

Intellectual Property: The Practical and Legal Fundamentals*

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Abstract

This article identifies pitfalls for those who are basically uninformed about intellectual Property (IP) and provides strategies for avoiding infringement. Clients ultimately decide how much risk they can tolerate and how much protection they can afford. First, however, they must alerted to risks and apprised of options.

It should facilitate a comparison of alternatives for recouping investments in developing and marketing (not necessarily new) goods and services in most cases — in a way that is impossible in detailed treatments of individual IP topics. Also, its scope in relation to its size dictates careful attention to the most important and durable aspects of the law.

I.	Introduction	2
II.	The Price of Ignorance	
	A. Independent Inventors and the Mousetrap Myth	6
	B. Entrepreneurs Who Cannot Afford Intellectual Property Protection	8
III.	Protecting Work Products	
	A. Patents	9
	B. Copyrights	22
	C. Trade Secrets	32
IV.	Preserving Competition on the Merits	
	A. Preventing Misrepresentations Generally	36
	B. Trademarks	41
V.	Summary	54

I. Introduction

Patents, copyrights, trademarks and related interests are known as intellectual property (IP). It has not been long since patents especially were regarded in U.S. courts, and the Supreme Court in particular, as tools of monopolists, and their owners often fared poorly.¹ However, people here and abroad have come increasingly to view privately funded innovation as critical to national economic well-being and to agree that such innovation cannot occur unless companies that succeed in the marketplace can recoup their research, development and marketing costs. That is a major function of IP, and, particularly since the 1980s, IP has been seen as playing a key global role in developing technologies for the next century.²

Each part of IP law is quite complex in itself. At Pierce Law, a wide array of courses now cover practice before the U.S. Patent and Trademark Office (PTO) in patent cases, substantive patent and trade secret law, copyrights, trademarks and unfair competition, and IP licensing — as well as international, comparative and business-related topics. Still, articles such as this³ and survey courses can play an important role.⁴ Because IP issues arise in many common transactions, most lawyers should have a grasp of the basics. Those who wish to specialize

* This is an updated version of an article originally published in 35 *Idea*, at 79-128 (1994). U.S. IP law changes ever-more frequently, but many changes, e.g., a twenty-year increase in copyright terms, are of little significance in the grand scheme of things.

Since its initial publication, this discussion has frequently been updated annually online, at <http://www.piercelaw.edu/tfield/plfip.htm>. In that regard, I much appreciate suggestions made by Harold L. Burstyn, an Adjunct Professor, L. C. Smith College of Engineering and Computer Science, at Syracuse University, among those who use the article to provide background for courses.

¹ A comprehensive review of the situation appears in Martin Shapiro, *The Supreme Court and the Patent Office*, Ch. 3 in *The Supreme Court and Administrative Agencies* 143 (1968).

² *See, e.g.*, Thomas G. Field, Jr., *Maximizing the Return from Genome Research*, 5 *Risk* 95 (1994) (introducing a symposium on the topic); *see also*, papers following.

³ Prior versions of this paper are *Intellectual and Industrial Property in a Nutshell*, 77 *W. V. L.Rev.* 525 (1975); *Brief Survey... Patent, Trademark, Copyright*, 26 *Idea* 57 (1985) and *Brief Survey of Intellectual Property*, 31 *Idea* 85 (1990). Text has sometimes been carried forward, but each version has had a distinct emphasis.

⁴ <Holder> [To preserve integrity of supras despite updating.]

should also appreciate that basics lay a foundation for grasping cumulative and alternative strategic value of IP options. These cannot be evaluated in isolation, as in more detailed written treatments or advanced courses.

In approaching IP most broadly, it is critical to appreciate the extent to which competition is preeminent in U.S. law. Ironically, some of the strongest evidence of its importance appears in IP cases.⁵ Thus, notwithstanding renewed or possibly expanded recognition of the value of IP in encouraging innovation, IP owners must understand that anything that prevents others from selling products or services will be limited and strictly scrutinized.

From this perspective, patent, copyright and trade secret protection comprise but one of two major branches of IP law.⁶ In stark contrast, the other major branch of IP law is designed to ensure that competition is on the merits. Such law, designed to prevent source confusion and damage to commercial reputations generally cannot be used to prevent competition in goods and services.

