

FINAL EXAMINATION

**INTELLECTUAL PROPERTY**

P.N. Davis

Saturday, May 1, 1999

1:00 - 4:00 PM

THIS IS A THREE (3) HOUR EXAMINATION.

THIS EXAMINATION CONSISTS OF NINE (9) PAGES.

THIS EXAMINATION CONTAINS FIVE (5) QUESTIONS.

I = 60 min.      II = 40 min.      III = 40 min.      IV = 10 min.      V = 30 min.

FILL IN YOUR EXAMINATION NUMBER ON THE BLUEBOOK STICKER.

\* \* \* \* \*

YOU BRING INTO THE EXAM YOUR COPY OF THE STATUTORY SUPPLEMENT, with any notations in the margins and blank pages you care to make, but no page inserts.

\* \* \* \* \*

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.

(60 minutes)

International Newslines, Inc., publishes “abstracts” of newspaper articles from around the world, both in hardcopy and internet editions. About one-third of those “abstracts” are rewrites of articles originally prepared by Nippon News Service written in Japanese. These articles deal with financial, business, and industry news subjects. Nippon News sells its articles in both the original Japanese version and in English translation. The English versions are made available through wire services, an English language website, and on American online news services through license.

International Newslines editors select its articles and forwards them to “abstractors” who translate them from their original language, condense them to about one-half their original lengths, and edit them into a consistent style. It takes an abstractor about 36 minutes on the average to convert a news article into an International Newslines abstract. International Newslines abstracts taken from Japanese versions of Nippon News articles and are headed by a byline stating: “abstracted from Nippon News,” followed the date of original publication.

In July 1998, Nippon News Service began to register its articles with the U.S. Registrar of Copyrights. Since 1975, it has had a U.S. registration of its trademark *Nippon News*. On November 1998, it filed suit in federal court against International Newslines for copyright infringement, trademark infringement, and common law misappropriation.

In addition to International Newslines’ admitting that its abstracts were condensations of Nippon News Service articles, the evidence shows the following:

- (1) The abstracts recite most of the facts discussed in the original articles.
- (2) The abstracts usually have the same organization as the original articles.
- (3) The facts in the abstracts usually have the same chronological and substantive grouping as in the original articles. The abstracts track the information in the original articles sentence-by-sentence, in sequence; only occasionally do the abstracts combine two sentences from the original articles, divide a sentence, or rearrange the facts among different sentences.
- (4) The abstracts usually reach the same conclusions as the original articles.
- (5) The abstracts often employ identical phraseology and word selection as the original articles.
- (6) Often the abstracts are direct translations of the original articles, edited only for clarity and for condensation.
- (7) The average abstract is about two-thirds of the length of the original article.

By contrast to most of the International Newslines abstracts, one of its abstracts

paraphrased only the first paragraph of a six-paragraph original article; another of its abstracts incorporated most of the facts from an original article into differently constructed sentences.

International Newslines abstracts compete with Nippon News Service articles in the same English language print news service and online news service markets.

Should the court enjoin International Newslines from continuing to prepare abstracts based on Nippon News Service articles? If so, on what basis should it be granted and what should be the scope of the injunction? Should it grant damages for past preparation of those abstracts? If so, what should be the basis for damages? Should the court enjoin International Newslines from referring to the *Nippon News* trademark? If so, on what basis should it be granted and what should be the scope of the injunction? Discuss all relevant issues. State a result.

## II.

(40 minutes)

Harley-Davidson manufactures motorcycles and motorcycle parts, accessories, apparel, and related merchandise. Prior to the 1980's, Harley-Davidson had no interest in associating its motorcycles with the word "hog," considering it an allusion to unsavory elements of society -- such as the *Hell's Angels*--, and never used the word in any of its literature, company history, or advertising. In the 1960's and early 1970's, the word "hog" was used by motorcycle enthusiasts to refer to motorcycles in general and to large motorcycles in particular, regardless of brand. The word was used that way in the press as early as 1965, and was so listed in several dictionaries beginning in the 1970's and concluding with the 1992 edition of the *Oxford Dictionary of Modern Slang*.

