

MODEL ANSWER FOR
IP SURVEY PRACTICE FINAL PROBLEM
PROF. GREG R. VETTER
FALL, 2002

NOTES:

(i) This model answer to the Practice Final Problem is meant to be a learning tool. It should not be taken as the only way to answer the Practice Final Problem, nor the only approach to obtain a good or very good grade on the actual final exam. Moreover, it is longer than one could expect for an answer written during a two hour final.

(ii) The model answer is consciously over-written, meaning that in some areas it spends additional words analyzing issues, or working with factual inferences, that a student might not reach in a time pressured exam. The model answer does this in order to provide a variety of examples for students about how to analyze an issue.

A. *Trade Secret Misappropriation*

1. *Trade Secret*

Redolent should prevail in a trade secret misappropriation claim against Fragrant. Under the UTSA, AI1 is a trade secret because it is information, specifically, a formula, that “derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.” UTSA § (4)(i); accord Restatement of Torts (“RSofT”). There is likely a formula for AI1 because after obtaining a sample of AI1, Fragrant was able to mass produce a perfume using AI1. AI1 has actual economic value because it is one of two active ingredients for a scent that has the unique and marketable characteristic of getting stronger during the day. Further, Fragrant was able to sell a perfume based on the scent, showing the scent’s value, and thus showing AI1’s value as a component of the scent. Fragrant might have a counterargument if all of the scent’s actual or potential economic value derived from AI2. Thus a fact to verify is to be certain that AI1 contributes to the scent’s characteristic of increasing pungency or to the perfume’s success. AI1 was not generally known because Redolent kept it in his lab. It was not readily ascertainable by others because it is extremely difficult and costly for the best experts to determine AI1’s makeup starting with Redolent’s scent. Fragrant might argue that AI1 was ascertainable with overwhelming and very costly effort, but this argument fails because such efforts are beyond a readily ascertainable standard. AI1 was neither known by others, nor readily knowable.

AI1 is also a trade secret because it is “the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” UTSA § (4)(ii); accord Rockwell. Redolent used a deadbolt lock door to secure access to his lab, and covered the windows in the lab. The lab was located in Redolent’s house, typically a secure area. Fragrant might argue that Redolent’s secrecy efforts were not reasonable because he left the house and left the lab door unlocked during Carpenter’s visit to the house. This argument has some force, but does not carry the day for several reasons. First, Redolent does not have to implement perfect security. See Rockwell. Second, Carpenter was not a social guest, but a hired contractor. Redolent should be able to expect that a contractor will confine himself or herself to the construction job and not wander throughout the house. Third, Redolent had admonished Carpenter to not so wander.

2. *Misappropriation*

Fragrant likely misappropriated Redolent’s trade secret in at least one of two ways, and perhaps by both ways: (i) acquisition with reason to know that the trade secret was acquired by improper means, UTSA § (2)(i); or (ii) disclosure and use of a known trade secret without Redolent’s express or implied consent and with reason to know that its acquisition was by accident or mistake, UTSA § (2)(ii) & (2)(ii)(C). First, Fragrant correlated the smell of AI1 to the scent on Carpenter. Accordingly, based on what Carpenter told her, she knew that AI1 came from Carpenter’s visit to Redolent’s house without Redolent giving the flat bottle to Carpenter. Thus, by process of elimination, Fragrant had reason to know that the flat bottle was in Carpenter’s tool belt as a result of an accident or mistake. Moreover, Fragrant should have recognized that Carpenter’s visit to the lab was improper. However, Fragrant has a strong counterargument that § 2(i) does not apply because Carpenter

obtained the flat bottle by accident even though he should not have been in the lab. As a result, Redolent's strongest argument is under § (2)(ii), the second ground for misappropriation. It is clear that Fragrant did not have Redolent's express or implied consent to use AI1, and knew the scent to be Redolent's trade secret because of Redolent's reputation to keep secret formulas in vegetable-capped bottles. As discussed above, Fragrant had reason to know of, or at least suspect, an accidental or mistaken acquisition of the trade secret. Thus, § 2(ii) is satisfied.

