LEARNING OUTCOMES

1. To understand the basic concepts and principles of intellectual property law and the philosophies upon which they are based.

   Rationale: Although IP laws have been shaped and reinterpreted over time, the fundamental goal remains constant – to provide an economic incentive for creators and inventors to practice their crafts by providing exclusive rights for a limited time. Understanding the bedrock principles will help guide students through their study of the contemporary IP landscape.

2. To understand the importance of intellectual property assets to the modern economy as society transitions from one of the industrial age to one of the information age.

   Rationale: As our reliance on blast furnaces and heavy machinery gives way to a society based on knowledge and information, an understanding of how intellectual property works with emerging business models will be essential for students to maintain a competitive advantage in the workplace.

3. To apply the various concepts and principles of intellectual property law in a variety of contexts and scenarios to identify protectible assets and recognize areas of potential infringement liability.

   Rationale: Virtually every organization, commercial or nonprofit, is in some way involved with intellectual assets. Either as users or creators, today's professionals in virtually every field will, at some point in their career, undoubtedly encounter some sort of intellectual property issue. Students with the ability to recognize protectible assets and possible infringement problems will be better poised to succeed in an information-age setting.

4. To become acquainted with various primary legal sources including statutes, regulations, and judicial opinions.

   Rationale: Many students take law-related courses in preparation for law school or a law-related career. Use of primary legal sources will introduce these students to some of the most frequently cited legal resources. Those individuals who do not pursue a law-related future will benefit from the insight into how our legal system functions and the materials that form the basis of the law.

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I. Introduction to Law and the Modern Legal System

A. Constitutional Basis
   1. Federal government arises from enumerated powers
   2. Three branches of federal government
      i. Legislative
         a. Creates federal law (United States Code)
         b. Authorizes and/or establishes federal agencies which can promulgate their own rules (Code of Federal Regulations)
      ii. Executive
      iii. Judicial
         a. Supreme court
         b. Other courts as needed
   3. Powers not given to federal government are reserved by the states.
      i. State law
      ii. State courts

B. Distinguishing Types of Law
   1. Sources
      i. Constitution
      ii. Statutory law
      iii. Administrative law
      iv. Common law
         a. Precedent
         b. *Stare decicis*
      v. Actions in equity
      vi. Other legal authorities
         a. Restatements
         b. Treatises
         c. Model codes and uniform acts
   2. State vs. federal
   3. Criminal vs. civil

C. Court System
   1. Federal Courts
      i. Hierarchy
         a. District (trial)
         b. Circuit (appellate)
            1. Geographic regions (11 numbered, DC, Fed)
         c. Supreme Court, hears cases in which
            1. There is a substantial federal issue involved;
            2. The federal question is crucial to the decision; and
            3. The party seeking review has exhausted all state remedies.
      ii. Hierarchy of authority – persuasive vs. binding decisions

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iii. Limited jurisdiction
a. Federal question jurisdiction
b. Diversity jurisdiction
1. Diversity of citizenship requirement
2. Amount in controversy requirement
c. Some special jurisdiction courts (e.g. bankruptcy, tax)

2. State Courts
i. Multiple levels
a. Trial courts and Supreme Court – all states
b. Some states have an intermediate appellate court
ii. General jurisdiction, typically
iii. May also have some special jurisdiction courts (e.g. family)

3. Administrative Agencies
i. Administrative judges
ii. Appeal to either the D.C. Circuit or the Federal Circuit
a. Federal Circuit created in 1982
b. Hears cases specifically from administrative agencies where national uniformity is crucial (e.g. patents).

4. Litigation Concepts
i. Vocabulary (plaintiff, defendant, etc.)
ii. Bench vs. jury trials
a. Plaintiff must demand
b. No jury in equity actions
iii. Pre-trial
a. Plaintiff serves complaint
b. Defendant brings motions and/or answers
c. Discovery
iv. Trial
a. Evidence
b. Witness testimony
v. Verdict/Remedies
a. Injunction
b. Damages
c. Costs/Fees
vi. Post-trial
a. Appellate process
vii. Case law revisited
a. Importance of judicial opinions as a source of law

II. Theories of Property Law[1]

A. Positive Law (Thomas Hobbes)
1. Law is a function of the government
2. Property rights arise only because the government has ventured to protect them by passing laws
3. Illustrated in *Johnson v. M'Intosh*, 21 U.S. (8 Wheat.) 543 (1823):

[1] Adapted from John G. Sprankling, *Understanding Property Law*. Newark, NJ: Matthew Bender & Company (1999).

i. Native American land transfer was invalid because U.S. law recognized only the federal government as having the power to transfer title to land owned by Native Americans.
ii. Justice Marshall noted decision could not be based on "principles of abstract justice" but the laws prescribed by the government.

B. Natural Law (John Locke)
1. Laws arise from nature – innate in all humans
2. Government should enforce and protect natural rights rather than create new law
3. Individuals have a right to their own bodies and their actions
4. Natural resources belong to society as a whole
i. Natural resources + personal labor to cultivate and improve = property interest in the natural resource.
ii. In essence, people own the fruits of their labor
5. United States largely rejected this approach – here, the concern is over economic rights and incentives, not the fundamental rights of the authors and inventors (→ utilitarian).

C. Relation to IP
1. Modern IP system based on premise that authors should be allowed just compensation for their work (effectively, preserving author's natural rights)
2. The IP balance
i. Providing enough protection to serve as a sufficient incentive to create; versus…
ii. Ensuring a rich and growing public domain of knowledge and expression.

III. Intellectual Property Overview

A. Two Broad "Classifications"
1. Protection of work products
i. Patents – inventions, methods, systems (exclusively federal)
ii. Copyrights – expression (substantially federal)
iii. Trade Secrets – commercially valuable knowledge and know-how (state and federal)
2. Protection of commercial goodwill
i. Trademarks – commercial source identifiers (state and federal)

B. Sources of Protection
1. Article I, § 8, Cl. 8 – copyright and patent clause
i. "To promote the *Progress of Science and useful Arts,* by securing for *limited Times* to *Authors and Inventors* the exclusive Right to their respective *Writings and Discoveries*" (emphasis added)
ii. Bargains with society:
a. Patents: full disclosure of best method is the *quid pro quo* for grant of exclusive rights.

b. Copyrights: dissemination of new knowledge or new expressions of ideas is the *quid pro quo* for grant of exclusive rights.

iii. Reasons for providing exclusive period

a. Allows authors and inventors to recoup their investment

b. Ultimately provides an incentive to innovate

2. State trademark and trade secrets are protected largely under state law.
3. Article I, § 8, Cl. 3 – source of trademark and trade secret protection
   i. "To *regulate Commerce* with foreign Nations, and *among the several States*, and with the Indian Tribes" (emphasis added)
   ii. Allows for federal trademark legislation (Lanham Act)
   iii. Allows for federal trade secret protection (e.g. Electronic Espionage Act)

C. The Monopoly Myth
1. Contrary to conventional wisdom, patents and copyrights *do not* create monopoly rights.
2. A monopolist *takes something from the public domain* and limits access for personal gain.
3. A patentee or copyright owner has *created something new* that ultimately enriches the public domain when the protection expires.

