



Intellectual Property
Fall 2012 Sample Answer
Prof. Eric Goldman

Question 1

This question is based on City Cycle IP, LLC v. Caztek, Inc., 2012 WL 3656443 (D. Minn. August 24, 2012). See http://scholar.google.com/scholar_case?case=46373015549073873&hl=en&as_sdt=2&as_vis=1&oi=scholarr.

1A: Trade Dress Infringement

Trade dress = product's "total image and overall appearance." Some possible trade dress: (1) beerbike shape; and (2) beerbike livery = the coloring and logos on a vehicle's exterior.

Shape

- Who owns the trade dress in the shape? Even if David designed it, Peter commercialized it first, so he should have priority.
- Is the shape product design or product packaging? This raises the ambiguity left open from Walmart v. Samara about the distinction between the two. I think the shape is product design because it's the machine's configuration, not its wrapping. Analogy: I believe the iPhone's exterior is product design, not product packaging.
 - If the shape is product design, it needs secondary meaning for protection.
 - Secondary meaning? Definition = "when, in the minds of the public, the primary significance of a product feature is to identify the source of the product rather than the product itself."
 - Peter's short period of usage (just "several" public tours) and limited marketing probably precludes secondary meaning, even though the shape is so memorable that people might remember it after only one exposure.
 - If the shape is product packaging, then it is inherently distinctive, or does it need to achieve secondary meaning anyway? "Inherently distinctive" = a design, shape or combination of elements so "unique, unusual or unexpected in the market that one can assume without proof that it will automatically be perceived by customers as an indicator of origin." I think the shape could satisfy the standard; the overall impression left by the beerbike is unique, at least to me.
- Functionality = "features that are essential to article's use/purpose or that affect article's cost/quality."
 - There are many ways to shape the beerbike, but many product design choices look like they are driven by functional considerations. For example, the curved front roof shape might improve aerodynamics or require less material to manufacture. The seat layouts allows for bikers to talk face-to-face while biking.

- On the other hand, there are numerous ways to configure a beerbike, and perhaps not all of the design choices were driven by functional considerations.
- Do an image search for “beerbike” and you’ll see a range of options, but also a number of commonalities.
- If Peter has protectable trade dress in beerbike shape, then David probably infringed by competitively commercializing an identical design. His addition of minor features probably doesn’t change the analysis because consumers doing a quick visual inspection probably won’t notice them. Perhaps consumers might notice distinctively-colored headlights, but headlights alone may not distinguish the offerings enough.
 - Does David’s different livery cure any possible confusion? Analogy: two taxicab companies may operate the same car models in the same color, but the corporate branding may nevertheless successfully distinguish them.
 - If the main purchasers are event planners, then they will be fairly careful about selecting vendors and won’t care about the shape. In contrast, if the consumers are drunkards flagging a ride as they stumble out of a bar, they probably have reduced power to distinguish brands and probably just want any ride.

Conclusion: because I’m not sure the shape qualifies for trade dress protection and the most likely buyers (event planners) won’t be confused by the shape, I don’t think the shape-based trade dress claim is worth pursuing

Livery

- Is the livery product design or product packaging? I vote product packaging, like the exterior of Taco Cabana.
 - Some of you addressed whether a color is protectable per Qualitex. Qualitex only dealt with the trademarkability of a color *standing alone*. Here, in contrast, Peter can protect the entire graphical designs emblazoned on the beerbike, of which color is just one component. As a result, Qualitex’s secondary meaning requirement doesn’t automatically apply.
 - Is the livery inherently distinctive? Although it’s pretty routine, I think the total livery qualifies as inherently distinctive.
 - If not, the livery is unlikely to have achieved second meaning for the same reasons discussed above.
 - No functionality considerations here (i.e., colors aren’t helpful for traffic safety).
- David’s infringement?
 - His color scheme is quite different. There are only minor similarities: stripes on the roof, paint scheme on wheel fenders, possibly the geometric designs on bike front.
 - Are consumers likely to be confused? The differences in color, plus the different brand names, means most consumers won’t be confused.

