

FINAL EXAMINATION  
INTELLECTUAL PROPERTY

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Tuesday, May 12, 1992

8:30 - 11:30 AM

THIS IS A THREE (3) HOUR EXAMINATION.  
THIS EXAMINATION CONSISTS OF NINE (9) PAGES.  
THIS EXAMINATION CONTAINS FIVE (5) QUESTIONS.

I = 30 min.      II = 30 min.      III = 45 min.  
IV = 45 min.      V = 30 min.

FILL IN YOUR EXAMINATION NUMBER ON THE BLUEBOOK STICKER.

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YOU BRING INTO THE EXAM YOUR COPY OF THE STATUTORY  
SUPPLEMENT, with any notations in the margins and blank pages you care to make.

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Instructions:

1. These questions will be graded on the basis of the times indicated with each questions. The indicated time for the questions total 3 hours. You will be given 3 hours to write the examination. Budget your time carefully or you may not finish.
2. Be sure to state a result whenever a question asks for one. Merely stating the arguments on both sides of a legal issue will result in only partial credit because you will not have completed the analysis required by that type of question.
3. If you find it necessary to make factual assumptions in order to answer a question, be sure to state the assumption.
4. Do not assume additional facts for the purpose of avoiding a legal issue or making its resolution easier.
5. Comment briefly on each legal issue reasonably raised by the questions and on each reason for your answer, even when you decide that one legal issue or reason controls the result.
6. The difference between triumph and disaster may lie in a careful reading of the questions.

I.

(30 minutes)

*Clipper Cruises* registered its name as a service mark in 1983. It provides travel services, *to wit*, "arranging cruises on oceans, rivers, and other waterways." In addition, CC registered the names of its vessels with the U.S. Coast Guard: *Baltimore Clipper*, *Providence Clipper*, and *New York Clipper*. Since 1982, when it was founded, CC has been operating small motorized yachts from a Florida base on cruises along the Intracoastal Waterway on the Atlantic and Gulf Coasts and among the Florida Keys.

In 1989, *Rainbow Clippers, Inc.*, was organized by European nationals for operating cruises among the islands in the Caribbean area. It chose the "Clipper" term to capitalize on the resemblance its ships will bear to the American clipper ships of the mid-19th century. RC plans to use the term "Clipper" in the names of its ships.

[Clipper ships were the fastest commercial sailing vessels ever developed and dominated the seas during the mid-19th century. They were capable of sustained speeds in a good wind approaching 10 knots, about 50 % faster than a standard sailing ship. A *clipper* is a specific type of sailing vessel defined as a full-rigged ship characterized by long slender lines, an overhanging bow, tall raking masts, and a very large sail area. (See pictures on walls at *Long John Silver*.) They were very active in the East Coast-West Coast trade around Cape Horn at the tip of South America, and in the East Coast-China tea trade. It was a high point in American maritime history.]

CC brought an action under the Lanham Act in 1990 claiming that RC's business name and the proposed names of its ships constitute a false designation of origin and unfair competition. The district court held that a preliminary injunction should issue because the term "Clipper" was entitled to trademark protection.

Should the Court of Appeals affirm or reverse? State what sections of the Lanham Act CC is relying on for its suit. Discuss all relevant issues. State a result.

## II.

(30 minutes)

Eric Lewis is a prisoner in the federal prison at Leavenworth KS. Federal Prison Industries operates a shop at the Leavenworth Prison to manufacture goods for federal government agencies. It makes military helmets from Kevlar (the same plastic used in bulletproof vests). Prior to 1986, FPI contracted out the precutting of Kevlar blanks, when it decided to bring the precutting operation inhouse. Prior to moving that operation, it tested several cutting methods. But the die and press method and all others tried failed. FPI made inquires about sonic knives (costing \$ 35,000) and laser knives (costing \$ 350,000), but their salepersons would not guarantee their performance on Kevlar.

