Left wing, second row, third seat in.

IP

MW 10:40-12:40

Can use K to tinker with set of rights to property.

Can more or less do same thing in IP, but starting point is different. Licensing presumes no permission to resell, reuse, etc.

People from Chicago think it makes sense to use term IP because we treat people with information as having a set of rights comparable to those of owners of land and chattel.

Critics say that historically there have been more limitations on IP rights, so maybe we shouldn’t be so enthusiastic with drawing that link.



Marginal cost of AIDS drug is very low as compared to the sales price. Main implication is that it is hard for poor people to buy these life-saving drugs. Assuming this is unfair, is this a problem with the patent system?

Notice in Agriculture you have both (a) University research on general research inspired by grants, tenure, etc., and (b) Monsanto producing engineered veggies relying on Patent.

Note that it is possible to do incredibly expensive R&D w/o IP if the risk of theft is low (e.g. Airbus and Boeing).

* Some areas don’t require patent is that can be difficult to enforce

Sound-byte: Picking winners – some like patent because they don’t like government to pick winners.

Patents create higher prices, as prizes generate free access.

Info:

1. Boundaries
2. Public Good
   1. Non-rivalrous Consumption
   2. Non-excludability

More substantial rights of exclusion to “property owners”

Property law differs from K law as it is against free riders from sucking up value of your creation w/o paying for it.

Property:

1. Entitlement/Expectation
2. Rights against strangers (free riders)
3. Remedies are stronger. Easier to get injunctive relief, punitive damages, fee shifting, etc.
4. Important contract btw property and tort, which is that property gives owner (almost) absolute control allowing frivolous decisions. Tort is about “bad” behavior.

IPR differs from chattel because it relates to information. Boundaries around information are less clear than an object.

Turnpike is (a) rivalous as each additional car makes more traffic, and (b) non-excludable as it is hard to keep others off the road.

Could argue (a) non-rivalous as not much traffic and (b) excludable as have to pay toll.

Two issues:

1. Diffusion – inexhaustibility of information means everyone can have it simultaneously. Lack of excludability may lead to lack of profit, and thus no private incentive to invest.

**Different understanding of the free-rider. – EXERCISE**

Think about a contract case called “Laidlaw v. Horgan”

X bought tobacco w/ knowledge that war had ended, and Y sold w/o knowledge. Did X have a duty to disclose that information?

What if X had invented a safe cigarette. If X had then bought tobacco, should he have to disclose?

9/8/08 – NOTES FROM ARIEL SOIFFER

Professor Meurer

* Patents, copyrights, trademark, trade secrets
  + Patent usually thought of as strongest, b/c excludes from all sorts of use of invention – from making, using, and selling invention. Patent protects information in f’nal role.
  + Copyright protects expression of information. Doesn’t give right to exclude from making, using, or selling. Gives limited right to exclude others from public performance or reproducing.
    - If it was patent-like, would be able to control listening, viewing, etc.
    - Copyright lasts much longer than patent – life of author plus 100 yrs (vs. 20 for patent)
    - Both give right to exclude others from some kinds of information
  + Trademark protects company’s name – either they made it or authorized someone to make it. Right to exclude others from using label.
    - Patent and copyright – to exclude free riders from using information.
    - Trademark – classic justification: Don’t want people to be confused in the marketplace. Reduce consumer confusion if we make sure that people are ethical in marketing their products. Gives trademark owner right to sue on behalf of consumers. Tort like justification.
    - Trademark – recent justification: the purpose is to encourage investment in image or goodwill. To prevent free riders on the name. Property rights like justification.
    - Trademark has become more potent more recently.
  + Trade secret law
    - Broad set of information that can be TSPed. Any information that has been kept secret, and would be eligible for patent protection can be protected by TSP. Much information protected by copyright can be TSPed. Some additional information too.
    - Like TM, property oriented – encourage investment in information; tort oriented – unethical to steal / misappropriate information held as secret.
  + Property orientation is pretty firmly fixed for patent and copyright b/c of the IP clause in the Constitution – to promote the progress of science and the useful arts.
    - USSC has interpreted to impose a utilitarian rationale on patent and copyright. Not supposed to look to the inventor’s benefit, but instead for social benefit.
    - Reasoning in patent opinion will probably not include bad behavior
      * Instead, advance goals of creation and diffusion
* Trade Secret
  + Six Js have not adopted the UTSA – MA, NY, NY, TX, and two others. Those instead follow common law in the Restatement of Torts, Restatement of Unfair Competition.
    - This is state law, so there is some variation across Js
    - Exam: Will say to use either the Restatement or UTSA.
  + UTSA §1(4)
    - Information
    - Derives economic value
    - Reasonable efforts to protect secrecy
  + Trade secret cause of action:
    - Information that derives economic value
    - Reasonable efforts
    - Misappropriation
* Metallurgical Industries Inc. v. Fourtek
  + MI made four modifications of process
    - Better temperature differential
    - Filter
    - Several small crucibles instead of one large one
    - A unitary heating element instead of multiple ones
  + Π wanted ovens, hired someone to make them, who went out of business. The Δs created a new company. Π shared the information with Δs.
  + What do we need to know about the changes of process?
    - None of the modifications wasn’t something new, radical
    - MI invested time and effort
    - MI told Fourtek the information was confidential
    - MI took security measures to conceal the furnaces
    - MI made nonconfidential disclosures
    - The principles behind the changes were well known
  + District court gave DV for Δ.
    - Negative know-how not protected
      * But negative know-how does provide economic value, so it can be protected
    - Individual modifications were already known
      * Combination of them is what is the innovation
      * Combination is what creates the value
      * All steps in process might be known, but might come up with new combination or variations. If your combination has the value, then you can protect it.
    - Independent value from not being known – said it was readily ascertainable
      * Modifications of processes may fit in that definition, but the question is: do we have enough secrecy.
        + E.g., formula for aspirin cannot be protected under TSP since it can be made easily.
      * Circuit court said it was not readily ascertainable.
  + What does readily ascertainable mean?
    - MI invested a lot of time and effort – would not be necessary if it was not readily ascertainable
      * Not the best indicator, since the π is the one who did the investment and not a 3P.
      * If 3P required very little investment, than it would be better evidence – π has self-serving evidence.
      * But if 3P did it as well, that makes it a little more readily ascertainable – since it was less secret
      * Even if 3P came up with it first, it could be less readily ascertainable.
      * I.e., doesn’t mean that no one else has come up with it first. Novelty is not required for TSP.
      * Competitive pressure might push everyone to do it, so if no one else is doing it, that might indicate it was a TS.
  + Steps to maintain confidentiality
    - Shared information with the Δs
    - A lot of TS cases – have vendors, customers, investors – tell a lot of them about the secret – so is it a secret?
    - Made disclosures to vendor, licensee
    - But they did take some security measures
      * MI told Fourtek the information was confidential
      * MI took security measures to conceal the furnaces
      * MI made nonconfidential disclosures
* UTSA v. Restatement
  + Readily ascertainable may not play same role
  + Restatement states have not paid much attention to readily ascertainable portion of definition. If information is not generally known, then you can protect it as a TS.
* What kind of information can be protected as a TS?
  + Simpsons episode (Flaming Mo) based on Lynchburg Lemonade – something with Coca Cola and Jack Daniels. Drinks are like chemical formula – the formula can be kept as a TS. E.g., the formula for Coca-Cola is a TS.
  + Can a drink recipe be protected as a TS?
    - Information that has economic value – has value
    - Readily ascertainable – can they figure out the ingredients by tasting? Trial and error and sense of taste might lead you to figure it out. Probably would not involve too much time and effort.
      * That’s what the court said in Lynchburg Lemonade case
  + How about a business plan?
    - Independently coming up with it is not an issue
    - Maybe the high level – selling pet food online would be.
    - Might not be readily ascertainable to come up with hub-and-spoke package delivery system
    - Some business plans are not, some are.
    - At least until I start telling people the plan
      * Once the company starts, a lot of people would see what was going on.
      * Most business plans will reveal themselves after you start operating the business
  + With Coca-Cola – the ingredients are kept under wraps. Even if you taste the cola, you can’t tell what the ingredients are.
  + What is secret at one point in time, may not be secret at a later time. E.g., if the company has not launched, it is a TS.
  + NY won’t let you bring a TS case unless the information is used in an ongoing basis – can’t tell if it’s valuable b/c there’s no business. Π would say he wouldn’t bring lawsuit if it wasn’t value – but (1) get crazy πs who would say it was valuable; (2) to prevent harassment of competitors; (3) don’t want IP lawsuits for clogging up new companies.
    - Can get rid of TS at SJ stage by saying it had no economic value
    - With all kinds of IP, need to worry about calculated lawsuits to harass competitors. Can make it easier by allowing SJ to dismiss lawsuits.
* Thought experiment – Business start-up for medical stents and process for putting it in. What should be IP strategy?
  + Patent
    - Has to be new
    - Has to be disclosed – have to elect patent or trade protection
      * Most applications published at 18 months, so you lose TSP at 18 months
    - Has to be kept secret
    - Process can also be patented – after you start doing it, it has to be disclosed, and there will be broad knowledge of it, so you will lose possibility of TSP
    - Might need to comply with FDA regulations and lose protection that way
  + Downsides of patenting
    - If you can keep it a secret, you get longer protection
    - Costly to patent ~$60K – do they have the money?
      * But can do provisional patent application – get one year grace period before the expensive application going in.
  + TSP
    - Direct cost of applying is zero. There is no admin agency to deal with.
    - Small businesses disproportionately use TS litigation. Big firms do more patenting.
      * Europeans, esp., are worried about making patent system more affordable for small businesses.
    - Keep it secret for 18 months, also hiring people, including some to help develop the product.
      * Would need to make sure employees know it is a secret. NDA – precaution that businesses should take to protect their secrets. Noncompete.
        + Employees might negotiate some terms of the NDA, e.g., if they’ve already done some work on the topic.
      * Security measures – guards, fences, log book for visitors.
* Rockwell
  + Need to show that took reasonable steps to guard the secrecy
  + Key facts
    - Tens of thousands of drawings of parts of a printing machine – piece part drawings
    - Difficult to reverse engineer
      * Software decompilation
      * Special place in TS law – always available to competitors b/c of the way the USSC has interpreted patent and TS law. USSC has said they are compatible as long as the state TS law does not interfere with patent law goals by allowing reverse engineering. A state TS law would be preempted if it did not allow reverse engineering.
    - 200 engineers allowed to copy, under confidentiality agreement
    - Outsiders required to return, but not enforced
    - Δs left to make replacement parts
    - A security guard caught Δ removing drawings
    - R claims that Δ’s improperly acquired other drawings in their possession
  + District court judge
    - Πs only made perfunctory efforts to keep it secret
  + Judge Posner’s holding
    - Balance between investment in keeping it secret vs. costs
    - TS law does not require all possible precautions – but reasonable precautions.
    - Benefits of precautions adhere
      * To the TS owner (whatever advantage this gives over competitors)
      * To reward innovation (vs. bad for society for inefficient businesses)
      * To deter theft of TSs (want people to do own innovation
    - If can benefit, should do it as long as benefit of cost.
    - In private interest to do so, why wouldn’t they do it? People will naturally take reasonable precautions.
      * Force of law helps them understand what they can do.
      * If litigation was costless and the death penalty was the result, doing nothing would be reasonable.
      * If litigation was never won, would have a high level of protection and do things that are quite costly to get protection

9/10/08

Wrap-up of Rockwell.

* Discussion of private v. public cost of taking precautions.
* Private party does not take into account benefits of a trade secret.
* When it comes to information, boundaries are a bigger issue – with land can put up fence to communicate boundaries. Can’t fence information.
* We don’t go so far with land as with trade secrets. We don’t require people to put up fences, but then again the risk of someone straying into another’s IP is a lot higher than another straying onto your land.
* Why was Rockwell telling so many people about the design of parts that go into printing machines?
  + To make sales and build client base.
  + Must manage disclosure carefully to continue treating secrets as secrets.
  + Employee might not have thought it was a secret when he stole it in this case, as it was not treated as a trade secret (e.g. more secure then non-secret documents).
* Thank about position as a Lawyer defending a startup.
  + Startups like trade secrets and are often sued for misappropriation thereof.
  + Often sued by a big business who just wants the competitor killed.

Dupont (62)

Facts:

* Factory for making methanol that is a trade secret
* Competitor (apparently) thought they could learn about the process by seeing the parts of the factory being assembled.
* Hired a plane to take aerial photography
  + No apparent violation of FAA regs, etc.
  + Ends up violating Texas trade secret law.
* Requirements
  + Trade Secret
  + Reasonable Efforts to maintain association
  + Misappropriation
    - Disclosure
    - Use
    - Acquisition
* This is a case of misappropriation through acquisition.
  + As only real way to get info is to go over site, as fences are around property.
* Court essentially says that any acquisition that circumvents reasonable precautions constitutes improper acquisition.
* Three possible techniques for protecting info, and ways to circumvent
  + Dupont – fence around info, flying over it
  + Software publisher – sell to 10s of thousands of consumers as object code. Competitor buys a copy and decompiles software to see source and then imitates the product.
    - *Note – distributing object code does not count against protection of trade secret, however no jurisdiction would consider this to be misappropriation.*
    - *Note – Google’s success is based on virtually no patents, but on trade secrets.*
    - Difference between decompilation and flyover is that one information in one is derived from confidential source rather than public product.
  + If you were to try to figure out how get better pageranks on Google, could use blackbox, which looks more like decompilation than a flyover.
* Seems that trade secret law offers more protection when people aren’t engaged in activity that will be profitable to them.
* Dupont is good because it stops an arms race. At some point the law will step in and stop activity that is arguably not part of the competitive process.

Smith (67)

Facts:

* Smith created trade secrets re: freight containers.
* Dravo discusses buying business, is given patent applications, and essentially steals the ideas.
* Question as to whether there is secret information at all.
  + Information is easily ascertainable as anyone could just buy these things.
  + Problem for D is that info was obtained through patent apps, not by inspecting a container.
  + Remember that trade secret law waffles between policy questions and good/bad behavior.
  + There was also customer lists discussed in the meetings – clearly trade secrets.
  + This is a case of improper use.
  + Note that in Kadant (departing employee) and Rockwell (departing employee stole plans) there was lawful acquisition as
* Why was there no suit in contract? There was no contract.
  + Precontractual liability?
  + Remedies are stronger in IP.
* In the absence of a contract, we are looking for some kind of underlying duty. There is an implicit promise in a purchase discussion that use will be restricted to evaluation purposes.
* Companies take great pains to avoid looking at any information submitted so that they can insulate themselves from suit.

Kadant

* Corlew left Kadant to work for Seeley
* Ended up knowing Kadant’s systems fairly intimately and moved to a new company that started a business that overlapped with Kadant’s.
* Kadant filed suit because Seeley made the same products and is asking to prelim. Injunction
  + Judge looks at balance of irreparable harm with effectively killing new company.
* P’s evidence of misappropriation is that it would take a long time and be expensive to reverse-engineer products.
* Ds replied that once they decided to enter market, wasn’t hard to design the simple parts quickly.
* P argues that Corlew helped Seeley cherry-pick what to reverse-engineer.
  + Arguably this is like a customer list in that it steers people like competition.
  + There is a inevitable disclosure question here as arguably in working for a competitor must use their knowledge of trade secrets.

\*\*Look at the text discussing departing employees and employee research. \*\*

This isn’t trade secret law, but employment law. Most significant is the discussion of non-competes.

September 15, 2008

There is much speculation that stronger enforcement of covenants not to compete is a key factor in the fall of Route 128 v. Silicon Valley.

Under common law if you are hired to invent, whatever you do invent is the property of the employer. If no contract specifying employee IP and you are not hired to invent, employer still gets a “shop right” or license to use employee IP developed w/ employer resources.

Wexler v. Greenberg

Generalized knowledge and skills can walk away.

Book points to other details: provision of non-competes and doctrine of inevitable disclosure.