B. Patent Infringement

1. Literal Infringement

Redolent is unlikely to prevail on a literal infringement claim that Fragrant's perfume infringes claim one of his patent. Generally, infringement requires that Fragrant, without authority from Redolent, make, sell, offer to sell, or use, a substance that is covered by claim one. 35 U.S.C. § 271(a). Determining whether the substance is covered by the claim can be done according to the literal meaning of claim one, or under the Doctrine of Equivalents ("DOE"). Fragrant undoubtedly makes, sells and offers to sell her version of AI2 because it is a component of her perfume product. Thus, the literal infringement question turns on whether Fragrant's version of AI2 is covered by the literal meaning of claim one. This depends on whether Fragrant's version of AI2 literally meets all the elements/limitations described in claim one. If Fragrant's version does not meet even one element/limitation as likely construed by a court, then Fragrant's version does not literally infringe. See Larami.

Fragrant will argue that her version of AI2 has three characteristics that compel the conclusion that her version does not meet claim one. First, that her version is only 1.95% derived from a beet-based mash. Second, that her version uses orange beets, not red or purple beets. Third, that her version uses a mash of beet leaves, not beet roots. If Fragrant is correct on any one of these three points she will prevail on the literal infringement issue.

Fragrant will likely win the literal infringement issue on her first point without needing to resort to points two and three. A court will construe claim one according to the plain meaning of the words in the claim. A range of values included in a claim carries a precise plain meaning. Fragrant's version of AI2 has a "percent derived from beet-based mash" value below the claimed range: 1.95% is less than 2%, the low end of the claimed range of 2% to 4%.

If Redolent could convince a court to construe 2-4% to literally cover 1.95%, his chances improve depending on additional facts (if Redolent's claim one was written to recite "substantially 2-4%" Redolent would have a much stronger literal infringement argument). Fragrant's second point, use of orange beets, is an obstacle to Redolent's literal infringement claim. Redolent claimed "substantially red or substantially purple" beets. Redolent needs to argue for a broad claim construction of "substantially red" that covers some shades of orange. Then, he must determine the various shades of orange beets that Fragrant uses, in the hope of some overlap. In other words, Fragrant may use some orange beets with a reddish tinge that could fall under a broad construction of "substantially red."

Assuming Redolent prevailed on issues one and two, to counter Fragrant's third point he would argue that the plain meaning of "beets" should include the root of the plant or the leaves, or both. The dictionary definition for "beet" includes both of these meanings. Fragrant will counter-argue for a

narrow construction of “beets” confined to cover only beet plant roots, based on the canon of claim construction that claims are interpreted in light of the specification. The written description discloses that the patent’s AI2 embodiment is from a beet root mash. However, in response, Redolent can argue that the plain meaning of a clear claim should not be disturbed by importing details from the specification. On this third issue, Redolent is likely to prevail because a clear claim should not be limited to a preferred embodiment disclosed in the specification. However, Redolent is unlikely to prevail on literal infringement due to the first issue, and perhaps due to the second.

2. *Infringement under the Doctrine of Equivalents (“DOE”)*

Redolent is likely to prevail on his infringement claim under the DOE. If a characteristic of Fragrant’s version of AI2 performs a substantially similar function, in a substantially similar way with a substantially similar result (“Tripartite Test”) as compared to a claimed element/limitation, then Fragrant’s version infringes under the DOE as to that element/limitation. See Warner-Jenkinson. Redolent can prevail on an infringement charge by meeting some claim elements/limitations literally, and meeting others under the DOE.

Redolent can successfully assert the DOE for each of the three issues discussed under literal infringement. First, 1.95% is a “way” that is substantially similar to the claimed 2-4% range because the number 1.95 is very close to the number two. The purpose of the DOE is to prohibit potential infringers from making insubstantial changes to the literal terms of a claim to avoid infringement. Using a range 0.05 percent below the claimed range is likely an insubstantial change that the DOE should cover. The 1.95% characteristic also provides a substantially similar function and a substantially similar result because Fragrant’s perfume has a smell substantially similar to Redolent’s air scent. Fragrant has no prosecution history estoppel (“PHE”) counterargument because the amendment to the claimed range occurred on the upper side of the range. See Festo; Warner-Jenkinson.

Second, unless Fragrant’s orange-shaded beets contribute to the chemistry of AI2 in a way that is not substantially similar to the way red and purple-shaded beets contribute, Redolent can successfully argue that the “substantially red or substantially purple” claim one element/limitation is met by the orange-shaded beets under the Tripartite Test. This chemical contribution fact would need to be verified. However, it seems likely that the color of the beet roots does not matter because Fragrant does not use the beet root in her mash (she uses the leaves) yet her perfume has a smell substantially similar to Redolent’s air scent.

