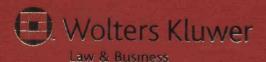
ASPEN PUBLISHERS

MERGES MENELL LEXLEY

TYTELLECTUAL PROPERTY LN THE NEW TECHNOLOGICAL AGE

Fifth Edition



ASPEN PUBLISHERS

Intellectual Property in the New Technological Age Fifth Edition

Robert P. Merges

Wilson, Sonsini, Goodrich, and Rosati Professor of Law and Technology Director, Berkeley Center for Law and Technology University of California at Berkeley

Peter S. Menell

Professor of Law

Director, Berkeley Center for La

University of California at Ierk

Mark A. Lemley

William H. Neukom Professor of Law Director, Stanford Program in Law, Science and Technology Stanford University



© 2010 Aspen Publishers. All Rights Reserved. http://lawschool.aspenpublishers.com

No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission in writing from the publisher. Requests for permission to make copies of any part of this publication should be mailed to:

Aspen Publishers Attn: Permissions Department 76 Ninth Avenue, 7th Floor New York, NY 10011-5201

To contact Customer Care, e-mail customer.care@aspenpublishers.com, call 1-800-234-1660, fax 1-800-901-9075, or mail correspondence to:

Aspen Publishers Attn: Order Department PO Box 990 Frederick, MD 21705

Printed in the United States of America.

1234567890

ISBN 978-0-7355-8913-1

Library of Congress Cataloging-in-Publication Data

Merges, Robert P.

Intellectual property in the new technological age/Robert P. Merges, Peter S. Menell, Mark A. Lemley.—5th ed.

p. cm.

Includes index.

ISBN 978-0-7355-8913-1

1. Intellectual property—United States. 2. Technological innovations—Law and legislation—United States. I. Menell, Peter Seth. II. Lemley, Mark A., 1966- III. Title.

KF2979.I432 2009 346.7304'8—dc22

2009046056

Intellectual Property
in the
New Technological Age

EDITORIAL ADVISORS

Vicki Been

Elihu Root Professor of Law New York University School of Law

Erwin Chemerinsky

Dean and Distinguished Professor of Law University of California, Irvine, School of Law

Richard A. Epstein

James Parker Hall Distinguished Service Professor of Law University of Chicago Law School Peter and Kirsten Bedford Senior Fellow The Hoover Institution Stanford University

Ronald J. Gilson

Charles J. Meyers Professor of Law and Business Stanford University Marc and Eva Stern Professor of Law and Business Columbia Law School

James E. Krier

Earl Warren DeLano Professor of Law The University of Michigan Law School

Richard K. Neumann, Jr.

Professor of Law Hofstra University School of Law

Robert H. Sitkoff

John L. Gray Professor of Law Harvard Law School

David Alan Sklansky

Professor of Law University of California at Berkeley School of Law

Kent D. Syverud

Dean and Ethan A. H. Shepley University Professor Washington University School of Law

Elizabeth Warren

Leo Gottlieb Professor of Law Harvard Law School

About Wolters Kluwer Law & Business

Wolters Kluwer Law & Business is a leading provider of research information and workflow solutions in key specialty areas. The strengths of the individual brands of Aspen Publishers, CCH, Kluwer Law International and Loislaw are aligned within Wolters Kluwer Law & Business to provide comprehensive, in-depth solutions and expert-authored content for the legal, professional and education markets.

CCH was founded in 1913 and has served more than four generations of business professionals and their clients. The CCH products in the Wolters Kluwer Law & Business group are highly regarded electronic and print resources for legal, securities, antitrust and trade regulation, government contracting, banking, pension, payroll, employment and labor, and healthcare reimbursement and compliance professionals.

Aspen Publishers is a leading information provider for attorneys, business professionals and law students. Written by preeminent authorities, Aspen products offer analytical and practical information in a range of specialty practice areas from securities law and intellectual property to mergers and acquisitions and pension/benefits. Aspen's trusted legal education resources provide professors and students with high-quality, up-to-date and effective resources for successful instruction and study in all areas of the law.

Kluwer Law International supplies the global business community with comprehensive English-language international legal information. Legal practitioners, corporate counsel and business executives around the world rely on the Kluwer Law International journals, loose-leafs, books and electronic products for authoritative information in many areas of international legal practice.