There is a basic claim that weaker IP protection is good for Silicon Valley:

* As an employer in silicon valley, an employer benefits because employees are likely to share information with other firms to solve problems. On the one hand this catalyzes innovation, but also there is a loss of proprietary information.

Patent law v. Trade Secret law:

Hypo – Coke has a formula that is a trade-secret. What do they get using trade secret v. patent?

* Under trade secret, is there any problem with reverse-engineering? NO.
* Under patent, is there a problem with reverse engineering? YES.
* Under trade secret, is there a problem with independent invention? NO, but still enforceable against third party.
* Under patent law, is there a problem with independent invention? YES.

Note that patent law gives you greater protection than trade secret. The difference btw. trade secret and patent is that in patent, all uses are subject to regulation by patent owners. In trade secret, only improper uses (misappropriation) are subject to regulation.

Note that copyright has a very different attitude about usage by loading up the reward to the first creator by not allowing copyrights for works utilizing a copyrighted work.

Software is particularly interesting because it is often protected by patent **and** copyright.

Copyright protects expression – patent protects function. Usually the code is obvious or lacks novelty, and so patent does not apply.

What if I independently came up with the same code that another did? Copyright is more like trade secret in that use must be *inappropriate*. Main two uses regulated are reproduction and public performance. Independent creation is an absolute defense in copyright. Copyright is deferential to reverse-engineering just like trade secret.

Patent law subject matter:

* Products
* Processes
* Improvements on products or processes.

NOT patentable:

* Product of nature (e.g. natural bacteria that is medically significant)
  + Parke-Davis v. Mulford – Hand determines that isolated and purified human adrenaline is patentable.
  + Funk Bros – “invention” is the isolation of six species of bacteria that did not kill each other when put together. Not patentable as there is no human interaction. There is nothing new or markedly different.

Patent owners prefer product patents over process patents. Looking through the lens of Learned Hand analysis, patentable if has new property. On input side, patentable if it has sufficient human interaction.

Even human genes can be patented, assuming there is enough “isolation and purification” done.

Another interesting example of something **not** a product of nature – Americium – an element that does not exist in nature, but can be artificially created.

Very important to distinguish between chattel (personal property) and information. For instance human cell lines have been patented after being isolated and propagated.

Way to think about subject matter is to think about what is NOT patentable, and why. The other big excluded category is abstract ideas.

SW patents may not completely control an algorithm.

September 17, 2008

Subject matter cont.

Abstract ideas are not patentable subject matter – most interesting when considering software, business processes and patentable ideas.

State Street finds that translating one number to another is patentable because the system is useful, tangible and concrete. The word “system” is used to describe a computer that has been programmed to do a particular thing. The Fed. Cir. later clarified that they wanted to extend to …

Up until a few years ago it appeared the both the PTO and Fed. Cir were tolerant of pretty much any sort of method/processes. For instance, a method for determining how to divide up marital assets upon divorce.

In the defense of a previous case, a judge asked if software is patentable, if that means that digital content is patentable (e.g. music CDs).

Generally, Fed. Cir. Looks like it will turn back to State Street and limit it in some way in a current case – Meurer will report back to us when this comes through.

Software Patents:

* 15% of all patents
* 6% assigned to software publishers
* There is a concern with using functional language, as it is not clear where the patent-holder’s property right ends.
* Startups love software patents as they use them to monetize software innovation
* Many companies s.a. Cisco don’t like them because while they are not taking anyone’s code, they are facing increased litigation by trolls.
* Wide availability of software patents actually lowered innovation, which arguably is because the more you innovate the more you get sued.

Utility

* Why do we have a utility standard? Why would someone pay all the money for something that isn’t useful? Note that Utility is virtually never an issue outside of chemicals. People often attempt to use non-useful patents to isolate research tracks that they think *will be* profitable.
* Note that Pharmaceutical companies will go out and buy avenues of research, which translates to patents being more valuable in pharma.

Brenner – Claim for a process for producing a steroid A which was rejected because no utility was shown. Applicant argued that a homologue B showed promise for inhibiting tumors in mice. Claim of utility for B is that it can be used as a medication for humans as the mouse is an animal model of a human. If PHOSITA (Person Having Ordinary Skill in the Art) can use it, it has utility. There is, of course, the question of what the critical differences between mice and humans are.

* Can’t patent perpetual motion machine because we’re all sure it doesn’t work. Why, then, can you get a patent on B based on mice models before clinical testing? Because based on the mice data we don’t care about safety of humans as we want to encourage research and not require human testing, with a prohibitive cost.
* Fed. Cir asks if PHOSITA would think the results are sufficient to warranty commercialization.
* This balance is hard to apply to other industries.
* Court notes that scope of process claim is unclear if utility of end product is unknown – THIS MAY BE WRONG. Scope is used to describe how broad a claim is. The narrower the scope, the more likely to be approved. It essentially says not to give a process claim for steroid A as we can’t know how broad its scope will be. They must have meant that we can’t know if the process will have any utility, and thus the amount of disclosure does not warrant the property right. Thus it seems that the magnitude of the reward is too large.

Comment re: Admin law:

* Usually there is a fair amount of deference given to agencies. In the case of patent law, the PTO guidelines get no deference from the Fed. Cir., but it considers them to be persuasive.

In RE Fisher

* **General Utility** - There is a requirement for real-world utility, not just utility because it is of research interest.
* **Specific Utility** – Utility must be specific. Cannot claim a machine to be used as a paperweight.
  + Unlike this case, would likely be able to get a fragment of BRCA1 (gene indicating disposition to breast cancer) sufficient to locate that gene as using that gene fragment we are able to locate the gene, thereby enabling us to alert people to increased cancer risk.
* **Credible Utility** – PHOSITA believes it has commercial potential.

Facts:

* Gene fragments not considered patentable because of lack of utility.
* Dissent, Judge Radar, asks why researchers cannot get patents on research tools – how are they different from a microscope? There is a question of subject v. process – distinction between tools you research *with* and tools you research *on*.
* If, for instance, you make something that relies on other patents, you should go license them. The problem is that the sheer number of fragments may mean prohibitive transaction costs, and possibly overlapping patents.
  + There is an informal research exemption where academics are not getting licenses for things that they are using for research.

Disclosure

* This is essentially the quid-pro-quo for the patent. I give a disclosure, and I get a property right.
* Section 110 is intended to police a disclosure.
* **Enablement** - Suppose I invent a new a non-obvious chocolate cake. I have to give enough information in my written description s.t. PHOSITA can recreate it. It is essentially a recipe – here are the ingredients with amounts and steps.
  + Sawyer & Mann - Edison didn’t invent the light bulb – he arguably perfected it, but business was his true calling. He understood the network of electric wires that needed to cover the network, and he found the right combination to make a commercially valuable light bulb. Then went on to build power transmission.
  + Patenters often seek multiple claims so that if one is invalidated the next will take effect. Here, claim 3 remained valid, but was not infringed by Edison as he did not use the patented material.
  + Claim 1 was invalidated as it related to using carbonized textile or fibrous material as a lightbulb filament, where it would require undue experimentation for PHOSITA to find such a filament that worked well. Thus, the claim was overbroad.
  + Quality of disclosure correlates to the quality of claim. If you experiment on most of the set that you claim, it likely will not require undue experimentation of PHOSITA.
* Must also set forth the “**best mode**” envisioned by the inventor for carrying out the invention. If, using the cake case, it requires animal fat, but you think it is best when made with butter, you must disclose that. US is one of the few countries w/ a best mode requirement, possibly because it is very hard to enforce.
* **Written description** requirement – This is a controversial requirement. Most of the time the enablement requirement will satisfy this.

September 22, 2008

Review of Wednesday’s Class. Utility is particularly important in pharmaceuticals as people often try to patent a promising candidate but are unable to provide good laboratory proof that it is likely to have medical value. Utility is not about commercial value, but rather about disclosure – how to make and **how to use** compound. Undue experimentation requirement is interpreted to mean that the broader the claim, the better the quality of disclosure must be.

Written Description.

This is somewhat controversial. What’s not controversial is this: written description requirement was established to prevent attempts to claim early application date that not entitled to. When you look at what is claimed to be the invention in the American application and an application in another country, must see that the latter and former contain the same material. Essentially this is to prevent scope creep in a particular (set of) application(s).

Why would someone change the claim language in a patent application? Possibly to counter similar, but later-invented, technology. Case law, however, says that you *can* broaden your claim to encompass a competitor’s new product. This may seem inconsistent with Gentry Gallery (Berkline; p. 177). Here they patent recliner controls that are outside of the ends of a couch so that two people can view a TV straight-on. Gentry claimed a set of “fixed controls” and Berkline’s controls were in the back of a center-section seat.

The question here relates to possession: the inventor said that he didn’t even consider placing the controls where Berkline did until he saw their sofa. Thus, they didn’t possess the idea before someone else invented it. This case likely troubled the Fed. Cir because it involved (1) a company that looked at a competitor and rewrote to make the competitor an infringer and (2) a technology that was not, but close to, obvious.

Remember how written introduction was introduced: It is a way of policing people who have an earlier application: You ask, did this inventor, at the time the application was written, possess this invention?

Written description requirement has been applied to Biotech and has reappeared in the last month.

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Section 102 does three basic things:

1. it requires novelty (102 (a))
2. creates statutory bars – loss of right provision if inventor does certain things (102 (b))
3. priority rules - set of rules that govern contest over two people rushing for patent on same thing. (102 (g))

Rozaire (p. 186) is a 102(a) case, but think about as 102(g) as well. Basic message is: Not only can you suffer lack of novelty for failure to comply w/ 102(a), but you will find that it lacks novelty if someone else was first to invent (102 (g)).

102(a) – If I invent a new chemical Q, and you can show that six months before I invented Q someone was using it in France, is my claim invalidated? No – Use was not *in this country*.

This is arguably discriminatory against people from other countries as use in another country does have the right to preclude an American patent.

Roazire involves a method of prospecting for oil. A man named Teplitz used the method for some time prior and the court must decide if Teplitz’s earlier knowledge in the US creates a 102(a) problem. As what Teplitz did was identical to what was claimed, but it was experimental and thus not in public use/knowledge. The argument is that it was a failed experiment, and thus didn’t teach us enough to eliminate novelty. Here there is no failed experiment argument, but could say that there was no disclosure to satisfy the implied public knowledge requirements. The court here says that there were no efforts to keep this a secret, so it was public. Seems to be more or less equivalent to trade secret requirements – if not a secret, then qualifies as 102(a) knowledge/use.

Note In re Hall – the law essentially says that there is a weak accessibility requirement. The Fed. Cir. appears to be striving for a bright line – if it is published anywhere in the world, even one copy, it is considered accessible. Moving back to Teplitz’s use, we rule out uses that are kept as a secret, but not ones that are rather obscure.

To link this up to 102(g), note that to use offensively to invalidate another’s patent it does not require the other inventor to have applied for a patent. As long as the other inventor did not suppress the invention. If I have a process that I choose to keep as a secret, I can infringe when someone later patents it. The idea is that patent and trade secret are *completely separate* doctrines that afford protection as separate doctrines. Note that this burned people who previously kept business methods secret thinking they were unpatentable. Congress put in place a prior inventor exception, but only as relates to business methods.

**Identity test** – in 102 we are always talking about a single publication, use, etc. and use the identity test, or the All Elements Rule, to check for this (note: same test used to test for infringements). Here, each element of the claim must be found in a prior art reference.

Note that “publications” do not have to be text – can also be pictures, etc.

Section 102 (b) – a few differences – (i) can shoot yourself in the foot here via publication (particular problem in academic settings) (ii) one year prior to patent application requirement and (iii) *public* use or sale (or offer to sell)

Egbert v. Lippmann –

Easiest way to take up the “no public use” requirement is that not only was the invention hidden by cloth, the garment was private, and was only used by one person. 102(a) is the story of no patent rights if the disclosure is already out there. 102(b) is similar but less clear in what its is supposed to accomplish. In this case, the court appears to be worried about (a) evidentiary problems, and (b) forcing timely patenting.

It appears that industry started using this technology, and thus the cost to make them rewind is high. Also, he waited 11 years to patent

Note that US has 1yr grace period, and most other countries do not.

Why allow a grace period? It’s good for small inventors as they have a chance to raise capital, refine & improve, etc..

City of Elizabeth –

Inventor tested new method of building a road. Process of paving was being tested in a public place – a very public use of the technology outside of the grace period. The difference here is that under the common law there is an experimental use exception, which applies in cases where the arguably public experimentation is justified. Why couldn’t the test have been done privately? Also, fact that he checked back frequently was indicative of (i) experimentation and (ii) control.

102(g)

(1) In determining priority, will consider not only conception and reduction to practice but reasonable diligence of first to conceive and last to reduce to practice.

(2) Before applicant’s invention, was made in this country by another who did not conceal.

If A invents before B but B reduces to practice first, A’s right to patent hinges on whether A was diligent in pursuing the patent.

Griffith v. Kanamaru

K accomplished conception and reduction to practice on same date – THIS IS A FICTION – conception was considered to be application date. Griffith conceived before Kanamaru, and Griffith didn’t get the patent because there was no evidence that he was diligent. Took breaks because (a) working on other projects, (b) waiting on funding and (c) waiting on a student to whom the work was promised.

Basic patent law message is that it is hard to win argument that you were diligent – any doubt is likely to be resolved against you. Despite first to invent rule, in cases first to file almost always wins.

September 24, 2008

Last class we talked about section 102.

102 (a) is a provision requiring novelty.

102 (b) is a statutory bar s.t. you cannot publish/disclose more than a year before you patent. Note that publishing before you apply is generally bad as in (most) other countries that will lose you all rights. Policy goal is to encourage people to apply quickly for a patent. Other goals are to avoid submarine patents, and to avoid allowing people to mix trade secret and patent protections.

102 (g) is another version of the novelty provision of 102(a), forcing people to choose between trade secret and patent protection, as well as …?

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Section 103 – major hurdle to pass to get a patent.

Graham v. John Deere

Three factual inquiries:

1. What is the scope and content of the prior art?
   1. What did people know at the time of invention?
2. What are the differences between the prior art and the claims at issue?
3. What is the level of ordinary skill in the art?
   1. Question used to be essentially whether someone who knew everything but had very little inspiration would find this invention to be obvious.
   2. After KSR, the SC raised the level of ordinary skill as being someone more average (e.g. BS in Mech. Eng. and 5 years professional experience).

Note that everything is reviewed de novo, despite being a question of law. Note that a publication after the date of invention does not preclude the patent under 102 (a), but if it came more than one year before the application it may preclude based on 102 (b).

Graham non-obviousness test – would the difference between the invention and the prior art have been obvious to PHOSITA. There is a sentence in 103 stating that patentability will not be negatived by the manner of invention – statutory override of judicial requirement that there be a “flash of innovation.”

Learned Hand was troubled by judicial obviousness analysis because he felt that courts were not well-equipped to do it. He reformulated the question a little by asking what the goal of 103 is, and trying to determine when that goal is advanced by granting a patent. It seems the goal may be to advance the art, and the cost is the temporary monopoly. It is more apparent that there was a long-felt unmet need if others tried and failed, expending considerably resources in the effort, to solve the same problem.

Compare:

* Social cost of patent
* Social value of technological advancement
* Social cost of not having the invention (e.g. no incentive to invent) / private cost of not having/creating the invention.

Learned Hand essentially says you give a patent when it’s needed. Does this invention need the extra profit associated with a patent? If yes, we will call it non-obvious.

This of 103 from:

* POV of editor – reward for technical merit, or
* Necessity of patent to monetize/recover costs of invention.

There is a discussion in KSR about things that are *obvious to try*.

**Doctrinal points**

Graham invented a chisel plow that was hinged with a spring.