While this was going on, Eric Lewis was assigned to a team of prisoners to work on the helmet manufacturing project. He helped assemble two large cutting tables and their power outlets. On his own initiative, because he was aware of the knife problem, he began working on a cutting device in his cell in his leisure time with scrap material. Over the course of several months he developed an effective cutting device. Nonetheless, the Warden called him "Fred Flintstone" and suggested that Lewis was building rabbit boxes. A military representative learned of Lewis's activities, and inquired through his foreman whether his device worked. Lewis said that it did, and that he intended to patent the device. The Warden then directed Lewis to demonstrate the device, commenting, "I hope you know what you are doing, because if this doesn't work, I am gone and when I leave here there will be a lot of people gone." The demonstration was successful. FPI constructed a production cutting device based on Lewis's prototype and began using it to manufacture military helmets. It made no agreement with Lewis for the use of the cutting device and paid him nothing. Shortly thereafter, Lewis applied for an incentive award from FPI and asked for royalty compensation. FPI rejected his application. Instead, it removed him from his work unit and reassigned him to menial duties. When he wrote a letter to the prior manufacturer of the helmets seeking to open license negotiations, prison officials disciplined him on the ground that he was conducting a business contrary to prison

regulations.

Then Lewis filed suit in Claims Court seeking compensation, and moved for a court-appointed patent attorney. He also asked that the federal government be enjoined from using his invention. (Persons who have been deprived of property without compensation or who have tort claims against the federal government file their suits in the Claims Court.) Later, Lewis found a *pro bono* patent attorney to handle his case. The Claims Court denied the motion for the attorney and rejected his claim for compensation and injunction on the ground that he had no protectable property right in his device, that no trade secret right because his device could not be kept a secret in a prison, and that no confidential relationship could exist between him and his jailer. Whatever right he may have had in the device, the court concluded, was waived by demonstrating it to FPI without a prior license agreement.

Should the Federal Circuit affirm or reverse the Claim Court's judgment? What substantial legal theories might support Lewis's claims. (Assume Lewis filed his suit less than one year after his demonstration to FPI.) Discuss all relevant issues. (Do not discuss the law of "shop right". You may assume that FPI does not have a "shop right" to use the device based on Lewis's status as employee, because Lewis developed the device on his own time and outside of FPI's shop area.) State a result for each legal theory you've identified.

### III.

(45 minutes)

Dr. Hazel Wilson is author of *Richard Wright, Demonic Genius*, an unauthorized biography of Richard Wright, best known for his works *Native Son* and *Black Boy*. She decided to write the book as an old friend of Wright. Unable to obtain Wright's wife's consent to quote Wright's unpublished letters and journals, Wilson elected to paraphrase some portions of them. [Most of the unpublished material was in the collection of Yale University Library; it purchased the material with the specific right "to use the collection". Other unpublished material includes some letters from Wright to Wilson herself.]

After Wilson's book was published, Wright's wife sued Wilson (and her publisher) for infringement of her copyright in Wright's unpublished works, seeking damages and an injunction prohibiting further publication and distribution of the biography until the quotes and paraphrases from Wright's unpublished letters and works are removed. (Wright's wife received his copyrights as a legacy in his will.)

The following passages particularly are in contention:

#### Wright's Letters & Journals

*March 19, 1960, letter to his translator:*  
Ellen, Julia and Rachael will be in Tuewday; they'll stay for two days ... Don't know what will happen when they here. I'm hoping for peace and quiet.

*January 6, 1945, journal entry:*  
Spoke with a Negro poet named Owen Dodson over the phone; he said that he had talked with two or three people who had read the galleys of BLACK BOY; he said that Dr. Locke said that he did not know why Wright wanted to drag up all that old stuff; that I had tossed away good writing; ... and that the book made him shiver a little. Well, he needs to shiver a little; life is cold.

#### Dr. Wilson's Versions

Early in 1960, Wright wrote to [his translator] that Ellen, Julia and Rachael would be arriving for a two or three day visit. Wright said that he did not know what would happen when they arrived but that he was hoping for peace and quiet.

