

Intellectual Property

Professor Grimmelmann

Final Exam – Fall 2010

Take-Home and Open Book

This exam consists of **THREE** equally-weighted questions.

You have 24 hours to complete this exam; you can choose when to take it. You may download the exam from the Exam4 web site at any time *after* 9:00 AM on Thursday, December 9. You must then return it via the Exam4 web site *within* 24 hours and *before* 5:00 PM on Wednesday, December 22.

Please type your answers in 12 point Times or Times New Roman, double-spaced, using 8.5"x11" paper, with one-inch margins and numbered pages. Put your exam number on each page. **DO NOT PUT YOUR NAME ANYWHERE ON THE EXAM.**

There is a page limit of **FOUR** pages per question.

This is an open-book exam. You may use any materials that you wish to answer the questions, though you need not consult any sources other than those we used for class. You may not discuss this exam or your answers with anyone under any circumstances until after the end of exam period. **Your work must be exclusively your own.**

I will not be available to answer questions about the course after the start of exam period, since at that point I won't know who has picked up the exam and who hasn't.

Please pay attention to the specific questions being asked and to the roles the questions place you in. Support your answers with detailed analysis, reference to specific statutes and cases as appropriate, and explanations of how you applied the law to the facts. Simple citations (e.g. "Feist") are appreciated but not required.

You should assume that the IP laws in force at all relevant times were identical to their current versions.

If anything about a question is ambiguous, say what you think it means, and answer it accordingly. If you need to assume additional facts to answer a question, say what those facts are and how they affected your answer. No reasonable resolution of an ambiguity will be penalized.

This exam has **FOUR pages total**, including this cover sheet.

GOOD LUCK!

(1) **Running on MP3s**

You are general counsel to Nyquist Dynamics, a mid-sized consumer electronics firm. Nyquist was founded in 1996 by Alden Nyquist, its current CEO. You have been asked to provide your opinion on a prototype product the company is considering. The project currently bears the codename Hershey, because, in the words of Nyquist's director of new product design, "This is going to be one sweet device."

The Hershey consists of a wrist-mounted heart-rate monitor with a cable that connects to the port on the bottom of an iPhone. A user wears it while exercising on a treadmill, elliptical, or exercise bike. The associated Hershey application on the iPhone then provides tailored workout suggestions based on the user's heart rate (e.g. "Increase the resistance, you laggard!"). In addition, the application looks through the user's music library on the iPhone and picks music to play that will encourage the user to speed up and slow down as appropriate: fast songs for intense portions of the workout; slower songs for rest intervals.

The first time it runs, the Hershey application builds a list of which songs are fast and slow by loading each song on the user's iPhone into the iPhone's memory and then performing a mathematical analysis on it. According to the director of development, this analysis—a version of a "Fourier Transform"—is described in standard textbooks on signal processing and is widely used by audio engineers.

Nyquist currently sells stand-alone heart-rate monitors; this will be its first iPhone application. You have discovered that U.S Patent No. 4,003,951, which is owned by Sarnoff Ventures, LLC and which has a filing date of June 20, 1998 and an issuance date of August 14, 2000, claims a "treadmill having a means for determining the user's heart rate, wherein the treadmill adjusts its speed in response to a signal from the means for determining the user's heart rate."

Nyquist's marketing department believes that the Hershey could be a tremendous hit, as there are currently no similar products on the market. It is concerned, however, that if the Hershey shows signs of success, it will quickly face competition from knockoff products both from well-funded major exercise and electronics companies like Nike and Sony, and from discount electronics makers, like Sorny and Magnetbox. Marketing is also considering the product's name; in addition to using "Hershey" as the official name, suggestions include calling it the "Squidline," the "RunBeat," or the "Alden." (If none of these would be satisfactory, you are welcome to suggest your own.)

Alden Nyquist has asked you to provide provide your legal opinion on whether the Hershey can be brought to market, and, if so, what steps Nyquist Dynamics should take to minimize legal risks and maximize its expected gains. In particular, provide your opinion on the extent to which you believe that Nyquist Dynamics will be able to use intellectual property rights to limit or delay competition from other electronics makers. **Write a memorandum containing your advice.**

(2) **Gastronomy in Motion**

In June 2006, restaurateur Harold Adria opened the Cabbage Claim restaurant in Queens. It is decorated to look like an airport baggage claim, with linoleum flooring, hard plastic chairs, and flight information screens on the walls. The centerpiece of the Cabbage Claim is a large conveyor belt, designed to resemble a baggage carousel. Food items emerge from the kitchen at one end and are carried along the belt; anyone who wants can walk up and grab the item. The actual food is vegetarian, with an emphasis on high-quality local produce. The Cabbage Claim also includes a small attached shop that sells select cookbooks and cooking tools. Adria obtained a federal trademark registration on CABBAGE CLAIM for restaurant services in October 2007.

Chef Shirley Dufresne opened her own conveyor-belt restaurant, the Treadmill, on the Upper East Side in February 2008. Here, however, instead of the food coming to diners, they go to it. Patrons who enter the Treadmill are seated in chairs mounted on a large conveyor belt that slowly moves the chairs around the restaurant, past a series of cooking stations. Each station prepares a different kind of food: the first makes salads, the second fried things, the third soups, and so on. The entire circuit takes 90 minutes, at the end of which patrons need to vacate their seats for the next sitting.