IV. Patents

A. Basic Concepts
1. Primary purpose of patent protection
   i. To provide an incentive for people to invest in innovation.
   ii. Guarantee inventors a limited period during which to recoup their investment.
   iii. Contribute to a rich public domain through the dissemination of knowledge and know-how disclosed in patents.
2. Patents are granted by the federal government – no patent rights exist until the patent is issued by the Patent and Trademark Office.
   i. Obtaining a patent is a long and rigorous process that requires an examination by the government.
3. Patents are a form of property and confer only a negative right
   i. The right to exclude others from making, using, or selling
   ii. Patents do not confer the right to make, use, or sell anything.
   iii. There is no requirement to practice an invention during the term of the patent. *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908).
   iv. Patents confer the right to exclude only during the life of the patent. Upon expiration, anyone may practice the invention. *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U.S. 249.
4. Source of protection – U.S. Constitution Art. I, § 8, Cl. 8
   i. Authorizes but does not require Congress to provide protection.
   ii. Patent Act codified in Title 35 of the United States Code
5. Primary types of patents

i. Utility – most common; protects utilitarian aspects of an invention
    a. Product patents – protect a particular invention
    b. Process patents – protect a method for making something (the end result need not be patentable itself)
ii. Design – protects ornamental, non functional features
iii. Plant – protects new species of asexually reproduced plants

6. Patent Cast of Characters
    i. Inventor(s) – the person or people that actually engage in the creation of a new invention.
    ii. Assignee(s) – the person, people, or entity(ies) that own the patent and thus have the right to exclude.
        a. May or may not be the same as the inventors.
    iii. Patent Examiners – government employees that screen patent applications to make sure they meet all required standards before a patent is issued.

B. Patentable Subject Matter, examples
    1. Products of nature are not patentable, but synthesized, non-naturally occurring living organisms are. *Diamond v. Chakrabarty*, 447 U.S. 303 (1980).
    2. Software – *Diamond v. Diehr*, 450 U.S. 175 (1981).
    3. Business methods – *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (1998).

C. Prerequisites for Patent Protection
    1. Basic Requirements
        i. Specification (disclosure) – § 112
            a. Best mode
                1. known to the inventor
                2. at the time of filing
                3. *Flick-Reedy Corp. v. Hydro-Line Mfg. Co.*, 351 F.2d 546 (7th Cir. 1965) (invalidated patent because of failure to disclose best mode).
                4. *Glaxo v. Novopharm*, 52 F.3d 1043 (Fed. Cir. 1995) (best mode known to the inventor only, not the assignee)
            b. Enablement of those skilled in the art
            c. Written description
            d. Claims
                1. Must claim specific aspects
        ii. Drawings – § 103
    2. Utility
        i. Invention must have some known, useful end. *Brenner v. Manson*, 383 U.S. 519 (1966) ("process for making certain known steroids" not patentable because there was no disclosed utility for said steroids)
    3. Novelty – § 102
        i. Must be a completely new invention; the first of its kind.

ii. Use in public prior to patent application results in the invention being deemed not novel. *Pennock v. Dialogue*, 27 U.S. 1 (1829).
    a. Note: § 102 now allows a one year grace period
    b. Most countries do not have such a grade period
iii. Examiners look through technical publications, books, and virtually *anything* to see if the invention claimed in a patent application has been used before ("prior art").
iv. Secret prior art does not create a § 102 bar, only such art that could have reasonably been known to the inventor. *Oddzon Products, Inc. v. Just Toys, Inc.*, 122 F.3d 1396 (Fed. Cir. 1997).
v. Experimental use does not start the clock running on the § 102 bar.

4. Nonobviousness -- § 103
    i. Must be an invention that someone skilled in the art would not have reasonably figured out.
    ii. *Eibel Process Co. v. Minnesota & Ontario Paper Co.*, 261 U.S. 45 (1923) (commercial success/companies taking licenses for patented invention demonstrates nonobviousness).
        a. Note, this case demonstrates that nonobviousness was judicially created prior to the enactment of § 103.

D. Miscellaneous Patent Concepts and Limitations
1. Exhaustion – after the lawful sale of a patented item, the patent owner no longer has rights over that particular item. It may be freely transferred without infringement of the patent.
    i. Sales in foreign countries do not exhaust U.S. patent rights.
2. Antitrust considerations – requiring use of specific unpatented products is a misuse of patent rights. *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942) (manufacturer of equipment requiring use of unpatented salt tablets to restrain competitors is contrary to public policy).
3. Preemption – patent law is entirely federal; state laws that attempt to regulate the same subject matter are preempted. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) (state unfair competition protection of an "unpatented industrial design" conflicted with federal patent law).

V. Copyrights

A. Basic Concepts
1. Primary purpose of copyright protection
    i. To provide an incentive for people to invest in creative expression.
    ii. Guarantee authors and creators a limited period during which to recoup their investment.
    iii. Contribute to a rich public domain through the creation and dissemination of a diverse array of expressive material.
2. Copyrights are granted by the federal government, but unlike patents, copyrights do not require any formal filing process.

i. Copyright subsists immediately in any work that meets the requirements for protection.
ii. Registration of a copyright requires a very basic examination but applications are not scrutinized as closely as patent applications.

3. Copyrights confer to their owners specific rights enumerated in the Copyright Act.
4. Source of Protection
    i. Authorizes but does not require Congress to provide protection.
    ii. Patent Act codified in Title 17 of the United States Code
5. Copyright Cast of Characters
    i. Author – the person who or entity that engages in creative expression
        a. Author-in-fact – the individual(s) that engage in creative expression.
        b. Author-in-law – the entity or person that is considered an author of works made for hire.
    ii. Claimant/owner – the person who or entity that has the exploitation rights conferred by the statute.
    iii. Copyright Office – a division of the Library of Congress that sets some copyright policy and handles copyright registration.
6. Copyright Nomenclature
    i. The "work" is an intangible, intellectual creation
    ii. The work is embodied in physical reproductions called "copies" or "phonorecords"
        a. Thus, even a masterful painting, only one of which was created, is actually "copy" – the original work is a product of the artist's mind.

B. Fundamental Requirements for Copyright Protection – § 102
    1. Fixation
        i. "…fixed in any tangible medium of expression now known or later developed…"
        ii. Works fixed simultaneously with transmission are considered "fixed" for copyright purposes (e.g. live newscasts or sporting events).
    2. Originality
        i. "…original works of authorship…"
        ii. Originality is less than "novelty" as required under the patent statutes; simply requires that the work has not been copied.
        iii. "Originality is the *sine qua non* of copyright." *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*, 499 U.S. 340 (1991)
        iv. Facts are not sufficiently original to constitute originality, but compilations thereof may be if the arrangement is considered original. *Id.* (alphabetized white pages not sufficiently original for copyright to subsist).
        v. Idea/Expression Dichotomy

a. Ideas are not protectible, but the way an idea is expressed may be protected. *Baker v. Selden*, 101 U.S. 99 (1880) (blank accounting forms not protectible).
b. Merger doctrine – when an idea has only one or a very small number of ways in which it can be expressed, the expressions thereof are not protectible. *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675 (1st Cir. 1967) (sweepstakes entry form not protectible because there are a limited number of ways to ask for personal information).

vi. How does the "originality" requirement in copyright relate to the "novelty" requirement in patents?
a. Not as stringent; novel implies *first* whereas original just implies that the work is not a copy.
b. What is the reason for the relaxed standard notwithstanding the same Constitutional language?
1. Promotes diverse forms of expression and multiple expressions of the same idea(s).