Factual inquiries:

1. Scope of prior art: prior Graham patent, and Glencoe clamp device.
2. Differences, spring above/below hinge plate, preventing/allowing shank flex.
3. Patent owner argues for a low level of skill, because one with less skill finds things to be less obvious. Party attacking patent argues for high level of obvious. SC here treat themselves as PHOSITA, which in this case is a harmless error as anyone should see this as obvious.
   1. How do you know when PHOSITA would combine different references? The rule in section 102 (prior art) is that everything must be contained in only one reference. In 103 you can combine references (e.g. Winslow tableau) s.t. you have all prior art and can combine references.
   2. There is something called the “analogous art doctrine” which limits references for 103 to the same field of type of problem as that being solved.

Note: Secondary considerations can save a patent on 103 grounds.

**Think of 102 as a set of gates that open us up to 103 analysis.** On top of that, 102 rejections are less involved for the examiners.

Before KSR, could not combine references unless there is (1) a reasonable motivation to combine and (2) a reasonable probability of success.

KSR combines (1) adjustable pedals with (2) electronic sensor (as opposed to mechanical connection). Inventor said this is still patentable because even though elements present in prior art, except combination is not present and non-obvious. Party attacking patent says it is obvious to combine the references.

Fed Ct. asks them to show motivation in the literature. The problem here is that things like this may be difficult to find in literature as it may be so obvious that it *doesn’t need to be written down*.

Dembiczak

While the elements were present in prior art, there does not appear to be any motivation to combine. The rule adopted here seems to be out of caution of hindsight.

Secondary considerations can help w/ hindsight bias – commercial success helps to guard against hindsight bias.

In patent law, must show causal nexus connecting commercial success to introduction of the technology in question.

In KSR requirement for motivation got knocked down. Wanted to limit patent examiners’ ability to say “I’m skilled in the art, and I see obviousness.” In KSR SC talked about combining known elements, and wants to know why ordinary creativity of PHOSITA would not combine the features under discussion without any patent-based incentive. – **This seems to be in line w/ Hand’s sentiment that when driven by something in the context of the industry and avoidance of patenting things that would have been created w/o patent.**

There is a balancing between expense to invent and obviousness. Should patents be granted to, e.g. Pharma, in the case of something that is expensive to do but yields the expected results? Compare to M$ developing a new OS. Why should Pharma get a patent and M$ not? If someone did something that everyone thought would be hard and expensive, despite having a predictable result – there is often a risk *even though* the researcher is likely to succeed.

Note that built into patent law analysis is a bias assuming that all things biotech are hard and all things software are easy.

Secondary considerations:

* Commercial success
* Long-felt unmet need
* Failure of others
* Copying
* Licensing
* Unexpected results.

September 29, 2008

In re Vaeck – this is before KSR – was it good law?

* Cyanobacterium altered by the insertion of : (1) a Bacillus bacteria gene that codes for an endotoxin; and (2) a promoter which assures the foreign gene will be expressed by the host.

Prior Art:

* Dzelzkalns discloses a foreign gene coding for the protein CAT and promoter region inserted in cyanobacteria.
* Sekar I, Sekar II, and Ganesan disclose genes encoding insecticidally active proteins produced by Bacillus and the advantage of expressing such genes in foreign hosts to obtain larger quantities of the protein.

Fed Cir. Bothered because in light of the prior art and subsequent progress in the literature, etc..

Essentially they are infecting the food of mosquito larvae rather than poisoning the water through the use of toxic pellets which were rather ineffective. As such, strong argument for non-obviousness. The intuition is not in solving the problem, but rather the framing of the problem.

Once genetic engineering came about, people began synthesizing a lot of proteins. Thus a lot of the “inventive” progress in biotech relates to this.

Under KSR, if you have a combination of known elements that yield a predictable result, you have trouble.

For instance, a “reader” that you put cards into that kids can touch the pictures and it says the name of the thing is not patentable as there is an older mechanical version. Post-KSR the Fed. Cir. said that “[a]pplying modern electronics to older mechanical devices has been commonplace in recent years.”

Amazon 1-click patent – **before you do 103 analysis, must interpret the claims**. Court finds that Amazon’s claim is broad enough that it includes pre-Internet art, such as the Compuserve stock charting service (1-click methodology).

103 is main hurdle to getting a patent, but infringement is likely the most burdensome part of patent litigation – claim construction is VERY costly.

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Consider as counterpart to trade secret. Once you have patentable subject matter, the prongs are:

1. Make
2. Use
3. Sell

* Access is irrelevant – no independent invention defense.
* Intent is irrelevant – willful infringement has higher damages
  1. Only matters when we get to willful infringement.
* Literal Infringements – All Elements Rule
* Doctrine of Equivalents

Infringement:

1. Construing the claims
2. See if there is infringement on the claims as construed (usually fairly easy).
   1. Note if D shows no literal infringements, may still be infringement based on doctrine of equivalents.

Phillips case (p. 252):

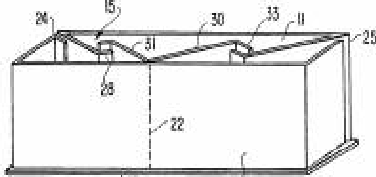
Fed. Cir. has warring camps regarding claim construction, and cannot seem to reach a compromise. As a result, district court judges have no good idea how to do claim construction – 37% of claims construed by districts get reversed.

Construction of Claims:

* Primacy of claim language
* Specification and prosecution history
  1. Intrinsic evidence includes the patent and its prosecution history.
* Extrinsic evidence
  1. Considered after intrinsic evidence as the patent may tighten the meaning of a word, or use it in a non-standard way. As the patent is, by definition, novel, the use may not be normal. Could also undermine public notice as all information to construe patent *should* be in patent and its history.

Claim in this case:

* “Building modules adapted to fit together for construction of fire, sound and impact resistant security barriers and rooms for use in securing records and persons, comprising in combination, an outer shell . . ., sealant means . . . and further means disposed inside the shell for increasing its load bearing capacity comprising steel baffles extending inwardly from the steel shell walls.”



Interpretive Sources:

* Dictionary: Baffle = something for deflecting, checking or otherwise regulating flow.
* Written description: All reference acute, oblique angles, deflect bullets
* Drawings: acute and oblique angles

**Note: Claims are written for PHOSITA, not for judges. This judge gets the parties to pay for a PHOSITA to sit in his chambers and explain the claims.**

Alleged infringer has “baffles” at 90degrees. The question is whether this is included in the claim as construed.

“Means-plus function” language

Majority panel in Fed Cir said that the alleged means-plus function language has enough function that it doesn’t qualify as means-plus function language. Instead we look directly at baffles.

Majority of Fed Cir panel here looks at specification, and after discarding the means-plus function analysis, they will review things de novo. Majority looks at picture (in particular) and the language and see only oblique angles. Finds for D given the specs. Panel’s dissent

* Not Means-plus function: *means disposed inside the shell for increasing its load bearing capacity comprising steel baffles extending inwardly from the steel shell walls*
* Majority relied on spec – non-right angle
* Dissent relied on dictionary, plain meaning

**Fed Cir en banc:**

* Claims given ordinary meaning to PHOSITA at time of application
* Intrinsic evidence generally takes precedence
* Adopts *Texas Digital* rationale, but rejects approach: consulting a dictionary first to avoid importing limitations from the spec
  + **This means that claims can be (and often are) broader than the specification. The claim is not (necessarily) limited by a single embodiment.**
  + **Dictionaries can provide an array of meanings as they are open-ended and prone to interpretation.**
* Extrinsic sources may not be “used to contradict claim meaning that is unambiguous in light of the intrinsic evidence”
* Claim differentiation: “An independent claim should be given broader scope than a dependent claim to avoid rendering the dependent claim redundant.”
* 2. Modules as defined in claim 1 wherein the steel baffles are oriented with the panel sections disposed at angles for deflecting projectiles such as bullets able to penetrate the steel plates.
* 1. “…steel baffles extending inwardly…”

En banc court says that claims 2 is dependant on claim 1, thus claim 1 is broader than 2. Claim 1 thus involves any angle, and claim 2 involves only oblique angles.

Bottom line:

* Important to see different interpretive strategies
* All routinely used for claim construction of patents.

Phillips was all about claim construction. Larami (p. 269) is a case where construction is done, and we have to apply **the all elements rule**.

* The claim in question has a claim for an elongated housing having a chamber for liquid like a traditional squirt gun.
* SuperSoakers have a detachable chamber, and thus does not infringe.
* BE CAREFUL IN DRAFTING SO AS TO AVOID SO MUCH SPECIFICITY THAT YOUR PATENT HAS NO SCOPE.

**Doctrine of Equivalents**

* Expand scope beyond literal claim language
* The set of equivalents is greater for pioneering inventions
* Intent plays no role
* Evaluate equivalency at the time of infringement (not invention or application)
* Question of fact
* An equivalent must be shown for each limitation of the claim
* Triple identity test
* Insubstantial difference test

October 1, 2008

Phillips case is important because it illustrates the way the different judges interpret the same term in a patent claim – it gives us four different strategies to defining “baffle.” This case is indicative of the fact that usually the struggle is over meaning.

This case fails to reveal the *next* important thing in the claim construction process: when a court is trying to define the elements of a particular claim, it usually parses the claim, which is not done here.

Example:

Lets say we have a chem.. eng. Process involving a reaction vessel containing a fluid and the invention is a process that:

* + 1. measures temp and pressure in vessel
    2. measures viscosity of fluid
    3. adjusts temp and pressure based on readings.

As a judge this is fairly straightforward and you might get one side that calls 1 & 2 together a single step and one that calls them separate.

If Defendant’s technology involves a process involving measuring viscosity, *then* temp and pressure. To make it more interesting, assume P-inventor was thinking that measuring viscosity later was desirable.

If you say that your steps don’t map 1:1 into the specification, it fails the all elements rule and therefore you aren’t infringing.

Note that collapsing the specifications may make the patent over-broad s.t. it covers prior art.

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Consider an electrical computation device circa 1960 that was hard-wired. Now imagine an infringer came along with a simple substitution of a programmed computer to do essentially the same analytic or logical steps.

Doctrine of Equivalence:

Either Triple identity test: Must show all three:

1. Same of equivalent function
2. Same or equivalent means
3. Same or equivalent result

Or Insubstantial Difference Test.

It seems that the Fed. Cir is not so fond of doctrine of equivalents these days, so what’s wrong with incentivizing people not to swap out things? Well, maybe its not easy to swap in components – finding a substitution may be hard. Of course, if you infringe under the doctrine of equivalents, the result is likely not patentable as it likely fails the obviousness test. It is, however, possible. In (some of) Europe, this is not the case, as the test for equivalents *is* obviousness.

In Festo and Johnston & Johnson the winning argument is for not allowing inventors to claim previously unclaimed obvious/prior uses/substitutes.

Festo (p. 279)

TO shift the balance of powers, Fed Cir creates filters that are questions of law. One is called prosecution history estoppel (Festo) and another dedication to the public (Johnston & Johnson).

Can’t use doctrine of equivalence to wipe out a limitation. If the claim from the example says order is essential, doc. of equivalents cannot make order non-essential as that violates the all elements rule.

Up until about 1995, the Fed Cir didn’t always embrace this, and applied a more “holistic” approach.

During prosecution in Festo the inventor made a couple of amendments to avoid prior art. Defendant made choices to pull him out of literal infringement, and P argues equivalence. Fed Cir invokes prosecution history estoppel, as there were narrowing amendments which were only explained by avoidance of prior art. It was foreseeable that Festo was giving up the broader claim in making the amendment. Meurer notes that in subsequent there is never an argument by P against forseeability.

Go back to chem. Eng process discussed above. What if you amendment broadens your claim by, say, removing a requirement of checking for color along with temp and pressure. Is it possible to claim that a D measuring just pressure it equivalent? Because amendment does not narrow, it does not preclude doctrine of equivalents. This form of estoppel is used to stop people from pushing narrow claims through the PTO and then claiming a larger thing later. This is not that, and thus prosecution history estoppel not invoked.

Johnson & Johnston

Claims a device having a sheet of aluminum and in the disclosures say that stainless steel or a nickel alloy could be used. D comes along and uses stainless in their device, and thus is not a literal infringer. P-inventor says that it is equivalent, and D says P can’t use doctrine of equivalence because P dedicated the use of stainless steel sheets in like devices to the public.

**CANNOT USE THE DOCTRINE OF EQUIVALENTS TO COVER MATTER THAT WAS DISCLOSED BUT NOT CLAIMED.**

Section 271(c) – Indirect infringement

* [1] Whoever … *sells* … a [2] *component* of a patented machine, manufacture, combination, **or** composition, or a material or *apparatus* for use in practicing a patented process, [3] constituting a *material part* of the invention, [4] *knowing* the same to be especially made or especially adapted for use in an infringement of such patent, and [5] *not a staple* article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

Note that seller of a component is off the hook if the sale is *without* knowledge or the component is ***not*** *a material part* ***or******not*** *a staple.*

Knowledge requirement is not there for direct infringement.

Experimental Use – Hold this in mind for about a month, and think about it again when we talk about the fair use doctrine in Copyright. The simple, basic message is that for the most part patent law doesn’t have an analogue to Fair Use.

Madey Physics prof. had a lab and set up a patented laser, moved to another lab, and told old university (Duke) that it may not use his patented invention. Duke claimed it was used solely for experimentation. Fed Cir says that business of university is experimentation, therefore experimental use by university is essentially non-existent. Virtually no experimental use exception in the common law.

Section 271(e)(1): May use patented invention for uses reasonably related to FDA drug regulations. People originally throught of this section being limited to preparation for generic launch. Merck v. Integra says that upstream experimentation can fall within safe harbor as once research is successful, generate lots of FDA data.

October 6, 2008

Defenses, Remedies, Willfulness – In case of willfulness, can have enhanced damages (as much as tripled) or shifted attorney’s fees.

Defenses

* Inequitable Conduct – controversial in its large availability. **Penalizes patent applicants for material failure to disclose or false submission with intent to deceive.** Purpose of defense should be thought about as part of nature of patent prosecution. Here there is an applicant and an examiner. Penalizes patent owners (ex parte proceeding) because of bad behavior during the patent process. Patent applicants have an obligation to disclose prior art, etc. and the examiner is not *as* expert as the people brought in to litigate, as well as not having the sheer amount of manpower.
  1. **Average examiner spends about 16 hours on a patent.**
  2. **Consequence of inequitable conduct is that patent is rendered unenforceable.** 
     1. **Note that 102(a) [novelty] applies claim by claim.**
     2. **Inequitable conduct apples to the *whole* patent.**
  3. Note that there are other ways to punish people who do this:
     1. Require compulsory licensing
     2. Reduce damages allowed
     3. Sanction the prosecuting lawyer/agent.
  4. Note that pharma particularly dislikes the inequitable conduct defense, and have been talking about reform as part of a package that is pro-defendant. The reforms try to get applicants to pull out highlights of prior art, which increases the chances that they will omit a key article, etc., so as the burden is enhanced, the risks are also enhanced.
     1. Pharma tends to disclose about 150 articles.
     2. Software patent applicants usually disclose **0** references.
        1. Researchers and managers are often told ***not*** to read patents because of (a) willfulness doctrine and (b) inequitable conduct.
        2. In Pharma you *have* to read patents to avoid large expenditures on research and testing on something that is already patented. This is related to (a) time to market for the different industries and (b) software patents are hard to understand.
        3. No one infringes on a patent on a blockbuster drug. On the other side, innovators are most likely to be *defendants* on the software side.
  5. Kingsdown has two allegedly mislabeled claims and that they viewed the competitor’s product. Fed Cir said mislabeling wasn’t such a big deal after all, as it took D’s lawyers a lot of time and effort to find it, and thus it could be something done in good faith, so shouldn’t be held against P. Having viewed competitor’s product could evidence bad faith as it might evidence an unfair attempt to expand the scope of the patent beyond what P actually invented.
* Misuse
  1. Applies to behavior after issuance of patent, usually related to licensing.
  2. This is effectively an antitrust claim, which seems odd as patents are essentially a legislated monopoly. Of course, there is an argument that patents pretty much give you immunity from antitrust law, so patent misuse should essentially not exist. The counter argument would be that if you have a patent for A, you should not use it to exclude things outside of your patent rights.
  3. In Motion Picture Patents P links exclusionary power of patent on projector to the market for films (only can use projector on Edison films). Thus the projector patents are being expanded to apply to a secondary market (film).
     1. Edison may want to do this to control pricing and allow entry to market for buyers (make no profit on projectors, make it up on movies).
  4. Here patent law regulates an attempt to move market power from a patented technology to a non-patented technology. **There is a strong debate over whether this is good or bad for society.** People tend to be more accepting of antitrust allegations involving a patent as the owner could simply refuse to license the technology. Also, money in the hands of Edison is money in the hands of an inventor which is (a) arguably the point of the patent system as it (b) encourages future invention.
  5. Like inequitable conduct, this defense is grounds for unenforceability. In some ways it is more potent than antitrust because it is available to the whole world (as courts use standing rule to restrict the potential plaintiffs to an antitrust suit). D can benefit even if patent is misused against *someone else*.

