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law outlines



INTELLECTUAL PROPERTY

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ASPEN
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INTELLECTUAL PROPERTY

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The *Emanuel Law Outlines* Series

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My Special thanks to Ken Louden.

**This edition is dedicated to my sons,
Andrew Vinson Louden
and
Robert Barrett Louden**

**Margreth Barrett
February 2004**

Preface

This book was written to assist students with intellectual property survey courses, but you are likely to find it useful for individual courses in copyrights, trademarks and unfair competition, or patents, as well.

The book covers the key substantive points of patent law, copyright law, trademarks and unfair competition, as well as state trade secret, publicity, and undeveloped idea laws. Because survey courses vary greatly in their scope and coverage, you may find that the book covers some issues that your professor did not include in your course. The **Casebook Correlation Chart** makes it easy to identify the sections of this book that correlate to your casebook assignments.

You can use this book in a variety of ways. First, you might read the relevant portion of this book along with your casebook in preparing for class. This book will help you to identify and understand the issues set forth in the cases in your casebook, and thus get more from the cases and class discussion. Alternatively, you might read the relevant portion of this book after each class, for closure and reinforcement. Note also that the **Quiz Yourself** section at the end of each chapter provides a number of short essay problems that you can use to test your understanding of the subject matter as you go along. Compare your responses to the **Sample Answers** that are provided.

This book also provides a good means of reviewing for the final exam. The book summarizes the black letter law in outline form, with lots of useful examples. However, the very best way to study is to go through the process of making your own outline that incorporates material from this book, as well as material from your class notes. (Professors' examples and the policy considerations that are brought out in class discussion often find their way, directly or indirectly, into exams.) The **Quiz Yourself** questions at the end of each chapter, as well as the longer, multi-issue **Essay Exam Questions** at the end of the book, provide a great opportunity to check out your comprehension, while perfecting your exam writing technique. Again, compare your answers to the **Sample Essay Exam Answers**. The night before your exam, you may find it useful to review the **Capsule Summary**, which restates the key rules in each subject area, but leaves out some of the detail.

I should emphasize that this book is not a substitute for reading your casebook, attending class, and taking good notes of class discussions. Class discussions are likely to emphasize and illuminate the policies underlying and driving the substantive rules of law that are summarized in this outline, and bring the rules to life. The case decisions in your casebook provide an important context for the rules, as well as exposure to the essential process of legal reasoning.

Good luck with your intellectual property course! I hope you find this book helpful.

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March 2004

Casebook Correlation Chart

(Note: general sections of the outline are omitted for this chart.
NC = not directly covered by this casebook.)

Emanuel's Intellectual Property Outline (by chapter and section heading)	Barrett: <i>Intellectual Property: Cases and Materials</i> (2d ed. 2001)	Goldstein: <i>Copyright, Patent, Trademark and Related State Doctrines: Cases and Materials on the Law of Intellectual Property</i> (5th ed. 2002)	Kitch & Perlman: <i>Intellectual Property and Unfair Competition</i> (5th ed. 1998)	Merges, Menell, & Lemley: <i>Intellectual Property in the New Technological Age</i> (3d ed. 2003)
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Capsule Summary

This Capsule Summary is intended for review after studying the main outline. Reading it is not a substitute for mastering the material in the main outline. Numbers in brackets refer to the pages in the main outline where the topic is discussed.

