INTELLECTUAL PROPERTY

SPRING 1997 CLASS NOTES

(Version 4: Complete)

PROFESSOR MARGARET JANE RADIN
STANFORD LAW SCHOOL

1. Today will be intro. to IP -- should we call it intellectual property or intangible property?

(a) Historically there are problems with both these concepts

(i) property was thought of as physical objects [remember how seisin had to attach to something?], so how can there be property if there's nothing tangible for it to attach to?

(ii) property was thought of as "outside" the self, so how can something "inside" the self, a mental production, become property? How can there be property in ideas?

(b) Today we might no longer have conceptual difficulty with the notion of intangible property, but it still appears peculiar to think of mental productions as property. Are we to pay each other for every idea we exchange with each other? Is a meter metaphorically running somewhere in everyone's head? If not, what is the dividing line between mental productions that cannot be owned and those that can?

(i) This is the most urgent meta-question in the IP field: what kinds of information productions are unowned/unownable [in the public domain/in the commons] and what kinds of information productions are owned/ownable?

--If no knowledge and information is in the public domain for people to appropriate freely and use, then no new knowledge can be produced (so we won't have any thing for IP to attach to)

--But if all knowledge and information is in the public domain for people to appropriate freely and use, then we might have underproduction of new knowledge (because arguably people won't produce it unless they can reap the benefits)

(ii) Do you think there will be a bright line answer to where the line is drawn between IP and the public domain?

(iii) This is the Big Question that recurs in all the fields that we study in this course

2. Text and materials:

(a) Casebook: Intellectual Property in the New Technological Age [Lemley, Menell, Merges] [Little Brown, in press]

--galley proofs are being made available shortly

--in the meantime use MS [copy center has]

(b) Statute book: Unfair Competition, Trademark, Copyright and Patent: Selected Statutes and International Agreements [Goldstein, Kitch, Perlman, eds. , Foundation Press][bookstore has]

(c) Probably a few handouts [later]

3. Syllabus: available next week [we will proceed through the first three chapters that you have]

Tomorrow: 2-1 through 2-36

4. Grade issues:

--Regular exam will be given [open book]

--No grades for class participation

5. Communications:

--my e-mail address

--class e-mail list: law324@lists.stanford.edu

To subscribe, send a message to majordomo@lists.stanford.edu containing the line:

subscribe law324 username@leland.stanford.edu

6. What's in this course? This is a whirlwind survey course....

(a) We'll concentrate on domestic (U.S.) law, state and federal

--[In this field this curricular allocation makes less and less sense. You are hereby urged to take International IP as well.]

(b) Four basic components:

--trade secret [part of a number of protections based on state law (developing out of tort law) [also includes unfair competition; right of publicity]

--trademark

--patent

--copyright

(c) These four fields are summarized in the chart on pp. 1-33 -1-35

[Very roughly, patent is the only one that covers [certain kinds of] ideas per se--copyright covers expressions of ideas; trade secret covers [certain kinds of] secret ideas; and trademark covers [certain kinds of] labeling of products]

(d) What newspaper stories have you seen recently about these issues?

--trade secret (General Motors v. Volkswagen)

--trade mark (Juice Club problem?)

--patent (E-Data)

--copyright (Scientology cases)(Walt Disney v. day care centers)

7. In this country, the "policy" arguments underlying IP are heavily economic. Economic analysis of a sort has always been the basis of this field. [Contrast with the situation re policy/theory of tangible P][Note: not true in Europe]

--Why might this be so?

--Possibly because the Constitutional grant of power to Congress to establish patent and copyright said the purpose is "to promote the Progress of Science and useful Arts" [Art I cl. 8 -- (1- 14)]

-- And possibly because the conceptual problems with intangible property or property in mental products don't exist in the economic theory [though it does have other problems, as we'll see]

8. So let's take a look at the economic story that gets applied to IP. [I'll return to noneconomic theories later in the course] First recall the characteristics of economic theory:

--maximizing
--collectivist
--consequentialist
--positivist
--empirical

9. Recall the standard economic story re P in land--it has two primary features:

(1) [Behavioral Premise: Necessity of Monetary Incentive] People will not invest resources to put land into productive use unless they have incentives to do so. The appropriate incentive is that returns on the productive use should be internalized to the one who made the investment;

(2) [Factual Premise: Scarcity/Depletability of Desired Resources] Everyone wants to grab scarce/depletable resources before others can grab them. This leads to TOC. To avoid TOC, the costs must be internalized to one owner [exclusion is necessary to husband scarce resources]

10. Can IP be understood with the same economic analysis used for tangible P? [No, because Premise #2 doesn't apply]

--If you rip off my crops I no longer have them and no longer can reap the benefit from them; but if you rip off my ideas I still have them and can use them

--notion of information as public goods [1-16-17}

11.What is the effect of this difference on the economic analysis of IP?

(a) Must rely exclusively on the behavioral premise and creation of incentives

(b) In every case or class of cases the benefit of incentive-creation or reinforcement has to be weighed against the costs of monopolization

--I.e., once the P rights exist, in the case of real P they can still promote benefit because of the danger of TOC; but in the case of IP once the P rights exist it's all downhill (artificial restriction that causes costs and doesn't avoid any)

--Result: IP is always trying to do a complex balance (cost/benefit analysis) involving balancing the plus of information that will be created because of granting P versus the minus of information that will not be disseminated and used because of the restrictions caused by granting P

--Do you think there's an algorithm or a hard and fast rule for this balance? [what kinds of issues will you expect to find embedded in IP doctrines?]

(c) For example, describe the standard economic story re Copyrights: [too little will be published unless first publishers can have a monopoly to exclude subsequent publishers for X years]

--Is this true? [Depends on empirical factors? which ones?]

--esp. these:

- extent of excess of first copy cost over subsequent copy cost;
- extent of "lead time" to first publisher;
- what is X?;
- extent of costs of implementing a P system in this field

[Note Breyer's famous article, cited in n. 2 on 1-24]

(f)-Describe the standard economic story re Patents: [too few useful inventions will be created unless inventor can have a monopoly on use for X years]

--Is this true? [Depends on empirical factors? which ones?]

--What should we make of George Priest's comment (note 3 on 1-24)?

IP 97 Class No. 2

1. What is a trade secret? [information of monetary value to your business which actually is a secret]

--Examples: formula for Coke; Thoreau family pencils...

2. What policy argument(s) might support giving you legal remedies against use of your trade secret by your competitor? [How do doctrinal features fall out of these arguments?]

(a) Trade Secret Proposition 1: Too little information enabling business to run more efficiently and produce valuable goods for society will be produced if competitors can appropriate it after production and use it to compete against you [benefit internalization]

--legal doctrine paying attention to this might require that the protected information actually add value [how hard did you work to produce it? how hard did you try to keep it secret?]

(b) Trade Secret Proposition 2: Too little social welfare results if business energies are wasted in costly efforts to steal other people's productions and costly efforts to protect against such thefts [undermining necessary cooperation/fostering arms race]

--legal doctrine paying attention to this might hold liable those who acquire secrets by improper means [breach of fiduciary relationship; industrial espionage]

(c) Why do casebook authors refer to 2 theories of trade secret protection?

--tort: wrongful act of defendant [prevent arms race]

--property: ownership right of plaintiff [achieve benefit internalization]

--In economic theory, these two tend to coalesce. If you're tort-oriented, you might lay more stress on the nature of the wrongful act by defendant; if you're property- oriented, you might lay more stress on the contours of the ownership/ possessory right in plaintiff

3. Look at this the other way:

[Anti-Trade Secret Proposition 3]: It is not fair or efficient to let one business keep to itself the better or more cost-effective way of doing something

--Are there circumstances where this proposition is true? These circumstances will give rise to legal doctrines excluding them from trade secret protection [independent discovery, including reverse engineering]

4. Can some things be covered both by trade secret and by patent? How would you choose one or the other? [come back to this question]

5. If an entrepreneur kept valuable information secret forever, no need would arise for a legal remedy.

(a) It might be very expensive to keep information absolutely secret forever. It can be argued that giving a legal remedy relieves entrepreneurs from part of the expenditures they would otherwise have to expend to keep information absolutely secret. [But if they don't spend enough then it won't be a secret and there won't be legal protection]

(b) In practice the secret won't be very useful if not disclosed to some people. But these people can become turncoats. This is how a lot of trade secret litigation arises. There are three basic scenarios:

(1) [Changing trading partners] Disclosure by seller to gain supply contract; later, buyer goes to competitor [or vice versa -- disclosure by buyer to get something supplied to specifications; later, supplier makes same thing for a competitor (as in Metallurgical case)]

--also joint venture partners

(2) [Changing employers] Disclosure by employer to employee; later, employee goes to competitor [as in GM vs. Volkswagen case]

(3) [Skulduggery] Industrial espionage

6. Now look at doctrinal formulation: What's a trade secret?

(a) Rest. Torts: any information "used in one's business" which gives its owner "an opportunity to obtain an advantage over competitors who do not know or use it," so long as the information is in fact a secret [sec. 757 comment b, quoted at beginning of ch. 2-A-2][quoted in Metallurgical v. Fourtek]

(b) Rest. 3d Unfair Comp. (Stat Supp (15))sec. 39: "any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others"

(c) Uniform Trade Secrets Act (Stat Supp (35) sec. 1(4): "information. . . that (i) derives independent economic value. . . from not being general known to, [and not being readily ascertainable by proper means by,] other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy" [also in ch. 2-A-2]

7. What are the elements of the c/a for misappropriation of trade secret? [Look at Uniform Act sec. 1(2), ch. 2-A-2 and Stat Supp (34-35)] According to UTSA, there are three basic elements:

(a) Information must eligible kind of information [and] be secret (enough) [not generally known]

(b) Wrongfully acquired by defendant

--breach of contract; breach of implied fiduciary duty; skulduggery

(c) Plaintiff took reasonable precautions to keep secret

[Query whether the third element is separate? Maybe first element will take care of it?]

8. Consider Metallurgical Industries v. Fourtek (ch. 2-B-1) [included in book because judge tried to give definition of trade secret]:

(a) Facts: Metallurgical Industries was in the business of reclaiming tungsten carbide for re-use. In the 1970's it changed from the cold-stream process to the zinc recovery process (involving exposing the tungsten carbide to zinc in a furnace at high heat). Metallurgical ordered two zinc recovery furnaces from Therm-O-Vac, dealing with its representative, Bielefeldt.

Metallurgical Industries modified the furnaces to make them work better [inserted chill plates to create a temperature differential; replaced the one large crucible with several smaller ones; used unitary instead of segmented heating elements; installed a filter to keep zinc particles from clogging the vacuum pumps]. Therm-O-Vac went bankrupt and four of its employees, including Bielefeldt, founded Fourtek. In 1980 Fourtek built a zinc recovery furnace for Smith International which incorporated Metallurgical's improvements.

Metallurgical sued Smith International and Bielefeld and the other Fourtek principals.

(b) The trial court granted defendants' motions for directed verdicts. On what grounds?

--Metallurgical's information wasn't a trade secret, so Bielefeldt and co. were free to use it. Why did district ct think it wasn't a trade secret?

--zinc recovery process was well known
--information obtained by Bielefeldt was too general
--elements of the modifications were well known
--no protection for "negative know-how"
--not enough effort to keep secret (disclosure to Consarc and La Floridienne) [Who were they? --Consarc was a proposed supplier; La Floridienne was a licensee]

(c) The appellate court reversed (i.e., issue of whether this was a trade secret should go to jury). Why did appellate ct think it could qualify as a trade secret?

--Adopts 1939 Rest. Torts definition

--Particular modifications unknown in the industry

--Enough efforts to keep secret; limited disclosure OK if furthering economic interests [what kind of evidence here?]

--Plaintiff shows that info. has value and that it expended $ to develop it [what kind of evidence here?]

--Why should plaintiff have to show these two things? [What is ct's rationale for these requirements?]

--["It seems only fair that one should be able to keep and enjoy the fruits of his labor. . . ."]

(d) When this goes to the jury, how will it come out?

9. If Smith got info. from Bielefeldt but didn't know the info. came from Metallurgical or that Metallurgical was trying to keep it secret, what result? [see Uniform Act sec. (2)(ii)(b)(I) and (III)]

10. Question in Note 2: What if defendants had acquired information about metallurgical's process from Consarc or La Floridienne?

11. Problem 2-1: [B is not liable; once B has the info., can either of the others be liable?]

12. Suppose the info. on how to modify the furnaces was contained in a scientific publication, but Smith obtained it from Bielefeldt (who took it improperly from Metallurgical) rather than from the "proper" source -- is Smith liable?

--Rohm & Haas: Must information actually be "known" to competitors to obviate existence of secret, or merely be "readily ascertainable through proper means"?

--Uniform Trade Secrets Act says "readily ascertainable by proper means" (Supp 35)

--But old Restatement rules said actually known [and some states including California have adhered to the old rules by deleting "readily ascertainable" in the Uniform Act

--What's the difference between these two?

13. [So much for actual existence of secrecy][We'll do "improper means" later][Next, consider what counts as reasonable efforts to maintain secrecy -- Judge Posner in Rockwell Graphic Systems v. DEV (ch. 2-B-2)

(a) Facts: Rockwell manufactured printing presses. It outsourced production of spare parts for old presses. Engineering drawings for those parts were valuable (not easily reproduced by those who might need to repair press). Fleck and Peloso worked for Rockwell and had access to the drawings. They later went to work for DEV, a competitor (Fleck is the president). Peloso was fired from Rockwell after a security guard caught him removing drawings from Rockwell's plant. In discovery, 100 of the drawings turned up in DEV's possession, and DEV can't prove they obtained them properly.

Lower court ruled that Fleck and Peloso were off the hook (granted summary judgment for defendants) because these drawings weren't really trade secrets, because Rockwell hadn't made enough effort to keep them secret.

(b) What precautions did Rockwell take? What further precautions could they have taken?

(c) How does Judge Posner approach the Q of whether their precautions might be sufficient (i.e. can't be held insufficient as a matter of law)?

--precautions as evidence that defendant must have obtained them improperly [focusing on wrongful act]

--precautions as evidence that plaintiff's secret has high value [focusing on benefit internalization]

--would be windfall to plaintiff if "permitted to recover damages merely because the defendant took the secret from him rather than from the public domain as it could have done with impunity" [UTSA position and not Restatement position]

-Question is whether the additional benefit in security would have exceed the cost of more security efforts [for jury]

-"If trade secrets are protected only if their owners take extravagant, productivity-impairing measures to maintain their secrecy, the incentive to invest resources in discovering more efficient methods of production will be reduced, and with it the amount of invention."

IP 97 Class No. 3

1. Recall elements of cause of action for misappropriation of trade secret:

[Look at Uniform Act sec. 1(2), ch. 2-A-2 and Stat Supp (34-35)] According to UTSA, there are three basic elements:

(a) Information must eligible kind of information [and] be secret (enough) [not generally known]

--[not readily ascertainable by proper means]

(b) Wrongfully acquired by defendant

--breach of contract; breach of implied fiduciary duty; skulduggery

(c) Plaintiff took reasonable precautions to keep secret

2. Last class we talked about existence of (enough) secrecy. [We'll do "wrongfully acquired" later][Next, consider what counts as reasonable efforts to maintain secrecy -- Judge Posner in Rockwell Graphic Systems v. DEV (ch. 2-B-2)(47)

(a) Facts: Rockwell manufactured printing presses. It outsourced production of spare parts for old presses. Engineering drawings for those parts were valuable (not easily reproduced by those who might need to repair press). Fleck and Peloso worked for Rockwell and had access to the drawings. They later went to work for DEV, a competitor (Fleck is the president). Peloso was fired from Rockwell after a security guard caught him removing drawings from Rockwell's plant. In discovery, 100 of the drawings turned up in DEV's possession, and DEV can't prove they obtained them properly.

Lower court ruled that Fleck and Peloso were off the hook (granted summary judgment for defendants) because these drawings weren't really trade secrets, because Rockwell hadn't made enough effort to keep them secret.

(b) What precautions did Rockwell take? What further precautions could they have taken?

(c) How does Judge Posner approach the Q of whether their precautions might be sufficient (i.e. can't be held insufficient as a matter of law)?

--precautions as evidence that defendant must have obtained them improperly [focusing on wrongful act]

--precautions as evidence that plaintiff's secret has high value [focusing on benefit internalization]

--would be windfall to plaintiff if "permitted to recover damages merely because the defendant took the secret from him rather than from the public domain as it could have done with impunity" [UTSA position and not Restatement position]

-Question is whether the additional benefit in security would have exceed the cost of more security efforts [for jury]

-"If trade secrets are protected only if their owners take extravagant, productivity-impairing measures to maintain their secrecy, the incentive to invest resources in discovering more efficient methods of production will be reduced, and with it the amount of invention."

[(d) How does Judge Posner approach the question of whether these drawings really have ceased to be a secret, even if the precautions were reasonable?]

3. Come back to "wrongfully acquired." This has two parts: (1) either breach of duty or (2) "improper" means [skulduggery]. Breach of duty in turn has two parts, either (a) breach of express contract or (b) breach of implied fiduciary duty.

Consider "improper" means: DuPont v. Christopher (63)

(a) What methods of industrial espionage have you heard about?

--bribe employees to give you documents, pictures, computer data bases

--"bug" conference rooms

--listen in on cell phone conversations

--use listening equipment in parking lot

--"hack" into computers and download data

--intercept and copy e-mail

(b) What happened in DuPont?

Facts: DuPont had a secret process for producing methanol. A new plant was under construction and roof wasn't on yet. X, an unknown person or corporation, hired the defendants in this case to fly over and take photos.

Who should DuPont sue? X. But what if it can't find out who X is?

In this suit DuPont sued the people who took the photos, claiming wrongful appropriation of its trade secret (63). During the litigation the aerial photographers wouldn't answer Q's about who X was. DuPont moved to compel them to answer.

Then what? [Do they have to answer? Depends upon whether DuPont states a valid claim against them.....

(c) Argue for defendant: DuPont has no valid claim against us, because...

--we didn't breach any confidential relationship

--we didn't do anything illegal

(d) Ct applies Texas law, which had adopted Rest. 757 (see 64)

-- "improper means" is independent of the requirement of "breach of confidence"

--cf. Unif. Act (2) (ii) (A)[Supp 34, (2)(ii)(A)]

(e) So what is improper means?

--independently illegal? [e.g., trespass?]

[see comment f, (65)][cf. Unif. Act 1(1)]

--immoral? (66)

--inefficient to protect against? (66)

(f) What if X didn't hire the Christophers but as independent entrepreneurs they took the photos and then shopped them around to DuPont's competitors? [Can competitor Y safely purchase the photos?]

--Is competitor Y acquiring by improper means?

--See Unif. Act 1(2)(i)

(g) What if competitor observes your product and deconstructs it, then builds a copy? [see note on reverse engineering (67n.2)][also locksmith case --Fanberg] [Why is reverse engineering exempt?]

[--Is what the Christophers did just a method of viewing the competitors product?]

--Trying to view a "process," which is harder than viewing a "product" [see note 2 (67)

[So how "devious" can you be, as long as you don't commit a tort such as trespass? (1) use information overheard in bar across the street from the plant? (2) follow trucks leaving the plant to see where they come from to learn what they're supplying? (3) carefully read classified ads to see what employees are needed to deduce what company is doing? (4) get investigative reporter to do a story on it? (5) pretend you're an investigative reporter doing a story?]

--Problem 2-6 (68): Suppose Christophers could have "readily ascertained from a proper source"? [BTW, in this problem does duPont have a c/a against the EPA for destroying its trade secret?][see Monsanto (62)]

4. So much for skulduggery (Part I of "wrongfully acquired.") Now Part II: breach of duty/confidential relationship

(a) Duty of nondisclosure can be express (contractual). Get people to sign NDA's before they see any of your confidential drawings, documents, etc. (See, e.g., (101).)

(b) Under what circs will duty of nondisclosure be implied? Consider Smith v. Dravo (69)

--Facts: Mr. Smith invented shipping containers. Some aspects were patented and some were kept as trade secret. His business was just getting started when he unfortunately died. His estate wanted to sell the business to pay inheritance taxes.

--Defendant (operator of a barge line) negotiated with Cowan, the estate representative, about buying the business. Cowan sent detailed information; also, defendant's representatives traveled to Sturgeon Bay , Wisconsin, and viewed the plant.

--Negotiations broke down when defendant refused to accept any of plaintiff's offers. The day after the final negotiation, the defendant informed plaintiff's customer that it would supply shipping containers itself. It made them 4 inches narrower so they wouldn't interoperate with plaintiff's. It sold them to customers on lists disclosed by the plaintiff during the negotiations.

--Cowan didn't get defendant to sign any agreement promising not to disclose information before he disclosed everything to defendant.

(c) Ct holds for plaintiff--why? [(71) -- understood disclosure was for limited purpose; trust][cf. Rest. 3d Unfair Comp. sec. 41 (73)]

(d) Argue for defendants?

--Cowan didn't take reasonable precaution to protect this bec. asking for NDA is cheap

--Defendant didn't appropriate trade secret because it made changes in the product [see (74 n. 6)]

--No trade secret here in the first place? [see (72) notes 1-2]

5. Consider more generally methods of "proper" acquisition (that negate the 2d element of the c/a):

(a) Holder does something to lose the the secret: e.g., publication

--analogy in real P: abandonment; dedication to public

(b) Holder does nothing--competitor discovers it independently

--including "reverse engineering" (74)

--what is reverse engineering? [have you reverse engineered anything?]

--no analogy in real P? [patents are more like real P in that you own the idea no matter how someone else comes by it]

6. Consider Chicago Lock v. Fanberg (75):

(a) Facts: Chicago Lock Co. (plaintiff) made tubular locks which were especially secure because keys are difficult to reproduce. In order to get duplicates when they needed them, customers hired locksmiths to pick the lock, decipher the tumbler configuration and grind a duplicate tubular key. Locksmiths recorded the key code (i.e. the tumbler configuration) and the serial number of the lock when they had to do this, in case they were called upon to do it again. Victor Fanberg (defendant) collected this info. from the various locksmiths and made it into a manual which explained how to make duplicate keys for all the locks for which any locksmith had done this, provided the serial number was known. He sold the manual for $49.95, and had sold 350 of them by the time of trial. Chicago Lock Co. did not grant permission for these activities.

Trial ct held: The key codes constituted a trade secret, and Fanberg acquired them through improper means, therefore liable for misappropriation of Chicago Lock Co.'s trade secret

--What exactly did they do that was improper?

(b) 9th Circuit reverses:

--If Fanberg bought a bunch of locks himself, and figured out the key codes and published them, this would not be improper means. (77) [Explain?]

--But, did the individual locksmiths behave improperly in transmitting the info. to Fanberg knowing he was going to collate it and publish it? [And did Fanberg behave improperly by collating and publishing?]

--Ct says (78) the locksmiths may have owed an implied duty to the customers not to disclose their key codes, but they do not owe an implied duty to the lock company

--Therefore defendant Fanberg didn't improperly procure any improper activities by the locksmiths

(c) 9th Circuit explains that reverse engineering is legal. If it weren't, trade secret would be more like patent monopoly. And that would be preempted by federal patent law (79)

--why is it thought to be a good idea to have trade secret weaker than patent in this way?

7. Consider problem 2-9 (80):

(a) Is it legal to reverse engineer a product if the company doesn't know that's what you want it for and wouldn't have sold it to you if it knew? [once product is sold on the market, anyone can reverse engineer]

(b) Can company get around this by licensing rather than selling, and making licensing (contract) conditional on promise that buyer will not disclose info. and will not resell?

--cf. (80n.2): can trade secret owner get user to contract not to reverse engineer?

(c) If info. is acquired "improperly" but then you add value for the public, does this excuse the tainted acquisition? [No; but why not?]

IP 97 Class No. 4

1. Reverse engineering [cont'd]

Chicago Lock v. Fanberg (75)[cont'd]:

(a) Facts: Chicago Lock Co. (plaintiff) made tubular locks which were especially secure because keys are difficult to reproduce. In order to get duplicates when they needed them, customers hired locksmiths to pick the lock, decipher the tumbler configuration and grind a duplicate tubular key. Locksmiths recorded the key code (i.e. the tumbler configuration) and the serial number of the lock when they had to do this, in case they were called upon to do it again. Victor Fanberg (defendant) collected this info. from the various locksmiths and made it into a manual which explained how to make duplicate keys for all the locks for which any locksmith had done this, provided the serial number was known. He sold the manual for $49.95, and had sold 350 of them by the time of trial. Chicago Lock Co. did not grant permission for these activities.