As explained in more detail below, forms of protection falling within the first branch (work products) may be used to prevent others from, e.g., making or selling protected products or services. Based on a Constitutional provision,⁷ patents and copyrights are of limited duration and governed almost exclusively by federal law. Trade secrets are theoretically unlimited

⁵ See, e.g., *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488 (1942), *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U.S. 249 (1945), *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, and its companion, *Compco Corp. v. Day-Brite Lighting*, 376 U.S. 234 (1964). See also, e.g., *Lear, Inc. v. Adkins*, 506 U.S. 653 (1966).

⁶ This organization closely tracks the syllabus for my course, *Fundamentals of Intellectual Property*.

⁷ U.S. Const., Art. I § 8, cl. 8, provides, “The Congress shall have power... 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.]

It is interesting that “science” corresponds to authors (copyrights) and “useful arts” to inventors (patents). When the clause was written, the former obviously meant “knowledge” and the latter “technology.” The patent statute foreshortens “useful arts” to “art,” but the word connotes technology.

in duration and governed mostly by state law.

Of the three, patents offer the strongest possible protection. They can be used to prevent others from, e.g. using or selling covered technology — even if it was independently created. Yet, they cost thousands of dollars, are difficult to obtain, last (subject to possible extensions to compensate for various kinds of delays) only twenty years from when an application is first filed, are only useful after issue, and only in the country where issued. Among other things, subject matter must usually be both objectively novel and unobvious to those familiar with relevant technology.

Copyrights, however, may last to 70 years beyond an author’s lifetime. are much more easily and cheaply obtained, and registration need be pursued only if one wants to sue. Subjectively novel works are protected (even beyond U.S. borders) as soon as they are “fixed” or somehow recorded. Copyrights are somewhat weaker than patents because independently created, identical works do not infringe, but this difference may be more theoretical than real. Defendants may have difficulty convincing courts that they did not copy publicly available works. Possibly because of this, Congress and the courts have tried to ensure that copyrights cover different subject matter.⁸ Still, copyrights and patents are often complementary.⁹

Trade secret protection, as reflected in its name, protects works that can be and are kept secret. Maintaining secrecy is often expensive; for some works, it is impossible. Protection is weaker than that afforded by either patents or copyrights because rights are not infringed if competitors copy publicly available works (reverse engineer). Yet, secrecy is often an important option. In the case of, e.g., manufacturing processes, patent infringement may be impossible to detect and secrecy is not only possible but also may be preferred.¹⁰

⁸ See, e.g., *Mazer v. Stein*, 347 U.S. 201 (1954) (that a lamp base was patentable did not preclude its being copyrightable); see also, *Appln. of Yardley*, 493 F.2d 1389, 1393 (CCPA 1974) (an applicant could have both a design patent and copyrights on a Spiro Agnew watch).

⁹ *Id.* See also generally, Brief Survey... Patent, Trademark, Copyright, *supra* note 3, at 89 (a proposal for reconciling IP options).

The second major branch of IP law (designed to ensure that competition is on the merits) allows firms to take action to prevent others from providing various kinds of false and misleading information to consumers. Indeed, accurate information makes competition possible. If consumers lack good information, including that enabling them to associate prior happy (or unhappy) experiences with particular firms, they receive little if any advantage from alternative commercial sources.

Trademarks, or brand names, are central to this major branch of IP law. Rights in a good trademark generally arise automatically upon its first commercial use and have potentially unlimited duration. Although federal registration confers advantages, marks need not be registered. Commonlaw rights are adequate to prevent others from using similar marks when consumers may be deceived as to source or sponsorship of goods or services. While trademarks have no value in directly protecting work products, firms that treat consumers well find their goodwill to command justifiably higher prices. Thus, when R&D costs are not large, trademark rights may be adequate to recoup them.

Until recently, most lawyers and law schools paid little attention to IP.¹¹ When courses have been offered,¹² few students have elected them.¹³ Thus, what many older lawyers think they know about IP is wrong.¹⁴ Hence, judges tend also to be uninformed. Lawyers trained in

¹⁰ Compare *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 489 (1974) (“In the case of trade secret law no reasonable risk of deterrence from patent application by those who can reasonably expect to be granted patents exists.”).