CHAPTER 1

INTRODUCTION TO THE STUDY OF INTELLECTUAL PROPERTY

I. GENERALLY

- A. Policy considerations:** Intellectual property law seeks to benefit the general public by providing a rich, diverse, and competitive marketplace. Most intellectual property doctrines are crafted to balance two potentially conflicting public policy goals: (1) to provide an incentive to create by giving creators property rights in the products of their creativity, and (2) to provide the greatest possible public access to products of creativity in order to promote a competitive marketplace. In the case of trademark and related unfair competition doctrines, the law provides businesses limited property rights in their indications of origin as an incentive to develop better products and services, to promote marketplace efficiency, and to protect consumers from deception. [1-2]
- B. Jurisdiction:** Article 1, Section 8, Clause 8 of the U.S. Constitution authorizes Congress to enact patent and copyright laws. The Commerce Clause (Article 1, Section 8, Clause 3) is the basis for Congress's regulation of trademarks and unfair competition. The states retain concurrent jurisdiction to regulate intellectual property under the Tenth Amendment to the Constitution. [2]

CHAPTER 2

THE LAW OF TRADE SECRETS

I. STATUS OF IDEAS OR INFORMATION AS TRADE SECRET

- A. General definition:** A trade secret is information that (1) derives actual or potential economic value from the fact that it is not known or readily ascertainable by others, and (2) is subject to reasonable efforts to maintain its secrecy. The Restatement limits trade secret status to information or ideas used continuously in the plaintiff's business. However, the Uniform Trade Secrets Act has dropped this requirement. [5-6]
- B. Factors considered in determining trade secret status:** In determining whether information constitutes a trade secret, courts will consider: (1) how widely the information is known outside the claimant's business; (2) who within the claimant's company knows the information; (3) whether

the claimant has taken reasonable measures to ensure that the information remains secret; (4) how difficult it would be for others properly to acquire or duplicate the information; (5) whether the information gives the claimant a commercial, competitive advantage over others who do not know it; and (6) how much effort or money the claimant expended in developing or acquiring the information. [6-7]

II. WHEN ACQUISITION, USE, OR DISCLOSURE OF A TRADE SECRET CONSTITUTES AN ACTIONABLE MISAPPROPRIATION

- A. Disclosure or use of a trade secret in breach of confidence:** If the defendant's unauthorized disclosure or use of a trade secret was in breach of confidence, then it is actionable. A duty of confidentiality, which requires the defendant to refrain from disclosing or using the claimant's trade secret without permission, arises when the parties are in a special relationship, such as the agent-principal relationship, a partnership relationship, or a fiduciary relationship such as lawyer-client or doctor-patient. The parties may also create a duty of confidentiality by express or implied contractual agreement that the recipient will not disclose or use the secret without permission. An implied agreement to this effect may be found if the recipient has notice that the trade secret owner is about to disclose the secret to her in confidence and agrees to hear it. [7-8]
- B. Disclosure or use of a trade secret learned from a third party with notice:** If A reveals a trade secret to B under circumstances which impose a duty of confidentiality on B, and B breaches the confidence by revealing the secret to C, C will have a duty not to use or disclose the secret (and will be liable if he does so) if he has notice that the information is a trade secret that is being revealed to him in breach of B's duty. C will be deemed to have notice of this if a reasonable person under similar circumstances would know it or if the reasonable person would be led to make further inquiry and a reasonable inquiry would reveal it. [Note: This reasonable person standard is applied in many other situations, *infra*.] [8]
- C. Disclosure or use of a trade secret learned by mistake with notice:** If A reveals his trade secret to B by accident or mistake and B has notice that the information is a trade secret and is being revealed by mistake, then B has a duty to refrain from using or disclosing the trade secret without permission, and will be liable if he does so. The same reasonable person standard governs the issue of notice as in section B, *supra*. [9]
- D. Continued disclosure or use of a trade secret after receipt of notice:** If C learns A's trade secret from a third person who was breaching his duty, or if C learns the trade secret by mistake, but at the time C has no notice of the secrecy or breach, or of the mistake, then C will not be liable for subsequent disclosure or use of the trade secret. The Restatement provides that if C later receives such notice, she must stop all further disclosure or use at that time unless she can demonstrate either: (1) that she paid value for the secret in good faith; or (2) that she otherwise has so changed her position in reliance on the secret that to require her to refrain from further disclosure or use would be inequitable. The Uniform Trade Secrets Act differs somewhat from the Restatement provisions in the case of trade secrets learned through breach of confidence, providing that good-faith users who have materially changed their position or paid value will not enjoy absolute immunity for use or disclosure after notice, but courts may permit their continued use upon payment of a reasonable royalty for the use. [9-10]
- E. Disclosure or use of a trade secret acquired through improper means:** B will be liable for disclosure or use of A's trade secret if she acquired A's trade secret through "improper means."

