



Intellectual Property Sample Answer

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Introduction

I promised you a “fun but hard” exam. Was I right? I think most of you enjoyed Q1, especially judging by how many of you took gratuitous potshots at Britney. I wasn’t feeling a lot of love there, folks. I also think most of you struggled with Q2, especially if you didn’t get your head around the different ways that a turnaround CEO might add value to a company. There were 6 As, 20 Bs and 6 Cs.

Question 1

This is a typical issue-spotting question. Among other things, the question illustrates the difficulty that business lawyers face when trying to clear IP rights—there are a lot of rights to clear, and the answers are often ambiguous. With multiple parties and doctrines to assess, the word count cap definitely came into play, and most of you used up almost all of your allotted words. Average word count was 1,758, and the median was 1,792.

I hoped you would address the following topics:

- copyrights in the photos
- copyrights in the newspaper front pages
- copyrights in the doll (this was optional)
- trademarks in the name “Britney Spears”
- trademarks in the newspaper names
- trade dress in the doll (this was optional)
- Britney’s publicity rights

Copyrights in the Newspaper Photos/Newspaper Front Pages

Ownership of Valid Copyrights. Photos are generally copyrightable, even if they depict factual events, so I think the newspaper photos should qualify for copyright protection. However, we don’t know who owns the photos—it could be the photographer, the newspaper or maybe someone else.

The remainder of the front pages is less clearly protected by copyright law. The headlines and short squibs should be too short to merit copyright protection. On the other hand, the newspapers might have copyright in the overall arrangement of the page—either a direct copyright in the layout, or a compilation copyright for assembling the various elements per Roth.

Copying-in-Fact. Jill will probably admit to copying. If she doesn't, it seems relatively easy to infer copying-in-fact based on the widespread availability of the newspapers and the degree of apparent overlap.

Wrongful Copying. Unless Jill somehow rearranged or reassembled the front pages, it appears that Jill took 100% of the front pages—including 100% of the photos incorporated therein. As a result, so long as plaintiffs have some copyrightable material in the depictions, they should have little problem establishing their prima facie case of infringement.

Fair Uses. Jill's main defense would be fair use:

- Nature of use. She is using the photos and newspaper front pages in connection with the sale of a commercial/for-profit product. Nevertheless, Jill will take the position that she has made a transformative use of the works by incorporating them into a doll designed to poke fun at Britney, and that communicative objective should trump the commerciality of her offering. I'm not sure this argument gets a lot of traction, however. Jill hasn't appeared to modify the original copyrighted works other than to reduce their size. (Although, size reduction can be transformative in context of online thumbnail images). Jill also can't really claim that her spoof is a "parody." Unlike the works in *Campbell* (and, for that matter, *Mattel*), the doll or its packaging doesn't comment on the copyrighted works. Instead, like a satire, Jill is using the copyrighted works to comment on another social issue (in this case, Britney). As a result, although the overall product comments on Britney, Jill's usage probably isn't sufficiently transformative to overcome its commerciality.
- Nature of the work. Both the photos and any other copyrights in the front pages are subject to thin copyrights, so this factor should point in Jill's favor.
- Amount/substantiality of portion taken. Jill took 100% of the photos and the front pages, so this factor should weigh against Jill.
- Market effect. There is a strong licensing market for paparazzi photos, especially for first publication. After first publication, the photos' commercial value should decline, but often there will be "traditional, reasonable or likely to be developed" licensing markets for already-published photos. This factor should weigh against Jill. With respect to the newspaper front pages, there may be reprint options offered by newspapers. In those cases, I think this factor would also weigh against Jill (probably strongly).

All told, the fair use analysis doesn't look promising for Jill. Unless she convinces a judge that the republications were transformative, fair use seems like a loser. Then again, this isn't surprising—as we know, you should never build a business on fair use!

Photo in Upper Left

The upper left photo warrants separate discussion. It's a little hard to tell where this photo came from. I assume Jill did not take the photo herself but got it from a third party. However, the photo looks like it was cropped from a larger photo and converted into grayscale. Assuming that the copyright owner of this photo can establish its prima facie case, Jill may have better fair use arguments because her cropping and shading may enhance her transformative claim. I don't feel great about this argument, but I feel better about it than fair use for the other photos.

How Should Jill Approach the Photos and Newspaper Displays?

If Jill wants to visually depict Britney on the packaging, she should (1) get licenses for the photos, (2) take her own photo (which may be temporally impossible now), or (3) commission a line drawing that doesn't infringe someone's photo. Jill might rethink whether she needs the newspapers separately from the photos. At minimum, she could take less than the entire front page.

