

## Licensing & Tech. Transfer

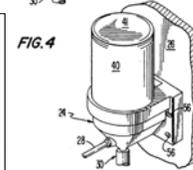
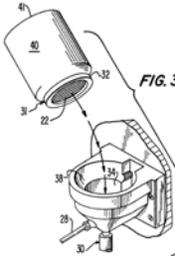
- Module 8
- Reps & Warranties & Liability

## Loew's v. Wolff (S.D. Cal. 1951)

- Wolf & Wolff sell story to Loew's for \$15k
  - Form contract
  - Reps & Warranties: Sec. 4
  - Indemnification: Sec. 6
- Foulstone involvement in story; triggering the law suit
- Marketable and Perfect Title warranty?
  - Express?
    - "complete, unconditional and unencumbered title"
  - Implied?
    - Limit to real estate
    - Analogize to patents; inspiration from Sales Act?

## Chemtron v. Aqua Prods (ED Va. 1993)

- Chemtron sues Aqua for infringement when Aqua installs parts it purchases from Viking
  - UCC §2-312 asserted by Aqua against Viking
- Scope of UCC §2-312 warranty against infringement?
- Preemption . . .



1. A method for dispensing detergent to a washing machine comprising:
- (a) forming a container from plastic material with a shoulder and a neck portion integral therewith prior to insertion of detergent therein;
  - (b) placing the detergent in particulate form within a container, said container having a mouth for receiving the detergent;
  - (c) covering the container mouth with a cover material which is impermeable to particulate matter while permitting passage of water, said covering step being made prior to delivery of said container to said washing machine;
  - (d) said washing machine having an exterior portion and an interior portion, said washing machine having an inlet connected to said interior portion for receiving the detergent, said inlet being in communication with a fixed receptacle facing upwardly, said receptacle having a complementary portion for engaging said container mouth;
  - (e) delivering said container to the vicinity of said washing machine;
  - (f) arranging said container with respect to said receptacle to form a closed path between the container and said inlet, said particulate matter being supported above the inlet by said cover material, within the container and exposed to said inlet;
  - (g) subjecting said particulate material while supported within said container above said inlet to controlled amounts of fluid to dissolve particulate material in the vicinity of the container mouth sufficiently to permit passage of detergent through said cover material and to said inlet; and
  - (h) the step of subjecting said particulate material while supported within said container above and said inlet including spraying fluid from a position exterior to said container through said cover material to said mouth of said container to dissolve material in the vicinity of the mouth in the lower portion of the container while detergent in the upper part of the container remains substantially dry.

## Troxel Manufacturing Co. v. Schwinn Bicycle Co. (6th 1972)

- Fate of Schwinn's Brilando patent?
- Impact on license?
  - Going forward?
    - Drackett (6<sup>th</sup> 1933)
  - For the past?
- Effect of Lear v. Adkins (1969)
  - Federal patent law, and policy behind it, abrogates state law licensee estoppel doctrine; following tenor of Sears-Compco (1964 cases)
  - Case's facts are for royalties going forward
  - Dist Ct applies it to royalties Troxel has already paid to Schwinn
- 6<sup>th</sup> analysis
  - Economic incentives to challenge validity
  - Holdouts trying to be free riders
  - Contingent nature of royalty funds taken by LicOR
  - Channel people away from the patent system?
  - Recoupment still available if patent obtained fraudulently

### Saturday Evening Post v. Rumbleseat (7th Cir. 1987)

- Arbitration clause enforceable in this context
- No-contest clause
  - Rumbleseat as LicEE promises not to contest validity of copyrights of Post
- Monopolistic danger or effect?
- Aspects of a (argued-for) federal law forbidding no-contest clauses
  - Discourage © licensing by LicORs?
  - Might accelerate validity challenges by shifting them ex ante to the licensee?
- Balance pros / cons of the clause via Antitrust law, not ©
- Not inconsistent with *Lear v. Adkins*