Trial ct held: The key codes constituted a trade secret, and Fanberg acquired them through improper means, therefore liable for misappropriation of Chicago Lock Co.'s trade secret

--What exactly did they do that was improper?

(b) 9th Circuit reverses:

--If Fanberg bought a bunch of locks himself, and figured out the key codes and published them, this would not be improper means. (77) [Explain?]

--But, did the individual locksmiths behave improperly in transmitting the info. to Fanberg knowing he was going to collate it and publish it? [And did Fanberg behave improperly by collating and publishing?]

--Ct says (78) the locksmiths may have owed an implied duty to the customers not to disclose their key codes, but they do not owe an implied duty to the lock company

--Therefore defendant Fanberg didn't improperly procure any improper activities by the locksmiths

(c) 9th Circuit explains that reverse engineering is legal. If it weren't, trade secret would be more like patent monopoly. And that would be preempted by federal patent law (79)

--why is it thought to be a good idea to have trade secret weaker than patent in this way?

2. Consider problem 2-9 (80):

(a) Is it legal to reverse engineer a product if the company doesn't know that's what you want it for and wouldn't have sold it to you if it knew? [once product is sold on the market, anyone can reverse engineer]

(b) Can company get around this by making buyer promise not to reverse engineer and disclose info. and not resell to someone who will?

--can't get promise not to resell (restraint on alienation)

--but, can you do it with licensing? [give buyer a license to use your product with its info., rather than selling product, and make license conditional on not reverse engineering it]

--cf. (80n.2): can trade secret owner get user to contract not to reverse engineer? ["cts are split on this"]

(c) If info. is acquired "improperly" but then you add value for the public, does this excuse the tainted acquisition? [No; but why not?]

3. Go back to wrongful acquistion of trade secrets, breach of duty of confidentiality: the special case of departing employees (82)

-- Will it count as improper acquisition of trade secrets Jones leaves company A and goes to work for company B, bring info. with him that was valuable to company A and now will be valuable for its competitor?

(a) Problem is this can range from taking 500 boxes of documents to memorizing something on purpose to simply knowing it as a by-product of one's work experience....

--we want to prevent employees from stealing documents

--we want to leave employees free to change jobs and practice their skills; we want to leave employees free to use the fruits of their learning and experience

--see, e.g., SI Handling (82) ["under Pennsylvania law and employee's general knowledge, skill, and experience are not trade secrets"]

--this countervailing concern affects remedies as well as liability [we don't want to enjoin people from working...]

(b) Consider Informix v. Oracle: Who will win? [What questions would you want to ask?]

(1) Did the 11 engineers sign an agreement with Informix? What did it say? [under contract to work for a period of time? under contract w/r to secret information? under contract w/r to not working for competitors?] ["confidentiality agreement" (col. 3)]

--What does employment agreement usually look like?

--confidentiality
--invention assignment
--noncompetition

--See example (101-102) [come back to this: consider whether this is enforceable]

(2) What means did Oracle use to "lure away" the engineers?

(3) What information do the engineers have and how secret is it? [extended parallel server; Universal Server][research firm says Informix is 12-18 months ahead of the competition]

--Will Informix want to give this information to the court?

(4) Could Informix argue that allowing the engineers to work for Oracle will inevitably disclose their trade secrets, causing breach of their confidentiality agreements, therefore this should trump the engineers' interest in working where they choose?

--in general, no law against competitor hiring away employees (Diodes (85))

--But cf. PepsiCo v. Redmond (90) [upheld preliminary injunction preventing Gatorade/Snapple from employing former Pepsi manager][more often this argument is rejected]

(5) What remedy will Informix ask for? [something designed to prevent the employees from disclosing their trade secrets -- see col. 3]

3. Now consider covenants not to compete. [Rather than just making employees promise not to disclose trade secrets, you make them promise not to engage in any competing business]

(a) Problem is, are they enforceable? [If you work for Microsoft once, can you be prevented from ever working for another software company anywhere in the world for the rest of your life?] [If permitted, these will be limited in time and geographical scope (if relevant}

(b) Consider CTI v. Software Artisans (86):

Facts: Hawkes signed agreement not to engage in competing business for 12 months after he left CTI. He and others left CTI and founded a new competing company.

--This was upheld under traditional "reasonableness" test (86-7)[general rule...]

--Cf. New York (88): unenforceable unless needed to prevent disclosure of trade secrets

--Cf. California(88): unenforceable against employees (but "reasonableness" test applies if ancillary to sale of business)[So that's probably why Informix didn't make their engineers sign them...]

4. Suppose employer did not make you sign either confidentiality or noncompetition agreement. In the absence of agreement, are you free to work for competitor B using information you picked upon the job at company A?

(a) What factors will be relevant to deciding this question?

--Is the information actually secret? [Does absence of K show lack of precautions to keep secret?]

--Is there an implied duty to keep secret?

--[How much will you be prevented from practicing your profession or trade?]

(b) Consider Wexler v. Greenberg (93):

Greenberg was chief chemist for Buckingham Wax Co. His job was to reverse engineer competitors' products and to develop new formulas. Buckingham supplied products to Brite who marketed to users. Later Brite hired Greenberg and he developed facility to make the stuff themselves using formulas he developed when he worked for Buckingham.

-Can Buckingham enjoin?

--[no trust or confidential relationship; merely his routine duties]

-What could Buckingham have done to make this come out differently?

--[Make him sign NDA? covenant not to compete? make clear how much effort company put in...?][agreement stating that everything he does becomes P of the company?]

5. What if Greenberg had signed employment contract in which he promised not to use in competitor's business anything he discovered while working at Buckingham? Consider covenants to assign inventions:

(a) [Can employer claim that it owns everything that was in your thoughts during the time you worked for it?]

--see (102) para 2 [note "trailer clause" (99)--enforceable only if "reasonable"]

(b) [If not, can employer claim that it owns everything that you reduced to writing during the time you worked for it?]

-- [If you invent something but don't write it down until the day after you quit, are you in the clear?]

(c) [Only during working hours? Only related to company business?]

--see Cal. Labor Code sec. 2870 (98) ["freedom to create statutes"]

6. Consider common law rules for patentable inventions (97):

--hired to invent: belongs to employer

--inventions in employers shop: shop rights

--independent invention: belongs to employee

7. Review contract on (101): Is it enforceable?

8. Contracts to license the use of trade secrets:

(a) Big problem: licensee needs to see secret in order to buy, but once it sees, why should it buy?

--at least, an argument to make enforcement of contractual NDA's very strict

(b) If you contract to license a trade secret needed to manufacture your product, and pay royalties, can you stop paying royalties once the info. is no longer secret?

(c) Consider Warner-Lambert (103)

--Facts: Warner-Lambert licensed the secret formula for Listerine 75 years ago. Judge interprets K as promising to pay royalties for as long as Warner-Lambert manufactured the product. In the meantime, the formula has become public knowledge. Warner-Lambert sues for declaratory judgment that it doesn't have to pay anymore.

--Argue for Warner-Lambert: Successors of the inventor no longer have any P rights. My competitors don't have to pay, so they can produce more cheaply against me.

--Argue for Lawrence successors: Freedom of K; K doesn't depend on how long my P rights last [if we meant that, we could have said so]

--Result: Contract wins

--See notes 2 and 3 (107) [This rule is "controversial" -- and it raises the larger question to what extent actors can contract out of P rules]

NEXT WEEK: 108-168[trade secret remedies (108) [Litton; Lamb-Weston]; Intro. to patents (121); patentable subject matter (136) Diamond v. Chakrabarty (136); Funk Bros. (144); Parke-Davis (147); utility, Brenner, to 168]]

IP 97 Class No. 5

1. Contracts to license the use of trade secrets: [This is an ordinary contract, with a couple of wrinkles]

(a) Big problem: licensee needs to see secret in order to buy, but once it sees, why should it buy?

--not a problem with Listerine [you can see product w/o seeing secret] but what about database [e.g., all cooks who have experience w/ curlicue fries]

--at least, an argument to make enforcement of contractual NDA's very strict

(b) If you contract to license a trade secret needed to manufacture your product, and pay royalties, can you stop paying royalties once the info. is no longer secret?

--of course, your contract can provide for this. But what if it doesn't?

(c) Consider Warner-Lambert (103)

--Facts: Warner-Lambert licensed the secret formula for Listerine 75 years ago. Judge interprets K as promising to pay royalties for as long as Warner-Lambert manufactured the product. In the meantime, the formula has become public knowledge. Warner-Lambert sues for declaratory judgment that it doesn't have to pay anymore.

--Argue for Warner-Lambert: Successors of the inventor no longer have any P rights. My competitors don't have to pay, so they can produce more cheaply against me.

--Argue for Lawrence successors: Freedom of K; K doesn't depend on how long my P rights last [if we meant that, we could have said so]

--Result: Contract wins

--See notes 2 and 3 (107) [This rule is "controversial" -- and it raises the larger question to what extent actors can contract out of P rules][Recall previous discussion of employment contracts promising not to use any information even if it's no longer a trade secret]

2. Remedy for misappropriation of Trade Secret: What are the possibilities?

(a) Plaintiff has traditional P-rule entitlement [damages for past use, plus permanent injunction against future use]

(b) Plaintiff has a permanent liability-rule entitlement [damages for past use plus compulsory license payments for future use]

(c) Plaintiff has P rights (either P-rule or L-rule) only until the info.

actually ceases to be secret

(1)-- until plaintiff ceases to keep it secret?

-- until someone else discovers/reverse engineers?

(2)-- defendant can apply to dissolve the injunction?

-- write injunction for only as long as ct thinks it would reasonably take for others to discover the info.?

(d) What about kicker for extra deterrence? [don't change P rules into L rules at will] --e.g., treble or punitive damages?

3. How will we measure damages for past use?

(a) disgorge defendant's excess profit [unjust enrichment]

(b) pay for plaintiff's lost profit? [compensatory]

(c) amount equal to a reasonable royalty?

--how will ct figure this out? (110)

4. What remedy options are chosen by the UTSA? (108-9); (Supp 35); What remedy options are chosen by the Rest.3d of Unfair Competition? (Supp 16-17)

5. Consider Litton systems (110):

(a) Litton engineer testified that as a result of defendant's theft of its trade secrets, it had lost various contracts and the value of its San Carlos operation had declined significantly.

(b) Law and economics scholar no. 1 (Rosenfield), for the plaintiff Litton, stressed deterrence: damages should exceed the greater of the victim's loss or the thief's expected gain, multiplied by a factor which reflects the probability of detection.

[On this theory, what would be wrong with limiting damages to the victim's actual loss?]

[On this theory, what would be wrong with limiting damages to the defendant's actual unjust enrichment (gain due to theft)?]

(c) Law and economics scholar no. 2 (Teece), for the defendant Ssangyong, stressed administrability: damages should be equal to disgorging defendant's actual gain from the trade secret theft.

[On this theory, what would be wrong with assessing punitive damages to achieve extra deterrence?]

[On this theory, what would be wrong with assessing damages on the basis of defendant's expected gain at the time of the theft?]

(d) What did the judge decide? (see 113, last paragraph)

(e) Question 3 (114): Does the UTSA permit Judge Walker to do this?

6. Injunctions (see Lamb-Weston (114):

(a) Will injunctions be appropriate in departed employee cases?

--Depends. See, e.g., Baxter int'l v. Morris (118); recall Pepsico v. Redmond (90-93) [unusual case]; what relief will be appropriate (if any) in Informix v. Oracle?

(b) How will length of injunction be determined? [one common method is "head start" theory: enjoin defendant from using the stolen info. until such time as defendant could have discovered it by proper means][Head Ski case (116)]

(c) Facts of Lamb-Weston:

Plaintiff Lamb-Weston invented a process and equipment for producing curlicue fries. It started working on the process in 1986 and was issued 2 patents on May 22, 1990 [at which point the process and equipment ceased to be secret]. Before that, in January 1990, Lamb-Weston employees allegedly gave copies of the patent application to defendant McCain, which allegedly built a prototype before the patents issued in May.

The court imposed an 8-month injunction against McCain to make up for its improper head start. The injunction took effect March 27, 1991. McCain on appeal says ct abused its discretion because (1) didn't make findings about how long it would have taken McCain to develop helical blade independently, (2) injunction should have ended on April 19, 1991 (rather than on [November 27, 1991]).

Held: Length of injunction was not abuse of discretion, because:

--Plaintiff says head start was 18 months, not 12, so if theft took place in April 1990, injunction should end October 1991

--"Although the shape of the blade and the slicing process was public on May 22, the specifications, materials and manufacturing process for making the blade were still trade secrets because they were not included in the patent applications." (116)

--see note 2 (117)

7. Intro. to patent.

(a) Read (121-128) as background; (I'm trying to get biotech appendix promised in (121 n. 1).

Start with overview of patent laws on (128); look at Patent Act (281)

--Sec. 101 -- Whoever invents or discovers...

--Sec. 271 -- Whoever without authority makes, uses, offers to sell, or sells...

--Sec. 154(2)--Such grant shall be for a term [20 years from date filed]

(b) As casebook says (129), there are five basic requirements for patentability:

1. patentable subject matter [what things can and cannot be propertized?]

2. novelty [not anticipated]

3. utility [has to work]

4. non-obviousness [has to be a leap forward]

5. enablement [sufficient disclosure]

(c) The central part of a patent is what exactly you stake out P rights in (see p. 130): (because they're staked out in words instead of metes and bounds, there's an inherent vagueness)

--make claim as broad as possible? [a nonhuman mammal, rather than a mouse][means for support, rather than legs]

--but what if some previous patent covers some other nonhuman mammal?

--i.e., the trick is to make as broad as possible and still be novel enough

(d) patent litigation has 2 parts

--my device doesn't infringe

[claims (as interpreted) don't "read on" the "accused device"]

--even if it does, your patent is invalid

[your patent doesn't meet all five requirements as above]

(e) cts hold patents invalid in a nontrivial number of cases (though see (128), CAFC is upholding them more than disparate cts did previously); moreover, cts are not always in sync with the PTO

--policy differences

--PTO examiner my not have expertise or the benefit of high-priced lawyers and experts

--patents only get litigated when they turn out to be valuable

8. Consider first element of patentability [subject matter]; Diamond v. Chakrabarty (136)

NEXT WEEK: 108-168[trade secret remedies (108) [Litton; Lamb-Weston]; Intro. to patents (121); patentable subject matter (136) Diamond v. Chakrabarty (136); Funk Bros. (144); Parke-Davis (147); utility, Brenner, to 168]]

IP 97 Class No. 6

1. As casebook says (129), there are five basic requirements for patentability:

    1. patentable subject matter [what things can and cannot be propertized?]["statutory subject matter"]

    2. novelty [not anticipated][not in prior art]

    3. utility [has to work]

    4. non-obviousness [has to be a leap forward][not obvious to one skilled in prior art]

    5. enablement [sufficient disclosure][to one skilled in prior art]

2. Claims: The central part of a patent is what exactly you stake out P rights in (see p. 130): (because they're staked out in words instead of metes and bounds, there's an inherent vagueness)

(a) make claim as broad as possible? [see, e.g., "Transgenic nonhuman mammals" (150) rather than a mouse][means for support, rather than legs]

--but what if some previous patent had covered some other nonhuman mammal?

(b) i.e., the trick is to make as broad as possible and still be novel enough

3. patent litigation has 2 parts

(a) my device doesn't infringe

[claims (as interpreted) don't "read on" the "accused device"]

(b) even if it does, your patent is invalid

[your patent doesn't meet all five requirements as above]

4. cts hold patents invalid in a nontrivial number of cases (though see (128), CAFC is upholding them more than disparate cts did previously); moreover, cts are not always in sync with the PTO

--policy differences

--PTO examiner may not have expertise or the benefit of high-priced lawyers and experts

--patents only get litigated when they turn out to be valuable

5. Consider first element of patentability [subject matter];

What types of things are patentable under the statute? Does the constitution limit what Congress can make patentable? [application to living things? computer programs?]

(a) What does the Patent Act tell us about what is properly the subect of patent? [Read sec. 101 again together with sec. 100]

-process [means process, art or method; includes a **new use** of a known process, machine, manufacture, composition of matter, or material][or improvements on an existing process]

-machine [or improvements on an existing machine]
-manufacture [or improvements on an existing manufacture]
-composition of matter [or improvements on an existing composition of matter]

-Example of a new use of a known process? new use of a known machine? new use of a known manufacture? new use of a known composition of matter? new use of a known material?

-Example of improvements on a process? machine? manufacture? composition of matter?

-Note: if you get a patent on improvements, if the underlying process is patented, you still can't use it without paying for it

(b) Does the Constitution limit what Congress can make patentable? ["to promote the progress of . . . useful arts"]

--1952 Committee reports said "anything under the sun that is made by man" (138)

(c) Traditional exclusion for natural principles (laws of nature) (138): why? [discovery of one can certainly promote the progress of useful arts in many cases]

--"manifestations of nature, free to all men and reserved exclusively to none"

--does this deter investment in basic research?

--[includes abstract ideas, mathematical formulas: causes problems for what to do about computer programs...][later]

(d) Bioengineering: should living things be patentable? [as found in nature? as made by man?] Consider Diamond v. Chakrabarty (136)

6. Diamond v. Chakrabarty (136):

(a) Chakrabarty (a microbiologist for G.E.) applied for patents relating to his development of a genetically engineered bacterium which could help clean up oil spills. His claims were of 3 types (137):

-for the method of producing the bacteria [process claim]

-for combining the bacteria with a carrier material to float on the water

-for the bacteria themselves [product claim]

Are any of these problematic? [only the bacteria themselves.... explain][Consider carefully note 5 on p. 150][product claim; process claim; product-by-process claim]

(b) How does Burger go about exploring the issue?

-his discovery is not nature's handiwork but his own; accordingly it is patentable (139)

(c) Diamond is the Patent Examiner, not some would-be infringer. What arguments does the government put forward, and how does Burger answer them?

-genetic engineering was unforeseen when Congress enacted sec. 101; including it should be left to Congress (141)

-[Patent Act is supposed to cover the unanticipated]

-[What is the relevance of Parker v. Flook -- cited on p. 141?]

-genetic engineering is dangerous

- if so, Congress should amend the Act; once we look at the plain meaning, our job is done (142)

-Congress didn't intend the Act to cover living things [otherwise it wouldn't have had to enact specific statutes to cover plants developed by humans] (139-40)

--[Did too?]

(d) Decision was 5-4: Consider dissent (Brennan, Marshall, White, Powell)(142):

-Burger can't explain away that Congress thought specific legislation was needed to get new plants covered; moreover, bacteria were specifically excluded from that legislation

-this extends the patent system (bec. Congress has previously legislated in the belief that living organisms aren't covered); shouldn't do this, esp. where "uniquely implicates matters of public concern" (144)

(e) What exactly are the matters of public concern?

--life is gift of God, not an article of manufacture

-note plant patents can monopolize food products

--impact on the farm animal gene pool

--cruelty to animals

7. Funk Bros. Seed Co. (144): Was earlier ct less willing to underwrite broad scope of patent?

(a) Plants fix nitrogen from the air using bacteria of the genus Rhizobium which infect the roots of the plant. Different plants use different bacteria. Previously, people had manufactured and sold bacteria cultured in the laboratory that were specific to particular plants (145). Mixed cultures had proved unsatisfactory because the different bacteria species were mutually inhibitory. [Why were people trying to produce a mixed culture?] Then Bond discovered that certain strains of the different species of bacteria would not be mutually inhibitory but could co-exist. "Thus he provided a mixed culture of Rhizobia capable of inoculating the seeds of plants belonging to several cross-inoculation groups." [See one of the claims in note 1, p. 144]

District ct held the product claims invalid for want of invention and dismissed the complaint. Ct of appeals held the product claims were valid and infringed.

Supreme Court says:

These qualities are the work of nature... (145)

[Explain Frankfurter concurrence (146): Apparently Bond's claims were so broad as to cover anyone who combined any mutually compatible strains. Frankfurter thought that reached too far (would cover the idea of alloying metals, for example, and not just particular alloys); instead, he thought that particular strains should be identified and that a new and useful property result from their combination.]

8. Also consider Parke-Davis (147): Was L. Hand concerned more with practical commercial viability than with distinction between nature and man's handiwork?

(a) Takamine patented a pure extract from suprarenal glands of animals, which Parke-Davis (assignee of the patents), called adrenalin. [See the claim in footnote on p. 148.] A competing company marketed a competing product. L. Hand holds the patent on the product valid.

--It's not a claim for a substance that has merely been extracted but otherwise unchanged, bec.

--it doesn't have a salt

--the claim is broader, covering any product with these characteristics, however it's arrived at [reconsider note 5 on 150: should this claim be allowed?]

--[or limit this type of patent to a "product-by-process" claim?]

--"But, even if it were merely an extracted product without change, there is no rule that such products are not patentable" (148)

--"it became for every practical purpose a new thing commercially and therapeutically" (148)

--what do you think of the tree bark hypo (149 n. 1)?

(b) See note 6 (151): A new amendment bans patents on medical and surgical procedures. Why? [Is this different from Parke-Davis patenting adrenalin?]

8. "Abstract Ideas" (151): [not the idea itself, but a device to make an idea practically useful]

(a) O'Reilly v. Morse (151): Morse wasn't allowed to patent electromagnetism; but he was allowed to patent the process of using it to telegraph

(b) The Telephone Cases (152): Alexander Graham Bell was allowed to patent the telephone -- but not all telephonic uses of electricity

(c) The E-data patent?

(d) Mathematical formulas? [$e=mc^2$]

(e) Computer programs?

9. "Business Methods" (153-4)

(a) Note Judge Newman (154n.1)

(b) [Computer software will change this rule?]

10. Take a look at problem 3-3 (156).

NEXT WEEK: utility 157-168; novelty and statutory bars 168-193; nonobviousness 193-206...

IP 97 Class No. 7

1. Patent life forms (Diamond v. Chakrabarty) [cont'd]

(a) Decision was 5-4: Consider dissent (Brennan, Marshall, White, Powell)(142):

-Burger can't explain away that Congress thought specific legislation was needed to get new plants covered; moreover, bacteria were specifically excluded from that legislation

-this extends the patent system (bec. Congress has previously legislated in the belief that living organisms aren't covered); shouldn't do this, esp. where "uniquely implicates matters of public concern" (144)

(b) What exactly are the matters of public concern?

--life is gift of God, not an article of manufacture

-note plant patents can monopolize food products

--impact on the farm animal gene pool

--cruelty to animals

2. "Abstract Ideas" (151): [not the idea itself, but a device to make an idea practically useful]

(a) O'Reilly v. Morse (151): Morse wasn't allowed to patent electro-magnetism; but he was allowed to patent the process of using it to telegraph

(b) The Telephone Cases (152): Alexander Graham Bell was allowed to patent the telephone -- but not all telephonic uses of electricity

(c) The Online Resources patent?

(d) Mathematical formulas? [$e=mc^2$]

(e) Computer programs?

3. "Business Methods" (153-4)

(a) Note Judge Newman (154n.1)

(b) [Computer software will change this rule?]

4. Utility ["new and <u>useful</u>" (sec. 101)]

(a) Note on different types of utility (163)

-general (163)

-specific (164)

-moral (164-5)(gambling; spotted tobacco case; drugs and medical devices; radar detector (Whistler Corp. 165)

(b) problem of when pharmaceuticals are useful (162 n. 4)

(c) problem of when chemical process patents are useful--consider Brenner v. Manson (157)

-Facts: Manson applied for a patent on a process that produced a prticular chemical compound. The patent office denied the patent and the patent office Board of Appels agreed. The court reversed, however, because it believed that it was enough for the process to actually produce the product it was claimed to produce, so long as the product was not deterimental (158).

-That is not the test of utility, says Fortas. What possibilities are there?

--process is useful if it really does produce the product it is supposed to, even if we don't have any use for the product right now [as ct below thought]

--process if useful if it really does produce the product, and also the product is currently useful for research

--i.e., scientific laboratories will buy it?

--process is useful if it really does produce the product, and also the product is currently useful in aspects of ordinary life other than research

-What does the S.Ct. hold? (159-160)

-Rationale? ["A patent is not a hunting license.."]