By the early 1980's, motorcyclists increasingly used the word "hog" to refer only to Harley-Davidson motorcycles. Under new ownership in the early 1980's, the Harley-Davidson realized the word "hog" had developed economic value in association with its motorcycles. In 1983, the company formed the Harley Owners Group, pointedly using the acronym "H.O.G." In 1990, it applied for registration of that acronym as a trademark associated with its motorcycles. The Patent and Trademark Office granted that application after publication after it had yielded no opposition.

In 1969, Ronald Grant opened a motorcycle repair shop in Columbia MO under the name *The Hog Farm*. Over the years he has opened branch shops under the same name in several other cities in mid-Missouri. His shops specialize in servicing Harley-Davidson motorcycles, although he never acquired a dealer franchise from the company. After 1981, he began using the word "hog" in connection with events sponsored by his shops and with merchandise sold there. He has sponsored an annual event known as "Hog Farm Holidays" and sells products such as *Hog Wash* engine degreaser and a *Hog Wash* trivia game. All of these uses are based on motorcyclists' use of the word "hog" to denote large motorcycles. Grant never filed either a state trademark registration or a federal registration for his shops and merchandise, or state or federal service mark registrations for his sponsored events.

In 1997, Harley-Davidson filed a trademark infringement suit against Grant a/k/a *The Hog Farm* seeking an injunction against future infringement. Should the court grant the request, in full or in part? Discuss all relevant issues. State a result.

### III.

(40 minutes)

In the mid-1980's, the spice and condiment retailing industry began looking for an alternative to the traditional metal can fitted with a rectangular plastic snap-on top with flaps that allowed for both spooning and sprinkling. This type of packaging did not allow the user to estimate the quantity of product remaining in the can without opening the spooning flap and provided no simple inexpensive way to apply a safety-seal liner to the can before attaching the plastic snap-on top. (A liner enables the purchaser to determine whether the contents had been tampered with -- a marketing requirement introduced after the deaths from cyanide contaminated *Tylenol* in the early 1980's.)

In the early to mid-1980's, several clear plastic container - plastic flap top combinations were developed. All of them were relatively expensive to apply because a three-step process was required, (1) application of a sealed security liner, (2) application of a plastic disk with sprinkle holes and a lift-up flap for pouring spices, and (3) application of a threaded, screw-on plastic or metal cap. This type of cap combination also required the user to remove the outer cap before sprinkling or spooning out spices.

That invention did not yield an entirely satisfactory situation from either a manufacturing or customer perspective, although it was an improvement over the prior metal can - plastic top technology. What was sought was a one-piece cap with sprinkling and spooning capability which could be applied to cylindrical spice containers in a two-step automated operation, (1) application of a sealed security liner, and (2) application of a one-piece cap. What was needed was a cap which would: (1) be inexpensively manufacturable at high speed, (2) be of generally uniform thickness, so as not to deform when cooling (nondeformation is necessary so the sprinkle/spoon flaps will stay closed and the cap will fit tightly onto the container), (3) not break when mechanically screwed onto the container, (4) not allow flaps to pop open when mechanically screwed onto the container, (5) not puncture the sealed security liner, and (6) be easy to use by consumers.

The '399 patent was the result of development of a one-piece cap meeting those criteria. It claims an invention of a two-flap, shake-and-spoon plastic cap intended for containers of spices and other condiments. One flap covers a plurality of small holes for shaking the spice or other product from the container. The other flap covers a relatively large opening with one straight side which allows a spoon to enter and remove product from the container resulting in a flat surface of product in the spoon.

The '399 patent explains that prior-art designs had a spoon opening that covered less than half the mouth opening of the container, making it difficult to extract product with a normal-sized spoon (unless the container were larger than normal). Thus, cap designs seek to

achieve a wider spoon opening. Larger spoon openings in prior art designs, however, caused problems. In particular, a cap with a large spoon opening tends to take an oval shape when released from the cap-making mold. As the cap cools upon release from the mold, the substantial amount of plastic on the shake side shrinks at a different rate from the open spoon side. The result is deformation of the cap. After deformation, these caps rarely achieve a good seal with the mouth of the container. Moreover, these deformed oval caps often pop open when the cap is screwed onto the container by the product filling machine.