Remedies

* Willfulness – question of fact. Care because of (a) enhancement of damages and (b) fee shifting.
  1. At time Knorr-Bremse was decided, the standard was close to negligence, saying that once you have notice of a patent you have a duty to investigate and should not pursue any potentially infringing activity unless you have good reason to think that for some reason the patent is unenforceable, you aren’t infringing, etc. Could protect against willful infringement by obtaining advise of outside counsel.
     1. If you get sued, trial counsel may not want to mention an opinion letter. Could be because it is a negative opinion, could be insufficient, that attorney could have been disbarred, reveals potential area of infringement, or discloses confidential/trade secret information, etc. Further, the letter may disclose strengths of the patent that opposing counsel may not identify.
     2. This case addresses how this forced disclosure constitutes waiver of attorney-client privilege. Question here is whether jury can infer that opinion was negative from a failure to disclose an opinion letter. The Fed Cir said “no,” reversing their previous stance.
  2. Looking at Seagate the change is that the standard of proof of willfulness becomes recklessness.
     1. Breaks test into two steps:
        1. Objectively high likelihood actions constituted infringement of valid patent (state of mind irrelevant)
        2. Risk was known or so obvious it should have been known (timing – notice of patent to filing of suit; disincentive to read patents). Only conduct *before* suit contribute to willfulness, as otherwise trial would be a defacto injunction.
* Injunctions – eBay v. MercExchange
  1. Comparing property to contracts – in contract you get damages, in property you get damages *and* an injunction.
  2. Fed Cir tried to use a “general rule” of permanent injunction.
  3. SCOTUS told courts to use traditional equitable factors of injunction: (1) irreparable harm, (2) damages inadequate, (3) balance of hardships, (4) public interest.
  4. Note that many patent folks are ***not happy*** with this case. First, injunctions can be difficult for a judge to monitor. Second, … END OF CLASS.

October 8, 2008

eBay v. MercExchange Cont.

In some people’s eyes, MercExchange was a troll. Arguments in favor of trolls are stronger if it is a small inventor. The argument is that it is something looking to *invent*, not to do the commercialization themselves. Patents provide a vehicle for securing investment and thereby extending the group’s survivability.

Think about trolls in terms of frivolous lawsuits. If the assertion is frivolous, the court will likely throw it out.

**Copyright**:

The copyright statute is very small, but still larger than the patent statute. Is copyright more important or complicated?

Breyer wrote an article against copyright. Ginsburg has a daughter who is a very pro-copyright law professor.

Originality:

Copyright requires a **modicum of creativity** – this is a low bar.

Security camera *may not* fit in. Short phrases or words are not copyright able (e.g. “Xerox”).

Serves to distinguish between things that are (a) functional v. expressive and (b) copyrightable v. trademark (if purpose is to identify some sort of business).

**Work’s origin is the author.** Must be a distinguishable variation from what came before.

Suppose author A writes a book about Britney Spears that is copyrighted, and producer P makes a movie about it without licensing. Court will say that ideas, events, etc. in the book are not original to A, and thus P can use the ideas without issue.

**Expression v. fact.**

Also a problem when people take from the public domain. If A does a Lithograph of the Last Supper and B then does the same thing, court finds there is a copyright in A’s copy as there was a expressional choice involved in selecting the medium.

Feist

11 companies have generated white pages directories for their various areas. Feist comes in to effectively aggregate the books and make $$ by selling advertising in yellow pages. 10 companies licensed whitepages to Feist, Rural refused, and Feist used it anyways. Feist made some changes (added addresses), and published.

Rural was doing the books per state law because they had a utility monopoly.

Originality: Start out with (now discredited) sweat of the brow theory – effort is enough to make someone entitled to copyright. This arguably furthers people to innovate, etc. but is often rejected because it potentially clogs up the research process due to overwhelming licensing requirements for use of facts.

In Feist the selection is universal (we select everyone) and the arrangement is alphabetical. This seems much more functional than anything else..

What if it is a directory of the ten best law professors in the US? Because there is selection etc. involved it is copyrightable.

Hypo: Suppose you have correctly spelled text. Suppose you generate a paragraph of gibberish (swapping letters around etc. so that it is still (barely) intelligible); could you then copyright it? The transposition of the letters is an expressive choice. On the other hand, the requirement that the first and last letters be in the right place is a functional constraint.

Database protection is a question of copyright. It is likely not copyrightable as the entries are facts, and selection and arrangement are all but entirely functional.

Consider the library, as it licensing a lot of DBs. How is it protected or protectable?

**Origniality & Fixation are pair of requirements**. There is no fixation case in the casebook, but it can be described as being perceivable by humans either directly or with the assistance of technology. Note that music, dance or improvised comedy performances are *not* fixed unless they are being recorded. Congress, however, has put in a “patch” to help people not satisfying the fixation requirement (e.g. live music performances being bootlegged). This is particularly interesting because the act of copying requires fixation. In Netcom there was controversy over whether a computer copy was fixed when it was only in RAM (volatile memory), and the court found that it was.

October 13, 2008

Ariel’s Notes: Professor Meurer

* Copyright fixation and originality hurdles are very low
  + Fixation – almost always present, except improvisation – drama and music created on the spot, unless there is recording there.
  + Originality – origin with author and some modicum of creativity
* Subject matter in patent law
  + Concern when something that might be classified as product of nature
  + Concern with which processes are mingled too much with ideas
  + In general, push to make everything patentable.
* For copyright, only certain kinds of subject matter
* Expressive work will often have copyrightable subject matter as well as non-protectable text. Need to sort through the work to see if it can be copyrighted.
* Eldred v. Ashcroft
  + Holding: Congress can extend the term of copyright protection
  + Congress decided to extend copyright protection for 20 years.
  + Arguments for
    - Authors’ kids are also living longer
    - Authors needs more incentive
    - Europeans did it, so we needed to do it – harmonization
  + Disney wanted continued copyright protection for Mickey Mouse – for another 20 years.
  + Two arguments against
    - Copyright Clause – To promote the progress of science and the useful arts
      * Did extending the term promote the progress of science and the useful arts? If no, Congress would be acting outside of what they are empowered to do.
      * Limited times – but essentially unlimited times, actually. So, outside of their bounds
    - 1st A – clash with 1st A to figure out what Congress can do under the IP clause. Which should give way, if there is a clash?
  + Even the dissents did not spend much time on the 1st A arguments. But why would it create a 1st A problem?
    - Copyright statute restricts speech, no matter what.
    - To some people, there categorically could never be a clash, b/c of fair use safety valve – allows expression of some of idea. At a minimum, much political speech will be protected as fair use.
    - Expression as opposed to idea – Besides the fair use safety valve, there is the idea/expression safety valve – you can express the idea, just maybe in different words. One 1st A goal is to protect marketplace of ideas – copyright is to protect expression, not ideas.
    - Other 1st A goals are autonomy, personal expression. You might need to express your ideas in a certain way. That’s a position where the safety valves are not enough
  + *Dissents*
    - Limited times – perpetual copyright on the installment plan – length of time keeps to be getting longer all along.
      * Best position for retrospective, not prospective.
      * Expressive works that were already created – no incentive to create them, they are already created.
      * Have to invest in maintaining, e.g., old films.
  + Copyright protection has been extended over time, periodically. That’s the incentive – might benefit from future retroactive extensions. That’s the strongest incentive argument for the retroactive extensions.
  + Congress probably has more freedom to add than to take away the term – as it might be considered a taking.
  + *Dissents – Stevens and Breyer*
    - Said Congress did not have a rational basis for arguing that progress would be promoted. Extra wealth to new authors is so small that it essentially means nothing.
  + Part of the case is about separation of powers – Justices that voted against might have also been concerned about deference to Congress.
  + Breyer and Ginsburg are often on opposite sides of copyright
  + Will liberals allow Congress to have whatever powers it wanted? Allow businesses to have what they want?
  + Key points
    - 1st A discussion will pop up again soon.
    - Incentive effects – both patent and copyright are viewed as utilitarian statutes to reward good behavior, not corrective justice to punish bad behavior.
* Idea vs. Expression
* *Baker v. Selden*
  + Not accusing Δ of taking word for word the text. Instead, taking the steps and copying the form.
  + Practice the process would certainly possible, without copying the forms. To actually do the process, would have to generate a form that looks like the form – if you have to use the form to practice the process, there must be an implicit license to use the form.
    - Otherwise, the book has no value to the reader
  + Dividing line between copyrightable forms – if there is something unique in the forms (like *Feist*), if there is a degree of originality in the selection and arrangement of data – here graphical or text.
  + NET: Forms and databases are generally copyrightable, but it’s thin – only what’s original about the selection and arrangement.
    - In *Feist*, there is nothing original about the S&A
    - Here too, there is nothing original about the S&A
  + From modern perspective – the process would be patentable.
  + The process is too much idea, not enough expression, to be eligible for copyright protection.
  + B/c it’s an idea, it would be eligible for patent protection.
  + Two points
    - Blank forms might have no expressive choice. Structure might be dictated by practical choices → no possibility of copyright.
      * General rule at Copyright Office is to not accept blank forms.
      * If forms are too skeletal, they cannot be copyrighted.
* So, for a recipe – it’s a how-to for a process – can’t be protected under copyright. The words can be chosen, but they are not protectable under the *Morissey v. Procter & Gamble* merger doctrine – since there are not expressive choices.
  + Choosing the recipes and compiling them, would be protectable, since it was compilation.
  + Same deal with jokes.
    - Some structure in knock-knock jokes, limericks, haikus, but still can be protected.
    - Phrases cannot be copyrighted
    - But poetry could be.
    - Idea is what’s funny, usually.
  + No novelty barrier for expression. Instead, originality requirement. Originality is weaker – it originated with the π. Δ has independent creation defense or copying the public domain.
* *Morissey v. P&G*
  + About rules of how to play a contest
  + Narrow reading of *Baker v. Selden* – if there is only one way to express an idea, it cannot be protected, b/c protection of idea effectively protects the expression
  + *Morissey* strengthens this by saying that it is no longer limited to just one way to express an idea. Instead, if there are only a few ways, then none of the choices is protectable under copyright. Otherwise, could run out of ways to protect copyright.
  + Merger doctrine stands in tension with *Feist*.
* Scenes a faire
  + Some plot lines are so familiar, they come to define a genre. They cannot be protected.
  + Looks expressive, but instead categorized as an idea
  + We’ll look more closely at this later
  + If you take a sufficiently detailed version of plot, then you’re an infringer. If you are at a high level of abstraction, it’s an idea, and is not protected.
  + The first person to come up with a plot line, gets a copyright. So when does it become useful? A second user would be copying.
  + Actually used a lot for software coding. Write code in certain way b/c it’s the conventional way to write the code.
* Figure/ground illusion – you can see either the figure in the front or the background.
  + With originality – that person originated it.
  + Modicum of creativity – well some, not a lot
  + If Δ admits Δ took it, might Δ have an idea/expression defense? Functionality makes it look less like more like an idea than an expression.
  + Underlying idea might be more abstract. At more abstract level, it might be ok to copy.
  + See this kind of argument in infringement analysis – if Δ took the idea, it’s easier to do when you start drilling down in terms of the idea. If you leave the idea to be abstract, then it’s more likely to expressive. Π wants to express it very generally, Δ wants it to be ideas.
  + It’s fixed, original, idea – probably no protection b/c it’s an idea.
  + What if lots of psychology experiments have been done with vace/faces?
    - Then the scenes a faire doctrine kicks in.
    - More functionality associated with this image – become a stimuli in the laboratory. Becoming functionality over time.
  + Escher is famous for doing this – there are lots of different versions that express this same idea.
* Big division between fiction, movies, music v. textbooks, histories, software, etc.
  + Second category – thin protection. Courts are likely to look at something and push more to idea than expression.
  + First category – thick protection. Courts are likely to look at something and find expression more than idea
* *Roth Greeting Cards*
  + Total concept and feel infringement test – take a look at the two and decide if they are the same – an impressionistic approach, that favors the copyright owner.
  + Compilation
    - Also has to do with databases
  + The greeting cards have very short phrases, simple artwork. When you looked at words, images, etc. – any of them alone would probably lack originality. Author said that even though they lack originality, if you compile them, it’s the selection and arrangement that is expressive enough to be protected by copyright.
  + Δ would say there is not enough that is expressive.
  + Π would say there are lots of choices, and there is originality in selection and arrangement
* Protection of Industrial Design – Useful Articles
  + The US is different from ROW by not having an industrial design statute. We have some treaty obligations under TRIPS to protect industrial design. Have convinced ROW that copyright statute protects industrial design. US is less aggressive than other countries.
  + As a useful item – should be protected by the patent statute.
  + Usually, different aspects protected by patent and copyright.
  + Different ways to protect design
    - State law
      * Unfair competition
      * Design law
    - Design Patent
      * Everyone thinks copyright is better source of protection than design patents, so they’re not widely used
    - Trade dress
    - Copyright
    - State law
  + Aspects of design that are not utilitarian can be protected by copyright.
    - To portray appearance or convey information, can be protected by copyright.
    - Not, → cannot be protected by copyright.
  + Utilitarian / functional matter
    - Toys are patentable subject matter
    - Toy airplane – would have utility in that it glides for some time, so can be patented. But has intrinsic utilitarian function so cannot be copyrighted.
    - A costume is clothing – so it’s utilitarian. A mask is not – it’s portraying an appearance and not utilitarian.
      * If pleasure is only coming from portraying appearance, the utility is trumped
* *Mazer v. Stein* – Lamp – utilitarian part cannot be copyrighted. So the outside can be design, while the guts can be patented.
  + Can protect features of bike racks and lamps, to the extent the feature is separable.
  + Physical separability – for the lamp – can get rid of whatever is expressive by bleaching it out or otherwise destroying the expression and the lamp still works, then it’s physically separability.
  + Physical separability is not possible if it is the 3D shape of the light bulb, as the bulb cannot be separated.
* *Brandir v. Cascade*
  + Why is physical separability enough but conceptual not?
  + Five different suggestions for conceptual separability. See what can be protected via copyright.

Khadijah’s Notes

IP Law 10/14/08

# Copyright

Contrast with patents:

* Patents: Some concerns about processes
* Patents: Novelty/obviousness/112: big hurdles that keep people from getting valid patents.
* Patent: Subject matter – a little concern about products of nature v isolated molecules, but not much
* Copyright: Subject matter – lots of concern about copyrightable expressive content vs. facts/ideas/process
  + What aspects are protectable?