¹¹ Even in *The AALS Directory of Law Teachers 1993-94*, the list of intellectual property professors occupied only 2 pages, and those with more than 10 years of experience, less than half of a page. The list of contracts professors, however, ran 6.5 page, and those with more than 10 years experience occupied over 2 pages.

By the time *The AALS Directory of Law Teachers 2005-2006* was published, the list of IP professors had increased by 250%, whereas contracts professors had increased only 38%

¹² *Id.*

¹³ While less than half of *Pierce Law’s J.D.* graduates took any intellectual property courses prior to 1990, enrollments have dramatically increased. About half of the first year class elects my introductory course, and very few obtain J.D.s without taking at least one IP course.

¹⁴ See Paul Goldstein, *Patent, Copyright and Related State Doctrines*, preface (1973).

science or engineering have traditionally dominated IP practice. Yet, no particular background is needed for trademark or most copyright practice. Also, while technical training and passing a special examination are needed to obtain patents for others,¹⁵ after patents issue, any attorney can assign, license or otherwise dispose of them — or sue infringers. More importantly, attorneys with little interest in IP, or those who narrowly focus, can help assess clients’ options before they expire and otherwise avoid major pitfalls.¹⁶

II. The Price of Ignorance

A. Independent Inventors and the Mousetrap Myth

Most people have heard a variations of the remark “If a man can... make a better mousetrap than his neighbor, though he builds his house in the woods the world will make a beaten path to his door.”¹⁷ It is somewhat ambiguous, but many construe it to mean that anyone who invents a new mousetrap will be wealthy — particularly if they can patent it. Well-informed patent attorneys know this as the “mousetrap myth.”

That it is a myth is illustrated by the experience of Chester M. Woolworth, president of the Animal Trap Company.¹⁸ In the 1920’s, the company sold a mousetrap for five cents. In 1928, Woolworth succeeded in improving the trap, but the improved version cost twelve cents.

Unfortunately, Woolworth failed to consider that, once a mouse had been caught, people usually disposed of both mouse and trap. Apparently because consumers were obligated to clean

¹⁵ The 1965 Agency Practice Act, codified at 5 U.S.C. § 500, provides that no other federal agency can require an attorney to do more than file a written declaration of representation. *See also*, 35 U.S.C. § 2(b)(2)(D) and *Sperry v. Florida*, 373 U.S. 379 (1963) (finding that states cannot regard U.S. Patent and Trademark Office (PTO) recognized patent practitioners as engaged in the unauthorized practice of law).

¹⁶ Several are illustrated below. *See also, e.g.*, my online discussion, *Avoiding Patent, Trademark & Copyright Problems* — one in a series addressed to the needs of, e.g., artists, inventors and entrepreneurs.

¹⁷ Attributed to Ralph Waldo Emerson; *see Bartlett’s Familiar Quotations* 605a (14th ed. 1968).

¹⁸ *See* Management Institute, Boston College School of Management, *Venture Capital: A Guidebook for New Enterprises*, 8 (U.S. Govt. Printing Office 1972). .

or discard a trap costing almost two and one-half times as much as Woolworth's other trap, sales were low.

A patent would not have improved the appeal of Woolworth's invention. Yet, each year, independent inventors spend millions of dollars on patents. If established manufacturers can make as big a mistake as Woolworth's, imagine the odds of commercial failure faced by those with less experience. As well summarized several years ago:¹⁹

The inventor generally might undertake to promote his own invention in whatever manner he can and to whatever degree of effectiveness. After an unbusinesslike solicitation effort to various companies, resulting in total rejection, he understandably looks for outside help only to find there is little or none available.... Thus, somewhat disillusioned and perhaps embittered, it is no wonder that the typical amateur inventor is eventually driven into the waiting arms of the invention promoter.... In an indifferent world, the [promoter] tells the inventor exactly what he has been searching in vain to hear — the promise of success in terms... he can directly relate to. The [promoter] preys on the inventor's intense ambition by offering him the one thing he must have to sustain himself — hope. And hope, in the final analysis, is what the [promoter] is selling.

