1. But, patent rights do not give the patent holder the right to market the device
  - d. Types of patents:
    - i. Utility patents (our EXCLUSIVE focus)
    - ii. Design patents
    - iii. Plant protection patents
  - e. Patent Prosecution = steps for getting a patent
    - i. Application is either granted or rejected by the PTO examiner
      - 1. Granted applications are published in the Patent Gazette
      - 2. After 18 months all patents where the patent claimant seeks protection abroad will be published
    - ii. Note that third parties can request re-examination
  - f. How cases arise:
    - i. Patent prosecution can result in rejection
      - 1. Appellant can appeal that up through the PTO and up to the Federal Circuit
    - ii. Infringement suits
      - 1. Patent holder can sue another party for using his invention
        - a. Possible defense: patent is invalid and should not have been granted in the first place
    - iii. Interference proceedings
      - 1. These involve priority disputes
        - a. PTO will have a proceeding to determine who invented first
  - g. Claims = the heart of patent law
    - i. Claims define the boundaries of the property right that the patent confers
      - 1. Claims come at the end of the written description
        - a. The specification describes the invention, and at the end of the specification the inventor states the precise legal definition of the invention (i.e. the claims)
          - i. Patentee can narrow or add broader claims during patent prosecution, so long as they are supported by the specification (even if it is in response to commercial competition)
      - ii. Independent claims vs. Dependent claims (incorporates all the limitations of the independent claim on which it depends)
      - iii. Applicant will need to draft claims with a mind toward both patentability (narrower claims are more likely to be patentable) and enforcement (the broader, the better)
        - 1. Goal in drafting claims is to draft as broadly as possible (want to be able to claim as many variations on the invention as possible)
          - a. Tension: the broader you get, the more likely you are to run into legal problems
      - iv. Each individual claim can serve as a basis for infringement suits
        - 1. Each claim can stand alone, so if one gets struck down the others may remain
- II. Patentable Subject Matter
  - a. Section 101: "Any process, machine, manufacture, composition of matter, or improvement thereof"
    - i. Most inventors breeze through this requirement because it is interpreted rather broadly

- b. *Diamond v. Chakabarty* (U.S. 1980): claimant has exclusive rights in the process (i.e. making the compound), but he also wants exclusive rights in the **composition of matter** – otherwise, someone could make the same thing, just using a slightly different process; Q is whether living things can constitute manufacture or composition of matter; claimant claims the micro-organism/bacterium is patentable subject matter because it is manmade/product of human ingenuity (cannot be reproduced by nature), new, and nonobvious
  - i. Majority notes that Congress contemplated that patent laws would be given wide scope (i.e. anything under the sun that is made by man)
    - 1. **The presumption should be that any subject matter is patentable, so long as Congress has not explicitly excluded it**
      - a. Living things can constitute manufacture or composition of matter
      - b. However, §101 does have limits: laws of nature (products of nature), physical phenomena, and abstract ideas are not patentable
        - i. *Bilski* confirms these exclusions
    - ii. Dissent believes that we should wait for Congress to speak on this issue (i.e. patenting living things), and we should not grant patents unless Congress explicitly says so
- c. *Parke-Davis v. H.K. Mulford* (1911): patentee discovered how to isolate a purified substance of significant medical use from the suprarenal glands of animals; patentee argues that this is a new and useful product; adversary is alleging that this is a product of nature found in animals; court finds an element of human intervention – without which the public would never have seen this pure version of the substance (without salts)
  - i. Cannot get a patent for a product of nature or for discovering an inherent property of an existing thing
    - 1. This is true no matter how hard it is to extract the product of nature, e.g.
  - ii. Can get a patent on a creation of an entirely new substance or an isolated, purified form of the previous substance (which the court considers an entirely new substance)
    - 1. **Key is whether the new form you have introduced gives rise to a new utility**
      - a. Ex: *Funk Bros.* (U.S. 1948): inventor discovered that with respect to some seed inoculants you could combine them without them exercising this mutually inhibiting effect; inventor combined the seed inoculants and marketed the combined product; SCOTUS held that the combination of the inoculants was not patentable subject matter because they worked the exact same way on the crops before and after the combination; inventor only realized an inherent property of an existing thing – he did not create a new chemical compound nor did he enhance the efficiency or add any functional utility
- d. *Benson* (U.S. 1972): rejected patentee's claim to patent a process that uses a computer to perform mathematical calculations – **you cannot get a patent on a "mere algorithm"**; Court expressed concern over patenting operations that one could perform in one's mind (mental steps doctrine)
  - i. "A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right"
- e. *Flook* (U.S. 1978): rejected the notion that post-solution activity, no matter how conventional or obvious in itself, can transform an unpatentable process into a patentable process
  - i. The prohibition against patenting abstract idea cannot be circumvented by attempting to limit the use of the formula to a particular technological environment or adding insignificant post-solution activity
- f. *Diehr* (U.S. 1981): patentee used a well-known equation for determining rubber cure times in combination with a computer, so the patent claim was for a process for determining the remaining cure time for rubber on a real time basis (raw rubber → cured rubber); explained that while an abstract idea, law of nature, or mathematical formula could not be patented, **an application of a law of nature or mathematical formula to a known structure or process may**

**well be serving of patent protection**; the fact that an algorithm was used in the process did not disqualify it for patent protection

- i. Emphasized the need to consider the invention as a whole, rather than dissecting the claims into old and new elements and then ignoring the presence of the old elements in the analysis

- 1. Court concluded that because the claim was not an attempt to patent a mathematical formula, but rather was an industrial process for the molding of rubber products, it fell within §101's patentable subject matter

- a. Want to have a *Diehr* case – try to tie things to physicality – and not a *Benson* case

- g. *State Street* (Fed. Cir. 1998) (watershed case): involved a process for organizing a hub and spoke mutual fund investment portfolio and computer program would calculate the daily value of the spokes and any other relevant concerns/information; patentee drafted a machine claim for valuing a mutual fund portfolio in this format; Fed. Cir. validated patent and adopted a standard for patentability that was incredibly broad: as long as a process results in some concrete or tangible result than it could be patented; the key to these process and machine claims is whether the process or machine was directed towards a useful, non-abstract result

- i. This approach was eventually abandoned

- h. *Bilski v. Kappos* (U.S. 2010): patentee is trying to patent a business method (claims are incredibly general, not industry specific); Fed. Cir., on appeal, abandons the *State Street* approach and adopts the machine-or-transformation test: the key to patentability of a process is whether it can be tied to a particular physical machine or whether it transforms matter from one form to another (if not, then it falls outside the scope of patentable subject matter); SCOTUS rejects patentee's claim because it is an abstract idea

- i. SCOTUS rejects the machine-or-transformation test as the sole test for defining patentable subject matter because it is unduly narrow

- ii. SCOTUS rejects a categorical approach re: business methods ought to be categorically excluded from patentable subject matter

- iii. SCOTUS counsels that abstract ideas and processes that constitute abstract ideas are unpatentable

- 1. It is not clear post-*Bilski* what the court means by an "abstract idea"

- a. It is open/questionable what the status of software/business methods and DNA structures (generic materials, isolated genes/DNA piece) is

- i. Likely will fall within patentable subject matter if there is a new technological solution

- iv. Breyer's concurrence is cautionary re: expanding patentable subject matter too broadly

- i. Note: Most inventors breeze through the patentable subject matter requirement

### III. Utility

- a. Section 101: need to establish that your invention is useful in order to get a patent on it

- i. This is a relatively easy requirement to satisfy

- 1. Relatively rare issue to be addressed

- a. Pre-*Brenner*: only harmful/injurious or utterly useless/insignificant inventions would fail to satisfy the utility requirement

- b. Post-*Brenner*: the utility requirement does have some teeth

- i. The nominal standard is whether there is a specific utility in some currently available form

- 1. However, the precise matter of this standard is somewhat in flux, evolving

- b. *Brenner v. Manson* (U.S. 1966): patentee wants to patent a process for producing a steroid (the steroid itself was previously known and the invention's end use is unknown); patentee alleges that his steroid will have similar effects as a similar steroid (i.e. steroids in the same family have been shown to have tumor-inhibiting effects, so it is likely this one will too); Court denies the patent because there is **no evidence that there is sufficient similarity or that the compounds**

**will produce similar results**; patentee must show that his invention actually works (not just that people are trying to figure out whether it works) – notion that we grant patents for those people who get to the finish line

- i. Concern for the majority: do not want to grant a patent for something and then years later have someone discover that the compound (e.g.) can solve some problem much bigger, because then the initial person has exclusive rights and the more recent inventor of the ultimate utility cannot do anything without the permission of the initial person, who gets a windfall
  1. Notion that the utility needs to have some benefit for the public at large, not just scientific researchers
- ii. *Brenner* holds that, at least for chemical compounds, an inventor needs to establish some specific benefit in some currently available form
- c. *In re Fisher* (Fed. Cir. 2005): patentee is trying to get a patent for the genetic code of a specific plant (he knows it codes for something important, as distinguished from the vast majority of DNA in an organism which does nothing, but he does not know which function this code affects); Fed. Cir. rejects the patent application because there is no specific, identified utility yet
  - i. The standard this court seems to be suggesting, though, is somewhat broader than the standard in *Brenner*
    1. Court suggests that once you figure out what function or what role this genetic code plays in the features of this organism, then specific utility in some currently available form may be satisfied
- d. Types of Utility → need *both* general & specific
  - i. General: the invention has to serve some useful function, as described in the application
  - ii. Specific: this particular thing or device that the patent holder has claimed has to work to serve that function (i.e. has to do what it says it does)
  - iii. Beneficial Moral Utility: historically, invention cannot be immoral or illegal to be patentable (ex: gambling, defrauding)
    1. Ex: *Juicy-Whip* (Fed. Cir. 1999): patentee's machine appears to circulate fresh juice, but it is actually circulating an undrinkable liquid and the actual juice is dispensed from hidden tanks; therefore, adversary claims the only function of this product is to defraud/deceive the public; Fed. Cir. rejects this argument and essentially rejects the argument that a lack of beneficial moral utility will be a bar to patentability (except in extreme circumstances)
      - a. Notion that the PTO should not be in the business of evaluating whether a particular device that is arguable deceptive is harmful or helpful to society
      - b. Court takes a market-based approach: if something has value to the public, then that is probably enough to satisfy the utility requirement
    2. Beneficial moral utility is seemingly a non-issue, in a practical sense
- e. Priority
  - i. When there is a priority fight, the priority date will be determined by the date the inventor discovered/established utility
    1. Patent rights are granted to the first party to invent, not the first party to file the application

#### IV. Enablement and Written Description

- a. Section 112: "The specification shall contain a **written description** of the invention, and of the manner and process of making and using it, in such full, clear, concise and exact terms as to **enable** any person skilled in the art to which it pertains to make and use the same, and shall set forth the **best mode** contemplated by the inventor of carrying out his invention"
  - i. Elements:
    1. Enablement: disclosure of how to make the invention
      - a. Ex: *The Incandescent Lamp Patent* (U.S. 1895): to satisfy the enablement requirement, a person having ordinary skill in the art



must be able to practice the invention to its full extent **without undue experimentation**

- b. Ex: *Amgen v. Chugai Pharm.* (Fed. Cir. 2003): many chemicals have analogs – two different molecules with almost identical chemical structure will normally behave in approximately the same way; to avoid someone designing around this fact, many patentees claim not only the precise structure they have produced, but its analogs as well; Fed. Cir. found that the broader claim (i.e. analog claim) was not enabled by the specification
  - i. “Although it is not necessary that a patent applicant test all of the embodiments of his invention, what is necessary is that he provide a disclosure sufficient to enable one skilled in the art to carry out the invention commensurate with the scope of his claims. For DNA sequences, that means disclosing how to make and use enough sequences to justify grant of the claims sought.”
    - 1. Patentee cannot claim broad rights unless he establishes that his research proves that the chemicals/genes have similar characteristics and similar effects
- 2. Written Description (implicit): requires you to show that you are actually in possession of the patented subject matter/invention you are claiming (and any variations)
  - a. Puts inventors on **notice** of what you’ve discovered and what you are in possession of
  - b. This requirement is a way to prevent applicants from claiming subject matter they were not themselves aware of, even if others could have gleaned it from the patent specification
    - i. Written description is more restrictive than enablement, so claims may meet the enablement test but fail the written description test
      - 1. Ex: *Gentry, infra*, there is no enablement problem because a POSITA upon reading the disclosures would not have to do undue experimentation to manufacture a chair that falls within this broad claim; however, there is a written description problem
  - c. Ex: *Gentry Gallery v. Berkline Corp.* (Fed. Cir. 1998): patent holder’s specification described a console in the middle of two recliners with the control appearing on the console; patent holder’s broader claim (added during prosecution) noted that in order to infringe, the product could have the controls anywhere, so long as there was side-by-side seating + fixed console; note that patent holder also made a comment during prosecution to distinguish his invention from the prior art that he was inventing a fixed console; defendants invented a side-by-side chair and put their controls somewhere other than the side of the chair/console; court finds that patent holder’s written description is not broad enough to support his broadly written additional claim – patent holder had not thought about any of defendant’s variations – rather, the fixed console was essential to his invention
    - i. **Standard:** patent specification must clearly allow POSITA to recognize that the inventor invented what is claimed

1. Here, the written description did not support P's broad claims because it did not envision D's variations
      - ii. Claims may be no broader than the supporting disclosure, and a narrow disclosure will limit claim breadth
    - d. Whatever claims you may add during prosecution must comport with your original disclosure
      - i. You can add anything that falls within the subject matter of your disclosure
      - ii. You can add things you did not think were essential at the time of application
      - iii. If a feature of your invention seems to be essential, then the court might hold you to that
        1. i.e., if you later omit that feature to make a broader claim, the court might find this broader claim invalid for failure to satisfy the written description requirement
        2. If you add something that you clearly did not contemplate when you drafted your specification, that might influence the court's view of the equities of your case
    3. Best Mode: disclosure must mention your preferred embodiment of the invention (i.e. cannot not disclose, and thus reserve for yourself, the best mode)
      - a. You do not have to highlight the best mode, so long as it is in the disclosure
      - b. You can have a best mode violation when: (1) you have a best mode/preferred way of practicing at the time the application is filed, and (2) your disclosure/specification is inadequate to enable one skilled in the art to practice the best mode
    - b. Disclosure Purpose: to apprise the public of what the patentee claims as his own, the courts of what they are called upon to construe, and competing manufacturers and deals of exactly what they are bound to avoid
      - i. If the description is so vague and uncertain that no one can tell, except by independent experiments, how to construct the patented device, the patent is void
- V. Novelty and Statutory Bars
- a. §102: A person shall be entitled to a patent unless –
    - i. (a) the invention was known or used by others **in this country**, or patented or described in a printed publication **in this or a foreign country**, before the invention thereof by the applicant for patent, or
      1. Novelty: an invention must be somehow different from all published articles, known techniques, and marketed products (i.e. new compared to the prior art)
        - a. Novelty is measured **from the date of invention** – focuses on what happened before the inventor invented the thing
          - i. Cannot be invoked by the inventor's own actions]
      - ii. (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States ...
        1. Statutory Bar: a bar to patentability based on too long a delay in seeking patent protection
          - a. Statutory bars are measured **from the date the patent is filed** – focuses on what happened more than a year before the inventor applied for a patent

- i. In most cases, the bar arises because of something the inventor herself does (ex: publication of a scientific article)
    - ii. A third party's acts can also invoke a statutory bar
  - b. Policy: to encourage inventors to file patent applications early]
- iii. (g)(1) during the course of an interference ... another inventor involved therein establishes, to the extent permitted in section 104 ... that before such person's invention thereof the invention was made by such other inventor and not abandoned, suppressed, or concealed, or (2) before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it. In determining priority of invention under this subsection, there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other
  - 1. [Priority & First to Invent]
- b. **Novelty Standard** (generally): non-secret use of a claimed process in the usual course of business/producing articles for commercial purpose is a public use
  - i. Use by a single individual that does not reach the public will not count for purposes of 102(a)
  - ii. Ex: *Rosaire v. National Lead Co.* (5th Cir. 1955): claimed invention is a method for exploring below surface gases; challenger claims that some third party practiced this invention before the claimed date of invention given by the challengee; challengee argues the prior use should not count as a §102(a) violation because the people who practiced it before did not make it known to the public (practiced in a remote area of Texas), and they are introducing the technology to the public for the public's benefit; court finds a §102(a) violation and bars the patent for prior use in this country before the date of claimed invention (so invalid for lack of novelty)
    - 1. Prior uses by third parties that will not defeat novelty:
      - a. Abandoned experiments that never reached the point of being completed
      - b. Non-public, secret, concealed uses
    - 2. **Rosaire Standard** (very expansive): if the prior use of the invention is not concealed or hidden, then it satisfied the "known or used" language in §102(a)
      - a. Public use or knowledge is not required
        - i. Does not matter whether the public or the relevant community is on notice about the use
  - iii. When a party is trying to defeat a patent based on prior use, the challenger needs *clear and convincing evidence* that the prior use did in fact occur
    - 1. Documentation or physical examples are ideal
    - 2. Oral testimony alone is likely not enough – too much incentive to lie
  - iv. Inherency Doctrine: you can have anticipation – a prior use in this country – even when the person who has been engaged in the prior use does not even realize he was previously using the invention
    - 1. Most cases involve the inherent, unintended production of a particular physical product
      - a. When an inventor later intentionally makes the product, presumably because she has some use for it, the prior unintended production of the product may be raised as prior art to the invention to defeat novelty
    - 2. Current Federal Circuit case law holds that if the product existed in a way that provides some public benefit, even if no one realizes the public benefit, then it does anticipate (i.e. it does foreclose a later inventor from claiming a patent on the product, despite the fact that the original producer did not fully realize what he was doing)

- v. In order for a prior art reference to defeat novelty, it has to enable (has to satisfy the enablement requirement)
  - 1. If a product is sold in the marketplace, there is not necessarily anything that teaches/enables
    - a. Selling a product defeats novelty if that product inherently includes all of the elements
  - 2. If there is a printed publication prior to the inventor's date of invention that discloses the invention, that would defeat novelty
- vi. Abandoned Experiments
  - 1. The fact that a use can be characterized as experimental does not necessarily mean that it will not count against a later inventor who is trying to establish that he was first
    - a. When dealing with experiments, courts generally look at whether the use was an informing use
    - b. If a use is experimental, albeit still under study, but it has reached people in the relevant scientific community, then it will count against the inventor for purposes of evaluating novelty
- vii. Anticipation-Infringement Symmetry: in order for a prior art reference to anticipate (and count against a later inventor to defeat novelty), the reference has to be of a nature that if it came later it would literally infringe (i.e. the prior art reference includes all of the elements that appear in the patent holder's claim)
  - 1. For anticipation under §102(a), the reference must be identical: it must disclose every element of the claimed invention
    - a. All of the elements, however, do not have to be spelled out in any particular document
  - 2. E&E: "An invention is not patentable if it is in a *reference* (a publication or product or other evidence of public knowledge) in the *prior art* (the various sources that contain potential references) that *anticipates* the invention (contains all of the elements of the claimed invention) on the *critical date* (for anticipation, the date of invention)."