C. Subject Matter of Copyright – § 102
1. Literary works – § 102(a)(1)
2. Musical works – § 102(a)(2)
i. Tunes and melodies (e.g. music on paper)
ii. Lyrics are considered a literary work
3. Dramatic works – § 102(a)(3)
i. Seemingly unnecessary – individual elements could be copyrighted under other portions of this section.
4. Pantomimes and choreographic works -- § 102(a)(4)
i. Note that the fixation requirement still applies – can be videotaped, for example, or carefully notated on paper.
5. Pictorial, graphic, and sculptural works – § 102(a)(5)
i. Artistic elements of otherwise functional objects may be copyrightable if they can be physically or conceptually separated from the functional components. *Mazer v. Stein*, 347 U.S. 201 (1954).
6. Motion pictures and audiovisual works – § 102(a)(6)
7. Sound recordings – § 102(a)(7)
i. Unique collection of sounds recorded on a phonorecord.
ii. Music copyrights can be complicated; can have separate copyright owners for…
a. Lyrics (literary work)
b. Melody (musical work)
c. Recording thereof (sound recording)
iii. Additionally, recordings of, for example, a famous Beethoven piece are protected under copyright! The musical work is in the public domain but the sound recording likely is copyrighted by the performer.
8. Architectural works – § 102(a)(8)
i. Protection for blueprints, drawings, etc., under pictorial, graphic, and sculptural works.

ii. This category protects actual physical buildings, etc.
iii. Exceptions for skyline shots, buildings that appear in the background, etc.

D. Terms
1. The "limited times" requirement
i. *Eldred v. Ashcroft*, 537 U.S. 186 (2003).
2. Single authors – life of the author + 70 years
3. Joint authors – life of the longest lived author + 70 years
4. Works made for hire (corporate authors), pseudonymous, anonymous authors – 95 years after publication or 120 years after creation, whichever is shorter

E. Enumerated Rights – §§ 106, 106A, 108-122
1. Reproduction – § 106(1)
i. *Bright Tunes Music Corp. v. Harrissongs Music, LTD*, 420 F. Supp 177 (1976), *aff'd sub nom. ABKCO Music, Inc. v. Harrissongs Music, Ltd.,* 722 F.2d 988 (2nd Cir. 1983) (subconscious copying).
2. Derivative Works – § 106(2)
i. Protection of derivative works still requires originality and fixation; also subject to the exclusions (i.e. idea/expression dichotomy).
ii. Copyright in a derivative work or compilation subsists only in the newly authored matter; anything that happens to the copyright on the compilation does not affect the copyrights in the underlying works.
iii. *Lee v. A.R.T.*, 125 F.3d 580 (7th Cir. 1997) (mounting lawfully acquired postcards and lithographs onto a tile does not constitute a derivative work).
iv. *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988) (mounting excerpts from a lawfully acquired book does constitute a derivative work).
v. Compilations – *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*, 499 U.S. 340 (1991) (compilations are copyrightable insofar as they meet a minimum level of originality).
3. Distribution – § 106(3)
i. First Sale Doctrine – § 109 – once the copyright owner has lawfully transferred a particular copy or phonorecord, the owner does not have the right to control its downstream distribution. Similar to patent exhaustion.
4. Public Performance – § 106(4)
i. Public = any place open to the public or to a substantial number of people outside a normal circle of family and friends.
ii. Girl Scouts story – performing rights societies threaten suits against the Girl Scouts and other operators of summer camps for children over singing camp songs, etc., without obtaining the requisite licenses. *[Wall Street Journal article cite]*

5. Public Display – § 106(5)
    i. Same definition as public as used above in § 106(4).
    ii. *De minimis* use – *Sandoval v. New Line Cinema Corp.*, 147 F.3d 215 (2nd Cir. 1998) (appearance of photographs in defendant's movie so fleeting → no infringement).
6. Digital Audio Transmission – § 106(6)

F. Limitations on Rights
1. Library and Archives Exception – § 108
2. Public Performance Exceptions – § 110
    i. Face-to-face teaching
    ii. Instructional/noncommercial broadcasting
    iii. Live performances with no commercial value
    iv. Religious services
3. Statutory (Compulsory) Licenses – § 111 *et. seq.*

G. Fair Use
1. 4 Factor test – § 107
    i. Purpose and character of the use
    ii. Nature of the copyrighted work
    iii. Amount used
    iv. Effect upon the potential market of the copyrighted work
2. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) (parody of "Oh, Pretty Woman" not presumptively unfair because of its commercial nature; factors are to be balanced and equally weighted).
3. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) (fair use argument rejected as applied peer-to-peer file transfer network).

H. Miscellaneous Copyright Concepts
1. Government works – § 105
2. Digital Millennium Copyright Act
    i. "Paracopyright" concept – not originally in the copyright act and not enacted under Congress's IP clause power.
    ii. Prescribes civil and criminal penalties for defeating copy protection mechanisms on digital media.
    iii. Problem – "locks" content that may not be copyrightable; makes it illegal for an individual to use material that may be in the public domain, etc.
3. Contributory Infringement
    i. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (sales of video tape recorders not contributory infringement because, *inter alia*, the underlying use of the recorders was fair).
4. Works Made for Hire
    i. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989) (adopted Restatement (Second) of Agency approach to determine whether work was created by an "employee").
5. Notice Requirements
    i. Not required for protection
6. Registration

i. Not required for protection
ii. Required to sue
iii. Serves as constructive notice

VI. Trademarks

A. Basic Concepts

1. Primary purpose of trademark protection
    i. To protect names, titles, and slogans that serve as source identifiers for goods and services.
    ii. To protect the goodwill and reputation attributed to a particular company (source) with respect to their goods or services.
    iii. Reduce consumer confusion by providing a system by which one and only one user is permitted to use a mark on a particular class of goods or services.
2. Unlike patents and copyrights, trademarks are regulated by both state and federal governments.
    i. Rights arise under both regimes from *use* of a particular mark. A trademark owner simply must use a mark to claim rights – no registration or government filing is required.
    ii. The federal government and most state governments allow trademark owners to register their marks, which confers some additional benefits.
3. The fundamental right of a trademark is to prevent others from using the same or a similar mark on identical or related goods.
4. Source of Protection
    i. The goals of trademark do not fit well with the goals and objectives of the "intellectual property clause" of the Constitution.
        a. No authors or inventors; no discoveries or writings!
    ii. Congress found authority under the Commerce Clause of the Constitution which allows them to regulate "Commerce…among the several States"
        a. Thus, for federal trademark law to apply, the trademark must be used in *interstate commerce* or such that it *affects* interstate commerce.
    iii. Federal trademark law codified in Title 15 of the United States Code, § 1051 *et. seq*.
    iv. Note: references herein are to the Lanham Act section numbers, not to the United States Code.
5. Trademark Cast of Characters
    i. Trademark owners – companies who use marks on goods or services.
    ii. Trademark examiners – government employees who review applications for trademark registration to ensure that there is no likelihood of confusion.
6. Trademark Nomenclature
    i. A trademark is a word, name, or symbol used to identify the source of goods.