Notwithstanding occasional action by private²⁰ and public parties,²¹ the mousetrap myth encourages inventors to hear what they want to hear. Thus, promoters who promise no more than the very little most usually deliver will continue to thrive²²

¹⁹ Richard Onanian, *Invention Promoters*, Invention Management, May 1979, at 3.

²⁰ *See, e.g.*, *Arnesen v. Raymond Lee Organization*, 333 F.Supp. 116 (C.D. Cal. 1971).

²¹ For example, in Jan. 1994, the Federal Trade Commission published *Invention Promotion Firms*, a pamphlet in its "Facts for Consumers" series. It has also filed several suits. [ADD]

Also, in 1999, a new section was added to the patent statute: 35 U.S.C § 297. Information is available at the PTO website.

²² *See* the ways to avoid such firms, published by a non-profit assistance program in 1996. Advice provided there is still worth heeding. [+link}

B. Entrepreneurs Who “Cannot Afford” IP Protection

Realizing that it is often easier to patent than to sell inventions, some entrepreneurs conclude that patent and related protection can be afforded only by large companies. Such people are as misinformed as independent inventors dazzled by the mousetrap myth.

Let’s assume that a Woolworth descendant who recently invented another mousetrap, consults an attorney about setting up a new business. During her visit, Ms. Woolworth also asks about patents and trademarks. The attorney says that he doesn’t handle such things but understands that they cost thousands of dollars. Having a limited budget, she quickly dismisses such “expensive” notions.

Later, as her mousetrap moves toward production, Woolworth begins to consider possible product names and asks for suggestions. An employee, inspired by the cat in Disney’s “Pinocchio,” suggests “Figaro.” Woolworth adopts that as her trademark.

Having heard of her ancestor’s experience, Woolworth pays careful attention to what consumers want. Her mousetraps sell well — so well that, as her firm begins to break even, a larger firm closely copies them, as well as their instructions and labels. With better established marketing channels and other advantages, it undersells her by 20%. Unable to lower her price and stay in business, Woolworth consults an IP attorney. First, she learns that her printed material is already protected by copyright. When challenged, the competitor easily evades copyright liability by rewriting. Second, she learns that no patent is possible if sought more than one year after a product is offered for sale.²³ Third, she learns of the need to determine whether her mousetrap infringes another’s patents. A search shows that a minor component does. A license is available but costs too much. So, she disposes of inventory and redesigns her product.

Shortly thereafter, the employee who suggested “Figaro” leaves and registers the name

²³ U.S. patents are barred for failure to apply within one year of a product’s being publicly disclosed anywhere or offered for sale in the U.S.; 35 U.S.C. § 102(b). Throughout most of the world, the right is forfeited immediately.

locally. About the same time, Woolworth receives a letter objecting to her use of “Figaro.” Because it is cheaper than litigation, she must write off her goodwill. Selecting, clearing and federally registering some other mark would probably would cost considerably less than the cost of informing consumers of the new mark.²⁴

No entrepreneur wants to use precious startup capital for legal fees. Yet, Woolworth’s failure to explore others’ rights was at least as unwise as purchasing a building without a clear title.

Had her first lawyer been better informed, our hypothetical Woolworth would have been much better off. It costs little to register copyrights,²⁵ but this substantially alters the affordability of litigation. Also, patent costs could easily have been justified.²⁶

III. Protecting Work Products

A. Patents

1. Their origin and rationale

“Patent” is an abbreviation of “letters patent” and signifies an exclusive government grant.²⁷ Early U.S. patents gave title to tracts of land.²⁸ While patents discussed here have

²⁴ Based on American Intellectual Property Law Association, Committee on Economics of Legal Practice, Report of the Economic Survey 2003, 59. in 2002, the combined average charges for a search, application and prosecution were about \$2500 — plus PTO fees). Such information, however, changes frequently.

²⁵ Based on the Economic Survey, *supra*, at 65, the median charge for copyright registration in 1997 was about \$200, but the process is usually so simple that most people do it themselves.

²⁶ *See, e.g.*, my discussion Seeking Cost-Effective Patents. As recounted there, inventors can control costs in several ways. For example, if a novelty search is unfavorable, most further expense can be avoided. If an invention cannot be marketed successfully, maintenance fees need not be paid (current information about those and other fees is available at the PTO website).