**c. Statutory Bars**

- i. Publications (in this country or abroad)
  - 1. Ex: *In re Hall* (Fed. Cir. 1986): grad student's dissertation was indexed in the university library, per university's ordinary practices; no direct evidence that the dissertation was actually read (i.e. whether the public or the scientific community ever saw it); court found that student's dissertation barred him from a patent on the basis of prior use in a printed publication
    - a. Standard: if the public has access to the publication – does not have to be meaningful or known access – then that is enough to count as a printed publication for §102(b)
      - i. Statutory bar as long as the printed materials are available to the general public, even if virtually no one from the general public actually accesses/uses it
        - 1. Note that circulation of a manuscript to publishers does not constitute a printed publication for §102(b)
        - 2. Note that mere receipt by an individual is generally not sufficient to trigger the statutory bar because that is not "public"
      - ii. Contrast to trade secret law standard → whether the information is widely known or readily ascertainable to the relevant community

2. Hypo: A discovers a new design for running shoes that has a new kind of breathing, but prior to A's date of invention, shoes with the same feature were sold in France. Is there a novelty problem?
    - a. Use in France only counts for purposes of §102(a) if it is described in a printed public or patented in France
      - i. So sale and use alone in France does not bar A's patent in the U.S.
  3. Hypo: Navy releases letters about a certain alloy; the letter did not contain any express limitations (for your eyes only, e.g.) and as a practical matter, the recipients included most of the relevant public who might have an interest in accessing this information; does this letter count as a printed publication?
    - a. Court determines it is not a printed publication, based largely on the fact that the letter was treated as confidential and targeted to specific people – lacked public accessibility
- ii. Public Use (in this country)
1. Ex: *Egbert v. Lippmann* (U.S. 1881): inventor designs a corset in 1855 and gives it to his girlfriend to wear; by the time he applies for a patent (1866), corsets have become the industry standard; court finds the use by the girlfriend to be a public use: she showed it to several people, no requirement that she keep them secret, inventor sat on his rights too long
    - a. Factors re: Public Use:
      - i. Control: no restriction on use or secrecy imposed
        1. Without limitation or restriction, use by and/or confined to one person is enough to bar a patent
      - ii. Experimental use?: use was not experimental here – he had finished experimentation and was not getting feedback from the girlfriend
  2. Contemporary case law: focuses on commercial purpose
    - a. Use for inventor's own personal interest or enjoyment is generally not sufficient
    - b. Experimental use is generally not sufficient
    - c. The scope of the use is important, rather than the nature of the use
      - i. A single, non-experimental sale or a single uncontrolled release to some third party can be sufficient to trigger a §102(b) bar
  3. Asymmetry: while your own secret use in the ordinary course of business does trigger §102(b), a third party's secret and concealed use does not trigger §102(b) vis-à-vis your patent application
    - a. Policy: we do not want patentees to try and extend the effective period of the patent
- iii. On Sale (in this country)
1. Sale
    - a. Statutory bar can be triggered by a single offer for sale
    - b. Need to have a sale or a definite offer of a sale to start the clock
  2. Third parties
    - a. A third party sale or offer for sale can trigger a statutory bar
      - i. This is true even if the third party stole the invention from the patentee
        1. If this happens, patentee will have one year from this sale to apply for a patent
          - a. Note: patentee might have a claim for trade secret misappropriation
    - b. Commercial practice in secret by a third party does not count

3. Licensing
  - a. The offer to license a product to some third party does not trigger the on sale bar (i.e. I'm shopping around)
  - b. If I actually license the product and the licensee starts practicing the process/product in its ordinary course of business, the use of the product in the ordinary course of business will count against the patent applicant
  - c. Licensing an invention under which development of the claimed process would have to occur before the process is successfully commercialized is not a sale
- iv. Experimental Use Exception
  1. Rationale: courts want to encourage people to perfect their inventions and have confidence that the invention will work before they come to the PTO
  2. Experimental use does not provide a defense is the patentee is merely waiting to conduct marketing studies or other experiments to try and figure out what version of the invention will be most appealing to the public
  3. Ex: *City of Elizabeth v. Pavement Co.* (U.S. 1877): patentee is claiming a type of pavement; for 6 years he tested it, obviously in clear view of the public; however, court found this use to be experimental, and thus, not a public use for §102(b) purposes
    - a. Factors:
      - i. Legitimate need to test – testing could only occur in public
        1. Nature (use that is exposed to a lot of vehicles) and duration (designed to test durability) of use was commensurate with the need to test the product for its intended use
      - ii. Inventor was in control of the experiment – paid for it himself and visited the site daily
      - iii. Notice was given to people who needed access re: this is testing, viewed as an experiment
      - iv. No intent to abandon – patentee was consistently moving forward with his invention
      - v. No delay after the experiment ended before patent application
        1. Cf: corset case
  4. Federal Circuit's factors (even one factor satisfied can be decisive):
    - a. The necessity for public testing
    - b. The amount of control over the experiment retained by the inventor
    - c. The nature of the invention
    - d. The length of the test period
    - e. Whether payment was made
      - i. This does not necessarily destroy the exception/defeat experimental use
    - f. Whether there was a secrecy obligation
    - g. Whether records of the experiment were kept
    - h. Who conducted the experiment
    - i. The degree of commercial exploitation during testing
    - j. Whether the invention reasonably requires evaluation under actual conditions of use
    - k. Whether testing was systematically performed
    - l. Whether the inventor continually monitored the invention during testing
    - m. The nature of the contacts made with potential customers

- i. Ex: was the inventor consistently trying to test whether the product was working (= OK), or was he trying to figure out marketability (= not OK)
- d. **Priority and First to Invent (§102(g)(1) & (2))**
  - i. Priority can arise in two different contexts:
    - 1. Subsection (1) covers interference proceedings (formal priority contests between rival claimants to the same patentable subject matter)
    - 2. Subsection (2) covers the use of prior inventions as a source of prior art
      - a. One may invoke subsection (2) outside the interference context
        - i. Ex: a defendant in an infringement suit might point to a third party's prior invention as a prior art reference to defeat the validity of the plaintiff's patent
  - ii. Major substantive difference between (g)(1) and (g)(2): territorial scope
    - 1. Subsection (1): "to the extent permitted in section 104"
      - a. Section 104 allows proof of prior inventions in any country that is a signatory to the World Trade Organization (i.e. this country or abroad)
    - 2. Subsection (2): "in this country"
      - a. Only evidence is prior inventions made in the U.S. may be introduced outside the interference context
  - iii. Priority generally goes to the first inventor to (a) reduce an invention to practice, without (b) abandoning the invention
    - 1. Filing a valid, enabling patent application constitutes a constructive reduction to practice
      - a. Exception: where an inventor is the first to conceive but the last to reduce to practice – priority may be retained only if the first conceiver was diligent in reducing to practice, with diligence being measured from a time just prior to the second conceiver's conception date
  - iv. Last sentence of §102(g): the person who gets the idea first will get the patent, as long as they were reasonably diligent in moving towards reduction to practice
    - 1. "Conception": getting a fully conceived idea of what the invention is with all of its elements
    - 2. "Reduction to practice": either making the thing, or being able to write it down in a way that enables and satisfies the written description requirement of §112
  - v. U.S. is a first to invent, while a lot of the world is first to file
    - 1. Arguments against first to invent: leads to a lot of uncertainty and unnecessary, expensive disputes; first to file is a clear, bright-line rule
    - 2. Independent inventors are against first to file: notion that large corporations have more resources to move quicker
  - vi. Ex: *Griffith v. Kanamaru* (Fed. Cir. 1987): Griffith and Kanamaru are essentially inventing the same thing around the same time; G established conception by 1981 and reduced to practice by 1984; K filed for a U.S. patent in 1982; G explains his delay in reduction to practice because Cornell required him to do outside funding and he was waiting for a grad student to graduate so she could devote herself to this research; K is entitled to the patent, so K has a right to exclude G from practicing his invention
    - 1. Unreasonable delays:
      - a. Funding considerations or trying to figure out the relevant value of the inventor's experimentation
      - b. Convenience
    - 2. Reasonable delays:
      - a. Poor health/sickness
      - b. Typical emergencies
      - c. Vacations
      - d. ... reasonable, everyday problems and limitations can justify delay

VI. Nonobviousness

- a. Section 103: whether the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains
  - i. Historic justification: only inventions and discoveries which furthered human knowledge, and were new and useful, justified the special inducement of a limited private monopoly
    - 1. *Hotchkiss*: first SCOTUS case that articulates this nonobviousness requirement
      - a. A patentable invention must evidence more ingenuity and skill than that possessed by an ordinary mechanic acquainted with the business
        - i. In practice, *Hotchkiss* has required a comparison between the subject matter of the patent, or patent application, and the background skill of the calling
  - ii. Policy:
    - 1. We should not be rewarding people who are simply exercising ordinary skill
    - 2. We should be rewarding inventors who push the boundaries
- b. Burdens
  - i. Section 112 requires the inventor to describe his invention that enables and provides a written description
    - 1. Applicant has the responsibility to disclose all prior, relevant art
      - a. Based on this prior art, the PTO examiner has the burden, if she is so inclined to reject the application, to find enough evidence of obviousness to support her rejection
        - i. Once the PTO examiner finds enough evidence of obviousness to establish a prima facie case, the burden then shifts back to the applicant to prove nonobviousness
    - 2. Prior art = all analogous products, written descriptions, e.g.
      - a. Courts will consider all references in the same general field of invention and references outside the field, if such reference is reasonably pertinent to the particular problem to be solved
      - b. Key: whether an inventor reasonably solving the problem before her would have reasonably thought to look/consult this reference in her problem solving process
        - i. Note: we are considering a POSITA, rather than the inventor specifically, and we presume a POSITA has access to all relevant references
  - ii. Bases that the PTO is rejecting inventions for obviousness (illustrative):
    - 1. If the inventor combines prior art elements through *known* methods with *predictable* results
    - 2. If the inventor uses a simple substitution of one known element for another with predictable results
    - 3. If the inventor applies a known technique to a known device that is ready for improvement with predictable results
    - 4. If the inventor uses a known technique to improve similar devices that have similarly been improved
    - 5. Obvious to try: when it is obvious to try in the context of a finite number of identified, predictable solutions with a reasonable expectation of success
- c. Ex: *Graham v. John Deere* (U.S. 1966): once you define the problem as trying to increase flexing of the plow and you have a steel plate that is blocking the flexing, anyone skilled in the art would know the solution is to remove the steel plate – solution was obvious
  - i. Nonobviousness Analysis Steps:



1. Identify the scope and content of the prior art – including all references, even those not previously before the PTO (e.g., those discovered during the infringement suit)
  2. Establish the differences between this invention and the prior art
    - a. Where is the “newness”?
  3. POSITA: who is involved generally in this type of product development
  4. In light of the above, assuming that this person had access to all of the prior art, would this solution be obvious to this POSITA?
- ii. Secondary Considerations (to support nonobviousness):
1. Commercial success
    - a. Note: this has been slightly discredited because you can have success with really stupid products
  2. Meets a long felt, but unsolved need (i.e. industry has identified a problem)
  3. Have others tried and failed to solve the problem
  4. Extent that others have copied the innovation in their own products
  5. Unexpected results
    - a. Ex: if you can point to some article that “teaches away” your solution, but you nonetheless made the solution work – can support nonobviousness
    - b. Ex: if your solution provided an outcome that no one could have anticipated – can support nonobviousness
  6. Skepticism of people in the field/experts
    - a. If there is evidence of this, but the inventor pursued the solution anyways, suggests that he is creative and innovative
  7. Adoption in the industry
  8. Licensing by others
- d. Teaching, Suggestion, Motivation Test (TSM): if you combined two prior references in a way that is new, then we will find that it is nonobvious, *unless* there is something that teaches, suggests, or motivates you to try this solution
- i. Perceived Benefits: predictability; an objective way to determine whether combining references was obvious or not; avoids the risk of hindsight bias; forces the PTO examiner to make a record and specifically identify a prior art reference (versus being allowed to decide based on their intuition alone)
  - ii. TSM Test became a fairly wooden, mechanical rule, that resulted in more patents being granted because PTO examiners were unable to find a specific written reference as a basis for rejecting the patent
  - iii. Ex: *KSR Int’l v. Teleflex* (U.S. 2007): Fed. Cir. applied the TSM test and granted the patent because no prior art specifically suggested the inventors combination; SCOTUS rejects the TSM in this case: this solution was obvious to try considering the prior art and the trend in the industry (i.e. to use electronic sensors) – commercial motivation
    1. Granting patent protection to advances that would occur in the ordinary course without real innovation retards progress and may, in the case of patents combining previously known elements, deprive prior inventions of their value and utility
    2. Key: predictability – if what this applicant has done is to combine previously known elements in a way that was predictably going to work, then we should not treat this person as an inventor (and this was not sufficiently recognized in the TSM test)
      - a. **The fact that something was obvious to try + a high degree of certainty/high likelihood of success = obvious for §103 purposes**
        - i. When the likelihood of success is much less predictable, then obvious to try likely will not bar patentability

3. "A person of ordinary skill is also a person of ordinary creativity, not an automaton"
  - a. We assume some level of flexibility and imagination among ordinary people skilled in the art
    - i. In addition to the prior art or scientific literature, PTO examiners should consider (re: obviousness):
      1. Commercial motivation
      2. Industry trends
      3. Design trends
    - iv. Post-KSR, TSM test is not viewed as utterly irrelevant – it can still be used in certain circumstances, but in a much more flexible way
  - e. Ex: *In re Kubin* (Fed. Cir. 2009): patentee used ordinary methods from the prior art to discover the DNA molecules he is trying to claim a patent for; PTO and Fed. Cir. reject the claim finding that there was motivation to combine in light of two significant prior art references; a scientist would have thought to try this combination because of the DNA's important role in the human immune response
    - i. When obvious to try is relevant:
      1. Motivation present (scientific, commercial, e.g.)
      2. Limited number of solutions
      3. Some level of predictability or expectation of success
    - ii. When obvious to try will likely not form the basis for rejection:
      1. If there are many different possibilities, but no indication of how to choose among them
      2. When the prior art gives general guidance, but does not give specific enough teachings/methodologies for obtaining a solution
      3. ... Basically, all sorts of motivation to move in a certain direction, but not a lot of specific guidance

## VII. Infringement

- a. Claim Interpretation
  - i. Claims define the legal rights of the patent holder
    1. Therefore, it is critical to understand what the claims mean
      - a. Claims should be interpreted by reference to the specification
      - b. Claims' meaning should be evaluated at the time the application was filed (not at the time the meaning is being evaluated or at the time of the infringement suit)
      - c. Need to distinguish between illustrative uses of the invention (i.e. merely giving examples) and places where it is more comprehensively describing the invention
  - ii. Claim construction: **question of law**
  - iii. Claim infringement: **question of fact**
  - iv. Ex: *Markman* (U.S. 1996): claim interpretation is a matter for the court – a question of law to be resolved by judges, rather than a jury
    1. Rationales:
      - a. Construction of written instruments is generally something courts are used to doing
      - b. Patent construction requires some level of expertise
      - c. Importance of uniformity/consistency in interpretation, both within a patent and more generally
        - i. This is the main reason the Federal Circuit was created
    2. Is it appropriate to treat claim construction as questions of law?
      - a. We do not need credibility determinations (which is typically left to the district court)

- b. It may be a waste of resources and a burden on the judiciary to mandate these as questions of law, rather than fact
  - 3. Consequences:
    - a. Patent infringement suits are bifurcated
      - i. First stage deals with how to interpret the claims and whether D's product does fall within P's claims
      - ii. Second stage deals with whether there is indeed infringement
    - b. PG. 38 OF CLASS NOTES (IF NECESSARY)
- v. Ex: *Phillips v. AWH Corp.* (Fed. Cir. 2005): (1) starting point is the claims themselves – internal coherence and consistency; (2) specification and prosecution history; (3) extrinsic evidence if ambiguity
  - 1. Intrinsic Evidence:
    - a. Claims
      - i. Individual claim
      - ii. Collective claims (context)
    - b. Specification: to understand the meaning of the term used in the claims
      - i. Terms are sometimes defined in the specification (i.e. “as used in the claims, this term means ...”)
      - ii. Contextual (i.e. relationship of the invention described in this narrative context and the specifically chosen claim language)
    - c. Prosecution history
      - i. How the PTO and inventor understood the patent
      - ii. Did the inventor disclaim a certain use of a word (e.g., to get around a certain prior art)?
  - 2. Extrinsic Evidence:
    - a. Dictionaries
    - b. Treatises
    - c. Expert testimony
    - d. ... if extrinsic evidence is in conflict with intrinsic evidence, intrinsic evidence will prevail
      - i. Do not want to change the meaning of claims by undue reliance on extrinsic evidence
      - ii. Rather, extrinsic evidence is helpful if after looking at intrinsic evidence, there is still ambiguity
  - 3. Means-Plus-Function claim terms: when a party seeks to have a term construed as a means-plus-function term, the analysis is governed by §112, ¶ 6: “An element in a claim for a combination may be expressed as a means or a step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof”
    - a. The first stage is whether the term in question is “means-plus-function”
      - i. There is a rebuttable presumption that §112, ¶ 6 applies if the word “means” appears in a claim element in association with a function
        - 1. Presumption can be rebutted where the claim language itself provides the structure that performs the recited function
    - b. The second stage is: (1) identifying the function of the term based upon claim term language (but not embodiments); (2) identifying the

corresponding structure, material, or act based on disclosed embodiments; and (3) at the infringement stage, the fact-finder determines whether the accused device falls within “equivalents thereof” as of the time of patent issuance

- c. Dogan: just be aware of this alternative claim form and appreciate that not every claim sets forth the structure fully within the claim – some of them invoke disclosures in the specification
  - i. Claim describes a means for accomplishing a particular result and the actual structure for accomplishing the result is not mentioned in the claims but is disclosed in the specification

vi. Canons of Claim Interpretation:

1. **Ordinary vs. Contextual Meaning:** contextual meaning prevails if there is tension
2. **Lexicographer Rule:** a patentee can define a term however she sees fit if she chooses
3. **Disclaimer of Subject Matter:** affirmative statements, in the specification and/or prosecution history, that disclaim subject matter
4. **Claim Differentiation:** want to avoid redundancy
5. **Purpose or Goal of the Invention:** if the patent holder has described a problem that the patent solves, and one interpretation would solve the problem and the other would not, then you adopt the definition that would solve the problem/purpose/goal
6. **Construing Claims to Preserve Their Validity:** when a broad term is used, and prior art would invalidate that broader claim, then the court should interpret it using the narrower meaning
  - a. If there are different, yet *equally plausible*, meanings for a particular term, the maxim tells you to adopt the narrower definition if that would validate the claim
    - i. Only resort to if ambiguity
7. **Narrow Construction Preferred:** this is a tie breaker rule, used only when two different interpretations are equally plausible, and usually relies on the prior maxim

b. Literal Infringement

- i. 35 U.S.C. §271 gives the patentee an infringement cause of action against anyone who makes, uses, sells, offers for sale, or imports the invention described in the claims of the patent
  1. Because a patent is defined in terms of its claims, a patent infringement suit is resolved by comparing the claims of the patent to the accused product
    - a. Elements of a claim
      - i. Different features or characteristics that limit the claim
      - ii. What are each of the things required to satisfy this legal definition
        1. In a process claim, it is the steps to achieve the process
        2. In a product claim, it is the different characteristics
    - b. **Standard:** segregate out every element of the claim, and in order to literally infringe, a defendant has to replicate each of those elements (every element of the claim)
      - i. A patent can include many separate claims, and to have literal infringement, all defendant has to do is produce a product that has every element of one of the claims