ii. A servicemark is a word, name, or symbol used to identify the source of services.
iii. A trade name is the name under which a particular company operates, which may or may not be the same.
    a. Trade names can also be trademarks if used to identify source of goods or services.
        1. IBM as the company name = trade name
        2. IBM as used on computers = trademark
        3. IBM as used on consulting services = servicemark

B. Distinctiveness
    1. A word, name, or symbol must be distinctive in order to function as a trademark; it must create a distinct commercial impression
    2. Spectrum of distinctiveness, *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.3d 4 (2nd Cir. 1976).
        i. Generic
            a. Not capable of functioning as a trademark; not registerable
            b. Example: using the word "car" to sell automobiles
        ii. Descriptive
            a. Describes, in a direct manner, the nature, character, quality, or uses of a particular good or service.
            b. Capable of functioning as a trademark if it acquires secondary meaning
            c. Example: "Honey Baked Ham" for baked ham, glazed with honey
        iii. Suggestive
            a. Vague description of the goods or services but requires some thought on behalf of the consumer to make the association
            b. Example: "Rollerblade" for roller-skates that have the wheels in a straight line, like a blade
        iv. Arbitrary
            a. Words in common usage but applied to goods or services arbitrarily
            b. Example: "Apple" for computers
        v. Fanciful ("coined words")
            a. Words that are made-up
            b. May also be words that are part of the language but are not commonly used
            c. Example: "Kodak"
            d. Example: "Flivver" (real word that refers to an inexpensive, cheap car, but not widely known or used)

C. Acquiring Trademark Rights
    1. Trademark rights arise from use – first in time, first in right
    2. Registration not required, but confers additional rights
        i. Nationwide rights; ability to secure a nationwide injunction

ii. Enhanced damages
iii. Prevent importation of infringing goods

3. Priority Use – *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260 (dispute between two users of the identical mark on identical goods resolved in favor of the first party to use the mark legitimately in commerce).
4. Concurrent Use – *Thrifty Rent-A-Car System v. Thrift Cars, Inc*., 831 F.2d 1177 (registrant's nationwide rights subject to prior senior, though unregistered, user's remote use on identical services).

D. Losing Trademark Rights
1. Abandonment
i. Must have intent not to resume use
ii. resumption of use must be imminent
2. Genericism
i. The term used as a trademark is no longer distinctive as applied to the relevant goods and services.
ii. Genericized trademark examples:
a. *Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y 1921) ("Asprin").
b. *King-Seeley Thermos Co. v. Aladdin Industries, Inc.*, 321 F.2d 577 (2nd Cir. 1963) ("Thermos").
c. Escalator
d. Nylon
e. Kerosene
iii. Examples of current trademarks used generically:
a. Xerox (photocopiers)
b. Kleenex (facial tissues)
c. Rollerblade (inline skates)
d. Band-Aid (plastic adhesive bandages)
e. *Microsoft Corp. v. Lindows.com, Inc.*, 2002 U.S. Dist. LEXIS 24616 (W.D. Wash. 2002) ("Windows" distinctiveness unsuccessfully challenged by Linux distributor).
iv. Trademark owner *can* "reclaim" a mark, but the expense of re-educating the public can be enormous.

3. Acts of Omission and Commission
i. Assignment in gross
ii. Naked licensing
iii. Failure to police the mark
a. No trademark symbol requirement (TM, SM, ®)
b. Allowing use as a verb (e.g. "let's go Rollerblade")
c. Allowing use as a possessive
iv. Express abandonment
a. Sometimes done for various business or tax reasons

E. Trade Dress (product design or product packaging)
1. Functionality (threshold issue)
i. If a particular feature is functional, it is *per se* generic on the *Abercrombie* spectrum

ii. Evidence of functionality
    a. Patents covering the same subject matter now claimed to be trade dress
    b. Advertising material touting the functional aspects of a particular feature
    c. Alternative designs of the same product that are not as useful

2. Color
    i. Single colors may function as trademarks, so long as the use of a particular color is not functional.
        a. Functional color example: fluorescent yellow and orange telephone booth functional insofar as it makes them stand out from the competition. No trade-dress protection.
        b. Nonfunctional color example: green and gold color used on press pads. Although use of some color, arguably, was desirable from a functional perspective, use of the green/gold provided no particular advantage. *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995).

F. Infringement
1. Infringement standard = likelihood of confusion
    i. Who must be confused? A substantial portion of the *average* and *relevant* customer base.
    ii. About what must they be confused? Source of a particular product or service.
2. Goods must be identical or related in order to bring an infringement action.
    i. Dilution used for
3. Likelihood of confusion factors – *Polaroid v. Polarad Elects. Corp.*, 287 F.2d 492 (2nd Cir. 1961).
    i. The strength of the plaintiff's mark;
    ii. The degree of similarity between plaintiff's and defendant's marks;
    iii. The proximity of the products or services;
    iv. The likelihood that plaintiff will bridge the gap;
    v. Evidence of actual confusion;
    vi. Defendant's good faith in adopting the mark;
    vii. The quality of the defendant's product or service;
    viii. The sophistication of the buyers.
4. Note: Every circuit has their own test although most are generally similar to the *Polaroid* factors.
5. *Quality Inns International v. McDonald's Corp.*, 695 F.Supp. 198 (D.Md. 1988) (methodical analysis of major trademark infringement issues as related to "McSleep" as used with hotels being confused with "McDonald's" and the "Mc" family of marks on food services).

G. Defenses
1. Fair Use (nominative fair use)

i. Test
    a. No way to refer to the goods or services except for the trademark/servicemark
    b. Only so much of the mark or marks is used as is necessary to identify the goods or services
    c. No sponsorship or endorsement by the owner of the mark or marks is suggested.
ii. *New Kids on the Block v. New America Pub., Inc.*, 971 F.2d 301 (9th Cir. 1992) (newspaper's use of the "New Kids on the Block" mark found to be fair).

2. Free Speech Considerations/Parody
    i. Tension between the right to free speech and consumer confusion as to source – Lanham Act will be construed narrowly.
    ii. Parody is unique in that it must simultaneously…
        a. Appear as if the parody is the original; and
        b. Clearly appear as a parody
    iii. The plaintiff's mark must be the target of the parody
    iv. Courts look more favorably upon parodies that use traditional media – namely, books, magazines, leaflets, etc.
    v. *Cliffs Notes, Inc. v. Bantam Doubleday*, 886 F.2d 490 (2nd Cir. 1989) (defendant's parody "Spy Notes" posed only a slight risk of consumer confusion with plaintiff's "Cliff's Notes." Risk of confusion outweighed by First Amendment considerations).

H. Blurring and Tarnishment (collectively "dilution")
1. Concepts apply only to marks deemed famous; "fame factors" in Lanham Act § 43(c):
    i. Degree of distinctiveness
    ii. Duration and extent of use
    iii. Duration and extent of advertising or publicity
    iv. Geographical extent of the trading area
    v. Channels of trade
    vi. Degree of recognition
    vii. Nature and extent of third party use
2. Examples of famous marks
    i. Kodak
    ii. Ford
    iii. Xerox
    iv. Coca-Cola (or Coke)
3. Standard is different – unlike infringement, where the plaintiff must only show a *likelihood* of confusion, to prevail on a dilution theory, the plaintiff must show *actual* evidence of dilution.
4. Blurring – slow erosion of a famous mark's strength by diminishing the association between the mark and its goods and/or services.
    i. The blurring concept picks up where infringement leaves off – infringement deals only with identical or related goods/services, where as blurring analysis *only applies when the goods/services are different*

ii. Example: "Kodak" used on ice cream – could hurt the strong association "Kodak" currently has with photography.
iii. Courts historically have difficulty differentiating between blurring analysis and pure infringement analysis making the case law difficult to decipher or use as precedent.
iv. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480 (7th Cir. 1988) (defendant's "Greatest Used Car Show on Earth" blurred plaintiff's "Greatest Show on Earth").

