

**EXAMPLE ANSWER**  
**COMPILED FROM STUDENT ANSWERS**  
**FOR**  
**LICENSING FINAL EXAMINATION**  
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**NOTES:**

The answers given below are compiled from several student answers. That is, the answer for one section may have been written by a different student than the answer written for another section, etc.

The answers below were selected because they were among the highest point-obtaining answers for a specific area from student answers that earned a high grade on the examination. The answers are provided directly as written by the student, without any spelling or any other type of correction or editing.

These answers do not necessarily touch upon all point-obtaining issues, nor do they necessarily state all points of law and fact correctly. Moreover, they may discuss issues that are not point-obtaining. They are provided as a point of comparison, not as a suggestion that they are a perfect answer.

A. *Section A*

## PInd v. D1A

With respect to its patent infringement claim, PInd (P) will argue that D1A infringed P's '003 patent covering the FastRapper. It is material that P sold the machine to a third party without any restrictions whatsoever because it raises the issue involving an unconditioned sale. A purchaser of a patented device, without any conditions (D1A will argue that the third party was such a purchaser), may use or resell the device anywhere in the US. As such, D1A will argue that the sale to the third party was an exhaustive sale. This exhaustive sale will end the P's right to exclude, and the third party did not infringe the patent by selling the machine to D1A. Further, D1A will argue that it did not infringe P's patent by operating in the educational cafeteria market because of this exhaustive sale.

P will argue that the sale was not authorized because simultaneously D1A purchased a FastRapper from P containing a proviso stating that the use was restricted to uses licensed under PatLick. As such, D1A must have known that any sales of the FastRapper were restricted and conditioned to uses licensed in the agreement. As such, P will argue that D1A infringed P's patent by operating outside the scope of the field of use designated for D1A in the license agreement.

This patent infringement claim will probably be resolved in favor of P, because D1A knew that the sale of the machine was conditioned, and D1A willfully acted outside of the scope of his license.

## PInd v. D1B

An issue arose when DIA merged into D1B. The default rule that patent licenses are personal, non-assignable, and non-transferable also applies in merger situations. Here, it is material that the surviving entity was D1B, which P did not grant a license to. It has been held that personal licenses as the one at issue here does not transfer with a merger. As such, PInd will have a patent infringement claim against D1B to the extent that the surviving entity, D1B practices under P's patents. Further, it is material that P expressly did not consent to the approval of the merger. This will bolster P's argument that D1B was not licensed to operate under P's patents.

## D2 v. PInd

D2 may have a breach of contract claim against P. It is undisputed that D2 was expressly licensed to practice P's patents under the license agreement. P, however, will argue that D2 was only licensed to the three patents '001, '002' and '003 that existed at the time the agreement was signed. As such, P will argue that D2 is not licensed under this newly acquired patent. D2 will counter this argument by saying that D2 license under P's 3 original patents gives rise to an implied license to practice this newly acquired dominant patent. Specifically, D2 will argue that he has an implied license in law to practice what is claimed in the dominant patent. An implied license in law arises when a patentee has licensed or assigned a right, received consideration, and then sought to derogate from the right granted. Here, P licensed D2 to practice P's 3 patents, and it may be inferred that P received consideration in the form of royalties from D2 (the facts sat "unless of course D2 is willing to pay more in license fees," which suggests that D2 has already paid P license fees). As such, P does not have the right to enforce its newly acquired dominant patent against D2 to prevent D2 from realizing the benefit of his bargain. Basically, when a

patent holder licenses a patent, and practice of the patent would infringe another of the patentee's patents (acquired at any time), the licensor is estopped from asserting infringement against the licensee.

D2 may also have a breach of contract claim against P for breaching the most favored nation clause of the license agreement (found in section 5.6). A most favored nation clause is a clause in a license agreement providing that if the licensor gives more favorable terms to another licensee, then the licensee that is subject of the agreement is entitled to those more favorable terms. The most favored nation clause here requires that P should promptly disclose different periodic payments to D2 if P grants additional licenses after the effective date of the agreement. Here, P gave a license to D3 at the end of the agreement. P will argue that there was no need to disclose D3's less favorable terms (70% of the model license's rates) and that, it should be immaterial that P granted another license to D3 because D3 is operating under a different exclusive field than D2. Note: D1A will attempt to make a similar argument, and P will make similar counterarguments in response.

PInd v. D4

There is an issue as to whether D4 infringed P's '001 patent. The issue turns on whether D4 engaged in impermissible reconstruction or permissible repair when it removed the original preservative and replenished it. It is also material that D4 used the reworked wrappers (which read on the '001 claim). If a purchaser of a patented product reconstructs or makes another patented product, he will be infringing the patent. But, mere repair with respect to the patented product is not infringement. P will argue that D4 infringed P's patent by engaging in reconstruction. P will bolster this argument by saying that D4 replinshed spent wrappers--indeed they were spent because they were recovered from the garbage. P will argue that it should be implied that the wrappers were only for a single use--indeed it is reasonable to infer that a reasonable consumer uses a gum wrapper only once without ever using it again. As such, P will argue that because the wrapper was conditioned for only a single use, any reuse is unlicense and the repair v. reconstruction distinction is immaterial. Indeed, because the sale was conditioned, and therefore unlicensed even repair constitutes infringement (and at the very least, D4 engaged in repair).

