



## Intellectual Property Sample Answer

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Eric Goldman

### Introduction

The word count cap came into play with both questions. A restrictive cap has two primary consequences from a grading standpoint. First, how you allocate words to various issues can affect your score. For example, a few of you allocated about 1/4 of your total available words in Q1 to discussing the paparazzi photos in the video. This discussion wasn't intrinsically detrimental, but it became problematic to the extent it squeezed out or reduced your discussion of other essential topics. Second, when words are tight, the importance of any inaccurate legal statements is magnified and hurts your score even more.

I was extremely disappointed that more than one of you did not adequately internalize the clearly articulated draconian consequences associated with missing the exam deadline. Such a process violation, even if seemingly minor in terms of minutes late, unfortunately overwhelms every other aspect of your entire semester's worth of study. For a good example of how a lawyer's procedural error can overwhelm brilliant doctrinal substance, see [this opinion](#) where a client lost \$1M because its lawyer, hampered by Orange County traffic, missed a filing deadline by 1 minute. So for the benefit of future students reading this sample answer, let me reiterate—**I do not tolerate late papers**. A few extra minutes of putative improvements to your answer is never worth the risk of jeopardizing your entire semester.

There were 4 As, 18 Bs and 3 below Bs.

### Question 1

Just about all of you noted the obvious similarities between this question and last year's Q1. However, I was not looking for a rehash of the discussion from last year's sample answer! The facts were different in numerous material ways, and I expected you to notice.

There were four essential topics I wanted you to address: (1) the Olsen Twins' trademark rights (both infringement and dilution), (2) the Olsen Twins' publicity rights, (3) the copyrights in the Full House TV show, and (4) the trademark rights in the Full House TV show title (both infringement and dilution). Your omission of one or more of these four essential topics generally hurt your score.

If you are interested, I ordered the Trollsen Twin stickers, and they are hanging outside my office. Check them out.

There are a number of ways to organize an answer to this question, but I will start by addressing two threshold considerations: is PETA engaged in a parody, and are PETA's activities "commercial"?

### Are the Website and Video Parody, Satire or Silliness?

One threshold consideration is whether the website and video constitutes a parody. As you recall, a parody comments on the original work, while a satire uses the original work to make a comment about society generally.

With respect to the Olsen's trademark rights, the website and video could be a parody. The website and video comment on the Olsen clothing brand to make a point about clothing.

With respect to the video owner's copyrights, the video is probably a satire. The video uses the Full House video to make a comment about the Olsen's subsequent sartorial choices. PETA could argue that the video is a parody because it comments on the Full House episode by pointing out undeserved sympathies directed towards Michelle. However, from my perspective, the copyrighted material was used simply because the Olsen twins were in it, not to comment on the copyrighted material itself.

### Is PETA's Use "Commercial"?

The commerciality of the website and video is relevant to several IP inquiries. Overall, the site provides social commentary about the Olsen's fashion sensibilities and is run by a non-profit organization. On that basis, PETA's activities could be non-commercial. However, there are two possible exceptions to this.

First, the video and certain aspects of the website act as "viral marketing" for PETA. Their effect is to promote PETA just like a for-profit advertisement would do.

Second, PETA sells Trollsen-branded merchandise. Thus, a court could view the website and video as a giant come-on designed to increase sales of the branded merchandise. I suspect PETA generates a trivial amount of revenue from the branded merchandise, but the mere availability of merchandise for sale could cause a court to treat the entire endeavor as commercial. At minimum, the merchandise sales constitutes a use in commerce of the depicted trademarks.

### Olsens' Trademarks

*Ownership/Priority.* The facts stipulate ownership, including secondary meaning of personal names, in the "Mary-Kate and Ashley Olsen" trademark. It's less clear if the twins have a trademark in the separate phrase "Olsen Twins." Given the nature of this commentary, priority is assumed.

*Use in Commerce.* As discussed above, PETA may be making a use in commerce of the trademarks through its commercial offering of Trollsen-branded merchandise and perhaps through the overall promotional nature of the website and video.

