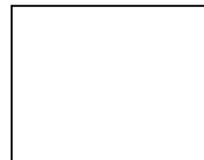


FINAL EXAMINATION

LICENSING

PROF. VETTER

*1. Essay Exam*

This examination consists of three sections, each of which presents a (i) problem, (ii) issue, or (iii) opportunity to discuss policy; or presents some mixture of these three. The sections may or may not build upon each other's facts (each section will signal whether it does so). Each section has a particular unique focus, and is worth a different amount of the total points available on the examination. The point weights are given in the heading for each section in the exam problem, repeated here for clarity: Section A (50%); Section B (35%); Section C (15%).

2. Open Book

This is an "open materials" exam. You may use paper materials such as course notes or outlines (prepared by yourself or others), commercial outlines, and other similar materials. You may not communicate or collaborate with anyone during the exam or obtain direct or indirect information or assistance from anyone. You may not use any live or electronic retrieval/computer source during the exam.

3. Single-Part, Multi-Section Exam

This is a single-part examination. If you finish the analysis for a section, go immediately to the next section.

Given the point percentages for the three sections disclosed above, one logical division of time in a three hour (3) examination is to spend 30 minutes reading the examination sections and planning one's answer. Then, the remaining time would be spent as follows: 75 minutes writing the analysis for the first section worth 50% of the points; 53 minutes writing the analysis for the second section worth 35% of the points; and 22 minutes writing the analysis for the third section worth 15% of the points.

4. Time Allotted

The final exam is three (3) hours in length.

5. Page Length

The problem and fact pattern is six (6) pages in length, pages 5 to 10 herein.

6. Release Prohibited

I have not determined whether I will make this examination available in the future. Accordingly, I am prohibiting it from release. Please return all problem pages. Copying, reproducing, or memorializing the problem in any form or fashion is prohibited.

7. Other Instructions

If using a blue book, please write on only one side of the page. Put your Exam Number on each blue book.

Please bring a copy of the assigned case book to the examination. Besides the course cases book and the three assigned supplemental documents (the Quanta case and two sample licenses), also bring the following to the examination in printed form: the course overheads.

The law applicable to this examination is the law covered in this course from: the assigned reading from the cases and any assigned supplements on the course web page, and additional law (if any) provided in the course overheads (collectively, the “Materials”). In my upper level Intellectual Property courses the Materials also include the primary statutory, regulatory, or treaty-based provisions relating to the assigned reading materials. Be sure to answer all questions on the basis of the law provided in the Materials.^a

Write an analysis for each of the issue(s) raised by the facts or information enumerated in the examination sections. Even if the facts build from some real-world events, persons or situations, use the facts as given. At the end of each section the focus or “call” of the question is given in a short paragraph enclosed in a rectangle.

Organize your written answer logically by the three sections of the examination. Your written answer does not need a general introduction. Proceed immediately to analyzing the issues, problems or questions in each section. The sections vary in the degree to which they suggest incorporating policy analysis. One section, the third, overtly suggests policy analysis.

Organize your answer for each section in a logical, orderly way. In most cases that means you won’t organize your answer explicitly using the questions/assignments in the rectangle as headings for your answer. Your answer should address the questions/assignments in the rectangle containing the “call” of the question, but typically the questions/assignments themselves do not make a good organizational vehicle.

Any section suggesting a policy-oriented answer is designed to allow one to employ any policy arguments that arose during the course. These arguments may include, without limitation: institutional considerations for the various structures and organizations underlying the law, including the intellectual property system; effects and causes of these structures and systems; efficacy, reliability, fairness and justification of the regimes that might regulate or impact the subject matter; and the impact of all this on individuals, companies, countries, society, and culture. This listing, however, is not necessarily a good way to organize the analysis. A productive organization of the analysis depends on the context of the problem(s), dispute(s) or question(s) posed in the policy-oriented section. Any “policy” section, however, is not completely divorced from the doctrine studied in the course. Question(s) in a “policy” section

^a There may be some situations where the Materials provide alternative rules or tests for resolving a specific legal issue. In these instances, the “majority” rule is the rule or test relied on by the majority in a primary case (or the primary cases) in the cases/supplement. Any other different tests or rules, (which could be multiple) whether mentioned by the majority opinion, offered in a dissent, described in the notes to the case, or given in the overheads, are alternative or “minority” rules. This instruction does not necessarily mean that issues exist in this examination requiring the application of alternative or minority rules. And, it may or may not be necessary to analyze any or all such alternative or minority rules depending on the specific examination instructions and/or the facts provided. Finally, some areas of doctrine may not have a “majority” rule as presented in the cases.

may require familiarity with or recognition of the doctrine studied in the course in the context of specific course cases and examples.