(d) Is Brenner ct wrong to hold that utility for further research should not count as utility? [consider problem 3-5 (167)

5 Novelty ["<u>new</u> and useful" (sec. 101)]; [implementation in sec. 102]

6. Overview of sec. 102 (168):

(a) The patent "bargain" is that in return for a monopoly [on breathrough inventions that wouldn't have been produced otherwise] the inventor must give it to the public domain (the store of knowledge), (1) by disclosing it in the patent, so others can use if they pay, and others can build on it, and (2) can use it for free at the end of the term.

(b) The "bargain" gives rise to several separate issues:

(1)--Does the relevant public already know the exact process, etc., at the time the claimed "invention" is made? [This is called "anticipation"]

--Which parts of the statute are directed at this?

--102(a): prior to date of invention, it was (i) "known or used by others in this country; or (ii) described in a "printed publication" in any country; or (iii) "patented" in any country

--102(e): prior to date of invention, it was (iv) described in a pending application, which was later granted

(2)--Does the relevant public already have enough information so that the claimed invention is obvious at the time it is made?

--Which parts of the statute are directed at this?

--103 [to be considered later]

(3)--Who is the relevant public? [to be considered later]

(b) In addition, our system gives patents to the first to invent, rather than the first to patent (disclose). [sec. 102(g)] This system is risky for the public domain, because it encourages people to keep their inventions secret as long as possible.

(1)--Explain: Inventor A invents something important but keeps it secret. When competitor B later invents the same thing, A can contest the patent, and A would win, because first to invent. [Might be economically rational to let someone else see whether it's commercially viable and then come out of the woodwork and claim the patent!]

(2)--Which parts of the statute are directed at this problem?

--102(b): you can't get a patent if your application is dated more than one year after (i) patented in any country; (ii) described in a printed publication in any country; (iii) in public use in this country; (iv) on sale in this country;

--102(d): can't get a patent in U.S. if your application is dated more than one year after your application in a foreign country

--102(g): can't get a patent if you suppress or conceal your invention

7. Now focus on sec. 102(a) [before the applicant's date of "invention," the device was known or used in this country, or patented or described in a printed publication anywhere]

(a) Consider Rosaire (169): What counts as being known?

--Facts: Rosaire and Horvitz got two patents on method of prospecting for oil (Horvitz interest assigned to Rosaire). The method involved analyzing gases for emanations from nearby hydrocarbon deposits. They claimed they invented this process in 1936. But, "appellee contends that Teplitz and his coworkers [who worked for Gulf, not appellee] knew and extensively used in the field the same alleged inventions before any date asserted by

Rosaire"(170)

--What issues? (1) What was the date of activities of Teplitz and coworkers? (2) Does what Teplitz and coworkers did amount to being"known" for purposes of sec. 102(a)?

-[See finding of fact (170)]

--What about the fact that Teplitz invented this first and later applied for a patent in 1939 (170)? Should Teplitz get the patent instead of Rosaire? [see below; Griffith]

--What about appellant's claim that Teplitz's activities were merely an experiment?[see Picard (172-3 n. 4)
also

--What about the fact that appellee (National Lead Co.) gets to infringe someone's patent and then defend by claiming that actually someone else had it before the patentee?

--What about the fact that Rosaire and Horvitz couldn't have known what Gulf employees were doing?

(b) Summary: What counts as being known?

-public (not secret)

- any commercial use

- not an abandoned experiment

-intentionally produced (not accidental) (note 173-4)

-published [What counts as printed publication? See In re Hall]

7. Statutory bars [didn't file soon enough (time clock); or, someone else invented first even if you filed first (priority)]

(a) Read sec. 102(b)

(b) What counts as printed publication?

-Consider Hall (175)

-Facts: Hall wanted to patent a chemical compound. [What is a reissue application? see sec. 251]. Hall's effective filing date is February 27, 1979. It turns out that a German doctoral dissertation anticipated this product; the degree was awarded on November 2, 1977. Therefore, if the German dissertation counts as a printed publication, Hall's application is too late under 102(b).

- Two issues:

(1) Can a dissertation in German count as a printed

publication to bar a U.S. patent?

--Yes, if made available to the public

(2) Then, what date was this dissertation made available to the public?

--Date it was put into the main library of the University

--See Affidavit of Dr. Will (175-6)

-What date would Hall have had to have his application filed by?

--Note 3 (177): publication = available to at least one member of the general public; with journals this means receipt by at least one subscriber (thus, if you submit a manuscript by mistke you can get it back before it's published)

-See also, DuPont v. Cetus (grant proposal not a publication)

(c) Consider Problem 3-7 (177)

1 Now focus on sec. 102(a) [before the applicant's date of "invention," the device was known or used in this country, or patented or described in a printed publication anywhere]

(a) Consider Rosaire (169): What counts as being known?

--Facts: Rosaire and Horvitz got two patents on method of prospecting for oil (Horvitz interest assigned to Rosaire). The method involved analyzing gases for emanations from nearby hydrocarbon deposits. They claimed they invented this process in 1936. But, "appellee contends that Teplitz and his coworkers [who worked for Gulf, not appellee] knew and extensively used in the field the same alleged inventions before any date asserted by Rosaire"(170)

--What issues? (1) What was the date of activities of Teplitz and coworkers? (2) Does what Teplitz and coworkers did amount to being"known" for purposes of sec. 102(a)?

-[See finding of fact (170)]

--What about the fact that Teplitz invented this first and later applied for a patent in 1939 (170)? Should Teplitz get the patent instead of Rosaire? [see below; Griffith]

--What about appellant's claim that Teplitz's activities were merely an experiment?[see Picard (172-3 n. 4) also

--What about the fact that appellee (National Lead Co.) gets to infringe someone's patent and then defend by claiming that actually someone else had it before the patentee?

--Compare with real property ejectment suits; trespasser doesn't get to set up invalidity of possessor's title -- why the difference?

--no disorderly scrambles?
--public domain?

--What about the fact that Rosaire and Horvitz couldn't have known what Gulf employees were doing?

(b) Summary: What counts as being known?

-public (not secret)

- any commercial use

- not an abandoned experiment

-intentionally produced (not accidental) (note 173-4)

-published [What counts as printed publication? See In re Hall]

2. Statutory bars [didn't file soon enough (time clock); or, someone else invented first even if you filed first (priority)]

(a) Read sec. 102(b)

(b) What counts as printed publication? [similar to sec. 102(a)]

-Consider Hall (175)

-Facts: Hall wanted to patent a chemical compound. [What is a reissue application? see sec. 251]. Hall's effective filing date is February 27, 1979. It turns out that a German doctoral dissertation anticipated this product; the degree was awarded on November 2, 1977. Therefore, if the German dissertation counts as a printed publication, Hall's application is too late under 102(b).

- Two issues:

(1) Can a dissertation in German count as a printed publication to bar a U.S. patent?

--Yes, if made available to the public

(2) Then, what date was this dissertation made available to the public?

--Date it was put into the main library of the University

--See Affidavit of Dr. Will (175-6)

-What date would Hall have had to have his application filed by? [November (?) 1978]

(c) Note 3 (177): publication = available to at least one member of the general public; with journals this means receipt by at least one subscriber (thus, if you submit a manuscript by mistke you can get it back before it's published)

-See also, DuPont v. Cetus (grant proposal not a publication)

(d) Consider Problem 3-7 (177)

3. What counts as known or used (under sec. 102(b)? [similar to sec. 102(a)]

(a) Egbert v. Lippmann (178)

-Note that the predecessor to 102(b) said "in public use for more than 2 years with the consent and allowance of the inventor" (179)

Facts: Barnes invented a better corset spring and his girl friend (later his wife) used it, along with a friend of hers, starting in 1855;

he didn't apply for a patent until 1866. "In the meantime the invention had found its way into general, almost universal, use."

Ct says this is "public" and a bar: why?

[giving to someone else with no restrictions (180-81), even if only to one person]

(b) NB note 3 (182) Egbert not read broadly; but even a single sale will be a bar ["on sale"]

-Does this also apply to an offer to sell? [Yes]

(c) experimental use exception (see City of Elizabeth (183)

-Invented of more durable wooden pavement had it laid on public street, where people and horses walked on it for 6 years. Is this public use?

--No, because experimental use doesn't count [and how about the length of time? suitable for the experiment -- see (185)]

(d) Answer questions 1 and 2 on p. 187

4. Priority (187) (sec. 102(g))

(a) Under what circumstances can someone who files an application first still not get the patent? [Generally, first to invent wins]

--How does this work? [after someone files an application, or after the patent is issued, someone claiming to be first to invent files an application, and the PTO declares an interference][see sec. 135]

(b) When has someone invented? [reduction to practice]

--What is reduction to practice? [making a workable prototype]

(c) So, is it possible for A to conceive first, B to conceive second, but B reduces to practice first and counts as first to invent, B gets the patent? [even if A is first to file?]

--Yes. But only if A isn't diligent enough between conception and reduction to practice [second sentence of sec. 102(g)]

(d)What about bad incentive to keep invention secret until somebody else tries to exploit?

--second inventor can win if 1st kept invention secret [1st sentence of sec. 102(g)]

--second inventor can also win if 1st "abandoned"

(e) Consider Griffith v. Kanamaru (188)

--Griffith (for Cornell U.) and Kanamaru (for a Japanese chemical firm) both invented an aminocarnitine compound useful in the treatment of diabetes. Kanamaru got the patent and Griffith's later application for the same thing caused an interference.

--Who was first to reduce to practice?

--Griffith = January 11, 1984
--Kanamaru = [November 17, 1982 - he has to go by filing date; read note 2 on p. 191]

[not true anymore; see note on GATT/TRIPS (192-3)

--So, Griffith in order to win would have to come within the exception in 102(b)? [1st to conceive AND diligent in reduction to practice]

-Was Griffith the first to conceive?

-When did he conceive? [June 30, 1981]
-When did Kanamaru conceive? [again, has to go by filing date: November 17, 1982]

-Was Griffith diligent enough under 102(g)?

--following Univ. policy of waiting for outside funding
--waiting for a graduate student

(e) Answer question 1 on p. 191

--Griffith would win if he had reduced to practice on 11/16/82 [even though Kanamaru filed first]
--Does the diligence of the first to reduce to practice matter? [well, if he's *really* not diligent, perhaps could claim he "abandoned"]

(f) Read Note 3: Who would have won under first to file rule?

(g) Read Note 4: What happens to Griffith after Kanamaru wins?

5. Nonobviousness [how does it differ from novelty?]

(a) Read sec. 103(a)

[Note 103(b) is a 1996 amendment giving special solicitude to biotech processes--see (206n.3)]

(b) The S. Ct. explained and interpreted the nonobviousness requirement in Graham v. John Deere Co. (193)

-- Facts: Graham (a plow manufacturer) holds a patent on a spring clamp which permits plow shanks to be pushed upward when they hit obstructions in the soil. He patented one version in 1950 (the ‘811 patent) and then another version in 1953 (the ‘798 patent). The later one changes the position of the shank and the hinge plate so that the shank can flex more and this makes the plow work better. The PTO first rejected this as not being distinguished from his earlier patent (204), but then allowed it after he substituted 2 new claims.

Graham sues competitors (John Deere et al.) for using the device covered by the '798 patent. They respond that the patent is invalid; specifically that "the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art" under sec. 103. S.Ct. gets the case because two circuits reached different decisions on same patent (194).

(c) Why do patents have to meet a non-obviousness test? Is this test constitutionally required? [Yes]

--(194): innovation; advancement; and things which add to the sum of useful knowledge

--(196): not creator's natural right, but benefit to society; high standard for patentability

(d) Previous to the 1952 Act the courts used "invention" rather than non-obviousnessness

--Hotchkiss (197-8) [inventor vs. skilful mechanic]

--Cuno (199) [flash of creative genius][see last sentence of 103]

(d) Did codification as non-obviousness lower the threshold of patentability; or was it just an attempt to use less misleading words to accomplish the "same" thing? (194, 200)

(e) How will court go about determining nonobviousness?

(199) scope and content of the prior art; differences between the prior art and the claims at issue; level of ordinary skill in the pertinent art

(199): secondary considerations: commercial success; failure of others; satisfaction of long-felt demand

--NB (214) [later]

[(f) Question of law or question of fact? (199)]

(g) How applied to this case?

--what was scope and content of the prior art? (204)

--what were the differences between the prior art and the claims at issue? (204)

--what was the level of ordinary skill in the pertinent art? (205)

(h) What is the role of prosecution history ("file wrapper") in this case?

NEXT: nonobviousness [cont'd]-to 216; enablement - to 228; infringement-literal - to 241; doctrine of equivalents, etc. - to 264

IP 97 Class No. 9

1. Nonobviousness [how does it differ from novelty?]

(a) Read sec. 103(a)

(b) The S. Ct. explained and interpreted the nonobviousness requirement in Graham v. John Deere Co. (193)

-- Facts: Graham (a plow manufacturer) holds a patent on a spring clamp which permits plow shanks to be pushed upward when they hit obstructions in the soil. He patented one version in 1950 (the '811 patent) and then another version in 1953 (the '798 patent). The later one changes the position of the shank and the hinge plate so that the shank can flex more and this makes the plow work better. The PTO first rejected this as not being distinguished from his earlier patent (204), but then allowed it after he substituted 2 new claims.

Graham sues competitors (John Deere et al.) for using the device covered by the '798 patent. They respond that the patent is invalid; specifically that "the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art" under sec. 103. S.Ct. gets the case because two circuits reached different decisions on same patent (194).

(c) Why do patents have to meet a non-obviousness test? Is this test constitutionally required? [Yes]

--(194): innovation; advancement; and things which add to the sum of useful knowledge

--(196): not creator's natural right, but benefit to society; high standard for patentability

(d) Previous to the 1952 Act the courts used "invention" rather than non-obviousnessness

--Hotchkiss (197-8) [inventor vs. skilful mechanic]

--Cuno (199) [flash of creative genius][see last sentence of 103]

(d) Did codification as non-obviousness lower the threshold of patentability; or was it just an attempt to use less misleading words to accomplish the "same" thing? (194, 200)

(e) How will court go about determining nonobviousness?

(199) scope and content of the prior art; differences between the prior art and the claims at issue; level of ordinary skill in the pertinent art

(199): secondary considerations: commercial success; failure of others; satisfaction of long-felt demand

--NB (214) [later]

[(f) Question of law or question of fact? (199)]

(g) How applied to this case?

--what was scope and content of the prior art? (204)

--what were the differences between the prior art and the claims at issue? (204)

--what was the level of ordinary skill in the pertinent art? (205)

(h) What is the role of prosecution history ("file wrapper") in this case? {(205-6)]

2. One way nonobvious differs from novelty is that to "anticipate," "a single prior art reference must disclose every element of what the patenteee claims as his invention," (207), whereas something can be obvious even if you would have to look at different references to figure it out (if it would be obvious to look in these different places and put the ideas together.

Consider In re Vaeck (207):

(a) Patent examiner rejected the patent, and the PTO's appeals board affirmed the rejected; but ct here reverses the rejection. [I.e., PTO says the claimed invention would have been obvious and ct says no it wouldn't.]

(b) What was the claimed invention?

[a hybrid gene that allowed manufacture of protein that killed insects expressed in a cyanobacterium (blue-green algae) that floated on top of water so insects would eat it][see bottom of (208)]

(c) Why did PTO think it would have been obvious to anyone skilled in the art? [What are "references"?]

-Dzelzkalns discloses a chimeric gene capable of being highly expressed in a cyanobacterium [but not with the insecticidal protein]

-Sekar I, Sekar II, and Ganescan teach genes encoding the insecticidal protein and the advantages of expressing such genes in hosts from another species [but not the cyanobacterium]

(d) Why did the judge think it wasn't obvious?

-obviousness is a legal question; standard of review is clearly erroneous (209)

-2 factors to consider:

-whether the prior art would suggest that the procedure/ device be tried

-whether the prior art would also have revealed . .. a reasonable expectation of success. [Why this factor??]

(e) What else would the PTO have needed to win on obviousness?

i. [one of the references should hint at what can be done; e.g., in O'Farrell, a prior reference mentioned preliminary evidence that its method could do what the later applicant claimed (211); so, in the case at bar, one of the references should have suggested that cyanobacteria would be attractive hosts for expressing unrelated foreign genes, but, instead, the relevant prior art only indicated that cyanobacteria are attractice hosts for foriegn genes involved in photosynthesis (210)]

--Will it work if the suggestion is only implicit? (211 n. 1)

ii. [What about the reasonable expectation of success factor?]

--See (212 n. 2; In re Bell) ["undue experimentation" implies nonobviousness]

3. Consider problem 3-9 (213)

4. "Objective evidence"/ "Secondary considerations" (214)

(a) Secondary considerations such as commercial success, long-felt need, failure of others, copying, and unexpected results may tip the scale in favor of patentability (conclusion of nonobviousness).

--How does the reasoning go? [If there was so much demand for this, others would definitely have made it if they could; commercial success shows the level of demand]

(b) But this reasoning is thought to be problematic. Why?

--Commercial success need not be due to the innovation (215)

--Merges says failure of others is less problematic for nonobviousness (216); explain...

--What about long-felt need but no evidence that others tried and failed?

5. Enablement [Adequate Description/Disclosure][5th element of patentability]

(a) Read sec. 112

--3 requirements (223 n. 1): written description; clear claim; enablement

(b) The purpose is two-fold(217):

--prove to the world that the applicant was in fact in possession of the invention at the time of the application [otherwise someone else might be the first inventor] [Fiers v. Revel (217)]

--enable those skilled in the relevant art to make and use the invention

(c) The invention must be described well enough that one of ordinary skill in the art can make and use the invention

--if one skilled in the art has to use "undue experimentation," then it is not properly disclosed [see (227 n. 3)]

--this means applicant won't get the patent

--recall that if prior art references would require "undue experimentation" to discover the applicant's device/process, then the applicant will get the patent

--can these conflict? [yes, if applicant needs to argue in patent no. 1 that prior art would require undue experimentation to one skilled in the art, then, in patent no. 2, disclosing in same way as prior art did wouldn't be good enough to get the patent .... see (226 n. 1)

--who is the one who must be enabled? [see (228 n. 5)]

(d) The "best mode" of carrying out the invention must be disclosed (228 n. 6) [What is the rationale for this requirement?]

6. Broad claims often run into enablement difficulties. [I.e., you may claim transgenic nonhuman mammal, but your specification only tells how to make a mouse]

(a) How will this come up? [you sue someone who has made a cat and he responds that your specifications don't enable the cat so your patent is invalid]

(b) E.g., consider the incandescent lamp case (217):

--Facts: The Sawyer and Man patent claimed "incandescing conductor for an electric lamp, of carbonized fibrous or textile material." (see claims (218). They had actually used carbonized paper. Thomas Edison found that carbonized bamboo of a particular species worked better. Is Edison infringing the Sawyer and Man patent?

--Does the Edison lamp literally infringe claim 1? [yes, carbonized bamboo is carbonized fibrous material]

--What defenses does Edison have?

--[novelty, utility, fraud (217)]

--enablement: the description of the device in the patent application doesn't enable one, without undue experimentation, to arrive at the particular species of bamboo that works best [read (220, 221)]

--Edison wins because claims 1 and 2 are invalid. What about claim 3? (218)

7. Consider Problem 3-10 (209)

NEXT: infringement-literal - to 241; doctrine of equivalents, etc. - to 264

1. Enablement/disclosure [cont'd]: consider problem 3-10 (209)

2. Now we've surveyed all 5 elements of patent validity. We're ready to move on to infringement. Recall litigation pattern:

(1) We didn't infringe
(2) Even if we did infringe, your patent is invalid

Look at sec. 271: what is infringement?

3. The main thing you do in adjudicating infringement is see if the claims of the patent "read on" the accused device. [Literal infringement] [What is non-literal infringement? see below ("doctrine of equivalents")]

(a) An obvious case of literal infringement is if I just take your device and copy it exactly.

(b) Can there be literal infringement even if the accused device is not an exact copy?

--Yes, because the legally operative scope of the property right is not the patented device itself but the words of the claim (as applied to the accused device)

-- E.g., if your claim says "transgenic nonhuman mammal" w/ X biological property, and your device is a mouse, a transgenic rabbit with X biological property can infringe

-[Infringer might still win by claiming patent was invalid for lack of enablement]

--Another example: Sawyer and Man patent claim 1 said carbonized fibrous material. Edison's use of carbonized bamboo would infringe, even though he didn't copy their use of carbonized paper.

(c) Although the accused device needn't be an exact copy of the patentee's device, in order for it to be literally infringing it does need to incorporate every element of the patentee's claim (see (240 n. 1)).

--What elements are there in claim to "transgenic nonhuman mammal" w/ X biological property? [(1) transgenic (2) nonhuman (3) mammal (4) X biological property]

--So, in other words, a "transgenic nonhuman mammal" without X property wouldn't infringe, etc.

(d) What if infringer just changes a really trivial element?

--Suppose the claim for a complicated apparatus included a glass cylinder and the accused device was exactly the same except the cylinder was plastic

--It's still not literal infringement (240 n. 1); but it might be infringement by doctrine of equivalents (difference is so trivial that it's unfair to let infringer get away with it)

--[Of course, patentees will try not to write claims this way. What's a better way to draft it? [use more general terms for the appropriate properties of the material]]

4. Consider Larami v. Amron (229):

(a) Facts: One Esposito patented a toy water gun, which squirted water under pressure created by a hand pump, and also made noise and light. He assigned the patent to Amron and TTMP. Larami made a toy water gun ("Super Soaker") that squirted out water under pressure created by a hand pump, but didn't make noise and light. Larami brought action for declaratory judgment that Super Soaker didn't infringe TTMP (Totally Rad Soaker) [action also was for damages for tortious interference with contractual relations, etc., because TTMP was advertising that Larami was infringing]

(b) In order to decide case, what must judge do? (1) interpret the claims; (2) see if, as interpreted, they cover the accused product.

--Note: Markman (253)

(c) Here, claims for the light and noise capabilities were not in issue. What about the water-squirting capabilities? Read the claim (232)

--After the judge examined the SuperSoaker, what did he decide? [no chamber therein, because tank was on the outside] [this is an interpretation of "therein" and a determination that it is an element of the claim]

(d) But, isn't the pressure-pump the main invention and the placement of the tank trivial?

--Still, because the claim said "therein," it isn't literal infringement

--Might try to argue by equivalents [but ct here thought the placement of the tank outside the gun was such a dramatic improvement that it couldn't be held to be equivalent (233)]

(e) Could Esposito have drafted the patent in such a way that it would be literally infringed even by guns whose tank wasn't inside the body of the toy? ["an elongated housing and a chamber for a liquid connected to said housing in such a way as to permit water to flow from the chamber through the housing ..." ?? see also (234 n. 1)]

5. Consider Genentech v. Welcome (234)

(a) Facts: Genentech had three patents relating to a protein called t-PA (tissue plasminogen activator) which is important in dissolving blood clots and stopping heart attacks (235). The '603 patent relates to purifying human t-PA found in melanoma; the '075 patent relates to producing t-PA through genetic engineering (236).

The claim of the '603 patent (236) claimed "human plasminogen activator...having a specific activity of about 500,000 IU/mg..."

The claim of the '075 patent (237) claimed "a DNA sequence encoding human tissue plasminogen activator"

Defendants produced products called met-t-PA and FE1X using biochemical methods to alter naturally occurring t-PA (238-239). FE1X has a much longer half-life in the body making dosage easier. Do they infringe?

(b) How will ct approach the issue? First, interpret the claims. What are their essential elements and how broad are they? [To look at it the other way, what are their limitations?]

--What are the elements of the '603 claim? What are its limitations? [see elements (236); cts interpretation (238)]

(c) Result? [(239)]

--Why didn't defendants' products at least infringe the '075 patent which related to a genetically engineered product and not to the purified human product?

6. Consider the doctrine of equivalents. [Graver Tank v. Linde Mfg. (242):

(a) Facts: Linde owned a patent covering an electric welding process and "fluxes" to be used with it. Their flux was a compound called Unionmelt. The district court held four flux claims to be valid and infringed by Lincolnmelt, defendants' competitive product; rest of claims invalid. The district court's findings on validity (vel non) were upheld after going all the way to the S.Ct. Now the S.Ct. has the case again for rehearing, limited to the question of whether the 4 valid flux claims have been infringed.

The patent owned by Linde claimed a welding compound "containing a major proportion of alkaline earth metal silicate." Linde's product, Unionmelt, contained silicates of calcium and magnesium (both alkaline earth metal silicates). The competitive product, Lincolnmelt, consisted of 88.49% manganese silicate (not an alkaline earth metal silicate) and calcium silicate. In welding it worked the same as Unionmelt.