Finally, some of you may have overinterpreted my remarks about forgiveness vs. permission. We saw a few examples in class where being denied permission made a subsequent activity more legally questionable, and I hope you saw the possibility of a quasi-estoppel from asking for permission and not getting it. However, this quasi-estoppel isn't universally applied, and there are many good reasons to ask permission rather than forgiveness—including, most obviously, that you might be able to strike a prospective deal rather than live at risk.

Copyrights in the Doll as an Industrial Design

I didn't give you any examples of dolls made by Britney, so it wasn't possible to compare the similarity between Britney Shears and those dolls. In theory, dolls should be protected under copyright law as a pictorial/graphical/sculptural work. At the same time, Jill can make a doll that looks like Britney without infringing any copyright. We'd have to check if Jill's specific implementation choices are similar enough to any precedent dolls to raise copyright concerns.

A few of you made an odd argument that Britney's life was copyrighted, and therefore depicting this episode in a doll infringed the copyright. A person doesn't have a copyright in their life story. If the story is protected at all, it's under publicity/privacy rights, not copyright. As a result, those of you who made serious expositions about the copyrightability of Britney's life story tended to significantly degrade your score.

Trademarks in the term "Britney Spears"

Ownership of valid mark. Britney has a registered trademark in the term "Britney Spears" for dolls, and this constitutes prima facie evidence both of ownership and that the term has achieved secondary meaning.

Priority. Jill is the junior user.

Use in commerce. Unlike some hard cases like the 1-800 Contacts case, Jill's use of the term "Britney Shears" easily satisfies the use in commerce standard once she starts promoting her product. See the Zazu case.

Likelihood of consumer confusion. Applying the Sleekcraft factors:

- **Mark strength.** "Britney Spears" is a personal name, so it is equivalent to a descriptive term in our hierarchy of trademark strength. In this case, Britney Spears has achieved a virtually unprecedented level of popular recognition (and, perhaps, notoriety) that makes her "brand" one of the strongest in the world. We might quibble about the strength of her

brand for dolls, but I think most factfinders would give her brand strong protection because of its universal recognition.

- Proximity of goods. Both marks are for dolls, but the dolls clearly target different audiences. A Britney Spears doll probably appeals most to tweeners, while the Britney Shears doll is intended only for adults who find humor in poking at Britney's foibles. Therefore, like the Sleekcraft case (where the boats targeted different types of boatbuyers), a court might distinguish between these otherwise-similar products.
- Mark similarity. These are pretty similar marks (which is part of the gag). They differ by only one letter ("h" instead of "p") and the pronunciation is fairly close. Semantically, "spears" and "shears" have different meaning, but overall I think consumers would have to pay close attention to distinguish these marks.
- Actual confusion. There is no evidence of actual confusion because the product hasn't launched yet. Spears could try to show confusion through a consumer survey. Some courts might also use the initial interest confusion doctrine as a substitute, reasoning that Jill is trying to attract consumer interest in her doll through superficial similarity, even if any consumer confusion is quickly dispelled through a more considered product review.
- Marketing channels used. A Britney Spears doll is likely to be sold through big-box retailers like Toys 'R' Us and Walmart and advertised through the mass media. A Britney Shears doll, which targets adults, is likely to be sold through novelty shops and probably will not be advertised at all (other than being on the shelves in retailers). If so, the channels actually overlap very little.
- Purchaser care. Dolls are fairly low-consideration purchases, but even with low consideration, the straightjacket is a hard-to-miss hint that this doll probably isn't from Britney. Also, consumers may have heightened consideration of doll purchases after the Chinese plastic toy scare.
- Intent. Like a parodist, Jill clearly intends to invoke Britney's widespread recognition as part of the gag. But there's no evidence that Jill is trying to pretend to be an authorized product. I think this factor should cut in Jill's favor, but some courts treat deliberate efforts to invoke a famous brand as inherently free riding.
- Likelihood of product line expansion. We might benefit from knowing more about Jill's overall product line, but my guess is that Jill isn't likely to target Britney again; and if she did, my guess is that Britney never intends to expand into the novelty spoof doll market.

From my perspective, the likelihood of consumer confusion is a close call. Jill could improve her legal position with two minor packaging changes: (1) on the packaging, the term "Britney" is much larger than the term "Shears." This should be reversed to emphasize the "shears" part, which will help consumers distinguish the brands. (2) a disclaimer of any affiliation between the brands might also help.

Trademark Fair Use. I noticed some confusion about the differences between descriptive fair use and nominative use, so let me help separate the doctrines.

