

CHAPTER 2

PROTECTION OF INTELLECTUAL PROPERTY ASSETS THROUGH PATENT AND COPYRIGHT LAW

CHAPTER SUMMARY

This Chapter introduces the basic field of intellectual property law and focuses specifically on patent law and copyright law. (Trade secret law is addressed in Chapter 3 and trademark law is discussed in Chapter 6.) The Chapter discusses the nature of patent and copyright protection and the processes by which patents and copyrights are obtained. In addition, for each area, the Chapter discusses the elements required for proving infringement, the defenses available to defendants, the remedies provided, the procedures for obtaining international protection of these assets, and Internet issues.

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LECTURE CONSIDERATIONS

1. There are many intellectual property law amendments proposed and/or pending as this book goes to press, particularly in the patent law area. You may wish to do an electronic search to update the materials as you go into the classroom.
2. Intellectual property law can be misleading to students because costs and attorneys fees are often available in this area as a result of specific statutory provisions. It is important to explain to students early on the general rule regarding availability of costs and attorneys fees under the American system, and to emphasize that intellectual property law is an exception, not the norm, in this regard.
3. Students often find it interesting to see actual patents. It is particularly helpful to show them both a utility patent and a design patent, so that they can compare and contrast the two forms of patents. Patents are available on the PTO's Web site at <http://www.uspto.gov>
4. Updated Patent Statistics (Exhibit 2.3) can be found on the PTO's Web site at <http://www.uspto.gov>
5. One of my favorite quotes regarding patents is found in Mark Twain's *A Connecticut Yankee in King Arthur's Court*: "[T]he very first official thing I did, in my administration—and it was on the first day of it, too—was to start a patent office; for I knew that a country without a patent office and good patent laws is just a crab and couldn't travel anyway but sideways or backwards." Ask your students what they think about this quote. You might point out that one of the early statutes passed by Congress was the Patent Act of 1790. Why would that be so?
5. Copyright registration forms are available on the Copyright Office's Web site at www.copyright.gov. Have your students contrast and compare the patent application process to the copyright registration process—the former is far more complex and rigorous than is the latter, reflecting the fact that patent provides a much stronger form of protection than does copyright.
6. Under both patent and copyright law, corporate officers and/or managers can be held personally liable for infringement under certain circumstances. The individual liability of managers is mentioned in later Chapters of the book as well. You may wish to spend some time at this early juncture emphasizing to students the very real personal risk that they as future managers may run if their corporation fails to heed the law and they personally participate in the wrongful behavior.

For a listing of examples of the types of cases in which corporate officers have been held personally liable for copyright infringement, see *Famous Music Corp. v. Bay State Harness Horse Racing & Breeding Assoc., Inc.*, 423 F. Supp. 341 (1977).

7. If you wish to focus on court structure at this juncture, you could point out to the students how appeals in patent cases go to the U.S. Court of Appeals for the Federal Circuit, but appeals in copyright cases go to the regular circuit courts of appeals. Court structure is discussed in more detail in Chapter 1.
8. For some interesting examples of parody and fair use, see *Lawsuit Not this Court's Baby*, *The National Law Journal*, p. A23 (Jan. 13, 1997); *9th Circuit: O.J. 'Cat in the Hat' Parody Book is not Fair Use*, *The National Law Journal*, p. A6 (Apr. 14, 1997). Both articles contain photographs of allegedly parodying works. In the first example, the court found that an advertising campaign for the movie "Naked Gun 33 1/3" showing actor Leslie Nielsen's head superimposed on the body of a pregnant woman was a non-infringing parody of the famous *Vanity Fair* magazine cover showing a photograph of a naked, pregnant Demi Moore. (The trial court's decision was affirmed in *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998)).

In the second example, the 9th Circuit determined that a book satirizing the O.J. Simpson double-murder trial, entitled "The Cat *Not* in the Hat!" infringed upon Dr. Suess' famous "The Cat in the Hat" book. See *Dr. Suess Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997).

For a more recent example, look at the dispute surrounding JibJab's use of "This Land is my Land" in connection with a humorous clip involving the 2004 presidential election. The clip can be found at www.jibjab.com; click on Originals, and look for "This Land." Ludlow Music, the holder of the copyright in the original song, alleged that JibJab's use of the song was copyright infringement. JibJab responded that they had made a parodic fair use of the song, and that the song's copyright had expired in any event. The parties eventually settled and the lawsuit was dropped. An internet suit will reveal ample background information on the dispute.

9. The U.S. Supreme Court heard oral argument on *In re Bilski* in November, 2009, as this book was going to press. A decision is expected in early 2010. It is possible that the Supreme Court will radically change the business methods patent landscape as a result of this decision.
10. The global intellectual property law system is complex. A good short article on this topic is David J. Silvia, of Edwards Angell Palmer & Dodge, *Strategies for Cost Effectively Securing and Maintaining Foreign Patent Rights*, available on www.lexology.com, Oct. 23, 2009. For a more detailed discussion, see Blish, Davies & Owen, *Securing Global Patent Protection*, ACC Docket 22, no. 4 (April 2004); 42-59.

A good book on international intellectual property law in general is Dutfield & Suthersanen, *Global Intellectual Property Law* (Edward Elgar 2008).

11. The PRO-IP Act of 2008 is very recent, and there was little information available on its application or effectiveness as this book went to press. You may want to look for

recent information about the Act when you teach this material; you might be able to generate an interesting class discussion about the effectiveness of the Act.

12. A good example of a very recent case involving vicarious liability for copyright infringement is *Corbis Corp. v. Starr*, 2009 U.S. Dist. LEXIS 79626 (N.D. Ohio Sept. 2, 2009). This case is also the basis for Essay Question number 7 below.

NOTES ON CASE ILLUSTRATIONS

C.I. 2.1 *Feist Publications v. Rural Telephone Services*

The case illustrates well the distinction between facts and compilations of facts, and why the former are not protected by copyright but the latter may be. The case also contains a good discussion of what “originality” means in the copyright arena—the threshold here is much lower than most students suspect.

Novelty in the patent area means that the work was not previously known to the public (i.e., not published, not the subject of an earlier patent, etc.). *Originality* in the copyright area means that the work was independently created by the author and contains some minimal degree of creativity. A work can be original without being novel if by chance two authors manage to independently create identical works, and both authors may obtain a copyright. By contrast, if two inventors independently create an invention, only the first to invent is entitled to a patent.

