



## Intellectual Property Sample Answer

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### Overview

This was the first time I offered an in-class exam in the past 5 years. I'm not sure how you feel about in-class exams. I am not a fan.

To help you deal with the time constraints, I deliberately made the exam a little easier than in years past. As a result, most of you did a fine job with the basic issues.

However, I haven't had a direct dose of raw unedited student writing in a while, and the grammar and spelling errors were horrifying. As just one amusing example, I got a lot of "Garfiled" references. I looked past these errors given the exam's time constraints, but in the future I encourage you (at minimum) to *spell-check everything* before you print or send your documents. In particular, one mistake you never want to make in practice: misspelling your client's name—or worse, misidentifying your client. Clients do not forgive these errors very graciously.

I was also disappointed by the numerous process errors, such as discussing issues that I had told you to assume/ignore or, more crucially, exceeding the word count limit or omitting word counts. In computing the grades, I tried not to let the process errors overwhelm the substance given the time constraints, but I couldn't ignore the process errors either. I remind you that as a lawyer, it's your job to handle all of the process details correctly. A lawyer's process error can destroy a client's substantive position, so you have to nail both the process and the substance.

If you look at your scored papers, you will see I wrote down point assignments. Please don't focus on the points. My principal goal was to sort the stack of exams ordinarily, so I used the points as a tool to accomplish that broader goal. They won't make sense outside of my context.

Having said that, a few differentiators that usually made a noticeable difference in the grades:

- in Q1, distinguishing the recipe ingredients and the preparation method
- in Q2, distinguishing the different overlapping copyright interests in the comic strip
- in both Qs, discussing the remedies

### Question 1

This question is inspired by this article: <http://www.theatlantic.com/food/archive/2010/08/the-era-of-copyrighted-cocktails/62153/> plus articles that discuss the emerging use of bacon in cocktails. I was surprised how few of you had previously enjoyed the burgeoning bacon-infused cocktails trend. See, e.g., <http://www.sloshspot.com/blog/01-22-2009/Bacon-Booze-Bacontini--Other-Delicious-Baconized-Beverages--106> and <http://bakonvodka.com/>

A recent Freakonomics blog post at <http://freakonomics.blogs.nytimes.com/2010/12/23/the-creative-cocktail-a-guest-post> (which came out after the exam) addresses IP and creativity in mixology. For those of you who thought Squeal My Thunder was improbably gross, consider the real-life “McNuggetini, made with vanilla vodka and a McDonald’s chocolate milkshake, with the glass rim coated in barbecue sauce and a Chicken McNugget garnish slapped on.” Wow. The McNuggetini reinforces that real-life oddities vastly exceed anything I can imagine. If you aren’t sick of IP issues, consider the TM issues raised by the name McNuggetini.

One of you also noted the similarity between this question and the Simpsons’ third season episode, “Flaming Moe’s.” See [http://simpsons.wikia.com/wiki/Flaming\\_Moe's](http://simpsons.wikia.com/wiki/Flaming_Moe's)

SMT = Squeal My Thunder. ROT = Royal Oak Tavern

Part 1: How can Jessie use trade secrets, patents and trademarks?

*Trade Secret*

Prima facie case

- Existence of a trade secret
  - Information derives value from not being generally known
    - Two categories of possible trade secret information: (1) The ingredients/recipe and (2) the preparation method
    - Being the only person able to make SMT leads to increased revenues. First, customers wanting the cocktail must come to ROT. Second, compared to other cocktails, it results in higher tips.
  - Subject to reasonable efforts to keep secret
    - Jessie hasn’t disclosed the information to others
    - She prepares in a quasi-closed area. Is that sufficient to constitute reasonable efforts? The space is still visible to other bar employees. Per Rockwell, some of you discussed efforts Jessie could take to make the space more private (such as sheets or other visual barriers). I think we’d have to see the space visually to assess how much secrecy it actually provided.
    - Is there some way Jessie can imply confidentiality obligations on Damien? E.g., *Smith v. Dravo*. He’s not her employee, but maybe their common status as co-employees could support an implied obligation...?
- Acquisition by improper means (“theft, bribery, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage through electronic or other means”)
  - Damien engages in a type of espionage by surreptitiously watching Jessie, but he didn’t engage in improper means if Jessie was in an area open to other employees. Compare the *DuPont* case. Damien is like the Christophers acting on behalf of an undisclosed principal, but is he flying over a partially completed construction zone or simply walking around in the kitchen?

- Can Damien's espionage be imputed to Molly? The facts didn't state that Molly paid Damien or specify other reasons why Molly knew SMT was a secret to other ROT employees. No evidence suggested that Damien was Molly's agent.
- Misappropriation
  - Molly used the recipe to prepare SMT.

