

Intellectual Property
Fall 2021
Midterm Assignment

I graded your essays as follows:

- Correct and complete legal analysis: 60%
- Strategic advice: 20%
- Clarity and organization: 20%

The bullet points in the following outline do not directly correspond to my grading rubric, but they do reflect the overall weight I put on different parts of the analysis. I awarded full credit for identifying an issue and analyzing it carefully even if you reached a different conclusion than I did. Indeed, in several cases I awarded bonus points for spotting an issue I missed, or for surprising me with an argument I had not thought of.

I will of course be happy to discuss your essays and your grades with you if you have any questions.

Bad Cart Friend

Trade Secret

Gears of Change has a strong trade secret claim against Ralph Quayle and a possible claim against Tessa Weisz.

- Gears has trade secret rights in at least (1) the solar panel design, (2) the six-wheel design, (3) the control yoke design, (4) its plans to develop and distribute the carts.
- Although Gears is a nonprofit, it uses these secrets to generate licensing revenue and attract donations.
- The designs and plans are actually secret, as Gears has not yet made the carts available to the public.
- Gears generally takes reasonable precautions to keep the technologies secret (e.g. by describing them only in general terms to donors). That said, inviting them to view the testing may have disclosed at least (4) to them, and might be seen as lack of sufficient care.
- Quayle breached a duty of confidentiality to Gears by posting the memo on the Facebook group and describing the designs to Weisz.
- Weisz probably acquired the memo with knowledge that Quayle breached his duty to Gears by posting it, although the facts are unclear as to exactly what he told her. If so, then she is also liable for trade secret misappropriation.
- Weisz transformed the confidential details in several ways in her story, such that she might have a First Amendment defense, which will require further research.
- The publication by Weisz eliminates any further trade-secret protections for the yoke, and reduces or eliminates trade-secret protections for the panels.
- The *San Francisco Review* probably did not have any reason to know that the story was based upon misappropriated trade secrets.

Utility Patent

Gears should move promptly to file patent applications on the solar panel, the six-wheel design, and the control yoke.

- All three of these are proper patentable subject matter.

- Quayle and other Gears employees are the inventors of these inventions.
- So far as we know, they are all novel and nonobvious, and we can assume that a properly drafted application will be enabling.
- The disclosures to donors are not invalidating prior art because they are made only in general terms and are non-enabling.
- The internal testing is not public use or on sale.
- The documentation in an internal memo was not initially a printed publication because it was not public.
- Quayle's posting of the memo to a Facebook group was probably a printed publication (as to all three designs); the group was private but there were no restrictions on what members could do with the posts.
- Weisz's story was definitely a printed publication (as to the panel and the yoke).
- Quayle's post and Weisz's story were derived from the inventors, so they count as first-party disclosures, not third-party disclosures.
- Depending on the timing of Quayle's post, Gears has somewhat less than six months remaining on the one-year grace period.
- Gears should be prepared to file for patents on the three inventions as soon as possible.
- Because no patent has issued, Gears cannot sue anyone, Weisz included, for patent infringement.

Copyright

Gears has at best a weak copyright claim against Weisz for publishing excerpts from the memo.

- The memo is a literary work.
- The memo is a work made for hire owned by Gears, as it was written by an employee (Quayle) within the scope of his duties. Weisz is probably not a joint author of the memo, as it does not appear that Quayle intended to share authorship with her and her suggestions were minor.
- The memo is fixed in a tangible medium.

- Copyright in the memo extends to Quayle’s descriptions, but not to the underlying technical details of how the carts work.
- Gears would need to register the memo with the Copyright Office before it could bring suit for infringement.
- Quayle copied the memo in posting it to Facebook, but it would be a stretch to bring a copyright claim against Gears’s own employee for copying it to get feedback on how to improve it.
- Weisz almost certainly copied in fact from the memo, as she had access and passages are strikingly similar.
- Weisz copied substantial excerpts from the memo (“entire paragraphs”), probably enough to qualify for substantial similarity.
- Weisz prepared an unauthorized derivative work of the memo, and to the extent that there is substantial similarity, she also violated the reproduction and public distribution rights. The *Review* violated the reproduction, public display, and public distribution rights.
- Weisz can raise a good fair-use defense. Her use was highly transformative (both a massive change in genre and a parody), the work was primarily informational, and there is no market for fictional adaptations of engineering memoranda. Any harm to donations to Gears, or to lost licensing revenue from reputational harm, is not a kind of substitutionary harm against which copyright protects. The only factor cutting against Weisz may be that she copied more than necessary to write a story inspired by Gears.
- The *Review* probably did not have any reason to know that the story was based upon a copyrighted memo, so it is not contributorily liable.

Strategy

- Weisz’ conduct in befriending and betraying Quayle, and the fiercely negative tone of her story, show that she is either completely oblivious to the consequences of her writing for the real-life people it is based on — or (more likely) she believes in the technological-solutionist criticism of Gears. She will not react well to being threatened, and may try to use any confrontation to further damage Gears’s reputation.

- Gears has nothing to gain from suing Weisz or the *Review*. The story has already been published, doing its damage to Gears's trade secrets, patent rights, and reputation. Neither Weisz nor the *Review* will have deep pockets to compensate Gears.
- Gears has a great deal to lose by bringing suit against Weisz or the *Review*. Confirming that the story is about Gears will inflict further reputational damage. It risks establishing Gears as a villain in the public eye for bullying an author, leading to difficulty in attracting donations.
- All of this would be true if the IP cases against them were strong. But since the IP cases against them are so weak, Gears absolutely should not sue.
- Gears should require Quayle to immediately remove the Facebook post of the memo.
- Gears should consider disciplinary action against Quayle for egregiously reckless handling of confidential information, up to and including firing him. Meirelles should take into account Quayle's history of other behavior, his value to the organization, and whether he will be more careful in the future.
- Gears should consider having its donors sign non-disclosure agreements before inviting them to view testing. If that is a sensitive topic for them, Gears should consider at least informing them that they are viewing confidential development work and asking them not to discuss what they have seen. The slide decks should be marked as confidential.
- Gears should consider making its employees more aware of the need to avoid leaks of this sort, which are harmful to Gears's mission.
- Bringing suit against Quayle is unlikely to compensate Gears for the institutional damage, and may make things worse.
- Gears should consider how to address the story in the press. There are no IP considerations that significantly constrain Gears's PR options in dealing with the controversy.
- Gears should file applications for patents on the three technologies as soon as possible. Because the applications have already been drafted, there is no need to file them as provisional applications.