The facts contained in the listing—i.e., the names, towns, and telephone numbers of Rural’s subscribers—could not be copyrighted because facts do not contain sufficient originality. If facts have been selected, coordinated, or arranged in an original way, that selection, coordination, or arrangement may be copyrighted. Here, however, Rural had simply listed the subscribers in alphabetical order—a commonplace method of arrangement that lacked all creativity or originality, and so could not be copyrighted.

Discussion Questions 11 & 12 provide a good contrast to this case.

C.I. 2.5 *Campbell v. Acuff-Rose Music, Inc.*

Good background on this dispute can be found at <http://www.benedict.com/audio/Crew/Crew.asp> The site contains links to audio clips of the two songs, so you can play them in the classroom to allow the students to compare and discuss the similarities between the two versions.

NOTES ON DISCUSSION CASES

D.C. 2.1 *Diamond v. Chakrabarty*

This case is a good vehicle for discussing statutory interpretation and the relative roles of the courts and the legislature in making and interpreting law. It also provides a useful vehicle for discussing the use of legislative history in statutory interpretation.

Answers to Questions for Discussion

1. The legislative history of the 1952 Patent Act indicates that Congress intended statutory patent subject matter to “include anything under the sun that is made by man.” The courts have established that certain things cannot be patented, however, including the laws of nature, physical phenomena, and abstract ideas.
2. The legislature’s role is to create statutory law by enacting legislation. The courts’ role is to construe that language, giving effect to the legislature’s intent. If the legislature disagrees with the court’s construction of the statutory language, the legislature may enact new legislation clarifying its intent or creating a different law.
3. The court always begins with the language of the statute. The court gives words their “ordinary, contemporary, common meaning,” unless the words are otherwise defined by the statute. If the language is unambiguous, the court will apply the statute as written. If the statutory language is ambiguous, the court must interpret the statutory language, guided by legislative history and statutory purpose.

D.C. 2.2 *Pfaff v. Wells Electronics, Inc.*

This case allows you to explore the meaning of the “on-sale bar” for the purpose of the statutory bars of the Patent Act. You can craft an interesting assignment for the students by having them read a recent (short) opinion by the Federal Circuit in *American Seating Company v. USSC Group, Inc.*, 514 F.3d 1262 (Fed. Cir. 2008), which addresses the “public use” bar of the same section of the Patent Act. Where do these two tests come from, and what were Congress’ policy objectives in passing these provisions. How are they similar? In what ways are they different?

Answers to Questions for Discussion

1. Pfaff’s invention was ready for patenting on or before April 8, 1981 (his “critical date”), which was the date on which he accepted a purchase order from Texas Instruments. The court found that as of that date, his invention was sufficiently described within his drawings such that a person skilled within the art could practice the invention (i.e., constructive reduction to practice). That meant that Pfaff had one year from that date (i.e., to April 8, 1982) in order to file his patent application. Pfaff

did not actually file until April 19, 1982, and so his patent application was 11 days too late.

2. The on-sale bar applies when, prior to the critical date:
 - a) the product is the subject of a commercial offer for sale; and
 - b) the invention is ready for patenting (either actual or constructive reduction to practice).
3. He should have filed his patent application in a more timely manner (you might want to point out to the students the consequences here of being just 11 days too late—Pfaff lost his right to a patent on his invention, and there is nothing he can do to remedy that situation now. In real life, deadlines do matter!).

D.C. 2.3 *Community for Creative Non-Violence v. Reid*

This case provides a good opportunity to discuss the meaning of “bench trial” and the difference between a jury trial and a judge trial, as well the circumstances under which a jury trial is available and/or advisable.

The case also provides a good opportunity for discussing the notion of “circuit splits” and how differing interpretations of the law can persist across the circuits unless and until the Supreme Court agrees to resolve the split by granting certiorari.

The case also allows you to discuss the nature of statutory interpretation and the general principles of agency law (if you choose to go into this topic in your course).

The “work for hire” doctrine is a critical one for managers to understand, so it is worth spending some time on this case.

The case also allows you to discuss the difference between “title” and “copyright ownership.” There was no doubt in this case that the title to the sculpture belonged to CCNV; the question was whether CCNV or the sculptor held the copyright.

You can easily find a photo of this sculpture on the internet to show the students in class. You can also find a copy of the final order in the case after remand at *Community for Creative Non-Violence v. Reid*, 1991 U.S. Dist. Lexis 21020 (D. D.C. Jan 7, 1991).

Answers to Questions for Discussion

1. The Court determined that Reid was an independent contractor. In determining this, the Court looked to the common law of agency to determine whether Reid qualified as an employee. (If he was an employee, he could not be an independent contractor,

and vice versa.) The Court considered the following factors in making this determination (specifically noting that no one factor was determinative):

- a. The hiring party's right to control the manner and means by which the product is accomplished;
 - b. The skill required;
 - c. The source of the instrumentalities and tools;
 - d. The location of the work;
 - e. The duration of the relationship between the parties;
 - f. Whether the hiring party has the right to assign additional projects to the hired party;
 - g. The extent of the hired party's discretion over when and how long to work;
 - h. The method of payment;
 - i. The hired party's role in hiring and paying assistants;
 - j. Whether the work is part of the regular business of the hiring party;
 - k. Whether the hiring party is in business;
 - l. The provision of employee benefits; and
 - m. The tax treatment of the hired party.
2. If the individual is an employee, the work automatically qualifies as a "work for hire" under Section 101 of the Copyright Act, and the copyright belongs to the employer. If the individual is an independent contractor, the copyright belongs to the individual *unless*:
- a. the work fits within one of the specific categories listed in Section 101 (a work specially ordered or commissioned for use as a contribution to a collective work, as part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas) *and*
 - b. the parties have expressly agreed in a signed writing that the work shall be considered a work for hire.
- (If both of these elements are met and the work qualifies as work for hire, the copyright belongs to the hiring party.)
3. The Court remanded the case for a determination of whether Reid and CCNV were joint authors of the work and thus co-owners of the copyright in the work. Because the trial court had erroneously determined that the sculpture was a work for hire, it had never considered this issue.

D.C. 2.4 *JCW Investments, Inc. v. Novelty, Inc.*

It is possible to buy a copy of Pull-my-Finger-Fred on eBay or other internet sites, if you are so inclined. Students usually seem to enjoy seeing him. (I leave it up to you whether they hear him as well.).