- ii. Ex: *Larami Corp. v. Amron* (E.D. Pa. 1993): as between competitors, the public and the patent holder, the patent holder is the one in the best position to choose language that provides certainty
  - 1. “Comprising”: open claim
    - a. My product includes these features, but may include additional features as well
    - b. Adding elements does not help the infringer
    - c. Hypo: toothbrush patent → if D’s telescoping cover is found to constitute a “removable cylindrical end cap cover,” it really doesn’t matter whether it does so in a different way than P’s because this is a “comprising” claim – D infringes as long as it replicates each element of P’s claim
      - i. Will need to determine what the word “removable” means in light of the specification – narrow or broad interpretation?
  - 2. “Consisting of”: closed claim
    - a. All of the features in my patent are listed here
    - b. Adding elements may make the accused product non-infringing
      - i. However, an infringer cannot avoid infringement if his device has all of the elements and he just tacks on an element or feature
- c. Doctrine of Equivalents [chart on pg. 334]
  - i. Defendant has essentially done the same thing – created a product or process that feels really similar but is not identical to the patent holder’s claim
    - 1. DOE timing = at the time of infringement
  - ii. DOE defenses/rationales:
    - 1. Protects unforeseeability issues that may arise (i.e. sometimes you cannot foresee certain equivalents)
    - 2. Administrative cost to the patent prosecution process if you do not have a DOE process because the patent applicant would have to try to anticipate every conceivable equivalence to the elements and the claims and try to draft accordingly
    - 3. Imprecision of language – there is a limit of the English language to precisely describe everything
    - 4. Equitable – do not want to reward straight copyists and want to deter people from designing around patents in sneaky ways (i.e. making barely any, if any, improvements to the product)
      - a. Prevents a fraud on the patent and unjust enrichment
      - b. Courts are attracted to DOE in cases where they feel as though the defendant is ripping off the plaintiff
    - 5. Provides meaningful economic protection to patent holders (without DOE, might foster concealment, rather than disclosure, of inventions)
      - a. Do not want to disturb settled expectations
  - iii. DOE costs/problems:
    - 1. Uncertainty
      - a. Increase cost to the judicial system
      - b. Chill entrance of inventors to the market
      - c. The objective value of the notice function of claims is reduced
    - 2. Risk of chilling not only people who want to “pirate” inventions, but also people who want to make significant improvements to products
  - iv. **Function, Way, Result** → *Graver Tank* (U.S. 1950): a patentee may invoke this doctrine to proceed against the producer of a device if it performs substantially the same function in substantially the same way to obtain the same result

- v. **All-Elements Test** → *Warner-Jenkinson* (U.S. 1997): an analysis of the role played by each element in the context of the specific patent claim will inform the inquiry as to whether a substitute element matches the function, way, and result of the claimed element, or whether the substitute element plays a role substantially different from the claimed element
  - 1. Court noted that the *Graver Tank* rule might be more suitable for mechanical inventions, and the all elements rule might be more suitable for chemical processes, e.g.
  - 2. Prosecution History Estoppel (PHE) can apply to prevent reliance on DOE
    - a. Notion that if the claim was amended or crafted to avoid prior art, then PHE would apply
      - i. But, patentee could rebut this presumption with evidence that the claim had been amended for some other purpose, unrelated to avoiding the prior art
- vi. Ex: *Hughes Aircraft Co.* (Fed. Cir. 1998): first time the Fed. Cir. had to administer the element-by-element analysis; court uses a flexible application of the approach; critical to the court's analysis was the difference new technology → at the time the claim was drafted, the patentee did not know about this technology, and when added by the defendant it was not such a dramatic advance/improvement that it changed the basic nature of the communications between the satellite and the ground crew – rather, it felt like merely a simple substitution of a modern day equivalent of what was described in the claim
  - 1. If there is some new product, input, method that becomes part of the state of the art and you merely substitute this new thing for an element in patent claim, you will avoid literal infringement, but the court may well find infringement under DOE
- vii. Prosecution History Estoppel (PHE) can apply to prevent reliance on DOE
  - 1. Notion that if the claim was amended or crafted to avoid prior art, then PHE would apply
    - a. But, patentee could rebut this presumption with evidence that the claim had been amended for some other purpose, unrelated to avoiding the prior art
  - 2. Between *Warner-Jenkinson* and *Festo*, the Fed. Cir. refused to allow patentee to invoke DOE, and invoked PHE if any narrowing amendment was added at all – for basically any reason
  - 3. Ex: *Festo Corp. v. SKKK* (U.S. 2002): if you are really only making cosmetic changes or adding clarity to an ambiguous term, then you had not narrowed the claim sufficient to invoke PHE; if you narrow an amendment for any reason relating to patentability/patent eligibility (prior art, novelty, §112, etc.) then PHE will be triggered – does not necessarily mean you will lose (i.e. PHE is not a complete bar to DOE)
    - a. Rebuttable Presumption: PHE prevents a party from relying on DOE if they have narrowed their claims during prosecution, unless they can satisfy one of the exceptions:
      - i. **Alleged equivalent was unforeseeable** (key: lack of foreseeability)
        - 1. At the time the narrowing amendment was added, the patentee could not have foreseen that someone would have made this substitution
          - a. Typically involving after-arising technologies
        - 2. Cf: if patentee/POSITA should have known something at the time of the amendment (and/or

knew it was giving something up), cannot bring an infringement suit under DOE

**ii. Reason for the amendment bore no more than a tangential relation to the equivalence in question**

1. Ex: *Lockheed*: focus on the shape; narrowed through amendment the frequency of variation of signal, but shape did not change; D used something similar, but not identical shape; D claimed P narrowed his claim, so DOE should be unavailable; court said DOE should be available to P because narrowing amendment was added to specify the frequency of the variation and had nothing to do with the shape, and the element dealing with the shape remained how it was in the original claim
2. Ex: *Insituform*: invention relating to sewer pipe liners; method coated felt liners with resin; prior art had included a vacuum at the end that pulled the resin through the pipe so the liner could be established; P invented a smaller suction cup that travelled through the pipe; single suction cup limitation was added during prosecution of the patent; D used essentially the same process, but used multiple suction cups; court found no literal infringement; DOE applicable because single suction cup amendment was added to get around prior art vacuum, not added to exclude multiple suction cups
  - a. When you can identify and explain why it was that you added the limitation and this rationale does not seem to relate to D's substitute, then you may be able to rely upon the DOE

**iii. Can rely on DOE if there is some other reason that the patentee could not be expected to have described the equivalent (not really relied on in practice)**

**viii. Subject Matter "Disclosed but not Claimed"/Dedication to the Public Domain**

1. When subject matter is disclosed (in the specification, e.g.), but not claimed in a patent application, it is surrendered/dedicated to the public
  - a. Ex: *Johnson & Johnson v. R.E. Service* (Fed. Cir. 2002): P mentions aluminum in the specification and also discloses other materials, such as steel, but only claims aluminum; this disclosure of steel is therefore dedicated to the public, and P cannot assert DOE
2. Rationales
  - a. Notice function of claims: need to clearly define what you are claiming and what the legal boundaries of your invention are
    - i. Want to prevent people from broadening out into territory that they are not entitled to
  - b. Integrity of the patent review process: we want PTO examiners to review the full scope of claims
    - i. Without the rule, we may encourage people to game the system

**ix. After-Arising Technologies**

1. It is an open question, but the prevailing view now is that new technology can be considered an equivalent

- a. Key: whether the patent and the accused device are interchangeable as of the time of infringement, not when the invention was made
    - b. If someone substitutes a new technology that is functionally different, then DOE should not apply because this substitute is not an equivalent to the old element
      - i. If the evolution of technology results in improved function or efficiency, then the courts will typically find no infringement under DOE
      - ii. If it is merely an insubstantial/subtle variation, then DOE will likely apply
  - x. Summary:
    - 1. First ask whether there is literal infringement
    - 2. Next ask whether there is infringement under the DOE (all-elements rule or function, way, results approach)
      - a. PHE
        - i. No narrowing amendment = no PHE triggered
        - ii. Narrowing amendment = PHE applicable
          - 1. Rebuttable presumption that the patent holder is limited to the exact, literal terms of the claim (i.e. patent holder cannot broaden out its claims to people using equivalents)
            - a. Can rebuttal with the three *Festo* exceptions
          - 2. Timing re: whether the substitution was foreseeable = the time the amendment was drafted (when the narrowing language was chosen)
      - b. Any conversations or written communications with PTO examiners – if so, same PHE will kick in
      - c. Information disclosed but not claimed does not apply
      - d. After-arising technologies
  - xi. Hypo: A gets a patent on a flux substance that is made with substance X (one ingredient/element); substance X is included in the initial claims and there is no narrowing amendment; patent is granted; 3 years later, a competitor starts making a flux that substitutes substance X for Y – otherwise identical flux; patent holder sues
    - 1. No literal infringement
    - 2. Under an all-elements approach, the only Q is whether substance Y is an equivalent of substance X
      - a. If so, then the patent holder has a DOE infringement claim
  - xii. Hypo: A gets a patent on a flux substance; originally drafted the claim includes a list of ingredients and one was a class of compounds; during prosecution, the examiner rejected the patent for lack of enablement; A revised the language to provide that substance X will be the ingredient to substitute for the class of compounds; same infringement facts as above
    - 1. Competitor: narrowing amendment means that PHE applies and A cannot win on a DOE claim
    - 2. Patent Holder: will try to claim an exception – likely foreseeability (if substance Y did not exist/had not been discovered, e.g., at the time of the narrowing amendment)
- d. Contributory Infringement [§271(b) and (c)]
  - i. Sale of a product or component of a patented invention with knowledge that it is going to be used by some third party to infringe (facilitating/inducing/encouraging)
    - 1. Available only when: (1) the defendant sells a product whose use is a material part of the invention, (2) with knowledge that this component is made for



infringement, and (3) it is not a staple article of commerce (i.e. this component can only be used for infringement and no other legitimate purpose)

a. Quite a narrow/limited doctrine in the patent context

b. Policy:

i. **Public should have access to *staple articles of commerce* that have non-infringing purposes**

1. Do not want to allow patent holders to extend their patent monopoly beyond its legitimate scope

ii. Ex: *C.R. Bard* (Fed. Cir. 1990): when a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser allegedly to infringe patent, the public interest in access to that article of commerce is necessarily implicated

1. A person induces infringement under §271(b) by actively and knowingly aiding and abetting another's direct infringement

a. Inducement: have to have knowledge of the existence of the patent and have to intend that the direct infringer commit an act of infringement, and within this knowledge and intent have to actively encourage another's direct infringement

iii. Note: inventors can get patents on surgical procedures, but they cannot have infringement claims against doctors who perform these procedures (Congress gave them immunity)

e. Joint Infringement

i. Generally not available, absent some evidence of coordination of all of the parties, organized by a single mastermind

1. i.e. cannot assert claims of infringement against multiple parties who committed various steps in the patented process without proof of a coordinated effort

f. Foreign Infringement

i. You can have infringement due to use of the patented invention in the U.S. even when some of the steps occur abroad

1. The use of a claimed system under §271(a) is the place at which the system as a whole is being put into service, i.e., where control of the system is exercised and beneficial use of the system obtained

ii. The sale of components of a patented device and transport of those components abroad, with the intent that they be put together outside the country, constitutes a violation of §271(f)(1)

VIII. Defenses

a. Experimental Use

i. General experimental use is an *incredibly narrow* exception, virtually unavailable to anyone who is making a productive use of a patented device

1. Use to promote business, education or research does not fall within this exception

2. So long as the act is in furtherance of the alleged infringer's legitimate business and is not solely for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry, the act does not qualify for the very narrow and strictly limited experimental use defense

ii. Congress added a specific provision, §271(e)(1), to allow for drug experimentation in the process of seeking FDA approval for drugs

1. Intended to protect people engaged in preparing for the FDA approval process

a. Ex: generic drug manufacturer's experimentation right before the mainstream drug's patent is about to expire

2. Ex: *Integra v. Merck*: Congress exempted from infringement all uses of patent compounds reasonably related to the process of developing information for

submission under any federal law regulating the manufacture, use, or distribution of drugs

b. Exhaustion

- i. First Sale → the initial authorized sale of a patented item terminates all patent rights to the item
  1. Patent holder cannot exercise continuing control because in that sale he captured the economic value of the patent
  2. “The right to vend is exhausted by single, unconditional sale, the article being sold thereby carried outside the monopoly of the patent law and rendered free of every restriction which the vendor may attempt to put upon it” (*Quanta*)
- ii. Ex: *Quanta Computer v. LG* (U.S. 2008): you cannot get two bites at the apple → if you have sold a component that contains the core of your invention, you are getting the economic value of the sale
  - a. The authorized sale of an article that substantially embodies a patent exhausts the patent holder’s rights and prevents the patent holder from invoking patent law to control post-sale use of the article
    - i. LG licensed Intel to practice any of its patents and to sell products practicing those patents. Intel’s microprocessors and chipsets substantially embodied the LG patents because they had no reasonable noninfringing use and included all of the inventive aspects of the patent methods
      1. Intel’s authorized sale to Quanta thus took its products outside the scope of the patent monopoly, and as a result, LG can no longer assert its patent rights against Quanta
  2. Exhaustion can clearly apply to a method patent claim when the sale of the product *substantially embodies* the method [i.e. this sale will trigger exhaustion]
    - a. How substantial?
      - i. Clearly intended for use in this method (not really any other use than in this method)
      - ii. Product must embody the essential features of the invention
      - iii. Only additional parts are standard/typical/common
    - b. Must be an authorized sale in the first place
- iii. Hypo (based on *Quanta*): A gets a patent for a coffee cup sleeve (patent for the product and a process patent for manufacturing the sleeve and affixing the ends together to form the sleeve shape); A licenses a cardboard manufacturer to make the cardboard flat pieces, so final step of gluing the ends together needs to be completed; A wants to impose a limitation on third parties re: assembly must be done with a certain type of glue (despite no increase in functionality); A told the licensee that she really wants the sublicensees to use this glue and the licensee puts the sublicensees on notice, but there is no contract between any of the parties re: the type of glue
  1. Re: process patent: by licensing and selling to licensee, A exhausts her patent rights – the sale of the product contained essentially all of the material portions of the invention
  2. Re: method patent: there is nothing innovative about gluing the ends of the product together, so method patent is exhausted as well
  3. ... Because the product that was sold substantially embodied all of the innovative aspects of the patent, the sale captured all of the economic value of the patent = exhaustion

c. Other Defenses

- i. Invalidity
  1. D can allege P failed to meet any of the requirement for patentability

2. D can produce prior art, e.g.
  - ii. Inequitable conduct by the patentee during patent prosecution
- IX. Remedies
- a. The assumption was that in any case where a patent holder proved infringement, he was entitled to injunctive relief
    - i. However, lower courts and commentators have increasingly expressed some skepticism about this – especially in the software industry boom
      1. The effect of injunctive remedies goes beyond allowing the rightholder to prevent activities of the infringer
        - a. To the extent that a rightholder will consider negotiating a license with the infringer, the threat of an injunction will heavily influence the terms of the license
        - b. “Holdup problem”: an entitlement holder who uses his rights strategically to extract more than the fair market value of his asset
      2. Concern about patent trolls – non-practicing patent holders (i.e. not sellers in a specific industry) viewed as a threat to innovation and commerce because they buy up patents to litigate
  - b. Ex: *eBay v. MercExchange* (U.S. 2006): injunctive relief should not be granted in all patent cases; rather, injunctive relief should only be imposed when the traditional balancing factors determine it is appropriate (just like all other areas of law)
    - i. Plaintiff must demonstrate that:
      1. He has suffered an irreparable injury (will lose their livelihood, will be pushed out of the market, e.g.
      2. Remedies available at law, such as monetary damages, are inadequate to compensate for that injury
      3. Considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and
      4. The public interest would not be disserved by a permanent injunction
    - ii. The decision to grant or deny permanent injunction relief is an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion
    - iii. Concurrence: the traditional rule presuming injunctions made sense decades ago (i.e. before patent trolls, technological advances, patents on small components of broader inventions), but now there may be situations where injunctions are not appropriate and damages may be easier these days, than historically they were, to measure appropriately

## Copyright

- I. Introduction
  - a. A protectable copyright has the following elements:
    - i. Copyrightable subject matter
    - ii. Threshold for protection
      1. Exhibit a modicum of originality
      2. Fixed in a tangible medium of expression
    - iii. Formalities (notice, registration, deposit)
    - iv. Authorship and ownership
    - v. Duration of copyright
      1. Life of the author plus 70 years
      2. 95 years from first publication in the case of anonymous works, pseudonymous works, and works made for hire
  - b. Ownership of a valid copyright confers the following rights:
    - i. Reproduction
    - ii. Derivative works
    - iii. Distribution

- iv. Performance and display
- v. Anticircumvention
- vi. Moral rights
- c. Copyright vs. Patent
  - i. Nature of the rights granted
    - 1. Patent law is more like property law – a right to exclude from your invention, even if the person discovered it independently of you
    - 2. Copyright law provides protection against the right to copy
      - a. Provides a more limited set of rights
  - ii. Subject matter
    - 1. Patent covers new and useful functional innovations
    - 2. Copyright covers original, fixed artistic expression (not the actual ideas)
  - iii. Exclusions
    - 1. Both exclude facts and abstract ideas
    - 2. Copyright law excludes ideas, processes, and methods of operation
  - iv. Standard of review
    - 1. Patent law has a more rigorous standard of review: must consider prior art
    - 2. Copyright law only has to satisfy a modicum of originality
  - v. Purpose
    - 1. Both share a primary objective of incentivizing people to do something that is going to be good for society (i.e. both utilitarian)
      - a. The public is the ultimate beneficiary

## II. Requirements

- a. Section 102(a): “Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device”
  - i. Originality = (1) independent creation and (2) modicum of originality
- b. Original Works of Authorship
  - i. Original, as the term is used in copyright, means only that (1) the work was independently created by the author (as opposed to copied from other works) and (2) that it possesses at least some minimal degree of creativity
    - 1. The requisite level of creativity is extremely low – even a slight amount will suffice
      - a. Originality does not signify novelty – a work may be original even though it closely resembles other works, so long as the similarity is fortuitous, not the result of copying
  - ii. Ex: *Feist* (U.S. 1991) (telephone book case): **facts are not copyrightable**, but compilation of facts are (thin protection though); facts are not protected on the basis that some material that is merely discovered or purely information and not expressive needs to be left to the public domain
    - 1. **Compilations of facts are protectable** if they are arranged, selected, or coordinated in a way that shows a modicum of creativity
      - a. Copyright protection is based on the original selection and arrangement
        - i. Therefore, if someone plucks out a certain fact from the compilation, there will be no infringement because it did not take the selection or arrangement
    - 2. Facts?
      - a. Maps: at least some courts hold that selection of what to include on the map and other expression choices satisfy the modicum of creativity require for copyright protection

