

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 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 cases to the examination. Besides the course cases and assigned supplemental materials, 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%)

Paul's company, P Industries (PInd), is in the specialty chewing gum market, selling gum under the mark FlavC[®]. Paul coined the mark due to the consistency of the texture of his gum. PInd also sells and services machinery used to make and package chewing gum under the mark FVC[®]. PInd owns three U.S. utility patents.¹ The '001 patent covers a special wrapper with preservative on the inside of the wrapper.² This eliminates the need to put preservative in the gum itself. The '002 patent covers a method of wrapping chewing gum with such special wrapper. The '003 patent covers the FVC[®] FastRapper[®], a device that massages the gum just before the wrapping step to create a desired pliability. In manufacturing/selling FlavC, Paul practices the '001 and '002 patents, and he sells FlavC gum into only two markets: (i) restaurant after-dinner libations; and (ii) educational cafeterias.

Using a modified version of the model non-exclusive patent license agreement ("PatLicK") given in module one of the course materials, in the year 2003, PInd licenses the three patents to: (a) D1A, a food manufacturer and distributor, for the field of grocery store sales; and (b) D2, a manufacturer and wholesaler of after-dinner mints, gums and snacks, who sells directly to restaurants, for the field of restaurant after-dinner libations.³

¹ All the patents remain in force during any time period contemplated in this examination.

² The '001 claims are not tied to chewing gum; they just recite the structure of the wrapper.

³ PInd takes the place of Super in the PatLicK. D1A and D2 take the place of Acme, respectively; and the representation in §3.2 is accordingly modified for the chewing gum market. The grant clause of §4.1 is modified as follows: "4.1 [PInd] hereby grants to [D1A or D2,

During 2004 and 2005, practicing all three patents, D1A sends substantial sums to PInd under §5 of the PatLicK. In 2006, D1A merges into D1B, asking PInd to approve, but PInd says “no” because D1A was headquartered in Connecticut, the state where Paul lived, but D1B is headquartered in Waco, Texas, and Paul says he despises Texans.

Paul discovers that at the start of 2005 D1A purchased a FastRapper[®] (“FR1”) that PInd had sold to a third-party without any restrictions whatsoever. Paul finds this interesting because at the same time D1A purchased a FastRapper[®] (“FR2”) from PInd with a proviso in the bill of sale stating that use was restricted to uses licensed under the PatLicK. Further, Paul discovers that D1A used FR1 and FR2 during 2005 on two separate manufacturing lines to produce gum for sale to the educational cafeteria market,⁴ but that the manufacture and sale of such gum did not read on any claims in ’001 or ’002.

The ’000 patent dominates the ’003 patent in that it also reads on the FastRapper and has a lesser number of elements/limitations in its claims as compared to the ’003 patent. In 2006, PInd buys the ’000 patent from a third-party and tells D2 it must stop using seven FastRappers D2 purchased from PInd in 2005, unless of course D2 is willing to pay more in license fees.

depending on which license] an ~~non~~exclusive license in the field of [insert respective field].” In other words, the nonexclusive license is changed to provide exclusivity in a field. Finally, the patent numbers listed in §2.1 are changed to list only the three PInd patents, and the word “nonexclusive” is struck from the second line of §5.6 and the heading line for §4.

⁴ Any reasonable interpretation would not include the “educational cafeteria market” in either the “restaurant after-dinner libations” or “grocery store sales” markets.

In 2006, PInd implements the PatLicK with D3, giving it the field of convenience store sales, but with \$5 royalty rates at 70% of the model license's stated rates.

D4 is an enterprising company that discovers in 2004 a way to easily harvest from garbage the FlavC gum wrappers. It uses a secret, proprietary process of acid washing ("AW Process") to remove the original preservative and replenish it (in replenished form, the reworked wrapper still fits within the '001 claims). D4 then uses the reworked wrappers to wrap its buffalo jerky nuggets product.⁵ Mr. Jens Jilco, hired to invent by D4, developed the AW Process for his bronze resurfacing hobby, working at home but using chemicals supplied by D4 with management permission. Without D4's permission or knowledge, Jilco licenses the AW Process to PInd in 2006, representing that he owns it and that it is a valid trade secret. PInd pays Jilco \$500,000 for the license, and Jilco sends all the technical information to PInd.⁶

PInd sells a handheld tool called the Cuber[®]. Its only commercial purpose is to wrap a gum piece in a preservative-lined wrapper according to the method of '002. D5 is a not-for-profit entity that helps disabled persons. Each month, D5 purchases hundreds of reworked wrappers from D4 and distributes them to several dozen disabled persons who use the Cuber to wrap gum made by D5 (D5 uses no device that reads on the '003 patent claims). After wrapping, D5 sells the gum to help fund its operations.