“Improper means” includes illegal conduct and conduct which is below generally accepted standards of commercial morality. [10-11]

- F. Acquisition, disclosure, or use of a trade secret with notice that the provider acquired it through improper means:** Acquisition of a trade secret through improper means is itself an actionable misappropriation under the Uniform Trade Secrets Act if the acquirer has reason to know that the means were improper. Moreover, if X acquires Y’s trade secret through improper means and gives it to Z, Z will be liable for subsequent disclosure or use if he has notice that it was a trade secret and was obtained through improper means. The reasonable person standard applies to determine when the defendant will be deemed to have notice. [11]
- G. The effect of the defendant’s modification of the plaintiff’s trade secret:** The fact that the defendant modified or improved the plaintiff’s trade secret before using or disclosing it will not relieve the defendant from liability as long as the plaintiff can demonstrate that the information the defendant used or disclosed was “substantially derived” from the plaintiff’s trade secret. [11-12]

III. PRIVATE OWNERS’ RIGHTS IN TRADE SECRET INFORMATION SUBMITTED TO GOVERNMENT AGENCIES

- A. Government agency disclosure of trade secrets and the takings clause:** Many different statutes on the state and federal level require government agencies to publicly disclose trade secret information submitted to them by private parties. Such a disclosure will only be deemed an unconstitutional “taking” if, at the time the private party submitted the trade secret, he had a reasonable, investment-backed expectation of confidentiality. He is unlikely to be deemed to have had such an expectation unless, at the time he submitted the trade secret to the agency, there was a statute expressly prohibiting the agency from disclosing the trade secret. [12-13]

IV. USE AND DISCLOSURE BY EMPLOYEES AND FORMER EMPLOYEES

- A. In the absence of an express agreement:** An employee owes a duty of confidentiality to his employer, which prohibits him from using or disclosing trade secrets that the employer discloses to him within the scope of his employment. Moreover, if the employee was especially hired to create information of the type involved for the employer, and the employer has placed time and resources at the employee’s disposal for that purpose, then an implied agreement will be found between the parties that any trade secrets developed by the employee within the scope of his employment will belong to the employer and the employee will have a duty not to disclose or use them without the employer’s permission. [13]
- 1. When the trade secret belongs to the employee:** If the employee was not hired to create information of the type involved, but nonetheless creates a trade secret during the course of employment, the trade secret will be deemed to belong to the employee, and the employee will be entitled to use or disclose it as he will. However, if the employee used the employer’s work time, facilities, or supplies to develop the trade secret, then the employer will have a “shop right” in it — a nonexclusive license to use the employee’s trade secret. [13-14]
- B. In the case of an express agreement:** An employer and employee may expressly agree that the employee will not disclose the employer’s trade secrets and/or that the employee will assign all his

inventions in advance to the employer. In addition, an employer may require the employee to sign a covenant not to compete with the employer for a specified time in a specified geographical area after leaving the employer. However, courts are less likely to enforce agreements not to compete because they are against public policy. Generally, courts will only enforce such covenants if the employer demonstrates that the employee has the employer's trade secrets or other confidential proprietary information. Even then, courts will hesitate to enforce the agreement unless: (1) it is reasonably necessary in order to protect the employer; (2) the agreement is reasonable as to the time and geographical area in which the employee is restricted from competing; (3) the restrictions are not harmful to the general public; and (4) the restrictions are not unreasonably burdensome to the employee. [14-15]