Answers to Questions for Discussion

1. Pull-my-Finger-Fred is a sculptural work.
2. Only expressions of ideas are protected by copyright law, not the ideas themselves. The idea here, in the words of the trial court, is of “a plush doll that makes a farting sound and articulates jokes when its finger is activated.” As the appellate court notes, it is Tekky’s expression of that idea—“this particular embodiment of that idea”—that is protected. These include the details, “such as the appearance of Fred’s face or even his chair.” As the appellate court notes, Novelty could have come up with another plush doll of a farting middle-aged man that would appear nothing like Fred.
3. Normally, copying can be shown by (1) direct evidence (which is often hard to come by) or (2) circumstantial evidence, as shown by the “access plus similarity” test. The court states, however, that it is not essential to show access where the “two works are so similar as to make it highly probable that the later one is a copy of the earlier one.”

Note that where access plus similarity is used to establish liability, the defendant has the opportunity to rebut the inference of copying by demonstrating he or she independently created the work. Two individuals who independently create even identical works each have a copyright in the work they created. (Note how very different copyright law is from patent law in this respect.)

4. The corporate receipt doctrine states that where the defendant is a corporation and one of its employees has access to plaintiff’s work, the court can find that another employee also had access to that work.

D.C.2.5 *A.V. v. iParadigms, LLC***Answers to Questions for Discussion**

1. Section 107 of the Copyright Act codifies what had previously been a common law test. In evaluating whether “fair use” exists, the court must consider:
 - (a) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

- (b) the nature of the copyrighted work;
- (c) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (d) the effect of the use upon the potential market for or value of the copyrighted work.

These factors are nonexclusive (which means that the court can consider other relevant factors as well), and none of them is determinative.

2. The appellate court was reviewing the grant of summary judgment by the trial court to the defendant, iParadigm, Inc. When ruling on a motion for summary judgment, the court must view the evidence in the light most favorable to the non-moving party.
3. This question presents an opportunity for critical thinking. If your students have any experience with turnitin.com, this question in particular is likely to generate some good class discussion.

ANSWERS TO DISCUSSION QUESTIONS

1.
 - a. Utility patent
 - b. Neither (but trademark protection would be available)
 - c. Copyright (on the expression of the idea only)
 - d. Utility patent
 - e. Design patent
 - f. Utility patent
2. The appellate court said no. First, the validity of a design patent does not depend upon whether the article is visible during use. Rather, the Patent Act requires only that the design be of an article of manufacture and meet the statutory requirements of novelty, non-obviousness, and ornamentality. Second, the “ornamentality” test requires only that the design be non-functional, not that it be attractive. *Seiko Epson Corp. v. Nu-Kote International*, 190 F.3d 1360 (Fed. Cir. 1999)
3. The court dismissed Rotec’s claim. There was no evidence that the defendants had offered to sell the patented invention in the U.S., and no evidence that the defendants supplied or caused to be supplied any component of a patented invention in the U.S. The Patent Act does not reach activities that occur solely outside the U.S. *Rotec Industries v. Mitsubishi Corp.*, 215 F.3d 1246 (Fed. Cir. 2000)

4. The court ruled that Chung's invention did not meet the standards for a design patent because the design of the packet was primarily functional (in that it allowed cigarettes to be removed by their length and not their ends, thus promoting hygiene), and not ornamental. *In re Uie S. Chung*, 2000 U.S. App. LEXIS 24916 (Fed. Cir. Oct. 4, 2000)
5. Konrad's patent was invalid under the public use bar of section 103 of the Patent Act. More than one year prior to his patent application date, Konrad had made public demonstrations of the invention (with no expectation or requirement of confidentiality). Although an inventor may test his invention in public without running afoul of the public use bar, but there was no evidence here that Konrad was actually engaged in a test of his invention. Factors that courts normally consider in making this evaluation include:

the nature of the activity that occurred in public; the public access to and knowledge of the public use; whether there was any confidentiality obligation imposed on persons who observed the use; whether persons other than the inventor performed the testing; the number of tests; the length of the test period in relation to tests of similar devices; and whether the inventor received payment for the testing.

Here, there was no evidence that Konrad's 1991 demonstration was an attempt of experience in order to improve his invention; rather, the court concluded, "Konrad's demonstration was geared more toward making the remote database object more commercially attractive, with endorsements from outside technical people, than to for experimental use purposes." *Netscape Communications Co. v. Konrad*, 295 F.3d 1315 (Fed. Cir. 2002).

6. Although Winterland had made "noticeable alterations" to the photograph, the majority concluded that the alterations "failed to destroy the essentially photographic quality of the image on its T-shirt." The court stated:

The precise shapes of the two boats, their positions in the water, their spatial relationship to each other – all remain perfectly distinct and (apart from the horizontal flip) identical to the original. [E]ven most of the finer details of the original photo – the stitching and insignia in the sails, the positions of the crew members, the reflection of a boat in the sun-dappled water – remain visible and unaltered. The smoothing out of the background and reconstruction of the sail tip are within the range of cosmetic retouching we see in media photographs every day. Apart from the sail tip, none of the elements of the T-shirt image that can be said to "illustrate" anything were added by Winterland – they were simply scanned from Mendler's photo. Despite the differences in appearance, no one familiar with the original can fail to recognize this. The T-shirt image thus remains essentially what it was at the moment

it was transferred from Mendler's slide to the hard drive of Winterland's computer: a photographic reproduction.

The majority thus concluded that Winterland's use of the photo exceeded the terms of the license, was an unauthorized use, and so infringed Mendler's copyright.

The dissent argued that the license allowed Winterland to use "whatever illustration process it finds most appropriate" and that this digitally-scanned and manipulated image, while obviously based upon the photograph, was not the photograph itself. Thus, the dissent would have found that the use was within the scope of the license and that no infringement had occurred. *Mendler v. Winterland Production, Ltd.*, 207 F.3d 1119 (9th Cir. 2000)

7. No. Copyright protects the *expression* of ideas, not the ideas themselves. Here, there was no evidence that the defendant had access to the copyrighted product; thus, there could be no copying of the protected expression. *Fashion Victim, Ltd. v. Sunrise Turquoise, Inc.*, 785 F. Supp. 1302 (N.D. Ill. 1992)
8. The court found that the defendants had infringed upon Brown's copyright. To show unauthorized copying, the plaintiff must establish copying in fact and "substantial similarity" between the copy and the plaintiff's original. A plaintiff can show copying in fact by either: (1) providing direct evidence of copying or (2) by providing circumstantial evidence of copying that demonstrates the defendants' access to her work and "substantial similarity" between the works.

While the idea of two figures with a bird flying overhead is not copyrightable, Brown's distinctive and particular expression of that idea is. Here, there is direct evidence of copying in the form of McCormick's statements in her book that she copied Brown's design. The minor changes that McCormick made, in reversing the alignment of the crow and adding a sun, do not alter the fact that McCormick made an unauthorized copy of Brown's design.

