Introduction to Intellectual Property

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Cases and Materials

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Preface

In 1906 Mark Twain argued,[1] "There is no property on earth that does not derive pecuniary value from ideas...." Indeed, social and technological progress have always depended on ideas and information. Yet, nearly a century later, the New York Times reported:[2]

> [P]atents, copyrights, trademarks and trade secrets have assumed an enormous role in the economy, where value consists of the assets that companies carry on their books. Until recently, that largely meant land, equipment and manufactured goods. Now, increasingly, those assets are information and ideas.

Such assets have not become more important—only more *visible* as disputes involving such things as business method patents and internet distribution of music are increasingly reported in general news media.

Increased visibility means increased demand for informed attorneys. The value of ideas and information may easily be lost without expert assistance. Equally vital, attorneys can help firms avoid infringing the rights of others.

This is the domain of intellectual property (IP) law. Because IP issues arise in many common transactions, most lawyers should have a grasp of the basics. Those who wish to specialize should also appreciate that basics lay a foundation for grasping the cumulative and alternative strategic value of IP options. Because options cannot be evaluated in isolation, early integration of key concepts makes advanced courses far more useful.

Editing

The text of included cases is faithful to originals, but this book is designed for teaching, not research. Thus, while the text of downloaded cases and that of official reports occasionally diverged, the investment required for correction was unwarranted.

Likewise, although use of original numbers often flags gaps, students appreciate that most footnotes are dropped—as are all parallel, and many other citations. Finally, "Patent and Trademark Office" and other such terms generally appear as, e.g., "PTO," "Register" or "Board," regardless of use in originals.

However, all reported dissents and concurrences are at least indicated.

Acknowledgements

Much has been learned teaching from others' case books. Yet, often more was learned from student reactions. Three decades of working with students and colleagues

1. Statement of Mr. Samuel L. Clemens, *Hearings on S. 6330 & H.R. 19853 before the Senate and House Comms. on Patents*, 55th Cong., 1st Sess. (1906).
2. Sabra Chartrand, *Patents: How Do You Put a Price on Intellectual Property?* New York Times, Dec. 18, 2000.

at Franklin Pierce Law Center have been critical to the selection and organization of these materials. The assistance of my son, TG, in assembling the critical first draft, and later help from Zachary Miles, Daniel Sepanik and Hiba Zarour warrant special mention—as does proofreading and other assistance provided by Linda Chroniak, Eric Boldan, Tim Colton, and Carol Ruh.

Access to cases via WestLaw and Lexis, as well as top-notch software and hardware were also key.

Overview

Avoiding Intellectual Property Infringement

Intellectual property (IP) may be secured through patent, trademark, copyright and related laws. This was once the exclusive domain of specialists. Thus, few lawyers, and unfortunately fewer judges, knew anything about laws useful for securing, perfecting and preserving IP.

Thanks to disputes involving things such as internet transfer of MP3 files, copyrights are now a topic of wide interest. The situation with other forms of IP is similar. People who understand their actual and potential rights are more apt to pursue them. Some may not, but they ignore the rights of others at substantial risk.

Protecting one's own rights is usually more difficult than avoiding infringement. It is therefore useful to introduce major categories of IP by focusing on the latter.

Rights Posing Low Risk of Inadvertent Infringement

Copyrights, trade secrets and rights of publicity are most likely to be infringed by deliberate action designed to take advantage of others' reputations or work.

Consider, for example, a TV ad Samsung ran a decade ago: A *Wheel of Fortune* set featured a robot wearing a blonde wig and evening gown. Because it was labeled as the "Longest-running game show. 2012 A.D," the owners and producers may have been flattered. The hostess was not; as seen in Chapter 12, she prevailed. Liability could have been easily avoided, but Samsung, after seeking expert advice, decided to run the risk.

Because original work cannot infringe copyright, inadvertent liability for that is also unlikely. However, using others' work calls for caution, permission or expert advice.

Accidental infringement of trade secret rights is improbable, too. Reverse engineering and independent research do not infringe such rights. Yet, hiring research employees from rivals, for example, poses risks.

Free Riding

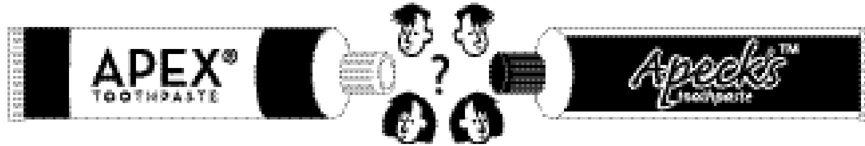
Common sense suggests that free riding on the work or reputations of others invites litigation. Litigation risk, alone, may even deter non-infringing activities. Still, independent efforts may easily infringe others' trademarks and patents. Thus, these forms of IP warrant more attention than do those not apt to be infringed carelessly.

Trademarks

Trademark law protects brand names and other commercial source indicators from being used by one party to pass off its goods or services as those of others. While copy-

ing another firm's source indicators is worse, it is important to go beyond avoiding known marks.

In the U.S., first users of marks including slogans ("Only her hair dresser knows for sure"), logos (Nike's "swoosh") and three-dimensional symbols (the "golden arches") automatically get common-law rights.



Before adopting marks, firms must try to determine if they are already being used—especially whether they are being used on similar goods or services. Knock-out searches on the internet, in trade directories and the like are a good place to start, but, as illustrated above, similar-sounding marks must also be considered. Would it make any difference if one sold toothbrushes, dental floss or a related product instead of toothpaste? Trademarks aside, if someone finds that "Apex *causes* tooth decay," will others hear that *Apeck's* does?

Marks that survive superficial examination should be searched more completely by experts. Professional evaluation is critical to minimizing the risk of potential consumer confusion and loss of goodwill.

Finally, because prior, unknown users in isolated locations can wreak havoc with national marketing plans, it is good to establish national rights as soon as possible. This can be accomplished by registration in the U.S. Patent and Trademark Office (PTO).* Since 1988, the PTO has also evaluated proposed marks. If they pass muster, rights perfected by use then relate back to when applications were filed. Thus, intent-to-use applications are particularly valuable for reducing the risk of being cut off by later users in remote markets.

Patents

Patents may be used to prevent others from, e.g., copying. As with trademarks, however, independent creation is not a defense to unauthorized use of protected technology. Patent searches are also needed if the technology is relatively new.

Most U.S. patents expire 20 years after filing. Because there are no common law patents, one need search only fairly recent records. Still, firms must search more than 20 years because terms may sometimes be extended, for example, by appeals.

Later-issued patents also pose serious risks, but expert advice can reduce them. Most helpfully, since December 2000, most pending applications will be published after eighteen months, and these, too, may be searched.

The Bottom Line

Attempting to get a boost from other's work or reputations is particularly dangerous but readily avoided. That leaves the risk of inadvertent infringement.

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* The superscripted Apex symbol (®) indicates federal registration; Apeck's symbol (™) indicates a common-law mark.

Failure to clear marks may also cause loss of inventory and other major costs, including the loss of customers seeking products or services under a name that can no longer be used. Similarly, failing to avoid potential patent infringement can easily cause loss of inventory, the need to retool and other costs.

Few people would buy land or commence construction without clearing real estate titles. Likewise, few would purchase supplies or equipment from sellers who could not prove ownership.

Yet, as illustrated by many cases in this book, otherwise careful people often do not adequately clear title to intellectual property.