(b) Argument that Lincolnmelt does not infringe: Read the literal wording of the claim -- it says "major proportion of alkaline earth metal silicate" and the accused compound instead has a major proportion of something which is not an alkaline earth metal silicate [Trial court said patent wasn't "literally" infringed.]

(c) Argument that Lincolnmelt infringes anyway: Permitting infringers to avoid patents by changing minor details would deny inventors the benefit of patents and would mess up incentive structure. (243) If the thing is essentially the same it doesn't have to be literally the same in every detail.. [sameness & difference]

--if it performs substantially the same function in substantially the same way to obain the same result, it's the same [even if different in name, form, or shape (243)

--equivalence can involve mechanical components or chemical ingredients

(d) Court says (243) that the doctrine operates not only in favor of the patentee of a pioneer or primary invention, but also for the patentee of a secondary invention consisting of a combination of old ingredients which produce new and useful results, although the area of equivalence may vary under the circumstances. What does this mean?

--cites Westinghouse (discussed on (259-60)

--"reverse" doctrine of equivalents [if what you did is enough of a breakthrough, even literal infringement can be excused]

(e) Whether or not to find infringement by applying doctrine of equivalents is question of fact for trial court. In this case the issue is whether trial court erred in finding Lincolnmelt was equivalent to Unionmelt (and thus infringing).

--What kinds of factors led the trial court to make this decision? [(244-5)]

--identical in operation and produce the same kind and quality of weld

--no evidence that Lincolnweld was developed by independent R & D [court can infer that accused compound is copied]

--prior art: Miller and Armor involved use of manganese silicate in weldling fluxes [expired patents]

--persons reasonably skilled in the art would have known manganese and magnesium were interchangeable [use of prior art in favor of doctrine of equivalence]

--Expert witnesses

--Texts on inorganic chemistry

--Visits to laboratories and observations of welding demonstrations

(f) Dissent: Patentee should be held to literal claim, because:

(1) shouldn't be allowed to let things mentioned in specifications broaden the claim; what is not literally claimed is dedicated to the public (246)

--inventor experimented with other ingredients including manganese and chose the ones claimed

-- might have thought couldn't get a patent if claimed manganese, since it was known in prior (expired) patents [use of prior art against doctrine of equivalents]

--see n. 1 (246-7): hypothetical claim procedure in golf ball case

(2) differences are more than de minimis (247 n. 2)

(g) CAFC dramatically reinterpreted doctrine of equivalents in Hilton-Davis (1995)--adds copying vs. independent design; and objective evidence (like known interchangeability in the prior art): question is whether differences are "insubstantial" or "substantial" [note: cert. granted, decision not yet issued]

--note this is a jury issue (255-6)

--raises possibility that judge in Markman hearing will interpret claim narrowly so that literal infringement can't be found, but then jury can give patentee victory anyway by finding equivalence

(h) Doctrine of equivalents is accordion-like: cts give the patent broader scope if they think it is a pioneer patent (see 250-251)

--Does this mean your pioneer patent could prevail against an improvement doing exactly the same thing but with a stronger material that hadn't been discovered yet when your patent issued? (251; explain)

--Hughes aircraft (yes); Laser Alignment (yes); Texas Instruments (no)

(i) Problem of mean-plus-function claims (261-2)

--Read last paragraph of sec. 112 [allows means-plus-function claim for an element of a combination]

--Nevertheless, this only covers structure disclosed in the specification and equivalents thereof (262)

--See note 3 (263): this has caused considerable confusion... problem is, it seems to limit the doctrine of equivalents (264)

-- Example: What would happen if your means for performing a calculation in your process was an adding machine, and the accused infringer's process used a computer?

--Might be like Hughes Aircraft or Laser Alignment [but not if doctrine of equivalents in your case is limited to the meaning of equivalents in last para. of sec. 112]

[Add: Problem 3-11]

NEXT: infringement [cont'd] and remedies - to 308. Omit sec. G (design and plant patents); move on to software patents -intro (830-850 [read on own]; 963-990

IP 97 Class No. 11

1. Infringement [cont'd][sec. 271(Supp 333)]: inducment and contributory infringement

(a) Consider sec. 271(b) [active inducement]

--see note on inducement (267)

--in Water Technologies, a consultant supplied plans for an infringing device [he didn't make, sell, himself, but he induced his client to do so]

--importance of intent [statute doesn't say so?]

--see also notice requirement for direct infringement (sec. 287)

--what do you need to know to count as intent?

--that there is a patent that covers this

--that your activities will lead to infringement

--role of patent attorney's opinion letter re the above

(b) Consider sec. 271 (c) [contributory infringement]

(1) Why should there be infringement liability for firm that makes component of an infringing device? [Why should manufacturing an unpatented product automatically make you an infringer w/r to some other patented product?]

--Why the exemption for staple article or commodity of commerce...? [see (283 n. 43)]

--Why the exemption for firm that doesn't know of its product's adaption for infringement? [intent]

--[is this necessary if the article has no commercial noninfringing uses?]

(2) Consider Bard v. ACS (264)

--Facts: ACS was supplier of a catheter for use in angioplasty. The method of angioplasty it was used in was patented by Bard. Bard sues ACS for contributory infringement.

--In order to figure out whether there is contributory infringment, first court has to figure out whether there is any direct infringement that defendant can contribute to

--How does ct do this? [remember procedure: first interpret claims, then see if they read on the accused process] (265)

--Why is summary judgment reversed?

--Can catheter manufacturer be contributorily liable even if doctor who uses infringing device is immunized? (266 n. 1)

2. Defenses [other than patent invalidity]

(a) experimental use (269)

--note problem of gearing up to produce patented product before end of term

--this defense is very narrow, except for pharmaceuticals (271 n. 3)

(b) inequitable conduct [before the PTO]: Kingsdown (217)

(1) what counts as inequitable conduct? failure to disclose material information, or submission of false material information, with intent to deceive

--e.g., not mentioning an important reference in prior art (276 n. 2)

--would it be bad enough if you were merely negligent w/r to prior art, or would have to omit it purposely or knowingly?

(2) would it be inequitable conduct to draft claims that cover the product of a competitor that is already on the market?

(3) would it be inequitable conduct to delay your prosecution to make your patent issue as late as possible? [note, no longer a problem]

--why would you do this? (276 n. 3)

--what are the ways you can delay an application? [note sec. 133 - 6 months to respond to any PTO action]

--explain division; parent (sec. 121)

(4) note sec. 253 (disclaimer): would it be inequitable conduct to fail to disclaim a claim that you came to think was invalid?

--see sec. 288: must disclaim invalid claim to recover costs against infringer of valid portion of patent; also may have to disclaim to avoid inference of deceptive intention

--see also sec. 251 (reissue)

(5) Go back to facts of Kingsdown: what happened?

--Facts: Kingsdown sued Hollister for infringement of '363 patent (on a 2-piece ostomy appliance). The claims had been revised a lot during 6-year prosecution. During this period Kingsdown got a new attorney who saw Hollister's competing product and filed a continuation application (apparently covering the competing product).

--[What is a continuation application? new application changing only the claims]

In the process of drafting the continuation application, the attorney copied over all the claims that the examiner had previously allowed. He made a mistake, however, w/r to claim 43 --he thought it was identical to allowed claim 50 in the original (parent) application, but instead it was identical to a claim that the examiner had disallowed for indefiniteness under sec. 112 [not "particular" and "distinct" enough]. Claim 43 made it into the final patent as claim 9.

Defendant claims that had claim 9 been written as the narrower, allowable original claim 50 rather than the rejected original claim 50, defendant would possibly have been able to defend against infringement.

Defendant therefore says Kinsdown's attorney, after seeing defendant's device, must have deliberately carried forward the wrong version of the claim because he saw that it would provide a stronger case for his client.

Trial ct finds intent to deceive; what result? Patent is unenforceable. However, appellate court reverses--explain (see 274).

why did court think this didn't amount to inequitable conduct? [finding of intent was clearly erroneous; gross negligent wouldn't be enough culpability]

(c) patent misuse

--issue of trying to "extend" monopoly to non-patented items

--facts of Motion Picture Patents (278)

--make licensees of patented machine use only the film utilizing patentee's other patents; make licensees comply with other later-imposed directives of patentee

--ct thought this was outside scope of patent grant (see 281)

Over the years this doctrine has been narrowed: what does it now look like?

--sec. 271(c) : patentee can't sue for infringement if competitor sells "staple" product for use with patented product [i.e. can't tie to staple product [don't need antitrust or patent misuse for this]

--sec. 271(d): (1) patentee can himself sell a nonstaple product necessary for the patent and it won't be patent misuse; moreover, (5) unless patentee has market power in the relevant market for the patented (tying) product, it won't be patent misuse to refuse to sell the patented product unless buyer also purchases another product

--see Dawson Chemical (284)

--what is left for patent misuse?

--royalty not measured by use? [Hazeltine (285)]

--grantback clauses (286)

--patent suppression? [not anymore; see sec. 271(d) (4)]

3. International patent law (290) [read on own mostly]

--first-to-file system

--absolute priority [no one-year grace period]

--Paris Convention [12 months to file after 1st filing somewhere]

--PCT [gives more time up to 30 months]

--GATT/TRIPS

--what did we make others do? (295)

--what changes did we make? (296)

4. Remedies

(a) Property rules vs. liability rules (297)

--argues for injunction

--what are exceptions?

(b) Look at sec. 283

Injunction [preliminary; permanent]--against future use

--Robertson (300); Kodak (301 n. 1)

--[infrequent exceptions (301 n. 2)]

(c) Look at sec. 284 [see also sec. 286; limited to 6 years worth; only after notice sec. 287]

--damages for past use (compensatory; but not less than a reasonable royalty)

--ct may increase the damages up to treble

(d) How will ct figure out what is compensatory? what is a reasonable royalty?

--reasonable royalty (as floor): (303)

--Panduit (303): on how to calculate damages for sales the patentee would have made absent the infringement [lost sales]

--what information do we need in order to be able to do this?

--patentee has capacity to make and sell X amount (manufacturing and marketing capability)

--buyers would demand X amount (at what price?)

--absence of noninfringing substitutes

--Kodak (303, 305): even if products are not exact substitutes, market competition can place some limits on what you can charge ("cross elasticities of demand")--this should be taken into account in calculating lost profits

--what about "market share" rule? [even if there are substitutes, assume patentee would have had same proportion of infringer's sales as patentee's market share as a whole] (306)

--what about lost sales of unpatented components (307)?

--see TWM Mfg. (307)

--[recall sec. 271(d) patentee can sue people for contributory infringement re nonstaple products, therefore keep this market for itself (2); can also tie even a staple product to the patented product, unless patentee has market power in the relevant market for the patented product(5)]

--can you argue that if infringer weren't there you would have been a monopolist and therefore not only would have sold all the units he sold but in addition charged a higher price for them? (306)

--what about situation where infringer has geared up before your patent expires in order to hit the ground running? [how measure damages in this case? (307-8)

NEXT: move on to software patents -intro (830-850 [read on own]; 963-990

IP 97 Class No. 12

1. Remedies

(a) Property rules vs. liability rules (297)

--argues for injunction

--what are exceptions?

(b) Look at sec. 283

Injunction [preliminary; permanent]--against future use

--Robertson (300); Kodak (301 n. 1)

--[infrequent exceptions (301 n. 2)]

(c) Look at sec. 284 [see also sec. 286; limited to 6 years worth; only after notice sec. 287]

--damages for past use (compensatory; but not less than a reasonable royalty)

--ct may increase the damages up to treble [will do this if infringement is "wilful"]

(d) How will ct figure out what is compensatory? and if it can't, what is a reasonable royalty?

(1) reasonable royalty (as floor): (303)

--evidence of offers to license (before litigation)?
--evidence of cost savings due to the patented process?
[evidence of increased sales by infringer?--this would make it possible to determine lost profits?]
--[what else goes into what a willing buyer would have paid?]

(2) Panduit (303): on how to calculate damages for sales the patentee would have made absent the infringement [lost sales]

a. what information do we need in order to be able to do this?

--patentee has capacity to make and sell X amount (manufacturing and marketing capability); but infringer sold Y amount, so patentee only sold [something less than X]

b. when are we entitled to infer that patentee has lost sales of X-Y?

--buyers would demand X amount (at what price?)

--absence of noninfringing substitutes (at what price?)

(3) Kodak (303, 305): even if products are not exact substitutes, market competition can place some limits on what patentee can charge ("cross elasticities of demand")--this should be taken into account in calculating lost profits [i.e. absent the infringer you might have sold all the units the infringer sold but not at the same high price you sold the units you yourself actually sold]

(4) can you argue that if infringer weren't there you would have been a monopolist and therefore not only would have sold all the units he sold but in addition charged a higher price for them? (306)

(5) what about "market share" rule? [even if there are substitutes, assume patentee would have had same proportion of infringer's sales as patentee's market share as a whole] (306)

(6) what about lost sales of unpatented components (307)?

--see TWM Mfg. (307)

--[recall sec. 271(d): patentee can sue people for contributory infringement re nonstaple products, therefore keep this market for itself (2); can also tie even a staple product to the patented product, unless patentee has market power in the relevant market for the patented product(5)]

(7) what about situation where infringer has geared up before your patent expires in order to hit the ground running? [how measure damages in this case? (307-8)

2. Consider patentability of computer programs:

(a) What exactly is a computer program?

--source code (835)
--compiler (836)
--object code ((836)
--electrical states of transistors

(b) Pros and cons of patenting them?

3. Diamond v. Diehr (963):

(a) Summarize legal history prior to this case: (from Stevens dissent)

-- Prior to 1968, patenting a program would have been precluded by the “mental steps” doctrine and/or the “function of a machine doctrine”; the PTO issued guidelines that excluded computer programs

--However, in 1968 the Court of Customs and Patent Appeals repudiated the mental steps and function of a machine doctrines

--In re Barnhard (1969) announced that a computer programmed with a new program was physical different from a computer without the program

--In re Benson (1971) held that computers are within the technological arts regardless of the uses to which they are put

--The S Ct reversed In re Benson in Gottschalk v. Benson (1972): Benson held that new mathematical procedures that can be conducted in old computers, like mental processes and abstract intellectual concepts, are not patentable processes within the meaning of sec. 101 [no patent for a new method of calculation or an algorithm](965)

--The Court of Customs and Patent Appeals interpreted Benson to preclude the patenting of a program-related process only when the claims, if allowed, would wholly pre-empt the algorithm itself [i.e., all uses of a mathematical formula]

--The S Ct reversed this view in Parker v. Flook ((1978)(965):

--Facts of Flook: In a catalytic conversion process, a computer constantly monitored variables such as temperature pressure and flow rates. The computer repetitively calculated the alarm limit -- a number that might signal the need to terminate or modify the catalytic conversion process

--The Ct of Customs and Patent Appeals interpreted this case to mean that "if an application is drafted in such a way that discloses an entire process as novel, it defines patentable subject matter even if the only novel element that the inventor claims to have discovered is a new computer program"

(b) Did Diamond v. Diehr adopt this approach?

-What was the claimed invention?

--Applicant says? [a process of rubber curing which includes constantly measuring the temperature inside the mold by means of Arrhenius equation so as to stop the process at exactly the right time]

--Examiner said? [a computer program for operating a rubber molding process] [denied under Gottschalk and Flook]

--Rehnquist says? [a physical and chemical process for molding precision synthetic rubber products; involves the transformation of an article into a different state or thing (964)

--Dissent (Stevens) says? [an improved

method of calculating the time that the mold should remain closed during the curing process]

--How does Court distinguish Parker v. Flook? (965-6)

--applicant here doesn't seek to pre-empt use of the equation in general, only use of it in conjunction with the rubber-curing process

4. After Diehr, is any computer program patentable as long as you draft the claims properly?

(a) See Freeman-Walter-Abele (967 n. 1): all you have to do is include other process steps or physical structures in the claim

(b) 14,000 issued software patents in the U.S. by 1994 (967 n. 2); 8,000 last year; lots of issued patents look bad (984 n. 4)--what will happen?

5. Federal Circuit still hasn't arrived at satisfactory position: consider In re Alappat (967) and then PTO's Examination Guideliness (1996) attempting to implement it--

(a) What did Alappat invent?

Claim was for "a rasterizer" (see 970-971) [explain means-plus-function claim, sec. 112 para. 6]

(b) Why did the PTO reject this claim? [the "mathematical algorithm" exception to patentable subject matter (972)]

--essentially, it was a computer program that put together known formulas to interpolate between points to display a line on an oscilloscope's screen (978 n. 1)

--cf. Cohen (989): software patents appear to reward the inventor for recognizing the obvious--that a given function may be performed more efficiently or more accurately if computerized

(c) How does CAFC here deal with the "mathematical algorithm" problem? ["This is not a disembodied mathematical concept which may be characterized as an 'abstract idea,' but rather a specific machine to produce a useful, concrete, and tangible result." (973)

--Does ct think that any programmed computer which can now do a certain task is therefore patentable?

--(see (974)!

--Consider dissent's objection:

--(976) "Alappat has arranged known circuit elements to accomplish nothing other than the solving of a particular mathematical equation"; see also last paragraph (978)

--(977) music example: "Through the expedient of putting his music on known structure, can a composer now claim as his invention the structure of a compact disc or player piano roll containing the melody he discovered and obtain a patent therefor?"

6. Consider PTO's new (Jan 1996) Examination Guidelines for Computer-Implemented Inventions:

(a) Consider the distinction between functional and non-functional descriptive material (981)

--what is descriptive material? [(981) abstract ideas and laws of nature]

--"functional" descriptive material consists of data structures and computer programs which impart functionality when encoded on a computer-readable medium

--"nonfunctional" descriptive material includes but is not limited to music, literary works and a compilation or mere arrangement of data

--both types of descriptive material are non-statutory when claimed as descriptive material per se (981)

--"When functional descriptive material is recorded on some computer-readable medium it becomes structurally and functionally interrelated to the medium and will be statutory in most cases."(981)

--"When non-functional descriptive material is recorded on some computer-readable medium it is not structurally and functionally interrelated to the medium but is merely carried by the medium." (981)

(b) Data structures not claimed as embodied in computer-readable media are descriptive material per se and are not statutory because they are neither physical things nor statutory processes (981)

(c) Computer programs claimed as computer listings per se...are not physical things, nor are they statutory processes, as they are not acts being performed....In contrast, a claimed computer-readable medium encoded with a computer program defines structural and functional interrelationships between the program and the medium which permit the computer program's functionality to be realized, and is thus statutory. (981)

(d) (983) To be statutory, a claimed process must either (1) result in a physical transformation outside the computer for which a practical application in the technological arts is either disclosed in the specification or would have been known to one skillled in the art; or (2) be limited by the language of the claim to a practical application within the technololgical arts

--there is always physical transformation within a computer (983) but that's not dispositive;

--a process consisting solely of mathematical operations is not statutory (983) (e)Summary:

What types of claims are "non-statutory"? those that define

--a data structure per se or computer program per se; i.e., information rather than a computer-implemented process or specific machine or computer readable memory manufacture;

--a compilation or arrangement of non-functional information or a known machine-readable storage medium that is encoded with such information;

--natural phenomena such as electricity and magnetism

What types of claims are "statutory"?

--product claims: those identifying the physical structure of the machine or manufacture in terms of its hardware or hardware and software combination

--process claims: where the process manipulates some form of physical matter or energy; and results in a transformation or reduction of the subject matter manipulated into a different state or into a different thing to achieve a practical application

Examples of processes the PTO will consider "statutory":

-A process that requires physical acts to be performed independent of the steps to be performed by a programmed computer, where those acts involve the manipulation of tangible physical objects and result in the objects having different physical attributes or structure;

-A process that requires acts to be performed on the physical components of a computer (i.e., the process manipulates the components of the computer rather than data representing something external to the computer system) and the effect of the process is that the computer operates differently (such as an operating system process); and

-A process that requires acts to be performed by a computer on data in the form of an electrical or magnetic signal, where the data represents a physical object or activities external to the computer system (e.g., physical characteristics of a chemical compound or a person's heart rate), and where the process causes some transformation of the physical but intangible representation of the physical object or activities.

7. How does Alappat come out under these guidelines?

8. Consider Q 1 (984): can you patent any data structure as long as you draft it correctly?

9 Note the general consensus that there are a lot of bad software patents out there. (988 n. 2)

(a) Compton's (988n. 46)

(b) worst software patent award (Aharonian)

NEXT: copyright (ch. 4): 321-389 [also read sections 101 -103 of the copyright act]

MISSING PAGES 390-429: AVAILABLE FRIDAY MORNING

1. [Update on Hilton-Davis decided by S.Ct. on Mon. March 3]

Recall discussion on p. 255: CAFC held that doctrine of equivalents was for jury (even though called "equitable") and also (see note 4 on p. 248) that the proper test is whether the accused product is not "substantially" different from the patented product (rather than function-way-result test). This allowed broad scope for jury and plaintiff won.

S.Ct. unanimously reverses. Doctrine of equivalents should not be allowed to expand patent scope. S.Ct. doesn't accept defendant's argument that doctrine of equivalents should be eliminated (because inconsistent with patent act's requirements that invention be specifically claimed -- recall dissent in Graver Tank); instead says doctrine of equivalents should be limited: "Each element contained in a patent claim is deemed material to defining the scope of the patented invention, and thus the doctrine of equivalents must be applied to individual elements of the claim, not to the invention as a whole."

S.Ct. doesn't reach the question of whether equivalents is for judge or jury.

2. Computer software [cont'd]

Consider Diamond v. Diehr (963):

(a) Summarize legal history prior to this case:[shows that Court of Customs and Patent Appeals was at odds with S Ct during the 60's and '70's prior to Diamond v. Diehr]

-- Prior to 1968, patenting a program would have been precluded by the “mental steps” doctrine and/or the “function of a machine doctrine”; the PTO issued guidelines that excluded computer programs

--However, in 1968 the Court of Customs and Patent Appeals repudiated the mental steps and function of a machine doctrines

--In re Barnhard (1969) announced that a computer programmed with a new program was physically different from a computer without the program

--In re Benson (1971) held that computers are within the technological arts regardless of the uses to which they are put

--The S Ct reversed In re Benson in Gottschalk v. Benson (1972): Benson held that new mathematical procedures that can be conducted in old computers, like mental processes and abstract intellectual concepts, are not patentable processes within the meaning of sec. 101 [no patent for a new method of calculation or an algorithm](965)

--The Court of Customs and Patent Appeals interpreted Benson to preclude the patenting of a program-related process only when the claims, if allowed, would wholly pre-empt the algorithm itself [i.e., all uses of a mathematical formula]

--The S Ct reversed this view in Parker v. Flook ((1978)(965):

--Facts of Flook: In a catalytic conversion process, a computer constantly monitored variables such as temperature pressure and flow rates. The computer repetitively calculated the alarm limit -- a number that might signal the need to terminate or modify the catalytic conversion process [the S Ct held the computer program wasn't patentable subject matter--see (965)]

--The Ct of Customs and Patent Appeals interpreted this case to mean that "if an application is drafted in such a way that discloses an entire process as novel, it defines patentable subject matter even if the only novel element that the inventor claims to have discovered is a new computer program"

(b) Did Diamond v. Diehr adopt this approach?

(1) What was the claimed invention?

--Applicant says? [a process of rubber curing which includes constantly measuring the temperature inside the mold by means of Arrhenius equation so as to stop the process at exactly the right time]

--Examiner said? [a computer program for operating a rubber molding process] [denied under Gottschalk and Flook]

--Rehnquist says? [a physical and chemical process for molding precision synthetic rubber products; involves the transformation of an article into a different state or thing (964)

--[What do you think dissent (Stevens) says? [an improved method of calculating the time that the mold should remain closed during the curing process]

(2) How does Court distinguish Parker v. Flook? (965-6)

--applicant here doesn't seek to pre-empt use of the equation in general, only use of it in conjunction with the rubber-curing process

3. After Diehr, is any computer program patentable as long as you draft the claims properly? [claim whole process - OK; claim computer part only -not OK?]

(a) See Freeman-Walter-Abele (967 n. 1): all you have to do is include other process steps or physical structures in the claim

(b) 14,000 issued software patents in the U.S. by 1994 (967 n. 2); 8,000 last year; lots of issued patents look bad (984 n. 4)--what will happen?

4. Federal Circuit still hasn't arrived at satisfactory position: consider In re Alappat (967) and then PTO's Examination Guideliness (1996) attempting to implement it--

(a) What did Alappat invent?