*Likelihood of Consumer Confusion.* It's possible to go through the multi-factor test here, but the trademarks are dissimilar in every respect. "Hairy-Kate," "Trashley" and the "Trollsens" are all semantically and phonetically distinguishable from the trademarks, and when it is accompanied by the unflattering line drawings of the women, the critical import of the PETA references is even more obvious. My only hesitation relates to the fact that PETA is selling clothes, which is the same class of goods as the Olsens' trademark rights. Nevertheless, I cannot imagine a consumer would buy the PETA offerings mistakenly assuming some relationship between PETA and the Olsens' trademarks. Although there is not an automatic defense of parody to an infringement claim, the clear parody here would further reinforce the lack of confusion.

Note: under the "actual confusion" element of the multi-factor test, some of you expressed skepticism that there could be any confusion. Determining that is the whole objective of the multi-factor test! So if you thought that was germane under actual confusion, you were really saying that PETA should win. Notice, then, how the multi-factor test lends very little to the overall analysis when the lack of confusion is so apparent. If anything, it can induce a formalist to ignore common sense.

Even if a court found *prima facie* infringement, PETA could argue that its usage constituted a nominative use: (1) there is no other way to target the Olsens for criticism but to use their name, (2) PETA only took what was necessary of the trademark to communicate its point, and (3) clearly, given the excoriating nature of the commentary, there is no implied sponsorship or endorsement. A number of you (parroting, I think, last year's answer) mentioned that a disclaimer might further reduce PETA's exposure; the presentation is already so over-the-top that a disclaimer seems silly (which reinforces the weakness of the *prima facie* case of potential consumer confusion).

The Olsens could also claim trademark dilution. Although I'm not sure if their trademark is famous, the Olsens certainly are, so we can assume fame. We can also assume PETA's use after the mark acquired fame. As discussed above, at minimum the merchandise should constitute a use in commerce of the Olsens' marks.

But is there a likelihood of dilution? In theory, the "Hairy-Kate," "Trashley" and "Trollsens" references all add new definitions to the current trademarks, although perhaps they would not cause blurring because consumers might view the marks as sufficiently distinguishable that they are really different words. This distinguishability would also undercut any claim of tarnishment, but otherwise the criticism and ugly line drawings might forever taint our perception of the Olsens, which could constitute a *prima facie* tarnishment.

Even if there is a *prima facie* case of dilution, PETA's presentations seem to fit squarely within the defense for "identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner." As discussed above, I think this would qualify as a parody of the Olsens' trademarks.

All told, even though PETA is may be making a use in commerce of the Olsens' trademarks, both infringement and dilution claims against it should be unsuccessful due to the mark distinguishability and critical nature of the usage.

### Olsens' Publicity Rights

PETA is using line drawings of the Olsens in its viral marketing and its merchandise sales. Line drawings constitute a "likeness" under the California statute, although these are obviously highly stylized. It is also using the name "Hairy-Kate and Trashley Trollsens," which are clearly designed to evoke the Olsens but may be sufficiently distinguishable that it does not constitute an actual use of their name for purposes of publicity rights.

If the website is viewed as viral marketing, evoking the Olsens' image—even if in a horrible and disgusting way—could be problematic. See the Vanna White case. I think most courts would view this use as critical commentary, which cannot be done without evoking its target.

The inclusion of the Trollsens images on merchandise for sale is a prima facie right of publicity use, but its heavy stylization should constitute a "transformative" use. In practice, I don't expect anyone would buy the merchandise to show support for the Olsens.

### Full House Copyrights

The Full House of Horrors video incorporates several minutes of video from a Full House episode. The video also incorporates other copyrightable elements, such as the show's theme music (which might be owned by other copyright owners), the storyline and the characters. I'm going to focus on the video content.

We can assume the video is copyrighted and that PETA copied-in-fact. (Note: some of you were confused about duration—for corporate works for hire, which this probably is, the duration is usually 95 years from date of first publication). The total amount taken is small as a fraction of the entire series, but any verbatim copy measured in minutes likely qualifies as a wrongful reproduction (or, because of the modifications, this may be a derivative work). The video also should qualify as a distribution and public display of the source material.

Thus, PETA will likely rely on its fair use defense.

- Nature of the use. The PETA video doesn't fit neatly onto the commercial v. nonprofit educational spectrum. PETA may be non-profit but the video isn't educational in the traditional sense of "teaching." Plus, if the video is characterized as "marketing" for PETA (see above), it looks closer to "commercial." The video does fit into 107's introductory language about uses for "criticism" or "comment," and the added material and editing could make PETA's version "transformative" of the initial Full House version (transformative = "adds something new, with a further purpose or different character, altering the first with new expression, meaning or message"—that seems to fit this video well). Then again, as discussed earlier the video is a satire, not a parody of the underlying copyrighted work, and satires may get less protection under fair use than

parodies. On balance, I think this factor would tip in favor of PETA, but this is not free from doubt.