## Eldred v. Ashcroft

* 20 year extension of copyrights:
  + Life+70:
    - people live longer,
    - could have been looking out for estate of author,
    - could have been incentive,
    - Europeans do it – harmonization.
* Disney wanted continued protection of Mickey Mouse. So they got Congress to extend copyright length.
* IP Clause talks about progress – “Progress preamble.”
  + Does extending the term of copyrights extend the progress of science and the useful arts?
  + If no, might have been acting outside of its rights within IP clause
  + “Limited times”
  + Might have been outside of authority by creating essentially unlimited times.
* 1st amendment conflict: if there is one, which should give way?
  + Fair use argument – fair use is a safety valve
    - at a minimum, have to say much political speech would be protected as fair use.
  + Idea/expression dichotomy
    - What about using Mickey in a comic that critiques Disney?
    - Could still talk about him, just can’t express him
  + 1st amendment is about
    - the marketplace of ideas
    - autonomy
    - personal expression
* Copyright and trademark limit expression
* **“Perpetual copyright protection”** Life of copyright keeps getting longer!
  + We’ve extended it before, can rationalize it
* Prospective v. retrospective extension:
  + Prospective is a lot easier to argue
  + But retrospective they’re still trying to argue for the promotion of progress…
    - Expressive work already created, no incentive needed to create it, it’s already created
    - HOWEVER, Mickey products/films are still being created, old films are being maintained
  + Can you reduce a copyright length once you’ve extended it?
    - No – 5th amendment against taking: Congress has more right to increase property value than to withdraw it.
* Underlying issue may be Separation of Powers: Justices against Eldredge might have just been concerned about how deferential we are to Congress. Expanding Congress power v. rewarding Disney?

Key takeaways:

1. 1st amendment will pop up again
2. Incentive theory about copyright
   1. Patent/Copyright are incentive systems
   2. Not viewed as corrective justice systems to stop bad behavior

Idea/Expression

## Baker v. Selden

Aside from idea/expression: What alternate defense might one have?

* Process: without copying the forms, book is pointless
* Implicit authorization to copy the damn forms – it’s a how-to book, for christ’s sake.
* Could have included multiple copies of form with order form to get more (however, consumer protection problem comes in)
* Reminiscent of Feist: has to be a modicum of originality in selection or arrangement of data. Here, that’s the graphical and/or textual features of the form.
* Functionality – getting the ledger to work – is the priority here. Processes are not copyrightable.
* Method of bookkeeping would be patentable process.

**Recipes:**

* selection and compilation is the creative process
* but also see: 695 F.2d 1171
* Similar issue with jokes: defendant argued: each joke too short, etc.
* Case where 2nd party writes down the joke of 1st party, who said it aloud:
  + 1st party: no fixation, no copyright
  + 2nd party: no originality, no copyright
* Magic tricks, as well
* Limericks, haikus, jokes –
  + specific structure not protected
  + phrases aren’t protectable

## Morrissey v. Proctor and Gamble

* Images
* Win prize if you recognize differences
* Copied rules of 1st contest

Narrow reading of Baker v. Sullivan: if there’s only one expression of an idea, then you can’t protect the expression, b/c then protection of expression becomes protection of the idea.

Morrissey says: show me there’s only a few ways to express the idea – there’s only a few ways to write the rules for the contest – we’ll run out of ways to write rules if we copyright them.

**Merger doctrine**: When there is only one, or only a few, ways of expressing an idea, then courts will find that the idea behind the work *merges* with its expression and the work is not copyrightable.

**Scene a Faire**: Some plotlines are so familiar to us, they become a standard part of a genre – defining the genre – so not copyrightable.

**Picture used in psychology class**: we would think of this as art, idea expression, but why isn’t it covered by copyright?

* Functionality makes it look more like an idea, and less like an expression
* But lots of ways to express this idea (Not like double-entry form)
* Standard: used by so many psychologists – this particular image is used as a stimulus in the laboratory.
* My issue – why don’t we protect this image but we would protect it if it was Mickey?
* Wendy Gordon discusses “the use of expression as fact.”
  + I have to get access to Mickey Mouse or Barbie to discuss its role as an icon in American culture – I’m not using it to benefit from the value of copying its expression, I benefit by speaking with this image, using it as a fact.
  + We should recognize fact uses of expression: either makes it not copyrightable or creates a good defense (1st amendment fair use)

When does something run afoul of Scene a Faire?

* + - Programming
    - Copyright of software: there are certain styles of code that are conventional, everyone uses them
    - A plaintiff will say this style originated with me,
    - Defendant will say “standard programming practice” that’s fallen into public domain

Fiction, movies, music: thick protection

v.

Textbooks, nonfiction, histories, useful articles: thin protection

## Roth Greeting Cards

1. Sets up test of infringement (to be returned to in a couple of classes)
   1. The total concept and field infringement test
   2. Selection and arrangement:
      1. D: just a sentiment being expressed, merger doctrine applies
      2. P: no, no, no, there are a lot of choices, my creativity lies in the selection and arrangement

# Protection of Industrial Design

US doesn’t have industrial design statute. But we do have treaty obligations under TRIPS to protect industrial design. We have promised the world out Copyright Statute protects industrial design.

Do we protect with patent? Copyright? Trademark? **Each with different aspects.**

Patent: only over utilitarian aspects.

Trademark… We’ll discuss later.

Design Patent statute: specifically geared toward giving protection to designs. But more expensive, more difficult to litigate and less friendly to the creator than copyright law.

State laws – will look at toward end of course.

Halloween costumes: patentable. Masks: not patentable. “The toy-like utility is trumped when the enjoyment comes solely from affecting appearance.”

Toys are patentable. So what aspect of a toy airplane might be copyrightable?

* Designs on the wings

However, we deny the poor bicycle rack under copyright. Why? Lack of physical separability of decorative aspects from utility.

Question: Could we physically remove what’s expressive?

* Hood ornament – removable

## Brandir v. Cascade

Some things are considered useful articles: “not merely to portray appearance or convey information.”

We’re going to protect via copyright those aspects of the design that are not utilitarian: those elements put in **to** portray appearance or convey information.

October 17, 2008

Useful articles is complicated and the law is unsettled. If an article is useful we have to look at seperability. There is physical seperability (e.g. hood ornament), where both the ornament and the hood are protectable. Consider, however, a bicycle rack. There are five tests in the casebook that help us examine conceptual seperability:

1. Denicola: Design feature is conceptual separable if its elements reflect artistic judgments unrestrained by functional considerations.
   1. This test is difficult as it is very hard to get any form of industrial design past this test?
   2. It seems to dismiss the minimalist aesthetic movement. *Lack* of aesthetic elements is an aesthetic choice.
2. Newman: Article stimulates aesthetic concept that is separable from utilitarian concept.
3. Primary use (utilitarian object or artistic work)
4. Marketable as art?
5. Primarily aesthetic?

Consider a mannequin with a golf club.

1. Is a mannequin a useful object? Yes.
2. What aspects are separable?
   1. Facial features?
   2. Abdominal muscles?
   3. False musculature?
   4. A mannequin could be described as sculpture.

Consider a Mickey Mouse phone:

1. It is a useful article.
2. Arm is part of the phone, so cannot separate from phone.
3. Under Denicola, D would have to argue that functional considerations did not impact artistic judgment.
4. Assuming arm is uncopyrightable, still head (parts that make it look like Mickey) is strictly non-functional, and therefore copyrightable.
5. Ultimately as all of the aesthetic elements are not functional in their own right, there are elements that are physically separable and thus there is infringement.

**Ownership**

Who counts as an author, s.t. you have an ownership stake in the copyright? An author is a person responsible for fixing an expression. It is possible to have joint or collective authors.

Section 101 Definitions:

* Work made for hire: is either (1) prepared within the scope of employment or (2) contributions to a collective work, movie, or other work agreed to be considered to be made for hire.
  1. Note that music industry was asleep at the wheel here. To give artists a second crack at negotiation there is a termination provision that does not apply to works made for hire. Thus, music made as recently as the late 70s will start to produce problems for the music industry.

CCNV

Was Reed employed by CCNV s.t. work was made for hire by employee? Court looks to see if CCNV had the right to control work and assign additional projects to Reed. Skill was skilled, used his own facilities and received no benefits from CCNV. All factors point to independent contractor relationship, and therefore likely retains copyright.

Now, to get copyright, CCNV must show joint authorship.

Note on joint authorship: narrator or person who specifies sculpture to be made by another. Even though the latter, in patent jargon, reduces it to practice, the former was the author.

So, what is this suit about? It appears to have grown out of a dispute where CCNV wanted to take the sculpture to other cities. However, the artist argued the material wasn’t strong enough to handle the travel. There is an unassignable right called a moral right that allows you to prevent a work from being destroyed (right of integrity). There is a public

display right that allows one to limit public display, however this right is restricted to the owner and evaporates if it has *already been* on public display (which may include photos, etc.).

First Sale Doctrine (Section 109) – If you own a copy, you can sell it or (barring moral rights) destroy it, display it, move it, etc.

Joint works (Section 101) is a work prepared by two or more authors with the intention that their contributions be inseparably merged.

Lee v. Alamouhammed – Lee making movie about Malcolm X, and Alamouhammed contributed to a movie about Malcolm X. At first brush it may seem they intended to inseparably merge, but that may not be the case.

First, note that Alamouhammed should have signed away his rights, but that this was not done for some reason.

Alamouhammed effectively contributed expressive dialogue to the movie, albeit a relatively small percentage. The problem is Alamouhammed wins is that he becomes a joint copyright holder, and thus can license it as he wishes (e.g. to undercut Lee’s sales, etc.).

Determination of joint authorship, says the judge, hinges on whether someone “superintends” the work by exercising control, thereby showing lack of intention to work as joint authors (effectively slight of hand, as statute talks about intent to merge, not to be joint).

If he turns out not to be an author, but makes a contribution, Alamouhammed may have copyright over said contributions.

**Infringement by copying**

**October 20, 2008**

Copyright Infringement: Section 106 gives copyright holder sole right to (1) reproduce and (2)

There is a two-step process to see if infringement is under 106(1) or 106(2).

Must prove:

1. Copying, and
   1. Proved directly or using circumstantial evidence
   2. Similarity and access (sliding scale as in *Arnstein*.)
   3. Independent Creation
2. Unlawful appropriation

Arnstein – Note that <http://cip.law.ucla.edu/introduction.html> can be helpful.

P claims that D used (at least) 3 major works in developing D’s songs. Here 2d Cir considers whether to let Arnstein bring a lawsuit against Cole Porter.

District court dismissed, and 2d Cir reversed saying that it should go to the jury.

* **Access is extremely important as without it, it is impossible to have copied.**
* Note that this is different from patent law in that patent is a trade of *exclusive* rights for disclosure. Patent is about exclusive right to the idea, whereas copyright is about copying the *implementation*.
  1. Thus independent creation is an *absolute bar* to a successful copyright suit.
* Arnstein claims that “stooges” stole music from his hotel room. It could be argued that this case is about controlling frivolous suits, possibly P is mentally ill as well.
* Note that defendants in copyright are often other artists, so the reward for innovating/composing/etc. can be undercut if the bar to suit is too low.
* Both patent and copyright infringement have elements of strict liability.
* Consider here the Harrison & Mack case we looked at in class. Note that w/ sliding scale, a low level or access can be countered by a high level or similarity.
  1. Court believed that Harrison doesn’t remember hearing the song, but said that he has subconsciously copied. Thus intent is not a concern.
* Consider ventriloquist with phrase “You got the right one, uh-huh” who mailed a flier to Pepsi who later ran an ad campaign with Ray Charles saying “You got the right one, baby, uh-huh.”
  1. There are corporate strategies to keep such submissions *away* from decision-makers.
  2. Consider *Feist* where fictitious names showed up in a competitor’s phone book. While likely not copyrightable, those names are strong evidence of access.
  3. This is often handled through clean room/Chinese wall scenarios where group A creates detailed specifications and group B, without communicating directly w/ group A, implements the specification.

Before moving to misappropriation, lets ask what it looks like in patent, and what it looks like in copyright. Consider the bicycle rack that we’ve been discussing. Now lets say it was painted and given a head to resemble a sea serpent. Now, D comes along and welds together multiple rods but otherwise uses similar paint, a similar serpent head, and constructs it in the same shape.

* Looking to the claim language, there does not seem to be patent infringement because of the language “single rod.”
* Looking at copyright, we look to see (i) if there is copying (lets assume yes, for sake of argument) and (ii) whether a lay person would find a substantial similarity, assuming we can pass conceptual seperability.
  1. If we use Denicola test, we would say the undulating design is functional, and therefore unprotectable. Another test may allow the undulating design to be a form of expression.
  2. Either way, P can likely get protection over the serpent design. If D. also painted rack differently, omitted the head or the coloring, etc., they may avoid the issue of copyright infringement.

Unlawful Appropriation – More complicated than copying.

* Subjective ordinary viewer standard of substantial similarity.
* Filtration system for copyrightable subject matter.
  1. Copying something that is uncopyrightable is a non-issue.
  2. Similarity may be explained as independent creation based on (common) uncopyrighted material.

Nichols*: Abies Irish Rose:*

Learned Hand’s abstraction test

Process to be discussed in a few classes:

1. Abstraction
   1. Break down the two stories to determine if it is the *expression* or the *idea* that is being copied.
   2. Generalize both to look for similarities. As you add the original aspects of each, look to see how abstract the similarities lie. The more abstract, the less likely there is infringement.
   3. In the instant case Hand says that the similarities in the plot were the parties religions, the children’s marriage, and the fact that they were feuding. The differences are stark, s.a. one focuses on religion and the other all but ignores it, and in one the grandchild was a reconciliatory catalyst and in the other it was one grandfather’s generosity. Hand says that the idea of an immigrant clash that is united through a second (and third) generation, which is not really expression, but is an idea.
2. Filtration

Steinberg

A movie poster takes similar format to a New Yorker cartoon. Note that **font is not as such copyrightable** as there are serious constraints on how letters appear. This case is reminiscent of *Roth Greeting Cards*, as where the typeface may not be copyrightable, but the complimentary font selection and/or the placement, etc. is copyrightable as part of a whole. In the instant case there is a building near the center that is very “New York-ish” and was all but copied from one to another. Also, the handwritten block letters denoting locations and the tiered level or detail representing the NYC-centric view of a New Yorker are all copyrightable and were copied, as were a number of specific elements s.a. a water tower, sign, etc..

* If you don’t give the artist access, you might be able to use a clean room technique here, however you might not be able to communicate the work of artist A to artist B w/o showing B A’s work.
* Also, if you have a recording trail, or paper trail of development process you might be able to show independent creation.

October 22, 2008

Today we will wrap up 106(2), talk about 106(3), and then 107 (fair use).

A derivative work, as viewed from the perspective of a copyright owner who is suing someone.

For Meurer, 106(2) is the same as 106(1). As a copyright holder, you don’t really gain anything by characterizing something as a violation of 106(1) v. 106(2). Same analysis: (i) Look for copying, then (ii) look for misappropriation.

Anderson v. Stallone

Derivative works. Barriers to copyright on a derivative work:

* + 1. Originality
    2. Authorization

1. Public domain source is non-issue
2. Unauthorized – limited to separable aspects.

Anderson has a treatment (rough of movie idea) for anew Rocky movie, signs a lease releasing MGM from liability for using the treatment, and that ends up being the plot of Rock IV. Not sure if the treatment was used for the movie, but either way court finds that treatment was a derivative work as it was an unauthorized derivative work, utilizing the copyrighted Rocky characters.

Anderson argues that characters are not copyrightable subject matter, which is a large controversy. Even if we don’t protect characters per se, we can look at the expression of the earlier work and find details of expression that are copied when you take the whole character. Thus, the only question is whether there are separable aspects that could get copyright treatment.

The court says that seperability applies to compilations (e.g. a collection of poems), rather than something like the treatment because the previously copyrighted portions are so integrated with the new work.

Note that patent is more generous as an unauthorized improvement can lead to a patent, whereas a derivative work cannot be (easily) copyrighted. Arguably this creates an increased reward to Stallone as it may give him a monopoly over creating derivative works.

The court concludes that even if Stallone had taken the battle in Moscow from Anderson, Anderson had no copyright, and therefore it doesn’t matter.

**106(3) – Distribution Right**

Copyright owner has exclusive right to distribute copies through sale, rental etc. This might seem problematic for libraries, however the first sale doctrine (109) creates an enormous limitation in that these rights are only up to the point of the first sale.