Conclusion: a livery-based trade dress claim isn’t worth pursuing

1A: Trade Secret Misappropriation

Potential trade secrets include the schematics and the customer list.

Schematics (i.e., how to build the beerbike)

- The schematics can qualify as trade secrets. They derive value from being secret because they enable Peter to enter the market faster than his peers.
 - Related information that could also be trade secrets: know-how (i.e., information about how to manufacture more cheaper or with better quality that's not codified in the schematics), manufacturing cost information.
- The schematics were jointly developed. Does Peter own the trade secret rights exclusively? Or does David have an interest in the schematics?
- Even if Peter owns the trade secret rights, he disclosed the material to David without restriction. Court might equitably impose confidentiality obligation because disclosure was for Peter's benefit, i.e., to get beerbike manufactured (see *Metallurgical Industries, Smith v. Dravo*). This is especially true because David expected to work with Peter. Still, that would be an equitable bailout, and a more likely possibility is that any trade secret rights died with that disclosure.
 - We would want to check if Peter or David has otherwise disclosed the schematics to third parties. If so, that also may end the trade secret analysis.
- If Peter has a protectable trade secret in schematic, David misappropriated it by building an unsanctioned beerbike.
 - If David could reverse-engineer the schematics but didn't, he still misappropriated.
 - But if he could easily reverse-engineer the schematics from photos of the beerbike in use, then Peter probably only gets headstart injunction.
 - It may not be possible to accurately reverse-engineer the schematics (like the Rockwell piece parts). If so, Peter should get an injunction with an indefinite duration.

Conclusion: Peter probably doesn't have a good trade secret claim because either David has an ownership interest in the trade secret or Peter's unrestricted disclosure to David blew any trade secret claim.

Customer List

- Customer lists often qualify as trade secrets, but we need to know more. Is the list of event planners readily available elsewhere, such as through the local chamber of commerce? Or did it require some sleuthing by Peter? Either way, information about customer preferences should qualify as a trade secret if not generally known.
- Peter gave the list to David without restriction. As with the schematics, this could blow trade secret protection. David doesn't have the same claim to the information he has with the schematics because he didn't help develop the customer list. At the same time, Peter didn't disclose it to David for Peter's benefit as clearly as he disclosed the schematics to be manufactured.

- However, no evidence yet that David has used the list. So even if Peter has a trade secret in the list, David may not have misappropriated yet.

Conclusion: Peter's customer list claim is weak, but might be worth investigating further.

Other Possibilities

Future business plans, such as franchising plans or marketing plans, could qualify as trade secrets.

Many of you discussed the inevitable disclosure doctrine. Typically the doctrine applies only to employment relationships, so unless you took the position that David was Peter's employee, it probably doesn't apply. I can't recall seeing the doctrine applied in independent contractor situations, such as where an independent contractor takes on a gig for a competitor that will necessarily require the independent contractor to use trade secrets from a prior gig. Instead, independent contractors run the risk that future gigs will be "tainted" by the confidential information they were exposed to on gigs jobs. However, I don't recall seeing a case where that risk of taint supported a prospective injunction.

1B: Patents

Possible patents: (1) the beerbike concept generally, such as a "device to move alcohol-consuming people between alcohol vendors while continuing to enjoy alcohol," and (2) the specific features that implement the beerbike.

Either way, patent rights will subsume the right to "manufacture" the invention. However, if David comes up with an innovative manufacturing technique, he may be able to patent it, and Peter should have no interest because he didn't contribute to inventing the manufacturing technique.