- b. Valuation of Commodities (ex: used coins, used cars (i.e. Kelly Blue Book – presumably have a market value)
      - i. Courts have generally found these valuations to be protectable under copyright law
    - c. Fictional Characters: sometimes they can be characterized as copyrightable protectable material
    - d. Recipes: unprotectable under copyright law as facts
      - i. If your recipe has some personal narrative added, above and beyond the recipe, then that part may be entitled to thin copyright protection
        - 1. But nothing prevents someone from abstracting the recipe's elements and republishing (without the personal narrative part)
- 3. Copyright is really designed to encourage people to be creative and expressive themselves in new and original ways
  - a. Not designed just to reward hard work (i.e. sweat works)
    - i. Hypo: If someone uses a decade worth of research to write a book about Thurgood Marshall that contains exhaustive detail, and someone else makes a movie with reference to this book (without paying the historian) – the movie producer can take the *facts* regardless of how much work someone put into finding them
      - 1. Note that if the book included some other kind of interpretive descriptions/discussion, then the author might have thin copyright protection for those expressive choices
      - 2. Historical works are entitled to a much thinner copyright than fictional works, despite the fact that they typically require a lot more work and may arguably bring more value to society
- c. Fixed in a Tangible Medium of Expression
  - i. A work would be considered “fixed” if there has been an authorized embodiment in a copy or phonorecord and if that embodiment is sufficiently permanent or stable to permit the work to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration
    - 1. In the case of a work consisting of sounds, images, or both, that are being transmitted, the work is regarded as “fixed” if a fixation is being made at the same time as the transmission
    - 2. “Fixation” would exclude from purely evanescent or transient reproductions such as those projected briefly on a screen or captured momentarily in the memory of a computer
    - 3. In order to infringe the right to copy, the defendant must make a fixed copy
  - ii. Possible examples re: “fixation”:
    - 1. Live broadcast of a sporting event: likely protected if the performance is recorded simultaneously with transmission
    - 2. Musical performance of a song: can have a copyrighted song and someone can perform it live, but the live performance is not considered fixed
    - 3. Stand-up comedy: if you do not write it down beforehand, it is considered an unfixed performance that is not protected
  - iii. Why have a fixation requirement?
    - 1. Practically, it is much easier to prove infringement if you have something fixed to refer to – if all you have is a performance that is not recorded or written

down, it is going to be hard for the jury to determine whether what the defendant did substantially infringe/copy

d. Formalities

i. Notice

1. No longer required (as it traditionally was) since we signed on to the Berne Convention, which required the U.S. to abolish copyright formalities
2. It still benefits copyright holders, however, to provide notice because if their works have always been published with a copyright notice, people cannot claim they are an innocent infringer and mitigate statutory damages

ii. Publication

1. Publication (i.e. distribution to the public), post-1976, is not required to get copyright protection

iii. Registration

1. For domestic works or works first published in the U.S., you need to register the work in order to file a lawsuit
2. Registration does confer benefits: it is prima facie evidence of the validity of your copyright and it enables the registrant to get statutory damages and attorneys' fees in some circumstances (i.e. when infringement has occurred after registration or you register within a few months after your publication)
3. Lack of registration makes it difficult for people who want to use copyrighted works to figure out who owns the thing
  - a. Orphan Works: perhaps we should be more lenient of people who do everything possible to figure out who owns the copyright but cannot after using all possible due diligence

iv. Deposit

1. Have to deposit your work to register it
  - a. Purpose: in order to create a public record of the works of authorship in this country
  - b. Failing to deposit does not forfeit your copyright, but you are assessed a fine

III. Copyrightable Subject Matter

a. Limitations on Copyrightability: Distinguishing Function and Expression

i. **Idea-Expression Dichotomy:** §102(b): "In no case does copyright protection for an original work of authorship extend to any idea, procedure, system, method of operation, concept, principle, or discovery regardless of the form in which it is described, explained, illustrated, or embodied in such work"

1. Ex: *Baker v. Selden* (U.S. 1897): copyrighted book about a system/method for double-entry bookkeeping with some blank forms; the fact that someone has a copyright for an expressive work does not grant protection to systems or methods described in that work – that is the job of patents
  - a. Blank forms, typically, are not copyrightable unless they convey information in some original way, as opposed to being simply designed to receive information
2. Ex: *Lotus v. Borland* (1st Cir. 1995): Q whether a computer menu command hierarchy (i.e. user interface) is copyrightable subject matter; court determines this is unprotectable under copyright law as a method of operation
  - a. Concurrence: agrees with the majority, but proposes an alternative rationale: that Lotus's menu command hierarchy was copyrightable (i.e. because Lotus made so many expressive choices re: the organization and structure), but that Borland's use of the menu hierarchy in this case was privileged because it was done for the purpose of making the two programs compatible (i.e. defense of privileged use)

- b. Procedurally, this issue remains unsettled because SCOTUS was divided 4-4 and therefore affirmed, but produced no precedential opinion
  - 3. **Merger Doctrine:** when there is only one or but a few ways of expressing an idea, then courts will find that the idea behind the work merges with its expression and the work is not copyrightable
    - a. Ex: *Morrissey v. Procter & Gamble* (1st Cir. 1967): contest rules themselves are not protectable because they are a system/method of operation – you cannot get protection for your description of the rules if your description is only one of a few ways to describe the rules; this case is not saying that there is no expression, but to the extent that there is expression, it has merged with the unprotectable process
    - b. Ex: a box of cinnamon tea is likely to bear pictures of cinnamon sticks – such depictions are not protected by copyright law
  - 4. Uncopyrightable:
    - a. Facts
    - b. Scenes a faire (characters and attributes that are indispensable to a given topic)
    - c. Procedures, systems, methods of operation, concepts, principles
      - i. Ex: blank forms, contest rules
    - d. Ideas
      - i. If you have an original idea for a short story and you write the idea down in a letter to your friend ≠ copyrightable
- ii. **Useful Article Doctrine:** a “useful article” is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information
- 1. Section 101 of the Copyright Act defines pictorial, graphic, and sculptural works, one of the categories of works protected under section 102, to include: two and three dimensional works of fine, graphic, and applied art, photography, prints and art productions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship in so far as their form but not their mechanical or utilitarian aspects are concerned; ***the design of a useful article, as defined in this section, shall be considered a PGS work only if, and only to the extent that, such design incorporates PGS features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article***
  - 2. Notion of Separability: unless the shape of a car, plane, dress, TV or any other industrial product contains some element that, physically or conceptually, can be identified as separable from the utilitarian aspects of that article, the design would not be copyrighted under the bill
    - a. Separability Tests (depending on jurisdiction):
      - i. *Brandir (infra)*
        - 1. Physical or conceptual separability is sufficient
      - ii. Judge Newman: temporal displacement test: when you look at the article, is the utilitarian function pushed aside, at least momentarily, in your mind – is there any temporal sense of separateness (observer focused approach)
      - iii. Goldstein: separability is satisfied if (1) a feature on its own can stand as a work of art and (2) the useful article would be just as useful without it
  - 3. Analysis
    - a. If it is a useful article, must go through a separability analysis

- b. If it is not a useful article, the only question is whether the article is sufficiently original, whether the merger doctrine applies, etc.
- 4. Ex: *Brandir* (RIBBON Rack) (2d Cir. 1987): majority found that there was no artistic element of the RIBBON Rack that could be identified as separate and capable of existing independently of the utilitarian aspects of the article
  - a. **Test majority adopts** (a version of Professor Denicola's test): look at the design process and the choices that were made, element-by-element, and impose on the copyright claimant the burden of establishing that there were features chosen for purely aesthetic reasons, uninhibited by functional considerations (focuses on the design process)
    - i. Physical *or* conceptual separability is sufficient to establish copyrightability (at least in the Second Circuit)
  - b. Dissent (Judge Winter): we should take a reasonable observer's perspective and focus on whether the design causes an ordinary reasonable observer to perceive an aesthetic concept that is not related to use; an ordinary reasonable observer would likely see the shape of this rack as an ornamental sculpture, so it should be protected (ordinary observer test)
- 5. Hypo: Easter Island decorative tissue box
  - a. If it is not a useful article, then we consider originality, e.g. (but not separability)
  - b. If it is a useful article, then we consider separability first
    - i. Probably satisfies any of the standards of conceptual separability – there is an artistic feature that is unrelated to function
    - ii. Probably satisfies the originality requirement (despite that Easter Island structures are part of the public domain, but is it a derivative work?)
- 6. Hypo: Washington D.C. snow globe
  - a. Useful article? Probably not – no utilitarian function – only aesthetic
  - b. Copyrightable as a PGS work? Each of the non-original things (i.e. the various monuments) are depicted in some expressive way, so would likely get thin protection for the visual depiction of the landmarks, which ones to choose and where to place them
- 7. Hypo: belt buckles
  - a. Useful article? Yes
  - b. Separability satisfied? (depends on the standard)
    - i. In the actual court case, they did satisfy the standard of separability adopted
    - ii. Under *Brandir*? Hard to separate the features out – you'd have to ask the artist about his design process and whether he added some features for purely aesthetic reasons, uninhibited by functionality concerns
- b. Domain and Scope of Copyright Protection
  - i. Works of authorship include:
    - 1. Literary works
      - a. Works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, films, tapes, disks, or cards, in which they are embodied



- i. No requirement of literary value in order to qualify for protection as a literary work
  - ii. No significant length or heft is required
    - 1. Courts, however, generally do deny copyright protection for short titles, phrases, slogans, etc. (when there are only a few words you run into merger problems)
  - iii. Computer programs are included as literary works
  - iv. Copyright owners have a right to copy and an exclusive right to create derivative works
- 2. Musical works, including any accompanying words, and Sound recordings
  - a. Need to distinguish between *musical compositions* (music and words that make up the abstract song) on the one hand, and *sound recordings* (a particular artist's fixation/performance of that abstract song) on the other
    - i. Owners of musical compositions have the right to prevent reproduction or derivative works of the musical composition
    - ii. Owners of sound recordings have the right to protect only against the copying of the actual sounds that are fixed in the phonorecord they created (so a more limited right)
      - 1. Other people can perform and imitate the sound recording
- 3. Dramatic works, including any accompanying music; Pantomimes and choreographic works
  - a. In many cases, questions are raised with respect to fixation
    - i. Unfixed aspects are not going to be protectable under federal copyright law
- 4. Pictorial, graphic, and sculptural works
  - a. Includes two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans ...
    - i. Issues re: PGS works: merger doctrine and the useful article doctrine
      - 1. Questions turn on how much original expression the author has added beyond the core idea and whether the defendant replicated that original expression
- 5. Motion pictures and other audiovisual works
  - a. Audiovisual works: works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied
    - i. Motion pictures are a subset of audiovisual works consisting of a series of related images, which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any
- 6. Architectural works
  - a. Used to be treated as PGS works and it was very difficult to satisfy the separability doctrine
    - i. Now they are protected by a specific act, which protects the design of a building as embodied in any tangible medium of

expression, including a building, architectural plans, or drawings. The work includes the overall form and elements in the design, but does not include individual standard features

1. Cannot get protection for design elements that are functionally required

b. Limitations

- i. Pictorial representations permitted: the copyright in an architectural work that has been constructed does not include the right to prevent the making, distributing, or public display of pictures, paintings, photographs, or other pictorial representations of the work, if the building in which the work is embodied is located in or ordinarily visible from a public place
- ii. Alterations to and destruction of buildings: the owners of a building embodying an architectural work may, without the consent of the author or copyright owner of the architectural work, make or authorize the making of alterations to such building, and destroy or authorize destruction of such building

7. Derivative works

- a. A work based upon one or more preexisting works which is recast, transformed, or adapted ... a work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship
  - i. Ex: translations, sequels, mash-ups of two movies, parody of a novel
  - ii. Copyright protection for derivative works is limited to whatever is added, whatever material is contributed in addition to the existing work
- b. Compilation: a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship
  - i. Includes collective works, such as periodical issues, anthologies, or encyclopedias, in which a number of contributions, constituting separate and independent works in themselves, organized into a collective whole
- c. §103(a): if you are using the underlying copyrighted work without permission, you are not entitled to copyright protection at all
  - i. So derivative works are only entitled to protection if they are made with permission
  - ii. Dogan: could be an argument for copyright protection in the added expressive elements

IV. Ownership

- a. Works Made for Hire (§101): **(1)** a work prepared by an employee within the scope of his or her employment; **or (2)** a work falling within one of nine enumerated categories (a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, a test, answer material for a test, or an atlas) and evidenced by a written agreement signed by both parties expressly stating that the work is intended to be a “work made for hire”
  - i. Ex: *CCNV v. Reid* (U.S. 1989): an artist and the organization that hired him to produce a sculpture contest the ownership of the copyright in that work; four interpretations have emerged re: whether a case falls into §101(1): (i) a work is prepared by an employee

whenever the hiring party retains the right to control the product [right to control]; (ii) a work is prepared by employee when the hiring party has actually wielded control with respect to the creation of a particular work [actual control]; **(iii) the term “employee” carries it common-law agency law meaning**; (iv) the term “employee” only refers to formal, salaried employees; court chooses the (iii) category and applied the following factors to determine that, on balance, the artist is not an employee because he appears to be acting relatively independently; note that parties can contract around work for hire; note also that CCNV could try to bring a suit re: joint authorship if they satisfy those requirements

1. Factors (illustrative):
  - a. Right to control
  - b. Manner and means by which the product is accomplished
  - c. Skill required in performing/creating the work (are you really looking outside your organization for someone whose unique skills you cannot find within your organization?)
  - d. Source of tools
  - e. Location of work
  - f. Duration of the relationship (a long term relationship, even if it is only part time, is more likely to be found an employee-employer relationship)
  - g. Can hiring party assign more projects; extent to which the hired party controls the location, time, hours of works (if more control, he feels like an independent contractor); method of payment (one time, monthly, weekly, e.g.)
  - h. Can purported employee hire assistants?
  - i. Whether the work is part of the regular business of the hiring party (if so, more likely to be considered an employee)
  - j. Employee benefits and tax treatment
- ii. Teacher Exception: universities cannot claim their own professors’ works under the works made for hire doctrine
- b. Joint Works: a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole
  - i. Ex: *Aalmuhammed v. Lee* (9th Cir. 2000): for a work to be a “joint work” there must be (a) a copyrightable work, (b) two or more “authors”, and (c) the authors must intend their contributions be merged into inseparable or interdependent parts of a unitary whole; (d) additionally, the 9th Circuit requires each author to make an independently copyrightable contribution to the disputed work
    1. **Factors**:
      - a. Whether the party has controlled or is the mastermind of the project
      - b. Objective manifestation of a shared intent to be co-authors
        - i. Written contract is obviously the best evidence
        - ii. Ex: holding yourself out to the public as partners who initiated this project together
      - c. Whether audience appeal of the work turns on both contributions and the share of each in its success cannot be appraised
    2. All-or-Nothing → you are either a joint author and entitled to an equal distribution of the proceeds (and share equally the right to exercise the exclusive rights defined in the Copyright Act) or you are not a joint author and you are entitled to nothing
    3. 2nd and 7th Circuits Approaches: base their approach on whether the parties intended to be joint authors, rather than asking “what is the meaning of ‘author’”

- a. In practice, they look to similar factors and the outcome in this case would have likely been the same
  - ii. Hypo: I have an expressive idea (a vision for a sculpture), but I hire a sculptor to create my vision
    - 1. At least in the 9th Cir., each “author” must contribute a copyrightable component
      - a. My vision might be considered an idea, and thus uncopyrightable
        - i. Assuming *arguendo* it is not an idea, it was not fixed so cannot be considered copyrightable
          - 1. If I had a fixation that reflected my creative vision, I may be entitled to joint authorship
- c. Collective Works (§101): works, such as a periodical issue, anthology, or encyclopedia, in which a number of contributors, constituting separate and independent works in themselves, are assembled into a collective whole
  - i. §201(c): Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vest initially in the author of the contribution
    - 1. The owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and a later collective work in the same series
  - ii. Ex: *N.Y. Times v. Tasini* (U.S. 2001): removing articles from their context as part of a collective work and placing them into searchable databases as separate files goes beyond the §201(c) privilege
    - 1. Despite *Tasini*, most publishers assume they have the right to public on HeinOnline, which give a literal reproduction (a PDF of how the actual page looks)
- d. Hypo: Bable comes up with an idea for a toy car with an integrated circuit that responds to commands as well as speaking and singing songs. Bable founds a company called Up & Running to market her “talking car” concept. Bable finds several people to record some new material for the talking car
  - i. Sally Singer agrees to record a children’s song she has written for use on the car. Bable has Sally sign an agreement giving Up & Running all ownership in the song. The song becomes a hit, and Bable licenses the song to Warner for inclusion on an album of children’s songs. Sally protests, saying she had planned to release her own album featuring the song
    - 1. Could argue that she authored the song before the relationship began with Bable, so the initial authorship and copyrights lay with her, but she contractually transferred the rights in the song to Bable, so now Bable owns the rights
      - a. Sally will have the right to cancel the transfer after 35 years
  - ii. Telly Talker enters into a “long-term requirements employment” contract with Up & Running, and his job is to record translations of the songs and slogans into as many languages as Bable requires. The Japanese version of the toy car becomes a big hit, and Telly informs Bable that he is planning to license his recorded voice to a third party, Toyco, for use in their Japanese talking bear product
    - 1. Translations are treated as derivative works under the Copyright Act
    - 2. Need to determine whether this is a work for hire/employee-employer relationships
      - a. Look at CENV factors, e.g.
  - iii. Gary Guitar records guitar music for Up & Running. His practice is to record a snippet of music in whatever genre Bable requests. Bable then sends a check with a standard form

legend saying “cashing this check confirms your employment relationship with Up & Running, and the latter’s ownership of the copyright in the music paid for hereby”

1. Despite this contract language, using the term “employment” is not going to be dispositive

a. We do not know enough facts to determine whether Gary is an employee or not

#### V. Duration

a. Current duration is the life of the author + 70 years

i. Chart on pages 509 -510 → know how to use

ii. The optimal duration of copyright protection from a utilitarian perspective requires a balancing of the costs and benefits of lengthening protection

1. Benefits presumably come in the form of an enhanced incentive for authors and artists to create, while the costs imposed are the limitations on the rights of subsequent creators to make use of copyrighted works in their creative efforts and the social cost from monopoly pricing

2. SCOTUS has held that it is within Congress’ discretion to determine what kinds of extensions will promote knowledge and the Court cannot question what Congress does as long as copyright lasts for only “limited times”

#### VI. Division, Transfer, and Reclaiming of Copyrights

a. The 1976 Copyright Act eliminated restrictions on the formal divisibility of copyright interests

i. §201(d): (1) the ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of interstate succession; (2) any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title

ii. If I assign any of my copyright rights, the assignment must be in writing

iii. If I grant someone an exclusive right, that exclusive right must be in writing

iv. Mere licenses can be made orally or in written form

v. If someone gets an assignment or an exclusive license, they have the ability to sue for infringement

b. Reclaiming provisions were added to better ensure that authors and their families are able to reap a fair portion of the benefits of the author’s creative efforts

i. 1976 Copyright Act created an inalienable right to terminate transfers of copyright between the 35th and 40th year from the execution of the transfer of rights for works created after 1977