5. Tarnishment – a famous mark's strength is undermined by a false association with inferior goods or is used in an unwholesome or unsavory context.
   i. Traditionally brought under state statutes, but some actions arise out of the Lanham Act § 43(c)
   ii. *Deere & Co., v. MTD Products, Inc.*, 41 F.3d 39 (2nd Cir. 1994) (defendant's feeble and cowering deer logo tarnishes defendant's strong, powerful deer image).

I. Cybersquatting, Typosquatting
   1. Anticybersquatting Consumer Protection Act → Lanham Act § 43(d) protects:
      i. Distinctive marks where the defendant's use is:
         a. Identical; or
         b. Confusingly similar
      ii. Famous marks, where the defendant's use is:
         a. Identical;
         b. Confusingly similar; or
         c. Dilutive
      iii. Prohibits registration, trafficking in, or use of a domain by anyone other than the mark owner.
      iv. Also prohibits "typosquatting" – registering domain names that are similar to legitimate web sites for the purpose of diverting traffic from the real site (e.g. whitehouse.com).
   2. *Morrison & Foerster, LLP v. Wick*, 94 F.Supp.2d 1125 (D.Colo. 2000) (defendant's bad-faith registration and use of domain names that were confusingly similar to those owned by the plaintiff a violation of § 43(d)).

J. Rights of Publicity
   1. Analogous to trademark law; most claims arise out of state statutory or common law
   2. Based on theory that people have a right to control the commercial use of their identity. Identity can include:
      i. Name or nickname
      ii. Voice
      iii. Likeness
      iv. Performing style
      v. Character
      vi. Other indicia that identify an individual

3. Unlike trademark law, one's identity need not be used in commerce to bring a right of publicity infringement action.
4. *Allen v. National Video, Inc.*, 610 F.Supp. 612 (S.D.N.Y. 1985) (defendant video store's use of Woody Allen look-alike and associated Allen paraphernalia infringed on plaintiff Allen's right of publicity; court treated look-alike and Allen as trademarks and applied standard likelihood of confusion analysis).
5. *White v. Samsung Electronics America, Inc.*, 971 F.2d 1395 (9th Cir. 1992) (defendant's use of a robot designed to look like plaintiff infringed upon plaintiff's right of publicity).

VII. Trade Secrets

A. Basic Concepts

1. Primary purpose of trade secret protection
    i. To afford protection to otherwise unprotectible information assets that provide a competitive advantage.
    ii. To provide an incentive for industrial innovation by guaranteeing protection
    iii. Secrecy is the *sina qua non* of trade secret protection – if it's not a secret, there is no protection.
2. Trade secret protection is afforded to any commercially meaningful and economically know-how that is not generally known or available.
    i. Owners of trade secrets must take affirmative steps to maintain secrecy (e.g. nondisclosure agreements, appropriate physical plant security).
3. Trade secrets have the potential to last forever – so long as secrecy is maintained the trade secret is legally protected.
4. Where patents, copyrights, and trade secrets can be infringed upon, trade secrets are said to be *misappropriated*.
5. Trade secrets tend to pick up where patents leave off:
    i. An inventor may not meet one of the requirements for patentability and thus will maintain his or her invention (e.g. a process for making something) a trade secret.
    ii. An organization may not wish to disclose its method or be limited to the 20 year term of a patent. If the owner can maintain adequate secrecy, the trade secret could last forever (e.g. the formula for Coca-Cola).
6. Reverse engineering and independent discovery are both defenses to a misappropriation claim. This stands in contrast to patent law, where an inventor enjoys absolute exclusivity under the patent grant.
7. Source of Protection
    i. Largely state statute and common law
        a. Restatement (Third), Unfair Competition § 39
        b. Uniform Trade Secret Act § 1(4)
    ii. Some federal protection through various criminal statutes
        a. Economic Espionage Act
        b. No Electronic Theft Act

B. Two Views of Trade Secret Protection
    1. "Property" View
        i. Focuses on the trade secret as property
        ii. Under this view, if a trade secret is misappropriated and it later becomes widely known, the perpetrator could not be held liable because the trade secret is no longer protected.
    2. "Tort" View
        i. Focuses on the actions related to the trade secret
        ii. Under this view, if a trade secret is misappropriated and it later becomes widely known, the perpetrator would still be liable for misappropriation because their act is considered improper.

C. *E.I. duPont deNemours & Co., Inc v. Christopher*, 431 F.2d 1012 (5th Cir. 1970) (defendant's aerial photography of the plaintiff's under construction plant site held to be a misappropriation of the plaintiff's trade secrets).

VIII. Intellectual Property Integration and Application

A. Businesses rarely rely on only one source of intellectual property law; they can be interwoven to create a "seamless web" of protection. Usually one or two categories will form the "center of gravity" of a company's intellectual property portfolio.
B. Examples:
    1. Amazon.com ("center of gravity" = patent and trade secret)
        i. Patents
            a. 38 granted patents as of July 5, 2004 (since 1976)
            b. Examples:
                1. "Use of electronic shopping carts to generate personal recommendations" (6,317,722)
                2. "Internet-based customer referral system" (6,029,141)
                3. "Method and system for placing a purchase order via a communications network" (5,960,411)
        ii. Copyrights, examples:
            a. Entire web site
            b. Design on their shipping boxes
            c. Printed sales literature sent with orders
        iii. Trademarks/Servicemarks, examples:
            a. "Amazon.com"
            b. "Amazon.com" logo
            c. "EAmazon"
            d. "Search Inside the Book"
        iv. Trade secrets, examples:
            a. Best methods for implementing various inventions and developments protected under patents
            b. Revenue forecast models
            c. Customer lists
    2. NBC Television ("center of gravity" = copyright and trademark)
        i. Patents

a. Only one, expired – "Safety light" (4,027,150)

ii. Copyrights, examples:
a. Advertising and promotional material (graphics, music, etc.)
b. TV programs (thousands!)
c. Newscasts

iii. Trademarks, examples:
a. NBC peacock
b. NBC chimes
c. Program titles (e.g. "Today" or "The Tonight Show")

iv. Trade secrets, examples:
a. Revenue and demand forecast models
b. Scripts and treatments under consideration or in development

3. United Airlines ("center of gravity" = copyright and trademark)
i. Patents
a. 36 granted patents as of July 5, 2004 (since 1976)
b. Examples:
1. "Multiple-door access boarding bridge" (6,684,443)
2. "Baggage chute apparatus" (6,401,901)
3. "Method and apparatus for electrostatically cleaning particulates from air" (5,330,559)

ii. Copyrights, examples:
a. Advertising and promotional material
b. Printed flight plans
c. Published fare information and timetables
d. Background design on the cardstock upon which boarding passes are printed
e. Training manuals

iii. Trademarks, examples:
a. "E Ticket"
b. "United Airlines"
c. "It's Time to Fly"
d. "United EasyCheck-In"
e. "United Sameday"

iv. Trade secrets, examples:
a. Yield management and fare determination models and algorithms
b. Pilot training manuals
c. Emergency management policies and procedures