Claim was for "a rasterizer" (see 970-971) [explain means-plus-function claim, sec. 112 para. 6]

(b) Why did the PTO reject this claim? [the "mathematical algorithm" exception to patentable subject matter (972)]

--essentially, it was a computer program that put together known formulas to interpolate between points to display a line on an oscilloscope's screen (978 n. 1)

--cf. Cohen (989): software patents appear to reward the inventor for recognizing the obvious--that a given function may be performed more efficiently or more accurately if computerized

(c) How does CAFC here deal with the "mathematical algorithm" problem? ["This is not a disembodied mathematical concept which may be characterized as an 'abstract idea,' but rather a specific machine to produce a useful, concrete, and tangible result." (973)]

--Does ct think that any programmed computer which can now do a certain task is therefore patentable?

--(see (974)!

--Consider dissent's objection:

--(976) "Alappat has arranged known circuit elements to accomplish nothing other than the solving of a particular mathematical equation"; see also last paragraph (978)

--(977) music example: "Through the expedient of putting his music on known structure, can a composer now claim as his invention the structure of a compact disc or player piano roll containing the melody he discovered and obtain a patent therefor?"

5. Consider PTO's new (Jan 1996) Examination Guidelines for Computer-Implemented Inventions:

(a) Consider the distinction between functional and non-functional descriptive material (981)

--what is descriptive material? [(981) abstract ideas and laws of nature]

--"functional" descriptive material consists of data structures and computer programs which impart functionality when encoded on a computer-readable medium

--"nonfunctional" descriptive material includes but is not limited to music, literary works and a compilation or mere arrangement of data

--both types of descriptive material are non-statutory when claimed as descriptive material per se (981)

--BUT "When functional descriptive material is recorded on some computer-readable medium it becomes structurally and functionally interrelated to the medium and will be statutory in most cases."(981)

--"When non-functional descriptive material is recorded on some computer-readable medium it is not structurally and functionally interrelated to the medium but is merely carried by the medium." (981)

--[Explain difference between "structurally and functionally interrelated," on the one hand, and "merely carried," on the other?]

(b) Data structures not claimed as embodied in computer-readable media are descriptive material per se and are not statutory because they are neither physical things nor statutory processes (981)

(c) Computer programs claimed as computer listings per se...are not physical things, nor are they statutory processes, as they are not acts being performed....In contrast, a claimed computer-readable medium encoded with a computer program defines structural and functional interrelationships between the program and the medium which permit the computer program's functionality to be realized, and is thus statutory. (981)[e.g., "software on a floppy disk"]

(d) (983) To be statutory, a claimed process must either (1) result in a physical transformation outside the computer for which a practical application in the technological arts is either disclosed in the specification or would have been known to one skillled in the art; or (2) be limited by the language of the claim to a practical application within the technololgical arts

--there is always physical transformation within a computer (983) but that's not dispositive;

--a process consisting solely of mathematical operations is not statutory (983)

(e)Summary:

What types of claims are “non-statutory”? those that define

--a data structure per se or computer program per se; i.e., information rather than a computer-implemented process or specific machine or computer readable memory manufacture;

--a compilation or arrangement of non-functional information or a known machine-readable storage medium that is encoded with such information;

--natural phenomena such as electricity and magnetism

What types of claims are “statutory”?

--product claims: those identifying the physical structure of the machine or manufacture in terms of its hardware or hardware and software combination

--process claims: where the process manipulates some form of physical matter or energy; and results in a transformation or reduction of the subject matter manipulated into a different state or into a different thing to achieve a practical application

Examples of processes the PTO will consider “statutory”:

–A process that requires physical acts to be performed independent of the steps to be performed by a programmed computer, where those acts involve the manipulation of tangible physical objects and result in the objects having different physical attributes or structure;

–A process that requires acts to be performed on the physical components of a computer (i.e., the process manipulates the components of the computer rather than data representing something external to the computer system) and the effect of the process is that the computer operates differently (such as an operating system process); and

–A process that requires acts to be performed by a computer on data in the form of an electrical or magnetic signal, where the data represents a physical object or activities external to the computer system (e.g., physical characteristics of a chemical compound or a person’s heart rate), and where the process causes some transformation of the physical but intangible representation of the physical object or activities.

7. How does Alappat come out under these guidelines?

8. Consider Q 1 (984): can you patent any data structure as long as you draft it correctly?

9. Note the general consensus that there are a lot of bad software patents out there. (988 n. 2)

(a) Compton's (988n. 46)

(b) worst software patent award (Aharonian)

NEXT: copyright (ch. 4): 321-389 [also read sections 101 -103 of the copyright act]

10. Introduction to Copyright:

(a) The paradigm activity forbidden by copyright is for publisher B to copy and sell a BOOK produced and sold by publisher A

-- Copyright developed in conjunction with the rise of print (when books had to be hand copied by scribes rampant copying was not a problem--probably there was too little copying, not too much)

--copyright began as benefit for publishers, not authors (321), and, arguably, it still is

-- Go back to Constitution: The policy is to grant time- limited monopolies sufficient to provide incentives to "Authors" [=publishers] to produce enough "writings" to promote "progress" of "science"

--Now look at sec. 102(a) of the 1976 Act (Supp 125): the categories after "literary works" came successively later and fit the paradigm less well.

(b) The evil is copying, not merely coming up with the same thing

--Look at sec. 106: the copyright owner is the only one who can authorize making (1) and distribution (3) of copies

--it doesn't say the copyright owner would have to authorize anyone else who happened to write the same thing, though [and distribute it]

--contrast with patent: the owner has the exclusive right to make and sell the invention [that means you can stop other people from making it]

--means prima facie case of copyright infringement includes showing that the defendant copied [often you can infer it if the works are identical -- and sometimes publishers include a few mistakes to see if they get reproduced]

(c) Sec. 102 (a): Two basic requirements of copyright:

--original work of authorship [in one of the named categories]

--What is meant by originality?

--fixed in a tangible medium of expression

--what does this mean? (Sec. 101, Supp 121)

(d) What kinds of things aren't covered by copyright?

--Sec. 102 (a):

(1) things that are unoriginal

--facts [problem with databases?]

(2) things that aren't fixed

--improvisations

--performance [unrecorded]

--If you go to a concert with a tape recorder in your pocket, whose copyright do you violate?

--telephone conversations

--my lecture today [though what if I'm reading it? basing it on notes?]

--Sec. 102(b):

--NOT an idea, procedure, process, system, method of operation, concept, principle, or discovery

--basic dichotomy of copyright: expression of ideas (yes); ideas themselves (no)

--sec. 105: [works of the U.S. govt.]

(e) How long does copyright last?

-- [sec. 302, for copyrights effective after the effective date of the 1976 Act (1/1/78)]

-- life of author plus 50 years; 75 years if work for hire

--why does copyright last so much longer than patent?

IP 97 Class No. 14

1. Introduction to copyright -- policy basis:

(a) Three kinds of philosophical basis are mentioned:

--natural right of author

--personhood of author

--social welfare cost-benefit analysis (utilitarianism)

(b) In this country, cost-benefit analysis has been the most prevalent rationale

(1) Go back to Constitution: The policy is to grant time- limited monopolies sufficient to provide incentives to "Authors" [=publishers] to produce enough "writings" to promote "progress" of "science"

(2) Island of monopoly in the sea of public domain? Recall discussion on first day of class (the Big Question about the dividing line between the public domain and private property in intellectual productions):

--If no knowledge and information is in the public domain for people to appropriate freely and use, then no new knowledge can be produced (so we won't have any thing for IP to attach to)

--But if all knowledge and information is in the public domain for people to appropriate freely and use, then we might have underproduction of new knowledge (because arguably people won't produce it unless they can reap the benefits)

(3) Describe the standard economic story re Copyrights: [too little will be published unless first publishers can have a monopology to exclude subsequent publishers for X years]

--Is this true? [Depends on empirical factors? which ones?]

--esp. these:

-what is X?;

- extent of excess of first copy cost over subsequent copy cost;

- extent of "lead time" to first publisher;

-extent of costs of implementing a P system in this field

2. Introduction to Copyright -- the institution:

(a) The paradigm activity forbidden by copyright is for publisher B to copy and sell a BOOK produced and sold by publisher A

(1) Copyright developed in conjunction with the rise of print (when books had to be hand copied by scribes rampant copying was not a problem--probably there was too little copying, not too much)

--copyright began as benefit for publishers, not authors (321), and, arguably, it still is

(2) Now look at sec. 102(a) of the 1976 Act (Supp 125): the categories after books [now "literary works"] came successively later and fit the paradigm less well.

(b) The evil is copying, not merely coming up with the same thing

--Look at sec. 106: the copyright owner is the only one who can authorize making (1) and distribution (3) of copies

--it doesn't say the copyright owner would have to authorize anyone else who happened to write the same thing, though [and distribute it]

--contrast with patent: the owner has the exclusive right to make and sell the invention [that means you can stop other people from making it]

--means prima facie case of copyright infringement includes showing that the defendant copied [often you can infer it if the works are identical -- and sometimes publishers include a few mistakes to see if they get reproduced]

--does this mean only literal copying is covered?

--No (though it did originally):

--derivative works
--plot elements (that are judged expressive)
--compilations (whose organization is judged original)

(c) copyright is about objects ("copies")

--fixed in a tangible medium of expression

--what does this mean? (Sec. 101, Supp 121)

(d) copyright is about originality

--original work of authorship [in one of the named categories][sec. 102(a)]

--What is meant by originality?

(e) What kinds of things aren't covered by copyright? [what is the scope of public domain]

--Sec. 102 (a):

(1) things that are unoriginal

--includes facts

--[problem with databases?]

(2) things that aren’t fixed

--improvisations

--performance [unrecorded]

--If you go to a concert with a tape recorder in your pocket, whose copyright do you violate?

--telephone conversations

--speaking face to face

my lecture today [though what if I’m reading it? basing it on notes?]

--problems with digital transmission?

(3) Not "ideas" [i.e. major distinction from patent] see Sec. 102(b):

--NOT an idea, procedure, process, system, method of operation, concept, principle, or discovery

--basic dichotomy of copyright: expression of ideas (yes); ideas themselves (no)

(4) sec. 105: [works of the U.S. govt.]

(5) In addition, some things that are covered by copyright will be subject to "fair use" as an affirmative defense

(e) How long does copyright last?

-- [sec. 302, for copyrights effective after the effective date of the 1976 Act (1/1/78)]

-- life of author plus 50 years; 75 years if work for hire

-there are still copyrights extant under the 1909 act which gave 28 years plus 28 years renewal term (i.e. anything copyrighted between 1941 and 1977)

3. How does the institution square with the rationale(s)?

--why does copyright last so much longer than patent?

--why has the time gotten progressively longer?

--why are all kinds of works given the same time of coverage?

--how can coverage of derivative works square with the need for public domain to create new works?

4. Consider originality:

(a) First notice that copyright originality isn't anything like patent originality -- look at Alfred Bell v. Catalda Fine Arts (33)

--Ct holds that reproductions of (uncopyrighted) works of fine art can be copyrighted--why?

--"originality in this context means little more than a prohibition of actual copying" (331)

--but it appears from last paragraph that some modicum of "creativity" is required (331)

--Consider Q 3 on p. 332 [what policy basis could there be for high standard of patent originality and low standard of copyright originality?]

(b) Since the originality requirement is so minimal, can we just do away with it and protect against copying? Consider Feist (334)

5. Problem with directories, databases, historical research, news and maps [“facts” but lots of work to gather them]

--[Recall AP v. INS - no copyright but taking news stories gathered by someone else could amount to unfair competition under state law]

-- Some courts were willing to reward “sweat of the brow” in fact compilations (332-3) but this tendency was squelched by S.Ct. in Feist in 1991[“copyright is not a tool by which a compilation author may keep others from using the facts or data he or she has collected”]

--Think about these questions: If we want to protect sweat of the brow in databases, etc., can Congress overrule Feist? Should we look for some tool other than copyright?

6. Look into Feist (334).

(a) Facts: Rural Telephone Co. is a public utility that puts out a standard telephone directory, with white pages and yellow pages. They make lots of money from selling advertising in the yellow pages. Feist publishes a competing directory with white pages and yellow pages. It gathers together white page information from 11 telephone companies in northwest Kansas. Feist competes with Rural to sell advertsing for the yellow pages.

Feist approached each of the 11 telcos and offered to pay to use the white page info. All agreed except Rural [= holdout]. [Later case holds that Rural’s holdout was unlawfully monopolistic; question: how could district ct do this unless it assumed the copyright was invalid, contrary to its own decision in this case?]

Feist used the information anyway (334-5); and Rural sued for copyright infringement. Summary judgment for Rural in lower courts.

(b) Compilations of facts are copyrightable (336) (see def. on Supp p. 120) and Sec. 103(a).

(c) But the copyright is "thin." (336) Explain.

--It may seem unfair (336); why isn't it?

(d) What exactly is the basis of ct's holding? Three parts:

(1) facts are unoriginal (no matter how hard you work to get them) and

(2) originality is required

((a) it's in the statute,

(b) it's constitutionally required to be there; and

(3) compilations of facts can be original iff the selection or arrangement is original

(e) Unpack this.

First, explain why facts are unoriginal.

-- Originality involves "creativity"(creative spark, 335, 338); facts are out there waiting to be found (336--firm distinction between creation and discovery)

Next, explain why this compilation is unoriginal

--(338) "there is nothing remotely creative about arranging names alphabetically..."

Now, explain why originality is constitutionally required. [Does this ct even have to reach this question?]

--Does copyright clause say this?

--Do precedents say this?

7. Return to questions: If we want to protect sweat of the brow in databases, etc., can Congress overrule Feist?

Should we look for some tool other than copyright? [NB 339 n. 5]

[Should we want to protect sweat of the brow in databases?]

8. Consider problem 4-1 (341). [Bellsouth v. Donnelley, 999 F.2d 1436 (11th Cir. 1993)]

NEXT: Fixation; formalities; idea/expression dichotomy; (non-functionality)/useful articles; length of term; scope of rights (1st part)[341-389; 390 - 439]

IP 97 Class No. 15 [cancelled]

1. Consider originality:

(a) First notice that copyright originality isn't anything like patent originality -- look at Alfred Bell v. Catalda Fine Arts (33)

--Ct holds that reproductions of (uncopyrighted) works of fine art can be copyrighted--why?

--"originality in this context means little more than a prohibition of actual copying" (331)

--but it appears from last paragraph that some modicum of "creativity" is required (331)

--Consider Q 3 on p. 332 [what policy basis could there be for high standard of patent originality and low standard of copyright originality?]

(b) Since the originality requirement is so minimal, can we just do away with it and protect against copying? Consider Feist (334)

2. Problem with directories, databases, historical research, news and maps ["facts" but lots of work to gather them]

--[Recall AP v. INS - no copyright but taking news stories gathered by someone else could amount to unfair competition under state law]

-- Some courts were willing to reward "sweat of the brow" in fact compilations (332-3) but this tendency was squelched by S.Ct. in Feist in 1991["copyright is not a tool by which a compilation author may keep others from using the facts or data he or she has collected"]

--Think about these questions: If we want to protect sweat of the brow in databases, etc., can Congress overrule Feist? Should we look for some tool other than copyright?

3. Look into Feist (334).

(a) Facts: Rural Telephone Co. is a public utility that puts out a standard telephone directory, with white pages and yellow pages. They make lots of money from selling advertising in the yellow pages. Feist publishes a competing directory with white pages and yellow pages. It gathers together white page information from 11 telephone companies in northwest Kansas. Feist competes with Rural to sell advertsing for the yellow pages.

Feist approached each of the 11 telcos and offered to pay to use the white page info. All agreed except Rural [= holdout]. [Later case holds that Rural's holdout was unlawfully monopolistic; question: how could district ct do this unless it assumed the copyright was invalid, contrary to its own decision in this case?] Feist used the information anyway (334-5); and Rural sued for copyright infringement. Summary judgment for Rural in lower courts.

(b) Compilations of facts are copyrightable (336) (see def. on Supp p. 120) and Sec. 103(a).

(c) But the copyright is "thin." (336) Explain.

--It may seem unfair (336); why isn't it?

(d) What exactly is the basis of ct's holding? Three parts:

(1) facts are unoriginal (no matter how hard you work to get them) and

(2) originality is required

((a) it's in the statute,

(b) it's constitutionally required to be there; and

(3) compilations of facts can be original iff the selection or arrangement is original

(e) Unpack this.

First, explain why facts are unoriginal.

-- Originality involves "creativity"(creative spark, 335, 338); facts are out there waiting to be found (336--firm distinction between creation and discovery)

Next, explain why this compilation is unoriginal

--(338) "there is nothing remotely creative about arranging names alphabetically..."

Now, explain why originality is constitutionally required. [Does this ct even have to reach this question?]

--Does copyright clause say this?

--Do precedents say this?

4. Return to questions:

--If we want to protect sweat of the brow in databases, etc., can Congress overrule Feist?

--Should we look for some tool other than copyright? [NB 339 n. 5]

--[Should we want to protect sweat of the brow in databases?]

5. Consider problem 4-1 (341). [Bellsouth v. Donnelley, 999 F.2d 1436 (11th Cir. 1993)]

6. Also note that the uncopyrightability of facts poses a problem for the "discoveries" of historians -- see (362 n. 2) [no copyright on historical research]

7. Fixation:

(a) Note that fixation refers to any tangible medium

--problem w/ "copies" in computer memory (343)
[this is serious]

(b) Note that fixation is required for federal protection, but state law (common law copyright) can apply to unfixed works

(c) Note (sec. 101) [Supp (121)] --fixation can occur simultaneously w/ transmission, but only counts if under authority of the author [(?)]

(d) Apply these principles to Problem 4-2? (345)

--[Also note: new sec. 1101 added by the GATT implementation act makes it infringement to fix musical performances w/o authorization or to copy, transmit, or traffic in unauthorized recordings of musical performances]

8. Formalities (345)

(a) notice of copyright

--no longer required after Berne ratification (1989); but note earlier regimes for earlier copyrights

(b) publication of the work

--no longer determines validity after Berne ratification (but still relevant for earlier schemes) [federal copyright now covers work from moment of creation]; publication still has consequences other than validity [see list on (348)]

(c) registration of the work with the Copyright office

--never determined validity, BUT

--is still prima facie evidence of validity

--is still required prior to bringing infringement action (thought after Berne only for U.S. owners)(350)

--and also, must register promptly in order to preserve right to statutory damages and attorneys fees (350) [sec. 412]

(d) deposit of a copy with the Library of Congress (350)

--see sec. 407

9. Ideas "vs." expression:

(a) Consider sec. 102(b): what is its purpose?

--distinguish from patent? [why?]

(b) Baker v. Selden (352):

-- Facts: Selden developed a method of bookkeeping that enabled one to see summaries of financial results. He wrote books explaining it and included forms in his books. He claimed copyright for the books. Defendant Baker published competing forms for the same Selden system, using a different arrrangement of the columns and using different headings. (353) Baker makes and uses account-books arranged on substantially the same system (353)

--Held: Baker doesn't violate Selden's copyright. Explain--

--(1) Selden doesn't own the system, just the particular way he explained it. If he wanted to own the system itself, he would have had to patent it. [idea vs. expression of idea]

--(2) Because he doesn't own the system, anyone can use it. And in using it they must necessarily use forms that are substantially similar. (354)

--Therefore the forms are not copyrightable. [Why?] [They are part of the system, part of the idea; not merely one way to express the idea?]

--Blank account books are not the subject of copyright (356)

(c) See (358 n. 4): copyright regs. make blank forms uncopyrightable (do not in themselves convey information)

--Consider problem 4-4:

--instructions are probably copyrightable
--not the doctor's name and address (those are facts)
--list of diseases *might* be creative (though not if it tracks insurance reimbursement categories)

(d) What if information is conveyed but there is really substantially only one way or a few ways to convey it? [might be an alternative way to look at Selden's forms]. Consider Morrissey (358):

--Facts: Morrissey copyrighted a set of rules for a sales promotional contest. Procter & Gamble ran a contest with substantially the same rule 1 (359-60). Morrissey alleged that Procter & Gamble copied. Trial ct gives defendant summary judgment.

--Trial ct says Baker v. Selden means substance of contest is not copyrightable (yes); therefore that rules springing from the substance aren't copyrightable (not so fast)(360).

--more than one way to express even this simple substance (360)

--nevetheless, defendant wins: why? (360-1)

--if one person can copyright only a

few methods of expression and thereby lock
up the idea, public will lose

--this is known as merger doctrine (361 n.1)

(e) See also (362 n. 5): no copyright for standard incidents, characters, or setting.

(f) Are recipes copyrightable?

10. Of course, the problem with ideas "vs." expression is that it's not really a dichotomy, but a continuum. (See 357 n. 3) [Learned Hand]. Defendant will argue that idea is very detailed and covers lots of specifics; plaintiff will argue that idea is very general and all the specifics are due to plaintiff's creative expression. [Professor Goldstein suggests (357-8) that courts engage in a rough sort of balancing...]

--This is a serious problem for computer programs too [later]

--Consider problem 4-5 (363)

NEXT: (non-functionality)/useful articles; length of term; scope of rights 363 - 438]

1. Ideas "vs" expression [cont'd]

(a) What if information is conveyed but there is really substantially only one way or a few ways to convey it? [might be an alternative way to look at Selden's forms]. Consider Morrissey (358):

--Facts: Morrissey copyrighted a set of rules for a sales promotional contest. Procter & Gamble ran a contest with substantially the same rule 1 (359-60). Morrissey alleged that Procter & Gamble copied. Trial ct gives defendant summary judgment.

--Trial ct says Baker v. Selden means substance of contest is not copyrightable (yes); therefore that rules springing from the substance aren't copyrightable (not so fast)(360).

--more than one way to express even this simple substance (360)

--nevetheless, defendant wins: why? (360-1)

--if one person can copyright only a few methods of expression and thereby lock up the idea, public will lose

--this is known as merger doctrine (361 n.1)

(b) See also (362 n. 5): no copyright for standard incidents, characters, or setting [scenes a faire]

(c) Are recipes copyrightable?

2. Of course, the problem with ideas "vs." expression is that it's not really a dichotomy, but a continuum. (See 357 n. 3) [Learned Hand]. Defendant will argue that idea is very detailed and covers lots of specifics; plaintiff will argue that idea is very general and all the specifics are due to plaintiff's creative expression. [Professor Goldstein suggests (357-8) that courts engage in a rough sort of balancing...]

--see also 377 (structure sequence and organization)

--This is a serious problem for computer programs too [later]

--Consider problem 4-5 (363)

3. Useful articles "vs" works of art: Brandir (365)

--sec. 101

(a) Facts: David Levine created abstract wire scupltures, later reworked them so that they could be used as bicycle racks, and started up a company (Brandir) to produce and sell them. The rack won an Industrial Designers Society of America design award, and was selected for a gallery exhibition entitled "The Product of Design" Cascade Pacific copied the product. Brandir tries to register the copyright so he can sue Cascade Pacific but copyright office won't take it (368)

(b) Issue: no independent existence as a PCS work apart from its function as a useful article

(c) Plaintiff says: my scultures were copyrightable; they should become uncopyrightable just because I use them as bicycle racks. This can stand on its own as minimalist art (some people don't realize it's a bicycle rack).

(d) What is the legal test for whether a useful article can also be copyrighted as a work of art? [the artistic aspect must be separable from its utilitarian aspect]

--the borderline with patent [the utilitarian aspect can be patented, and we don't want unpatentable utilitarian items to be copyrightable as works of art]

--moreover, design patent is specifically available for industrial designs

(e) How will court decide whether the artistic aspect is separable from the utilitarian? (372)

--physical separability [i.e., you can cut off or peel off the work of art]

--conceptual separability

--reasonable observer can perceive an aesthetic concept not related to the article's use [dissent in Brandir]

--"product of industrial design" [majority in Brandir][intent of creator to make a useful article?][form is influenced by utilitarian concerns?]

--Goldstein -- stand alone test (373)

[How would Goldstein decide Brandir?]

--Prob. 4-9 [Carol Barnhart case

--Prob. 4-7 [Mickey Mouse phone]

4. No copyright in govt. works (374)

--what's a govt. work?