1. If you re-negotiate the transfer, that will trigger a new 35 year period when cancellation will be available (?)

ii. For works in their second renewal term prior to 1978, §304(c) allows authors and their families to terminate transfers between the 56th and 61st year

#### VII. Traditional Rights of Copyright Owners

a. §106: Exclusive Rights in Copyrighted Works

i. To reproduce the copyrighted work in copies or phonorecords

ii. To prepare derivative works based on the copyrighted work

iii. To distribute copies or phonorecords of the copyrighted work to the public by sale

iv. To perform the copyrighted work publicly

v. To display the copyrighted work publicly

vi. To perform the copyrighted work publicly by means of a digital audio transmission

b. The Right to Copy (*Arnstein v. Porter*)

i. Infringement Analysis (**copying + improper appropriation**):

1. Copying in Fact: did D in fact take from the copyright holder (probative copying)

a. Factors to prove copying:

- i. Direct evidence of copying
  - ii. Indirect/circumstantial evidence: **access + similarity** (sliding scale)
    - 1. If there are a lot of similarities and some access, that may be sufficient to prove copying
    - 2. If the similarities are minor, but it is clear that D had access, that may be sufficient to prove copying
  - b. Expert testimony allowed
    - i. Courts want claimants to pass a legal threshold before getting to the question of improper appropriation
    - ii. Experts can provide industry knowledge to identify what is unique and expressive versus what is in the public domain and typical in all compositions
      - 1. Experts can help the fact finder decide whether these similarities more likely than not resulted from copying, versus both works utilizing common features in the industry
  - c. Copyrightable and uncopyrightable stuff can be included in this analysis
    - i. Copying can be proven through considering both (think about people making mistakes on purpose to trap copyists)
- 2. Improper Appropriation: if D did take something, did D in fact take too much (substantial similarity)
  - a. Subjective: perspective/response of the ordinary (intended) audience for the work
    - i. Whether D took from P's work so much of what is pleasing to the ears of lay listeners, who comprise the audience for whom such popular music is composed, that D wrongfully appropriated something which belongs to P
  - b. Expert testimony generally not allowed
    - i. Expert testimony might encourage the jury to focus on the differences, rather than making a decision that reflect their own emotional response to the work
    - ii. Expert testimony allowed here for the very narrow purpose of informing the jury what the audience for this work is and how the target audience perceives the work
    - iii. Note that some courts have slowly started to open the door to expert testimony in this stage, especially in very sophisticated works (computer software, e.g.)
      - 1. Ex: experts could instruct the jury re: what features they should not be considering in this last phrase
  - c. Fact finder can only consider copyrightable material and whether the copyrightable material is sufficiently similar in this analysis
- ii. Note that one can infringe on someone else's work subconsciously
  - 1. You do not actually have to be making reference to someone else's work during your authorship to infringe
    - a. If you had access at some point (could have been years ago), then it is possible to subconsciously copy
      - i. Ex: George Harrison example, page 526
- iii. Improper Appropriation
  - 1. To infringe, the similarities must be substantial
    - a. Ex: *Nichols v. Universal Pictures* (2d Cir. 1930): P claims infringement on the following elements of her play: star-crossed lovers, Jewish and

Irish families fighting (plot and character elements); D made a movie with similar plot lines and character elements; court does not find infringement because the elements claimed are so general that they are in the public domain – not original to this author

- i. Plot and characters can be **copyrightable**, so long as they are sufficiently detailed and developed
- ii. **Uncopyrightable**: if in public domain, scenes a faire (stock characters), ideas (so general that it is an idea rather than expression ... idea-expression dichotomy)
  1. Even if you are the first person to come up with an idea, you cannot prevent other people from taking that idea and running with it (despite the novelty)
  2. Idea-expression dichotomy: nobody has been able to fix the line and nobody ever will (1930), but still holds true today
- iii. Substantial similarity is based on quality, not quantity
  1. P incorrectly dissects each work and points out a certain number of similarities
  2. Need to broadly look at the two works
    - a. Dissection of the two works is inappropriate in the second phase of analysis (improper appropriation)
2. De minimus copying: even if copying in fact is established, if the amount taken is so insubstantial then no infringement
  - a. What qualifies as “de minimus” is debatable though
    - i. At least one court of appeals has held that the de minimus doctrine does not apply to sound recordings – any time someone copies precise sounds and incorporates them into another work, even if it is just a tiny bit, that is infringement
      1. Ex: rap/hip-hop sound sampling
3. Workings involving “thin” copyright protection: most courts say that you need something like virtual identity between the works in order to have infringement
- iv. Copyright Law and Software: software is treated like a literary work after Congress’ commission recommendation (uncomfortably analogized to instructional texts)
  - a. Rationale is that when a computer programmer builds a program, she makes a lot of expressive choices
2. Ex: *Computer Assocs. Int’l v. Altai* (2d Cir. 1992): claim of infringement re: similarities in how the program is organized and the certain features the program accomplishes and in what order
  - a. Abstraction: work backwards from the code to the program’s general objective and try to come up with an organization of how the program is put together
  - b. Filtration: elements dictated by efficiency, external factors, and those in the public domain get filtered out
    - i. Merger doctrine operates to preclude you from getting protection for efficiency concerns
    - ii. External factors (operating system needs, client needs, industry standards, e.g.) can dictate/motivate your choices and should be filtered out
  - c. Comparison: compare whatever is left, which will be the protectable aspects of the program, to determine whether the works are substantially similar

- i. The result is that almost everything gets filtered out, and thus there is no infringement
          - 1. And if there is anything left, it will be a thin copyright
  - 3. Copyright law provides a very robust set of rights to software developers that exceed the remedies they could get from contract law and it protects their products from acquisition by strangers (i.e. those not in privity via contract)
    - a. But some copyright protection has been scaled back due to decisions like *Lotus*, but it is still a valuable tool for software developers
      - i. Primary practical value of copyright law for software developers: (1) protect against literal copying of the code, and (2) to protect against the very, very expressive elements of the software (certain video game aspects, e.g.)
    - b. Software developers could look to patent law to provide some protection (for the software's algorithms, not for the code)
    - c. Software developers could look to contract law (sale restrictions, licensing)
- v. Limitations on the Exclusive Right to Copy**
- 1. Fair use: applicable to all of the exclusive rights of the copyright holder
  - 2. Archival copies for public libraries: only for preservation purposes and only when a copy cannot be found on the open market
  - 3. Ephemeral copies by broadcasters: temporary copies of works in the course of broadcasting – in order to transmit the content
  - 4. Cover license: once the owner of a copyright of a musical composition has authorized someone to perform and distribute in the form of a phonorecord, then other people are allowed to make additional recordings as long as they pay a statutorily set licensing fee
    - a. Subsequent performers cannot make substantial changes, but can make slight adaptations for the genre, but cannot make changes to the underlying character of the work
  - 5. Non-commercial copies of musical compositions and sound recordings: authorizes consumers to make copies of sound recordings for non-commercial use – basically immunity for home taping
  - 6. Running/maintaining computer software: if you own a computer program, you are allowed to turn your computer on, even though it makes a RAM copy internally
- c. Right to Prepare Derivative Works
- i. Two scenarios:
    - 1. If you prepare a derivative work with the permission of the copyright holder or if you (the copyright holder) prepare the derivative work, you are entitled to a new copyright in this derivative work
    - 2. If you make a derivative work without permission of the copyright holder, you are an infringer
      - a. Ex: *Anderson v. Stallone* (C.D. Cal. 1989): P's work is a derivative work based on Stallone's work because P took characters without Stallone's permission, and is therefore infringing (despite the fact that there were original, expressive elements added – not even these are protectable) = categorical rule
        - i. Dogan: could be an argument for copyright protection in the added expressive elements – depending on jurisdiction
  - ii. Note: can have blocking *patents*, but not blocking *copyrights*
    - 1. Blocking patents arise in the context of encouraging people to build upon other people's work – get exclusive rights to someone else's improved version of your invention



- a. Does not mean she cannot practice the improvement (where blocking comes in), but she must get permission from you (the underlying patent holder) as long as her invention uses the underlying patent ... but she has rights and if her improvement has value, then presumably the parties will come to a licensing agreement
      - i. Economic incentive for people to improve on underlying works
    - 2. Copyright law requires upfront permission from the copyright holder before they go about making their improvements
      - a. If they do not get permission first, then they simply have no rights
  - iii. Copyright holders have the absolute right to not license to certain people or to certain markets
    - 1. Ex: Seinfeld Aptitude Test Game/Book: author was bringing something that had value to society (market demand), but because she was an infringer and this was a derivative work without permission, she has no rights
      - a. Very different approach than what is taken in patent law
    - iv. Infringement for derivative works is similar to the right to copy (protectable work + substantial similarity)
  - d. Distribution Right
    - i. §106(3): grants copyright owners the right to distribute, through sale or other means, either the original or subsequent copies of a copyrighted work
      - 1. Right to distribute the work in the form of copies or phonorecords
    - ii. Right exists mainly in order to provide copyright holders with convenient defendants to sue
      - 1. Most cases involving the infringement of the distribution right also involve infringement of the right to copy and distribute
        - a. So distribution rights give the copyright holder a convenient economic actor who is benefitting from the reproduction and distribution
    - iii. Right to distribute is subject to the first sale doctrine: once you make an authorized sale, your right to distribute is extinguished
      - 1. §109(a): the rightful owner of a copied work has the right to distribute, sell or otherwise dispose of that copy, despite the copyright owner's exclusive right to distribute
        - a. Once the copyright owner has authorized the sale of a physical copy, the owner of that physical copy is an actual owner and no longer needs permission from the copyright holder
          - i. Ex: used bookstores
      - 2. First sale doctrine is being tested in the software context
        - a. Some software developers are selling their software as "licenses" rather than "sales"
          - i. In the past courts said come on – this has all the attributes of a sale: no longer exercising control, a one-time transaction, e.g., but increasingly the software industry is persuading some courts that this is not always true and the first sale doctrine should not apply
      - 3. Art Book Hypo (first sale doctrine & derivative works): P sells an art book and someone cuts out a page from it and glues it onto a piece of wood and calls it a new work of art; D would argue that he bought the art book, so he has a right to resell the artwork under the first sale doctrine and therefore P does not have the right to sue for infringement of the distribution right
        - a. 9th Cir: the fixing of this art page onto the board constitutes a derivative work

- i. By transforming the underlying art work, D has created an infringing derivative work and the derivative work right was not affected by the first sale doctrine
  - b. 7th Cir: this is not a transformative use of the underlying copyrighted work
    - i. All D did was sever a page and put it in a frame, so because these changes are insufficiently substantial, D has not created a derivative work and D had a right to re-distribute
- iv. Importation Right
  - 1. §602: gives copyright owners a right to prohibit commercial importation into the U.S. of copyrighted works acquired abroad
    - a. Historically, there has been uncertainty about the extent of the first sale doctrine's applicability to this importation right
      - i. SCOTUS decided 10 years ago that as long as the copy was lawfully made in this country, then the first sale doctrine applies
      - ii. SCOTUS left open the question whether the first sale doctrine should apply to copies that were lawfully made (i.e. with authorization by the copyright holder), but were made outside the U.S. and then imported to the U.S. (without authorization of the copyright holder)
        - 1. 9th Cir. has held that the first sale doctrine would not apply and that would violate the importation right
- e. Public Performance and Display Rights
  - i. Roughly, *if it moves*, it is a performance, and *if it stays still*, it's a display
  - ii. To perform or display a work "publicly" means –
    - 1. to perform or display it at a place open to the public or at any time where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or
    - 2. to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times
  - iii. Sound recordings do not have a general exclusive right to public performances
    - 1. Rather, the owner of a copyright in a musical composition has the exclusive right to all public performances
    - 2. Owners of sound recordings do, however, have a limited right to digital recordings
- iv. Statutory Limits on Performance and Display Rights
  - 1. Public Interest Exemptions
    - a. §110 exempts many public interest performances and displays from the reach of §106(4) & (5)
      - i. Ex: educational, religious, and charitable/nonprofit performances and displays
      - ii. Record stores have a right to play music in the store in order to promote the music
        - 1. Video stores, however, do not have such a statutory exemption
      - iii. Exemption for small businesses that have radios on during the business day (i.e. in order to entertain people), so they are not liable for the public performance

2. Compulsory Licenses
    - a. Compulsory licensing fees must be paid
      - i. Ex: cable retransmission, satellite retransmission, jukeboxes, public broadcasting, webcasting
- VIII. Indirect Liability: Contributory Infringement & Vicarious Liability
- a. Contributory Infringement = knowledge + substantial participation/facilitation/assistance
    - i. Ex: *Sony v. Universal Studios* (U.S. 1984): the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes – it need merely be capable of substantial noninfringing uses (ex: time-shifting)
      1. **Staple Article of Commerce Doctrine**: seller/infringer of product cannot face liability under copyright law for sale of a device that has substantial non-infringing use (despite the fact that it may also have some infringing uses)
        - a. When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent, the public interest in access to that article of commerce is necessarily implicated
          - i. Doctrine strikes a balance between a copyright holder's legitimate demand for effective (not merely symbolic) protection of the statutory monopoly, and the rights of others to freely engage in substantially unrelated areas of commerce
        - ii. Might argue either (i) that you can satisfy a substantial, non-infringing use standard; (ii) that you did not have knowledge; (iii) that the use was not "substantial"
  - b. Vicarious Liability = right and ability to control the direct infringer + direct economic/financial benefit
  - c. Inducement (*Grokster, infra*)
  - d. Hypo: an internet service provider allows its users to create list serves, some of the postings on these list serves contain infringing content. Assume, as a matter of technology, that when these emails go through the list serves, they pass through the ISP's email, so there is a copy made in the course of being transmitted from one end to the other
    - i. Direct Liability: courts have gone both ways
      1. Yes: there was an actual physical copy made on the server
      2. No: it is not sufficient that something in the ISP's control made a copy – must be a volitional act that effectuates the making of the copy (i.e. ISP is not doing anything active to facilitate this copying)
    - ii. Contributory Infringement:
      1. Q is whether the ISP had "knowledge"
        - a. After acquiring knowledge, it can be charged with liability if it does not take action to fix (i.e. take down the infringing content)
    - iii. Vicarious Liability:
      1. Q is whether ISP has a right and ability to control
      2. No evidence of direct financial benefit that is directly from the infringement
- IX. Defenses
- a. Fair Use
    - i. §107: Limitations on Exclusive Rights: Fair Use
      1. The fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include (illustrative list) –

- a. (1)The **purpose and character of the use**, including whether such use is of a commercial nature or is for nonprofit educational purposes
  - b. (2)The **nature of the copyrighted work**
    - i. The fact that a work is *unpublished* shall not itself bar a finding of fair use if such finding is made upon consideration of all the factors
      - 1. It is a factor to consider, but not dispositive that fair use is unavailable
  - c. (3)The **amount and substantiality of the portion used** in relation to the copyrighted work as a whole
  - d. (4)The **effect of the use upon the potential market** for or value of the copyrighted work
- ii. Ex: *Harper & Row v. Nation Enterprises* (U.S. 1985): this was scooping of an unpublished work set to go to market (an autobiography of President Ford); the whole analysis is influenced by the fact that the work was unpublished because of the author's interest in protecting the circumstances around first publication and the economic rights concerning publication; [note: Harper & Row could sue the employee that leaked the work for trade secret misappropriation, and maybe even The Nation too for inducing this appropriation if The Nation was on notice of the secrecy]
- 1. Factors:
    - a. Purpose & character of use
      - i. News reporting is generally favored (specifically mentioned in the fair use statute)
      - ii. Clean hands/good faith/fair dealing
      - iii. Commerciality of the use/work
        - 1. Use here was commercially exploitative
          - a. "Every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright ... The crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price"
    - b. Nature of the copyrighted work
      - i. Unpublished works tend to weigh against unfair use
      - ii. Factual works are entitled to a narrower scope of protection
        - 1. More purely expressive works are entitled to a broader scope of protection
        - 2. "Use here did not stop at isolated phrases and instead excerpted subjective descriptions and portraits of public figures whose power lies in the author's individualized expression ...
          - a. Such use, focusing on the most expressive elements of the work, exceeds that necessary to disseminate facts"
    - c. Amount taken
      - i. Quality matters – not just the quantity of what D took
        - 1. Use here was a small percentage, but even though quantitatively it might have been a fairly small

amount, it was the heart of the work ... so less likely to be fair

- d. Effect on the market (\*really important factor\*)
  - i. Copyright law is intended to provide economic incentives to authors
    - 1. Do not want to impair incentives of authors
  - ii. Need to look at the underlying market for the work itself, as well as derivative markets
- iii. Ex: *Sony v. Universal Studios* (U.S. 1984) (videotaping): **a non-transformative use can be a fair use**; in cases involving non-commercial uses, the burden is on the copyright holder to demonstrate the likelihood that the use will have an adverse market impact; note that this use was time-shifting, not archiving
  - 1. Purpose and character of use: non-commercial, non-exploitative use
  - 2. Nature of the copyrighted work: people were consuming programs they had the right to consume – they were simply shifting their consumption to a different time (i.e. broadcast nature of the work)
  - 3. Amount taken: courts tend to ignore this factor unless it suits their interests
  - 4. Effect on the market: plaintiff must demonstrate harm to the market
    - a. P cannot just give a plausible/possible theory of harm
- iv. Ex: *American Geophysical Union v. Texaco* (2d Cir. 1994) (photocopying): D was making photocopies of individual articles from journals; court decides that there is not an adverse impact on the traditional market for the full journal, but there is a new market for permission to take a little piece of the journal (i.e. CCC method for obtaining permission to copy a single article), and this is the market that should be taken into account when evaluating adverse market impact under the fourth factor
  - 1. Court finds no fair use because Texaco is a commercial industry and the CCC exists – a mechanism to pay royalties for single articles, so copyright holders have established market impact by a loss of these royalties
- v. Ex: *Campbell v. Acuff-Rose Music* (U.S. 1994) (parodies):
  - 1. Purpose and character of use: transformative uses, that take expression and do something with it – that adds to the overall stock of expression in society – are viewed positively for purposes of fair use
    - a. Parody is a special type of transformative use → in order for the audience to recognize the connection, you have to pick the most distinctive parts of the original work, so this fact justifies different treatment than other transformative uses
      - i. Parody vs. Satire: a satire uses appealing expression to capture attention to make a social commentary and is not about the underlying work itself, but rather about a third party or society at large
        - 1. “For the purposes of copyright law, the nubs of the definitions, and the heart of any parodist’s claim to quote from existing material, is the use of some elements of a prior author’s composition to create a new one that, at least in part, comments on that author’s work
          - a. If, on the contrary, commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another’s work diminishes accordingly