Loislaw is a premier provider of digitized legal content to small law firm practitioners of various specializations. Loislaw provides attorneys with the ability to quickly and efficiently find the necessary legal information they need, when and where they need it, by facilitating access to primary law as well as state-specific law, records, forms and treatises.

Wolters Kluwer Law & Business, a unit of Wolters Kluwer, is headquartered in New York and Riverwoods, Illinois. Wolters Kluwer is a leading multinational publisher and information services company.

For my brothers, Bruce, Paul, and Matt.

R.P.M.

For Claire, Dylan, and Noah.

P.S.M.

For Rose, as always.

M.A.L.

Preface

Rapid advances in digital and life sciences technology continue to spur the evolution of intellectual property law. As professors and practitioners in this field know all too well, Congress and the courts continue to develop intellectual property law and jurisprudence at a rapid pace. For that reason, we have significantly augmented and revised our text yet again.

Here is a synopsis of the principal changes in this Fifth Edition:

- We have reorganized the book, integrating the material from Chapter 7 on computer software into the main substantive chapters. In the nearly 20 years since we began this project, the role of software law as a freestanding area of IP has receded, and most people who teach the material that was formerly in Chapter 7 teach it in an integrated fashion. We hope to make that easier by integrating that material into the main chapters
- We have included the Federal Circuit decision in *Bilski* in place of much historical material on patentable subject matter. This is an area in great flux; look for at least one and possibly more Supreme Court decisions on patentable subject matter in the next year.
- We have updated and expanded our coverage of Internet copyright law, including important developments concerning the treatment of online service providers under the DMCA and indirect copyright liability.
- We have substantially revised our treatment of the trademark use doctrine in light of the Second Circuit's *Rescuecom v. Google* case.
- We have coverage of new cases under the Trademark Dilution Revision Act of 2006.

• Finally, we have, with mixed emotions, removed Chapter 8 covering IP and antitrust. It was our impression that very few people taught that material in a survey class. We will make the chapter available online for adopters who wish to include it in their class.

Intellectual property continues to change, and so will the book. We hope this new, integrated edition will make teaching easier.

Rob Merges Peter Menell Berkeley, California

Mark Lemley Stanford, California

November 2009

Acknowledgments

We are indebted to a great many people who have helped us since this project began in 1991. We would like to thank our many colleagues who reviewed earlier drafts of the book and provided helpful guidance. While many of these reviews were anonymous, we have also benefitted from the advice of Lynn Baker, Paul Heald, Tom Jorde, and Pam Samuelson, each of whom read several different drafts of the book as it made its way through the editorial process. We gratefully acknowledge the research assistance of Evelyn Findeis, Edwin Flores, Ryan Garcia, Shari Heino, Toni Moore Knudson, Christopher Leslie, and Barbara Parvis. We would also like to thank Michele Co for exceptional secretarial and administrative assistance in completing this text.

We are grateful to many colleagues for providing suggestions for improving this book. In particular, we would like to thank Fred Abbott, John Allison, Ann Bartow, Julie Cohen, Ken Dam, Robin Feldman, Terry Fisher, Marshall Leaffer, Glynn Lunney, Ron Mann, David McGowan, Chuck McManis, Roberta Morris, David Nimmer, Ruth Okediji, Malla Pollack, Peggy Radin, Jerry Reichmann, Sharon Sandeen, Paul Schwartz, Lon Sobel, Mark Thurmon, and several anonymous reviewers for their comments and suggestions in preparing the second, third, fourth, and fifth editions. We have also benefitted greatly from the research assistance and proofreading of Adam Blankenheimer, Amber Burroff, Brian Carver, Colleen Chien, Sarah Craven, Will Devries, Tom Fletcher, Ryan Garcia, Ines Gonzalez, David Grady, Jade Jurdi, Victoria H. Kane, Jeffrey Kuhn, Michelle A. Marzahn, Selena R. Medlen, Roberta Morris, Pilar Ossorio, Ryan Owens, Stephanie N.-P. Pham-Quang, Laura Quilter, John Sasson, Michael Sawyer, Helaine Schweitzer, Shannon Scott, Laurence Trask, Allison Watkins, Joel Wallace, Emily Wohl, and Tarra Zynda.

Finally, we acknowledge the authors of the following images and excerpts used in this volume with their permission:

Radin, Margaret Jane, Property and Personhood (1982), as revised in Margaret Jane Radin, Reinterpreting Property (University of Chicago Press, 1993). Reprinted courtesy of Professor Radin.