4. The Coca-Cola Company ("center of gravity" = patent and trade secret [arguably])
i. Patents
a. 855 granted patents as of July 5, 2004 (since 1976)
b. Examples:
1. "Systems and methods for temperature control in refrigeration systems and heating systems" (6,745,581)

2. "Vending machine purchase via cellular telephone" (6,584,309)
3. "Method to decrease aldehyde content in poleolefin products" (6,632,874)
4. "CO2-hydrate Product and method of manufacture threof" (6,576,276)

ii. Copyrights, examples:
   a. Designs on packaging
   b. Distributor/bottler operating manuals
   c. TV commercials
   d. Other advertising and promotional material

iii. Trademarks, examples:
   a. "Coke"
   b. "Diet Coke"
   c. "Cherry Vanilla Groove"
   d. "Sprite Remix"
   e. "Dasani Nutriwater"

iv. Trade secrets, examples:
   a. The formula for Coca-Cola
   b. Distributor/bottler operating procedures (manuals)
   c. Distillation/concentration ratios

TEACHING NOTE: WEEK 1

SCOPE NOTE

The first week serves as an introduction and orientation. The material this week will introduce students to the basic substantive concepts of intellectual property law as well as the procedural framework of the course. Students will gain a familiarity with the nature of patent, trademark, copyright, and trade secret protection and how modern businesses have come to rely on these concepts. Finally, students will become acquainted with the idea of reading judicial opinions to extract key points of law.

FOCUS QUESTIONS

- What is intellectual property?
- What role does intellectual property play in the modern economy?
- How does intellectual property influence modern business models?
- What is protectible under the various forms of intellectual property?
- How are judicial decisions used as a source of law?
- How are legal concepts applied to a particular legal scenario?

ASSIGNMENTS DUE THIS WEEK

DuPont v. Christopher, 431 F.2d 1012 (5th Cir. 1970)

ASSIGNMENTS DUE NEXT WEEK

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KEY ISSUES

AN INTRODUCTION TO THE COURSE

The primary focus of this class is to introduce the major course themes and concepts. Most students will be familiar with the terms associated with intellectual property (e.g. patents, trademarks, copyrights), but have little understanding of the underlying concepts or legal principles for which these terms stand. Additionally, most students will have no experience reading judicial opinions. During this first week, students will become acquainted with the nature of judicial opinions, how to read them, and how to focus on the important portions. The introduction will dovetail nicely with the following week's topics, which begin to develop the concepts that drive our contemporary justice system – namely the concept and importance of precedent and the principle of formal equality.

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WHAT IS INTELLECTUAL PROPERTY?

Intellectual property is the collective name for a variety of legal doctrines that protect rights in intangible assets. Specifically, there are for traditional categories of intellectual property (examples follow each category):

- **Patents** – protect innovative and useful methods, systems, and inventions. Nobody else is permitted to make or use the invention during the period of the patent unless they have permission of the owner.
  - A new type of engine that runs on grass clippings
  - A new method for cooking meat patties that dramatically reduces the cooking time.

- **Copyrights** – protect original works of authorship that are fixed in a tangible medium of expression. This includes books, photographs, movies, music, and much more. While the copyright is in force, it is unlawful to copy, display, or publicly perform (among other things) the copyrighted work. Once the copyright expires, the work is considered to be in the public domain.
  - A book or newspaper
  - A feature film

- **Trademarks** – protect symbols, names, and other identifiers that indicate that a particular good or service comes from a particular source. Trademarks must be attached to a particular good or service in order to gain protection. It is unlawful for anyone to use the mark on the same (or similar) goods or services such that a consumer might be confused as to when
  - The Nike swoosh logo
  - "Kodak"

- **Trade Secrets** – protect confidential information used in a business so long as reasonable efforts are made to ensure its confidentiality. In certain cases inventions or methods for which a patent could be sought are better protected as a trade secret, because trade secrets last indefinitely whereas patents expire.
  - The recipe for Coke
  - The customer list at a local bakery

The source of authority for patent and trademark law is the Constitution. Article I, Section 8, Clause 8 permits Congress to grant authors and inventors exclusive rights to their works "for limited times" in order to promote "science and the useful arts." The purpose of patent and copyright law, thus, is to promote scientific and cultural innovation. In order to give inventors and authors an incentive to create new things, the government grants them an exclusive period of time during which they may control their works, thereby providing a period of time to recoup their investment.

Contrastingly, trademark and trade secret law is largely a product of state law, where the objective is not to spur creativity but to protect consumers. As source indicators, trademarks help consumers determine which products are made by certain companies. Violation of trademark laws is often considered to be a form of unfair competition. Today there is some federal protection for trade secrets and trademarks, typically arising out of Congress's authority under the Commerce Clause of the constitution.

THE RISE OF INTELLECTUAL PROPERTY

Why is intellectual property so important in the modern economy? Have students discuss the question; urge them to draw from their personal experience and academic backgrounds to formulate some ideas about why intellectual property is fast becoming the centerpiece of many modern business models.

Some key topics include:

- As we enter the information-age, information is becoming the new currency – information is protected by various forms of intellectual property.
- Intellectual property assets can be leveraged over multiple platforms.
- The service sector accounts for an overwhelming majority of the United States' national income; service provides rely more on intellectual versus tangible assets.
- Knowledge, skill, ability, and know-how are fast becoming the cornerstone of modern businesses. These assets must be protected using forms of intellectual property protection.

INTELLECTUAL PROPERTY IN CONTEMPORARY BUSINESS

Transition the discussion from why intellectual property is important to how intellectual property might be used in the following hypothetical scenarios. Remind students to draw upon their own personal knowledge and experience, their prior academic backgrounds, as well as the basic information they have from this course about the various forms of intellectual property. Key points for each hypothetical are bulleted underneath.

Hypothetical 1

Your company has just developed a new way of turning common household trash into electrical energy. The new process can be performed right in people's homes but to harness the energy, users must have a special "black box" that converts the "trashergy" into common electrical energy. You want to start marketing the process and the box under the name "PowerTrash."

- The method for converting trash into energy may be patentable.
- The "black box" that converts trashergy into electricity may be patentable.
- The word "trashergy" may function as a trademark.
- The word "PowerTrash" may function as a trademark.
- The company should see a lawyer and/or seek patent protection *before* offering their inventions for sale.

Hypothetical 2

You are the lawyer for a new startup company that is based entirely online. The company produces two to three minute segments for television news programs about complex science and technology topics. Each day they send to their clients, via the web, a high-resolution video segment for use on the client's station during a newscast as well as a copy of the script. The company has come to you with concerns about stations trying to copy their products, which they call "ScienceVision TV," in their TV station store at a local mall. What advice do you give the company?

- The video segments and scripts are protected under copyright.
- The phrase "ScienceVision TV" may function as a trademark.

Hypothetical 3

Over the past year, your company has made a major breakthrough in the field of hot beer-flavored beverages you call "BeerTea." Unfortunately, your attorney told you that because you started selling the product more than a year ago, you will not be able to get a patent on the invention. Only a couple people in the company know what goes into BeerTea and no one person knows the proportions of the ingredients. Additionally, everyone has sworn to secrecy and the building where you manufacture BeerTea is heavily secured.