- Who owns the beerbike concept? Peter came up with the concept, but he couldn't reduce it to practice on his own. It's possible Peter and David jointly own the invention (we didn't discuss the implications of joint patent ownership in class). It's also possible that David, not Peter, completed the invention and has sole ownership of the patent rights.
- Patentable subject matter: the beerbike qualifies as a machine. As I've conceptualized the invention, it's not an abstract invention, although there could be potential enablement/description problems.
- Utility: this provides substantial value to its users (and if it keeps drunk drivers off the road, it's socially beneficial too)
- Novelty: the facts don't specify that the prior art contains an exact precedent of a beerbike.
 - Statutory bars: Under the new 102(a)(1), Peter has made a public use prior to any patent application and is presumptively barred. His only salvation is if he files his patent application within 12 months of his first public disclosure. It's unclear when to date the first public disclosure; at latest, it occurred when he hit the streets with the beerbike, but it could be earlier—possibly as early as his first

disclosure without an NDA to David. However, it may be possible to push the deadline back if there's a legitimate "experimental use" argument, such as field testing a prototype. If Peter made the initial public disclosure, then David's subsequent disclosures don't dislodge Peter's ability to have patent priority. Note: if David applies for the patent but Peter is the true owner, this could prompt a new derivations proceeding.

- Some of you applied the old novelty rules despite my explicit instruction. I didn't punish this error too harshly, but I won't be as forgiving on future exams.
- Non-obviousness: Once we've seen it, the beerbike concept seems obvious, but is that just the hindsight bias? Once you know the goal (moving drunk people between bars), there are only so many modes of group transportation, e.g., the Sloshed Segway, the Smashed Skateboard, Happy Hour Horse-Drawn Carriage, Intoxicated Icesled. Group bikes are among the most logical of these options. Then again, beer has been around for millennia, bikes have been around for two centuries and cars for more than a century, and there is a great consumer need to provide transportation for pub crawls; yet the invention is apparently of relatively recent vintage.
 - This is a combining references case between party bikes and party buses. See KSR. We'd want to look for any teaching/suggestion/motivation to combine the references, but we might have obviousness even without TSM. A novice (Peter)—i.e., someone who couldn't execute the idea on his own—was able to conceive the idea. Does that suggest the solution would be obvious to a PHOSITA? Or perhaps that it took an outsider to spot the concept's brilliance?
- It's premature to discuss enablement or written description.

If Peter can get a patent for the beerbike, he can stop his competition cold. But how much money is in the beerbike industry? Is this a case where the patent acquisition and enforcement costs exceed industry revenues? On the other hand, Peter's national franchise plans suggest maybe there's a nationwide market worth controlling.

We don't have enough information to assess the patentability for individual features of the beerbike—who invented it, the prior art, statutory bars (i.e., whether they were disclosed by bringing the product to market), etc. However, depending on the nature of the feature, patents may be even less attractive because competitors, including David, may be able to work around them more easily. Peter may also face even more difficulty claiming that he, as opposed to David, invented those features.

Design patents could also help Peter suppress identical copying of ornamental features, but those should be relatively easy to work around.

1C: What Should Peter Have Done Differently?

- Impose confidentiality obligations on David through a written NDA so that it will constitute trade secret misappropriation if David reuses the schematics to manufacture another bike.
 - Some of you suggested both a written NDA and a written confidentiality clause. What's the difference?

- Take back physical possession of all schematic designs.
- Even if an NDA is in place, don't share the customer list with David unless it's necessary.
 - An NDA is only a piece of paper. The best way to protect secrets is not to share them.
- Get David to assign—in writing—any IP rights associated with the beerbike, especially patent rights. Even if Peter doesn't intend to seek patents himself, it's wise to keep the rights out of David's hands.
 - Labor Code 2870 only applies to employment contexts. In this case, even if David is an employee of Peter, the statute wouldn't restrict Peter's ability to obtain ownership of the beerbike IP.
 - Many of you suggested that Peter pay David for his work. I didn't understand how would that change the IP analysis. Just paying someone doesn't make them an employee, plus...
 - Even if David becomes Peter's employee, Peter still needs a written assignment of David's patent rights if Peter wants to control the invention.
 - Calling David's efforts a "work for hire" may not be enough; that's copyright language, not patent.
 - There's no need to make David an employee. An NDA plus a written IP assignment will achieve the same (or better) results.
- File for any patent rights before advertising and bringing the product to market (ideally, right after invention is complete to preempt someone else's filings), but only if the industry size supports patent rights.
- Contractually obtain the exclusive right to buy beerbikes supplied by David (outputs contract), i.e., control IP by controlling the chattel supply. Recall Edison and the Lightbulb patent case, where he locked up the real estate that grows the bamboo.