Steinberg, Saul, A View of the World from 9th Avenue, 1976. © 2002 The Saul Steinberg Foundation/Artists Rights Society (ARS), New York. Cover reprinted with permission of The New Yorker. All rights reserved. Xerox advertisement courtesy of Xerox Corporation.

Note: We have selectively omitted citations and footnotes from cases without the uses of ellipses or other indications. All footnotes are numbered consecutively within each chapter, except that footnotes in cases and other excerpts correspond to the actual footnote numbers in the published reports.

Many of the problems in this text are taken from actual cases. However, in many instances we have altered the facts of the case. In most cases we have also altered the names of the parties involved. In a few cases, however, particularly in the trademark and antitrust chapters, we felt that it was important to the problem to use the name of a product or company with which the reader would be familiar. Readers should understand that the problems are hypothetical in nature and that we do not intend them to represent the actual facts of any case or situation.

Intellectual Property in the New Technological Age

Summary of Contents

Contents		xi
Preface		xxiii
Acknowledg	yments	xxv
Chapter 1	Introduction	1
-	Trade Secret Protection	33
	Patent Law	125
Chapter 4	Copyright Law	411
Chapter 5	Trademark Law	733
Chapter 6	State Intellectual Property Law and Federal Preemption	963
Table of Ca	uses	1075
Table of Statutes, Regulations, and Treaties		1087
Index		

Contents

Pre	eface	xxiii
Aci	knowledgments	xxv
1	Introduction	1
A.	Philosophical Perspectives	2
	1. The Natural Rights Perspective	2
	John Locke, Two Treatises on Government	2 2 2 5
	Problem	
	2. The Personhood Perspective	6
	Margaret Jane Radin, Property and Personhood	6
	3. The Utilitarian/Economic Incentive Perspective	11
	a. Promoting Innovation and Creativity	11
	Problem	20
	b. Ensuring Integrity of the Marketplace	21
В.		24
	1. Trade Secret	25
	2. Patent	29
	3. Copyright	29
	4. Trademark/Trade Dress	30
	Problem	31
2	Trade Secret Protection	33
A.	Introduction	33
	1. History	33
	2. Overview of Trade Secret Protection	35
	3. Theory of Trade Secrets	37
В.	Subject Matter	39
	1. Defining Trade Secrets	39
		xi

		Metallurgical Industries Inc. v. Fourtek, Inc.	39
		Problems	48
	2.	Reasonable Efforts to Maintain Secrecy	49
		Rockwell Graphic Systems, Inc. v. DEV Industries, Inc.	49
		Problems	57
	3.	Disclosure of Trade Secrets	58
		Data General Corp. v. Digital Computer Controls, Inc.	58
C.	Mis	sappropriation of Trade Secrets	66
	1.	Improper Means	66
		E. I. duPont deNemours & Co. v. Rolfe	66
		Problem	70
	2.	Confidential Relationship	70
		Smith v. Dravo Corp.	71
		Problems	75
	3.	Reverse Engineering	78
		Kadant, Inc. v. Seeley Machine, Inc.	78
		Problems	83
	4.	The Special Case of Departing Employees	85
		a. Employee Trade Secrets	86
		Note on the Common Law Obligation to Assign Inventions	86
		Note on Contracts That Restrict the Use of Trade Secrets	87
		Problem	89
		Note on Trailer Clauses	90
		b. Noncompetition Agreements	91
		Edwards v. Arthur Andersen LLP	91
		Comprehensive Technologies Intl. v. Software Artisans, Inc.	96
		Note on the "Inevitable Disclosure" of Trade Secrets	100
		Note on Nonsolicitation Agreements	104
			105
D.	Agı	reements to Keep Secrets	107
		Warner-Lambert Pharmaceutical Co. v. John J. Reynolds, Inc.	107
E.	Rei		111
			112
		Note on Criminal Trade Secret Statutes	118
		Note on Federal Criminal Liability for Trade Secret	
		Misappropriation	119
_			
3		Patent Law	125
A.			125
	1.		125
	2.		130
			130
	•		131
	3.		133
В.	_		134
	1.		134
			134
		Diamond v. Chakrabarty	134