- While patent protection is no longer an option, if the company can maintain secrecy, the recipe for BeerTea is a viable trade secret.
- The word "BeerTea" may function as a trademark.

READING JUDICIAL OPINIONS

Virtually every week in this course, students will read a judicial opinion related to a matter of intellectual property law. Because most students will have little or no experience with reading or interpreting judicial opinions, the exercise is designed to familiarize students with the structure, style, and form of a typical opinion. The intention here is not to extract major principles of substantive law, but rather, gain an appreciation for the method and techniques by which one can extract relevant law from a case. Indeed the discussion process is, by itself, a rich learning experience.

The case *DuPont v. Christopher* is a landmark trade secret case wherein the plaintiff, DuPont, was constructing a manufacturing plant. The defendants were aerial photographers hired by a DuPont competitor to take photographs of the plant in an attempt to extract information about DuPont's proprietary manufacturing process which was considered a trade secret. The court ultimately held that even though the photography took place from public airspace, the photography was an improper means of obtaining another's trade secret.

Students should read the opinion prior to the discussion and take notes, if applicable. You may wish to provide students with printed questions to consider while reading and to guide their preparations for the class discussion. Following are suggested questions to help structure your dialogue. Possible responses are bulleted below each question.

Who are the parties in this case?

- DuPont, the one who is suing or who started the lawsuit ("the plaintiff") – owner of the plant that was under construction.

- The Christopher brothers, the people being sued ("the defendant") – photographers hired to take aerial pictures of the plant.

What are the basic facts of the case?

- DuPont was building a new plant in Beaumont, Texas.

- The Christopher brothers were hired by an unknown third party to take pictures of the plant as it was constructed.
- DuPont employees noticed the plane circling the plant and started asking questions.
- The Christophers refused to explain who hired them to take the pictures.

What does DuPont argue? (What is DuPont's theory?)

- The Christophers had been hired by a DuPont competitor to take pictures of their secret process.
- The pictures would enable someone with a basic knowledge of methanol manufacturing to deduce DuPont's secret process.
- The photographs constitute a misappropriation of DuPont's trade secrets (the secret process).

What do the Christophers argue? (What is the Christophers' theory?)

- They took the pictures from public airways and were not in violation of any aviation laws or standards.
- There was no trespass, illegal conduct, or breach of a confidential relationship, at least one of which is necessary for a misappropriation of a trade secret claim.

The law of which jurisdiction does the court apply in this case?

- State of Texas

What does the court ultimately hold in this case?

- The Christophers are liable for misappropriation of trade secret

To what resources does the court turn to help decide the case?

- Prior cases
- The Restatement of Torts

What are some of the court's primary statements or rationales?

- The proper means of obtaining the trade secret of another is by looking at their product (i.e. reverse engineering).
- A competitor must put in the time, energy, and expenditure to reverse engineer or analyze the product to determine the process by which it is made.
- The owner of a trade secret must take adequate steps to protect it. Such steps may include fences, security, etc.

- The owner of a trade secret need not guard against the unexpected.
- Aerial photography is an improper method of obtaining a competitor's trade secret.

E.I. duPont deNemours & Co. v. Christopher
United States Court of Appeals for the Fifth Circuit, 1970
431 F.2d 1012

GOLDBERG, C.J. This is a case of industrial espionage in which an airplane is the cloak and a camera the dagger. The defendants-appellants, Rolfe and Gary Christopher, are photographers in Beaumont, Texas. The Christophers were hired by an unknown third party to take aerial photographs of new construction at the Beaumont plant of E. I. duPont deNemours & Company, Inc. Sixteen photographs of the DuPont facility were taken from the air on March 19, 1969, and these photographs were later developed and delivered to the third party.

DuPont employees apparently noticed the airplane on March 19 and immediately began an investigation to determine why the craft was circling over the plant. By that afternoon the investigation had disclosed that the craft was involved in a photographic expedition and that the Christophers were the photographers. DuPont contacted the Christophers that same afternoon and asked them to reveal the name of the person or corporation requesting the photographs. The Christophers refused to disclose this information, giving as their reason the client's desire to remain anonymous.

Having reached a dead end in the investigation, DuPont subsequently filed suit against the Christophers, alleging that the Christophers had wrongfully obtained photographs revealing DuPont's trade secrets which they then sold to the undisclosed third party. DuPont contended that it had developed a highly secret but unpatented process for producing methanol, a process which gave DuPont a competitive advantage over other producers. This process, DuPont alleged, was a trade secret developed after much expensive and time-consuming research, and a secret which the company had taken special precautions to safeguard. The area photographed by the Christophers was the plant designed to produce methanol by this secret process, and because the plant was still under construction parts of the process were exposed to view from directly above the construction area. Photographs of that area, DuPont alleged, would enable a skilled person to deduce the secret process for making methanol. DuPont thus contended that the Christophers had wrongfully appropriated DuPont trade secrets by taking the photographs and delivering them to the undisclosed third party. In its suit DuPont asked for damages to cover the loss it had already sustained as a result of the wrongful disclosure of the trade secret and sought temporary and permanent injunctions prohibiting any further circulation of the photographs already taken and prohibiting any additional photographing of the methanol plant.

The Christophers answered with motions to dismiss for lack of jurisdiction and failure to state a claim upon which relief could be granted. Depositions were taken during which the Christophers again refused to disclose the name of the person to whom they had delivered the photographs. DuPont then filed a motion to compel an answer to this question and all related questions.

On June 5, 1969, the trial court held a hearing on all pending motions and an additional motion by the Christophers for summary judgment. The court denied the Christophers' motions to dismiss for want of jurisdiction and failure to state a claim and also denied their motion for summary judgment. The court granted DuPont's motion to compel the Christophers to divulge the name of their client. Having made these rulings, the court then granted the Christophers' motion for an interlocutory appeal under 28 U.S.C. § 1292(b) to allow the Christophers to obtain immediate appellate review of the court's finding that DuPont had stated a claim upon which relief could be granted. Agreeing with the trial court's determination that DuPont had stated a valid claim, we affirm the decision of that court.

This is a case of first impression, for the Texas courts have not faced this precise factual issue, and sitting as a diversity court we must sensitize our Erie antennae to divine what the Texas courts would do if such a situation were presented to them. The only question involved in this interlocutory appeal is whether DuPont has asserted a claim upon which relief can be granted. The Christophers argued both at trial and before this court that they committed no 'actionable wrong' in photographing the DuPont facility and passing these photographs on to their client because they conducted all of their activities in public airspace, violated no government aviation standard, did not breach any confidential relation, and did not engage in any fraudulent or illegal conduct. In short, the Christophers argue that for an appropriation of trade secrets to be wrongful there must be a trespass, other illegal conduct, or breach of a confidential relationship. We disagree.

It is true, as the Christophers assert, that the previous trade secret cases have contained one or more of these elements. However, we do not think that the Texas courts would limit the trade secret protection exclusively to these elements. On the contrary, in *Hyde Corporation v. Huffines*, 158 Tex. 566, 314 S.W.2d 763 (1958), the Texas Supreme Court specifically adopted the rule found in the Restatement of Torts which provides: "One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if (a) he discovered the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him …" Restatement of Torts § 757 (1939).