I was flummoxed by the number of you who suggested that Peter bind David with a non-compete clause. The question rules made it clear that California law applies, and B&P 16600 is crystal-clear that any non-compete clause is void except in connection with the sale of a business—not applicable with the given facts. It doesn't matter how "reasonable" the non-compete is; that was the whole point of the Edwards case. I obviously need to do better making this point in class, because I don't understand how so many of you thought there was any benefit to a non-compete.

The one exception that some of you discussed: B&P 16602 provides that partners in a partnership can agree to limited non-competes in connection with a dissolving partnership or a departing partner. To find any use for 16602, you would have had to find that (1) Peter and David were in a partnership, (2) the non-compete was entered into in connection with a dissolution/departure, and (3) it met the requirements of the statute. Given the question asked what Peter should have done differently, even if the parties were in a partnership, Peter would have needed David's consent to the non-compete when the partnership was dissolving, i.e., when their interests were already adverse in this matter. That isn't especially helpful advice.

A non-solicitation clause probably survives B&P 16600, and it would have been modestly helpful here. An NDA protecting the customer list would have achieved the same outcome.

Some of you, mining old exams, recommended trailer clauses. Trailer clauses are a bad idea and rarely used, which is why I've cut them from the reading and from lecture.

Some of you recommended getting a federal registration for the trade dress. Does the trade dress meet the registration requirements?

We didn't talk much about antitrust, but some of you made suggestions that raised obvious antitrust problems. I reiterate my recommendation: if you want to use IP to control competition, you need to take an antitrust course.

Question 2

The given facts stipulate ownership.

Copying in fact. The cartoonist would likely stipulate to copying the book rather than independently creating the depictions. After all, like the Moscow on the Hudson poster, the comic strip is expressly trying to reference the book. In fact, the comic strip makes no sense unless you know about the book. If the cartoonist doesn't stipulate to copying-in-fact, a circumstantial case could easily be made given the broad access to the book and the numerous parallels between the works.

A frustrating number of you conflated the copying-in-fact legal standards with the wrongful copying standards. I'd welcome your suggestions about how I could have helped you keep the two separate.

Wrongful copying. There are several different copyright interests that should be analyzed separately.

1) The plotline: the comic strip takes the essential elements of the book's plot: the apples, the branches, the trunk and the stump. But can this plot be copyrightable? This raises a typical idea/expression dichotomy issue, just like the Nichols case. What is the appropriate level of abstraction here? Highest: A tree that gives stuff to a loved one? Next highest: A tree that gives its apples, branches, trunk and stump to a loved one. I'd vote that under the idea/expression dichotomy, either of those two abstractions are not protectable expression and are free for everyone to take. But the Giving Tree book's plot doesn't have a lot of detail below these abstraction. Plus, the comic strip's end panel makes three changes from the book:

- 1) the mom/stump was "happy-ish" instead of "happy"
- 2) the mom/stump thinks about how the son will respond when he is a dad
- 3) the boy is texting on his cellphone rather than just resting.

We also could consider the merger doctrine and how there may be limited numbers of ways to express certain concepts. I wasn't sure how the scenes a faire doctrine might have applied.

2) The characters: the comic strip replaces the book's characters with its own characters. There's no visual similarity between the human figures, although they take the same actions. Further, the

boy character in the comic strip doesn't age. Plus, comic strip readers are likely to associate the characters with their personalities built up through the course of the strip's history.

The comic strip tree shows the mom's face, which changes expression across the panels, while there was no face to the book's tree. However, the face communicates the tree's mood, which tracks the mood of the book's tree until the end panel.