The court concluded that the defendants had infringed Brown's copyright, but had not acted willfully in doing so. The court thus awarded Brown:

- a. actual damages against McCormick of \$50, which is the amount she would have received for creating an additional pattern;
- b. actual damages against Amblin' of \$2.35 (Amblin' had received a production fee of \$2 million; its experts testified that that the value of Brown's contribution to the movie through the Marriage Block was .0001176% of the total value of movie, leading the court to the figure of \$2.35 in actual damages);
- c. statutory damages against McCormick in the amount of \$7,000;
and

- d. statutory damages against Universal, Marketing & Financial Management Enterprises, Inc. (which solicited and supervised merchandising license agreements for the movie), and Amblin' in the amount of \$7,000.

Query: Was it worth Brown's while to bring this suit for a total recovery of \$14,052.35?

Brown v. McCormick, 87 F. Supp. 2d 467 (D. Md. 2000), *aff'd without op.*, 243 F.3d 536 (4th Cir. 2001).

9. Copyright law protects only the expression of an idea, not the idea itself. Thus, the plaintiff could not claim copyright protection on the idea of a humanized raisin figure. Here, there was no substantial similarity between the plaintiff's and the defendant's expressions of a humanized raisin figure, as evidenced by the different physical features, facial expression, and clothing of the two works. Thus, the court determined that there was no infringement. *Cory Van Rijn, Inc. v. California Raisin Advisory Board*, 697 F. Supp. 1136 (E.D. Cal. 1987)
10. Under the Copyright Act, an employer is the author when an item is considered a work made for hire. Thus, the court must determine whether Harter was an employee (in which case the copyright belongs to IP) or whether he was an independent contractor (in which case the copyright belongs to Harter unless the requirements of Section 101 are met). The court applied the *Reid* factors in making this determination. These factors include the "the hiring party's right to control the manner and means by which the product is completed," the skill required, the source of the instrumentalities and tools, the location of the work, the duration of the relationship between the parties, whether the hiring party has the right to assign additional projects to the hired party, the extent of the hired party's discretion over when and how long to work, the method of payment, the hired party's role in hiring and paying assistants, whether the work is part of the regular business of the hiring party, whether the hiring party is in business, the provision of employee benefits, and the tax treatment of the hired party.

Several of these factors suggest that Harter was an independent contractor: IP's failure to provide employee benefits or withhold taxes, the absence of regular, periodic payments, and the fact that Harter continued to consult for others and hired an assistant. Factors that would indicate Harter was an employee include IP's right to assign projects to him (including the trade show work), IP's control over the days and hours Harter works, and IP's supplying of workspace and equipment.

After balancing all of these factors, the court concluded that Harter was an independent contractor. Thus, Harter owned the copyright in the programs he created for IP and could not be held liable for infringement. *Kirk v. Harter*, 51 U.S.P.Q.2d (BNA) 1853 (8th Cir. 1999)

11. The court ruled that Maclean's Red Book contained enough originality to be protected by copyright laws. Unlike the telephone listings at issue in *Feist (C.I. 2.1)*, the Red Book contained more than just compilations of data; rather, it also contained predictions based on professional judgment and expertise, and the valuations provided were based on professional judgment and expertise, and so were original creations of Maclean. *CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61 (2d Cir. 1994)
12. The court held that in compilations, such as a yellow pages directory, copyright protection does not extend to the collection of facts, to strategies or techniques for collecting data, or to obvious classifications that are not original expression. As a result, BAPCO's copyright in its compilation was "thin." The copying by Donnelly of the name, address, telephone number, business type, and unit of advertisement purchased by each of BAPCO's listings did not constitute copyright infringement of because Donnelly did not copy any "original element of selection, coordination or arrangement." *Bell South Advertising Publishing Corp. v. Donnelley Information Publishing, Inc.*, 999F.2d 1436 (11th Cir. 1993).
13. The court held that Stuber was not hired to invent a new joint or make improvements to an existing joint; rather, he was hired to make drawing of inventions made by Rzeppa. Thus, Stuber owns the invention, not the company. *Gear Grinding Machine Co. v. Stuber*, 276 N.W. 514 (Mich. 1937).
14. A party alleging copyright infringement must show: (1) ownership of a valid copyright; and (2) copying of constituent elements of the work that are original. Registration provides prima facie evidence of a valid copyright. Copying can be shown through either direct evidence, or through the access plus similarity test.

Here, the court compared the features of the two bears at issue, and found no evidence of substantial similarity:

The bear's face is the main expressive element. The facial features on the two bears are different. The Ty bear's nose is flat and somewhat "pug," while the Salvino bear's nose is much larger, more like a snout. Moreover, the protruding snout makes the Salvino bear's head larger than the Ty bear's. In addition, the Ty bear's eyes are set close together, while the Salvino bear's eyes are separated by the base of the snout and are farther apart, giving the bear a substantially different appearance.

The identifying tag sewn into the left back of the Salvino bear also differentiate the bears. Furthermore, the Salvino bears have embroidered on the front a number and in some cases a date and place; on the back of each is an embroidered name and a number of a major league baseball player. Most of Ty's bears also bear an

embroidered imprint, but it is solely on the front of the bear and consists of a small shamrock, a heart, a peace symbol or national flag.

An ordinary, reasonable person would not overlook the differences in the two products. Hence, there is no substantial similarity here.

Ty, Inc. v. Salvino, Inc., 1998 U.S. Dist. LEXIS 16977 (N.D. Ill. Oct. 20, 1998).

15. The court stated that the proper test for the public use prong of section 103(b) is “whether the purposed use: (1) was accessible to the public; or (2) was commercially exploited.” Neither element of the test was met here. The owner used the process only in its own laboratories, did not sell the process or products made with it, and kept the process confidential and within the company. *Invitrogen Corp. v. Biocrest Mfg., LP*, 424 F.3d 1374 (Fed. Cir. 2005).
16. The court found that the demonstration constituted a public use, not an experimental use. The court considered the following factors in making this ruling:

(1) the necessity for public testing, (2) the amount of control over the experiment retained by the inventor, (3) the nature of the invention, (4) the length of the test period, (5) whether payment was made, (6) whether there was a secrecy obligation, (7) whether records of the experiment were kept, (8) who conducted the experiment, (9) the degree of commercial exploitation during testing, (10) whether the invention reasonably requires evaluation under actual conditions of use, (11) whether testing was systematically performed, (12) whether the inventor continually monitored the invention during testing, and (13) the nature of contacts with potential customers.