For the non-policy sections, write a short analysis for each of the issues raised by the facts enumerated in the examination question, *based only on the law from the Licensing course*, calling also upon its prerequisite(s) as necessary. The analysis should communicate the following as briefly as possible based on the facts available: (i) discuss the arguments, positions and rights that the plaintiff/initiator should assert, or has asserted,^b against the defendant(s)/respondent(s); (ii) evaluate the arguments and substantive merits from each side's perspective, articulating defenses and counter-arguments each should/might assert; (iii) assess the strength of each party's arguments; and (iv) determine for each issue who is likely to prevail and explain why. Your written answer, however, should not be organized according to these four points.

Rather, for each issue, your analysis should communicate the issue, and then state/apply the law to the issue's facts (applying counterarguments as well), and then conclude on the issue. An exception to this is that there is no need to restate a legal test that has already been stated; simply refer to the previous statement of the rule. For example, if there is a second copyright licensing issue, and you have already related the elements of a test for an earlier issue, you can abbreviate your analysis by directly applying the law to the facts and concluding. Another way to say this is that if a second issue arises where there is a need to apply a legal test already related and discussed, you may analyze the second issue by exception, i.e., discussing the differences in application and outcome.

If you believe that there are any additional critical yet unsupplied facts that would materially impact the outcome of a particular issue, you should note what such facts would be. In such situations, *briefly* describe how such critical facts might impact the outcome, i.e., indicate *at most one and only one* differing result that would ensue from different reasonable factual assumptions about such unsupplied facts.^c

As a general matter, the course Materials did not focus on invalidity/protectability issues within the intellectual property regimes studied in relation to licensing. Thus, while intellectual property infringement doctrine and issues are clearly important, not all basis for invalidating the relevant intellectual property were studied. Thus, for example, if a mark is at issue, proceed directly to any licensing/infringement issues and treat invalidity issues only in the context of a defense, and only for any invalidity basis prominent in a case in the course.

^b The examination question may be written in such a way that certain issues are clearly "in" the case/dispute because they have been asserted by either party. You should analyze these issues, but there may be other issues to be analyzed as well because the examination question is silent about whether they have been, will, or will not be asserted by either side. In addition, the examination question may also indicate that certain other possible issues are "out" and not to be analyzed because the parties disclaim certain issues or protections.

^c Please note that if you find yourself discussing alternative outcomes for supposedly critical yet unsupplied facts for every issue you analyze, you are probably engaging in too much analysis of such alternative outcomes.

Your written answer does not need a general introduction. Proceed immediately to analyzing the issues. The location of final jurisdiction and/or venue for the expected case/dispute is not a part of the analysis except where clearly indicated in the call of a section's question(s).^d

Apply the majority rules from the applicable law. Thus, your analysis can ignore any significant outcome-determinative differences in majority/minority rules and need not supply/apply minority rules. In some instances there may be no clear "majority" rule in licensing, so apply the rule given greatest emphasis during class discussion, recognizing that virtually all the points can be earned on an issue with such ambiguity in the doctrine by application of one of the dominant approaches. Probably the main way in which minority rules or dissents are relevant is that they sometimes provide inspiration for counterarguments.

You should analyze clearly presented (either explicitly or by the facts) issues in the case/dispute even if your analysis determines that the relevant item of intellectual property is invalid, recognizing that invalidity analysis was not an emphasis in the course. In a real court opinion concerning trademark, for example, if the court holds that the defendant/respondent wins on an invalidity issue, the court might not analyze the infringement test to determine if the accused product/use infringes the mark. On this examination, the infringement analysis is paramount.

HONOR CODE: Turning in an examination answer to this final examination is deemed to be a pledge under the Law Center honor code that the exam taker has complied with the honor code in all respects in relation to this examination.

(the examination problem starts on the next page)

^d Analyze and discuss the probable ultimate outcomes under the substantive law studied. Do not analyze any intermediate standards, such as likelihood of success in obtaining a preliminary injunction. In addition, we did not study the details of potential remedies or damages, so do not discuss these items in detail.