Thus, although the previous cases have dealt with a breach of a confidential relationship, a trespass, or other illegal conduct, the rule is much broader than the cases heretofore encountered. Not limiting itself to specific wrongs, Texas adopted subsection (a) of the Restatement which recognizes a cause of action for the discovery of a trade secret by any 'improper' means.

The defendants, however, read *Furr's Inc. v. United Specialty Advertising Co.*, 338 S.W.2d 762 (Tex. Civ. App. 1960), *writ ref'd n.r.e.*, as limiting the Texas rule to breach of a confidential relationship. The court in Furr's did make the statement that 'The use of someone else's idea is not automatically a violation of the law. It must be something that meets the requirements of a 'trade secret' and has been obtained through a breach of confidence in order to entitle the injured party to damages and/or injunction. 338 S.W.2d at 766. We think, however, that the exclusive rule which defendants have extracted from this statement is unwarranted. In the first place, in Furr's the court specifically found that there was no trade secret involved because the entire advertising scheme claimed to be the trade secret had been completely divulged to the public. Secondly, the court found that the plaintiff in the course of selling the scheme to the defendant had voluntarily divulged

the entire scheme. Thus the court was dealing only with a possible breach of confidence concerning a properly discovered secret; there was never a question of any impropriety in the discovery or any other improper conduct on the part of the defendant. The court merely held that under those circumstances the defendant had not acted improperly if no breach of confidence occurred. We do not read Furr's as limiting the trade secret protection to a breach of confidential relationship when the facts of the case do raise the issue of some other wrongful conduct on the part of one discovering the trade secrets of another. If breach of confidence were meant to encompass the entire panoply of commercial improprieties, subsection (a) of the Restatement would be either surplusage or persiflage, an interpretation abhorrent to the traditional precision of the Restatement. We therefore find meaning in subsection (a) and think that the Texas Supreme Court clearly indicated by its adoption that there is a cause of action for the discovery of a trade secret by any 'improper means.' *Hyde Corporation v. Huffines*, *supra*.

The question remaining, therefore, is whether aerial photography of plant construction is an improper means of obtaining another's trade secret. We conclude that it is and that the Texas courts would so hold. The Supreme Court of that state has declared that 'the undoubted tendency of the law has been to recognize and enforce higher standards of commercial morality in the business world.' *Hyde Corporation v. Huffines*, 314 S.W.2d at 773. That court has quoted with approval articles indicating that the proper means of gaining possession of a competitor's secret process is 'through inspection and analysis' of the product in order to create a duplicate. *K & G Tool & Service Co. v. G & G Fishing Tool Service*, 158 Tex. 594, 314 S.W.2d 782, 783, 788 (1958). Later another Texas court explained: "The means by which the discovery is made may be obvious, and the experimentation leading from known factors to presently unknown results may be simple and lying in the public domain. But these facts do not destroy the value of the discovery and will not advantage a competitor who by unfair means obtains the knowledge without paying the price expended by the discoverer." *Brown v. Fowler*, 316 S.W.2d 111, 114 (Tex.Civ.App.1958), *writ ref'd n.r.e.* (emphasis added).

We think, therefore, that the Texas rule is clear. One may use his competitor's secret process if he discovers the process by reverse engineering applied to the finished product; one may use a competitor's process if he discovers it by his own independent research; but one may not avoid these labors by taking the process from the discoverer without his permission at a time when he is taking reasonable precautions to maintain its secrecy. To obtain knowledge of a process without spending the time and money to discover it independently is improper unless the holder voluntarily discloses it or fails to take reasonable precautions to ensure its secrecy.

In the instant case the Christophers deliberately flew over the DuPont plant to get pictures of a process which DuPont had attempted to keep secret. The Christophers delivered their pictures to a third party who was certainly aware of the means by which they had been acquired and who may be planning to use the information contained therein to manufacture methanol by the DuPont process. The third party has a right to use this process only if he obtains this knowledge through his own research efforts, but thus far all information indicates that the third party has gained this knowledge solely by taking it from DuPont at a time when DuPont was making reasonable efforts to preserve its secrecy. In such a situation DuPont has a valid cause of action to prohibit the Christophers from improperly discovering its trade secret and to prohibit the undisclosed third party from using the improperly obtained information.

We note that this view is in perfect accord with the position taken by the authors of the Restatement. In commenting on improper means of discovery the savants of the Restatement said:

> f. Improper means of discovery. The discovery of another's trade secret by improper means subjects the actor to liability independently of the harm to the interest in the secret. Thus, if one uses physical force to take a secret formula from another's pocket, or breaks into another's office to steal the formula, his conduct is wrongful and subjects him to liability apart from the rule stated in this Section. Such conduct is also an improper means of procuring the secret under this rule. But means may be improper under this rule even though they do not cause any other harm than that to the interest in the trade secret. Examples of such means are fraudulent misrepresentations to induce disclosure, tapping of telephone wires, eavesdropping or other espionage. A complete catalogue of improper means is not possible. In general they are means which fall below the generally accepted standards of commercial morality and reasonable conduct.'
>
> Restatement of Torts § 757, comment f at 10 (1939).

In taking this position we realize that industrial espionage of the sort here perpetrated has become a popular sport in some segments of our industrial community. However, our devotion to free wheeling industrial competition must not force us into accepting the law of the jungle as the standard of morality expected in our commercial relations. Our tolerance of the espionage game must cease when the protections required to prevent another's spying cost so much that the spirit of inventiveness is dampened. Commercial privacy must be protected from espionage which could not have been reasonably anticipated or prevented. We do not mean to imply, however, that everything not in plain view is within the protected vale, nor that all information obtained through every extra optical extension is forbidden. Indeed, for our industrial competition to remain healthy there must be breathing room for observing a competing industrialist. A competitor can and must shop his competition for pricing and examine his products for quality, components, and methods of manufacture. Perhaps ordinary fences and roofs must be built to shut out incursive eyes, but we need not require the discoverer of a trade secret to guard against the unanticipated, the undetectable, or the unpreventable methods of espionage now available.

In the instant case DuPont was in the midst of constructing a plant. Although after construction the finished plant would have protected much of the process from view, during the period of construction the trade secret was exposed to view from the air. To require DuPont to put a roof over the unfinished plant to guard its secret would impose an enormous expense to prevent nothing more than a school boy's trick. We introduce here no new or radical ethic since our ethos has never given moral sanction to piracy. The market place must not deviate far from our mores. We should not require a person or corporation to take unreasonable precautions to prevent another from doing that which he ought not do in the first place. Reasonable precautions against predatory eyes we may require, but an impenetrable fortress is an unreasonable requirement, and we are not disposed to burden industrial inventors with such a duty in order to protect the fruits of their efforts. 'Improper' will always be a word of many nuances, determined by time, place, and

circumstances. We therefore need not proclaim a catalogue of commercial improprieties. Clearly, however, one of its commandments does say 'thou shall not appropriate a trade secret through deviousness under circumstances in which countervailing defenses are not reasonably available.

Having concluded that aerial photography, from whatever altitude, is an improper method of discovering the trade secrets exposed during construction of the DuPont plant, we need not worry about whether the flight pattern chosen by the Christophers violated any federal aviation regulations. Regardless of whether the flight was legal or illegal in that sense, the espionage was an improper means of discovering DuPont's trade secret.

The decision of the trial court is affirmed and the case remanded to that court for proceedings on the merits.