- C. The doctrine of inevitable disclosure:** Under the doctrine of inevitable disclosure, which has been adopted in some jurisdictions, the court will enjoin a plaintiff's former employee (at least temporarily) from taking a new position if: (1) the former employee knows the plaintiff's trade secrets; (2) the former employee's new job duties are so similar or related to those of his former position that it would be difficult for him not to rely on or use the plaintiff's trade secrets; and (3) the former employee or his new employer cannot be relied on to avoid using the trade secrets. [15-16]

V. REMEDIES FOR TRADE SECRET MISAPPROPRIATION

- A. Injunctions:** A defendant may be enjoined from using or disclosing the plaintiff's trade secret. Jurisdictions differ regarding the appropriate length of such injunctions. Most limit the length of the injunction to the duration of the secrecy. [16]
- B. Damages:** Damages may be measured by: (1) the profits the plaintiff lost as a result of the defendant's misappropriation; (2) a reasonable royalty for the defendant's use of the trade secret; or (3) the amount of the profits the defendant made as a result of the misappropriation. [16]
- C. Criminal prosecution:** Many states have made theft of trade secrets a criminal offense. The Economic Espionage Act of 1996 makes it a federal crime in many situations. [16-17]

CHAPTER 3

PATENTS

I. UTILITY PATENTS

- A. The nature and term of a utility patent:** A utility patent gives its owner exclusive rights in an invention for a limited term. For many years the term lasted 17 years from the date the patent was issued. However, for patents issued on applications filed after June 8, 1995, the term begins on the date the patent issues and lasts for 20 years from the date the application for patent was filed. [21]
- B. Limitations on patents:** Patents are only available for those inventions that are non-obvious, novel and useful, and are fully disclosed. If the Patent and Trademark Office (P.T.O.) grants a patent, this creates a legal presumption that the invention meets these criteria, but a patent may be challenged in court, either through a declaratory judgment action or through an invalidity defense in an infringement suit. Appeals in patent cases go to the Court of Appeals for the Federal Circuit. Reissue and reexamination procedures provide means to obtain P.T.O. review of issued patents. [21-23]

II. STATUTORY SUBJECT MATTER OF A UTILITY PATENT

Patent Act §101 authorizes utility patents for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” A newly discovered use for a known process, machine, manufacture, or composition of matter may qualify as a patentable process. [24]

- A. Naturally occurring vs. man-made things:** Patents may only be granted for “man-made” things, not for naturally occurring things. However, patents are not restricted to inanimate matter — a patent may be granted for living matter that has been altered by an applicant to have characteristics it would not have had naturally. [24-25]
- B. Laws of nature and abstract ideas:** The Supreme Court has held that laws of nature and abstract ideas may not in themselves be the subject of a patent. Under this rule, the Court reasoned, computer programs, which are comprised of mathematical algorithms, are not patentable by themselves. However, a process or apparatus that incorporates a computer program as one step or element may be patentable. In recent case decisions, the Court of Appeals for the Federal Circuit has held that claimed inventions that incorporate mathematical algorithms — both machines and processes — constitute patentable subject matter if the claimed mathematical algorithm is applied to produce a useful, concrete, tangible result without preempting other uses of the mathematical principle. [25-26]
- C. Business methods:** Recent case law has established that business methods are patentable subject matter. [26-27]
- D. Medical procedures:** Medical procedures are patentable, but remedies for infringement of such patents are limited in some cases. [27]

III. THE NOVELTY STANDARD

The novelty standard is set forth in §§102(a), (e), and (g) of the Patent Act. [27]