A. *Section A (50%)*

In Patty's '123 patent, all three claims (numbered 1, 2 & 3; all open-ended) cover an electronic device (a semiconductor chip, called TriChip[®] as sold and marked by Patty) that facilitates three-dimensional video for 3D movies and television. Patty's company makes TriChips and sells them across the continental U.S. While at all times continuing those sales, under an agreement dated 1/1/2005, Patty licenses her '123 patent to Dony Industries (Dony).¹ Dony is a large conglomerate that both makes consumer electronics, such as televisions, and produces movies. Patty's license grants to Dony "the exclusive right to sell devices under Dony's account, mark, and warranty that embody any of the claims of the '123 patent, provided that such exclusive right reaches only to the continental U.S. west of the Mississippi river." For a royalty payment, Patty receives \$100,000 as a one-time, upfront, fully-paid-up license.² Although the agreement is silent about Dony's source of supply, Dony typically buys TriChips from Patty (purchasing without any particular underlying contractual support) and puts those chips in its devices, such as televisions, that it sells all over the continental U.S.

Patty is also a screenwriter. On the same day she signs the patent license agreement with Dony, the parties execute a separate agreement whereby Patty agrees to deliver a science fiction movie script to Dony about an alien world with a non-human indigenous population that is

¹ Thereafter the '123 patent is not proven invalid and has not expired.

² For Patty, this is a negotiating concession. She typically charges \$500,000 (and usually receives that amount) as an up-front amount to license the '123 patent, along with a \$10 per sold-unit royalty rate when licensing a third-party to also make the device sold under the '123 patent. Dony very much wants to get into the 3D movie and television technology sphere, but doesn't have its own technology, and needs interoperable technology. The '123 patent, a pioneering invention, is essential to all 3D movie or television technology in the marketplace.

exploited in order to extract minerals from the alien world, but then heroically fights back with the help of a human who has “gone native”.³ A month later, on 2/1/2005, Patty delivers a complete movie script.⁴ Her working title is “Avert-TAR.” Upon receiving the script, the Dony executives remark: “this is wonderful, especially the use of 3D imagery to tell the story!” Dony immediately pays Patty the \$10,000 due. Since then, however, Dony has ignored the project of producing a movie based on the script.

Separately, beginning 1/1/2004, Patty licensed Foundries R’US, Inc. (FRUI) under the ’123 patent. The grant clause gave FRUI the “non-exclusive right to make and sell devices embodying claim 1 of the ’123 patent” (“c1device”). The license also states: “FRUI has the right to sue for patent infringement of the ’123 patent for infringements of claim 1.”

Patty donates money to a charitable project called “one-laptop-per-child.” The project’s goal is to equip developing country children with a low-cost laptop. In addition, Patty has her factory make a special version of the TriChip that only embodies claim 2 of the ’123 patent (“c2device”) and transfers these units to the project. Patty’s arrangement with the project is a short agreement that simply says her company will sell the c2devices to the project and that the

³ Upon delivery of the movie script, Dony is obligated to pay Patty \$10,000. Patty is to receive 1% of any net profits from the movie, if produced. The agreement vests copyright authorship of the movie script with Patty but gives Dony an exclusive license for “any use” for the full term of copyright in the script; the words “any use” are the entire grant clause. Further, the contract allows Dony to produce the movie, or not, at its “full and complete discretion.” Finally, the agreement specifies that for any showings of the movie, or sales via media or online, that whenever any of these occur with 3D technology designed to make use of any device embodying any claims of the ’123 patent (“3D Instances”), then for such 3D Instances Dony will pay Patty 50 cents per 3D Instance.

⁴ Upon handing over the script to the Dony executives, everyone in the room heard Patty remark: “if the movie goes well I don’t think I’ll mind Dony selling TriChips in the eastern U.S. as well.”

project will buy them for \$1/unit,⁵ but that such sales are “conditioned for use within laptop computers” envisioned by the project.

Beginning 1/1/2006, Dony retools one of its U.S. factories and begins making a chip that embodies claim 3 of the '123 patent (“c3device”). During all of 2006, it sells the c3devices in the U.S., but only east of the Mississippi. The factory burns down on 12/31/2006, and Dony does not rebuild it then (and there is no inventory of c3devices left to sell). Thereafter, Dony no longer builds the c3device. During 2007, Dony buys c2devices from the “one-laptop-per-child” project and sells them under its mark, account and warranty in the western continental U.S. (west of the Mississippi river) and in Alaska. During 2008 and 2009, Dony buys c1devices from FRUI and sells them in Hawaii.

Patty had an option to terminate the license with Dony at the end of 2008. Instead, with Patty threatening termination, the parties negotiated the following additions/revisions to the language effective 1/1/2009: (1) “Dony promises to purchase at least 75% of its needed supply of any devices that embody any claims of the '123 patent solely from Patty, and to make the rest of any such needed supply itself”, and (2) the following language is appended to the grant clause – “and further provided that Dony is permitted to exercise the make right for sales under such exclusive right.” With the revised agreement, Dony rebuilds its factory to instead make c1devices and sells those all over the U.S. during 2009.