PInd sues D1A and D1B for patent infringement; what outcome(s) for each? D2 sues PInd; what outcome(s)? PInd sues D4, including a request for the court to declare that Jilco owned the trade secret in the AW Process; what outcome(s)? Finally, PInd sues D5; what outcome(s)?

⁵ The '002 patent is not implicated by applying the reworked wrappers to jerky nuggets.

⁶ Jilco immediately departs the United States and has not returned.

B. Section B (35%)⁷

PInd has a 2006 trademark license with D3 (“TM Lic”). The TM Lic requires D3 to manufacture and sell gum carrying the mark FlavC using FVC equipment (when available) in order to meet quality specifications for pliability, taste, and freshness. PInd’s FVC line of equipment doesn’t provide all the components needed for a chewing gum production line, however, so the objective specifications are important. The TM Lic says gum pliability must be between 13-16 on the Z-shore scale (which ranges 1-20). The TM Lic also obligated PInd to sue mark infringers. In early 2007, D3’s FastRapper broke. Instead of paying costly fees to PInd to fix the FastRapper, D3 purchased a CheapRapper from a third-party.⁸ At the same time, D3 also fired Mr. Perfect as production line manager, replacing him with a bumbler named Mr. Whitewash. Thereafter, the D3 gum had an average pliability of 9.5. While the rapping device employed impacts pliability, so does the human management of the process as well as several other production line components not available in the FVC line.

The too-low pliability distressed PInd because it had sent two engineers to D3’s facility during all of 2006 to help D3 startup the production line. The PInd engineers advised on all aspects of production, and sales aspects, including product marking and packaging. PInd’s dismay turned to disgust when it was named in early 2008 as a defendant along with D3 on a class action product liability tort lawsuit. It seems that with an average pliability of 9.5, the FlavC gum produced and distributed by D3 was breaking lots of teeth.

⁷ The Section B facts build on the Section A facts.

⁸ With respect to the ’003 patent, the CheapRapper is non-infringing.

Separately, D3 was upset because PInd signed a settlement with Oxford Gum, Inc. allowing it to phase out its infringement of the FlavC mark over two years, during which time Oxford had no obligations to use FVC equipment, or even to meet a Z-shore pliability standard.

Separate from the TM Lic, but at the same time, PInd licensed custom-developed software called PliManager to D3.⁹ The software monitored the parts of the production line impacting pliability. The written license allowed D3 to “use” the software on any number of internal computers, stated that D3 would get a copy of the source code, and prohibited D3 from redistributing the CD disc used to deliver the software. The two PInd engineers delivered version 3.1 of PliManager to D3 on this CD disc upon their arrival to D3, helped D3 install it on a dozen computers, and explained much of its internal aspects. Whitewash modified the source code to drastically change about half of its pliability monitoring functionality.

Later, Whitewash copied the CD disc to a computer network location. He then copied it to seven other network locations. He remarked: “although I can’t redistribute the PInd CD, nothing says I can’t store copies of the CD on the network to make it easier to install it on computers at D3 on different networks.”

PInd sues D3 on the trademark license and related issues arising from its trademark entanglement with D3; what outcome(s)? PInd also sues on the software license for PliManager, alleging that modification and network storage wasn’t allowed.¹⁰

⁹ PInd only distributes CD discs of PliManager to customers of its FVC equipment.

¹⁰ The state UCC code jurisdictionally applicable to the suit over the software license has a provision that would substantially favor D3.

C. Section C (15%)¹¹

{there are no facts for this section}

Compare and contrast the following three areas of doctrine and policy in patent licensing: (a) exhaustion; (b) implied licenses in law; and (c) implied licenses in fact.

END OF EXAMINATION

¹¹ This section is independent of the prior two sections.