#### Defenses

- Reverse engineering/independent development
  - Damien figures out the ingredients/recipe himself, so that portion isn't a trade secret any more.

#### Remedies

- If she wins the case, Jessie should be able to get an injunction to shut down Molly plus damages.

#### Patent

- Jessie doesn't have a patent yet, so she can't use patents today against Molly.
- Jessie could try to get a patent to shut down Molly when the patent issues. Can she get a patent?
  - Patentable subject matter: assumed
  - Utility: most likely; it's an easy standard to satisfy
  - Novelty: no evidence on this point
    - Jessie has already started commercializing the invention, which started the 1 year on sale window. That time period might extend if Jessie is experimenting with her invention, but it appears the invention is complete.
    - Some of you misunderstood 102(a), which bars the patent if *someone else* is using the invention in the public *prior to invention*.
  - Non-obviousness
    - The Graham test looks at the scope/content of the prior art, the level of ordinary skill in the art, and the differences between the prior art and claimed invention. To do this, we need more information about the prior art. As I indicate above (I didn't expect you to research this), lots of bacon-based cocktails are in the prior art, so there could be an obviousness problem. A lot of you jumped to the secondary considerations, which is OK but the primary factors might be dispositive.
    - With respect to the level of ordinary skill in the art, Damien's ability to reverse engineer the ingredients suggests the recipe is obvious to a PHOSITA. At the same time, his (and Molly's) inability to guess the preparation method suggests that wasn't obvious to a PHOSITA.
  - Enablement: not relevant yet
- Patents are a poor solution to Molly's behavior
  - if she gets a patent, Jessie should get an injunction against Molly (eBay v MercExchange) plus damages.

- However, it will take years before Jessie gets a patent, and the fad could die out or Molly might stop offering the cocktail. Indeed, Molly will almost certainly drop the cocktail when the patent issues because her revenues don't support a fight.
- More generally, from Jessie's perspective, the market size for SMT may be less than the costs of patent enforcement, and the application costs alone may be more than her expected profits
- Some of you discussed that patents would foreclose trade secret protection. This is partially true. Jessie cannot claim a trade secret on material disclosed in the published patent application. However, she may have already lost some or all of that trade secret protection anyway. Furthermore, because she has commercialized her invention before filing her foreign patent applications, she would only seek a US patent. In that case, she could likely keep her US patent application secret if the patent didn't issue.

## *Trademarks*

### Prima facie infringement case

- Ownership of a valid trademark
  - "Squeal My Thunder" is probably inherently distinctive. I think it's a fanciful phrase because the phrase has no meaning until Jessie defines it. It might be an arbitrary phrase because it uses dictionary words to create a new meaning. At worst, it is suggestive, with the "squeal" part suggesting some pig-related attribute. Because it is likely inherently distinctive, the trademark should be immediately protectable without showing secondary meaning
  - The cocktail presentation might qualify for trade dress protection, but subject to the functionality doctrine (which would severely restrict the protectable material) and the requirement that product design achieve secondary meaning (which presumably it has not). I don't think the cocktail's presentation is "product packaging," but the TM owner would argue otherwise.
  - Jessie made a use in commerce of the SMT trademark via her marketing efforts (Facebook and promotional flyers)
- Priority
  - Jessie has priority over Molly based on her earlier use in commerce. Note that Jessie has made only local usage.
- Molly's use in commerce
  - If this is a required element of the prima facie case, Molly satisfied it by listing the item on the menu.
- Likelihood of consumer confusion.
  - arguably, this is a counterfeiting case, which effectively acts as prima facie likelihood of consumer confusion.
  - Sleekcraft analysis
    - Mark strength: inherently distinctive. SMT has good word of mouth, but still Jessie has made only local usage for a short time period.
    - Proximity of goods: identical
    - Mark similarity (sight, sound, meaning): identical
    - Actual confusion: N/A

- Marketing channels used: N/A
- Purchaser care: SMT is a small dollar item, and purchasers may be inebriated. On the other hand, drink orders make a statement about the drinker's personality and preferences, so people often order carefully. When people drink with their friends (a typical situation), the ordering process is even more deliberate to impress friends.
- Intent: Molly intends to copy Jessie
- Likelihood of product line expansion: N/A
- Some of you discussed initial interest confusion, but I had a tough time thinking of possible IIC arguments.