In 1945, Wright talked with Owen Dodson about *Black Boy*. Dodson told Wright that Alain Locke said that Wright had thrown away good writing and could not see why Wright wouldn't just let things stay buried. According to Dodson, Locke said the book made him shiver. Wright's response was that life was cold.

*February 14, 1945, journal entry:*

The contract for 13 Charles Street was signed on the 13 of February! That's the kind of luck I like! Where's the salt to toss over my shoulder, spit, cross my fingers, and look cross-eyed ... Ha-ha!

Excerpts from Wright's Letters to Wilson:

I have had no word from the publisher, but I hope to hear before the week is out.

Fight for your rights as a creative writer or get out and function as best as you can.

I'm no longer with the DW.

In addition, Wilson paraphrased 56 words of the large unpublished portions of Wright's essay *I Choose Exile*. In all, Wilson paraphrased portions of 6 letters, and 14 portions of 10 journal entries. All were short; all but two, quoted above, are one to three sentences long. The material quoted or paraphrased by Wilson from each of Wright's works represents only one percent of that work.

Should the court grant or deny the relief requested by Wright's wife? Discuss all relevant issues. State a result.

In his journal of 1945, he says the papers were signed on Friday, February 13, and this too made him happy. Where is the bad luck, he questioned. He remembered the old fogey superstition about turning around three times and spitting, and he laughed.

In another letter Wright tells of the progress on his novel *Native Son*, saying he looked forward to hearing from the publisher within the week.

He told me to fight for my rights as a creative writer.

In a letter dated January 19, 1938, Wright told me he was no longer working with the *Daily Worker*.

#### IV.

(45 minutes)

Leonard Kane developed a new device for activating self-service automatic car washes. Conventional self-service automatic car washes are activated by mechanical insertion devices. They are activated by permitting electric current to flow through the system when an appropriate article is inserted into the device, such as a coin, token, credit card or receipt. Those mechanical insertion devices require much maintenance because the mechanical hardware could be affected by weather, corrosion, and wear, or could become congested with too many inserted articles.

Kane obtained a patent in 1990. Kane's '601 patent disclosed a combination comprising an automatic car wash system electronically activated by an electrical numerical keypad device. To activate the car wash, the operator punches his numerical code into the numerical keypad. [The operator (usually the car's operator) obtains a numerical code from the car wash attendant or from an automatic cash-receiving machine.] After entering the code, the operator presses a designated button which electronically transmits the inputted numerical code for comparison with a predetermined numerical code. If the inputted numerical code matches the predetermined numerical code, the circuit is closed between the electrical power source and the car wash system, thereby activating the latter. Kane assigned his patent rights to Car Wash, Inc. [CWI].

Kane, an employee of CWI, says he thought of the system one night on February 14, 1986, when he visited a friend's apartment which had a keypad security entry door system; his friend entered a secret code number which activated the electric door lock. He says he did not want to mention the idea to his boss until he had a chance to try it out. About a month later, he bought an electronic keypad house lock system at Sears and connected the keypad activation portion of the lock system to an automatic car wash system owned by another friend. The test was witnessed by that friend. It worked as intended.

On March 10, 1986, he mentioned his test to his boss, who immediately asked for

a demonstration, which Kane gave him that day. He filed a disclosure with CWI's patent attorney on April 1, 1986 (CWI was one of his clients). The patent attorney filed a patent application for Kane on April 10, 1988, after completing applications from other clients received before April 1, 1986. However, during that period, the patent attorney had married, took a honeymoon vacation, had a heart attack, and took an annual vacation, all of which consumed about 6 months. CWI began manufacturing and marketing its keypad activated automatic car wash system on April 11, 1987. Also, it marketed from that date a keypad activation device retrofit kit for existing automatic car washes.