The Treadmill is decorated in an elementary school cafeteria theme, with linoleum flooring, hard plastic chairs, and faded educational posters on the walls. The tables are school desks: the kind with a pencil tray and a space for books underneath. It's all standard cafeteria fare, with an upscale twist: e.g. white truffle hash brown patties, emu-meat hamburgers, Roquefort mac and cheese. On June 20, 2008, Dufresne applied for a patent, which issued on December 15, 2009, with two claims. The first claims "a restaurant having a conveyor belt," and the second claims "the restaurant of claim 1, wherein said conveyor belt supports a plurality of seating elements."

In June 2010, rather than renew his lease at the higher rent offered by the landlord, Adria closed the Cabbage Claim in Queens. In September 2010, he opened a new Cabbage Claim, this one on the Upper East Side. It featured a conveyor belt that carried the patrons on a 60-minute circuit past the same sequence of salad-fried-things-soups-etc. stations as at the Treadmill. Like the first Cabbage Claim, it served vegetarian food, had airport décor, and included a small shop. A banner out front read, "Tired of fried? Feeling stuck on a treadmill? Try some fresh, refreshing vegetables instead!"

Dufresne was furious. She hung up her own banners outside the Treadmill, reading "Don't spend so much Cabbage!" and "Don't lose your baggage . . . or your lunch!" She took out ads in the *Post* and the *Daily News* that prominently featured a caricature of Adria as a rat gnawing on a rotting carrot. She also added her own shop to the Treadmill; it sold exactly the same items as the Cabbage Claim shop, at exactly 10 cents less each.

Now equally incensed, Adria sued Dufresne for everything he could think of. She counterclaimed for everything she could think of. The case is now before Judge Rice, of the U.S. District Court for the Southern District of New York. You are her law clerk, and the first scheduling conference is approaching. **Write the judge a memorandum discussing the strengths and weaknesses of the parties' colorable intellectual property claims.**

(3) Teen Paranormal Mystery

He's a genetically engineered robot with psychic powers; she's a time-traveling ghost with a black belt in karate. They fight crime! That's the synopsis of Ellen Pavonia's successful series of young adult novels, *The Spacetime Investigators*. It stars Pirus (the robot) and Thizbe (the ghost), who solve intergalactic mysteries while also dealing with the ordinary stresses of high school. So far, there have been twelve books in the series, which have sold a total of 2.4 million copies in the United States. Pavonia hasn't been paying close attention to the legal details, and has asked you to help her sort out a number of issues. In particular:

- Bergenline Films is interested in making one or more *Spacetime Investigators* movies. On the phone, Bergenline's attorney proposed that the contract give Bergenline a nonexclusive license to the *Spacetime Investigators* copyrights "for film and video media" and assign all of Pavonia's trademark rights associated with the series to Bergenline.
- In Pavonia's words, "I've never gotten one of them patent thingies or whatever it is where you file something with the government. Should I have?"
- Since the first two *Spacetime Investigators* books, Pavonia hasn't done all of the actual writing herself. Instead, she hires writers to help. She gives the writer a plot synopsis to work from and a flat fee of \$25,000; in return, the writer is to supply her with a complete draft. Then Pavonia polishes it up, streamlining the plot and adding snappy dialogue for Pirus and Thizbe. Pavonia has been unable to locate any paperwork for two of the novels, *The Alchemist's Archive* and *The Deadly Dock*, both written by Paulus Hook. Pavonia says she can't remember whether she gave Hook a contract to sign or whether they made their agreement orally.
- Hamilton Newport, a 17-year-old *Spacetime Investigators* fan, has posted numerous videos to YouTube of himself reading aloud from *The Galactic Gross-Out*, the sixth novel in the series.
- On a recent trip to the bookstore, you noticed a large front-of-store display for another young-adult series, *The Timeslicers*, featuring a time-traveling ninja and a psychic gorilla. They fight crime. The *Timeslicers* novels are written by Amy St. Peters and published by Journal Square Press.
- The Tonnelle Toy Corporation has created a line of new action figures that it calls "Mayhem Teens." One of them is a robot named Piranha; another is a ghost named Thistle. There are substantial differences between Piranha and Thistle and the way Pirus and Thizbe are described in the *Spacetime Investigators* novels and depicted on their covers. For example, Thizbe is described as looking like a 16-year-old girl, only transparent, whereas Thistle is a white blob with eyes, like someone wearing a sheet.
- The critic Harsimus van Vorst has recently written a scathing 4,000-word review of the most recent *Spacetime Investigators* novel, *The Poisonous Prom*. It quotes about 600 words from *The Poisonous Prom*, mostly to make fun of the clumsy dialogue.
- Pavonia got the names "Pirus" and "Thizbe" from Shakespeare's *A Midsummer Night's Dream*, which was written around 1595 and which has a play-within-a-play about the ill-fated romance of Pyramus and Thisbe. (Pavonia claims the spelling changes are deliberate; you suspect she may have misheard.) Shakespeare, in turn, was likely familiar with earlier versions of the story in Ovid, Boccaccio, and Chaucer.

Pavonia has asked you for advice. **What are her intellectual property rights and liabilities, and what steps do you recommend she take to protect her interests?**