Because the use predated the patent application by more than one year, the patent was invalid. *Clock Spring, Inc. v. Wrapmaster, Inc.*, 560 F.3d 1317 (Fed. Cir. 2009).

17. The appellate court found that the district court erred in treating the originality requirement of copyright law as “functionally equivalent” to the novelty standards of patent law. The court explained:

Originality under copyright law—unlike the intellectual property protection under patent law—“does not signify novelty.” It merely means that the author did not himself copy his work from another source. Indeed, even a work that is identical to another is original for purposes of copyright protection so long as the author created it independently.

Moreover, “a work’s entitlement to copyright protection does not depend in any way upon the court’s subjective assessment of its creative worth.” *Situation Mgmt. Sys., Inc. v. ASP Consulting LLC*, 560 F.3d 53 (1st Cir. 2009).

EXAMINATION QUESTIONS

Multiple Choice Questions

1. You are a legislator working on revising the federal government's intellectual property laws. What policy goal(s) shape your approach to the subject?
 - a. Promotion of creativity in inventions and product improvements.
 - b. Providing the freest possible public access to new products.
 - c. **both a and b.**
 - d. neither a nor b.

2. True or False: An inventor can hold two or more utility patents on the same invention.
 - a. True.
 - b. **False.**

Questions 3-12 are based upon a continuing fact pattern.

3. Jamie is the world's foremost unheralded inventor. In fact, he just drafted a business plan that contains his business method for a new type of business on the Internet. Jamie is an avid dog lover and got his inspiration while lugging home 80-lb. bags of dog food. Jamie plans to sell 80-lb. bags of dog food over the Internet and then ship the food directly to the buyer's home. He plans to make his prices competitive by soliciting California venture capital money to cover his inevitable losses from shipping costs and price discounts. He intends to follow this business model indefinitely. Assume that Jamie is the first person to come up with this model of pet food distribution for the Internet. Generally, may inventors obtain patents on Internet business methods?
 - a. Yes, inventors may obtain design patents to cover the design of business plans.
 - b. No, utility patents are not available for Internet business methods.
 - c. **Yes, utility patents are available for Internet business methods.**

4. Jamie decided to call his new web business Jamiestep.com because he thinks it represents a giant step forward for pets and their owners. He wants to apply for a patent, but first he needs to know the requirements for a utility patent. Which of the following is *not* one of the requirements for a utility patent?
- The invention is useful.
 - The invention is tangible.**
 - The invention is non-obvious.
 - The invention is novel.
 - All of the above are requirements for utility patents.
5. Jamie wrote about his idea for Jamiestep.com in last month's widely-read volume of the *Journal of Person and Dog*. Should Jamie be concerned that his patent might not issue because he published his idea?
- No, the American Inventors Protection Act assures that the first person to publish an idea will get the patent.
 - Yes, the American Inventors Protection Act only protects American inventors from foreign patent infringement.
 - No, it doesn't matter that he published his idea because that shows that the idea is his.
 - Yes, the PTO will not issue a patent if the inventor doesn't file the application within one year of the invention being described in a printed publication.**
6. Satisfied (rightly or wrongly) that his patent will issue, Jamie want to know how long his Jamiestep.com patent will be valid. He wants to make sure that he negotiates long-term deals with the venture capitalists that cover his full patent period. How many years does a utility patent last?
- 10 years from the date of issuance
 - 14 years from the date of application
 - 20 years from the date of application**
 - 30 from the date of issuance

7. Jamie's patent for Jamiestep.com does issue and he is so phenomenally successful at attracting ridiculous amounts of venture capital that soon the market is flooded with Internet pet stores. There is even one called Jamiestop.com, a Jamiestep.com copycat if there ever was one. Jamie is furious, and he wants to seek a preliminary injunction to shut down Jamiestop.com and any other imitators out there. Which of the following is not a factor courts review when deciding whether to issue a preliminary injunction?
- The likelihood of success on the merits.
 - Irreparable harm if the injunction isn't issued.
 - The infringing company's knowledge of the infringement.**
 - The balance of hardships between the two companies.
 - The courts consider all of the factors listed in a through d above.
8. When Jamie tries to sue the alleged infringers, he notices that one of the copycat companies is Canadian. Is the Canadian company infringing on the Jamiestep.com U.S. patent?
- Yes, because U.S. patents cover companies and goods in any market.
 - No, because a foreign company is never subject to U.S. patent laws.
 - Yes, if the Canadian company is selling goods in the U.S.**
9. Which is harder to obtain, a preliminary injunction or a permanent injunction?
- Preliminary.
 - Permanent.**
10. Jamie is not through improving the world for canine kind yet. He has also invented the Jamiestep.com doggie door. The dog operates the door by stepping on an ornamental lever that operates the door automatically. The lever is decorated with various sizes of paw prints, which overlap in an aesthetically pleasing pattern. Can Jamie get a design patent on the lever?
- No, because the lever is functional no part of it may be the subject matter of a design patent.
 - Yes, because the lever is functional it is automatically the proper subject matter of a design patent.
 - Yes, the design patent would cover both the function of the lever as a means for opening the door and the design of the lever.
 - Yes, Jamie may obtain a design patent on the ornamental features of the lever, but not on its functional features.**
 - No, not if Jamie already had a utility patent on the functional features of the lever.

11. What standard applies in determining whether a design is non-obvious for purposes of obtaining a design patent?
- An amateur designer of extraordinary skill.
 - An amateur designer of ordinary skill.
 - A professional designer of extraordinary skill.
 - A professional designer of ordinary skill.**
12. While Jamie is preparing to apply for a patent on his lever design, he searches the prior art. Much to his dismay, he discovers that another company, Pet Levers Unlimited, has already applied for a patent on an identical design. Jamie is certain that he invented the design first, but it appears that Pet Levers Unlimited beat him to the filing office. Under U.S. law, who should get the patent?
- Pet Levers Unlimited, because it was the first to file.
 - Jamie, but only if he already holds a utility patent on the door.
 - Jamie, if he can show that he was the first inventor of the lever.**
 - Both parties are entitled to a design patent under these circumstances
13. Joan is an aspiring screenwriter and a business student at Michigan University Business School to boot. Joan has just written a great new screenplay about the business school experience. Joan is worried about whether her screenplay will be protected if she sends it to all of the major California studios. Joan wrote "Copyright, 2010, Joan Jovial" on the title page. Is Joan protected by copyright law if a studio steals her plan and passes it off as the studio's own?
- Yes, copyrights arise automatically when the original work is created and fixed in a tangible medium.**
 - No, the copyright only protects Joan within the state in which the work was created (i.e., Michigan).
 - Yes, by correctly placing a copyright notice on the work, Joan has performed the act required to bring the work under the protection of the Copyright Act.
 - No, Joan must obtain a written waiver from the studios acknowledging her copyright in the work before she sends them her unsolicited play; otherwise, she automatically loses whatever copyright protection the law would otherwise grant her.
14. Which of the following is *not* a factor in the Copyright Act's fair use defense?
- The purpose and character of the use.
 - The length of time between the original copyright and the infringement.**
 - The nature of the copyrighted work.
 - The effect of the use on the potential market for or value of the copyrighted work.
 - All of the above are factors in the fair use defenses.