Nu-Way, Inc., also sells an automatic car wash system which utilizes an electronic keypad activating device. Nu-Way's three employee/inventors were talking one day in January 1987 about the activation device problem and came up with the keypad idea. They had Nu-Way's purchasing department order a keypad activated house lock system from a local electrical wholesaler. After it was received in March 1987, they hooked it up to the electrical circuitry of a car wash system just manufactured and determined that it would work without difficulty. That test was done on March 20, 1987. They never attached the keypad device to a functioning automatic carwash system. They made a disclosure to Nu-Way's patent attorney the following week (Nu-Way was one of her clients). She determined that the keypad activated automatic car wash system was not patentable and advised Nu-Way that it could proceed to market the system. Nu-Way's first sale occurred on November 27, 1987.

Until the keypad activation device was incorporated into automatic car wash systems, the car wash industry had not solved its automatic activator problem. Both CWI and Nu-Way have enjoyed commercial success with the keypad car wash activation system, and other car wash operators are planning to buy or copy their systems, depending on the outcome of this suit.

Kane has an engineering degree, as do two of the three inventors of Nu-Way's device.

The prior art consists of various automatic car wash systems with mechanical insertion activation devices. Kane's invention was the first automatic car wash system to

use an electronic keypad activation device. Keypad code devices are common as electronic signal input devices, opening garage doors, limiting access to many products, and supplementing or replacing keys for locks. For example, they are used in bank automatic teller machines, apartment security entry door systems, and automobile door locks. These have become common over the past few years.

CWI sued Nu-Way for patent infringement, seeking an injunction against further sale or use of Nu-Way's device. Should the court grant the requested relief? Discuss all relevant issues. State a result.

V.

(30 minutes)

Define the following terms:

- (1) suppression and concealment
- (2) prior art
- (3) secondary meaning
- (4) unfair competition
- (5) dilution
- (6) design patent
- (7) suggestive term
- (8) copyright notice
- (9) certification mark
- (10) collaborative work

## IP EXAM ANSWERS

### I. (30 minutes)

§ 43 fed. unfair competition claim alleged  
turns on whether CC has a protectable trademark  
"clipper" is at best a descriptive term  
CC must prove secondary meaning  
"clipper" is a reference to a particular style of sailing ship  
RC can use the term in generic sense to describe its ships, which use clipper style  
CC's shallow draft motor vessels bear no resemblance to 19th cent. clipper ships

### II. (30 minutes)

trade secret violation?  
analyze elements  
is construction of device in cell nonsecret? No! surrounding circumstances determine  
whether there has been a voluntary public disclosure  
is a demonstration a public use? No! only proves operativeness; device was revealed to  
FPI, a potential licensee, not to public at large  
misappropriation?  
analyze elements  
waiver?  
did L seek to protect his interest? Yes! stated intention to patent; sought compensation  
is failure to prenegotiate a waiver? No! negotiations most commonly occur after a  
demonstration of operativeness  
obligation to pay can be imposed where employer uses invention knowing  
inventor/employee wants compensation; no gift was intended here  
result: violation of trade secret; misappropriation

### III. (45 minutes)

copyright infringement  
ownership of letters  
fact/idea vs. expression dichotomy: analysis  
4 elements of fair use doctrine in § 107: analysis  
purpose of use, nature of copyrighted work, amount of use, market effect  
comparison with *Harper & Row* and *Salinger*.  
result: no infringement (is fair use)

IV. (45 minutes)

anticipation - § 102

no anticipation

scope of invention (whole system vs. keypad device only)

relevance of retrofit kit

no § 102(b) sales bar, since CWI's & Nu-Way's sales both began less than 1 yr.  
before Kane's application

nonobviousness - § 103

combinations of prior art: analysis

skill in the art: analysis

is obvious

priority dates: conception, reduction to practice, application

corroboration of dates; diligence?

type of testing required, if any (CWI vs. Nu-Way tests; retrofit kit)

2 yr. delay between disclosure to pat. atty. & application: nondiligence?

result: patent invalid (obvious)