3) Overall visual appearance: there are a number of details that are quite visually similar between the book and the comic strip: the tree's shape, the apples, the blades of grass at the tree's base, and the green colors. Still all of these details are executed slightly differently, and many look like things found in nature. We could also argue that all of the elements as aspects of a particular style. However, recall that the Steinberg case held the detail similarities against the defendant, saying that it's OK to copy the original items in nature, but it's not OK to copy the copy.

4) Conclusion on infringement: we all know what's going on here. The cartoonist was referencing the book's visual depiction and storyline to make a point. (I'll discuss parody/satire in a moment). But it's not clear that the cartoonist took any clearly copyrightable element to make that point. Still, like the Steinberg case, if the case reaches a fact-finder, the totality of the invoked elements could lead to an infringement finding.

I was surprised how few of you mentioned the Steinberg case, especially given how much time we spent on the case. I also wanted you to explore the idea/expression dichotomy more deeply than many of you did.

Some of you discussed "pattern similarity." I assume you got that from a third-party supplementary text (was it Marshall Leaffler's *Understanding Copyrights* book?). The term "pattern similarity" isn't widely used in the copyright community, as a simple Google search or Westlaw/Lexis search will quickly indicate. As a result, I mostly found your discussion using the term confusing, not enlightening. We covered a half-dozen different tests for measuring wrongful copying in class, so I was surprised you thought you needed yet another test. There are countless other doctrinal variations that I deliberately chose not to cover in class.

Note that cutting-and-pasting text from third party supplements without citations is quite risky, especially if your peers do it as well—it sets off my plagiarism detector, prompts more careful scrutiny of your paper, and could constitute plagiarism if you are claiming the words as your own. In the future, I will make my expectations more clear about the need to cite any third-party supplementary material you rely upon. In any case, using idiosyncratic jargon that we didn't use in class makes me wonder what course you took. I only expect to test you on the doctrinal tools we cover in class, so if you're going to bring in new terms we didn't cover in class, you should have a good reason for doing so.

Defenses

If the copyright owner can establish a prima facie case of copyright infringement, the main defense here is fair use, although other defenses could apply. A small number of you interpreted the question "is there infringement?" to exclude any discussion about defenses. I'm not sure this

is the logical reading of the question; but even if it was, fair use was still within the question's scope. Section 107 explicitly says that fair use "is not an infringement of copyright."

Nature of the use. Comic strips are paid editorial content. Newspapers pay (through a syndicate) cartoonists to produce and distribute the work, and the newspapers sell advertising around comic strips. Interpreted that way, the use is commercial. However, the comic strip itself is editorial content; it's no different than a news story in the newspaper. Thus, it should be more eligible for fair use than typical "commercial" content.

Is the use "transformative"? That may depend on whether the comic strip is a parody or satire.

About parody: the book's tree is arguably matronly, so perhaps the reference to the comic strip mom set up a parody argument. The comic strip communicates one example of a sacrificial relationship, and it suggests that parents may have different emotional responses to self-absorbed teens than the book's tree. This critiques the tree's response; maybe the tree would have been sadder if it had been dealing only with a teen. Or it could be a comment that there's no way the tree could have been happy after all of its unappreciated sacrifices. Maybe the "ish" is how the book tree actually felt, or should have felt.

Still, I didn't really understand the comic strip's message. Is the comic strip commenting on self-absorbed tech-savvy teens? That would be a satire. On the relationship between moms and sons, as opposed to trees and boys? Although I've made my argument in favor of parody, I personally have a hard time seeing the parody. Then again, I had a hard time seeing the parody in the 2 Live Crew case. By the parody standards articulated in that case, I think the comic strip has enough different ways of being interpreted as a comment on the original book that it should qualify as a parody. Of course, it's still possible for a satire to qualify as fair use, and maybe this would be one of those cases.