**Fair use doctrine**  - Four (non-exclusive) factors that excuse copyright infringement.

* + - 1. Purpose and character of use
         1. News report
         2. Educational purposes
      2. Nature of copyrighted work
      3. Amount taken
      4. Market effect

There was someone prior to WWII who translated Mein Kampf to show political point. Hitler would not let him do so, and court let him do it anyway despite taking all of the work and the negative market effect.

Harper & Row

Unpublished autobiography by Gerald Ford, with juicy parts re: why he pardoned Nixon preemptively. H&R had an exclusive deal w/ Time, and time’s competitor Nation beat Time to publication. Looking at the four factors:

1. Purpose and Use
   1. D – History and political information
   2. P - $$$$ for D, as going to be published shortly anyway. Use was in bad faith.
2. Nature of work
   1. This is essentially a history, and so gets thin protection
3. Amount Taken
   1. D – didn’t release too much text, and so did not take much.
   2. P – Took whole thing because disclosed the “juicy” parts.
4. Market Effect
   1. Right to publish excepts in advance was adversely affected for P,

Thinking of this in terms of trade secret, the manuscript hasn’t been published yet, and there is value to H&R to keeping it secret. It was stolen by someone and disclosed by N, who knew or should have known that this was stolen. It seems, then, we are at a question of first amendment limits on trade secret and copyright law. This may fail as the value in keeping it secret is from its potential disclosure, however there is a strong argument that the value is in controlling the dissemination.

Betamax

Violation of 106(1) is by the many owners of betamax. Sony is accused of contributory infringement. The argument is that Sony provides the means to archive copyrighted material, which is unarguably illegal. Sony argues that alleged infringers can do legitimate things such as time-shifting (record something on at 8 so they can watch it later at 10) and authorized reproduction. The basic question here is whether time-shifting is a fair use.

Sony would argue that time-shifting is to allow the audience to see things that are on TV that they would not have otherwise seen.

P would argue that this is effectively archival, and worse yet is outside the scope of the licensing as it allows bypassing of value-add commercials.

The nature of the work is thickly protected as it is an expressive (rather than historical, etc.) work.

It seems then, that (barring a change in technology) the market effect must factor in transaction costs to get licensing of time-sharing, and therefore it is OK.

Court finds that while there may be considerable infringement, the technology is capable of substantial non-infringing use s.a. playing rented movies.

Texaco

Company bought one subscription to magazines and then distributed copies to numerous scientists. The background for this is that photocopying articles by NIH for “researchers” was found to be fair use. Further, that court found that there were transaction costs to researchers getting permission s.t. it would mean no photocopying and we don’t want to deprive the researchers.

This case rejected that analysis. These were scientific journals and researchers, however these researchers facilitated a commercial purpose. Further, market effect is treated differently, with the court finding that … END OF CLASS

October 27, 2008

Ben Narodick’s Notes

Lecture Notes

Continuing with *Texaco*…

-          Part of a fair use doctrine regarding copyright

-          Similar to the issues presented in *Sony* in some important ways

o   Most importantly… fair use is in a circumstance where the whole of the original was copied for "time-shifting" and transaction costs

  Don't know when the journal articles are going to be needed

  Doesn't make sense for transaction costs to increase so dramatically in this instance

-          Purchase that could be made in the Texaco case that would be foregone?  It's unclear… perhaps another journal?  It seems unclear if that's necessarily true that another journal copy would need to be purchased – a copy was already on store

-           Is efficient consumption of copyrighted material a legitimate "fair use" consideration?  It does not appear to be so in this case.

Four factors test…

1)      Purpose and character of use

2)      Nature of copyrighted work

3)      Amount and substantiality of portion used

4)      Effect upon potential market or value

How does the CCC affect this?  New at the time… grants individual temporary license.

-          Note that the effect of the CCC on this test changes over time

o   Effect most notable on the 4th factor

o   Similar to introduction of new technology to the fair use and copyright rules

o   Leads to some instability and potential vagueness in copyright law

The dissent mentions a circularity in the majority opinion (note the majority rejects fair use)… licensing revenues

-          What's wrong with circular arguments?  Well, they are based off of assumptions which may or may not be valid but which are definitely questioned

o   The reference point determines the outcome, which the judge gets from an undetermined by location but it is presumed by market

o   Is it fair to extend this to a "potential licensing market" when that could be anything?  That could kill fair use.

  Where micropayments are possible and the cost of photocopying is so low, is fair use essentially dead in the realm of transaction costs?  The tech is not there yet, but it may well be on the way

-          This continues to be a question of balancing protection v. access, and we are forcing judges to make value judgments on some level to resolve this

Parodies – *Campbell v. Acuff-Rose* (555)

-          Defenses used

o   What I admittedly copied is so small it should not be included as evidence of copying

  Has not succeeded in most copyright cases

o   I am entitled, as a musical copier, to a mechanical license under § 115

  Usually given to composers and musicians

  Cover license did not work in this case because the song has to be substantially the same… style can be adapted but the structure cannot be overly changed (as it was here)

-          So, does parody qualify as fair use?  The court here says yes…

o   Note that parody (protected) is differentiated from satire (not protected)

  Generally, parody must target the copyright owners work…

  Satire uses the altered work of the copyright owner to make a point

  Is this a problem?

         First Amendment Issues – favoring some content over others

         Holmes: We do not want to be art critics

o   Goes back to the four factors, under which D wins

  Purpose and character of use – changed song, added value to the song, transformative – advantage: D… but commercial, advantage: P

  Nature of copyrighted work – original artistic creation – advantage: P

  Amount taken – minimal, and clearly distinguishable – advantage: D

         Hardest part for parody… a parody must "conjure up" notions of the original but it has to be recognizable as a parody and not a potential spinoff by the original artist

  Market effect – minimal, little to no market overlap – advantage: D

         Note that there is a softening of the *Sony* language – there should  not be a presumption of "no fair use"

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Moving on to copyrights as they apply to performance rights

-          Performance rights - § 106(4) – the copyright owner has the exclusive right in the case of literary, [etc.] works, to perform the copyrighted work publicly.

o   This allows purchasers to perform the work privately

o   Additionally, radio stations get blanket licensing rights from collective rights groups such as VMI… the number of licenses granted is in the millions

  Allows the sellers to collectively set the price for the permissions

  Complicated formula based on media monitoring allows for compensation by groups like VMI to the artists who actually hold the copyrights.

o   To some extent, this right is limited by PR and market issues… who is going to go after kids, or schools, or non-profits, etc.?

  This is a limitation for all private liability in some respects but the effects are more tangible here.

-          § 101 – To perform or display a work "publicly" means – 1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.

o   Definitions are deliberately vague… court decisions have set a pretty strong precedent though.

  Phone booth/one person viewing booth is public, hotel room is private

o   What about questions about the word "perform"?

  Inventor of Scrabble brought a suit against a national Scrabble tournament under the guise that playing the game was a performance… this claim was rejected by the court

-          How did we decide on these limits in 106(4) and 101?

o   Some concerns, like public attribution and control, only occur in public performance

  Exception: architecture

o   Public consumption is where most consumption occurs and where the most regulation is needed

o   If there is no 106(4) right, how is new work introduced to the public?  It lines up with the purposes of copyright protection – rewarding artists while allowing the proliferation of new works and ideas

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Moving on to contributory infringement…

-          Requirements (different from direct infringement)

o   Knowledge or reason to know about the infringement

o   Induces, causes, or materially contributes to direct infringing activity of another

-          How does this play out in *Sony*?

o   P argued that Sony knew that its users could use Betamax to copy movies illegally and that Betamax made it possible in ways that other technology could not

o   *Sony* safe harbor: knowledge really isn't there… there's a legitimate fair use purpose that is the majority of the known use of the technology

  Capability of substantial non-infringing use is key here for "knowledge"

-          What about vicarious infringement?  It was much easier for Sony to escape vicarious infringement than contributory infringement…

o   Requirements

  Right and ability to control direct infringer's acts

         Warning may be adequate… § 108 – Librarian Rule – tool for copying is in control of the institution that owns it.  The warning may shelter the institution from indirect infringement

  Receives a direct (or possibly indirect) financial benefit from the infringement

         In this case, it would have to be indirect… the benefit comes as more people discover the infringing use and more Betamax equipment is purchased

o   Doesn't really work for copy machines, though… kind of a weak argument

o   Note the differences between contributory and vicarious infringement in *Sony*

-          Note that a VCR doesn't need a record button, and a tape recorder does not require a play button, but there is fair use due to time-shifting… as times change, though, this requirement may shift (see cases on *ReplayTV* and *Grokster*)

October 29, 2008

A while ago there were a number of suits against dance halls. The halls were renting the space to bands, who didn’t get permission to perform music. It wasn’t contributory infringement, but the theory was vicarious infringement.

The Sony safe-harbor helps companies that sell things like photocopiers or VCRs. However, when you’re engaged in activity that implicates copyrighted works, there is a question of how far it extends.

A number of lobbyists got Congress to create section 512, OSP (Online Service Provider) exception, which protects ISPs and standard search providers.

*Hypo*: Suppose someone uses Google to find song lyrics, and then copies them. Can Google be liable for contributory infringement? No, under Sony, as it is capable of substantial non-infringing use. What if you have a specialized search engine that finds MP3s? A harder argument, as there is an argument that the non-infringing use is notably less substantial.

OSP Safe Harbor:

1. Adopt implement and inform subscribers of termination policy for repeat offenders
2. Adopt standard technical measures to identify and protect copyrighted use
3. Comply with notice and takedown procedures

Grokster

Adds caveat to Sony: No liability for marketing product capable of substantial non-infringing use *unless* clear evidence of bad intent.

There was a lot of evidence of bad intent (marketing themselves as the replacement for Napster). Different as they didn’t host the infringing files (as Napster did). SCOTUS notes that ad revenue is not alone indicative of bad intent, but fact that company advertised *itself* as way to pirate MP3s, showing bad intent. Sony encouraged people to create “tape libraries,” but content could be legitimate (e.g. copies of wedding video).

Note concurring opinions are either i. pro-copyright or ii. pro-technology.

* Breyer, Stevens and O’Connor talk about being *capable* of non-infringing uses. They support Sony.
  1. Under this theory, might argue that Grokster is capable of non-infringing use because in future the music industry will not be monetizing sale of music directly, but rather from merchandise and touring.
* Ginsburg, Rehnquist and Kennedy are skeptical about future uses, but don’t want to look to the future, noting that now there is overwhelming infringement.

DMCA Section 1201:

1201 (a)(1)(A) cannot circumvent a technological measure that effectively controls access to a work protected under copyright.

* Some people call this quasi-copyright as access rights are not part of 106 (which is about copying, not access).

1201(a) does not require commercial motive. You could be a researcher.

Comparison to Sony: (1201(a) about limiting access, Sony about copying) 1201 is much tougher on people where are trafficking than Sony was.

**Software Copyright**

Software is interesting as it pertains to copyright, as some of software is expression (copyrightable) and function (non-copyrightable).

Courts have held that copies into RAM are fixed in terms of copyright statute, which may suggest liability.

CA v. Altai

* Ex-CA employee recruited by Altai, who copied about 30% of a program of CAs. After Altai found out about copying, they replaced it with a double-blind new version.
* The infringing version exposed Altai to both copyright and trade secret causes of action.
* If elements of trade secret and copyright causes are the same, we will find for efficiency reasons that federal copyright preempts state trade secret law.
  1. Independent creation (clean room) is a defense to *both* trade secret and copyright. Of course, once something has been stolen (trade secret) there is no firewall that can be completely effective.
* We analyze software copyright infringement much like we analyze copying of a movie plot or a poster.
* **Abstraction, Filtration, Comparison test.**
  1. **D argues through application of this test that any similarities don’t amount to much.**
  2. **Abstraction**
     1. **Determine where on sliding scale between idea and expression the similarity lies.**
     2. **Abstraction levels (from Gates Rubber):** (i) purpose of program, (ii) structure as represented by flowchart, (iii) modules for achieving, (iv) algorithms or data structures used in modules, (v) source code, (vi) object code.
  3. Filtration
     1. Remove any non-copyrightable content (public domain, facts, standard code (e.g. quicksort)) from consideration.
     2. Also remove issues of compatibility, e.g. software/hardware interfaces, design requirements, etc.
  4. Comparison: Did D substantially appropriate the *protectable* part of the expression?
* Previous cornerstone case, Wheland, offered broad copyright to software.
* Here they lost the broad copyright, but started to get some patent protection.
* Consider a novel, *Cold Mountain*, which is historical fiction:
  1. Abstraction: (1) Text *expression*, (2) plot and characters *mixed*, (3), historical themes and moral *ideas*.
  2. Filer out battles (historical), things like a friend in the next bunk that are standard in this type of work
  3. Compare

Lotus v. Borland

* Borland copied menu command hierarchy.
* Also implemented Key Reader, which was associated with the command hierarchy that allowed their software to read Lotus macros.
* Abstraction: (1) Source code *expression*, (2) modules and data structures *mixed*, (3) flowchart *idea*, (4) screen output including command hierarchy *expression*, and (5) spreadsheet functions *idea*.
* Filtration:

WE WILL CONTINUE NEXT CLASS.

November 3, 2008

Copyright hangover from last class

In Lotus v. Borland, you could argue that the commands and their process are a process or functionality. While you could use “duplicate” instead of “copy” the list of possibilities is limited, and therefore merger seems to apply here. Also, the dissent notes that fair use could be at play here – note that copying intended to achieve compatibility has largely been given a safe harbor of late.

District court was willing to find enough expression in the menus and commands themselves to try not to apply something like the merger doctrine, and didn’t buy the notion that this isn’t simply process.

When a copyist trying to prevail on fair use is harming the copyright holder (as here), how far do we allow the fair use doctrine to stretch? First, we *want* competition (but also want to avoid free riders). If it is **transformative**, i.e. involves the hard work and creative insight. Lotus may also argue that they have made the investment in the customer base – Borland argues switching costs, and Lotus argues loyalty.

Having a community of users can increase availability of compatible add-ins, likelihood that someone else has already resolved a particular problem, increasing compatibility, etc..

Borland would argue that allowing Lotus a network effect creates an artificial barrier to entry attributable to consumer (rather than Lotus) activity, and potentially locks people into an inferior product.

Galoob v. Nintendo

* Nintendo makes a console, and licenses the manufacture of games to various companies
* Galoob made a “Game Genie” that sat between the console and the cartridge
* Nintendo characterizes this as indirect infringement, as it is the users rather than Galoob that does the infringement
* The violation is that of a derivative work, as Galoob is allegedly deriving something that isn’t the game, but the game as processed through Galoob’s device.

Sega v. Accolade

* Accolade makes unauthorized cartridges for Sega systems.
* Accolade reverse-engineered the Sega consoles, writing a book w/ the functional requirements that needed to be included to make games work on Sega systems.
* New version of Sega was released, and their games stopped working.
* Accolade goes back and copys a bit of code used to initialize the cartridge.
* Dist. found infriging but not fair use.
* 9th Cir found infringing and fair use.
  1. Fair use analysis: (1) Purpose of making compatible product and (4) harm to copyright holder (finding no meaningful harm)
* Fair use will apply to reverse-engineering, even if it disrupts the established market landscape.
* **Note**: despite the enforceability being suspect, most software companies include contractual terms prohibiting reverse-engineering.
* **Note**: Fair use can run afoul of DMCA, as defeating encryption violates DMCA.

***TRADEMARK***

TM starts with a distinctive use of mark in commerce, and generally defendants infringe through use in commerce.

Here, “Distinctive” has a special meaning: There is no requirement of originality (avoid conflicting industries) or what have you.

Basic standard of confusion is likelihood of confusion.

Also, there is a dilution provision s.t. you can stop non-confusing uses of a trademark if they somehow tarnish the value of the mark.

Abercrombie **test for distinctiveness**:

* Generic – class of products – does NOT identify specific manufacturer or product.
* Descriptive – characteristic or quality of product – not distinctive in and of itself.
* Suggestive – evokes characteristic or quality of a product by exercise of consumers’ imagination. (e.g. CopperTone)
* Fanciful or Arbitrary – (e.g. Xerox (F) or Apple Computer (A); F is made up word/phrase)

November 5, 2008

Why draw these lines, and how do we do so?