--doesn't mean govt. can't own a copyright

5. What rights does copyright include?

-LOOK at sec. 106

--see p. 408

--NOTE not all the different kinds of works have all of the rights -- therefore it becomes important to classify what species of work it is [problem as everything becomes digitized]

6. Classifying works (377):

(a) literary works -- includes anything expressed in words or numbers fixed in any medium

--includes characters and plot [SSO] if detailed

--includes computer programs [but not what they DO, just how they're written down]

(b) PGS (378)--

2-or 3-dimensional [anything that stays still -- if it moves it's something else

--applied art OK [but significantly limited by utilitarian function exception]

(c) architectural works

Does the architect copyright the drawings? or the house itself? [If someone builds a copy house from his own drawings, what happens?]

--previously copy house itself was OK, under Baker v. Selden

--this was changed in 1990 (379]

--now see sec. 101

--Is this protection subject to utilitarian function inseparability limitation on PGS works?

--No; but something silimar? (380)

(d) dramatic, pantomime, choreographic (381)

--protection for fixed instructions on how to perform a work [either written or filmed]

--important to distinguish between literary, musical and dramatic works [protection for performance and display differs]

--consider problem 4-13

(e) musical works and sound recordings (382)

--musical work not the same thing as sound recording

--Hey Jude example (382)

[cover compulsory license for musical work]

(f) motion picture and other audiovisual works

--see def. in sec. 101 [sound track is part of audiovisual work and therefore is not a musical work or a sound recording]

--no cover compulsory license [unlike musical work]

--does have public performance right [unlike sound recording]

(g) derivative works and compilations (384)

--what is a compilation?

--sec. 101

--includes collective works [come back to this]

--what is a derivative work? (384) [come back to this]

7. Roth Greeting Cards (386): is this a case about compilation?

(a) Facts: Roth developed greeting cards. Messages were "I wuv you," "I miss you already...and you haven't left yet" etc. Accompany art work was cute moppet; boy sitting on a curb weeping. United produced greeting cards with same messages and similar artwork and layout.

(b) Court below held this wasn't infringement (386):

--textual matter is uncopyrightable [why?]

--art work didn't infringe

(c) This court? "total concept and feel" [taking everything together the totality is copyrightable]

(d) Is Roth still good law after Feist? (388 n. 2)

--see also West Publishing (problem 4-14 (389)

8. Ownership: [Later: transfer]

(b) On the issue of who owns the copyright when it comes into being [see sec. 201]

(1) the Author; with big exception for works made for hire [contrast with patent]

--what if the Author is plural? ["joint work"]{201(a) 2d sentence][like tenancy in common] (see 399)

--turns on intent of each other that contributions be merged

-- plus, each must contribute indepedently copyrightable material

--see problem 4-17 (400)
[Erickson v. Trinity Theatre (399)

--can there be co-ownership without joint authorship? [sure; transfer...]

(2) When a work comes into being there can be divided ownership of the copyright in a different sense:

--derivative work: copyright in the underlying work is still owned by 1st author [2d author is infringing if doesn't get permission]

--collective work (sec. 201(c)): copyright in the individual contributions remains with each author, absent agreement

(3) works made for hire (201(b): how do we know when a work is prepared for an employer or other person? see definition (sec. 101)

6. Consider CCNV v. Reid (390)

(a) Facts: CCNV conceived idea for sculpture, 3d world america, to dramatize plight of homeless black families in D.C., commissioned Reid to execute it. They told him what to do, provided pedestal, etc. They gave it back to him for repairs and then he claimed copyright and wouldn't return it (392). [Does he have to return the sculpture? Who owns the copyright?]

(b) --Argument that CCNV owns the copyright? [They are "person for whom the work was prepared"; it was their idea; they exercised control over the work]

(c) --Argument that Reid owns the copyright? [not an "employee"; sculpture not within special classes of commissioned works that count as works for hire... (sec 101)

(d) --Why these commissioned works and not others?

--What is meaning of scope of employment? [federal common law of agency (393-4)]

7. Scope of work for hire doctrine:

(a) Many people hired to produce works turn out to be independent contractors.

--If contract provides that work is a work for hire and copyright will belong to the employer, will this make it so?

--What should hiring party do? [assign copyright--see (398 n. 4)]

(b) OTOH, many people who consider that they own their works are teachers, and it looks like their publishing is done within the scope of their employment [see teacher exception (398)]

IP 97 Class No. 18

1. Classifying works (377)[cont'd]:

(a) literary works

(b) PGS (378)--

(c) architectural works

(d) dramatic, pantomime, choreographic (381)

--protection for fixed instructions on how to perform a work [either written or filmed]

--important to distinguish between literary, musical and dramatic works [protection for performance and display differs]

--consider problem 4-13

(e) musical works and sound recordings (382)

--musical work not the same thing as sound recording

--Hey Jude example (382)

[cover compulsory license for musical work]

(f) motion picture and other audiovisual works

--see def. in sec. 101 [sound track is part of audiovisual work and therefore is not a musical work or a sound recording]

--no cover compulsory license [unlike musical work]

--does have public performance right [unlike sound recording]

(g) derivative works and compilations (384)

--what is a compilation?

--sec. 101

--includes collective works [come back to this]

--what is a derivative work? (384) [come back to this]

2. Roth Greeting Cards (386): is this a case about compilation?

(a) Facts: Roth developed greeting cards. Messages were "I wuv you," "I miss you already...and you haven't left yet" etc. Accompany art work was cute moppet; boy sitting on a curb weeping. United produced greeting cards with same messages and similar artwork and layout.

(b) Court below held this wasn't infringement (386):

--textual matter is uncopyrightable [why?]

--art work didn't infringe [why do you suppose it didn't?]

(c) This court? "total concept and feel" [taking everything together the totality is copyrightable]

(d) Is Roth still good law after Feist? (388 n. 2)

--see also West Publishing (problem 4-14 (389)

3. Ownership: [Later: transfer]

(a) On the issue of who owns the copyright when it comes into being [see sec. 201]

(1) the Author; with big exception for works made for hire [contrast with patent]

--what if the Author is plural? ["joint work"]{201(a) 2d sentence][like tenancy in common] (see 399)

--turns on intent of each other that contributions be merged

-- plus, each must contribute independently copyrightable material

--see problem 4-17 (400)
[Erickson v. Trinity Theatre (399)

--can there be co-ownership without joint authorship? [sure; transfer...]

(2) When a work comes into being there can be divided ownership of the copyright in a different sense:

--derivative work: copyright in the underlying work is still owned by 1st author [2d author is infringing if doesn't get permission]

--collective work (sec. 201(c)): copyright in the individual contributions remains with each author, absent agreement

(3) works made for hire (201(b): how do we know when a work is prepared for an employer or other person? see definition (sec. 101)

4. Consider CCNV v. Reid (390)

(a) Facts: CCNV conceived idea for sculpture, 3d world america, to dramatize plight of homeless black families in D.C., commissioned Reid to execute it. They told him what to do, provided pedestal, etc. They gave it back to him for repairs and then he claimed copyright and wouldn't return it (392). [Does he have to return the sculpture? Who owns the copyright?]

(b) --Argument that CCNV owns the copyright? [They are "person for whom the work was prepared"; it was their idea; they exercised control over the work]

(c) --Argument that Reid owns the copyright? [not an "employee"; sculpture not within special classes of commissioned works that count as works for hire... (sec 101)

(d) --Why these commissioned works and not others?

--What is meaning of scope of employment? [federal common law of agency (393-4)]

(e) Even if Reid owns the copyright, does have have to return the sculpture? [see sec. 202]

5. Scope of work for hire doctrine:

(a) Many people hired to produce works turn out to be independent contractors, to the suprise of the hiring party

--If contract provides that work is a work for hire and copyright will belong to the employer, will this make it so?

--What should hiring party do? [assign copyright--see (398 n. 4)]

(b) OTOH, many employees who do meet the definition and haven't contracted out of it do think they own their own works: consider teachers (publish or perish) [see teacher exception (398)]

6. Duration and renewal (401-404): read on own

7. Now turn to transfer

(a) What happens if you transfer ownership in your copyright?

[see 201(d)(1)]

[must be in writing unless by operation of law--statute of frauds --see sec. 204(a)]

(b) What happens if you're a joint author and transfer ownership of your co-owned copyright?

[201(a) joint authors are tenants in common -- analogize with rules of real property transfers]

(c) What happens if you attempt to transfer only the display right and keep all the other rights to yourself?

[see 201(d)(2) - divisibility

[note this was more problematic under the 1909 Act (406)]

(d) What happens if you don't actually transfer the right but you grant a non-exclusive license? [i.e. you keep right and you can also license others]

--this is not in definition of transfer and therefore doesn't have to be in writing; can be oral or implied [but some states have statutes of frauds; not clear whether copyright act will pre-empt in that case]

(e) Can you mortgage a copyright?

[See definition of transfer, sec. 101 (Supp 123)]

(e) The only limit on alienability is sec. 203 (termination of transfers) -- see summary on (407). Authors or their heirs can cancel transfers and bargain again anytime between year 35 and year 40.

--What is the purpose of this provision?

--Result in practice?

[(f) Note that foreign copyrights may have other inalienabilities, notably inalienable moral rights.]

[(g) Note special protection against governmental seizure (sec. 201(e))-- Title 11 = bankruptcy)

--What is the purpose?

--Does it mean U.S. can't take in eminent domain?]

8. Move on to examination of bundle of rights and how they are infringed: first consider reproduction (copying)

(a) What constitutes copying? [see leg. history (409)]

--test is "substantial similarity"

(b) How will copying be proved?

--direct evidence (e.g. confession; eyewitnesses)

--indirect evidence:

--access plus "substantial similarity" [not the same degree as in what constitutes copying, though -- would it be more or less? depends what other evidence there is]

--if we know *for sure* that defendant had no opportunity to read or hear plaintiff's work, then even if defendant's work is identical we have to conclude it's just coincidence. OTOH, if defendant's work is identical, we're likely to think it is copied and even tend to infer there must have been access

--see (415 n. 2): 2d Cir. lets jury infer access if defendant's work is strikingly similar; 7th Cir. requires some prima facie case of access

--it's much easier to prove copying if the original has some booby-traps (see (416 n. 4)

--it's much better for defendants if they can prove no access (see (416 n. 5))

(c) We can see court doing this in Arnstein v. Porter (410)

--Facts: Arnstein was litigious composer of popular music. He sued Cole Porter re "Begin the Beguine," "Night and Day," etc.

--What was plaintiff's evidence on access?

--physical access?

--similarities of the works?

--Ct below granted summary judgment for Porter. What result on appeal?

--Evidence on access seems fantastic, but let jury decide

--Works seem similar enough for jury to decide they are copied [i.e. can't say no reasonable jury could hold them to be copied -- like Shostakovich 5th symphony & When irish eyes are smiling (412)

--Why does ct say testimony of experts will be irrelevant? (413)

--Dissent: On what point(s) did Judge Clark disagree?

(d) Is any scienter required on copying? [no, see (415 n. 3)]

NEXT: finish this chapter. at least get to 474 (1st part of fair use). music guest on Friday 4/4

IP 97 Class No. 19

1. Move on to examination of bundle of rights and how they are infringed [see sec. 106]: first consider reproduction (copying)

(a) This covers simple plagiarism (the original evil): what else?

-- What constitutes copying [of protected expression]? [see leg. history (409)]

--reproducing the work in whole or in any substantial part

--test is "substantial similarity" [wide departures possible]

(b) How will copying [of protected expression] be proved? We need two things: (1) defendant copied the work; (2) defendant's copying is actionable (i.e., expression, not just ideas). What will be evidence on (1)?

--direct evidence (e.g. confession; eyewitnesses)

--indirect evidence:

--access plus "substantial similarity" [not the same degree as in what constitutes infringement, though -- would it be more or less? depends what other evidence there is]

--if we know *for sure* that defendant had no opportunity to read or hear plaintiff's work, then even if defendant's work is identical we have to conclude it's just coincidence. OTOH, if defendant's work is identical, we're likely to think it is copied and even tend to infer there must have been access

--see (415 n. 2): 2d Cir. lets jury infer access if defendant's work is strikingly similar; 7th Cir. requires some prima facie case of access

--it's much easier to prove copying if the original has some booby-traps (see (416 n. 4)

--it's much better for defendants if they can prove no access (see (416 n. 5))

(c) We can see court doing this in Arnstein v. Porter (410)

--Facts: Arnstein was litigious composer of popular music. He sued Cole Porter re "Begin the Beguine," "Night and Day," etc.

--What was plaintiff's evidence on access?

--physical access?

--similarities of the works?

--Ct below granted summary judgment for Porter. What result on appeal?

--Evidence on access seems fantastic, but let jury decide

--Works seem similar enough for jury to decide they are copied [i.e. can't say no reasonable jury could hold them to be copied -- like Shostakovich 5th symphony & When irish eyes are smiling (412)

(d) What about (2)? [Once copying is inferred, what will be evidence that it amounts to infringement?]

--whether defendant took from plaintiff's works so much of what is pleasing to the ears of lay listeners that it amounts to wrongful appropriation

--issue for jury unless no reasonable lay listener could find them copied [like Shostakovich 5th symphony and When Irish eyes are smiling (412) [also if no reasonable lay listener could find them *not* copied]

--Why does ct say testimony of experts will be irrelevant? (413)

--[subjective] reaction of lay listeners

--Dissent: On what point(s) did Judge Clark disagree?

(e) Is any scienter required on copying? [no, see (415 n. 3)]

2. More on (2): what constitutes wrongful appropriation ("too much" copying)? Consider Sid & Marty Krofft (417)

(a) Facts: Sid & Marty Krofft developed a children's TV show called H.R. Pufnstuf. An advertising agency approached them to license the characters for McDonalds, but then did the McDonald's project without permission. The McDonald's characters and setting were very similar to the Pufnstuf characters and setting (421). Sid & Marty Krofft lost market share. The jury found this was copying and wrongful appropriation.

(b) Assume McDonald's did copy and Sid & Marty Krofft did lose market share. Does that automatically mean that defendant must pay?

--If the advertising agency consulted an attorney before it went ahead with the project, what might the attorney have said?

(c) This court says the process of determining whether there is infringement involves two tests, one extrinsic and one intrinsic. What does this mean?

--Extrinsic = type of similarities needed to infer access?

[analytic dissection and expert testimony]

--Intrinsic = type of similarities needed to judge wrongful appropriation?

[response of ordinary reasonable person]

--see 2d Cir. def. (424)

(d) So why was it of no avail for McDonald's to point out all the differences between their characters and the Pufnstuf characters?

(e) Another interpretation (see note 1 (423):

--Objective: similarity between the objective manifestations of creativity [what are potentially protectable elements]

--Subjective: was there wrongful appropriation?

(f) [(423 n. 2)]: In the subjective test does the fact finder compare the two works as a whole or only those elements that are protectable?

--Which is better for plaintiff? defendant?

--Which comports better with copyright principles?

--Which is embodied in the ordinary observer test?

(g) Consider problem 4-25 (427) [see Salinger v. Random House, Inc., 811 F.2d 90 (2d Cir. 1987).

--Does Salinger own copyright in the letters?

--Were the letters copied?

[If so, might it be a fair use? see later]

3. The right to prepare derivative works:

(a) What is a derivative work? [see sec. 101 (Supp 121)]

--recast, transformed, adapted [original work of its own]

--So why is McDonaldland a "copy" and not a derivative work?

--Goldstein: derivative work is for different market (?) (431)

--Why would it matter what you call it?

--owner might have licensed you for one and not the other

--remedy: if "copies" then all profits to plaintiff; if derivative work then maybe apportion profits [but not ownership]

(b) Why should copyright cover the right to prepare derivative works at all? [Don't we want new creators to be able to use what's out there to create new works?][note Goldstein: "quiet revolution" (429)]

(c) What is the situation if the creator of the original work also prepares a derivative work? [2 copyrights]

(d) What is the situation if the creator of the original work grants someone else the right to prepare a derivative work? [original creator still has copyright to original work, second author has copyright for derivative work] [see sec. 103(b)]

(e) What is the situation if someone else prepares a derivative work without the permission of the creator of the original work?[original creator still has copyright to original work, and also has copyright for derivative work -- infringer gets no ownership rights even though added original work and value [sec. 103(a)] (perhaps may apportion profits, but plaintiff can get an injunction against marketing the work)]

--Why should copyright do this? [Goldstein (433) -- "1976 Act has not been particularly discriminating"]

--[see (437 n. 3)]

--perhaps a smidgen of moral right? (438)

4. Consider the reach of derivative works:

(a) Midway (433) holds that speeded-up video game is a derivative work

--Why not like speeded-up record, which is not a derivative work? [answer: there's a market for speeded-up games, but not speeded-up records?]

--is this original work of its own under def. of derivative work?

(b) Mirage v. Albuquerque A.R.T. (442) holds that physically pasting a copy you have purchased onto a tile constitutes a derivative work

--see (442 n. 1): some courts hold that in order to be an infringing derivative work the work you added must be copyrightable expression itself

--Does this square with the moral rights explanation? or what?

5. To be infringing, must the derivative work infringe the original work in the sense of copying protected expression? see E.T. and Lokey from Maldamar (435)

[Yes -- ideas can be freely copied]

6. Consider problem 4-27 (439)

NEXT: finish this chapter. at least get to 474 (1st part of fair use). music guest on Friday 4/4

IP 97 Class No. 20

[Guest lecture on music copyright – Richard Abramson (HEWM)]

IP 97 Class No. 21

1. The right to prepare derivative works:

(a) What is a derivative work? [see sec. 101 (Supp 121)]

--recast, transformed, adapted [original work of its own]

--Goldstein: derivative work is for different market (?) (431)

--Why would it matter what you call it?

--owner might have licensed you for one and not the other

--remedy: if "copies" then all profits to plaintiff; if derivative work then maybe apportion profits [but not ownership]

(b) What is the situation if the creator of the original work also prepares a derivative work? [2 copyrights]

(c) What is the situation if the creator of the original work grants someone else the right to prepare a derivative work? [original creator still has copyright to original work, second author has copyright for derivative work] [see sec. 103(b)]

(d) What is the situation if someone else prepares a derivative work without the permission of the creator of the original work?[original creator still has copyright to original work, and also has copyright for derivative work -- infringer gets no ownership rights even though added original work and value [sec. 103(a)] (perhaps may apportion profits, but plaintiff can get an injunction against marketing the work)]

--Why should copyright do this? [Goldstein (433) -- "1976 Act has not been particularly discriminating"]

--[see (437 n. 3)]

--perhaps a smidgen of moral right? (438)

2. Consider the reach of derivative works:

(a) Midway (433) holds that speeded-up video game is a derivative work

--Why not like speeded-up record, which is not a derivative work? [answer: there's a market for speeded-up games, but not speeded-up records?]

--is this original work of its own under def. of derivative work?

(b) Mirage v. Albuquerque A.R.T. (442) holds that physically pasting a copy you have purchased onto a tile constitutes a derivative work

--see (442 n. 1): some courts hold that in order to be an infringing derivative work the work you added must be copyrightable expression itself

--Does this square with the moral rights explanation? or what?

3 To be infringing, must the derivative work infringe the original work in the sense of copying protected expression? see E.T. and Lokey from Maldamar (435)

[Yes -- ideas can be freely copied]

4. Consider problem 4-27 (439)

5. Now consider the distribution right (sec. 106(3))

(a) allied to the right to copy

(b) limited by the first sale doctrine - sec. 109(a)

--What is the purpose of the first sale doctrine?

--we don't like restraint on alienation?

--copyright owner has already received reward?

--Does this mean that copyright owners can't collect royalties from stores that purchase videos and then rent them out to consumers?

--What about stores that rent out records or software? [these folks got their own statute -- sec. 109(b)]

--And note that the first sale doctrine is undermined for cyberspace if it is held that everything your computer does makes a copy (see (443 n. 2)

(c) What happens when copyright holder sells product to foreign company, who turns around and imports the product back into the U.S. and sells in competition with the holder? [See Sebastian International (439)]

-- "once transfer of ownership has canceled the distribution right to a copy, the right does not survive so as to be infringed by importation" (442)

(d) Why didn't first sale doctrine immunize against liability in Mirage v. Albuquerque A.R.T.? [ct there held that defendant created derivative work][if not, first sale doctrine would have applied][decision has been criticized not on first sale grounds but on grounds of what is a derivative work -- see 442-3 n. 1]

(e) Consider problem 4-29 (444)

6. Now consider public performance and public display rights (secs. 106 (4) and (5)

(a) performance is for things that move and display is for things that stay still (444)

(b) performance is a broader right, because 109(c) immunizes displays of a particular copy to viewers at the place where the copy is located [but not broadcast or transmission over computer network] (445)

--What is situation if painting is shown at a gallery?

--What is situation if TV broadcast covers the gallery opening and shows painting on TV?

(c) But, no performance right in sound recordings [except, those that are digitally transmitted (1995 amendment)]

--Look at sec. 114(a)

--NOTE: performance of sound recordings will still infringe the copyrights of the composers/publishers of the music recorded [sec. 114(c)]

(d) Performance [and to a lesser extent display] are also subject to compulsory license in some cases [will discuss later]

(e) Both performance and display rights are limited to those performances or displays that are "public" [see sec. 101 (Supp 122-3)

--any place open to the public [covers all TV broadcasts]

--any place where a substantial number of persons are gathered ["outside of a normal circle of family/social acquaintances"]

--What about showing Mary Poppins in daycare centers?

--Will all performances and displays on the Internet be public?

(f) What is the situation with respect to playing the radio, recordings, or videotapes in stores?

1. Aiken (446): Ct in 1975 held no infringement if store owner plays radio -- rationale?

--inequitable - why?

--wholly unenforceable?

2. Aiken is overruled by 1976 Act --except, perhaps, for very small stores

--put definition of public performance together with small exemption in sec. 110(5)

--[litigation over the nature of receiving apparatus]

--[playing radio in commercial establishment generally makes you liable for royalties to holders of music copyright]

--What about the rationales of Aiken?

3. So does Tower Records have to pay royalties to the composers of the music on the records it plays in the store?

--it would, if it weren't for sec. 110(7)

4. So does Tower Video have to pay royalties to the movie companies for any videos it shows in the store?

--yes (448 n. 2) [nothing analogous to sec. 110(7)]

7. Reconsider the daycare center playing Mary Poppins in light of sec. 110 -- is it covered by sec. 110 (1)? [not unless it's a nonprofit educational institution and daycare center is a place devoted to instruction]

8. Consider exemption for performing works at charitable events [sec. 110 (4)]:

---only if admission is free or if proceeds go exclusively to charity; and only if it's a nondramatic literary or musical work [no plays or movies or ballets]; and only if copyright owner does not object

--except, 110(10): if you're a veteran's organization or a nonprofit fraternal organization, you can do it over the copyright owner's objection for any charitable social function

--except, if you're a college fraternity or sorority, the social function has to be held solely for a specific charitable purpose

9. What do you think of sec. 110 (6)?: [exemption for nondramatic musical works performed by nonprofit agricultural or horticultural organization in the course of an annual fair]

10. In general copyright gives owner a property rule (can refuse to license). There are a few inroads of liability rules (compulsory licenses).

(a) Sec. 111 cable retransmission rules [cable systems can retransmit broadcast TV over their systems and pay a royalty to the TV networks]

(b) Sec. 119 satellite reetransmission for "unserved households"--must account to networks

(c) Sec. 115 --right to "cover" previous recordings [copyright owner of music can't stop you but will be paid statutory fee]

(d) Sec. 116 - right to operate a jukebox [copyright owner of music can't stop you but will be paid statutory fee]

(e) Sec. 118 - public broadcasting stations may broadcast some works subject to compulsory license if voluntary K not reached [only applies to musical and PGS works -- not plays, books, movies]

11. Moral Rights (451)

(a) Moral rights stem from the continental tradition -- author's personality right. They give inalienable rights to authors. Moral right has not been officially part of U.S. tradition.