### Idaho Potato v. M&M Produce (2d Cir. 2003)

- IPC certification mark challenged by licensee M&M
  - Dist. court vacates jury verdict in favor of IPC for Lanham Act claims
  - Dist. court holds M&M estopped to challenge the mark under no-challenge license provision
- Points of comparison
  - Litigation settlement in patent law (*Flex-Foot* “applying” *Lear*)
  - In trademark, “courts have generally precluded licensees from challenging the validity of a mark they have obtained a right to use”
- Trademark versus Certification mark impact on appellate court’s analysis
  - Nondiscriminatory treatment requirement for certification marks
  - Akin to notion of “ideas into the public domain” under patent law
  - Three reasons: non-QC provision; licensees here perhaps only ones with a reason to challenge; want free market control of cert. mark (4 subpoints)

## Idaho Potato v. M&M Produce (2d Cir. 2003)

The screenshot shows the website for the Idaho Potato Commission. The main navigation bar includes links for HOME, RETAIL, FOODSERVICE, INDUSTRY RELATIONS, and LICENSING. Below this, there are sub-links for GENERAL INFORMATION, TYPES OF LICENSES, LICENSEES, MARKS, DIRECTORY, STORE, and PRESS. The main content area is divided into three columns: 'Start Here' (blue background), 'Application Process' (orange background), and 'Marks' (green background). Each column features a cartoon potato character and a brief description of the service. Below these columns are three sections: 'FYI' (Did You Know?), 'DOWNLOAD CENTER' (listing various PDFs like IPC Statute, Rules of Procedure, and Guidelines for Packaging), and 'FOR ASSISTANCE' (providing contact information for Kathy Ware, including phone and fax numbers, and a 'Send an email' button). The footer contains copyright information for 2010 and links for Terms and Conditions and Contact.

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## Westowne Shoes, Inc. v. Brown Group, Inc. (7<sup>th</sup> 1997)

- Purity program
  - When start?
  - Purpose?
  - How did it change the parties' relationship?
- Basis of Westowne's suit against Brown
  - Licensing K / sales transactions?
  - Dealership law?
  - Contract?
- Dist Ct. result
- Appellate result



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### **DPS v. LH Smith Oil (Ind. App. 1986)**

- DPS to program IBM computers to create an accounting system for Smith Oil
  - Business relationship for two years, then unpaid 1981 billing
  - Trial court jury verdict in favor of Smith
  - Trial court said the software program was a specially manufactured “good” so that UCC treatment applied
- Appellate court: goods categorization was error
  - More like lawyer or doctor
  - Media is merely incidental
- But, judgment can proceed to affirm on common law principles
  - DPS as programmer holding itself out as a trade

### **Rosenstein v. Standard & Poor's (Ill. App. 1993)**

- Rosenstein “losses” on 241 CBOE options contracts in Dec. 1989; the contracts tied to S&P indexes
- License relationship among CBOE, S&P and Rosenstein
- S&P correction obligation and Para. 12(c)
- On Friday, 12/15/1989, 3 minutes of incorrect price on Ford during the p.m.
- Allegation that S&P's provider, ADP, failed to correct
- Correction on Monday, 12/18/1989
  - 92k options contracts impacted
- Negligent Misrepresentation by S&P?
  - 6 elements
  - Rosenstein wants a tort suit, not one for breach of K (disappointed commercial expectations): does the warranty to correct give rise to the requisite duty under element six?
  - Is an information provider in the business of providing information for the guidance of others? (“Moorman exception”)
- Despite some errors by trial court, affirm on strength of clear exculpatory clause, which itself survives background law challenges

## Chodos v. West Pub. (9th Cir. 2002)

- Chodos to write treatise on fiduciary duty (3 yrs; 1,250 pgs)
  - Standard publishing industry agreement?
- Dist Ct. S/J in favor of West; 9<sup>th</sup> reverses
- Chodos attacks on the agreement for quantum meruit
  - Illusory?
    - Not with implied covenant of good faith and fair dealing
  - Valid but breached
    - Perhaps so because of acceptance clause (amplified by cure clause)
- Precedent on the same clause in the standard contract
- Why does quantum meruit make the best sense for damages?

## Torres v. Goodyear Tire & Rubber Company, Inc (Arizona 1990)

- Nature of suit by Torres
- Procedural posture of issue before Arizona Supreme Court
- Tires as goods that carry the tort regime of strict liability
- Who made the tire involved in Torres' accident?
- How was the tire branded?
- Does status as trademark licensor carry strict liability?
- Reasons for/against; effect of level of QC
  - Other points of control by Goodyear over its subsidiaries/licensees