- Nature of the work. This is a fictional TV show, so this factor weighs in favor of the copyright owner.
- Amount and substantiality of the portion taken. The video didn't take a de minimis amount, but the total amount taken wasn't large by most measures. I think this factor would weigh in favor of PETA.
- Market effect. It's really hard to imagine how this video would have any marketplace effect on the Full House copyrights' value. Clearly the PETA video isn't a substitute for an unedited Full House episode. Further, even if Full House has an active licensing scheme for snippets of episodes, it's hard to imagine a licensing scheme that would cover an "attack" video like this. I don't think any sub-components of the video (like the introductory theme song) would point in a different direction, even if PETA took a higher percentage of those works. As a result, I think this factor would likely weigh in favor of PETA.

All told, I think PETA has a good chance at fair use even if the video is satire.

I didn't think the paparazzi photos included in the video were worth discussing—the odds of the copyrights being owned by the owners of the Full House copyrights seemed very low.

### Full House Trademarks

The video's title, "Full House of Horrors," deliberately uses the "Full House" word mark and logo. As discussed above, it's not clear the video constitutes a commercial use of the trademarks, so it's not clear if the Full House trademark owners could establish a prima facie case. I also wonder about consumer confusion about product source. Anyone watching the video would not be confused. Anyone who just saw the title might, in theory, experience some form of initial interest confusion, but I think many consumers would not even connect the video title to the series title (because the added words "of horrors" significantly changes the meaning) without seeing the video and its multiple references to the series.

Even if the trademark owner establishes a prima facie trademark infringement case, the video title might be able to take advantage of the special rule allowing third party trademarks in media titles when substantively relevant (discussed in the Mattel case). Even if not, the video title could be nominative use. (I could also argue that it would qualify for descriptive fair use, but that's more complicated). The video title refers to the underlying Full House material, and it's clear pretty quickly that there is no implied sponsorship or endorsement. However, the nominative use defense might get hung up on whether PETA took only what was necessary; after all, PETA took several minutes of video.

The series name should qualify as a famous trademark for dilution purposes. I guess one could argue that "Full House of Horrors" blurs "Full House," just like "Barbie Girl" blurs "Barbie," but I always thought Kozinski got that wrong. As I said, "Full House of Horrors" has a completely different meaning than "Full House," especially because it's a play on the idiom "House of Horrors." I have a tough time constructing a tarnishment claim. The video bashes the Olsens,

and so indirectly it might make people think less of the series for having objectionable stars, but the video really doesn't target the TV show at all.

As for dilution defenses, the video isn't really a parody of the TV show, so it cannot take advantage of that defense (unlike the dilution of the Olsens' marks). If the reference is a nominative or descriptive fair use, that will act as a defense to dilution. The non-commercial use defense (assuming there is adequate commercial use to meet the prima facie case), as bastardized by the Mattel opinion, might also apply here because the video title is not being used to propose a commercial transaction.

## **Question 2**

This question was derived from a recent dispute between the Starwood and Hilton chains over the development of a new chain concept. See the [WSJ article](#).

In terms of grading, I wanted you to carefully evaluate each of the information categories. It's easy to say that Smith misappropriated trade secrets, but a more granular assessment better illustrates the consequences of the misappropriation. Granularity is especially important when it comes to the patent discussion; some information types are potentially patentable and others are not, and that should affect the assessment of whether patents are a good substitute for trade secret protection.

### Smith's Misappropriation

#### *What's Protectable as a Trade Secret?*

\* research of customer needs. Research into customer needs and the resulting findings can be a trade secret if it does not become generally known. For example, if I discover through proprietary research that guests are willing to spend more money when it's a full moon, this could be a trade secret. This could also cover negative information, like a decision not to put daisies in guest rooms if it turns out guests don't like daisies.