²⁷ Citations in this subpart, unless otherwise indicated, are to Title 35 of the U.S. Code.

limited duration,²⁹ the rationale is similar: They encourage investment in research and development.³⁰ In return, those with qualifying innovations may exclude others³¹ — regardless of copying³² — until their patents expire. Moreover, anyone can use inventions after expiration.

Those who regard patents as anticompetitive should consider, e.g., that:³³

²⁸ See, e.g., *Northern Pac. Ry. v. U.S.*, 356 U.S. 1 (1958). See also, Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 *J. L. & Econ.* 265 (1977) wherein he likens patent claims to mining claims.

²⁹ See *supra* note 6.

³⁰ A thorough, if skeptical, review of their early history and rationale appears in Fritz Machlup, *An Economic Review of the Patent System*, Study No. 15 of the Senate Subcomm. on Patents, Trademarks and Copyrights of the Comm. on the Judiciary, 85th Cong., 2d Sess. (1958). In all, twenty-eight such studies were commissioned. Besides Machlup, others of possible current interest include Study 1, Vannevar Bush, *Proposals for Improving the Patent System* (1956); Study 2, George Frost, *The Patent System and the Modern Economy* (1957) and Study 26, Victor Abramson, *The Patent System: Its Economic and Social Basis* (1960).

³¹ In general, intellectual property rights do not permit owners to sell protected works. With regard to copyright for example, it should be clear that no one has a right to sell obscene works or works that infringe privacy rights, even if copyrighted.

³² Section 271(a).

³³ Frost, *supra* note 30, at 76.

Compare Shapiro, *supra* note 1. At 148, he notes:

In a sense all property is monopoly. ... [M]y monopoly in chair A does not prevent others from making... chairs B, C, or D. If, however, I owned the idea of a chair, and others could not make... anything embodying that idea, the whole society would be left standing until I chose to sell... on my terms.

Unfortunately, Shapiro does not explain, and I fail to see, how patentees have advantages not enjoyed by owners of chairs. At least beyond the first inventor, patents do not cover anything as broad as the “idea of a chair.” Assuming rocks came first, then stools, people sit on those unless they are prepared to pay the patentee’s price. When the patent expires (something that doesn’t happen to title in chairs), anyone who cares to can make something that without the patentee’s contribution is unlikely to exist — particularly if significant private risk capital is needed to invent it.

Consider a new cure for AIDS as an extreme example. What would induce its private development and testing without patents? If the concern is that a firm might offer it under only “unconscionable” terms, consider, e.g., that patentees cannot get injunctions against the federal government; see 28 U.S.C. § 1498. In this vein, see generally, Thomas G. Field, Jr., *Pharmaceuticals and Intellectual Property: Meeting Needs Throughout the*

[T]he patent system encourages competitive effort... that would not otherwise take place. The television industry, for example, was for all practical purposes nonexistent a decade ago — now it dwarfs the radio industry.... Yet, the industry is characterized by huge research [costs]... — over \$65 million in color television already and the return is yet to come. These expenditures have been made in anticipation of monetary return through patent license royalties. The antibiotics industry, limited to penicillin a decade ago, is now the scene of the most intense competition....

In spite of such arguments, the Supreme Court was especially hostile through the 1960's. It seemed to relish holding patents invalid. Once, Justice Jackson critically observed that the only valid patent was one that had not come before the Court.³⁴

In 1952, at the urging of the bar, Congress revised and codified the law. The situation was still regarded as unsatisfactory,³⁵ and the Senate began a thorough review shortly thereafter.³⁶ All things considered, if only reasonably contested patents are litigated, patentees should have about a 50-50 chance. Yet, in many jurisdictions patent owners rarely prevailed.³⁷ This led to doubts about the value of patents and, in turn, may have led to reduced levels of U.S. innovation.

For about 25 years, attempts to strengthen the patent system were not viewed sympathetically. However, in the late 1970's, President Carter and Congress, if not also judges,³⁸ began to see that stronger protection might help address trade imbalances.³⁹ One of

World, 31 Idea 3 (1990).

Moreover, patent enforcement may sometimes be counterproductive; *see, e.g.*, James Lardner, *Fast Forward*... 68 (Mentor 1987). [ALTERNATIVE CITATION]

³⁴ *Jungersen v. Ostby & Barton Co.*, 335 U.S. 560, 572 (1949) (dissenting).