Zatarain’s

* Makes CHICK-FRI and FISH-FRI, two corn-flour based products that are used to fry chicken and fish respectively.
* There is a competitor that is allegedly using the names confusingly.
* **Suggestive v. Descriptive**: Is there some sort of competitive need to use these words to describe your product?
* If descriptive, must show that you have acquired distinctiveness or that there is some sort of secondary meaning, where even though it is descriptive it serves as a source-identifier.
  1. Directly proven through a survey: Do you perceive X to be a trademark?
  2. Can use indirect evidence s.a. advertising or sales.
     1. Continuous use
     2. Length of use
     3. Effectiveness of advertising, etc.
     4. **Arguably unfair to small firms** as they do not have the market saturation or deep pockets.
* Here, the court invalidates the CHICK-FRI mark as it is descriptive and has not acquired secondary meaning.
* **Fair Use Defense**
  1. Descriptive use
  2. Used in good faith
     1. Not done with intent to poach good will or TM holder.
     2. **Tactic**: disclaimer (e.g. not associated with Zatarains)
  3. Used to describe the product
  4. *KP Permanent Makeup* – no overwhelming likelihood of fair use (
* **Trade Dress**: packaging, labels, product design, and way of selling product.
  1. Can be registered.
  2. Overall appearance of trade dress is protected
  3. Secondary meaning required for protection.

Qualitex

* Green-gold pad marketed to dry cleaners
* Why would one care if you have trademark protection over this?
  1. It indicates who made it, complete with the quality, price, etc. concerns that are part thereof.
  2. It is unfair to the holder who has invested in the trade dress.
* Color must have established secondary meaning.
  1. Consider sales volume & advertising
  2. Ultimately, does this color pattern indicate origin?
* D argues color depletion – that shouldn’t be able to trademark a color as eventually we’ll run out of colors.
  1. SCOTUS finds that while this could be a problem, this theory goes too far.
* Trademark and Color:
  1. Color as element of logo
  2. Color of package
  3. Color of product
  4. Aesthetic functionality

Two Pesos

* Festive eating atmosphere having artifacts, bright colors, paintings, etc.
* Jury found dress was nonfunctional, inherently distinctive, and had not acquired secondary meaning.
  1. SCOTUS found that b/c inherently distinctive, no showing of secondary meaning required.
* **Inherent Distinctiveness:**
  1. Abercrombie breakdown (arguably) does not work for product design, but it is gladly used for packaging and words
  2. For product design, all such design requires secondary meaning.

Wal-Mart

* Secondary meaning required, as without it a design’s allegedly infringing use cannot cause confusion.

**Priority**:

* Winner take all system.
  1. Options: First creation (poor notice), first use, first registration
* Acquire first rights either by (a) registration or (b) being first user.
* What kind of use counts to establish a mark?
  1. Quantity: Commercial use of type common in industry
  2. Intention to use
  3. Use is continuous
  4. Bona Fide
  5. Distributors (if arms length)
  6. Good Faith (Zazu)
  7. Potential of presale activity (e.g. advertising)

Zazu

* ZHD registers Zazu as trade name. Trade names do not have inherent protection, however can become trademarks.
* L’Orea (L)l independently created the name Zazu.
* L registered it and began using it in trade before ZHD.

November 10, 2008

Zazu

**Trademark Priority**

Issues:

* Quantity of sales
  1. Easterbrook treats ZHD’s 1985 sales as token as they were not fit for commerce – the labeling was inadequate. As they could not go to consumers, consumers can’t be confused.
* Presales activities s.a. ZHD’s silkscreening.
  1. Use is ultimately what is supposed to count, and presales activities can serve as notice to public and competitors of intent to use a mark.
* L’Oreal’s knowledge of ZHD’s intentions
  1. L may not have known that Z was realistically intending to be in that market.
  2. The pants manufacturer that L paid off already had a product on the market.
  3. Argument that knowledge of competitor’s intent to use and penalizing bad faith discourages searching for potentially conflicting marks.
  4. Policy concern for supporting small businesses by disallowing large corps. from bullying small companies.
* DISSENT:
  1. Shampoo in foreseeable zone of expansion of ZHD’s haircare services, and thus should be ZHD’s mark within the areas that it operates.

Redskins Problem:

* Section 1052(a) No trademark on “immoral, deceptive, or scandalous matter; or matter which may disparage…persons living or dead, institutions, beliefs, or national symbols,or bring them into contempt, or disrepute.”
* Football team
* Petitioner – negative ethnic stereotyping
* Respondent – purely denotative term used interchangeably with Indian
* Scandalous: (1) likely meaning; (2) scandalous to a substantial portion of the general public
* Disparaging: (1) meaning of the mark taking account of use in market; (2) disparaging to substantial portion of reference group
* Questions:
  1. Term offensive presently (ongoing) or at time of registration?
  2. Context or intrinsic meaning
  3. Intent
  4. Survey
  5. Free speech

Park N’ Fly

* Incontestability – Five years of continuous use and no ownership clouds.
  1. Presumed to have secondary meaning after 6 years (defensive use of incontestability).
  2. Issue here was whether you can have offensive benefit of incontestable mark, s.t. you can eliminate certain defenses, SCOTUS says you can.
* Eliminates certain defenses s.a. lack of distinctiveness.
  1. Merely descriptive
  2. Does NOT eliminate functionality defense.
* Opposition v. Infringement litigation

**EXAM TIP:**  
Consider policy question as to why there is a comparatively large administrative role in patent, less in trademark, and almost none in copyright?

**Confusion in Copyright** (using McDonald’s as an example)

* *Source Confusion*: People buy burgers from McDowell’s, thinking they are buying from McDonald’s.
* *Reverse Confusion*: Burger place had been selling a package called the Happy Meal since before McD’s did, and they sue McD’s as people go to our local place thinking they are getting McDonald’s food. **Confusion as to the source of the initial company’s products.**
* *Sponsorship*: If there is a McDonald’s hockey tournament, people might think that McDonald’s sponsors the tournament.
* *Initial Interest*: You’re driving down the highway and see a “McDonald’s next exit” sign, so you get off the highway only to find some random burger place. While **not recognized in all courts**, many will allow McDonald’s to sue as it causes initial interest confusion.

Sleekcraft factors for likelihood of (source) confusion:

* Strength of the mark
  1. When mark is strong, likelihood of consumer source confusion high and thus likelihood of infringer trying to trade on good will of mark holder.
* Proximity of the goods
  1. Are the goods similar? These are both boats and are used for waterskiing. On the other hand, one is for families and one is for racing.
* Similarity of the marks
* Evidence of actual confusion
  1. Often through surveys of the public
* Marketing channels used
* Type of goods and degree of care
  1. The more it costs, the more care people exercise in making the purchase, and thus the less confused they are.
* Defendant’s Intent
  1. Bad faith?
* Likelihood of expansion of product lines

Sleekcraft facts:

* AMF’s mark in use since 1954 and heavily advertised, suggesting strong mark.
* AMF and Nescher both use catalogs and direct retailers, however they use different magazines and different retailers.

Big O factors for (source) confusion:

* Because Goodyear had such a big advertising campaign, people were suspicious of Big O for trying to pass their stuff off as Goodyear’s.

Range of stories about Trademark:

* Quality Degradation (encourages good quality).
  1. If you reduce quality but pass off your product as the genuine article, you will make a lot of money (until you’re sued). Discourages passing off.
* Business Stealing
* Goodwill Stealing
* Advertising Incentive
* Search Costs

November 12, 2008

New theories of trademark infringement:

* Quality degradation
* Business stealing
* Goodwill stealing
* Advertising incentive
* Search costs

False Advertising:

* Statement is literally false
* Statement is likely to confuse as misleading

Tums

* Original ads referenced lack of aluminum.
* Other manufacturers complained, and aluminum information dropped from ads.
  1. Misconception that aluminum caused Alzheimer’s.
* Nevertheless, second ad seems to be an inferential reference to the first commercial.
* P does a survey, that court discounts due to supposedly leading questions.
* Note that this isn’t a trademark issue per se, but an unfair competition claim through the Lanham act.

Dastar

* Both copyright and trademark involved.
* Doubleday with book copyrighted in 1948 and renewed in 1975.
* Fox TV series 1949, no renewal, expired 1977
* 1988 Fox reacquired TV rights on boog.
* 1995 Dastar releases edit of 1949 show w/o crediting.
* Three theories
  1. Copyright
  2. State law unfair competition
  3. Trademark
* SCOTUS addresses TM theory.
* As to © theory, there is a question as to whether Fox reacquiring the rights to film reinstate its copyright.
  1. There is a question if the author’s estate should have done the renewal, not the publisher (is it a work for hire?).
* Under Lanham act 43(a) we are looking at indicators of origin. Theory is reverse passing off – that Dastar is passing off Fox’s hard work as being that of Dastar.
  1. Question is what does origin mean?
     1. Producer of chattel (the video tape)?
     2. Underlying creative work?
  2. SCOTUS finds that question is who produced the chattel.
* Concern for the connection between TM and © here.
  1. Assume copyright renewal was bad (goes into © public domain).
     1. Don’t want TM law to extend the copyright beyond its stated end.
* Potential conflict with *Wal-Mart*
  1. Case was design of children’s clothing supposedly WM stole P’s trade dress in the designs.
  2. If this went the other way, that P could sue claiming WM was reverse-passing off the goods as P was the true source.
* HYPO: Consider a book by an academic containing a couple pages that copied verbatim an article written by a student.
  1. Clear copyright suit, as it is a copy.
     1. Why does attribution absolve a plagiarism claim, but not address copyright.
        1. Moral right of attribution.
  2. TM suit would fail as the writing, in and of itself, does not identify the student as the author.
     1. Could say there is reverse-passing off

When U

* Sells targeting malware advertising.
  1. When 1800 Contacts website appears, When U opens ads for competitors.
  2. Circuits are split on whether a trademark plaintiff must show trademark use.
     1. Had 1800Contacts in their directory, which was not visible to the user.
     2. Arguably, consumer wouldn’t be confused as they never see the mark.
     3. This would only apply to normal source confusion or initial interest confusion.
  3. In US comparative advertising is a normative fair use.

**DILUTION**

Lessening the capacity of a famous mark to identify goods or services, regardless of the presence of absence of competition or likelihood of confusion.

McCarthy is uneasy about dilution, as it seems that dilution is swallowing up trademark infringement.

* Bluring
  1. Questions of whether this is effectively equivalent to confusion.
* Tarnishment

Dilution:

* Mark must be famous
* Result is injunction (no damages)
* Must have commercial use
* After mark is famous
* Causes or likely to cause dilution or tarnishment.

Goldfish

* Nikelodeon had a product CatDog crackers that contained ¼ fish-shaped crackers.
* Blurring as kids get used to goldfish-like crackers coming from all different sources.
* This court says that a famous mark cannot be diluted unless it is distinctive.
  1. This has been rejected by Congress,
* Case shows that notion of dilution/bluring can be extended to design.
* This doctrine also seems to verge into things that should be protected by patent or copyright.

November 14, 2008

**Federal Antidilution Statute**

* Dilution is only available for famous marks.
  1. Important for early cybersquatting cases.
  2. There is no niche fame (e.g. Lexis)
* Recall in Peperige Farm (Goldfish) that distinctiveness is separate from fame.
  1. Congress did away with the possibility of this decision.
* Antidilution statute only applies to parties that begin their use after the marks become famous.
* People in Mosley paid the most attention not to distinctiveness, but to whether they had to prove dilution or likely dilution, and SCOTUS found that Ps must show actual dilution.
  1. Trademark owners complained as all they get is injunctive relief, and so would have to wait to get the relief to show dilution, at which point harm has occurred.
  2. Congress overruled this, and allowed injunction in the case of likely dilution.
* Trademark must be used “in commerce”, but what does this mean in dilution?
  1. In TM, use in commerce is basically about TM on packaging, and so in dilution it is also defined very narrowly.
  2. Tarnishment is about creating an association that harms the mark’s representation.
* Allowable Uses:
  1. Fair use in comparative advertising
  2. Noncommercial use
  3. New reporting
  4. Parody, criticism.
     1. This can be particularly interesting in criticism, where you have things like walmartsucks.com and the mark owner asserts tarnishment.
* Anticybersquatting Consumer Protection Act (ACPA) – anyone who registers/uses/etc. a domain name confusingly similar to a distinctive mark for profit in bad faith from another’s mark.
  1. Note that in the case of United (Airlines/Vanlines/Etc.) this doesn’t do anything. These battles are resolved outside of the courts.
* Shields involve a typo-pirate of the domain joecartoon.com
* Bad Faith factors:
  1. Any IP of D in the name
  2. Domain involves D’s name or
  3. Use in offering of goods/services
  4. Fair use
  5. Intent to divert P’s customers.
  6. Offer to sell
  7. False personal info in domain registration
  8. Registration/acquisition of multiple similar domains
  9. Extent of mark’s distinctiveness.
* PETA involves someone licensing peta.org as People Eating Tasty Animals.
* Outside of trademark law we have a Uniform Dispute Resolution Policy (UDRP), with a mandatory arbitration requirement for confusingly similar domain names.

DEFENSES:

* Genericness
  1. Murphy Bed
     1. Company started with a patent on a bed that folded into the wall.
     2. Breath of patent on what is essentially a new patent lead to the name Murphy bed being associated with the product rather than the source. (e.g. “Jello brand gelatin” distinguishes).
     3. The trademark must talk about a product from a particular source, rather than from a category.
* Functionality
  1. *Inwood* - functional feature is essential to the use or purpose of the product, or affects cost/quality
  2. *Qualitex-* TM owner cannot gain a significant non-reputation-related advantage.
  3. If the trade dress meets the Inwood or Qualitex test, it is non-protectable under TM.
  4. TrafFix – MDI had expired utility patent covering a dual-spring design mechanism that keeps temp. road signs uprights.
     1. Question here is of trade dress – do people associate the design with the seller.
  5. Hypo 1: A patented drug X is the only one of its kind sold in orange. The patent expires, and a generic Z is introduced with unambiguous packaging and labeling, but an orange color.
     1. If Z is sued for trade dress infringement, Z could argue that orange is functional because
* Abandonment
  1. Dodgers case –
     1. Right may have been broad enough to cover restaurants, but use between ’81 and ’88 by the team was related only to clothing and novelty items, and so restaurants seem out of the scope of what they do.
  2. Dawn Donut case:
     1. Abandonment can mean not only lack of use, but lack of appropriate use. You abandon your mark when you tolerate misleading uses
     2. If licensees fail to deliver the kind of quality that consumers associate with the mark, the mark may be abandoned.

November 17, 2008

**Functionality Defense:**

* Hypo from last time: Patentee makes orange pill. Patent expires, and competitor makes orange generic. Patent owner claims orange is trade dress – orange indicates source, and thus is a reputational bonus. Generic make claim that color is functional.
* Functionality argument is that color is associated with drug/function thereof (I have to take my blue pill now…), rather than source.
  1. The question becomes how much of a showing of functionality is required?
  2. Also, is there a balancing against a showing of secondary meaning?
  3. The argument for functionality is to tell a story: eg there is a company that made Valentines candy in a heart-shaped box, and a competitor comes along. They argue that it is functional as for Valentines people will want candy in a heart-shaped box, not candy from the other company. AESTHETIC FUNCTIONALITY
  4. Case called Stormy Climb (sp?), who makes golf jackets that is waterproof, hooded, and was made of a high-sheen waterproof fabric with 3 vents. D made a similar jacket w/ a hood, made of high-sheep waterproof fabric with 3 vents. P argues trade dress. D has a strong functionality argument (from TrafFix (road sign case)), as the flap is necessary to get the same functionality as P’s jacket.
* Note that clothing designers are frustrated b/c neither TM nor © seem to effectively protect their designs.