- (if it does not vanish), and other factors, like the extent of its commerciality, loom larger
      - i. Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim's imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing"
    - 2. Satire does not have any particular need to use any particular copyrighted expression to make the point – use of the expression may well make the value of your commentary more valuable, but you have to justify it by going through the traditional four factors ... no favorable presumption like you get in the case of parody
      - ii. Can argue a use is either, depending on your client's position (i.e. whether they want to continue the use or enjoin it)
  - 2. Nature of the copyrighted work: more expressive works are generally entitled to a broader scope of protection (i.e. fair use is less likely), but in the case of parody, the very nature of the parody means that parodies typically use expressive works – they want to capture the expression to make fun of the expressive work
  - 3. Amount taken: need to use the heart of the work – the most recognizable aspects – for parody
    - a. Need to be continually using the expression in relation to your own commentary
    - b. A parodist takes too much when the taking is not just relating to the parodic critical purpose, but it starts to substitute for the demand/market for the original work
  - 4. Effect on the market: plaintiff can establish market impact by showing adverse market effects for the underlying, derivative, and licensing markets
    - a. Social commentary is a socially valuable thing for society, but there is no way a copyright holder is going to accept payment for the value it brings to society (i.e. no value for being made fun of – cannot monetize the social value), so we have to create a legal exception to permit the use
- vi. **Reverse Engineering as a Fair Use:** courts have widely endorsed the notion of reverse engineering in order to discover the functional aspects (i.e. unprotectable stuff) in order to compete and develop original, non-infringing products that can interoperate with a system
  - 1. *Sega* rejects a rule for an absolute right to reverse engineering in all circumstances, but, as a practical matter, much reverse engineering is done in order to achieve interoperability, and this is generally allowed by the courts
  - 2. Ex: *Sega v. Accolade* (9th Cir. 1992) (reverse engineering): D reversed engineered the code (i.e. made an intermediate copy) to discover what code it needed to incorporate into its cartridges in order for them to work with the Genesis console; the version D sold in the marketplace does not contain infringing code; only the intermediate copy is at issue for the infringement claim, which Accolade claims fair use
    - a. Purpose and character of the use: this intermediate copy was motivated by commercial motivation, but did not involve a sale (a direct copy was not being sold); the direct purpose was to discover

unprotected stuff about the copyrighted work (functional elements or ideas)

- i. The use at issue was an intermediate one only and thus any commercial “exploitation” was indirect or derivative
  - 1. Accolade copied Sega’s code for a legitimate, essentially non-exploitative purpose (and this was the only method for studying the unprotectable elements), and that the commercial aspect of its use can best be described as of minimal significance
    - a. Additionally, there is a general public interest to access of a variety of expressive products that contain original expression that are not exploitative
- b. Nature of the use: unique nature of computer programs
  - i. Software is distributed in object code that mere humans cannot really understand and access, so an intermediate copy is necessary to understand the software and access the unprotected features
  - ii. Concern that we do not want copyright holders to be able to use their copyrights to end run the patent system
    - 1. If we do not deem this fair use, that would effectively give Sega exclusive rights to the functionality, without going through the rigors of the patent system
- c. Amount taken: Accolade made a full copy of the code, but that did not matter to the court
- d. Effect on the market: adding choice does not necessarily equal substitution – notion of market competition
  - i. This is use not exploitation, which would be using someone else’s expression to directly compete and deprive the copyright holder of revenue
    - 1. Here, the ultimate product that is competing with the copyright holder’s product does not contain any infringing material
      - a. In considering market substitution, you can and should look at the nature of the competing product and if the ultimate product sold on the marketplace is non-infringing, then the market effect (adverse market impact) does not count – or at least not as much as it otherwise would
  - ii. Accolade is a legitimate competitor: it was making an indirect copy in order to compete legitimately, with a non-infringing product that enhances and increases consumer choice
- vii. Fair Use Take Aways
  - 1. Why we have fair use? What is the purpose of the fair use doctrine?
    - a. Could be an equitable doctrine to protect against copyright misuse (i.e. do not want people to try and use copyright to end run the patent system) (*Sega*)
    - b. Protecting works that promote some kind of public good (brings some benefit to society) without impairing/threatening the economic incentives of authors (*Sony*)

- i. If there is no loss to the copyright holder, but there is a benefit to society, then fair use should be allowed
      - c. Ensure that copyright law promotes progress rather than impede it and the sharing of ideas
    - 2. What are the burdens of proof and presumptions the court sets up?
      - a. Ex: D must have clean hands/good faith
      - b. Ex: P must prove adverse market impact
    - 3. An understanding of each of the four factors and in what ways facts are relevant to each of these factors
      - a. Factors are flexible, balancing
        - i. Because fair use is an equitable balancing test, these factors/considerations can be utilized by advocates either in favor or against fair use (a set of advocacy tools)
    - 4. RE: Fourth factor: what kinds of economic/market impact matter in evaluating whether defendant's use has a potential adverse effect on plaintiff's market
      - a. Ex: current markets, derivative markets, licensing markets, competition vs. supplanting
  - b. Other possible defenses:
    - i. Work is not substantially similar
    - ii. Independent creation (i.e. did not copy)
    - iii. Consent/license
    - iv. Inequitable conduct (i.e. copyright was obtained through fraud or other deceptive conduct)
    - v. Copyright misuse (i.e. blend of antitrust policies and copyright-specific policies against the improper extension of copyrights)
    - vi. Alleged copyrighted work is not eligible for protection
    - vii. A statutory exemption applies
    - viii. Privileged Use –Judge Borland, concurring, *Lotus v. Borland*
    - ix. First Amendment
      - 1. Courts usually respond that existing doctrines embodied in the Copyright Act are well equipped to handle First Amendment concerns, so this defense almost never works
- X. Digital Copyright Law
  - a. Ex: *MGM Studios v. Grokster* (U.S. 2005): intermediaries can be responsible for end users who violate copyright laws when they have the ability to control the infringement and are getting a financial benefit; Grokster was found to have induced direct infringement by end users
    - i. When a widely shared service or product is used to commit infringement, it may be impossible to enforce rights in the protected work effectively against all direct infringers, the only practical alternative being to go against the distributor of the copying device for secondary liability on a theory of contributory or vicarious infringement
      - 1. Note that *Sony* did not apply here, as D alleged because there was allegedly a substantial non-infringing use, because *Sony* involved mere generalized knowledge
        - a. Where evidence goes beyond a product's characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, *Sony's* staple-article rule will not preclude liability
    - ii. Court adopts an inducement rule, holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties



1. The **inducement rule**, instead, premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise
- b. Similar cases would allege:
  - i. Contributory Infringement
    1. Knowledge
    2. Material assistance/substantial participation
  - ii. Vicarious Liability
    1. Right and ability to control
    2. Direct financial benefit
  - iii. Inducement (contributory infringement *plus*)
    1. Specific intent that direct infringement occur
    2. Overt act/active encouragement
      - a. *Grokster* facts:
        - i. Marketing to particular population (Napster base)
        - ii. Customer base – dependent on infringement
        - iii. Filter available, but not used

## Trademark

### I. Introduction

- a. Trademarks are widely viewed as devices that help to reduce information and transaction costs by allowing customers to estimate the nature and quality of goods before purchase
- b. The fundamental principles of trademark law have essentially been ones of tort: unfair competition and the tort of deception of the consumer
  - i. Trademark's constitutional foundation has roots in the commerce clause
    1. Whereas patent and copyright have roots in the intellectual property clause
  - ii. Trademark co-exists with state unfair competition and trademark laws
    1. Whereas patent and copyright preempt state laws
- c. Giving the originator of a mark the right to police counterfeiting also serves to protect three types of investment
  - i. Investment in the creation of the mark
  - ii. Investment in advertising and promoting the product in association with the mark
  - iii. Product-related investments such as high-quality raw materials, production equipment, and quality assurance techniques
- d. Harms associated with trademark infringement
  - i. Consumer-confusion: making purchasing decisions based on misinformation
    1. Consumers should have as much truthful info as possible
    2. Market should be as transparent as possible
  - ii. Producers are harmed by diversion
    1. Want to encourage people to sell high-quality products
    2. Want to assure producers that if they develop customer loyalty, then they know people cannot encroach on that through deception
- e. Normative goals
  - i. Different than copyright and patent
    1. Has not historically been based on incentive-oriented foundations
      - a. To the extent that incentive is a feature of trademark law, it is about the incentive to develop goodwill – not about providing an incentive to create valuable new forms of expression
  - ii. Historically has been information-oriented: regulating competition in markets in order to promote more competitive marks

### II. Subject Matter

- a. Trademarks and Service Marks

- i. **Trademarks** are the words, phrases, logos and symbols that producers use to identify their goods
    - 1. The term trademark includes any word, name, symbol, or device, or any combination thereof –
      - a. (1) used by a person, or
      - b. (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act –
        - i. to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown
  - ii. **Service marks** serve the same purposes as trademarks, but they are used to identify services rather than goods
    - 1. The term service mark means any word, name, symbol, or device, or any combination thereof –
      - a. (1) used by a person, or
      - b. (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act –
        - i. to identify and distinguish services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio and TV programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor
- b. Certification and Collective Marks
- i. **Certification Mark**
    - 1. The term certification mark means any word, name, symbol, or device, or any combination thereof –
      - a. (1) used by a person, or
      - b. (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act –
        - i. to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization
    - 2. Certification marks are generally used by trade associations or other commercial groups to identify a particular type of goods
    - 3. Certification marks cannot be limited to a single producer – they must be open to anyone who meets the standards set forth for certification
    - 4. Certification marks are meant to bear the seal of approval of a central organization, so they can be cancelled on the ground that the organization no longer exercises sufficient control over its members to ensure consistent product standards
  - ii. **Collective Mark**
    - 1. The term collective mark means a trademark or service mark –
      - a. (1) used by the members of a cooperative, an association, or other collective group or organizations, or
      - b. (2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, and

includes marks indicating membership in a union, an association, or other organization

2. There are two basic types of collective marks

- a. A collective trademark or collective service mark is a mark adopted by a collective for use only by its members, who in turn use the mark to identify their goods or services and distinguish them from those of nonmembers
  - i. The collective itself neither sells goods nor performs services under a collective trademark or collective service mark, but the collective may advertise or otherwise promote the goods or services sold or rendered by its members under the mark
- b. A collective membership mark is a mark adopted for the purpose of indicating membership in an organized collective group, such as a union, an association, or other organization
  - i. Neither the collective nor its members use the collective membership mark to identify and distinguish goods or services – rather, the sole function of such a mark is to indicate that the person displaying the mark is a member of the organized collective group

c. Trade Dress and Product Configurations

- i. Trade dress is the design and packaging of materials, and even the design and shape of a product itself, if the packaging or the product configuration serve the same source-identifying function as trademarks
  - 1. Trade dress: design and trappings (packaging, décor, bottles, visual appeal, e.g.) through which the product is presented to the marketplace
- ii. Courts distinguish between:
  - 1. Packaging – capable of being inherently distinctive
  - 2. Product Design – requires secondary meaning
  - 3. Tertium Quid – capable of being inherently distinctive

d. Color, Fragrance, and Sounds

- i. Color can be protectable under trademark law when it has source-distinguishing ability/acquired secondary meaning (i.e. has met the basic legal requirements for use as a trademark)
  - 1. Secondary meaning: when a feature of a product is used consistently and for long enough that when relevant consumers see it they associate it with a single source
    - a. Secondary meaning does not require that they know what the actual source it (i.e. exact producer), but rather that they view it as indicating consistency (i.e. one specific source)
  - 2. Ex: *Qualitex v. Jacobson Products* (U.S. 1995): the color in this case has acquired secondary meaning, so it is protectable as a trademark
    - a. Functionality Doctrine: prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature
      - i. A product feature is functional (in the trademark sense), and cannot serve as a trademark, if *it is essential to the use or purpose of the article or if it affects the cost or quality of the article* (i.e. if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage)
      - ii. Ex: John Deere green farm equipment: color has acquired secondary meaning, but what if people want their farm

equipment to match and therefore a competitor will be at a disadvantage if they cannot replicate the green color; court held that functionality trumps secondary meaning: if a feature serves an inherent intrinsic function, then competitors have to have access to them, even if it is perceived by consumers as an indicator of source – this would be a non-reputation-related disadvantage to the competitor who is not able to offer this color

### III. Distinctiveness

- a. Lanham Act only protects trademarks that are “distinctive”
- b. Types of marks:
  - i. Inherent distinctiveness: when a mark is immediately capable of identifying a unique product source – when encountered in the marketplace for the first time, your assumption is that it is functioning as a brand name (i.e. functions as a trademark as soon as they are used in commerce)
    1. **Arbitrary**: bears no relationship to the product to which it is affixed (Apple, e.g.)
    2. **Fanciful**: a word made-up by the trademark holder
    3. **Suggestive**: some imagination necessary to figure out the connection to the product at issue
  - ii. Requires secondary meaning for trademark protection
    1. **Descriptive**: a word, picture, or other symbol that directly describes something about the goods or services in connection with which it is used as a mark
  - iii. Can never be protected under trademark
    1. **Generic**: describes a class of products, rather than a single source/brand
  - iv. Other Types
    1. Surnames: a word mark that is not inherently distinctive, but can acquire distinctiveness over time after acquiring secondary meaning
      - a. Ex: McDonalds
    2. Geographic terms
      - a. Requires secondary meaning, unless it is geographically misdescriptive (i.e. completely arbitrary) – consumers are not likely to associate the product as coming from the geographical mark
        - i. Ex: Arctic apples
- c. Ex: *Zatarain’s v. Oak Grove* (5th Cir. 1983) (word mark): Zatarain’s marks were registered and were used in commerce in connection with the sale of goods; issue is determining whether the mark is descriptive or suggestive; court determines that the terms are descriptive, and “fish-fri” has acquired secondary meaning, but “chick-fri” has not (unpersuasive surveys, minor advertising expenditures); D is not liable for infringement because D’s use was a fair use
  - i. Tools for distinguishing descriptive & suggestive marks:
    1. Dictionary
    2. Imagination Test/Incongruity Test: suggestive marks require a little bit of imagination – there is a little bit of a disconnect between the term and the product to which it is affixed
    3. Whether competitors need to use the trademark to describe their own product
    4. Extent to which others have used the term to market a similar service or product
  - ii. Tools to prove secondary meaning:
    1. Circumstantial evidence: advertising expenditures – if you have spent a lot of money trying to blast this term into the consumers’ consciousness, then it becomes more likely that the consumer will view it as a trademark
      - a. Amount of sales
      - b. Length of use

2. Direct evidence of consumers' perceptions: consumer surveys – information to determine whether people indicate a particular product with a particular source
  - a. Have to ask non-leading questions that elicit the relevant information
- iii. Fair Use
  1. Descriptive fair use
    - a. D has to use it in a non-branding/trademark sense (i.e. using it to describe features of the product)
      - i. Good faith
      - ii. Packaging, e.g., was designed to minimize confusion (i.e. made it clear to consumers that this term was not intended to indicate source, but rather to tell consumers what the product is)
    - b. People can use these descriptive terms, which have real world meaning, in the non-trademark sense
  2. Nominative fair use
    - a. D uses a trademark in its trademark sense to refer to the trademark holder – not D's own product
      - i. Ex: comparative advertising
- d. Ex: *Two Pesos v. Taco Cabana* (U.S. 1992) (trade dress): proof of secondary meaning is not required to prevail on a claim under §43(a) where the trade dress at issue is inherently distinctive
  - i. There is nothing in the statute to suggest that trade dress should be treated differently than word marks, so trade dress is protectable if it is inherently distinctive
    1. Policy: we want to give people a little bit of time to develop secondary meaning, so if we had a secondary meaning requirement for really distinctive trade dress, we might encourage people to copy the cool trade dress before it acquires secondary meaning
      - a. Purpose of §43(a) is to prevent consumers from being deceived as to the source of products or services, so if in fact the packaging of a product is being used as a source indicator, then it can serve as a mark – just like word marks
    - ii. Possible exception: Functionality Doctrine
- e. Ex: *Wal-Mart v. Samara Brothers* (U.S. 2000) (product design): in an action for infringement of unregistered trade dress under §43(a), a product's design is distinctive, and therefore protectable, only upon a showing of secondary meaning
  - i. Court distinguishes between types of trade dress:
    1. **Packaging**: capable of being inherently distinctive
      - a. Can, in some cases, serve as a branding device and nothing in the language of the statute or trademark policy suggests to treat packaging any differently than word marks
      - b. Packaging tends to focus more on the brand
    2. **Product design**: must prove secondary meaning
      - a. More likely to be functional (to make the product more appealing or more useful)
      - b. Design tends to focus more on the product
        - i. Consumers are less likely to be automatically predisposed to think a cool product design is a brand indicator
      - c. Risk of chill to competitors – court is concerned that chill will occur because competitors will fear litigation (even though the functionality doctrine may protect them)
        - i. With product design, consumers may demand this cool new feature/product – not because it is a brand indicator, but

- because it is inherently cool – and competitors may hesitate because they are afraid they'll be sued under trademark law
- ii. Weaker argument for extending trademark protection to inherently distinctive product design because we do not want to chill legitimate competition in product markets

3. **Tertium quid:** capable of being inherently distinctive

- a. Sort of like packaging, sort of like product design
  - i. Ex: restaurant design
- ii. To the extent there are close cases (i.e. ambiguity), courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning
  - 1. The very closeness will suggest the existence of relatively small utility in adopting an inherent-distinctiveness principle, and relatively great consumer benefit in requiring a demonstration of secondary meaning

IV. Priority

- a. §45(a) requires that the mark either be (1) **used** in commerce, or (2) registered with a bona fide intention to use it in commerce
    - i. Both at common law and under the traditional Lanham Act registration procedures, determining who owned a trademark meant determining who was first to use it to identify her goods
      - 1. Three ways to obtain trademark rights:
        - a. Intent to use application filed before you begin using the mark in commerce, followed by use
          - i. If the PTO determines you are eligible for trademark protection, they will grant a notice of allowance; potential registration is registered in the Official Gazette so opposers can determine if the potential mark will cause confusion, e.g.; if no objection is sustained or filed, the applicant is presumptively entitled to the registration, but has to file an affidavit of use (within 6 months, but can get extensions) that says they have adopted the mark and have begun use of the mark – at this point, registration will vest and rights are retroactive to the date the application was filed
        - b. Use-based registration, if you have already begun use of the mark
          - i. Need to show sufficient use in commerce – not just token use
        - c. Common-law based rights
          - i. Use-based rights: will extend to the geographic scope in which you've used the mark
            - 1. Need a substantial commercial use – not just token use
    - ii. §43(a): common law, use-based rights for marks that are not registered
    - iii. §32: registration-based rights (either intent-to-use or use-based registration)
      - 1. Registration confers evidentiary privileges
        - a. Ex: mark is presumed to be valid
- b. For use-based priority, you have to engage in a substantial use in the market
  - i. Ex: *Zazu Designs v. L'Oreal* (7th Cir. 1992): ZHD's nominal sales were insufficient to constitute "use in commerce" (despite the fact that ZHD's nominal sales pre-dated L'Oreal's commercial activity under the mark); L'Oreal did its research discovered that ZHD was using the mark for hair services and had plans to use the mark on products – however, knowledge of some third party's plan to adopt a mark is not knowledge of trademark rights for that party ... if you adopt the mark first, then that is fair
    - 1. Use-based rights depend on USE, not on plans or speculation about who might adopt the mark at some time in the future