³⁵ *See e.g.*, Abe Fortas, *The Patent System in Distress*, 53 *J. Pat. Off. Soc'y* 810 (1971). For a comprehensive review of the situation through about 1966, *see* Shapiro, *supra* note 1.

³⁶ *Supra* note 30.

³⁷ *See, e.g.*, Carole Kitti, *Patent Validity Studies: A Survey*, 20 *Idea* 55 (1979). *See also*, David Lowin, *The Presumption Of Validity*... (FPLC 1979); Thomas G. Field, Jr. and Juanita V. Field, *Post Hoc Evaluations*..., 20 *Idea* 29 (1979).

³⁸ *See, e.g.*, *Dawson Chemical Co. v. Rohm and Haas Co.*, 448 U.S. 176 (1980).

³⁹ *See generally*, *Industrial Innovation: Joint Hearings Before the Senate Comm. on Commerce, Science and*

the first, and perhaps most significant, results was creation, in 1982, of a Court of Appeals for the Federal Circuit [CAFC]. Subject only to infrequent review by the Supreme Court, it exercises exclusive appellate jurisdiction in patent cases.⁴⁰

Earlier, two federal courts of appeal had shared jurisdiction to review PTO decisions,⁴¹ and all circuits had jurisdiction over patent litigation.⁴² This arrangement, coupled with infrequent Supreme Court review, facilitated the application of different validity standards in obtaining and enforcing patents, as well as the development of diverse infringement standards.⁴³

Now, judges who review PTO decisions also consider patents in the context of infringement litigation. This makes it more likely that only valid patents will be granted.⁴⁴ Some may be surprised, but corporate patent attorneys in particular would not want it otherwise. While a firm's patents keep competitors at bay, its competitors' patents likewise keep it at bay!

Moreover, CAFC decisions have led to a perception that valid patents will be enforced.⁴⁵ Thus, that Court may encourage settlement by eliminating wasteful forum shopping

Transportation, and Select Comm. on Small Business, and House Comms. on Science and Technology, and Small Business, 96th Cong., 1st Sess., Parts 1 and 2 (1979). The opening statements in Part 1 are of particular interest.

As part of a lively exchange, Frank Press stated, "For twenty-five years the question of innovation and Americans' ability to innovate has been... around; it's been studied to death;" *id.*, at 40. Unfortunately, this suggests more than is true. Much data has been collected, but its meaning is difficult if not impossible to discern. *See, e.g.,* Thomas G. Field, Jr., *Comment, Perceptions of Chief Patent Counsel at Large Corporations of the Effects of Patent Term... on Firm R&D*, 32 *Idea* 277 (1992).

⁴⁰ *See* 28 U.S.C. § 1295.

⁴¹ The Court of Customs and Patent Appeals (CCPA) and the U.S. Court of Appeals for the District of Columbia. Their views of the law sometimes differed, and patentees no doubt took advantage of that.

⁴² CCPA judges, however, never saw infringement suits and the D.C. Circuit rarely, if ever, saw them. This could well have biased both courts in favor of patentees. *See* Shapiro, *supra* note 1, at 178 and 181-2.

⁴³ *Id.* Not until 1966 did the Supreme Court grant certiorari from the CCPA at the behest of the PTO; *see* *Brenner v. Manson*, 383 U.S. 519, 523. However, it did so much earlier from the D.C. Circuit; *see* *Kingsland v. Dorsey*, 338 U.S. 318; rehear. den. 338 U.S. 939 (1930).

⁴⁴ *See supra* notes 41 & 42.

⁴⁵ At least in the short term, whether this is true seems irrelevant. People have little choice except to act on what they believe is true. Indeed, it is possible that perceptions could, at any point in time, be totally out of phase

and reducing uncertainty.