Essay Questions

1. Luther Kirkey owns the copyright on a musical composition, "Michigan Winter Blues." Li Advertising Services (LAS) has produced a radio advertisement for one of its clients. The advertisement has a background melody a tune identical to Michigan Winter Blues. LAS had hired Margaret Nero, a composer, to write the music for this advertising spot, and Nero had provided LAS with this background melody.

Kirkey has sued Nero for copyright infringement. Nero testified in court that she did not deliberately copy Michigan Winter Blues. She admitted, however, that she owned a recording of the song and though she said she had not listened to it in several years, it was at one time one of her favorites. The court believed her testimony that she had not intentionally copied Kirkey's copyrighted work and that she had acted in good faith.

- a. Should Nero be held liable for copyright infringement?

Yes. Although Nero acted in good faith, the evidence nonetheless indicates that Nero had infringed upon Kirkey's copyright. We would apply the access plus similarity test. Nero clearly had access to the copyrighted work (she admitted this in court) and the work she produced was identical to that of Kirkey's copyrighted work (thus meeting the "substantial similarity" test). The fact that her copying was inadvertent and unintentional does not relieve her of liability for copyright infringement.

- b. Might Kirkey have a cause of action against LAS? If so, on what grounds?

Yes. Kirkey could sue for vicarious liability. This arises where the defendant: (1) had the right and ability to supervise the infringing acts of another and (2) had an obvious and direct financial interest in the exploitation of copyrighted materials. That certainly seems to apply to LAS, who had the ability to supervise the activities of the composer it hired and who had an obvious and direct financial interest in the music she created.

2. In 1992, Ken Stanz, a staff writer employed in the advertising department of MegaCo, a U.S. company, wrote instructions for the use of MegaCo's premier product, a window air conditioner. Notice of copyright was affixed to the instructions but no other actions were taken. In 1996, MegaCo noted that its major competitor, ReelyBigCo, had copied the instructions almost verbatim for use with its competing air conditioner.

- a. Are instructions for a window air conditioner copyrightable?

Yes. Instructions for use of a product can be the valid subject matter of a copyright.

Assume for purposes of all remaining questions that the instructions are copyrightable:

- b. Who holds the copyright on the instructions – Stanz or MegaCo?

MegaCo because the instructions were written by Stanz in the course of his employment – copyright thus vested immediately in MegaCo.

- c. When will the copyright expire?

95 years after publication or 120 years after creation, whichever comes first

Assume for purposes of all remaining questions that not only are the instructions copyrightable but that copyright has legally passed to MegaCo.

- d. May MegaCo immediately sue for copyright infringement?

No. MegaCo must first register its copyright before bringing a suit for infringement.

- e. What remedies may MegaCo potentially recover?

Preliminary and/or permanent injunctions, actual damages, plus any of D's profits not taken into account in computing actual damages (both could be hard to calculate here), impounding and destruction of infringing articles, and costs. Because MegaCo did not register within the specified time frame (i.e., prior to infringement or after infringement but within three months of first publication), it may not recover statutory damages or attorneys fees.

- f. Assume that MegaCo is unable to obtain concrete evidence that ReelyBigCo actually copied MegaCo's instructions rather than independently creating its own virtually-identical version. May MegaCo continue its suit?

Yes. Evidence of direct copying is not required and is usually hard to acquire. Copying can be shown through circumstantial evidence that ReelyBigCo had access to the work (here, the instructions were enclosed with the product and so were readily available to any purchaser) and that ReelyBigCo's work is similar to MegaCo's (the access plus similarity test). The burden will then shift to ReelyBigCo to either prove independent copying or that both parties copied from the same source.

3. Powell holds a U.S. patent for a closet-organizer shelving system that uses interlocking clamps to fasten light-weight wire shelves to cylindrical support poles. The clamps are specially made so that they can be removed, repositioned, and reused easily. The clamps have no other substantial use except with closet organizer shelving systems of the type devised by Powell.

Dworkin, a Canadian plastics manufacturer, learned of the superiority of Powell's clamps over anything similar in the marketplace. Dworkin immediately began manufacturing identical clamps in her plant in Canada. She advertised them heavily in a Canadian trade magazine, explaining in detail in the ad the additional, minor steps that would be required to use the clamps to create a shelving system identical to Powell's. Miller, an Australian wholesaler, saw the ad while on a buying trip to Canada. Miller purchased the clamps from Dworkin and took them home to Australia, where he combined them with wire shelves and poles to recreate Powell's closet-organizing shelving system, which he then sold exclusively within the Australian market. Dworkin was aware of Miller's plan when she sold the clamps to Miller.

Powell learns of Dworkin's and Miller's activities, and seeks a remedy under the Patent Act.

- a. Is Miller liable for infringement?

No. There is no direct infringement under Section 271 of the Patent Act because Miller did not make, use, sell, or offer to sell the patented invention in the U.S., nor did Miller import a patented invention into the U.S.

- b. Is Dworkin liable for:

- 1) contributory infringement?

No. There can be no contributory infringement in the absence of direct infringement by a third party.

- 2) inducement to infringe?

No. There can be no inducement to infringe in the absence of direct infringement by a third party.

- c. Is there any other mechanism under the Patent Act for holding Dworkin liable for infringement?

No. In the absence of some sort of activity in the U.S. (e.g., making, selling, importing, offering to sell), the U.S. Patent Act does not reach the behavior of the defendant and liability cannot attach under it.

4. Suffron Medical Supplies and Popiel Pharmaceuticals have each filed an application with the U.S. PTO for a patent on a new type of heart catheter. Suffron is able to prove that it was the first to file a patent application on this invention. Popiel is now able to show (from its research scientists' records) that it was the first to actually create a working model of the catheter, although it filed its patent application two weeks after Suffron filed. Both parties invented independently within the last year. Who should receive the patent and why? Would your answer change if the application were being made in a foreign country?