		Parke-Davis & Co. v. H. K. Mulford Co.	142
		Problem	146
	Ь.	Abstract Ideas	146
		In re Bilski	147
		Problem	163
		Note on Patenting "Abstract Ideas"	163
		Problems	165
2.	Ut	ility	166
		Brenner v. Manson	167
		In re Fisher	172
		Note on the Patent Office Utility Guidelines	175
		Note on Moral Utility	177
		Juicy Whip, Inc. v. Orange Bang, Inc.	178
		Problem	180
3.	De	escribing and Enabling the Invention	180
	a.	Procedures for Obtaining a Patent	181
	b.	Disclosure Doctrines: Enablement and Written Description	185
		i. Enablement	185
		The Incandescent Lamp Patent	186
		Note on "Analog" Claims in Chemical and Biotechnology	
		Patents: An Exploration of Patent Breadth	191
		ii. The Written Description Requirement	195
		The Gentry Gallery, Inc. v. The Berkline Corp.	196
		Note on "Written Description" and Biotechnology	201
		iii. The Best Mode Requirement	203
		Note on Enablement of Software Claims	204
		Problem	207
4.		ovelty and Statutory Bars	209
	a.	The Nature of Novelty	210
		Rosaire v. National Lead Co.	210
		Note on the Inherency Doctrine	214
	L	Problem Statutogra Para Publications	216 216
	b.	Statutory Bars: Publications In re Hall	216
		Problem	219
			219
	c.	Statutory Bars: Public Use	220
		Egbert v. Lippmann	225
	d	Problem The Experimental Lies Expension	226
	d.	the property of the second sec	226
		City of Elizabeth v. Pavement Company Priority Pules and the First to Invent	230
	e.	Priority Rules and the First to Invent Griffith v. Kanamaru	231
5.	No	onobviousness	235
٥.	110	Graham v. John Deere Co.	235
	2	Combining References	247
	a.	KSR International Co. v. Teleflex Inc.	247
		In re Kubin	256
		Problems	262
	b	"Secondary" Considerations	264

xiv = Contents

С.	Infringement		267
	1.	Claim Interpretation	267
		a. The Proper Role of Judge and Jury in Patent Cases and the	
		Standard of Appellate Review	268
		b. Standards for Construing Claims; Sources of Construction	270
		Phillips v. AWH Corporation	270
		c. Canons of Claim Interpretation	285
		i. Ordinary vs. Contextual or "Particular" Meaning	285
		ii. Contextual Meanings	286
		iii. "Lexicographer" Rule	287
		iv. Disclaimer of Subject Matter	289
		v. "Claim Differentiation": Contextual Meaning from	
		Other Claims	291
		vi. Purpose or Goal of the Invention	292
		vii. Construing Claims to Preserve Their Validity	293
		viii. Narrow Construction Preferred	293
	2.	Literal Infringement	294
		Larami Corp. v. Amron	295
	3.	The Doctrine of Equivalents	300
		a. Basic Issues	300
		b. Prosecution History Estoppel	305
		Festo Corp. v. Shoketsu Kinzoku Kogyo	305
		c. Subject Matter "Disclosed But Not Claimed"	318
		Johnson & Johnson Associates Inc. v. R.E. Service Co., Inc.	318
		d. After-Arising Technologies	322
	120	Problem	325
	4.	The "Reverse" Doctrine of Equivalents	327
	5.	Equivalents for Means-Plus-Function Claims	330
	6.	Contributory Infringement	334
		C.R. Bard, Inc. v. Advanced Cardiovascular Systems, Inc.	334
		Note on Inducement	337
	7	Problem	338
	7.		339
D.	8.	Infringement Involving Foreign Activities	340 343
υ.		fenses The "Europi montal Hee" Defense	
	1. 2.	The "Experimental Use" Defense	343 347
	2.	Inequitable Conduct Kingsdown Medical Consultants, Ltd. v. Hollister Inc.	
	3.	Exhaustion of Patent Rights	347 353
	3.	Quanta Computer, Inc. v. LG Electronics, Inc.	353
		Problem	361
	4.	Patent Misuse	362
	1.	Motion Picture Patents Company v. Universal Film	302
		Manufacturing Company et al.	362
		Note on the Scope of the Patent Misuse Doctrine	367
E.	Int	ernational Patent Law	371
	1.	Procedural Rules	372
		a. The Paris Convention	373
		b. The Patent Cooperation Treaty (PCT)	374