



Intellectual Property
Spring 2015 Sample Answer
Prof. Eric Goldman

Yes, Selfie Toasters are a real thing. They are offered by the Vermont Novelty Toaster company under the brand “Burnt Impressions.” See <http://www.burntimpresions.com/index.php>

Question 1

Trade Secrets. It’s not clear if Karen will use Stretch trade secrets to make the toaster. We know that her printing knowledge helps with the toaster imaging. This could be based on some aspect of Stretch’s proprietary printing methodology, but it could also be based on printing methodology widely known throughout the industry or general knowledge about how thermal imaging works.

If Karen uses Stretch proprietary methodologies for implementing her toasting technology, then we would need to confirm that such methodologies qualify for trade secret protection, including whether or not they have remained a secret. We know that Karen agreed to maintain the confidentiality of Stretch’s trade secrets; if other employees similarly agreed to such terms, Stretch will have handled the contract piece correctly. That still doesn’t confirm the methodology’s status as a trade secret, but it at least shows one reasonable step to maintain secrecy.

If the methodology qualifies as a trade secret, then Karen exceeds her authority by deploying it for her new business, and that will qualify as an improper acquisition and misappropriation.

Depending on the precise technologies at issue, Stretch could claim that Karen’s toasting will lead to inevitable disclosure. That doctrine is hard to win in California, so it would take a rare set of facts for that doctrine to be potentially applicable.

In addition to the trade secret misappropriation claim, Stretch will have a breach of contract claim against Karen if she deploys a Stretch “trade secret” in her new business.

Patents

Stretch’s contract with Karen purports to take ownership of all IP she creates during her employment. By default law, Stretch already owns all trade secrets and copyrights Karen created within the employment scope. In contrast, the contract expressly trumps Karen’s default ownership of any patent rights. However, the contract provision is limited by California Labor Code 2870, which says:

- (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on

his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer

The facts specify that Karen worked on the selfie toaster at off-hours and at her own location. Nevertheless, Stretch still might have an interest in Karen's patent rights:

- If Karen used any supplies from Stretch.
- If Karen used any Stretch trade secrets. See the discussion above about how Karen may or may not have misappropriated Stretch's trade secrets.
- If Karen's inventions relate to the employer's business. This may depend on how broadly or narrowly we construe the term "business." If it means t-shirt printing, Karen is outside the scope. If it means printing on any media, then Stretch may have an argument.

If Stretch has an interest in the patent rights and chooses to pursue the patents, Karen will need permission to practice the patents as part of her business launch.

Non-Compete

Stretch's restriction on working for a customized printer is a non-compete clause, so it is void under B&P 16600. I penalized your exam if it said otherwise. Even if the non-compete were valid, it would still raise the question of whether Karen is actually working in a "customized printer" business. As a matter of contract interpretation, it seems likely in context that the provision would apply to T-shirt printing, or at least printing on fabric. It would be surprising if the provision reached as far as thermal imaging on food.

Question 2

Patent Protection

I can imagine at least the following potentially patentable inventions:

- 1A: the concept of printing images on toast
- 1B: the specific method Karen uses to print images on toast
- 2A: the ability to switch toasting images on a toaster
- 2B: the mechanics used to enable the image switching
- 3: identifying the toasting image on the toaster exterior

Karen could be more aggressive and try to replace "toast" with a broader category like "food" (or similarly "toaster" with "food preparation device"). However, the broader

claims would run into potential description/enablement problems. This is similar to the problem Sawyer and Man ran into with the lightbulb invention. Based on her experience with toast, did she really invent anything applicable to the larger genus of food? Can she adequately teach a PHOSITA how to generalize her experiences with toast to other types of food? Does toast have enough common properties with other types of food? Kiwis? Celery? Fruit Loops? Chopped veal? I don't think so.

Patentable Subject Matter. All of these inventions should qualify as patentable subject matter because they are "made by [a hu]man." However, I wonder if invention #3 would be too abstract following Bilski/Mayo...?

Useful. I think all of the inventions would satisfy the utility standard.

Novelty. Based on the facts we know, we don't appear to have a novelty issue with any of the inventions. None of them have identical prior art that we know of.