- a. Mere advertising, and no sales, does not satisfy use in commerce either
    - 2. Policy
      - a. Notice: if a use is de minimis, then other parties trying to adopt the mark are not on notice of its existence as a brand in the marketplace
      - b. Public association: the reason we give common law users priority is to protect the public awareness of the brand – protect consumers’ assumptions – so if that awareness has not happened yet, then the purpose of granting common law rights is not promoted
        - i. These rights are to promote someone’s reputation, so if you do not have a reputation, then the law should not protect you – especially against someone who has federally registered their mark (i.e. L’Oreal)
      - ii. Hypo: I make wallets out of recycled newspaper bags and I sell 20 of them 12/1/10; I launch nationally on 3/1/11; someone else files an intent to use for the same trademark name on 1/1/11 for use on a clothing line and they begin using the mark on 9/1/11
        - 1. When they begin using on 9/1/11 their rights vest, retroactive to their application date, so they will have priority over me since 1/1/11
        - 2. My 12/1/10 sales were token use – insufficient to establish common law rights
        - 3. Q: Is there any likelihood of confusion between the mark on wallets and the clothing line?
    - c. Geographic Limitations
      - i. Federal registration gives you national priority over parties who adopt the mark later than you
        - 1. There may be a geographically remote user whose use predates your application, and they can continue to use the mark in their geographic location (+ natural zones of expansion)
          - a. They cannot expand beyond their geographic zone though
      - ii. Federal registration and nationwide priority, however, do not give me the right to sue immediately if someone else adopts the mark in a geographically remote location because there will not immediately be likelihood of confusion
        - 1. If I decide to expand to this geographically remote location though, my registration will give me rights over them and I can enjoin their use if there becomes a likelihood of confusion
    - d. “Secondary Meaning in the Making”
      - i. Priority can be especially difficult to establish when marks require secondary meaning
        - 1. Lower courts have utterly rejected the notion of secondary meaning in the making
          - a. Secondary meaning must be established before you will be given priority
- V. PTO Procedures and Registration Standards
  - a. Principal vs. Supplemental Register
    - i. Although registration is not a prerequisite to trademark protection, trademarks registered on the Principal Register enjoy a number of significant advantages:
      - 1. Nationwide constructive use and constructive notice which cut off rights to other users of the same or similar marks
      - 2. The possibility of achieving incontestable status after five years
    - ii. Supplemental Register does not confer any substantive domestic rights
      - 1. It allows domestic registrants to file for registration abroad
      - 2. Puts people on notice of your use
        - a. So it can establish a use date – not priority, just date of first use
  - b. Grounds for Refusing Registration, §2:

- i. (a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, beliefs, or national symbols, or bring them into contempt, or disrepute
  - 1. While this section has been used to deny protection on a number of occasions, the definition of what is scandalous has changed over time to reflect contemporary mores
- ii. (b) Consists of or comprises the flag or coat of arms of other insignia of the U.S. or of any State or municipality, or of any foreign nation
  - 1. Can incorporate the American flag into a mark, but your mark cannot be exclusively a flag
  - 2. Highly irrelevant – no cases on this section
- iii. (c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait, of a deceased President during the life of his widow, if any, except by the written consent of the widow
  - 1. Also highly irrelevant
- iv. (d) Consists of or comprises a mark which so resembles a mark registered in the PTO, or a mark or trade name previously used in the U.S. by another and not abandoned, as likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive
  - 1. Note: concurrent registration may be possible
  - 2. **Most commonly applicable provision\*\*\*\***
- v. (e) Consists of a mark which –
  - 1. when used on or in connection with the goods of the applicant is merely descriptive (i.e. descriptive without secondary meaning) or deceptively misdescriptive of them (i.e. a term inaccurately describes the product or a feature of the product and the inaccuracy is material to the consumer when purchasing the product)
  - 2. when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin (i.e. if no secondary meaning)
  - 3. when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them
  - 4. is primarily merely a surname (whether or not the mark actually represents the owner's surname) (i.e. if no secondary meaning)
  - 5. comprises any matter that, as a whole, is functional
- vi. Note that §2(e)(1), (2), and (4) may be registered if the applicant can demonstrate secondary meaning
  - 1. Ex: *In re Nantucket* (C.C.P.A. 1982): PTO refused to register based on §2(e)(2) because applicant's Nantucket shirts were not made in Nantucket; court agreed with applicant that when the consumer sees this mark as applied to the shirts, they do not think that these men's shirts are actually made in Nantucket (i.e. do not view the mark as geographically descriptive or misdescriptive); before statutory characterization may be properly applied, there must be a reasonable basis for believing that purchasers are likely to be deceived
    - a. **In order for a mark to be rejected because it is geographically deceptively misdescriptive, there must be a place-product association** (ex: Cuban cigars)
      - i. Other cases have added that in addition to a place-product association, **you may need to establish materiality** (i.e. that the place-product association was material in the consumer's decision to buy the product)



1. Has to be an assumption by the public that this good is somehow connected in some way to the geographic location and it must have been material to the purchasing decision in order for rejection to be sustained
  2. Asymmetry:
    - a. If you accurately describe where the product was manufactured or comes from, you need to establish secondary meaning
    - b. For misdescriptive geographic terms, you are able to register without secondary meaning, unless people think the product comes from that location and that expectation was material to their purchasing decision
  3. Surnames can be registered via use-based registration if they acquire secondary meaning
- c. Opposition
- i. Because potential opposers must become aware of the contested mark's future registration, opposition is meaningful protection only for firms possessing the resources to conduct frequent searches of the Official Gazette, where prospective trademarks are published
  - ii. An opposer must plead and prove that: (1) it is likely to be damaged by registration of the applicant's mark (standing), and (2) that there are valid legal grounds why the applicant is not entitled to register its claimed mark
    1. The opposer has the burden of proving that the applicant has no right to register the contested mark
    2. In general, there has been a trend towards liberalization of the standing requirement
      - a. To establish standing to oppose, the opposer need only be something more than a gratuitous interloper or a vicarious avenger of someone else's rights
    3. Once the standing threshold has been crossed, the opposer may rely on any legal ground that negates the applicant's right to registration
      - a. For example, an opposer might argue that the applicant did not make sufficient use of the mark in interstate commerce to receive a use-based registration
      - b. Generally, opposers rely on one of the bars to registration from §2, with §2(d) being the most common
        - i. §2(d) prohibits registration where the applicant's mark so resembles either (1) opposer's registered mark or (2) opposer's prior common law mark or trade name, as to be likely to cause confusion
- d. Cancellation
- i. Even after a trademark examiner is satisfied that a mark meets the requirements for registration and the mark is in fact registered, it may still be challenged in an inter partes proceeding
    1. The Lanham Act allows one who believes that he is or will be damaged by registration to petition for cancellation of marks on either the Principal or Supplemental Register
      - a. The standing requirement for cancellation is similar to that for opposition: plaintiff's belief that she will be damaged
        - i. Within 5 years of registration, a challenger may use any grounds for nonregistrability to support their cancellation motion
          1. Ex: merely descriptive with no secondary meaning

- ii. Even after cancellation of the registration, a mark may still enjoy common law rights
  - e. Concurrent Registration
    - i. The most important condition for approval of concurrent use registration is that such registration cannot be likely to cause confusion of buyers or others
- VI. Incontestability
  - a. Once a mark is registered, it is presumed to be valid
  - b. Lanham Act Provisions:
    - i. §15: incontestability
      - 1. Incontestable status can be achieved 5 years from the date of registration
        - a. Have to file an affidavit with the PTO re: mark has been continuously used in commerce and will continue to be used in the future
          - i. Incontestability will not vest if:
            - 1. The mark becomes generic
            - 2. The registered mark infringes on someone else's mark
    - ii. §14: cancellation of marks (generally)
      - 1. Anyone who thinks they might be harmed may file a cancellation petition within 5 years
        - a. Challenging party bears the burden of proving that the mark should not have been granted in the first place, because registered marks have a presumption of validity
        - b. Within 5 years of registration, a challenging party may use any grounds for nonregistrability to support their cancellation motion
      - 2. §14(3): bases for challenging the mark/cancellation at any time (i.e. including incontestable marks):
        - a. If the mark becomes a generic name for the goods or services (even if it was not at the time of registration) – rather than a brand source indicator
        - b. If the mark is functional
        - c. If the mark has been abandoned
        - d. If the registration was obtained fraudulently
        - e. If the mark is being used to misrepresent the source of the goods or services
    - iii. §33(b): incontestability and defenses if you've been sued by someone who holds an incontestable mark
    - iv. Note that §14 and §33(b) do have some overlap, but they both serve distinct purposes
      - 1. Sometimes defendants will raise a §33(b) defense and counterclaim for cancellation via §14
  - c. **In practical terms, the most common advantage of incontestability is that the owner no longer needs to show secondary meaning**
  - d. Policy re: Incontestability
    - i. Want to allow people to settle their expectations
      - 1. Challengers have had 5 years to challenge
      - 2. Public has had notice for 5 years
  - e. Difference between filing an affidavit under §15 and not:
    - i. An incontestable mark is *conclusive evidence of the validity*, registration, this person's ownership of the mark, and this person's exclusive right to use the mark in commerce
      - 1. There are limited basis for defending infringement suits against a mark that has achieved incontestable status
      - 2. In practical terms, the most common advantage of incontestability is that the owner no longer needs to show secondary meaning

- a. Ex: *Park 'N Fly* (U.S. 1985): the holder of a registered mark may rely on incontestability to enjoin infringement and that such an action may not be defended on the grounds that the mark is merely descriptive
  - ii. A mark that is not incontestable is merely *prima facie validity* of the mark, the person's entitlement to rights in the mark, etc.
    - 1. To challenge this prima facie validity, the challenger has to overcome the presumption that the mark is valid and owned by this party
    - 2. Defendant in an infringement suit can defend on any basis
      - a. Ex: mark is merely descriptive, without secondary meaning
        - i. Note that secondary meaning will be presumed based on the prima facie validity, but the hurdle can be satisfied
- f. Hypo: I make sugar cane in Alabama and I try to register the "Bama" mark
  - i. The mark will be perceived as geographically descriptive, so I will need to prove secondary meaning to get registration
  - ii. If the PTO examiner lets my registration slip through without proof of secondary meaning (i.e. registration is erroneously granted), a competitor can apply for cancellation of my mark two years, e.g., after it was granted because it should not have been granted in the first place and has been registered less than 5 years
    - 1. There is a presumption of validity that goes along with the registration, so the challenger will have the burden to disprove the presumption
  - iii. If after 5 years I file for and am given incontestable status, then a competitor cannot cancel my registration because he cannot raise the question of descriptiveness as a basis for challenging my incontestable mark
  - iv. If my competitor starts using "Alabama Products" as a mark for their sugar cane, I can sue because I have incontestable rights for the Bama mark on sugar cane, but the court will likely find that the names are different so as not to infringe and give me think protection for Bama

## VII. Infringement

- a. Infringement can come up in two contexts: (i) registered marks [§32(a)], or (ii) common law infringement/unfair competition infringement for marks that are not registered [§43(a)]
  - i. As a practical matter, the legal standard for both is very similar: **likelihood of confusion**
    - 1. §32(a) has evidentiary advantages though
      - a. Ex: presumed to be valid
  - ii. Use by D needs to be:
    - 1. In interstate commerce,
    - 2. In connection with the sale or offering of goods or services, and
    - 3. One that causes confusion, mistake, or deception as to affiliation, association, or source
      - a. Confusion as to the product
      - b. Confusion as to source
      - c. Confusion as to sponsorship
      - d. Confusion as to association
- b. Use Requirement
  - i. Direct branding uses can subject defendants to liability under trademark law (that are likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, or as to the origin or sponsorship)
  - ii. Other behavior that causes consumer confusion in some way can also impose liability under trademark law
    - 1. Ex: *Rescuecom v. Google* (2d Cir. 2009): from the fact that proper, non-deceptive product placement does not result in liability under the Lanham Act, it does not follow that the label "product placement" is a magic shield against liability, so that even a deceptive plan of product placement designed to confuse consumers would similarly escape liability

- a. It is not be reason of absence of a use of a mark in commerce that benign product placement escapes liability; it escapes liability because it is a benign practice which does not cause a likelihood of consumer confusion
      - i. In contrast, if a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of “product placement”
  - c. Likelihood of Confusion
    - i. Ex: *AMC v. Sleekcraft* (9th Cir. 1979): Ninth Circuit first looks to whether the products being offered are directly competitive with one another (court treats this as a threshold issue, but some courts just consider within their multi-factor tests) – if so, the only real question is whether the marks are similar; here the court decides that the products are distinct product markets, despite the fact that they are slightly overlapping – so the court turns to the likelihood of confusion factors (re: point of sale confusion) ...
      - 1. Strength of the mark
        - a. The higher your mark is in the hierarchy (i.e. fanciful → descriptive w/ secondary meaning), the broader scope of protection you are entitled to
          - i. Defensive justification: the lower your mark is, the more of a need/desire/reasonable justification there is for other people to be allowed to use things that resemble this mark
          - ii. Affirmative justification: when the only meaning of the mark is in its trademark sense (as a brand), it seems more reasonable to assume that someone is trying to creep in your direction to confusion consumers and/or trade on your goodwill
        - b. Commercial strength is taken into account
          - i. A mark that requires secondary meaning is inherently weak, but it can acquire significant commercial strength (after millions of dollars are spent, etc.)
            - 1. Classic ex: McDonalds = a surname that requires secondary meaning; however, has acquired significant commercial strength so is given a broad scope of protection
      - 2. Proximity of the goods
        - a. Less similarity between the marks will suffice when the goods are complementary, the products are sold to the same class of purchasers, or the goods are similar in use and function
          - i. Ex: a trademark holder for a mark on a pencil may be able to prevent use of the mark on a pen, but maybe not for use on computers
      - 3. Similarity of the marks
        - a. Tools: **sight** (how it appears on the product/packaging); **sound** (speak the mark – any similarity in sound); **meaning**
          - i. Arguably does not apply with product configuration or trade dress
          - ii. Tools are especially well-suited to word marks
        - b. Context in which the mark is presented

- i. If a mark is consistently presented in connection with a very prominent house mark, then that could play a factor in the court's analysis
      - 1. Can help to minimize confusion if prominent and consistent
    - ii. However, if the most significant mark the consumer encounters is the word mark, and not the house mark, then differences in the house marks will not be given much weight
- 4. Evidence of actual confusion
  - a. Direct evidence of instances of consumer confusion can be shown through testimony, documents (customer service records/logs, misdirected phone calls, misdirected mail, e.g.)
  - b. Surveys
    - i. Those that show that between 10-15% of relevant consumers have been have been confused have been used as a basis for finding actual confusion (relatively plaintiff-friendly)
- 5. Marketing channels used
  - a. Convergent marketing channels increase the likelihood of confusion
    - i. Ex: similar sales methods, dealers, advertisements, price range
  - b. Even if the channels might be distinct, at least this court and some others, would say if they are targeting the same kinds of consumers, then those consumers may be confused
- 6. Type of goods and the degree of care likely to be exercised by the purchaser
  - a. Purchaser = the typical purchaser exercising ordinary care
  - b. When the buyer has expertise in the field, a higher standard is proper though it will not preclude a finding that confusion is likely
  - c. Similarly, when the goods are expensive, the buyer can be expected to exercise greater care in his purchases (versus purchasing solely on a mark)
  - d. Quality differential between the two products can sometimes play a significant role in infringement analysis
    - i. If D is making a crappy product, court may decide that P's reputation will be damaged by any association with D's product
    - ii. If D's product is equivalent with P's, that may contribute to the assumption of a common connection
- 7. Defendant's intent in selecting the mark
  - a. Does D need knowledge or intent to deceive?
    - i. This is unresolved
      - 1. Most jurisdictions say that mere knowledge will not prove an intent to deceive, if D had some good faith reason he thought he could use the mark
  - b. If D is trying to free ride by a purposeful intent to deceive, court will assume that D is successful and that consumers are being deceived
  - c. If there is no bad faith intent, this factor sort of just disappears
    - i. Does not necessarily help D prove no likelihood of confusion
- 8. Likelihood of expansion of the product lines ("bridging the gap")
  - a. If two product lines are related and not yet overlapping, but there is likely to be movement by one party in the other party's direction, then at some point in the future consumers are likely to be confused
    - i. Sometimes courts will enter a limited injunction: "you may continue to use this mark as affixed to this product, but

cannot use for x, y, z products that are more closely related to P's products"

ii. Other types of confusion:

1. Post-sale confusion: confusion that occurs when people observe the product being used by the purchaser after the sale (so the observers may be confused, not the purchaser)
  - a. Notion is that when people observe the product in the marketplace, their views as to its qualities and attributes may be effected by the confusion that they have in thinking it comes from the trademark holder
    - i. Ex: Levi's suing people who copy their stitching when the jeans are ugly or poor quality because Levi's reputation is at risk
  - b. Many courts have adopted some version of post-sale confusion analysis
2. Reverse confusion: when a large company adopts the mark of a smaller/niche trademark owner and blasts the marketplace with advertising of its (junior) use, the risk is that the public will come to associate the mark not with its true owner but with the infringer (i.e. large company)
  - a. The junior user basically co=opts the market for the senior user's mark/product
    - i. Ex: Gatorade adopting "thirst aid" as a mark – people will assume Thirst Aid is a product of Gatorade – use was attention grabbing and memorable (i.e. not merely a descriptive use)
  - b. Many courts have found reverse confusion actionable
3. Initial interest confusion: occurs when consumers are lured to a competitors' product/website/etc. – a deliberate effort to confuse consumers – but the confusion is dispelled as soon as consumers get the product/website
  - a. Initial confusion was successful in attracting the consumer away from what they were looking for and away from the competitor's product
  - b. Courts are all over the place as to when initial interest confusion can form the basis for an infringement suit, if at all

d. Dilution

- i. Dilution is a federal cause of action to protect famous (i.e. household names) marks from unauthorized users that attempt to trade upon the goodwill and established renown of such marks and, thereby, dilute their distinctive, singular quality
  1. Dilution = the lessening capacity of a famous mark to identify and distinguish goods or services *regardless of* the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistakes, or deception
    - a. Dilution applies when the unauthorized use of a famous mark on products that are not similar to the famous trademark holder's product reduces/pollutes the public's perception that the famous mark signifies something unique, singular, or particular
      - i. Standard = likely dilution (not actual)
- ii. Dilution harm:
  1. Tarnishment: adopting the mark on an unsavory product
    - a. Famous mark holder's reputation might be tarnished
    - b. Tarnishment occurs only when the famous mark is used on the defendant's unsavory goods, causing the public to draw a connection between P's goods and D's