--U.S. did not accede to the Berne Convention for 100 years, primarily because Art. 6bis of the Berne Convention required signatories to recognize moral rights (453 n. 2)

--When U.S. acceded in 1988 Congress concluded that our law could be understood as complying in principle (453 n. 2; n. 4)

(b) The Visual Artists Rights Act of 1990 is the first explicit moral rights protection in the U.S. It is much narrower than moral right in Europe. [If you're going to destroy something, make sure it's by a U.S. artist-- and either she isn't famous or is dead]

(c) Consider VARA (sec. 106A) more closely:

1. It applies only to works of visual art [check definition in sec. 101]

--does not apply to movies; literary works; music

--consider John Huston case (454 n. 3); consider Shostakovich case

2. It applies only during author's lifetime (106A)(d)--[actually through the end of the year of the author's death--106A(d)(4)]

--consider Picasso case (454 n. 3)

--[and note that for works created before the effective date of the ACT it doesn't apply unless the artist still owns the work]

3. As to destruction of the work, it applies only to works of recognized stature; and the destruction must be intentional or grossly negligent (a)(3)(B)

4. As to mutilation, distortion, and prejudicial modifications, they have to be intentional (a)(3)(A)

--But note (c)(2): modification due to presentation or placement doesn't count unless caused by gross negligence

--How would Richard Serra case come out under VARA? (454 n. 4)

--Also note (c)(3): [If artist has transferred ownership of copyright, then] artist cannot prevent reproduction

5. Waiver [sec. 106A(e)(1)]

(d) What happens if you're demolishing a building and find that the basement walls are covered with murals and the gargoyles on the front are by a recognized artist (who is still alive)?

--Look at sec. 113(d): [no VARA rights unless work can be removed without mutilating it; and if it can be, artist has to remove it within 90 days after notice]

NEXT: Fair use (458-509); read sec. G (Int'l issues) on own (509-514); Remedies (514-522); copyright and computer software (860-862; 873-908; 916-927; 932-955)

1. Questions from yesterday:

(a) Sec. 115 cover right -- what is relationship between right to make phonorecords and rights in underlying composition?

--First look at nature of right in phonorecords

--phonorecords are only protected against copying [= dubbing]; it's OK to imitate them [sec. 114(b)] --but what about sampling? [2d sentence of 114(b)]

--sec. 115(a) gives right to use underlying musical work subject to compulsory license (if phonorecords of the work have already been distributed to the public in the U.S.)

--you don't need permission from the owner of the sound recording (unless you are dubbing it)

--sec. 115(b) limits your use of the underlying musical work to performances that don't change the basic melody or fundamental character of the work

--you can't protect your cover as a derivative work (unless the copyright owner agrees to give you that right) (115(b)

(b) Would resale royalties under state act be liable to pre-emption under sec. 301?

--the state rights in question have to be equivalent to rights granted under copyright [so maybe not][see 301(f)(2)(B)

--however, consider state protection against destruction, mutilation, etc., in light of sec. 301[see 301(f)(1)]

--but note 301(f)(2)(C) - states can extend rights beyond life of author

(c) Reconsider CCNV -- what rights did artist retain?

2. Moral Rights (451)

(a) Moral rights stem from the continental tradition -- author's personality right. They give inalienable rights to authors. Moral right has not been officially part of U.S. tradition.

--U.S. did not accede to the Berne Convention for 100 years, primarily because Art. 6bis of the Berne Convention required signatories to recognize moral rights (453 n. 2)

--When U.S. acceded in 1988 Congress concluded that our law could be understood as complying in principle (453 n. 2; n. 4)

(b) The Visual Artists Rights Act of 1990 is the first explicit moral rights protection in the U.S. It is much narrower than moral right in Europe. [If you're going to destroy something, make sure it's by a U.S. artist-- and either she isn't famous or is dead]

(c) Consider VARA (sec. 106A) more closely:

1. It applies only to works of visual art [check definition in sec. 101]

--does not apply to movies; literary works; music

--consider John Huston case (454 n. 3); consider Shostakovich case

2. It applies only during author's lifetime (106A)(d)--[actually through the end of the year of the author's death--106A(d)(4)]

--consider Picasso case (454 n. 3)

--[and note that for works created before the effective date of the ACT it doesn't apply unless the artist still owns the work]

3. As to destruction of the work, it applies only to works of recognized stature; and the destruction must be intentional or grossly negligent (a)(3)(B)

4. As to mutilation, distortion, and prejudicial modifications, they have to be intentional (a)(3)(A)

--But note (c)(2): modification due to presentation or placement doesn't count unless caused by gross negligence

--How would Richard Serra case come out under VARA? (454 n. 4)

--What about daVinci vs. Duchamp?

--Also note (c)(3): [If artist has transferred ownership of copyright, then] artist cannot prevent reproduction]

5. Waiver [sec. 106A(e)(1)]

(d) What happens if you're demolishing a building and find that the basement walls are covered with murals and the gargoyles on the front are by a recognized artist (who is still alive)?

--Look at sec. 113(d): [no VARA rights unless work can be removed without mutilating it; and if it can be, artist has to remove it within 90 days after notice]

3. Fair use: defense to infringement on a case-by-case basis

-- Consider fair use defense (sec. 107): certain unauthorized uses that come within the owner’s scope of rights are nevertheless not infringements.

(a) What kind of uses?[“such as” criticism, comment, news reporting, teaching, scholarship, research]

(b) Factors to be considered in a particular case “shall include”

--purpose [including whether commercial or nonprofit educational]
--nature of the copyrighted work
--amount and substantiality of the portion used
--effect on the potential market for the copyrighted work

(c) Is fair use a rule or a standard? [will people who want to exercise their rights to criticize or comment or report be “chilled” by threat of copyright liability?]

NEXT: Fair use (458-509); read sec. G (Int'l issues) on own (509-514); Remedies (514-522); copyright and computer software (860-862; 873-908; 916-927; 932-955)

IP 97 Class No. 23

1. Fair Use [cont'd]: Look again at sec. 107: our job is to understand both the statutory factors and what's "really" going on

2. Consider Sony v. Universal City Studios (468) [come back to Harper & Row later]

(a) Facts: Sony manufactures VCR's (Betamax). Universal City holds copyrights to some content shown on TV. VCR's can be used in ways that obviously infringe copyright. Issue: Given that VCR's can be used to infringe copyright, should VCR manufacturer be contributorily liable? [What is contributory liability? see (456)]

(b) What will help us decide?

--What are VCR's used for?

--piracy

--licensed activities

--time-shifting [is it or is it not infringing?]

--Is what they are used for either non-infringing or infringing but excused bec. fair use?

(c) Is what they're used for non-infringing? [not completely]

--1st part of the opinion develops facts that say that PBS, Mr. Rogers, etc., license everybody to copy for home use

--2d part of the opinion develops theory that time-shifting is fair use [do they even need to reach this?]

(d) Consider time-shifting as fair use?

--what is time-shifting

--how does sec. 107 apply to it?

-- criticism, etc. [must be "such as"??]

-- commercial vs. nonprofit educational?

--nature

--amount and substantiality

--harm to market or potential market

(e) what would have happened if Sony lost this case?

(f) Commercial vs. non-commercial use: Does Sony say there's a presumption that commercial use of copyrighted material is not fair use? Does Sony say that there's a presumption that non-commercial use is fair use? [(472)]

3. Can use of someone else's work prior to publication ever be "fair"? [What does sec. 107 say?] Consider Harper & Row v. The Nation (459):

(a) Consider the normal notion of fair use in "news reporting" (e.g., quotes from "Primary Colors" in stories speculating who wrote it)

--remember you don't even need fair use if you're scooping someone on facts or ideas

--what if you steal someone's research notes and copy the facts? [maybe tort; not copyright]

--what if you steal someone's manuscript and describe it? [maybe tort; not copyright-- unless you copy protected expression, literal or nonliteral elements]

(b) Describe facts in Harper & Row. Do they differ from normal news reporting that sec. 107 means to exempt?

--substantiality of copying of protected expression? (300 words)(the "heart")

--actually caused damage to proprietor? [Time didn't pay 12,500 because scooped]

--work has not yet been published

(c) Why is fair use disfavored (or precluded?) if the work is not published?

--author's right to choose when (and whether) to publish (464)

--is this a personality interest like right of disclosure in moral right jurisprudence?

[free to develop ideas w/o fear of expropriation-- outweighs any short term news value

--personal interest in creative control
--property interest in exploitation of prepublication rights

(d) Note the economic theory of fair use: (465 n. 9)(see (473 n. 6)

--Will fair use disappear in the online world?

4. Consider American Geophysical Union v. Texaco (475)

(a) Ct holds it violates copyright for research scientists to copy journal articles for their research archives

(b) Rationale? (486) [potentially this use could be licensed, therefore there's no right to use it w/o license]

(c) Does this mean that "virtually every academic institution in the U.S. is regularly committing copyright infringement"? (493 n. 5)

5. Parody and satire: 2 problems--

(a) Parody and satire will be derivative works, so they have to be measured like everything else by copyright and its defenses [ideas, facts, already in public domain, scenes a faire, merger; fair use]. Why not a blanket exemption for parody? [1st amendment implications--
could we argue such an exemption is C required?]

(b) Successful parody or satire may cut into the market for the original -- that's its purpose as criticism. Should this result subject the author to copyright liability? (the more you succeed in your artistic genre they more you have to pay off those you criticize)

6. Consider Campbell v Acuff-Rose Music (494):

(a) 2 Live Crew composed a parody of Pretty Woman by Roy Orbison. They sought a license but copyright owner refused {"we cannot permit a parody" (495)}. 2 Live Crew did it anyway and got sued. Ct of Appeals said this couldn't be a fair use because of "blatantly commercial purpose" and [extent of borrowing from the original, including taking the heart]. It is uncontested that this would be copyright infringement if it weren't for fair use. [Why couldn't 2 Live Crew just get this under compulsory license under sec. 115?]

(b) Does S Ct say the fair use defense is C required? [Where in the C does it say this?] (495-6)

(c) What is the role of the transformative use? [Is this one of the statutory factors? Should it be?] (496)

(d) Is there now a special standard for parody?

--looks like parody can take the heart of the work because otherwise it can't work as a parody (500)

--result here? (501) [remand to see if they took too much, but can't be too much as a matter of law]

--also parodist can claim that even if plaintiff's market is hurt, it's hurt in a non-cognizable way [no presumption of harm even for commercial purpose if work is parody (502)]

--you can kill plaintiff's commercial mkt with a devastating parody [and this is not the type of market harm against which platiniff is to be protected]

(e) Does 2 Live Crew win?

--well, fair use is an affirmative defense, so it's up to defendant to produce evidence that there's no commercial harm in the sense that is cognizable. 2 Live Crew didn't do that [i.e., they need to produce evidence that their parody is not undercutting Acuff-Rose's potential profit from a potential non-parodic rap derivative version of Pretty Woman] (503) . Hence this is an evidentiary hole to be plugged on remand.

NEXT: read sec. G (Int'l issues) on own (509-514); Remedies (514-522); copyright and computer software (860-862; 873-908; 916-927; 932-955)

IP 97 Class No. 24

1. What are the really important factors in fair use?

--noncommercial?

--transformative? [parody, criticism, political speech?]

--availability of mkt?

--harm to plaintiff's mkt?

--published?

--heart of the work?

2. Summary on fair use:

(a) private property (copyright maximalist position):

--no fair use unless licensing market is too expensive to establish (market failure) [i.e. fair use is not C-required]

--no fair use for any commercial use

--no fair use for any copying of unpublished work

--no fair use for any copying of entire work

(b) free speech (public domain maximalist position):

--fair use for political and educational speech [i.e. fair use is required by copyright clause and perhaps by 1st A]

--fair use for noncommercial uses

--fair use to promote competition (interoperability)

3. Remedies for copyright infringment (514) -- overview:

(a) criminal liability (sec. 506) [except VARA]

--note sec. 509: seizure and forfeiture; also 506(b): all copies and equipment will be forefeit

(b) Is this for criminal liability only? Note sec. 503:

--court may impound copies and equipment "at any time action is pending" [including ex parte after complain is filed]

--Do you think this section has 1st A problems?

--and as part of final judgment ct may order destruction

(c) Injunctions (temporary and permanent) sec. 502

--Note that injunctions are freely granted (even preliminary injunctions) (520) [exception in Rear Window case]

(d) Damages (sec. 504)

--(a)(1) and (b) owner's actual damages, plus profits of infringer in excess of that

--(a)2) and (c) statutory damages election

--$500 - $20,000 for each work infringed, in court's discretion

--can increase to $100,000 if wilful (c)(2)

--can decrease to $200 if innocent (c)(2)

--not awarded if infringer in good faith relying on fair use and infringer is connected with educational institution, library, or (for published nondramatic literary works only) a public broadcaster (c)(2)

--(sec. 412) not eligible for statutory damages unless work was registered at time infringed [or is published and registered w/in 3 months of publication]

(e) Attorneys fees and costs to prevailing party (sec. 505) in court's discretion (but only if work registered in accordance w/ sec. 412)

--see (519 n. 2): this means either party

(f) And note that in general a work must be registered in order to bring an infringement action (sec. 411)--so register when filing complaint if not done already

4. Consider Sheldon v. Metro-Goldwyn Pictures (516):

(a) Facts: Plaintiff's play, Dishonored Lady, was based upon a Scottish murder trial in 1857. Defendant's movie, Letty Lynton, was based upon a novel that was based on the same trial. Defendant bought the movie rights to the novel but negotiations to buy the movie rights to the play fell through (516). Ct App concluded that defendant's not only used the idea (a wanton girl kills her lover to free herself for a better match, etc.) but also engaged in deliberate plagiarism from the play.

(b) Who now owns the copyright in the movie?

(c) As to profits already realized, who will get them?

Defendants claimed that even if they infringed, the main source of their profit is popular actors, scenery, expert producers and directors.

District court thought it was required to award all profits to plaintiff, but thought that was unfair and that 25% would be fair (517).

Ct App thought that apportionment could be made and that 20% would be fair. S Ct. here affirms.

(d) Look again at sec. 504(b): how will this work in practice?

5. Copyright in computer programs:

(a) Computer programs are protected as literary works. [Recall definition of literary work in sec. 101] It protects at minimum against literal copying of source and object code.

UNLESS: fair use; merger; scenes a faire; method of operation...

[In what sense is object code a literary work?]

Serious problem w/ nonliteral copying--what is the idea and what is the expression?

Also: remember 102(b) -- no copyright for procedure, process, system, method of operation

(b) Idea vs. expression of idea in software context

--Whelan case (3d Cir.) had said that the idea of managing a dental lab was the idea, and everything else was expression [very broad protection]

6. Idea vs. expression of idea in software context

--Whelan case (3d Cir.) had said that the idea of managing a dental lab was the idea, and everything else was expression [very broad protection]

--Whelan has been undermined by Computer Associates v. Altai (2d Cir.) (873):

(a) This is a leading case on how to analyze copyrightable elements of computer programs. [3d Cir. hasn't overruled Whelan v. Jaslow, but it's been undermined...]

(b) How did dispute arise?

--The program in issue is a job scheduling program for IBM mainframe computers developed by CA; it creates a schedule for various tasks and controls the computer while it performs them. One of its sub-programs, called ADAPTER, enables the main program to work on different operating systems that the IBM computer may be running; it allows computer user to use multiple operating systems.

--Altai is a competitor of CA. It hired away one of CA's employees (Arney). (The head of Altai (Williams) had also worked for CA and known him there.) Unbeknownst to anyone at Altai [great litigation strategy ??], Arney had taken with him CA's code for the Adapter program. He used it to develop a competing product, Oscar 3.4., which copied about 30% of that code. [Note Altai is no longer appealing award of $364,444 for this version.]

--Wait a minute: how come this isn't a claim for stealing a trade secret? [Ct says pre-empted by copyright; see sec. 301(a)]

--What did Altai do after they discovered that Arney had copied the code? [which they say happened when they got sued]

--Clean room rewrite (see 875); developed Oscar 3.5

(c) CA claims Oscar 3.5 also infringes. It can't infringe by copying statements in the code (no literal elements (876). Remember infringement = copying. What does CA claim Altai copied in the new version?

- --list of services that program obtains from its operating system
- --general flow chart (structure of program)
- --more specific organizational features
  - --inter-modular relationships
  - --parameter lists
  - --macros

(d) Are non-literal structures of literary works copyrightable? What would these be?

--Does ct hold that non-literal structures of computer programs are copyrightable? [Yes, in principle (876)]

(e) So now ct has to compare the non-literal structure of one program with the other to see whether they are substantially similar so that copying can be inferred. How is it going to do that?

--Abstraction (879): Decide at what level expression blends into idea. [Whelan was much too high.]

--Filtration (880): Filter out the uncopyrightable elements

- --ideas
  - --including ideas merged with expression [dictated by efficiency] (880)

- --dictated by external factors (882)
  - --analogous with scenes a faire

- --in the public domain (883)

--Comparison (883): see if what's left is substantially similar

(f) How applied in this case? (886-7)

(g) Will judges be able to apply this test?

NEXT: copyright and computer software (860-862; 873-908; 916-927; 932-955); trademark 523-532 [read on own]; 543-580; 595-610; 622-628 [read on own]; 628-658; 669-735

1. Have you wondered why Microsoft got away with copying Apple's user interface? See Apple v. Microsoft (917)

(a) Apple had registered the GUI as an audiovisual work. Does it fit within the definition?

(b) What exactly did Windows copy?

--the source and/or object code?

--the structure, sequence, and organization of the code?

--the look and feel of the screen and mouse? [total concept and feel]

(c) What did Apple do when Windows 1.0 first came out and it was a copy of the Mac interface?

--What exactly did Apple license to Microsoft? [whatever they had in Windows 1.0 plus the right to use and sublicense derivative works generated by Windows 1.0)917)]

(d) What's left for Apple to complain about in this case? [they say that Microsoft exceeded the scope of the license by making Windows more and more Mac-like]

(e) Dist ct held that under these circs the later Windows would have to be "virtually identical" to the Mac interface in order to infringe -- and infringment of course applies only to protected expression, so would have to be "virtually identical" to those parts that aren't filtered out by the Altai test

--Explain? (923) vast majority of the copied features were licensed, so the only claim of infringement would rest on Apple's unique structure and arrangement

--Apple claims this is an artistic work and should receive broader protection but ct says it's more like a factual work (923)

(f) Absent Apple's license to Microsoft for Windows 1.0, would this have been an infringement?

--District ct finds (and Ct here affirms) that the following are ideas, therefore not protectable (919):

--idea of a GUI

--use of windows to display multiple images

--use of icons

--use of menus

--opening and closing of objects

--Also, district ct finds that merger and scenes a faire limit any claim to unique expression of these ideas [use of overlapping windows; use of page metaphor, etc.]

2. So far we've discussed how ideas, merger, scenes a faire limit copyrightability of computer programs. Another kind of limit on copyrightability of elements of computer interface involves the 102(b) exclusion of process, system, procedure, method of operation.

(a) Consider Lotus v. Borland (892). What exactly did Borland copy?

(b) Held? [the Lotus menu command hierarchy is an uncopyrightable method of operation]

--*even if* the Lotus developers made expressive choices? [yes]

(c) Consider VCR button analogy (900)

(d) Does this mean that all GUIs are method of operation?

(e) Why should object code be copyrightable if this isn't?

(f) What is best argument in favor of Borland? [What rationale does it suggest here?]

--make competition possible?

--see Boudin (908 n. n7)

3. In general the issue of making competition possible for things other than the copyrighted item itself (interoperability) is an issue that comes up a lot in the software context. A number of courts have thought that the place to put this concern is into fair use [though it doesn't seem to be about criticism, commentary, etc]

(a) Consider Lewis Galoob v. Nintendo (932)

--What did Galoob do that Nintendo objects to? [sold a gadget which when plugged into Nintendo machine would alter its copyrighted games [create derivative works]

--Ct holds that the Game Genie is used for a noncommercial purpose (!) (935); therefore can't "presume" not fair use, but market harm must be shown

--Can Nintendo show market harm? (936)

--Answer Q's in n. 1 on p. 937

(b) Consider Sega v. Accolade (938)

--What did Accolade do that Sega objects to? (939) [acquired copies of Sega's game cartridges, ran them through a decompiler and got printouts of source code and then worked on source code in order to determine how cartridge interacts with console and then kept only functional descriptions (not copies) and made game cartridges of their own that would play in the Sega console]

--Where's the copying in this scenario? [Sega had to copy the object code by running it in the computer in order to decomple it -- see 939 n. 2][see 941 -- also the printouts and computer files containing Accolade's modifications of the decomplilied code]

[Unfortunately, it turned out that Sega had a 4-byte piece of code that had to appear in the cartridge in order for it to work, and this code caused a message to appear on the screen that said "produced by or under license from Sega Enterprises Ltd"]

-- Issues: (1) Was it fair use for Accolade to make a copy of the object code in the Sega cartridges? [(2) Did it violate the Lanham Act for the Accolade cartridges to display the Sega message when they were plugged in?]

--How does court go about deciding whether it's fair use for Accolade to copy the Sega program?

-- Does it apply the 4 factors?

(1) copying for commercial purpose [Sony said should be presumed unfair][(945-6) - overcome; why?]

(2) nature of the work [literary work] [see 949- 50 lower degree of protection than more traditional literary works; why?]

(3) substantiality [copying entire work](951)

(4) market harm (947) ["usurps the market" vs. "enables the copier to enter the market"]

-- What is the "real reason" court rules this way? (951)

--Notes and questions on p. 952-955. See esp. Cohen article (cited in n.1)

NEXT: 543-580; 595-610; 622-628 [read on own]; 628-658; 669-735

1. Consider the question: If interoperability is important --if we think that otherwise the copyright monopoly is extended "too far" -- is fair use the best way to get there? What other possibilities are there?

--object code is functional, not copyrightable [patent or nothing]

--copyright misuse (954 n. 6)

-- intermediate copying [copies that aren't used to supplant someone's market, just used to help you make your own product or perform your own service]

--problem over the scope of sec. 117 (927-8)

(1) limited to "owners"

(2) essential step in the utilization of the program in a machine (117)(1)

--see Vault v. Quaid [OK to load program into memory and run it -- for the purpose of learning how to defeat its copy protection](5th Cir. 1988)

--but also see MAI v. Peak [anytime a "licensed" program is loaded into RAM that's a copy for purposes of copyright law] (9th Cir. 1993)

2. If you were designing an IP regime for computer programs, what would it look like? [Would it be copyright?]

3. Intro. to trademark:

(a) Common law of trademark (predecessor to federal statute) (see 524-5)

--Tort (deception of customers as to source) gives rise to unfair competition (misappropriation of plaintiff's goodwill)

--Prove that defendant actually engaged in deception or intended to deceive (passing off defendant's goods as plaintiff's)

-- evidence of actual activity of defendant (?)

--"strength" of plaintiff's name or label, etc.

-- merely descriptive

-- secondary meaning

--so distinctive that court can presume without more that defendant was being deceptive

--these cases came to be called "trademark"

(rest are still unfair competition)

(b) Traditional trademark is geographic and industry-specific. Both these limitations follow from its tort origin (dependence on likelihood of confusion):

--Geographic (no likelihood of confusion if both sellers not in same territory)

--Industry specific [compartmentalized](no likelihood of confusion if both sellers not selling same kind of goods)

(c) The trademark act is essentially a recording act for "marks" (names, logos, etc.) that are used in commerce to identify your goods (or services).

--What does registration do for you?

--see sec. 1114 (Supp 94)

--[remedies: injunction; damages; treble damages for intentional deception as to origin]

(d) How does a company go about creating an ownable trademark?

--first search the register

--next read sec. 1052 (Supp 77)

--next must be "used in commerce" (sec. 1051(a))

--This was only way to get valid trademark before 1988 Revision Act. Now, however, you can also apply showing good faith intent to use (sec. 1051(b)) -- must follow up with actual use

--What is the purpose of requiring actual use before registration?

--prevent "warehousing" of marks [Why do we want to do that? (otherwise you can cheaply increase costs for your competitors -- create barriers to entry)]

--But what is the downside of requiring actual use?

--company spends money on marketing, etc., not knowing whether registration will be granted?

--[and Pat Off and courts will start allowing token uses...]

4. Consider Blue Bell v. Farah (553) [race to be first to "use" mark]:

(a) Facts: Blue Bell and Farah both manufacture men's clothing. They both want to own the trademark "Time Out." They both claim that they've used it in commerce.

Each wants to enjoin the other from using it.
How should court decide who gets it? (Or should they both get it?)

-[Try to find out who "used" it first]

-[What facts are relevant to this inquiry?]

--When did they conceive it?

--When did they actually put the label on goods?

--When did they transfer goods from the factory to their wholesalers?

--When did they start marketing the goods?

--When did labeled goods get in the hands of consumers?

--When did consumers first have a chance to identify the goods by means of the mark?

(b) Farah didn't acquire ownership by its July 3 shipment? Why not? [internal, not to customers]

(c) Blue Bell didn't acquire ownership by its July 5 shipment? Why not? [bad faith attempt to reserve a mark (210)]

(d) Result?