D4, on the other hand, will argue that it engaged in permissible repair, and as such, did not infringe on P's patent. D4 will argue that merely replenishing the wrappers is more akin to repair than reconstruction because it was merely restoring the wrapper in order to preserve the useful life of the wrapper. D4 may also argue that a conditional sale should not be implied just because we are dealing with a gum wrapper. D4 will argue that P should have included an explicit condition of sale in order to reflect his intent. Otherwise, a seller's intent does not create a limitation on the right of a purchaser to use, sell, repair, or modify a patented product as long as reconstruction of the patented combination. In this regard, D4 will argue that it did not reconstruct the patented combination because by reworking the wrappers, D4 removed the preservative, which was an element of the patent claim. Also, D4 will argue that it is immaterial that D4 was not the original purchaser (which resulted in an exhaustive sale) because the original purchaser threw the wrapper away. D4 is essentially standing in the shoes of the purchaser that discarded the wrapper, and is allowed to engage in permissible repair because of the exhaustion. In fact, as a matter of policy, D4 will argue that it is doing a good thing for the environment in recycling the wrappers and maximizing their utility by putting them to good use.

Jilco own the trade secret in the AW Process?

Under the default rule, the mere existence of an employer-employee relationship does not entitle the employer to ownership of an invention of the employee. As such, D4 is not automatically the owner of Mr. Jilco's invention. Here, the facts suggest that Jilco was hired to invent. If an employee is hired to invent or is assigned the duty of devoting his efforts to a particular problem, the resulting invention belongs to the employer. Here, it is unclear whether J was hired to invent something in particular. Of course, D4 will argue that this is the case, so that it can be declared the owner of the trade secret. If D4 is the owner of the trade secret, then arguably, J misappropriated the trade secret by licensing it P without D4's permission or knowledge. In that case, P will attempt to argue that he is a bona fide purchaser of the secret b/c P paid valuable consideration and was unaware of D4's title in the secret.

Another way to analyze this is if there was a shop right, which if present, would mean that Jilco did not own the trade secret. A shop right is an employer's right to an irrevocable, non-assignable, non-exclusive, royalty free license in an employee's invention, if the employee conceived and developed the invention during the course of employment and used company funds and materials. There are factors that cut in favor of not finding a shop right: Jilco developed the AW Process for his personal hobby, which is not in the scope of employment; Jilco developed the process while working at home instead of on company property. On the other hand there are facts that cut in favor of finding a shop right: Jilco was hired by D4 to invent, and Jilco developed the process using D4's chemicals with management permission.

PInd v. D5

Met Coil Test: Two requirements for the grant of an implied license by virtue of a sale of non-patented equipment used to practice a patented invention: (1) the equipment involved must have no non-infringing uses, and (2) the circumstances of the sale must plainly indicate that the grant of a license should be inferred. P will argue that D5 induced infringement by purchasing the wrappers and distributing them to the infringing disabled persons. However, if it can be established that the disabled were not infringing, then likewise, D5 cannot be liable for infringement.

Here, the only commercial purpose of the Cuber was to wrap gum in a preservative-lined wrapper in accordance with the method of '002. D5 will argue that it has an implied license because the Cuber has no non-infringing use. Specifically, D5 will argue that the Cuber does not have a commercially viable non-infringing use, which will support a finding of an implied license. P will argue that this argument has little merit because a legally acceptable non-infringing uses need not be as profitable as the patented method. Indeed, non-infringing uses need only be reasonable to preclude a finding of an implied license. In this regard, P will argue that there is no implied license because the Cuber has some non-infringing use.

With respect to the second element of the Met-Coil test, D5 will argue that P's unrestricted sales of the Cuber useful only in performing the claimed method of '002 and producing the claimed product satisfies this element. As such, D5 will argue that this supports a determination that D4 had an implied license to practice the patented invention. As such, D5 will argue that D4 is not liable for infringement, and the in the alternative, the exhaustive sale from D4 to D5, precludes a finding of infringement.

*B. Section B*

PInd issues

1) Breach of K

PInd will first argue that D3 breached the trademark license because it is not maintaining the standards set out by PInd in the agreement. Specifically, the pliability standards are not being met and the required equipment is not being used.

A) Pliability Standards

PInd has demonstrated a high degree of control over the aspects of D3's processing. They have sent inspectors, and assisted whenever possible. For this reason, it is likely to be found that PInd has met it's K requirements of good faith and fair dealing.