#### Defenses

- Is “Squeal My Thunder” the generic descriptor for the product class? There’s no other way to describe the cocktail. “Squeal My Thunder” occupies the same linguistic positioning as a “Cosmopolitan” or a “mai tai”—it’s a recipe title, not a source designator.
  - Some of you suggested other terms Jessie might use to distinguish her trademark from the recipe description. My favorites included “Bacon in my Thunder” and “Hot Hammys.”
- Is Molly making a nominative use? If the term isn’t generic, then Molly could argue that she’s using the term to describe Jessie’s product. However, if SMT communicates product source, Jessie would argue that Molly’s use is a counterfeit, not a nominative use.

#### Dilution

- No possibility SMT has achieved the requisite fame—it’s too new and only used locally. Posting on Facebook, without more, isn’t evidence of fame. (But perhaps a virally popular Facebook page might provide evidence of fame?)

#### Remedies

- Injunction and damages. Possibly corrective advertising?

#### Part 2: Steps Jessie might take to establish a licensing scheme?

Trade secrets are a poor option for nationwide licensing of a cocktail preparation method:

- Jessie could offer a prepared “kit” (made in secret at a home base) and ship it to licensees. However, this may not work if she can’t get the microwaved bacon texture right.
- She will need to restrict licensees via NDAs, but licensees will have a hard time maintaining the secret. The secret will be known by lots of bartenders, their preparation will often be in public view, and bartenders change jobs. Even if the preparation method starts out as a secret, it won’t stay that way for long.

Patents are more useful to Jessie than trade secrets, but they have limitations too.

- Patents have strong exclusive rights. Jessie could knock everyone out of the market without worrying about preserving information asymmetries.
- Patents give nationwide protection. Note: Jessie can’t get international protection any more due to the on-sale bar.

- But patents have limited duration, so if this cocktail becomes a classic, its commercial viability may outlast the patent.
- Or, specialty cocktails are often faddish, so SMT may not be popular when the patent issues.
- And, as mentioned before, patents might not be a good cost-benefit choice. Suing lots of individual bartenders or small bars for patent violations doesn't seem very practical.

Compared to the other IP doctrines, trademarks are the most useful.

- They don't have a limited duration.
- To enhance her trademark status, Jessie should get a federal TM registration so that she gets nation-wide priority.
- Jessie should come up with a synonym to ensure that "Squeal My Thunder" retains its source-designating characteristic and isn't the generic descriptor for the cocktail.
- Jessie will need to develop and implement a quality control program. Q: with lots of licensees, how would such a program look in the field?

## Question 2

Prima facie case

- Ownership of a valid copyright
  - Facts said to assume ownership
  - Plus, copyright registration is prima facie evidence of ownership
- Copying-in-fact
  - Admitted
- Wrongful copying
  - Both the character and each individual strip are eligible for copyright protection.
  - Walsh reproduces, distributes, make a derivative work of and public displays both.

Fair use defense (this is the only defense worth exploring)

- Purpose and character of the use
  - Walsh's use is arguably commercial because of ad-supported website. But ad support ≠ commercial. Otherwise, everything newspapers publish would be commercial.
  - Walsh would argue that he made a transformative use: "adds something new, with a further purpose or different character, altering the first with new expression, meaning or message"
    - Walsh didn't add anything new; he subtracted. Nevertheless, even with the subtraction, the net effect may be an entirely new outcome.
    - Walsh could argue that his versions parody the underlying strips by highlighting Arbuckle's angst. To me, this is no less of a parody than the 2 Live Crew song. Paws might argue that Walsh was making a satire, not a parody, because Walsh commented on social issues, not the copyrighted work itself. Personally, given Campbell's generous definitions of parody,

I thought this was pretty clearly a parody. This doesn't guarantee fair use, but the odds move up substantially.

- It was interesting to see how many of you condemned Walsh for “free riding.” First, virtually every new copyrighted work builds on someone else's work(s). Second, if Walsh's work is in fact parodic, then it's not free riding but taking what's necessary to make its point.
- Some of you discussed parody/satire completely independently of the four-factor fair use test. Parody/satire aren't an alternative or bypass to the four factor test; they help interpret the four factors.
- Nature of the work
  - Both the character and the strip are fiction
- Amount/substantiality of portion taken
  - Walsh took 100% of the Arbuckle character's depiction. Collectively, he took a lot of the character over the 1,000 strips.
  - However, because he deleted material, took <100% of each strip
- Market effect
  - Because it communicates a different message, Walsh's version probably isn't substitutive. Indeed, it may increase demand for the original version so people can compare the two versions. See the fourth Q at <http://garfieldminusgarfield.net/private/61669282/fSymsOGXOgrmkbgxorHZRsHk>.

## Damages

- By registering before publication, Paws Inc. should be eligible for statutory damages and attorneys fees.
- Statutory damages should produce a huge number. 1,000 x minimum of \$200 = \$200k. More likely, a minimum of \$750 = \$750k. Plus attorneys fees.