5. Note that common law trade mark is geographical: that is, you only acquire rights in the territory in which your product is distributed [or is reasonably likely to be distributed (555)

6. Note that ownership is acquired by use, not by registration.

(a) What does registration do for you? [automatically gives nationwide scope]

(b) So what happens if you use a mark in California and on that basis you register it, and it later turns out that someone else has been using it for the same type of goods in New York? (556)
(c) What if two parties from different locations seek registration at the same time? [(556) - interference]

7. Consider Zazu v. L'Oreal (543)--Judge Easterbrook explains use requirement and also shows how traditional trademark is industry-specific [compartmentalized] and geographic

(a) Facts: L'Oreal needed a trademark for hair cosmetics. They came up with some possible names and researched them. Zazu was registered federally for clothing; there were 2 state service mark registrations and one of them was Zazu Hair Design Ithe plaintiff].

--What did L'Oreal do about the clothing people? (544) [explain this deal--what rights would Riviera Slacks, Inc. have had against L'Oreal absent this deal?]

--What did L'Oreal do about ZHD?

--tried to ascertain whether they were selling hair products (544)

--made a small interstate shipment in April 1986 (544) {"It used this shipment as the basis for an application for federal registration..."}

--[NOTE: Even if L'Oreal gets federal registration, will they be able to use the mark in ZHD's territory?]

--In the meantime (perhaps unbeknownst to L'Oreal), ZHD was gearing up to sell hair products itself.

(b) ZHD now claims rights to use the mark that are prior to L'Oreal use rights and therefore that L'Oreal's registration doesn't give it anything.

--What did ZHD do to establish "use" of the mark? [and when did it do it?]

--looked for products in 1985 (544); a few things sold in bottles at salon w/ business card attached; 2 bottles shipped to friend in Texas and 2 shipments to friend in Florida (betw 1985-6; not public because not labled); had 25,000 bottles silksreened late in 1985; began to sell small quantities in bottlles filled and labeled in the salon in Sept. 1986

(c) It's clear that if ZHD had sold products in commerce nationwide before L'Oreal "used" the mark and tried to register it, then L'Oreal couldn't register because they don't "own" it

--Did trial ct think this was the case?

--(546) Apparently yes. Trial ct relied on cases that said "token use" counted as "use" -- but actually those cases only meant you could register, not that you would get actual ownership in absence of registration

--There's a difference between "use" that will be enough to give you putative ownership so you can register, and "use" that will give you real ownership rights if you haven't registered

--[Question: What happens if someone registers based on token use but then it turns out that someone else has established ownership by real use from an earlier date? --Registrant loses (this case)]

--Easterbrook rationalizes this rule, how?

--Registration gives everyone notice, and "token use" is enough to make registrants not monopolistically warehouse marks while at the same time it doesn't make them spend money wastefully on promotion (546)

(d) Is this result changed if L'Oreal when it made its token use in April of 1986 knew that ZHD was gearing up to go on the national market and L'Oreal just acted to beat them out in the race to register (rather than having to negotiate with them)?

--ZHD claimed this was "bad faith" and trial court agreed

--Easterbrook reverses: says "bad faith" cases apply only (547) to attempts to reserve a mark w/o making genuine sales to the public [Why is this the main evil?]

--dissent says bad faith means any knowledge that someone else is using the mark (549-50)

(e) What (if any) rights does ZHD now have?

--(549) Salon services in Hinsdale area

--Hair products in Hinsdale area ?

--Hair products in Chicago area?

8. Big change in the law in 1989 (550): now you can file intent to use which gives you at least a year to "use", gives priority from the date of the application. How would this have worked in the Zazu case?

9. Does this get rid of "token use"? (see (551 n. 3)

NEXT: 543-580; 595-610; 622-628 [read on own]; 628-658; 669-735

IP 97 Class No. 27

1. Ownership/"use" [cont'd]

(a) It's clear that if ZHD had sold products in commerce nationwide before L'Oreal "used" the mark and tried to register it, then L'Oreal couldn't register because they don't "own" it

--Did trial ct think this was the case?

--(546) Apparently yes. Trial ct relied on cases that said "token use" counted as "use" -- but actually those cases only meant you could register, not that you would get actual ownership in absence of registration

--There's a difference between "use" that will be enough to give you putative ownership so you can register, and "use" that will give you real ownership rights if you haven't registered

--[Question: What happens if someone registers based on token use but then it turns out that someone else has established ownership by real use from an earlier date? --Registrant loses (this case)]

--Easterbrook rationalizes this rule, how?

--Registration gives everyone notice, and "token use" is enough to make registrants not monopolistically warehouse marks while at the same time it doesn't make them spend money wastefully on promotion (546)

(b) Is this result changed if L'Oreal when it made its token use in April of 1986 knew that ZHD was gearing up to go on the national market and L'Oreal just acted to beat them out in the race to register (rather than having to negotiate with them)?

--ZHD claimed this was "bad faith" and trial court agreed

--Easterbrook reverses: says "bad faith" cases apply only (547) to attempts to reserve a mark w/o making genuine sales to the public [Why is this the main evil?]

--dissent says bad faith means any knowledge that someone else is using the mark (549-50)

(c) What (if any) rights does ZHD now have?

--(549) Salon services in Hinsdale area

--Hair products in Hinsdale area ?

--Hair products in Chicago area?

2. Big change in the law in 1989 (550): now you can file intent to use which gives

you at least a year to "use", gives priority from the date of the application. How would this have worked in the Zazu case?

3. Does this get rid of "token use"? (see (551 n. 3)

4. Secondary meaning and its relationship to priority (563)[first consider terms that are merely descriptive of the goods]:

(a) If you trademark merely describes the goods generically, then it cannot be presumed that mere use of the term by you indicates that consumers associate product with you and your particular quality, etc.

--Moreover, if you appropriate a descriptive word w/o which competitor can't describe goods at all, that puts big burden on competitor [e.g., couldn't trademark "computer" or "chair" or "doll"]

(b) However, there are some descriptive words which still leave room for competitors ["safety-lock"? "flower-gro"?]

--With these the problem is you can't assume that there's any good will associated with the mark, absent knowledge of the circumstances of use

--Thus, sec. 1052 (e)(1) and (f): registration for descriptive terms (if they aren't too generic to register at all) must await becoming "distinctive" in use [use for 5 years will be prima facie evidence]

5. Consider Zatarians v. Oak Grove (564):

(a) Zatarains sold "Fish-Fri" and "Chick-Fri". The mark "Fish-Fri" had been in use since 1950 and registered since 1962. The mark "Chick-Fri" had been in use since 1968 and registered since 1976 [not too long before suit in 1979]. Several competitors began marketing similar products and called them "fish fry" and "chicken fry." Zatarains wants to enjoin competitors from using these terms on their products.

(b) The district court found that Zatarain's trademark "Fish-Fri" was a descriptive term with an established secondary meaning (565) -- explain

(1) characterization as "merely descriptive" term:

--alternative characterizations? Plaintiff claimed the term is "suggestive" -- why? (568) Defendant claimed the term is "generic" -- why? (568)

--how will ct decide how to characterize? (569)

--look up in the dictionary

--imagination test

--whether competitors would need the terms

--actual use by competitors

(2) if PTO finds that term is "merely descriptive" when you apply for registration, what happens? they deny registration under sec. 1052(e)(1)

unless you have 5 years of use already under sec. 1052(f) or you can show has "become distinctive" -- i.e., has acquired secondary meaning

(3) finding that term has acquired secondary meaning (570)

--plaintiff must prove that mark has acquired secondary meaning in the minds of consumers --how to do this?

--extent of advertising; volume of sales

--take a survey!

(c) Thus Zatarain's "Fish-Fri" trademark is valid (registration won't be cancalled). Nevertheless, ct still won't enjoin competitors for using if they are using in good faith merely to describe their product [and not as a trademark themselves]--Zatarain's only controls the penumbra of acquired secondary meaning, not the core descriptive meaning.

--this is a species of "fair use" (572) [note that trademark "fair use" is not the same as the copyright defense of "fair use"]

--how will ct tell whether competitor is using the term in the descriptive sense or in the trademark sense? (572)

(d) Ct looked differently at "Chick-Fri" and ruled that the mark should be cancelled -- why?

--Zatarain's didn't establish secondary meaning

--not enough advertising, etc.

--survey evidence no good (573)

(e) Does this case mean that even if your mark has been registered for a long time, someone can come forward and try to get it cancelled on the ground that it's merely descriptive (and you'll have to defend by commissioning surveys, etc.)?

--see sec. 1119 [ct can cancel if it wants to]

--see sec. 1064 [someone who claims he will be damaged can petition to cancel w/in 5 years--parallel to 5 years you need under 1052(f)] [no limit if claim is that term is generic]

--after 5 years owner can file an affidavit for incontestability (sec. 1065); which means that challenges are limited to the 7 items listed in sec. 1115(c) [again, incontestability can't attach to anything which is or becomes generic]

IP 97 Class No. 28

1. Secondary meaning continued: questions yesterday about what scope of secondary meaning required before "merely descriptive" [but not generic' mark] can be

(a) enforced against a particular defendant in a particular location and

(b) registered and enforced nationally (but with possible exemptions for particular defendants who established themselves in good faith in a particular location prior to plaintiff's registration

On registration, the Trademark Office has generally required applicants . . . to show more than secondary meaning in a limited area (575)

--still leaves issue of whether you can enforce against someone who is using it in a place where you don't have secondary meaning

--if they started before? or after? you registered

Two kinds of issues about defining secondary meaning:

--scope of market

--geographical scope

Question is discussed on 574 n. 3. Fuddrucker's had not tried to register its trade dress but was bringing action under sec. 43(a) [sec. 1125(a)]. [sometimes referred to as federal common law -- explain]

Case was reversed because jury instructions were improper on functionality as well as secondary meaning. On secondary meaning, issue was whether there was likelihood of confusion. Ct said jury could find likelihood of confusion even if Fuddrucker's didn't have secondary meaning in Arizona because restaurant customers travel.

> "The source of the geographical . . . limitations the court included in its instructions is a line of cases defining rights in unregistered trademarks between geographically remote users who adopted similar marks in good faith and without knowledge of each other's use. . . . The rule that developed in those cases permits junior users to continue to use a mark adopted in good faith in the geographical area of the junior user's actual use. The rule has only limited applicability to services such as hotels or restaurants, because their customers 'are ambulatory and on the move back and forth across the nation.'"

2. Secondary meaning continued: return to sec. 1052(e)(1): what kind of term is "merely . . . deceptively misdescriptive"? [e.g., "soft-fur" on synthetic material]

--can a term which is deceptively misdescriptive ever be registered? [it would seem so, under sec. 1052(f) -- but note sec. 1125 prohibition of misleading advertising, etc., as well as applicability of equitable principles (sec. 1115(b)8))

3. Move on to sec. 1052(e)(2): when will ct deny registration for terms that are primarily geographically descriptive of the goods? [e.g., "Kansas City" barbecue -- if really from Kansas city]

--can a term which is primarily geographically descriptive ever be registered? [sec. 1052(f)]

4. How about 1052(e)(3) ("primarily geographically deceptively misdescriptive") [e.g., "Cuban" cigars that don't come from Cuba]

(a) Consider Nantucket shirt case (599). PTO refused to register Nantucket as trademark for shirts on the ground that shirts didn't come from Nantucket.

(b) Ct says this should have been registered--explain

--Can a mark which is geographically misdescriptive but not deceptive be registered?

--Sure. Dutch Boy for paint; Alaska for bananas... (602)

--Do you have to wait until the mark becomes distinctive (develops secondary meaning)?

(c) Note the French wine interests (603-4): anything which is geographically deceptively misdescriptive can never be registered, whether or not it acquires secondary meaning

5. How about 1052(e)(4)("primarily merely a surname")?

-- What's the reason for disfavoring registration of surnames? [but note they become registrable under subsec. (f) after acquiring secondary meaning]

--If my surname is registered to someone else, then I can't start a business using my own name (see (605 n. 1))

--This concern has faded (606): "Other than understandable pride and sense of identity, the modern business man loses nothing by losing the name. A junior user's right to use his name thus must yield . . ."

--Even after surname has secondary meaning, cts are somewhat more likely to allow second comer with same name to keep using own name with disclaimer (607 n. 3)

--1052(e)(4) is interpreted not to cover surnames which aren't perceived "primarily merely" as such [see In re Garan (604)]

6. Move on to infringement (633)

(a) So far we have been talking mainly about defendant that uses the exact same mark as plaintiff.

(b) What about situation where marks are similar but not identical? As you would expect, the main test for infringement is likelihood of consumer confusion. How will courts decide this?

--types of confusion:

--confusion between two products

--confusion about source of product [e.g. Tiffany light bulbs?]

--confusion about affiliation or sponsorship [e.g. Fuddrucker's]

--who is confused?

--customers?

--[others?] [potential customers?]

IP 97 Class No. 29

1. Infringement where marks are similar but not identical: likelihood of confusion - Consider AMF v. Sleekcraft Boats (633)["Slickcraft" v. "Sleekcraft"][cont'd]

(a) What factors are relevant to likelihood of confusion? [see list of 8]

--What is meant by "strength of mark"? [How is this related to likelihood of confusion?]

--What is meant by "proximity of goods"?

-Trial ct found that the product lines are not competitive, and this ct affirms (635)

-What else is relevant?

--Likelihood of expansion (639-40)

--Similarity of the marks [is this the crucial inquiry?]

--visual; sound; meaning

-[ct here reverses trial court; no expert testimony or survey evidence to support trial judge's opinion that the two marks were easily distinguishable by eye and ear]

--cf. Bonamine v. Dramamine (637)

--Evidence of actual confusion [or is this the crucial inquiry?]

--trial ct found that amount of past confusion was negligible; held not clearly erroneous

--how show actual confusion? (640 n. 4)

--Marketing channels (638)

--Type of goods and purchaser care (638)

--"The care exercised by the typical purchaser, thought it might virtually eliminate mistaken purchases, does not guarantee that confusion as to association or sponsorship is unlikely"

--Intent/good faith (639)--what relevance to likelihood of confusion?

2. Consider problem 5-6 (643)

3. Dilution: important deviation from traditional basis of trademark liability -- in certain cases the trademark owner's claim will be so strong that others can't use it even if no confusion because of product lines or geographical area

(a) see legislative history of 1995 Dilution act (645)

(b) take a look at dilution act (sec. 1125 (c) (646)(also Supp 105)

(c) What could be policy basis for doing this?

(d) Why does it apply only to "famous" marks?

4. Consider Mead v. Toyota (649)

(a) Facts: Lexis vs. Lexus: owner of computerized legal research service wants to enjoin Toyota from naming its new luxury car Lexus.

(b) Not a traditional trademark case -- car will not be confused with legal research service. Not Lanham Act (which didn't have dilution clause until 1995) -- but rather N.Y. state anti-dilution act (649).

(c) Consider (651) ["whittling away"] -- this started out with exact identity but now covers substantial similarity

(d) Trial ct finds for Lexis -- why?

--thinks marks are substantially similar

--thinks Lexis is strong and will be diluted

(e) Ct app finds for Lexus -- why?

--thinks marks aren't substantially similar

--thinks Lexis isn't strong in the relevant market, which is the general public and not just those who buy computerized legal research service [i.e. not "famous" enough] (653)

--therefore Lexis won't be blurred (653)

--also no Q of tarnishment (652)[see (655 n. 2 for examples)

(f) Would ct app get the same result if the marks were substantially similar? identical?

(g) Infringement vs. dilution: Since ct holds marks aren't substantially similar, would ct say it wasn't infringement for another legal research service to be called Lexus?

5. Federal Anti-Dilution act and Internet domain names

6. So far we've considered 2 types of infringement: by likelihood of confusion [as to source, or as to sponsorship or affiliation] or by dilution. Now consider some of the typical defenses to infringement.

(a) Of course, we've already seen some of the defenses: we were there first; your registration should be cancelled because merely descriptive w/o secondary meaning . . . etc.

(b) We've also mentioned (and will come back to) the notion that you can't trademark generic words (things that are needed for the common language in order to make competition possible).

(c) The most important defense we haven't yet mentioned is functionality. You can't trademark aspects of your product which are merely utilitarian or functional.

--Similar to genericness with language: these are aspects of the product which your competitors need to use if they are to compete with you in supplying the product

--see Posner (679)

--see Rest. 3d Unfair Comp (679)

--Only exception is patent: we don't want trademarks to turn into perpetual pseudo-patents

--see (681)("Note on Policing Backdoor Patents") ["current trade dress cases call for screaming sirens and search lights"]

7. How does functionality defense work in practice? [Cf. w/ useful article doctrine in copyright] Consider Stormy Clime v. ProGroup (669)

(a) Facts: Stormy Clime makes "Cool It" golf rainjacket. Competitor Pro Group makes "Duckster" rainjacket. Because of shingled design of vents, high-sheen fabric, and colors, the Ducksters clsely resembled the Cool Its.

Stormy Clime sued for trademark infringement and moved for preliminary injunction. Trial judge issued the preliminary injunction (671) and Pro Group appeals.

(b) How can this be a trademark case at all when the words aren't at all similar?

--Product design can be its packaging (trade dress under sec. 1125(a) (671)

--must show design/trade dress has acquired secondary meaning

--must show design/trade dress of competitor is confusingly similar

(c) But trial ct was wrong to end the inquiry here. Explain:

--Even if plaintiff can show both secondary meaning and substantial similarity, if the similarity is dictated by functions to be performed or by efficiency/cost of production, it's not infringement [test is phrased "essential to use or purpose of product" and "affecting cost or quality"]

(d) Application to this case (673)

--arrangement of features is essentially to the purpose of the product

(e) Distinguish LeSportsac (673): there was a repetitive logo which wasn't either essential to function or dictated by efficiency of production

(f) Ct here agreed or assumed that Stormy Clime product had established secondary meaning. Does the result mean that that goodwill is just lost?

--Yes? (674) Ct balances purposes of Lanham Act against needs of free competition; free competition should prevail unless we are within the area explicitly carved out for patent (675-6)

IP 97 Class No. 30

1. Abandonment (685):

Once a mark is owned, how does ownership end? [When ownership ends, who can use it?]

(a) One way ownership can end is by abandonment. What is abandonment? 2 kinds of "abandonment" in statute (sec. 1127-definitions) (Supp 110), which we can call "genericide" and "traditional P abandonment"

(b) Consider traditional P abandonment:

--Abandonment is nonuse together with intent to relinquish ownership [see section 45 (Supp 110);-- nonuse for (3) years can be prima facie evidence of abandonment]

--[See also sec. 1058 (Supp 82); registration is for 10-year terms, but after 5 years you must file an affidavit or your registration will be canceled at the 6-year mark for nonuse]

--[Registration is for 10-year terms. If you don't renew your registration, does that terminate your ownership?]

2. What counts as nonuse "with intent not to resume"? Consider Major League Baseball v. Sed Non Olet Denarius, Ltd. (685) [L.A. Dodgers v. The Brooklyn Dodger]

--Facts: Plaintiffs used to own Brooklyn Dodgers trademark. They stopped using it in 1958 when they moved the team to Los Angeles, except sporadically for historical retrospectives, until 1981 when they started to license it for memorabilia (T-shirts, etc.) but a few of the licenses between 1981 and 1988 were restaurant-related (688). Plaintiff has federal trademark registrations for the word "Dodgers" (687) Meanwhile, in 1988 defendant opened a restaurant in Brooklyn called The Brooklyn Dodger and filed for registration of the mark. Defendants logo, script, etc., is deliberately similar to that of the baseball team (687-8).

--L.A. Dodgers sues for infringement and The Brooklyn Dodger defends on the ground of abandonment.

--What must restaurant prove? nonuse + intent not to resume

--nonuse: (689) evidence shows "no commercial trademark use" between 1958-1981 [at that time statute only needed 2 years]

--"historical interest" is warehousing and not allowed (690)

--BUT: L.A. kept using name Dodgers and blue color and particular script! They didn't abandon those, did they?

--changes aren't "minor" (689)

--Brooklyn is more than an appendage (689)

--Still need intent not to resume (690-91):

--interpret this as plaintiff must show that it intends to resume commercial use -- why? (690-91)

--L.A. can't show this? Why not? - after all, they did resume commercial use (691)

-too late to get it all back? (691) only limited to precise uses now

--[Note there was a dilution cause of action in this case as well. How should the dilution claim come out?]

3. Trademark will also be considered as abandoned if acts of owner cause the mark to lose its trademark significance (sec. 1127(2)). This usually refers to the situation where franchisor doesn't adequately control activities of franchisees. Consider Dawn Donut (693)

--[Note: assignments in gross are invalid (698), so you can't simply license a mark. This poses a problem for franchising; see (628-632)]

--Facts: Dawn was wholesaler of Donut mix. It sold mix to retail bakeries who baked donuts and labeled them Dawn. Meanwhile Hart's Food Stores also sold donuts labeled Dawn, in Rochester, N.Y.

Hart's Food Stores defended by arguing that Dawn didn't compete at retail level in Rochester-- therefore no likelihood of confusion. Ct held Dawn not likely to expand into Rochester --therefore Hart wins.

--Hart also defended by arguing that Dawn's inadequate control over franchisees constituted abandonment.

--Reason for this doctrine: (695) [otherwise too much risk public will be unwittingly deceived]

--Apply here: Dawn had written agreements w/ only some of its franchisees. Dawn didn't inspect and check quality.

--Held? Majority said Dawn passed (not abandoned) but Judge Lumbard (opinion here) would have remanded for more evidence on whether Dawn's policing was adequate (697)

4. Now consider abandonment by "genericide" [loss of distinctiveness].

(a) First we have to recall why "distinctiveness" [not-merely-descriptiveness] is required:

(i)--What are the reasons why we don't let people "own" words in ordinary language?

--identify single source [identification, goodwill rationale]

--leave competitors free to describe [free speech, competitive market rationale]

(ii)--Genericide refers to situation where word begins as (or becomes) distinctive mark, and then over time becomes a word in ordinary language instead.

--Examples: Murphy bed (700); aspirin; thermos; cellophane (702)

(b) How can owner of mark prevent genericide?

--try to get the mind of the general public not to think of your word as generic [see Xerox (704)]

--pressure dictionary writers (703)

--write letters to everyone who tries to use, etc. [either sue everyone or license everyone?]

--put "TM" after word?

(c) See Carter's suggestion (707) that court's declaration of genericide might be a taking deserving of compensation. What do you think of this suggestion?

5. Consider murky area where word or mark is arguably needed for communication/ free speech but hasn't been abandoned or become generic (still has trademark significance). (707 n. 7). ["expressive genericity"; nominative use; parody]

(a) What do you think of Dreyfuss's argument for "expressive genericity"?

(b) Compare this with parody (L.L. Bean (714))

--'The ridicule conveyed by parody inevitably conflicts with one of the underlying purposes of the . . . anti-dilution statute" [i.e., parody, if successful, will tarnish]

--this is case of 1st A vs. trademark principles: who wins?

--L.L. Bean case carves out 1st A parody defense if purpose is noncommercial

-- has the problem that magazine here was sold!

--and also the problem that whether or not parody is marketed shouldn't make much difference to 1st A principles

--other courts balance the public interest in avoiding consumer confusion against the public interest in free expression (719)

--Problem to think about on own: compare trademark treatment of parody w/copyright treatment of parody: which is more satisfactory? 2 points to think about:

1. At least trademark cases explicitly apply the 1st A

2. At least copyright cases recognize that parody can be commercial and cause market harm and still not cause such market harm in the manner protected against

(c) Nominative use (711):

--Refers to situation where an owner's trademark is used by someone else to refer to the owner, rather than to compete with the owner

--New Kids of the Block (711): Kozinski holds it was OK for a newspaper to conduct reader poll (which it charged for) about popularity of band members

--Rationale: "Much useful social and commercial discourse would be all but impossible if speakers were under threat of an infringement lawsuit every time they made reference to a person, company or product by using its trademark" (713)

--[Note this defense isn't limited to noncommercial purposes (even though Kozinski compares with Sony (713))--why not?]

--outside the scope of trademark law because simply used to tell the truth not to confuse consumers or trade on somebody else's goodwill (713)

6. Remedies:

(a) Injunction (sec. 1116(a))

(b) Damages (sec. 1117(a), (b))

--ct has broad discretion to award amount that is just, and may award up to treble damages; treble damages mandated for "counterfeiting," absent finding of extenuating circumstances

(c) Court can also use equitable remedies such as

--required disclaimers

--corrective advertising