D3 on the other hand has not abided by the standards set by PInd. Therefore they are in violation of the K. It is unlikely any reasonable reading of the K would permit D3 to act as they have For this reason D3 can prevail on a breach of K claim based on the pliability standards

B) Use of equipment

The K says D3 shall use FVC equipment (when available) in order to meet the specifications. However, this isn't an absolute requirement, and in fact FVC doesn't even sell all the equipment necessary to make the gum. PInd will argue this is part of the reason the gum is bad. Because the K isn't likely a true franchise agreement with its attendant higher control requirements, and is rather more akin to a standard licensee agreement, it is likely D3 will prevail on this aspect of the breach of K claim

2) Product liability

Trademark licensors may be subject to vacarious liability for consumers' personal injuries even though the TM licensor did not make or sell the product directly to the ultimate consumer. Obligation arises from several factors such as 1) risk created by approving an unsafe product 2) franchisor ability and opportunity to eliminate the unsafe character of product, 3) consumers' lack of knowledge of the danger, 4) consumers' reliance on the trade name giving impression that franchisor is liable.

1. risk

PInd did not approve the risk and in fact did everything it could to help decrease the risk. Further PInd, set standards which were not met by D3 This factor weighs against D3

2. Ability and opportunity to eliminate the unsafe character

The facts indicate PInd sent technicians to help fix the problem, and it was more the fault of a poor hire by D3. This factor weighs against D3.

3/4. Consumer lack of knowledge and reliance.

It is very unlikely the consumer is even aware of D3, but likely knows PInd and its products. These factors weigh against PInd.

Ultimately liability is based on the franchisor's control and the public's assumption. Because the public's assumption is more important, for public policy reasons, I suspect PInd would be found

liable in a products liability suit. They should have terminated the license when D3 did not immediately cure.

### 3) Phase out issue

A trademark owner can institute a "phase out" agreement to gradually have an unauthorized mark or similar mark reduced. This is not considered a license because its use isn't permitted over a long period of time. D3 will argue this is unfair, because the agreement gave no obligations for use. Further, because there are no quality provisions, D3 will argue this is tantamount to a naked license and that D3 has in essence abandoned the mark. The policy issue for abandonment is to prevent the creation of public confusion.

PInd will argue it can do whatever it wishes with its own trademark. Especially since there is no indication that D3 is an exclusive licensee. For this reason, D3's concerns over the phase out agreement are unfounded. Further, a phase out agreement is not a naked license.

PInd sues on software license alleging storage wasn't allowed

### 1) Derivation

The license did not give an express right to prepare derivative works. However it did include the word use which some courts have held indicates this is synonymous with 'prepare derivative works' It would depend on the exact wording of the K, but I suspect it would not cover changing over half the code. This is because it was custom developed to monitor the specific liability of the trademarked gum. This was likely never intended by the parties, and so this use of the word "use" should not be implied. They likely meant it could only be used in its intended capacity. SO PInd would likely win in a copyright violation for derivation.

### 2) Storage

A receiver of a software program is not allowed to make more than a back up copy. The specific K provisions indicate that D3 is permitted to use the software on any number of the internal computers and prohibited from redistributing the disk. The facts indicate only that the disk was copied onto the network and used to put the information on different computers. There is no indication the CD was ever redistributed. For this reason, it is likely that PInd would not prevail on this suit.

Further, once software is transcribed onto a medium (in this case a CD) it becomes a Good within a meaning of the UCC. Footnote 10 states a local UCC provision favors D3 and so I take this to mean D3 can use it as intended...for distribution on its internal networks.

*C. Section C*

Under the doctrine of patent exhaustion, an authorized sale of a patented product places that product beyond the reach of the patent, and a purchaser of the patented product may use or resell the product free of the patent. Antitrust policies suggest that patented products should not be unduly restricted after an authorized sale. The overarching policy goal is to prevent unnecessary anticompetitive effect. This doctrine is one of the many examples of the inherent tension between patent law and antitrust law.

An implied license in law arises when a patentee has licensed or assigned a right, received consideration, and then sought to derogate from the right granted.

An implied license in fact arises when the conduct, facts, and circumstances surrounding the parties suggests that the patentee consented to the make, sale, or use of the patented invention.

An implied license in law and an implied license in fact have similar underlying policies. They tend to favor a licensee that has become entangled with the licensor in that they prevent the licensor from accusing the licensee of infringement. In that regard, they are both equitable doctrines because if the licensee has to resort to these to defend against an infringement claim, then it may be inferred that there was no express license between the parties. The implied license in law tends to come up a lot when the licensor buys or otherwise acquires a patent that dominates the technology previously licensed to the licensor. In this regard, it is unfair for the licensor to prevent the licensee from realizing the benefit of his bargain, for which he paid valuable consideration. On the other hand, the implied license in fact arises mainly from the negotiations and the entire course of conduct between the parties.

All three of these areas of doctrine and policy reflect the effort of the law to prevent a patentee/licensor from becoming too powerful (arguably, patentees become too powerful when they unduly extend their right to exclude or encroach on the licensee's rights). The patent system is a compromise: the patentee enjoys the right to exclude for a specified term (which is in effect a kind of monopoly) in exchange for the patentee's technology being freely available to the public at the end of the term. The expiration of a patent and licenses granted by the licensor during the patent term allow for the practice of the patented invention at least to a certain extent. The law wants to encourage this because it encourages innovation overall. These three areas of doctrine and policy provide a means to that end.