On the third issue, Fragrant’s use of a mash of beet leaves should meet the Tripartite Test with the same condition as the second issue: that the leaves of the orange-shaded beet plants contribute to the chemistry of AI2 in a way that is substantially similar to the way red and purple shaded beets operate in claim one.

In sum, Redolent can successfully use the DOE to support a claim of infringement for those elements/limitations where the court is unlikely to find literal infringement, resulting in an overall outcome of infringement of claim one by Fragrant’s version of AI2.

C. *Copyright Infringement*

1. *The Label*

Redolent is likely to prevail on a claim that Fragrant infringed his copyright in the label. The label is a pictorial work at the core of copyright protection. 17 U.S.C. § 102(a)(5). Fragrant violated either or both of Redolent's rights to reproduce the work and create derivative works from it. § 106. If Fragrant violated Redolent's reproduction right, then she further violated Redolent's distribution and display rights. § 106(3), (5); § 109(a), (c).

a. The Reproduction Right

Fragrant violated the reproduction right because she (i) copied (ii) sufficient material, that is, a substantial part of, the label. There is no direct evidence of copying, therefore the court will rely on evidence of Fragrant's access to the label and the substantial similarity of the flat bottle label compared to Fragrant's card as circumstantial evidence of copying. See Arnstein. Fragrant had the flat bottle with the label, thus access is established. Substantial similarity is established because the outline and some internal lines of the card's vegetable assortment match the label's contours exactly. Thus, Redolent will be able to prove the copying element. The second element, improper appropriation, is established because Fragrant took sufficient material from the label. She likely took a substantial part of the label's sketch because she copied its outline contour and internal contour lines sufficient for an average lay observer to recognize the card as having been appropriated from the label. See Steinberg. Redolent's son recognized the card's drawing as familiar-looking after only seeing the label a few times over several years. Fragrant will counter-argue that she did not take sufficient material for improper appropriation because she only took the contours of the label, and did not copy the pastel colors. This argument should fail because even a black and white drawing is a pictorial work at the core of copyright. Thus, Redolent can rebut by arguing that the outlines and contours of his pastel label is a copyrightable element of his label, even without the colors. If Redolent had first made a black and white sketch of the vegetables with just a few internal lines, and Fragrant copied the sketch literally, she would have infringed Redolent's reproduction right.

b. The Derivative Work Right

As a reserve measure, if for some reason Redolent does not prevail on his reproduction right claim, he should bring an alternative claim for violation of his exclusive right to create derivative works based on the label's sketch. The card's black and white sketch is based upon the label – which Fragrant recast, transformed, and adopted for the card by appropriating the contours. See § 101 (definition of “derivative work”). Redolent should argue that the card qualifies as a derivative work because it effectively creates a new work for a different market. See Midway Mfg. Fragrant will counter-argue that she did not recast, transform or adopt the original work, and thus did not violate Redolent's derivative work right even if she violated his reproduction right. In essence, Fragrant is arguing that she did not contribute any independent expression to the derivative work. This is a close issue because Fragrant's efforts were to remove colors and lines from the label's sketch. To the extent this is recasting and transforming the label, Redolent has a derivative works claim.

c. Fair Use Defense

Fragrant may argue that her use of the sketch for the card is fair use because she donates seventy percent of the card profits to a charity. Courts will evaluate her defense using the analysis of various fair use factors. See § 107. Among the four major illustrative factors in § 107, the second and third factors favor Redolent. The nature of the sketch is a pictorial work at the core of copyright protection. Moreover, the sketch was unpublished. See Harper & Row. A significant amount of the sketch was used, almost all but the colors, however, an additional fact bearing on this is whether the card had sufficient internal lines to denote all the individual vegetables. The fourth factor is inconclusive because there is no market for the bottle's label. Redolent was not likely to market the sketch because he used it to label a bottle that contained a substance he held as a trade secret.

The first factor, the purpose and character of the use, favors Redolent notwithstanding Fragrant's donation of some card profits. Her use is not one of the presumptively fair categories, and is partly commercial, which is presumptively not fair use. See Sony. The commerciality of her use goes beyond the thirty percent of the profits she keeps. The donations to the charity return to her in part because the charity is her tenant.