Descriptive fair use applies to dictionary words that become a competitor's descriptive trademarks. Other competitors can use the dictionary words for their dictionary meaning as part of describing their offerings. Hence, competitors can use "fish fry" to describe their goods, even though Zatarain's has a descriptive trademark in the term. "Britney Spears" isn't a descriptive trademark (it's a personal name), so we didn't discuss how this doctrine would apply.

Nominative use occurs when the defendant uses the plaintiff's trademark to refer to the plaintiff. This is a more accurate description of Jill's use than descriptive fair use. Jill's reference to Britney using Britney's name could qualify as a nominative use if it meets the other elements:

- product not readily identifiable without using TM. We might debate whether Jill needed to reference Britney's name at all, especially because Britney is so recognizable and the haircutting episode was so well-covered. And if she had picked another name, like "Crazy Pop Singer," people would have known who Jill was referring to. But the "Britney Shears" appellation is a key part of the gag, the doll without the name wouldn't be as funny, and as Kozinski recognized in *Mattel*, some evocation of the trademark is required to make a gag like this work.
- TM used only as reasonably necessary to identify the product. Jill didn't even use the trademark verbatim, so maybe she didn't use more than was necessary.
- no implied sponsorship or endorsement. This is tricky. I think most people would now assume that any commercial reference to Britney needs her permission. On the other hand, I think most people would assume that Britney would not consent to a depiction of herself in a straightjacket.

I think Jill has some good arguments in support of a nominative use defense. She could enhance that defense further with an express disclaimer of sponsorship and perhaps by making the product even more crazy to reduce the odds that consumers would think it was authorized.

Dilution

- Famous mark. As discussed above, the "Britney Spears" mark should get the highest level of protection.
- Distinctive. The trademark registration is prima facie evidence that the mark has achieved secondary meaning, but with Britney's level of fame, it's not really in doubt.
- Use in commerce. As discussed above, attaching the "Britney Shears" brand to a commercial offering qualifies as a use in commerce.
- Use began after the mark was famous. This is true in the parodic context by definition.
- Likelihood of dilution.
 - Blurring. Like the Barbie Girl case, Jill is adding a new definition to consumers' understanding of "Britney Spears." However, the terms aren't identical, so consumers might be able to distinguish the two.
 - Tarnishment. The presentation of the doll reflects actual and truthful information in all respects but one: the straightjacket. I am not aware of Britney ever being locked up in a straightjacket, so this image could tarnish Britney's brand. On the other hand, pop psychologist Dr. Phil has publicly questioned Britney's mental health, so perhaps Jill's depiction isn't really changing consumer perceptions. To reduce the risk of dilution by tarnishment, Jill might choose to eliminate the straightjacket—although recall the contrary advice above that Jill might benefit from depicting Britney as more crazy, not less.

I'm not sure Britney can establish a prima facie case of dilution. If she could, Jill has some potential defenses, including nominative use and parody.

Trademarks in the Newspaper Names/Trade Dress

By depicting the newspaper front pages on the product packaging, Jill is implicitly using the newspapers' trademarks and trade dress. Although Jill is doing so as part of a commercial offering, Jill would argue that the newspapers' trademarks are not really being used in commerce because Jill isn't identifying her goods using their brands (this is similar to the nominative use argument, but it's an argument that the plaintiff failed to make the prima facie showing). At the same time, the newspapers' brands help to enhance the gag's credibility. Either way, because the usage isn't competitive, this type of usage doesn't lend itself well to the traditional multi-factor test, making the legal analysis uncertain, although I think the newspapers would have a tough time showing traditional likelihood of consumer confusion. Even so, Jill could avoid using the newspapers' trademarks or eliminate the newspaper displays altogether.

Trade Dress in Britney Dolls

We didn't have Britney dolls to compare, so it would be hard to identify any copied elements. However, the relatively life-like depiction of the doll makes it unlikely that Jill copied any element of predecessor dolls that had successfully derived secondary meaning.

Right of Publicity

As we discussed in class, the case law makes a distinction between representing a person in advertising (the Midler and White cases) vs. the product itself (the Saderup case). How does this apply to Jill's usage of Britney's personality on the product packaging? This raises some complicated publicity rights issues, but in this case, the packaging is an integral part of the product. So from my perspective, Jill is using Britney's personality in the product itself, not in external advertising.

As a result, the question is whether Jill is using Britney's personality as the "sum and substance" of the product, or if she transforms Britney's personality into something new. The depiction is relatively life-like, so perhaps Jill is just selling "Britney." But to me, the parodic context here, including the punny title, the editorial content and the straightjacket, adds enough commentary on top of the life-like depiction to qualify as a transformation. If so, Jill has less risk of violating Britney's publicity rights.