- A. Subsection 102(a):** Subsection 102(a) says that a patent must be denied if: (1) the applicant’s invention was known by others in the United States before the applicant for patent invented; (2) the applicant’s invention was used by others in the United States before the applicant invented; (3) the applicant’s invention was described in a printed publication in the United States or a foreign country before the applicant invented; or (4) the applicant’s invention was patented in the United States or a foreign country before the applicant invented. The focus is on the actions of persons other than the inventor/applicant prior to the date the inventor/applicant made the invention. [27]
 - 1. When an invention is “known by others”:** To have been “known by others” in the United States prior to the applicant’s invention date, the invention must have been: (1) “reduced to practice,” actually or constructively, or otherwise described in a writing sufficiently to enable a person with ordinary skill in the relevant art to make it without undue experimentation; and (2) accessible to the public. [27-28]
 - 2. When an invention will be deemed “used by others”:** To be “used by others” in the United States prior to the applicant’s invention date, the invention must have been: (1) reduced to actual practice; and (2) used in the manner for which it was intended by its inventor. Also, (3) its use must have been accessible to the public. [28]
 - 3. When an invention will be deemed described in a printed publication:** To find a “printed publication” which anticipates an applicant’s invention, several considerations are relevant.

First, the publication must have been “printed.” This requirement will generally be satisfied if it was reduced to a discernible tangible, permanent form. Second, there must have been a “publication.” A publication generally will be found if an interested American, exercising reasonable diligence, could obtain the information. Third, the alleged printed publication must have set forth sufficient information about the invention to enable a person with ordinary skill in the art to make it without further experimentation. [28-29]

4. **When an invention will be deemed patented:** In order for an invention to be anticipated by a prior patent under §102(a), it must appear that: (1) the applicant’s invention was the actual subject of the patent monopoly; (2) the patent effectively granted rights in the invention before the §102(a) applicant invented; and (3) the patent disclosure was available to the public before the §102(a) applicant’s invention date. [29-30]
- B. Subsection 102(e):** Subsection 102(e) denies a patent to an applicant if: (1) before she invented, the same invention was described in an application for patent that was pending in the P.T.O.; and (2) the pending application was ultimately published or granted. [30]
- C. Subsection 102(g):** Subsection 102(g) prohibits B from obtaining a patent if A made the same invention in the United States before B did, and A did not abandon, suppress, or conceal the invention. [30]
1. **Identifying the first to invent:** Invention entails (1) an inventive concept, and (2) reduction of the inventive concept to actual or constructive practice. It is presumed that the first person to reduce the concept to practice is the first to invent, but this presumption can be rebutted. If the second person to reduce to practice can demonstrate that she was the first to conceive of the invention and was diligent in reducing the concept to practice from a time prior to the other’s conception date, she will be found to be the first inventor. [30-31]
 2. **Abandonment, suppression, and concealment:** A (the first inventor) will not be deemed to have abandoned, suppressed, or concealed the invention as long as she was engaged in reasonable efforts to bring the benefit of the invention to the public. It is not necessary for A to file for a patent. She may bring the benefit of the invention to the public by introducing it to the market or by writing about it. If A did abandon, suppress, or conceal her invention, but resumed activity with regard to it before B invented, A can rely on her date of resumption as her date of invention, and still prevent B from obtaining a patent. [31-32]
 3. **Earlier invention abroad:** Section 102(g) also prohibits a patent if the invention was made earlier in a foreign country and was not abandoned, suppressed, or concealed if the earlier foreign invention date is established in a patent interference proceeding consistent with Patent Act §104. [52]

IV. THE STATUTORY BAR AND INVENTOR REQUIREMENTS

The statutory bars are set forth in Patent Act §§102(b), (c), and (d). The inventor requirement is set forth in §102(f). [32]

- A. Subsection 102(b):** Subsection 102(b) provides that a patent must be denied if, more than one year prior to the date the application was filed: (1) the invention was in public use in the United States; (2) the invention was on sale in the United States; (3) the invention was described in a printed publication anywhere in the world; or (4) the invention was patented anywhere in the world. Thus, the focus in this section is on the actions both of the inventor/applicant and others more than one year before the application was filed. Subsection (b) may be viewed as a form of statute of limitations.