The '399 patent includes several design enhancements to address these problems. The cap disclosed in the '399 patent includes a “[radially] wide internal sealing ledge [51] which ensures that the closure will positively seal the mouth of a container, regardless of any expected degree of ovality.” The cap also includes a “land area [16] between the spoon and shake apertures [having] the same elevation as the sealing ledge [51].” This land area provides intermediate support for a safety-seal liner used in conjunction with the cap and also restrains bowing of the cap upon cooling after manufacture and upon being screwed onto the cylindrical container. *See* Figures 1 and 2 of the '399 patent, below.

The '399 patent is the result of a cap design project begun in late 1984 for Durkee Foods, a major retailer of spices and condiments. David Hickman, an employee of Acme Plastics, was the inventor of the '399 cap. Discussions between Durkee and Acme began in October 1984. Hickman's invention followed and is fully disclosed in a drawing dated February 8, 1985. On February 19, 1985, Durkee placed a purchase order for 500 sample caps with Hickman's employer, Acme Plastics. Acme issued an acceptance of the order on May 13, 1985, once it had become satisfied that the cap design would work. Durkee ordered 990 more sample caps on July 17, 1985. Both orders had been delivered by early August 1985. On August 15, 1985, Durkee wrote Acme saying that it had evaluated the sample caps already delivered and that "ovality of the bottom edge of the cap skirt is unacceptable." The next day Acme quoted Durkee a firm price for a bulk order of 500,000 caps, and the following week sent a letter outlining proposed modifications to its cap-making mold to address the "ovality" problem. The necessary modifications to the mold were completed by the middle of September 1985. Durkee placed a purchase order for 275,000 caps on September 3, 1985, which was accepted by Acme a week later. Further modifications to the mold were made in early October 1985 to "fine tune" the design. However, none of the design modifications after September 19, 1985, dealt with the ovality problem or altered the chordal land area or the annular sealing ledge portions of the cap design. Regular mass production of the '399 cap began on January 3, 1986, at a production rate of 440,000 caps per week. Hickman filed for a patent on October 17, 1986, and soon thereafter assigned his patent rights to Acme. The patent issued on April 8, 1987. Several million caps have been produced each year since then.

McCormick Foods, a major competitor of Durkee in the retail spice and condiments market, also sought an improved cap for cylindrical spice containers. Rather than purchase Acme's cap which it considered to be too expensive, McCormick chose to have Premier Plastics develop a rival one-piece cap. Premier was successful and began manufacturing its cap in April 1989. Because its patent counsel considered it to be unpatentable, Premier did not seek a patent for its cap.

The Premier cap has a flat underside, except for a recessed channel between its spoon and sprinkle sides. It does not have a lower end wall the underside of which contain a projecting annulae sealing ledge. It is sealed by direct contact of the underside of the end wall with the container. *See* diagram of Premier cap, below.

In 1995, Acme sued Premier Plastics for infringement of its '399 patent, alleging that the elements of Premier's two-flap, skake-and-spoon cap were identical to the elements claimed in the '399 patent. Should the court find that the Premier cap infringes on the '399 patented cap? Does Premier have any defenses? Discuss all relevant issues. State a result.

IV.

(10 minutes)

Recently a TV advertisement showed a “dud” human cannonball act, where an obese man gets stuck in the cannon’s mouth and fails to be projected from the cannon when it is fired. Does Zachinni, the “Human Cannonball,” have a cause of action? Discuss all relevant issues. State a result.

[This ad was aired by Subway Sandwiches. Assume Zachinni is still alive.]

V.