Patty sues Dony for patent infringement; what outcome(s) for each type of device for each year of 2006 through 2009? Patty also sues to have her movie script produced. Dony claims that it has no obligation to produce, that it has an implied license to sell any otherwise infringing devices in the eastern U.S., asserts patent and/or copyright misuse, and claims that Patty can't sell in the western U.S.; what outcome(s)? Separately, FRUI sues Dony in another court for claim 1 infringement for east of the Mississippi sales of c1devices during 2009; what outcome as to plaintiff's jurisdiction?

⁵ The \$1/unit is below Patty's manufacturing cost, but that is part of her donation effort.

B. Section B (35%)⁶

Frustrated that Avert-TAR has not yet been produced, in early 2009 Patty writes a ten-page epic poem based on the movie script. The poem introduces a few new minor characters while generally following the story arc of the script and its main characters. However, the poem brings forth much greater emphasis on the non-human indigenous population's relationship with its alien world. Patty records herself reading the poem and then posts the recording on a streaming web site where it becomes very popular. By 1/1/2010 she is earning over \$100/day in banner advertising from the poem-audio web site.

While practicing voices to read the poem, Patty perfected a cry for one of the new minor characters: "Arhhh-A-Nnar! Arhhh-A-Nnar!, Arhhh-A-Nnar!" She called the cry the TripleNnar. On the phone one day in early 2009 with a Dony executive, she describes the TripleNnar cry but does not articulate it. The executive says "this sounds like a good idea – if I can hear it I'm sure we can arrange appropriate compensation if we use it." Patty records the TripleNnar, attaches it as a digital audio file to an email to the executive, reminding him of his statement about compensation in her email. However, Patty never again hears from Dony about this, and in early 2010 discovers a new Dony ringtone for its new, very successful, line of cell phones: the ringtone is the TripleNnar cry (acoustic expert analysis confirms for Patty that it is in fact the very same audio file she sent to the Dony executive).

Along with the previously given amendments to Patty and Dony's agreement, the 1/1/2009 amendments also provide: (1) "Dony can label any devices it sells with the mark TriChip (such as by stating 'TriChip Inside!') so long as the device contains either a TriChip device made by Patty, or Dony follows Exhibit A in its manufacturing of the chip it sells under the TriChip mark, and further follows Exhibit A in its use, presentation and policing of the mark TriChip"; and (2) "Dony promises not to challenge the validity of the mark TriChip".

⁶ The Section B facts build on the Section A facts.

Unfortunately, there was no Exhibit A attached to the agreement during the 1/1/2009 amendments. Further, no draft of Exhibit A was ever generated by either party. Patty had never given such a permission, so it had no prior agreements with such an Exhibit A. Moreover, Patty never investigated or monitored Dony's manufacturing practices or use of the TriChip mark. Patty herself had viewed the agreement text about Exhibit A as "boilerplate" without significance.

Also, on 1/1/2009, Patty and Dony amended the movie script agreement as follows: "Patty promises not to copy or transform the movie script work after it has been submitted to Dony."⁷

Patty sues for the taking of her TripleNnar cry;⁸ Dony sues Patty for her poem web site under contract and copyright, and Dony challenges the validity of the TriChip mark; what outcome(s)? FRUI challenges the validity⁹ of the TriChip mark; what outcome?

⁷ Although this is opposite to what is typical in the real world, assume that whatever state law applies under the movie script agreement provides for a much easier standard to obtain an injunction than under copyright law. Also assume that the same state's law applies for the license agreement for the '123 patent. Such state's contract law: liberally allows amendments/revisions of an agreement without scrutiny as to consideration; and liberally allows post-effective-date oral statements by the parties to influence agreement interpretation and/or help evidence modified or additional terms.

⁸ Dony executives admit that the TripleNnar cry is original to Patty, but assert that it is not novel, meaning that other identical (or very similar) cries have been in the public domain for years.

⁹ Assume that FRUI has jurisdiction to bring this challenge.

C. Section C (15%)¹⁰

{ there are no facts for this section }

Compare and contrast Judge Newman's opinions in *Mallinckrodt v. Medipart* versus *Jazz Photo v. ITC*. The purpose of your analysis is not merely to critique the judgment of Judge Newman within each case or between the cases, but to also express the cases' and the course's perspectives/arguments on the following areas of doctrine and policy in patent licensing: (a) exhaustion; (b) the "make right"; and (c) repair versus reconstruction as a way to measure the "make right".

END OF EXAMINATION

¹⁰ This section is independent of the prior two sections.