In the U.S., the first to invent is entitled to the patent. In most other countries, however, the first to file is entitled to the patent.

5. John Sivley is employed by Welega Corp. as a computer analyst and programmer. Welega manufactures precision testing equipment for pollution control devices. Sivley's job responsibilities involve the creation of programs and systems relating to accounting and personnel matters. Sivley is very interested in mechanical things, however. During his slow times at work, Sivley often goes into the laboratory and tinkers. In the course of this tinkering, Sivley discovered that by placing a simple but uniquely shaped twist into the intake tubing of a common air emission testing device, the accuracy of the device is greatly enhanced.

This twisted tubing has the potential for great commercial success in the market for pollution control testing devices. Sivley maintains that the invention belongs exclusively to him and that he has the sole right to use and profit from this invention, including licensing others to use the invention. He intends to seek a patent on the invention. Welega maintains that the invention belongs solely to it and that it thus has the right to prevent licensing of the invention (particularly since such licensing could damage its competitive position). Welega insists that it is entitled to file for the patent.

If you were the judge, how would you resolve this dispute? To whom does the invention belong? Which party is entitled to file for the patent? Explain your answer thoroughly.

In the absence of an express, written invention assignment agreement (and there is no evidence of such an agreement here), an invention belongs to the employee unless the employee was hired to create the specific invention at issue (in which case the invention belongs to the employer). Here, Sivley was hired to create computer programs and systems, not pollution control devices. Therefore, this invention belongs to Sivley and he has the right to license others.

Because Sivley created this invention during working hours using his employer's resources, however, the employer (Welega) has "shop rights" in the invention – i.e., a royalty-free, non-transferable license to use the invention in its own business. It has no right to license others, however, or to prevent the licensing of others.

In any event, the Patent Act permits only the inventor (here, Sivley) to file for a patent, regardless of to whom the invention ultimately belongs. If the invention actually belonged to Welega (e.g., if there were an invention assignment agreement), Sivley would still have to file for the patent and then assign his rights to Welega.

6. Thurston Designs manufactures printed fabric for use in upholstery, draperies, and other home design applications. Thurston filed for a copyright registration on one of its designs, an abstract hexagonal honeycomb pattern, indicating that the design had been made as a “work for hire.” Fabric printed with that design carried the following designation: “© 2008 Thurston Designs.”

One of Thurston’s competitors, Crandall Fabrics, produced a fabric with a design that is very similar, if not identical, to Thurston’s honeycomb. Thurston filed for copyright infringement, and Crandall defended by stating that Thurston was not entitled to ownership of the copyright under the work-for-hire provision of the Copyright Act because the design had been created by a free-lance artist, not an employee.

The facts indicate that one of the two owners of Thurston, Anna, worked with an artist, Tomas, in creating the copyrighted design in 2008. Tomas worked with Anna on several other designs in 2008 as well over a period of seven months. (At the end of seven months, Tomas ceased working for Thurston and moved to a different city.) Tomas reported to work at Thurston almost every day, generally working from 1:00 to 4:00 p.m., and conducted all of his work for Thurston on its premises. Thurston had hired several individuals like Tomas in the past. Typically, such individuals are recent graduates of design schools and the practice in the industry is not to consider them the owners of the intellectual property rights that might arise in the designs that they work on.

Anna had conceived of the honeycomb design and had played around with the design by laying out pieces of real honeycomb. Anna was unable to prepare the design herself, however, as she is not skilled at drawing. She asked Tomas to do a pencil drawing of her lay-out. Anna was not satisfied with the initial drawing that Tomas prepared, and had a conversation with Tomas in which she offered several corrections. She wanted the design less refined and more free-form. She made photocopies of the drawings that Tomas subsequently prepared and cut and pasted them on paper to approximate the look that she wanted. Anna then had Tomas prepare additional drawings based upon her efforts.

Anna stood over Tomas for four of the six hours he spent on the drawings, instructing him on when and where to change his drawing. After the drawing was complete, Anna picked colors from Japanese silk books containing over 500 colors and told Tomas how to color the drawings. She had him alter the color scheme several times before she was satisfied with the results.

Tomas was paid \$75 per day for his efforts on this and other projects. He was paid by check on a weekly basis. Although Tomas was under the impression that he did not receive employee benefits or have taxes withheld, the other owner of the firm, Ronald, who handled the business affairs, testified in court that Tomas received normal benefits, including disability and worker's compensation insurance, that income taxes and social security taxes were withheld from his pay, and that Thurston paid the employer's share of the social security taxes on his behalf. Tomas did not receive medical benefits.

Should Crandall prevail on its defense? Explain thoroughly.

No. Under Section 201(b) of the Copyright Act, the employer or person for whom a work for hire was prepared owns the copyright in the materials. Section 101 defines a "work for hire" as either (1) a work prepared by an employee within the scope of his or her employment; or (2) a work that falls within one of 9 specified categories, provided the parties agree in a written document that the work will be a work for hire. Thus, we need to determine whether the fabric design in controversy was a work for hire. If it was, Thurston owns the copyright and Crandall's defense fails. If not, Tomas owns the copyright and Crandall can successfully overcome Thurston's allegation of copyright infringement.

There is no evidence of a written agreement between Tomas and Thurston, so we know that the second definition of a work for hire will not apply (even assuming that the fabric design fell within one of the specified categories, which it apparently does not.) The question therefore becomes whether Tomas was an employee (in which case the design was a work for hire and the copyright belongs to Crandall) or whether Tomas was an independent contractor (in which case the copyright in the design belongs to Tomas).

To determine whether a hired party is an employee, we look generally to common law principles of agency and specifically to the Reid factors laid out by the Supreme Court. According to the Supreme Court, we must consider the hiring party's right to control the manner and means by which the product is accomplished. Among the factors to be considered are: (1) the hiring party's right to control the manner by which the product is accomplished; (2) the skill required; (3) the source of the instrumentalities and tools; (4) the location of the work; (5) the duration of the relationship between the parties; (6) whether the hiring party has the right to assign additional projects to the hired party; (7) the extent of the hired party's discretion over when and how long to work; (8) the method of payment; (9) the hired party's role in hiring and paying assistants; (10) whether the work is part of the regular business of the hiring party; (11) the provision of employee benefits; and (12) the tax treatment of the hired party.