(30 minutes)

Briefly define the following terms:

- (1) dilution
- (2) derivative work
- (3) public performance
- (4) printed publication
- (5) trade secret
- (6) incontestability
- (7) unfair competition
- (8) first sale doctrine
- (9) right of attribution
- (10) utility

## INTELLECTUAL PROPERTY

Peter N. Davis

May 1, 1999

### I. (60 min.)

#### Scope of copyright protection:

- expression, not ideas
  - news facts are ideas and are in the public domain — may be copied
  - expression includes particular selection of words & phrases and order of presentation (where more than a few choices of selection and order are possible)

#### Basis for copyright infringement:

- substantial similarity:
  - comparison of expression in original and accused articles
  - literal copying is not required
  - paraphrasing of sentences, and using the same order of ideas often is copying of expression
- access — admitted here

#### Exclusive rights of copyright owner:

- to be free from unauthorized copying
- to be free from preparation of unauthorized derivative works, such as translations

#### Fair use defense:

- *definition*: a privilege to use copyrighted material in a reasonable manner without copyright owner's consent [Rosemont]
- defenses of news reporting & use of facts
- four factor test of § 107
  - purpose & character of use
    - second work must add something new, have a different character or purpose, or alter the first work with new expression
    - transformative work favors finding of fair use
    - commercial use points against fair use
    - here, abstracts are not transformative
  - nature of copyrighted work
    - news articles, because of heavy reliance on facts, contain fewer expressive elements than fictional works
      - their expressive elements are not dominant features
  - amount and substantiality of portion used in relation to copyrighted work as a whole
    - both quantity and quality of similarity are relevant
    - facts enjoy no protection, only expressive elements do
    - here, the facts in the copyrighted articles could be used without copying the expressive elements
  - effect of use on potential market for or value of copyrighted work
    - Nippon News's market is diminished by competition with their own articles sold by International Newswire

#### Trademark infringement:

- correct reference to trademark by third party is not infringement
- it often is impossible to identify the source of factual information without using the source's tradename or trademark
- here, *Nippon News* is the mark of the source of the articles, so the reference is correct
- thus, no trademark infringement

#### Misappropriation:

- is use of work product of another without consent for commercial advantage
- that was done here
- but state law cannot forbid that which federal copyright law allows
- hence, federal preemption -- use of facts developed by *Nippon News* is allowed by copyright law
- copying of expression is preempted by federal copyright act
- no state law misappropriation cause of action can be raised
  - *INS, Dow Jones*

#### Remedies:

- injunction against future use of *Nippon News*'s expression; no injunction against using articles as sources of facts (provided completely different expression is used)
- damages for plaintiff's lost royalties + defendant's net profits exceeding plaintiff's lost royalties (double-counting not allowed) for past infringement of expression
- no injunction for trademark reference; in fact, it must be continued as a reference of source of defendant's future abstracts

## II. (40 min.)

Trademark can be registered validly only if it is used in interstate commerce and is distinctive

- H-D is using its registered mark in interstate commerce today, and was doing so by the 1990 date of registration

#### Distinctiveness:

- words used by the public as generic words are not registrable as marks
  - ditto for "merely descriptive" words
    - unless & until they acquire secondary meaning
- suggestive and arbitrary words are registrable immediately, because they are inherently distinctive
- "hog" was used generically by motorcyclists to mean large motorcycles until quite recently
  - various dictionaries so confirmed
- even today, some motorcyclists still use the term that way, including Grant

#### Infringement analysis:

- (1) strength of mark
- (2) similarity of marks
- (3) product proximity
- (4) quality of product
- (5) likelihood plaintiff would enter defendant's market
- (6) actual confusion

- (7) good faith use of mark by defendant
- (8) sophistication of buyers

Can a generic word become nongeneric and become to have secondary meaning because of public usage?

- yes! If indeed public usage of the term has changed. 2 MCCARTHY § 12:30-32 [not read in class].
- *Harley-Davidson v. Grottanelli*, 164 F.2d 806 (2d Cir. 1999) [not read in class], holds that even the public cannot withdraw a generic word from the public domain
- discuss: is H-D's federal registration valid or invalid?