Question 2

This was a tough question for you. The question's animating principle is easy to state: the law doesn't handle an employee's rapid successive employment stints very well, especially when the migration is in the same industry (see, e.g., Wexler, Redmond). But spelling out how one employment stint can preempt future ones requires some careful thinking about the various applicable legal doctrines. Because this was a hard question, your responses varied widely. For grading purposes, I focused on (1) if you thought hard about a CEO's role in the turnaround process (we never covered a CEO's role directly, so I was fairly tolerant of your speculation, but a generic exposition about successive employment didn't really respond to the question), and (2) how much your answer inspired my confidence that you understood the doctrinal mechanisms,

such as the default IP ownerships between employees and employers and the ways that exposure to a company's information would have tainting/preclusive effect on future activities. Average word count was 1,113, and the median was 1,145.

How a Turnaround CEO Adds Value

How would a CEO turn around a company? Some things the CEO might do:

- raise capital from investors
- hire new managers (a new management team)
- help close "strategic sales," i.e., big sales to big customers
- consider strategic alternatives, such as acquiring new companies or assets
- pursue new strategic initiatives, such as major product launches or new marketing campaigns

Let's look at how these issues might play out in structuring an employment relationship:

Trade Secrets

The Tainting Risk

Employee are always exposed to trade secrets at Employer #1 that cannot be used at Employer #2—even if it would be helpful to use the information, and even if the use is inadvertent. A CEO faces enhanced tainting risks because CEOs putatively have greater access to a company's trade secrets than other rank-and-file employees. Stated differently, this broad access means that a CEO will have a difficult time convincing a factfinder that he/she didn't know about Employer #1's trade secrets, even if the CEO never was actually exposed to the trade secret. Further, a CEO may be presumed to know all of the company's marketing plans, increasing the risk that he/she will be restricted under the inevitable disclosure doctrine.

Recycling Management Teams

A CEO will be in charge of recruiting a new management team. A turnaround specialist will likely have a "core" group of loyalists who follow the CEO from company to company. Further, over time, the CEO will meet new employees who are so impressive that the CEO would like to pluck them for a subsequent employer.

As CEO, poaching employees from Employer #1 for the benefit of Employer #2 is risky. Among other things, many CEOs will actually know—or be presumed to know—the salaries of his/her subordinates, and employee salary information is a quintessential trade secret. As a result, recycling the management team could be deemed a trade secret misappropriation.

Recycling Other Relationships

As part of the qualifications for the job, a CEO will bring a "Rolodex" of industry contacts to the job, including potential customers, potential sources of financing, prospective acquisition targets,

etc. At the new employer, the CEO will deepen some of those relationships while an employee, and the CEO will also create new relationships. Thus, at Employer #1, the “Rolodex” will accrete, and the CEO will use the accreted Rolodex for the benefit of Employer #2. This especially seems likely in the travel industry, where there are some major well-known industry players (e.g., big airlines and hotel chains) that every company in the industry wants to work with. Some of the accreted information could be deemed Employer #1’s trade secrets; items like customer lists are quintessential trade secrets, and Sec. 1 of the form agreement expressly restricts customer lists and accreted customer relationships. Thus, with every employment relationship, Ronald has the risk of putting handcuffs on his ability to recycle his Rolodex for subsequent employers.

How Should Ronald Deal With These Concerns?

With respect to the management team and his Rolodex, Ronald will want to avoid any restrictions on his ability to recycle any accretion during an employment relationship, such as no-solicitation clauses. Better yet, Ronald should affirmatively preserve his right to recycle the management team and his Rolodex, expressly stating in the employment agreement that he can do so.

The other tainting risks are harder to address satisfactorily. Ronald could say that nothing he learns or develops during the employment is the employer’s trade secret, but this would be a rather harsh outcome for the employer. Not only would this prevent the employer from obtaining any patents on work that Ronald was involved with, but many assets are so company-specific that they can’t be recycled at a future employer.

I don’t have any easy/obvious compromises to the adversity inherent in the tainting risk. At minimum, Ronald will want to make clear that he take his general knowledge and experience, including anything accreted during the employment, to Employer #2. I would also try to include some provision in the employment agreement acknowledging the tainting risk and trying to express the parties’ intent that tainting should not hinder or limit successive employment. This could be structured as some type of trade secret license from Employer #1 to Ronald and his future employers. I’m not exactly sure how to draft a sellable provision, but I think the tainting risk needs to be addressed directly.