**First Amendment:**

* Prior restraints, (restraints before the actual speech) whose analog is preliminary injunction, are particularly suspect.
* Content neutral – intermediate scrutiny
* Content-Based – strict scrutiny
* Press clause – vigorous independent press, marketplace of ideas.

Nominative Use:

* + 1. Product cannot be readily identified without use of the mark
    2. D can only use as much of the mark as required to identify the product
    3. User cannot imply sponsorship or endorsement
* Compare to fair use.
* Defense overcomes likelihood of confusion.

Mattel v. MCA

* Barbie Girl song by Aqua
* TM Infringement – The song title infringes.
* Dilution – Non-commercial in first amendment sense.
  1. Lyrics are supposedly tarnishing as they might make someone think less of Barbie.
  2. Remember Pretty Woman case where 2LiveCrew “parodied” Ray Orbison. Assuming they have the same audiences, if the harm is to the *economic interests* of the copyright holder rather than a form of competition
  3. **Court finds that there is no dilution as no commercial use as does not propose a commercial transaction.**
  4. **As not proposing a transaction, gets strict scrutiny.**
* In normative use, D does not use the mark as a mark. It is used to identify.
* In Mattel, Barbie is not used as a mark, but as a song title. The question is about confusion, or use unrelated to selling your product.
* In 1800Contacts, there is a significant conflict on whether there is a trademark use defense – whether D must use the mark to be held liable.

Walking Mountain – “Art” using Barbie, and artist was sued by Mattel.

* Mattel survey shows many respondents did not perceive parody
  1. Court says on question of parody, surveys not appropriate as we don’t want consumers telling us if this is parody.

**Publicity Rights** – Often California law based.

* Under CA common law publicity rights, there is a right to the sound of one’s voice.
  1. Thus evoking A through B’s version of the song is actionable.
* Vanna White
  1. Dissent says that publicity rights are a big threat to the first amendment.
     1. Whatever CA does w/ publicity rights essentially binds the nation.
     2. Claims that CA law does not make sufficient space for use of parody etc. of celebrity images.

November 19, 2008

SCOTUS has considered whether publicity rights are preempted:

* Publicity right survives 1st Amendment challenge
* Publicity right survive s copyright preemption
* State cause of action survives if it has an element outside of the federal IP protection, and also if it protects something unrelated to that protected by the federal statute.

Consider a human cannonball who was videotaped.

* No copyright as it is not fixed.
  1. For artists to get fixation, must either
     1. Film it
     2. Take notes, etc.

A big case that seems to intersect a big with copyright is Saderup.

* CA SC interpreting the CA publicity rights statute.
* Court ruled that person making T-shirts w/ charcoal statute of 3 Stooges is:
  1. Commercial under meaning of CA publicity rights law.
  2. Violates statute.
  3. Non-commercial in 1st Amendment sense
     1. Speech is commercial only when it proposes a transaction.
* **Publicity rights is tested based on copyright fair use test, considering only first and fourth factors:**
  1. Originality
     1. Is it transformative enough to warrant a 1st Amendment defense?
  2. Market Effect
     1. Strong argument that there is high demand, and so a shirt like this will substitute for and thus detract from sales of authorized shirts.
* What, then are the points of publicity rights?
  1. Serving as property, they reward people who invest in their own celebrity.
  2. Serve to protect privacy.

**Information Transactions:**

* Interesting connection between trade secret law and the idea submission thesis.
* Looking at the two idea submission cases, let’s first ask why trade secret law doesn’t apply.
* Why, then, do we have limits on trade secret and thus have other bodies of law that supplement it?
* First look at setting of transaction
  1. Vigorous bilateral negotiation
  2. Casual negotiation
  3. Mass-market contracting
* Second, look at legal regimes that might govern this transaction
  1. Trade secret
  2. Misappropriation (common law)
  3. Contract
  4. Copyright
* **Trade secret recap**:
  1. Information not generally known
  2. Derives commercial value from secrecy
  3. Information not readily ascertainable
  4. Reasonable efforts to keep secret
  5. *Continuously used in business (NY)*
     1. Remember Smith v. Dravo (PA freight containers)
     2. Court implied confidentiality requirement from course of dealing.
     3. Court notes the seeming non-secrecy of the containers themselves.
        1. A later PA court was skeptical of the cursory treatment of the question of information secrecy.
     4. Here, if Dravo knew what was coming down the road, they cold have refused to promise to keep information secret.
  6. Misappropriation
* Idea submission cases:
  1. Property (misappropriateion)
     1. Absolute novelty
     2. Implied promise to pay
  2. Contract
     1. Disclosure conditioned on payment
     2. Condition accepted before disclosure
     3. Novelty to buyer.
* Nadel
* Desny
  1. Desny pitched an idea for movie to Wilder’s secretary
     1. First message to secretary in person
     2. Second over phone, promise to pay.
  2. Court says possible breach of K on the second conversation above.
  3. Court discusses at length whether specific bargaining must be made before disclosure.

Specht

* Ps DLed free software that reported download habits to Netscape.
* In click-wrap EULA there is an arbitration term
  1. Is there assent? Court says as long as terms not burdensome or outrageous, browse-wrap insufficient.

Pro-CD

* Consider digital phone directory as a DB, but search engine used to search it is copyrighted.
* Consumer use restriction (price discrimination)
* D posted DB on the web.
  1. Not a consumer use.
* **It does not require much vigor to accept a K; it requires minimal activity by the buyer.**

December 1, 2008

Specht v. Netscape

* P’s DL’ed free software
* Contained “spyware” that reported habits to Netscape
* Arbitration term in K
* Was there assent?

\*\*It is critical in looking at an (alleged) contract to understand what terms govern, and if there is a relationship at all.

Specht discusses assent in the context of a website. The term in controversy was one that purportedly governed relationship btw. manufacturer and users. Court finds users did not show assent to the term:

Offeree assents if:

* Offeror makes terms available.
* Offeree must click on something to indicate assent.

Shrink wrap license (Pro-CD) can gain assent if fail to return product if you refuse to assent.

Free & Open Source Software (FOSS) Licenses – Not much jurisprudence on this.

* Free redistribution – 106(1)
* Derivative works – 106(2)
* Copyleft – Viral license – GPL
  1. If someone uses your code, they must distribute their code as well.
  2. Thus, all downstream software must also be FOSS.
* Distribution of source code.

**Preemption**

* Copyright and patent clause in constitution is not exclusive
  1. Thus, states can create their own IP rights.
* Supremacy clause preempts state laws that *conflict*. Does state law screw up the purposes of federal regulation?
* Field preemption – no room in the field for state regulation
* Copyright Act section 301 tried to clarify this. Note, however that supremacy clause has the last word.
  1. No preemption discussion in patent statute
  2. Very little interesting preemption issues in trademark:
     1. No state has a copyright or patent statute.
     2. Every state has a TM statute. Thus, evident that state and Federal TM rights coexist w/o much conflict.
* Bonito Boats – State passed a law regulating the molding of boat hulls.
  1. Hull was reverse engineered.
  2. Federal boat hull statute allowed reverse engineering.
  3. If patent statute works properly, a state statute interfering w/ reverse engineering interferes with the access/disclosure balance in federal patent regime.
  4. If state statute/common law undermines reverse engineering, it may overstep into TS allowances.
  5. **State law should not fetter reverse engineering that is allowed under the patent statute.**
* Patent preemption under Stiffel
  1. Unfair competition complaint against Sears alleging consumer confusion re: Sears’ imitation lamp.
     1. Not brought under Lanham act as the act requires secondary meaning (trade dress).
     2. SCOTUS says that state unfair competition and trade dress laws are allowable *if* they do not harm chances to imitate. This means labeling.
* Compco – state court
* Kewanee – Trade Secret is *not* preempted by patent law.
  1. Goals are different
  2. Congress has not precluded either state or federal TS protection.
  3. Keys to avoiding preemption of state TS clause:
     1. Ensure independent invention is a defense
     2. Allow reverse engineering
  4. Consequences:
     1. Some technologies (e.g. new medicine) cannot be kept secret. Not possible to comply w/ FDA requirements.
     2. Even if a new invention s.a. a manufacturing process can be protected under TS, if it is patentable there is a good chance it should be.
     3. In case of smaller, obvious inventions, it is OK to give weaker (e.g. TS) protection, as others will not be slowed down (can reverse-engineer, independently invent, etc.).
* **Patents establish right balance between access and inventive. If something is not patentable, we have to ensure that people can progress by competing.**
* There is no preemption between federal regimes – you just interpret the statutes s.t. they best agree w/ each other and support their various ends.
  1. This is what functionality defense comes from.
* **Copyright preemption**
  1. *Scope requirement*: state protection equivalent to one of federal copyright rights.
  2. *Subject Matter requirement*: copyright subject matter.
     1. Is this something that copyright protects?
     2. Is this something that copyright has considered and decided belongs in the public domain (e.g. white pages).
* D in a state cause of action can assert preemption if subject matter is copyrightable or cause of action functions as a copyright statute.
* P’s approach will be to:
  1. Argue that subject matter is *not* copyright, or
  2. State law cause of action has an extra element\*\*

\*\*D argues in Pro-CD that federal copyright law preempts state contract law.

* Subject matter: Software and data fixed in a tangible medium of expression
* Rights equivalent:
  1. Strangers
  2. Copy on the street
* What D did might fall within 106(1) or 106(3).
* Judge says no preemption issue here:
  1. Consumer use restriction is *not* in copyright statute.
     1. May not matter.
     2. Thing objectionable to P was a posting of data online. No extra element.
  2. Easterbrook says extra element is that here there are no rights against strangers.
     1. This is not an attempt to assert copyright rights
     2. It is an attempt to assert contract rights.
     3. Requirement of assent that comes from K law is an extra element
* Consider if NY used unfair competition law to stop people from watching NBA basketball games and entering scores into a mobile device in real time.
  1. 2d cir. Said must be careful to avoid copyright preemeption
  2. Found an extra element, calling it the “hot news misappropriation cause of action”
  3. Said that copying of data can be controlled by state misappropriation cause of action if you insert a requirement that misappropriation take place w/I 24hrs of time news was reported.
  4. P lost in this case, and it was preempted.
* Bowers – software and template that improve CAD software.
  1. Shrink wrap prohibition on reverse engineering
  2. Extra element – Negotiated contract v. Shrink wrap.
  3. No preemption following Pro-CD analysis, as there is an extra element. (fed. cir.)
     1. This was a negotiated contract, so no issues with assent.
  4. 5th cir. Holds prohibition on reverse engineering to be unenforceable.
     1. State contract law cannot undo federal copyright, which allows reverse engineering.
     2. Look at Sega v Accolade – Copyright makes reverse engineering fair use. This contract is trying to get consumers to give up a fair use right. Thus, enforcement interferes w/ operation of the fair use doctrine.
     3. There is a question of whether fair use copyright rights are mandatory terms (v. default terms), and thus cannot be negotiated away.

December 3, 2008

Exam is 3 hours. It is open book.

There is multiple choice 30 questions, 1.5 hours. Designed to be comprehensive, not picky

1-3 essay questions. Number of minutes allocated should equal number of points per question (one point per minute).

Exam is representative of what we covered during the semester.

**Preemption**

* Designed to cabin in what state governments can do in the realm of IP.
* Federal law is not preempted by IP, however if conflict between TM and Patent, etc., judges tend to channel protection to the patent statute and tend to deal with conflicts by restricting copyright or TM (top of hierarchy wins: Patent -> Copyright -> TM).
* In Bowers, court refused to preempt a law prohibiting reverse engineering under copyright law. However it has been preempted in 5th cir. (Bowers involved negotiated K, rather than default K)
* Thus, under Bowers, reverse engineering is a freedom users have that they can choose to give up.
  1. Is freedom to reverse engineer a default term (waivable) or a mandatory term (unwaivable)
* Consider a K where an artist sells something and it cannot be criticized.
  1. 1st Amendment concern
     1. Similar to 13th Amendment (slavery) in that you cannot contract this right away.
* Consider a seller with large market power
  1. Argument that don’t want to tie in extraneous terms as will try to get more money.

**INTERNATIONAL IP ISSUES**

* Cyberlaw 1.0
  1. Borderless Internet, bordered law
     1. US law applies only in the US.
     2. Sometimes US law applies in other countries, for instance when criminal action taken by US citizen.
  2. Software itself can regulate people’s behavior
     1. Very flexible, however, so regulation is minimal.
  3. Government ineffectual, so ICANN for self-regulation
* Cyberlaw 2.0
  1. IP has extra-territorial reach
  2. ACPA
     1. In rem jurisdiction over domain names – Can sue foreign domain owners.
        1. Affront to other countries’ sovereignty.
     2. Alternatives would include a global body that handles dispute resolution.
  3. Imagine Russian computer scientist who creates software that violates DMCA.
     1. Activities occurred in Russia
     2. Consistent w/ Russian law
     3. Guy comes to US and is arrested at conference.
  4. Canadians are used to living in the shadow of US law
     1. Canadian ISPs respond to takedown requests from US companies.
     2. Consider RIM being sued for blackberry
        1. NTP had patent on wireless email.
        2. Claims interpreted broadly s.t. they covered the blackberry.
           1. Method claims for distribution
           2. System claims for devices that use the relevant method(s).
        3. Almost escaped liability
           1. Fed cir. Said for method or process claim to be infringed, every step of the process *must take place in the US*. As some steps took place in Canada, no 271(a) infringement of the process claim.
           2. Regarding the device, GET NOTES
     3. Consider section 271(f)(1)
        1. P has patent on shrimp deveining machine. D infringes, but manufactured it in England. SCOTUS said no infringement in US, and therefore did not apply. Congress extended patent to include devices made in US and then sent elsewhere, making that manufacturer indirectly liable.
        2. Eolas v. Microsoft
           1. MS produces a “golden disk” shipped to Germany, which is then copied and loaded onto computers. Once the copy is loaded on a computer, you have an infringing device.

Did MS supply something?

Was the thing they supplied a component?

SCOTUS said a machine readable software is a component. If cannot load into a machine, does not behave like a component.

SCOTUS said clearly MS is not liable for the German PCs, as MS did not supply the software loaded on the PCs – they supplied the disks.

* + 1. Business method patents may not exist in other countries.
       1. E.g. there is disagreement in Europe as to whether these are patentable.
    2. When you favor liberal extraterritorial application of patent law, you are interfering w/ other countries sovereignty by effectively making them apply your patent law.
* **Grey Markets –** Good may not be sold here appropriately. Unauthorized sale from point of view of domestic copyright or TM holder.
  1. Consider the distribution right (section 106(3)), where copyright owner has exclusive right to distribute to public
     1. Modified by Importation Right and First Sale Doctrine.
  2. Quality King forced SCOTUS to reconcile the importation right and the first sale doctrine.
     1. Shampoo manufactured in US, exported to authorized distributor in England, who sold to someone in Malta, who sold to someone in Calif.
     2. P sues, claiming D imported P’s copyrighted label into US w/o permission
     3. SCOTUS agreed with D, holding that (at least on these facts) the first sale doctrine trumps the importation right.
        1. Copyright does not exist to prevent importation of your product.
           1. Here, copyright is being asserted in order to achieve geographic price discrimination.
        2. As long as there was enough expressive content in the label, copyright applies.
  3. In case of Trademark (K-Mart v. Cartier), similar situation came about.
     1. First defense was no confusion – product was legitimate, so no confusion.
     2. In TM, slightly stronger argument as distribution channels are part of the value of the mark.
  4. Price discrimination will be facilitated if we can use either TM or copyright to stop unauthorized imports
     1. Good arguments both ways.
     2. Negative – Some consumers get mad.
     3. Positive – Allows for greater access to those who have less ability to pay (e.g. AIDS drugs in Africa). Also, provides more profit for distributors in middle
* Final Comments about International IP
  1. Note WIPO (World Intellectual Property Organization), which is on a mission to harmonize global IP.
  2. TRIPS
     1. Treaty that furthered international harmonization