Unregistered trademark use is protected by state common law

- a common law mark becomes protectable when it is first used in commerce to identify the origin of goods or services
- the term must be distinctive (as discussed above)
- thus, Grant has a protectable trademark in *The Hog Farm* and in his other trademarks initially used prior to 1990

Concurrent use: preemption of virgin territory by federal registration

- state law trademark user (common law or state statute) is entitled to continue using TM concurrently in marketing territory served just prior to federal registration; there is no federal preemption of lawful pre-registration use by another
- upon registration, registrant has exclusive right to use mark in its marketing territory actually served at time of registration
  - and registrant has preemptive right to serve any other territory in the future not served by another at time of registration

Remedies:

- hence, Grant may continue using his common law mark in mid-Missouri, as defined by his marketing area at the date of H-D's federal registration
- even if H-D's trademark were valid, concurrent use rules allow Grant to use his mark in mid-Missouri
- injunction, if any, should be limited to area outside mid-Missouri
- no damages, as Grant was first user in mid-Missouri

### III. (40 min.)

Infringement:

- all elements of claimed patented invention must be present in alleged infringing device and must serve the same functions
- compare elements of '399 patented cap and Premier cap by comparing descriptions and diagrams
- Premier cap does not have an annular sealing ledge to engage the end of a cylindrical container
- under the doctrine of equivalents [not discussed in class], a flat disc surface and a wide annular sealing surface engage and seal the end of a cylindrical container in the same way
- thus, while the Premier cap has a differing physical structure, it does perform

substantially the same function, in substantially the same way, to obtain substantially the same result

- discuss
  - bonus for doctrine of equivalents analysis

“On sale” bar:

- § 102(b) provides that applicant is not entitled to a patent if the invention has been “on sale” for more than a year before application.
- here, the patent application was filed 10-17-86.
- therefore the critical date is 10-17-85
  - earlier small runs were experimental uses to establish operativeness
- Acme completed design of the critical elements of its cap by 9-19-85
- Durkee placed a firm order for production run caps on 9-3-85, which Premier accepted on 9-10-85, even though design modifications had not been completed for over another week
- the Acme’s production run began 1-3-86
- does the “on-sale” bar clock start to run when production begins (1-3-86)? or when Acme’s makes a firm commitment to make the invention (9-10-85)?
- the latter was more than one year before application, the former fell within the critical one-year period
- *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326 (Fed. Cir. 1998) [not read in class], holds that the § 102(b) one-year period begins to run when the invention is ready for patenting and is offered for sale, not when production begins.
- discuss

result: ‘399 patent is invalid; therefore, the Premier cap does not infringe

#### IV. (10 min.)

Right of publicity issue:

- a celebrity has a common law right to a monopoly over the use of his name or likeness, or appropriating his identity by conjuring up his distinguishing context, by another without consent for commercial advantage
  - *Vanna White* case
- parody for commercial advantage apparently is not a defense
  - *Vanna White* case

Statutory famous name or mark dilution -- § 43(c)

- probably not applicable, because no name or mark was used
- so far, no case has applied the “conjuring up” rationale in a § 43(c) action

#### V. (30 min.)

Definitions:

- (1) *dilution*: appropriation of good will by an unrelated product/service likely to cause loss of secondary meaning or cause consumer confusion
- (2) *derivative work*: adaptations, transformations, translations of original

works

- (3) *public performance*: performance before a group larger than family or circle of family acquaintances
- (4) *printed publication*: prior art reference characterized by duplication in permanent form and accessible by the public
- (5) *trade secret*: secret information creating a competitive advantage
- (6) *incontestability*: trademark used for 5 years after federal registration conclusively presumed to have acquired secondary meaning [can be cancelled for becoming generic, but not for losing distinctiveness]
- (7) *unfair competition*: appropriation of good will by a competitor for commercial advantage
- (8) *first sale doctrine*: owner of lawful copy of copyrighted work or patented item has right of resale
- (9) *right of attribution*: artist's moral right to have name associated with work
- (10) *utility*: operative for intended purpose (which purpose is not exclusively illegal or immoral)