2. Blurring : consumers are able to keep the uses straight (i.e. no concern about association between the products), but the use dilutes the uniqueness/singularity of the mark
  - a. Rather than thinking of the single famous mark, consumers might think of both marks
- iii. **§43(c) Statutory Requirements:**
  1. Plaintiff has to have a mark that is famous
    - a. Broad fame (i.e. not niche or narrow market fame)
    - b. Widely recognized by the general consuming public of the U.S.
  2. Defendant's use of the mark began after the mark became famous
  3. Defendant's use is *likely to cause* dilution by tarnishment (pollutes the associations the public has with the mark) or blurring (impairs the distinctiveness or singularity of the mark)
- iv. **Affirmative Exclusions:**
  1. Fair use (nominative descriptive uses, i.e., as other than as a mark) is protected
    - a. Comparative advertising
    - b. News reporting
    - c. Parody/commentary
  2. Noncommercial uses (i.e. uses that were not intended to draw in the consumer as a brand or as a tag)
    - a. Pure commercial use (*Mattel*)
    - b. Commercial use intermingled with commentary and/or humor (*Mattel*)
- v. Ex: *LVM v. HDD* (4th Cir. 2007): parody exception does not apply here because HDD is using this as a mark for their own product/brand (a branding use) – they are adopting the trade dress of LV and product names that are very similar; LV failed to prove that D's use is likely to cause dilution; HDD's parody was so effective because consumers know exactly what is being targeted here – the parody is referring to the famous mark, distinguishing itself from the famous mark, and making fun of the famous mark ... it is reinforcing the fame/distinctiveness of the mark
  1. **Factors re: blurring:**
    - a. The degree of similarity between the mark or trade name and the famous mark
    - b. The degree of inherent or acquired distinctiveness of the famous mark
    - c. The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark
    - d. The degree of recognition of the famous mark
    - e. Whether the user of the mark or trade name intended to create an association with the famous mark
    - f. Any actual association between the mark or trade name and the famous mark
      - i. Note that not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors
  2. In the view of this court, the harm Congress is intending to prevent with the dilution statute is that a famous mark will be impaired in its distinctiveness by association (not by commentary, i.e. parody)) with D's product
    - a. And effective parodies do not cause this kind of harm – does not reduce the identity of the famous mark holder's mark
      - i. Free-riding and D receiving an economic benefit is not the harm the statutory language speaks to (although there is some legislative history concerned about this)
- vi. Dilution statute has not had as much emphasis as people thought it might because:

1. Only truly famous marks can qualify for protection
  2. Infringement law is so protective of well-know marks (i.e. very strong marks are subject to very broad protection under infringement analysis)
- e. Indirect Infringement
- i. Ex: *Inwood Labs v. Ives Labs* (U.S. 1982): indirect trademark liability can be imposed not only if a distributor induces a retailer to infringe a trademark, but also if a company continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement
  - ii. Ex: *Tiffany v. eBay* (2d Cir. 2010): Tiffany alleges that eBay is continuing to supply products to third parties that eBay knows are using to infringe/sell counterfeit goods, and counterfeiting is so ubiquitous that it should be enough to satisfy knowledge under *Inwood*; eBay argues that generalized knowledge is not sufficient to satisfy the standard – whenever we have specific knowledge that a post is counterfeit we take action
    1. Standard: Specific, rather than generalized, knowledge is required
    2. Court uses *Sony* by analogy – *Sony* held that just by helping people to infringe (i.e. generalized knowledge) is not really enough to impose secondary liability in IP law
      - a. In *Sony*, SCOTUS also said that secondary liability in trademark law should be construed more strictly/narrowly than in copyright context
        - i. Notion that it is much more difficult to say categorically that a use of a trademark is unauthorized and therefore infringing, so we should be more skeptical about claims against intermediaries in trademark cases than copyright cases
    3. Court notes that there are market forces that incentivize eBay to take action and reduce the sale of counterfeits on its site
      - a. And, there is some wiggle room in the doctrine to go after people that put their heads in the sand and adopt policies that allow them to avoid actual knowledge (i.e. can have a **willful blindness** argument)
- f. False Advertising [§43(a)(1)(b)]
- i. Two theories:
    1. The challenged advertisement is literally false
      - a. Courts will presume this use to be harmful and may enjoin the use of the claim without reference to the advertisement's impact on the buying public
    2. The challenged advertisement, while not literally false, is nevertheless likely to mislead or confuse consumers
      - a. P must demonstrate, by extrinsic evidence, that:
        - i. The challenged commercials tend to mislead or confuse consumers
        - ii. A statistically significant part of the commercial audience holds the false belief allegedly communicated by the challenged advertisement
        - iii. D had an egregious intent to mislead the public
        - iv. P suffered harm/injury
          1. Typically evidenced by surveys
      - b. Ex: *Johnson & Johnson* (2d Cir. 1992): D's ad was an implicit call to the audience to compare their ingredients to others; nothing false about the ingredient lists, but definitely playing on the audience's fear/misconception that aluminum causes health problems – so the implied falsehood is that the other parties' products have ingredients that are harmful to consumers; the validity of the surveys used was questioned: leading questions (i.e. planting the seed) and did not have a control/screen group to take into account prior prejudices



consumers might have had prior to even seeing the commercial; P might have won if able to establish D's intent to conceive or prey on the consumers' misunderstanding – intent would then substitute for proof that consumers were actually deceived (at least in the 2d Cir.) – might look at emails, e.g.

**i. P must show harm**

1. Here P failed to show that it suffered any injury as a result of the challenged commercial, and therefore cannot obtain relief under any theory of Lanham Act liability that is premised upon an implied falsehood
2. The success of P's implied falsity claim usually turns on the persuasiveness of a consumer survey

**VIII. Defenses**

- a. Genericness: when a term refers to a general class of products, it is deemed "generic" and cannot serve as a trademark
  - i. Generic terms are either born generic (i.e. refused registration on the Principal Register because they are generic from the beginning) – or – they become generic over time through "genericide"
    1. Ex: *The Murphy Bed Door v. Interior Sleep Systems* (2d Cir. 1989): "Murphy bed" is an unregistered "coined" mark – denied trademark protection by the PTO because it was generic by the time P attempt to register, but when originally adopted the term was fanciful (made up by P); typically, the burden is on P to prove that its mark is a valid trademark and that its unregistered mark is not generic; however, **where the public is said to have expropriated a term established by a product developer, the burden is on D to prove genericness**; D satisfied its burden of proving genericness: PTO's decision, dictionaries, newspaper/magazine use of the term for any bed that folds into a wall (i.e. the class, not a particular manufacturer); ultimately the mark is held unprotectable, but P is entitled to limited relief because D was a prior licensee of P and D suggested affiliation with the original (i.e. P) in its advertising materials
      - a. Standard: whether in the view of a substantial majority of the public, the term refers to the type of product rather than the source of the product
      - b. Public access is different when we have a mark that was adopted solely for the purposes of trademark, but as this term becomes generic we might have a concern about competitors needing to use the term (this is an emerging concern, not one that existed at the time the mark was adopted)
  - ii. Generally, need to determine what the primary significance of the mark is to the public
    1. If the consumer is aware of the trademark sense, but the generic meaning is the primary significance of the mark for them, then the term will be deemed generic
    2. Proof:
      - a. Circumstantial evidence:
        - i. PTO determinations
        - ii. Dictionaries
        - iii. Newspaper/Magazine Use
      - b. Primary evidence: surveys
        - i. Thermos: put the consumer in a hypothetical situation where they will use the term and then determine whether they mean to use the term in the trademark sense or generic sense

- ii. Teflon: give the respondents a mini-survey course of trademark law and then run through a bunch of marks and ask whether they are brands or products – the mark at issue will just be one of a list of others so as to avoid traditional leading survey questions
    - iii. Most courts are satisfied with a simple majority re: survey results
  - iii. If a mark is generic at the time of adoption, no amount of secondary meaning will be able to
  - iv. Burdens (generally):
    - 1. **Registered marks:** presumption the mark is distinctive, so D bears the burden of disproving distinctiveness
    - 2. **Unregistered marks:** trademark holder must prove the mark is distinctive
- b. Functionality: protecting the ability of competitors to adopt marks that are essential to competition in a particular product market
  - i. A feature is functional if:
    - 1. It is essential to the use or purpose – OR –
      - a. “*Inwood*” type functionality → appropriate standard when the feature is one that makes the product work
    - 2. It affects the cost or quality of the article
      - a. “*Qualitex*” type functionality → an alternative basis on which the challenger can strike down a claim of trade dress protection when the feature at issue feels important to them for competitive reasons (i.e. competitive need/advantage)
        - i. Aesthetic features are largely judge by this standard
        - ii. Standard can be hard to apply because it is tricky to disentangle the reputation and non-reputation related elements (i.e. “a functional feature is one the exclusive use of which would put competitors at a significant non-reputation-related disadvantage”)
  - ii. Ex: *TrafFix Devices v. Marketing Displays* (U.S. 2001): court distinguishes the above two types of functionality; there is **no need to inquire into competitive advantages for features that are part of what makes a product function**; the feature at issue was essential to the effective use of this road sign = function = people should be able to replicate this dual-spring device
    - 1. Relevance of the expired utility patent: something has to be useful to qualify for patent protection, so an expired patent really creates a rebuttable presumption of functionality
      - a. To rebut: need to disprove functionality for the feature at issue by alleging it is arbitrary, ornamental or incidental
  - iii. Burdens depend on whether the trade dress is registered
    - 1. **Unregistered trade dress:** technically the burden lies with P to establish it is not functional
    - 2. **Registered trade dress:** there is a presumption that it is not functional (because the PTO examiner approved and registered), and this shifts the burden to D
    - 3. As a practical matter, it is the defendant who raises the issue of functionality in most cases
- c. Fair Use
  - i. Fair use:
    - 1. Term is descriptive – describes the goods and services
    - 2. Term is not a branding use
    - 3. Term is use in good faith

- a. Efforts made to minimize potential confusion (packaging, prominent house mark, e.g.)
  - ii. **Rule:** A party raising the statutory affirmative defense of fair use to a claim of trademark infringement does not have a burden to negate any likelihood that the practice complained of will confuse consumers as to the origin of the goods or services affected
    - 1. Ex: *KP Permanent Make-Up, Lasting Impression* (U.S. 2004): registration for the mark at issue has become incontestable; D's defense is §1115(b)(4): fair use; D argues that P, if anyone, should have the burden of proof to show likelihood of confusion because what is the point of having a separate statutory affirmative defense if as part of that defense D needs to disprove P's cause of action (i.e. in trademark infringement suits, it is P's burden to prove that D's use is likely to cause confusion)
      - a. **P claiming infringement of an incontestable mark must show likelihood of confusion as part of the prima facie case, while D has no independent burden to negate the likelihood of any confusion in raising the affirmative defense that a term is used descriptively, not as a mark, fairly, and in good faith**
      - b. *If D establishes the fair use defense, then there is no infringement, even if there is a likelihood of confusion*
  - iii. Some possibility of consumer confusion is compatible with fair use
    - 1. When you adopt a descriptive mark, you know you are taking the risk that other people may need to use the word to *describe* their product
      - a. Concern that you cannot remove words from the English language by getting trademark protection for them
    - 2. Fair use does require the use to be fair and in good faith, so courts will look to see whether any efforts were made to minimize potential confusion (by looking at the packaging or commercial context, e.g.)
  - iv. Nominative Fair Use: a use that is not using a term to describe the features of D's product, but a use to refer to the trademark holder
    - 1. Requirements:
      - a. Use has to be in good faith
      - b. Reference to the trademark holder must be clear
      - c. Must be some kind of need to refer to the trademark holder
    - 2. Classic nominative fair use: comparative advertising or noting that your product is compatible with a trademark holder's
      - a. Ex: "Windows compatible"
      - b. Ex: "Compare ingredients to Dayquil"
- d. Parody
- i. A parody must convey two simultaneous – and contradictory – messages: that it is the original, but also that it is not the original and is instead a parody ... to the extent that it does only the former but not the latter, it is not only a poor parody but also vulnerable under trademark law, since the consumer will be confused
  - ii. Ex: *Mattel v. MCA Records* (9th Cir. 2002) ("Barbie Girl" song): 9th Cir. adopted the 2d Cir.'s *Rogers* approach for titles of expressive works
    - 1. In general, the Lanham Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression
      - a. When consumers see a label/title affixed to a creative work, their assumptions are different than when they see a brand affixed to a product, which tells them something about the consistency of the quality or source

- i. Titles as affixed to creative products tell consumers about the subject matter of the expressive work – not about who actually physically manufactured the product
  - b. **Standard:** Literary titles do not violate the Lanham Act unless the title has no artistic relevance to the underlying work whatsoever – or – it explicitly misleads as to the source or the content of the work
- 2. Dilution (need: famous, commercial use in commerce, blurring/tarnishment)
  - a. Yes, dilution: blurring because when people see the Barbie mark they are no longer only going to think of the doll – they might think of both the doll and the song
    - i. Distinguish from Chewy Vuitton where no blurring was found – there was enough of a difference in the name to illustrate that the use was to make fun of the original mark
  - b. No, liability: this use satisfies the noncommercial use statutory exemption
    - i. Commercial speech: speech that does no more than propose a commercial transaction (to call attention to, pure advertising, e.g.)
    - ii. If speech is not “purely commercial” – that is, if it does more than propose a commercial transaction – then it is entitled to full First Amendment protection
      - 1. Speech that intermingles commentary and humor is not purely commercial (even if it has some commercial dimensions)
  - c. NOTE: If the term “commercial use” had the same meaning in both provisions, this would eliminate one of the three statutory exemptions defined by the subsection because any use found to be dilutive would, of necessity, not be noncommercial
    - i. Therefore, you can have a use that is a “commercial use in commerce,” for purposes of dilution, but that is also a “noncommercial use,” for purposes of the exemptions

### The Right of Publicity

- I. The right of publicity protects against the appropriation of a name, likeness, or identity for commercial purposes without permission of the person’s whose name, likeness, or identity has been taken
  - a. Courts have yet to really define the right of publicity as emanating from one of these justifications – still not sure why we have a right of publicity
    - i. Judge Kozinski: absent a coherent policy justification for the right of publicity, there are not really any self-defining limiting principles for the right
- II. **Justifications:**
  - a. Right of Privacy
    - i. Provides the roots for the right of publicity, but does not really apply to our modern day application of the doctrine
  - b. Utilitarian/Incentive
    - i. Reflects the notion that the right has gone from a right of privacy/tort to an intellectual property right that is alienable and commercial
      - 1. Notion that a third party should not be able to derive some commercial value though the unauthorized use of an individual’s identity (i.e. economic exploitation)
  - c. Locke “as much & as good”
    - i. If you mingle labor with nature, then you are entitled to rights in that product, as long as there is as much & as good left for others

1. Notion that there is a balance between rewarding people's labor and assuring that the public is not worse off if it is deprived of access to that person's labor
  - d. Confusion (unfair competition/TM/false advertising-type argument)
    - i. Applies strongly when someone falsely suggests celebrity endorsement/affiliation
      1. Celebrity is mad
      2. Consumer is confused/deceived
        - a. Notion that there is a social benefit to stepping in and enjoining these uses
  - e. Personhood
    - i. Notion that there is something about the nature of a person's identity that makes it morally wrong for a third party to appropriate
      1. It injures a person's control over who they are and who they hold themselves out to be to the world
- III. **Rules:**
- a. The appropriation of the attributes of someone's identity (even if not their actual name or voice, e.g.), in connection with the sale of a product, can violate the right of publicity
    - i. Ex: *Midler v. Ford Motor Co.* (9th Cir. 1988): Midler refused to participate in a commercial, so Ford hired her backup singer to imitate Midler's voice (Ford did have permission from the song's copyright owner to use the song); CA's statute is not applicable here because Ford did not actually use *her* voice, so this is a common law claim; court does find a violation – misappropriation of Midler's identity (voice) – but never really defines the right
  - b. The evocation of someone's identity for commercial purposes can constitute a violation of the right of publicity
    - i. Ex: *White v. Samsung* (9th Cir. 1993): Samsung had a commercial with a robot dressed in a gown on a Wheel of Fortune set turning letters; no confusion argument here since a robot and Vanna White are clearly distinguishable; 9th Cir. found in favor of Vanna White
  - c. All expressive works, in the right of publicity context, are not entitled to protection under the First Amendment
    - i. Ex: *Comedy III v. Saderup* (Cal. 2001): issue is the sale of merchandise (T-shirt) that bears the likeness of a celebrity (3 Stooges); artist claimed that the shirts were expressive, creative works
      1. Court applied a balancing test to see how transformative the expressive work was
        - a. Andy Warhol paintings = transformative enough to be entitled to protection
        - b. These T-shirts = not transformative – too close to exactly replicating/representing the likeness
      2. Problem here is that since the policy justifications for the right of publicity are not settled, defining and effectively balancing is difficult because we do not know the interest we are balancing against
  - d. Violation of the Right of Publicity = Use of Likeness + Commercial Benefit
    - i. If we buy the definition that the right of publicity has no defining mores

### **Patentability**

1. Patentable Subject Matter
2. Utility
3. Written Description
  - a. Enablement
  - b. Best Mode
4. Novelty
  - a. Statutory Bars
  - b. Priority
5. Non-Obviousness

### **Trademark**

“Veblen Goods” = prestigious goods associated with their unavailability to the general public – raises a whole new set of questions

Ex: Ferrari

### **Infringement**

For contributory infringement and vicarious liability, there must be a direct infringer!

### **Copyright Fair Use Factors**

#### **Purpose and Character of the Use**

News reporting (favored)  
Commercial exploitation/scooping (against fair use)  
Commercial motivation (against fair use)  
Non-commercial (favored)  
Transformative uses (favored)  
Making an intermediate copy to for reverse engineering/discover unprotectable stuff (favored, generally)

#### **Nature of the Use**

Unpublished works (against fair use)  
Factual works (favored)  
Expressive works (against fair use)  
Broadcast nature (i.e. people had a right to watch, were just delaying it) (favored)  
Computer Programs/Software = unique nature

#### **Amount Taken**

Quality matters, in addition to quantity  
Heart of the work – most expressive elements (against fair use)  
[Most easily ignored factor]

## **Market Effect**

Consider all markets

Current

Emerging

Derivative

Licensing

Scooping/destroying the market (against fair use)

Substituting/supplanting (against fair use)

Competition/variety (favored)

Ultimate product sold on the market is not infringing (favored)

[Most important factor, usually]

[P must demonstrate harm – not just a plausible theory of market harm]

Remember: parody is a special kind of fair use, so is a separate analysis

Remember: reverse engineering as a fair use (*Sega*)

## **Copyright Infringement Qs:**

1. Is the thing protected under copyright law?
2. Infringement analysis
  - a. Has one of the §106 exclusive rights been violated?
  - b. Copying in fact and improper appropriation (substantial similarity?)
3. Do any exceptions/defenses apply?

## **Overall**

- Trade Secret
  - Subject matter
  - Reasonable precautions
  - Misappropriation
- Patents
  - Patentable subject matter
  - Utility
  - Novelty
  - Nonobviousness
  - Enablement, written description, best mode
- Copyright
  - Original
    - Independent creation
    - Modicum of originality
  - Work of authorship
  - Fixed
- Trademark
  - Inherently distinctive
  - Distinctive with secondary meaning
  - Not functional
  - Not generic
  - Not confusing

## **Professor Gordon's Market Failure Argument re: Copyright Fair Use:**

Fair use should be awarded to D in a copyright infringement action when (1) market failure is present, (2) transfer of the use to D is socially desirable (some net positive benefit), and (3) an award of fair use would not cause substantial injury to the incentives of P (copyright owner)

Market failure → there are some uses that because of transaction costs are very difficult for people to pay for (i.e. low value uses that people might be willing to pay for, but the cost of getting the consumer and seller together exceeds the cost the user would be willing to pay for)

Ex: copying TV programs (at the time of *Sony*) ... so even if the use is non-transformative

### **Trade Secret**

Is information secret?

Have reasonable efforts been taken?

Any disclosure?

Any misappropriation?

Sneaky, underhandedly

Breach of an agreement

Express

Implied

D wins if:

Reverse engineered

Discovered independently

In public domain

Consider the law in the jurisdiction (if it matters):

RST Old: Torts

RST New: Unfair Competition

Uniform Trade Secrets Act