Non-obviousness. This is where the analysis gets more difficult! Remember the Graham standard: we take a snapshot of the prior art and a PHOSITA's expertise, hypothesize the PHOSITA's omniscience, and then determine if the PHOSITA would have bridged the gap between the prior art and the claimed invention.

On 1A, people have been making artistic designs in food forever. In the facts, I gave the example of a barista using a stencil to create a pattern in coffee foam, but we can imagine many other examples: ice sculptures, watermelon carvings, icing on cake. But is there something different about toast? Perhaps it wouldn't have been obvious to a PHOSITA to put images on toast, at least not thermally (as opposed to, say, using peanut butter or jelly on toast as a medium for making art).

Regarding 1B, we'd need to know more about the specific mechanics of the thermal imaging and how it differs from normal thermal dynamics of a toaster. If we told a toaster PHOSITA about the goal—create designs in toast—would Karen's solution be obvious to them? This is like the Gentry Gallery issue; once we know the goal, the range of solutions is fairly limited. But is framing the goal giving in to the hindsight bias?

Regarding 2A, I am skeptical the modularity of printing devices is sufficiently non-obvious. It reminds me a little of using daisy wheels to change fonts on electric typewriters (do you have any idea what I'm talking about??). I'm sure you can come up with a dozen other close analogies. If Teaching/Suggestion/Motivation were required, then I wouldn't be surprised if no prior art suggested the application of such modularity to toasters. However, if a PHOSITA knew that toast customization is the goal, a PHOSITA would likely figure this out.

Even so, regarding 2B, the mechanism by which the swapping is done, could still be non-obvious depending on how it actually functioned compared to the prior art. We'd need to know more to answer it.

I'm skeptical invention #3 is non-obvious. It seems straightforward that some labeling system is required, and the options for effective labeling are relatively few and all fairly obvious.

Trade Dress

Product. There are at least two aspects of the product that could potentially qualify as trade dress: (1) the product shape, such as the curved edges and design/layout of the buttons, and (2) the display of the photo identifier.

I would classify both as product design, not product packaging. Even though both are on the product's exterior, both are integral to the product itself. Product packaging would be things like the packaging box and product labels. Recall, for example, the yellow and red design of the Zatarain's packaging. In contrast, recall the "rounded edges" of Apple's iPhone design patent. Those rounded edges are product design, just as all aspects of the toaster's exterior would be.

As product design, these features cannot be inherently distinctive. To qualify for trade dress protection, they would need secondary meaning, which they haven't obtained upon launch. Plus, to the extent that Karen is repackaging a third party toaster, then secondary meaning may be difficult or impossible to achieve because other toasters under other brands will have the identical trade dress.

Furthermore, I would take the position that most, if not all, of the exterior design would be covered by the functionality doctrine, in which case secondary meaning would be irrelevant (see *TraFFix*). Certainly the photo identifier would be functional, because it's necessary to identify toasters with different designs. The toaster's rounded edges and button layout might also be functional; it could have implications for the toaster's performance, or it could affect the toaster's manufacturing costs. We'd need to know more about why the edges are rounded and the buttons are laid out to judge if it's possible to argue non-functionality.

Color. The pastel light blue color could qualify as trade dress. See *Qualitex*. It would need to achieve secondary meaning, which it hasn't done by launch-time, and it might be vulnerable to an aesthetic functionality challenge. (We didn't get into aesthetic functionality in class, and frankly I find the caselaw on the subject baffling).

Question 3

Louis Vuitton and Trademark

Infringement of Name. The name Louis Vuitton is trademarked, and they have priority. Advertising the item "Toasted Vuiton" on her menu constitutes a use in commerce. But is there a likelihood of consumer confusion? The name is not identical; in this sense, it's similar to the Chewy Vuiton usage in that "Louis" is replaced with the activity and Vuiton is misspelled. It's perhaps a little less obviously a parody than Chewy Vuiton;

“Toasted” doesn’t rhyme with “Louis” the way “Chewy” did, and branded toast isn’t as outrageous as the thought of giving an expensive handbag to a dog as a chew toy. Still, the name variation, plus the silliness of eating LV toast, should signal to consumers that this isn’t from Louis Vuitton or sponsored/endorsed by them.