Nature of the work: the book is fictional, so this factor should weigh in its favor. For some reason, a number of you discussed the comic strip under this factor. That's not correct; the factor only evaluates the precedent work.

Amount/substantiality of the portion taken: The comic strip takes a lot of the book in a short amount of space (only 8 panels). It takes the basic storyline and a lot of the depiction. Still, it's only 8 panels of content, and the comic strip had to take enough to evoke the original.

Effect on the market: It's hard to imagine how the comic strip hurts the book's market. Frankly, the comic strip makes sense only if the book is popular enough that people recognize the storyline similarity; and there's zero chance that anyone would treat the comic strip as a substitute for the book.

In the case of a parody, in the 2 Live Crew case, the court said the proper comparison is to the non-parodic rap version of the song. Is there an equivalent parallel market here; say, the non-parodic comic strip version of the book? I have no idea what that market would look like.

Per the Texaco case, we also need to consider if there's a licensing market for comic strips generally. We don't know what kinds of licensing markets the book's copyright owner has already tried to exploit, so we don't know if the comic strip licensing market is a "traditional, reasonable or likely to be developed" market. As usual, we have to acknowledge the circularity of this test, even if the judges are willing to overlook that.

A number of you mis-invoked my mantra "never build a business on fair use." Zits just built one asset on a possible fair use defense, not an entire business.

Conclusion on fair use: if the court treats the comic strip as a parody, which I think is likely, the cartoonist should win the fair use defense—the first and fourth factors will favor it, the third factor will be a wash, and the second factor won't be enough to flip the result. If the comic strip isn't a parody but instead is a satire, it's harder to predict the result. At that point, it's possible the court could get squirrely on the commercial nature of the comic strip and the harm to a possible licensing market, in which case the result might flip.

Recommended Changes

It was not very enlightening to advise Zits not to implement the comic strip or to change it so much that the reference to the book becomes unrecognizable. I was looking for more refined suggestions than that. Personally, I think the comic strip survives a copyright challenge pretty well, but some ideas of how it could be in a stronger legal position.

- 1) Tone down the green overlap. The shadings aren't identical, but the green shading stands out as a way of invoking the original. Ironically, copyright law doesn't directly protect green shading (in contrast to trademark law, where color is protectable). Still, by reducing the green contrast, the rest of the similarities would be less pronounced. For example, the comic strip could have used a white background instead of the green background.
- 2) Further distinguish the details like the apple and the grass blades and maybe the tree's shape. Although the comic strip already made some changes, these little details aren't necessary to invoke the book or communicate the comic strip's message.
- 3) Instead of taking items commonly found on trees, maybe the comic strip could have involved common items that moms give sons—cookies instead of apples, car keys instead of branches, credit cards instead of tree trunks.
- 4) Make the parody point clearer. As the Amazon review indicates, the book's message is murky. Still, I must confess that I don't understand the comic strip's "joke." I don't really know what the comic strip is trying to say, and therefore I don't know if it's trying to shed light on the book's murky message or make a broader social comment (or if it's just being silly). A clearer punchline tied to the book's murky message could bolster the parody defense.

I have mixed emotions about trying to obtain a license from the book's copyright owner. A license would cost money, it isn't guaranteed that the book copyright owners would say yes, and asking for the license could be held against the cartoonist.

Some Suggestions for Students

- Block summaries of the rules don't score you points. I know you can all cut-and-paste.
- The best way to improve your score: work through the legal analysis of different facts completely. For example, in Q1, discuss customer lists separately from schematics. Some of you discussed schematics or customer lists but not both items; or some of you referenced both but only discussed one in detail.
- Answer all of the questions and don't miss any key elements. For example, some of you didn't answer the "what to do differently" part of Q2.
- Use your word counts wisely. In Q1, some of you wrote lengthy and nicely detailed discussions on trade dress and trade secrets and then phoned it in with a limp patent analysis.
- If you pick up your exam, ignore my scoring numbers on your exams. They guide my ordinal ranking but don't have much meaning otherwise.