\* product configuration choices, like room lighting, fabrics and food choices. Once product configuration choices are deployed into the field, trade secret law no longer protects them. So competitors are allowed to mimic product configuration choices (i.e., if we stock only orange sitting chairs in guest rooms, competitors can replicate this). However, while the product configuration choices have not yet been publicly deployed, are they a trade secret? That is, they will be revealed in the future, but do they derive value from their secrecy in the interim? On the one hand, the answer is no—the configuration choices don't add value until they are presented to customers. On the other hand, there is a headstart benefit—by being the first to deploy the configurations, the first-mover gets the benefit of being perceived as a leader and gets a de facto period of exclusivity while competitors try to catch up (if they do at all). So getting advanced notice of coming product configuration choices can spoil the headstart benefits.

\* cost information, such as building costs or desired business terms with building developers. Cost information can derive significant value from being kept secret because otherwise

competitors can infer its competitors' profit margins, and knowledge of pricing information can act as a "target" for competitors to beat.

\* training manual. An employee training manual might contain secret information about processes that competitors can't publicly observe, such as a specific protocol or routine for cleaning hotel rooms that works quicker than other systems. But other information in a training manual may not be a trade secret because it derives no advantage from its secrecy, it's no longer secret because competitors can observe it, or it's generally known in the industry.

\* future marketing plans. As we saw in the Redmond case, future marketing plans can be a valuable trade secret until the plans are actually publicly launched.

\* knowledge about former co-workers. Knowledge about an employee's salary and specific skills might be a trade secret.

We don't have any evidence regarding Fleetwood's efforts to keep the secrecy of its trade secrets, so there wasn't much to discuss on that element.

#### *Did Smith Misappropriate?*

\* inevitable disclosure. Smith, like Redmond, might create an inevitable disclosure risk. Smith was the project leader at Fleetwood and is now being asked to replicate his work for a competitor. No matter how Smith tries to compartmentalize his knowledge, he may not be able to avoid drawing from proprietary knowledge he learned while at Fleetwood. Smith may counterargue that it's only inevitable that he will use his general knowledge, skill and experience, not any proprietary Fleetwood information. If true, courts will be wary of overly restricting Smith's future employment prospects.

\* taking the blueprints. Even if Smith will not inevitably disclose Fleetwood's trade secrets, he still cannot walk out the door with any blueprints that contain Fleetwood trade secrets. As discussed above, at least some of the blueprint material likely contains such information.

\* employee raid. Soliciting employees to jump ship, if predicated on trade secret information about the employees, could be a separate misappropriation.

#### Chitlin's Liability for Smith's Misappropriation

The UTSA definition of misappropriation references a "know or should have known" scienter standard. Thus, even if Smith misappropriated, Chitlin may not be automatically liable for Smith's conduct. For example, if Chitlin doesn't know that Smith has illicit copies of the blueprints, it may not be liable for that because it lacks the requisite scienter. However, Chitlin would be liable under an inevitable disclosure theory, and it may further be liable if the employee raid is a misappropriation. With respect to any information where Chitlin was advantaged from its early preview of information will become public later, a "headstart" injunction would be an appropriate remedy.

## Fleetwood's Potential Use of Patents

Note: I wanted you to address more than simply what was patentable or not. If that's all you did, your score generally was reduced.

Some of Fleetwood's trade secret information could not qualify for patents at all. For example, cost information or hotel building developer negotiation tactics are probably not patentable.

Similarly, marketing plans are not effectively patentable. Most marketing campaign attributes will be used and discarded while the application is pending, making the ultimate patent worthless as everyone has moved on to new techniques.

Product configuration choices are more promising patent targets. After all, they are easily copied by competitors once deployed in the field, they will lose all trade secret protection at that point, and they may have currency beyond the time it takes to obtain the patent. However, product configuration choices may not be cost-effective to patent (i.e., any differential competitive advantage provided by the patent may be less than the costs to obtain the patent) and, in the case of hotels, might be easily worked around. Further, in some cases, product configuration choices by hotels might be considered business methods and subject to heightened scrutiny about their patentability.

Other systems used by Fleetwood, such as a proprietary way of cleaning rooms that goes faster, might be good candidates for patents, but they might be better kept as trade secrets. After all, the patent will require disclosure of the system, and this may allow competitors to figure out what Fleetwood is doing and "leapfrog" it.

All told, there may be few advantages to Fleetwood pursuing trade secrets over patents due to the costs and delays associated with patenting. Instead, trade secret law should be perfectly adequate to squelch Smith's misappropriation, and otherwise Fleetwood may be better served by constantly innovating rather than relying on rearguard IP battles.