Infringement of Logo. The LV logo is trademarked, and they have priority. Including the logo on the toast isn’t the same as including it on product packaging or ad copy, but it would still constitute a use in commerce under the broader interpretation of the term. Will the toasted logo create a likelihood of consumer confusion? The logo is used verbatim, but it’s being toasted onto a cheap edible item, something far outside Louis Vuitton’s normal product scope. Plus, when combined with the Toasted Vuiton name, consumers are likely to figure out that the offering isn’t from Louis Vuitton or sponsored/endorsed by them.

Dilution of Name/Logo. The LV name and logo are famous trademarks, and Whitney’s use began after they achieved fame. The use in commerce issue is the same as discussed in the infringement sections.

That brings us to blurring/tarnishment. Perhaps there is no blurring with the logo because, in context, it references Louis Vuitton. There’s no new definition being added. On the other hand, a famous logo is being used with a new class of goods, so the usage expands the brand footprint to a category the trademark owner didn’t pursue.

The name “Toasted Vuiton” invokes the Louis Vuitton trademark but is fairly different from it. Would consumers view this significantly different trademark as an added definition to the “Louis Vuitton” trademark? There isn’t likely to be the same kind of linguistic confusion that the Ninth Circuit feared with the Barbie/Barbie Girl references. Still, the Toasted Vuiton may degrade the trademark’s distinctiveness by creating possible semantic confusion as consumers try to sort through the relative meanings of Louis Vuitton and Toasted Vuiton.

On balance, I’m more persuaded that Toasted Vuiton and the LV toasted logo wouldn’t blur Louis Vuitton’s trademarks. However, notice how the Chewy Vuiton case’s resolution of this relied heavily on Chewy Vuiton’s parody, and I think Toasted Vuiton is a weaker parody.

I think Louis Vuitton’s tarnishment arguments are less strong. Even if putting the LV logo on toast is odd, it doesn’t hurt Louis Vuitton’s reputation except by making it less exclusive. Even if the toast is burnt or otherwise defective, there’s a low risk that consumers would impute that failing back to Louis Vuitton. The Toasted Vuiton name does even less to harm Louis Vuitton’s name.

Whitney could have a nominative use defense. For example, it’s impossible to make the “Toasted Vuiton” reference without the Vuiton cross-reference. However, by taking both the name and the logo, did Whitney take more than necessary to make the reference?

Karen Contributory Trademark Infringement

The applicable standard comes from *Inwood*: continuing to supply the product knowing it would be used to infringe. Assuming Whitney in fact infringed, there are still two problems with the prima facie contributory elements here. First, does Karen know that Whitney will commit trademark infringement? We don't know what Whitney told Karen about her plans, and even if Karen knew exactly what Whitney planned to do, it's not obvious that Whitney infringes at all. Second, Karen only makes a one-time delivery, compared to ongoing deliveries in *Inwood*. If Karen *knew* that Whitney was infringing but shipped the customized toaster anyway, the court probably would find contributory infringement despite the single shipment. However, if Karen legitimately isn't sure whether Whitney's activity is permissible, it's less likely a court would find contributory infringement.

Three Stooges Photo and Copyright

The copyright owner can establish a prima facie case of copyright infringement:

- Ownership of a valid copyright. Most photos are copyrightable, and the facts specify the photo hasn't fallen into the public domain. It's less clear who owns the photo. Normally the photographer, and not the photo subject(s), owns the copyright to photos he or she takes, so chances are that the Three Stooges wouldn't be the plaintiff.
- Independent creation. The facts specify that Whitney copied-in-fact.
- Violation of 106 rights. Displaying the photo image on toast probably qualifies as a reproduction. It also may be a derivative work, even if the reproduction quality is highly degraded but still recognizable (recall the pixelated image of the *Kind of Blue* album cover we discussed in class). Delivering the toast to a customer should be a distribution. Some of you questioned whether Whitney had "fixed" the photo image on toast because the toast was intended to be quickly devoured. There's no question that thermal imaging a photo image on toast is fixed; the toast might never be eaten, but even if it's quickly consumed, the image was still perceivable and copyable for a period of more than a transitory duration.

Whitney's principal defense will be fair use.