2. *The Broccoli Cap*

Redolent has a claim that Fragrant violated his reproduction right in the broccoli cap. The reproduction right infringement analysis is similar to that under the label. Access and substantial similarity prove copying, the first element; and the second element, improper appropriation, is also proven under these facts. Both elements are proven primarily because Fragrant's broccoli cap is identical to the original, except for the legally insignificant variations of doubling the size and changing the color. However, Fragrant has a viable counter-argument: the useful article doctrine. See Brandair. To be protectable, the shape of the broccoli cap must be physically or conceptually separable. Brandair. The shape is not physically separable, so the broccoli cap is like the bike rack in Brandair. Under the test from that case, a court would hold the aesthetic design protectable if the design represents artistic judgment exercised independent from functional influences. Fragrant will argue that there was a functional influence because Redolent whittled the broccoli cap knowing that the bulbous shape would facilitate a better grip.

There are six other tests under which courts might evaluate conceptual separability. Rather than review them in detail here, we should instruct Redolent to determine whether the broccoli shape is marketable as art or could stand alone as a work of art. Two of the tests that might enable Redolent to protect the broccoli shape require one of these determinations as an element. One is the economic effect test. The other is Goldstein's test. If the broccoli shape is marketable as art, the economic effect test for conceptual separability is met, and the useful article doctrine does not bar copyright protection. Goldstein's test requires that the broccoli shape stand alone as a work of art, but has an additional element: that the cap is equally useful without the broccoli shape. This element may be difficult to meet because the shape provides a better grip.

D. Trademark Infringement

Redolent should bring a trademark infringement claim against Fragrant, asserting that “Somber Eaze” for perfume creates a likelihood of confusion as compared to “Summer Breeze[®]” for Redolent’s air scent. 15 U.S.C. § 1114(1)(a). Courts analyze the likelihood of confusion test using a number of factors. See Sleekcraft (listing eight factors). The type of confusion at issue here is confusion as to the source of a product because Redolent does not sell perfume. The concern is that customers who purchase Somber Eaze, and who are aware of Redolent’s Summer Breeze brand, will be confused that Somber Eaze is from Redolent when it is in fact from Fragrant. The Sleekcraft factor test applies to analyze this type of confusion.

The first factor is the strength of the mark. “Summer Breeze” is possibly a suggestive mark for air scent, and if so would be inherently distinctive, but less strong than the other inherently distinctive marks: arbitrary, fanciful or coined marks. Fragrant will counter-argue that the mark is descriptive and thus only protectable with secondary meaning. Additional facts are required to assess the strength of the mark, including knowledge of what Summer Breeze actually smells like, the scope and extent of Redolent’s advertising and marketing for Summer Breeze, and, if the mark is descriptive, evidence of secondary meaning.

The second factor is the proximity of the goods. The perfume and the air scent are non-competing goods without overlapping uses, but they are close in use and function, favoring Redolent’s claim. Sleekcraft. The third factor is the similarity of the marks. The marks each consist of two words, with the second word having some phonetic similarity. The first words are similar in that they each start with the letter “S” and have two syllables. Beyond that, however, they are dissimilar. This factor weighs against Redolent because these marks are much further apart than the two marks in Sleekcraft which were held to be very similar because only two letters differed. Sleekcraft (Sleekcraft versus Slickcraft). No significant facts are available for the fourth and fifth factors, evidence of actual confusion, and marketing channels used. Redolent should consider a survey to generate evidence for the fourth factor.

The sixth factor is the type of goods and the degree of care in product selection likely to be exercised by the purchaser. Both goods are mass merchandized consumer products, probably selling for relatively low cost. Room air scents are typically not expensive and Fragrant’s perfume is “low-end.” Thus, consumers are unlikely to exercise a high standard of care and are typically selecting the product from a busy shelf of items competing for attention. Fragrant will counter-argue that people care greatly about scents, both in perfume and room air fresheners, and as a result would exercise care. Without additional evidence to support Fragrant’s view, this factor favors Redolent. No facts are available for the seventh and eighth factors, defendant’s intent in selecting the mark, and the likelihood of expansion of the product lines. Redolent should seek to determine whether evidence of bad intent exists, because such evidence is sometimes the basis for a presumption that the public will be confused. In sum, however, absent considerations of bad faith, Redolent’s trademark infringement claim against Fragrant is unlikely to succeed on the present facts.