Patents

There is also a small tainting risk in the patent context as well. A CEO may be imputed to know about prior employers’ patents should the issue arise in willful patent infringement. This risk isn’t significant, and of course this knowledge may also help the CEO steer a future employer away from infringing choices. As a result, I would not change the contract to address this risk.

The larger patent risk is that the CEO develops a patentable invention at Employer #1, who obtains a patent on the invention that precludes the CEO from recycling the invention at Employer #2. Typically CEOs would not be listed as inventors of technological innovations, but a CEO might be listed as the inventor of a business method or other operational process that gets patented. Such a patent could be especially problematic if the patent covers some aspect of the

CEO's standard turnaround techniques. (Note: if the CEO developed the technique before Employer #1, then Employer #1 may or may not be able to patent the technique—it may be owned by the previous employer, or it may be barred from patenting by public disclosure or sale doctrines).

The obvious solution is that the CEO could retain his patent rights rather than assign them to the company. This is a fairly rare provision, but I have seen it before. Alternatively, there may be some licensing scheme between the employer and the CEO that protects the CEO's future employers from patent lawsuits.

Copyrights

There is also a minor tainting risk under copyright law in that the CEO may be presumed to have seen all copyrighted works of Employer #1. Therefore, if Employer #1 accuses Employer #2 of copyright infringement, Employer #1 may easily satisfy the copying-in-fact standard because of the CEO's nexus between the two companies. See, e.g., the Arnstein case as an example of how a chain of data flows can support the copying-in-fact inference. Also, even if the CEO didn't deliberately copy-in-fact, Employer #1 can argue that the CEO facilitated subconscious copying. As with the tainting risk in patent law, this risk is relatively minor and not work addressing prospectively.

The more serious concern is that Employer #1 will own all copyrightable works created by its CEO as part of the CEO's job. Normally, this isn't a big deal because an employee doesn't need to recycle those works for subsequent employers. However, Ronald may want to do so to the extent that the copyrighted materials are part of his turnaround "system" (such as a memo on employee morale issues); in those cases, he would like the ability to reuse the copyrighted works without having to rewrite them from scratch.

Ronald could address this by reversing the default rule that an employer owns the copyrighted works of its employees. As with patents, this is an infrequent solution. Ronald could try a more tailored approach of excluding just those materials that are part of his turnaround system. I'm not exactly sure how to draft a sellable clause making that distinction, but it should be achievable.

If Ronald does retain any copyrights in materials he creates as an employee, then he will not want to promise to return the materials after termination. (This also applies to any trade secrets where he retains rights). As a practical matter, many employees wish to keep some copyrighted materials from prior employers even if they don't retain any copyrights in those materials. For example, when I left the law firm, I retained a number of examples and other materials where the law firm presumably retained the copyright (I got permission to do this!). However, if Ronald doesn't retain any rights, any document retention may need to be negotiated at termination.

Conclusion

As I said, the law doesn't make it easy for an employee to have rapid successive employment stints. Given the doctrinal interactions, it may not be easy to draft contract provisions that both

address the legal concerns and are sellable, meaning that the rent-a-CEO business may be difficult to effectuate without non-trivial IP risks. At minimum, the difficulty mitigating these risks would counsel Ronald to take engagements with some consideration of the potential future opportunity costs and to consider restructuring the way he offers his services.

Comments on Student Answers

Some of you discussed the role of California Labor Code § 2870. This code provision automatically limits every California employment agreement and trumps any contrary language in the contract, so Ronald is not compelled to negotiate to preserve any rights defined in 2870 (they exist no matter what).

Some of you recommended that Ronald ask for a mutual NDA. This would make sense only if he personally owns any trade secrets. Presumably, most/all of the trade secrets/patents he has developed to date are owned by his previous employers pursuant to default law or any employment agreements signed at the time. If Ronald is trying to develop a personal patent portfolio, then he may need to restrict the company's disclosure of any patentable ideas so that he can preserve their patentability.

Some of you suggested that any agreement terms would be trumped by Ronald's fiduciary duties to his future employer as an officer of the company. This is a complicated area, but I would not rely on any default fiduciary duties to protect any IP.

Some of you proposed that his future employer should mark any trade secrets exposed to Ronald before Ronald is required to maintain confidentiality. A marking requirement might be theoretically feasible in a customer-vendor relationship, but I cannot imagine how this would work with an employee—especially the CEO. At minimum, it sounds like it would create enormous friction to a company's normal information flows.

This seems pretty obvious, but a reminder that you should ALWAYS get the client's name right! Some of the variations I saw: "Clump" and "Crump"!