- Nature of Use. Whitney is commercially "publishing" the copyrightable image on toast, so this normally would qualify as a commercial activity that receives less fair use protection. Whitney would argue that she's making a transformative use. First, the thermal image on consumable bread has a completely different character and purpose than printed versions of the photo. However, the image itself isn't altered except for any degradation due to the thermal imaging. Second, Whitney can argue that the item is a parody, an argument enhanced by the menu titling of "Moe, Larry and Crusty." Beyond being a semantic pun, I don't really see any parody here. The best—but still weak—argument I can make is that the Three Stooges are masters of slapstick comedy, and it's inherently funny to eat the faces

of slapstick comedians. Otherwise, unlike the Pretty Woman songs, I don't see how the menu item comments on the Three Stooges' work; nor do I see how it would even constitute a satire/commentary on broader social issues. Thus, I would put this in the "silly" node of the parody-satire-silly spectrum.

- Nature of the Work. Most photos are more like facts.
- Amount Taken. I infer that Whitney takes the entire photo but presents a low-res version due to the thermal imaging. Whitney would argue that the low-res version shows she took the minimum she needed to make her transformative use.
- Effect on the Market. A toast version of the photo isn't likely to compete with any other versions of the photo. For example, if you want to pay homage to the Three Stooges by hanging their image on the wall, a toasted version is among the worst choices for doing so. Still, Whitney may be harming the licensing market for the photo, which highlights the circularity problem identified and embraced by the Texaco court. Was there already a licensing program for this photo? Did it extend to depictions on consumables such as food? If there wasn't a licensing program, ordinarily photos can develop a licensing market. Is there some reason this photo wouldn't?

The circularity of this fourth factor reinforces why fair use analyses aren't predictable. Judges will bring their own biases to the question about the economic implications of the thermally-imaged consumable, and it's not easy to predict in advance what bias the judge might have. Many judges will rule against fair use solely because Whitney is making money and the judges think that money should go to the copyright owner. For that reason, I think the odds of a successful fair use defense are less than 50%.

Three Stooges Photo and Publicity Rights

The menu references "Larry" and "Moe." Although these are not their full names, anyone familiar with the Three Stooges would know who these names refer to. Arguably, the inclusion of their names on the menu—which functions as advertising—violates their publicity rights.

(Note: in fact, their real names were Louis, not Larry, and Moses, not Moe. I'm going to assume that the pseudonym/stage names would be equally protected by publicity rights).

The use of the name "Crusty" doesn't use the name "Curly" but clearly is designed to evoke the name. From my perspective, evoking the name doesn't have the same legal consequence as using it. However, the Vanna White case suggests that publicity rights can apply simply by evoking personae.

The toast features a photograph of the Three Stooges. Even accounting for the poorer resolution associated with the thermal imaging, we might still conclude that the toast displays their likeness "in or on" the product. So this could create a publicity rights problem. The Saderup case said that these types of commercial editorial uses could be excused if the depiction is "transformative." Personally, I don't think this toast depiction cleanly fits into either the transformative (celebrity likeness is raw material that is

transformed into defendant's own expression) or non-transformative nodes (celebrity depiction is work's "sum and substance"); nor can we really call the depiction a "parody." Instead, as discussed above, the gag is the surrealism of eating toast depicting slapstick comedians. It would be a different experience if someone else were depicted (say, George Clooney)—that might also be ridiculous, but for different reasons. Given the opaqueness of the Saderup test, and its poor fit for these particular facts, I have no idea how a court would resolve the issue.

A Note About My Mom

On the morning of our scheduled review session, I dropped my mom off at the hospital at 5 am for what we expected to be a routine biopsy. Had everything gone as we planned, I would have been bleary-eyed for our review session but otherwise you wouldn't have noticed.

Instead, I got a call at 10 am telling me that my mom's procedure did not go well and encouraging me to come to the hospital ASAP. My mom died at 11:40 am, setting in motion a cascade of obligations. It is Jewish custom to bury the dead quickly, so we held my mom's funeral on Wednesday at 2pm (i.e., about 50 hours later) in Los Angeles.

Despite the situation, I answered all of your pending emails before the test period started—even though I'm sure you would have understood if I had invoked my mom's death as an excuse. The way I saw it: to fulfill my responsibilities to you as your professor, I would not let my personal issues interfere with your ability to maximize your potential on the final exam.

Inevitably, you will be faced with conflicts between your fiduciary obligations to your clients and the personal challenges and struggles that are a part of life. How will you prioritize the competing demands during those conflicts?