When we apply these criteria to these facts, it is clear that Tomas qualifies as an employee. Several factors support this result. The first factor (the hiring party's right to control the manner by which the product is accomplished) leans heavily toward finding Tomas an employee, as Anna clearly exercised a great deal of control over the

manner in which he executed this design (standing over him directing the work, correcting the work, etc.). Similarly, it is likely (though not clear from the facts) that Thurston provided the tools by which the project was accomplished (factor three). It is clear that the work occurred at Thurston's location (factor 4). Thurston had the right to assign additional projects to Tomas (factor 6) and apparently controlled the hours of his work (factor 7).

The second factor (the skill required) leans toward finding Tomas an independent contractor as Anna indicated she hired him because she could not draw herself. On the other hand, Tomas was a recent graduate and while he was in a skilled trade, he was not particularly experienced within that trade.

The fifth factor is inconclusive: it would appear that Tomas left after a short time on his own initiative as opposed to his services no longer being required by Thurston. The eighth factor is also inconclusive as we have no evidence regarding Tomas' ability to hire assistants (although it doesn't seem too likely based upon the description of his job).

Taken as a whole, we should conclude that Tomas was an employee. The work was therefore was a work for hire and Thurston was entitled to the copyright. Crandall's defense to the infringement claim thus fails.

7. Master Maintenance, a janitorial supply corporation, hired West Central Ohio Internet Link, a third-party Web developer to redesign its website. Among the changes to be made, West Central was to include photographs of the janitorial supplies sold by Master Maintenance. Master Maintenance employees had the final approval over any changes made or proposed by West Central.

West Central's employee uploaded several photographs of janitorial supplies. Four of these photographs were owed by Corbis Corporation, which was a media corporation that owned a large image collection. Corbis did not authorize West Central to use the images. Corbis has registered the copyrights in its photographs.

Corbis has sued both West Central and Master Maintenance for copyright infringement.

- a. What is the significance of Corbis' copyright registration?

The copyright registration creates a rebuttable presumption of copyright ownership.

- b. Is West Central liable for copyright infringement? Is Master Maintenance liable for copyright infringement? Explain thoroughly.

West Central is liable as a direct infringer because it copied protected work.

To establish vicarious liability for copyright infringement, Corbis must prove that Master Maintenance received a financial benefit from the direct infringement and had the right and ability to stop or limit the infringement but failed to do so.

Master Maintenance is liable for vicarious infringement because Master Maintenance had (1) received a direct financial benefit from the infringement, and (2) had the right and ability to stop the infringement—the company’s employees were responsible for approving all changes made by West Central to the site—but failed to do so.

With regard to (1) the court stated, “Master used the copyrighted images for financial gain. Master redesigned its website for marketing purposes, to highlight its industrial cleaning business and attract new customers. Three of the four misappropriated images depicted janitorial and cleaning services. The use of copyrighted images to help draw customers can constitute a financial benefit.” With regard to (2), the court stated: “Master had the right and ability to stop or limit the copyright infringement and failed to do so. Master employees . . . were responsible for approving changes to the site, including the placement of images. Even if Master did not supply the images at issue, it had the authority to approve or reject their use.”

Based on Corbis Corp. v. Starr, 2009 U.S. Dist. LEXIS 79626 (N.D. Ohio Sept. 2, 2009).

8. Moira Martin, a real estate attorney, developed a computer program that would allow an individual home owner to create all of the necessary documentation needed to sell a home in the state of Michigan. She promptly registered her copyright in the program, and began marketing the program. It was a very successful product as it enabled homeowners to sell their homes directly and avoid the fees or costs associated with hiring a lawyer or a real estate agent to handle the transaction.

Sam Smith, also a real estate attorney, saw a newspaper ad for the program and thought that this was a brilliant idea. He drafted a program for use in the state of Ohio which was substantially similar, but not identical, to Martin’s program. Martin is outraged—she believes that Martin’s work is a derivative work that infringes upon her copyright. Besides, she believes, one major advantage of obtaining copyright registration is to get nationwide rights to the work. She intends to sue Smith for infringement. What advice would you give her?

Copyright protects only the expression an idea, not the idea itself. Therefore, as long as Smith did not copy Martin’s program (and there is no indication that he did anything other than copy her idea), there is no copyright infringement.

Martin is also wrong in thinking that copyright registration confers “nationwide rights” – that notion applies to trademark law!

True/False Questions

State whether each of the following is true or false, and explain why.

1. MacVeigh Products, Inc. and Bryant Manufacturing have each independently developed a new valve for use in water softeners. Bryant filed for a patent one month before MacVeigh filed its patent application. MacVeigh can show from its scientists' records and log books that it conceived of the idea first and first created a working model of the valve. On these facts, MacVeigh is entitled to the patent, not Bryant.

True. The first to invent is entitled to the patent under the U.S. system, not the first to apply.

2. If you don't register your copyright prior to infringement by another party, you are limited to recovering only statutory damages.

False. You must register your copyright prior to infringement in order to recover statutory damages. If you fail to timely register, you generally cannot receive statutory damages and must prove your actual damages instead.

3. Acme Co. developed and made a no-drip faucet. Before it actually marketed the product, however, Acme investigated and discovered that its faucet infringed a patent belonging to Bigelow Co. Because Acme acted in error, without intending to infringe, and because it discovered that error prior to marketing the faucet, Acme is not liable for infringement.

False. Infringement under the Patent Act consists of making, using, selling, etc. a patented invention. So, merely making the invention is indeed infringement. (Whether Bigelow would discover Acme's actions, however, or whether Bigelow would recover any damages is a different issue—although Bigelow could obtain a permanent injunction here.)

4. A computer program developed by an in-house computer programmer for use in a random audit system instituted by a financial firm is a work-made-for-hire that would belong automatically to the firm, not the programmer.

True. Under the Copyright Act (sec. 201(b)), the employer holds the copyright to works made by an employee within the scope of the employee's employment.

5. a. Elegens Graphics designed a stylized winking moon design for use by one of its clients on advertising, stationery, corporate gifts, etc. Brede Designs independently created a substantially similar design for one of its clients just two weeks after Elegens had finalized its design. Brede had not seen the Elegens design, which was not yet being marketed. Elegens is entitled to the copyright in this design as it was the first to create the design.

False. Both are entitled to a copyright in the works, provided both truly independently created (as the facts seem to indicate).

(Note: The next part of the question deals with tm law – covered in Chapter 6.)

- b. Suppose that Elegens' client, a greeting card manufacturer, decides to use the winking moon as its logo. Even if the card manufacturer federally registered its mark first, it most likely cannot prevent Brede's client, a daycare center for preschool age children, from using its substantially similar design as a trademark for its activities.

True. There is no trademark infringement here because there is no likelihood of customer confusion because the two businesses do not compete. There is no dilution here because Elegens' mark is not yet famous.