2. *Kinds of patent*

Three distinct kinds of patents are available in the U.S. — utility, design and plant, in descending order of grants. Utility patents are uniformly meant when “patent” is used alone. That convention is followed here. Their subject matter includes machines, commercial processes, compositions of matter and articles of manufacture.⁴⁶ These categories are not important, but subject matter has been the subject of considerable litigation.⁴⁷ Design patents protect ornamental features,⁴⁸ rather than the function, of articles such as containers⁴⁹ or light fixtures.⁵⁰ In contrast with plant and utility patents, design patents last fourteen years from the date of grant instead of twenty years from first filing.⁵¹

Plant patents reward discovery of previously uncultivated plants or the breeding of novel plants. However, asexual propagation is needed.⁵² Because naturally occurring plants may be protected, the subject matter of plant patents need not be objectively novel.⁵³ This is a major distinguishing feature of plant patents; another is that infringement should occur only if protected plants are reproduced by grafting from patented stock. In both regards, plant patents seem to resemble “copyright” more than they do “patent” protection.⁵⁴

with more objective assessments of the “value” of patents or other intellectual property — or be skewed by incomplete data; see, e.g., Erica Bodwell, *Published and Unpublished Federal Circuit Decisions...*, 30 *Idea* 233 (1990). See also, Fred E. McKelvey, *Appeals to The Federal Circuit from PTO*, 1120 *O.G.* 22 (PTO1990) (offering full data for Oct. 1985 through Sept. 1990).

⁴⁶ Section 101.

⁴⁷ See, e.g., *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) or *Diamond v. Diehr*, 450 U.S. 175 (1981).

⁴⁸ Section 171.

⁴⁹ See, e.g., *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332 (CCPA 1982).

⁵⁰ See, e.g., *Sears*, 376 U.S. 225, and *Compco*, 376 U.S. 234 (1964).

⁵¹ Section 173.

⁵² See generally, §§ 161-64. Plants may also be protected by the Plant Variety Protection Act, 7 U.S.C.A. §§ 2321-2583 (1988); this protection governs sexual propagation and falls within the jurisdiction of the Department of Agriculture.

⁵³ See, e.g., *Chakrabarty*, 447 U.S. at 306.

3. Acquiring patents

All patents require PTO approval of an application;⁵⁵ i.e., a patent must issue before any rights are conferred.⁵⁶ The procedure for all three is similar, but the remaining discussion contemplates only utility patents.

Before an application is filed,⁵⁷ the subject matter should be considered. Although some aspects of an invention may encompass debatable subject matter,⁵⁸ a specialist may be able to obtain adequate coverage. For example, while one cannot obtain a utility patent on a naturally occurring substance,⁵⁹ a claim drawn on an essentially pure form of that substance (or a method of obtaining it) may be patentable if it satisfies other requirements.

Also, before filing, a prior art search⁶⁰ should be made.⁶¹ An invention could be fully disclosed in a patent or elsewhere; if so, it is not novel and is unpatentable.⁶² Alternatively, one

⁵⁴ See David Bernstein, *Is a Plant Patent a Form of Copyright?* 27 *Idea* 31(1986).

⁵⁵ Section 111.

⁵⁶ Section 154(a)(2).

⁵⁷ As discussed *supra* at note 14, only attorneys who have passed a special examination (or equivalent) are permitted to prosecute patent applications before the PTO. See also, e.g., Arnesen, 333 F.Supp. 116.

⁵⁸ See, e.g., cases cited *supra* note 47.

⁵⁹ See, e.g., Chakrabarty, 447 U.S. at 306. Actually, early “subject matter” cases seem to be far more concerned with, e.g., correspondence between the scope of disclosure and claims than with subject matter. See *O’Reilly v. Morse*, 56 U.S. 62 (1854); see also, the discussion of *O’Reilly* in *Appln. of Zoltan Tarczy-Hornoch*, 397 F.2d 856, XXX (CCPA 1968).

⁶⁰ <Holder>

⁶¹ Patent attorneys distinguish several kinds of searches. A “prior art” or patentability search is used to determine whether an invention is sufficiently novel to warrant filing an application. At a minimum, such a search should include domestic patents and leading indices, e.g., Chem Abstracts. A “validity” search is similar, but it is conducted after a patent issues and is likely to be more intensive and to cover a wider scope of prior art, e.g., foreign patents and technical publications. An “infringement” search is conducted to determine whether a new product falls within the claims of current patents. The last need only go back for length of the patent term (see *infra* note 88) but may require considerable effort if a new product is particularly complex. Many firms in the Washington, D.C. area provide search services.

⁶² Section 102, particularly subsection (a).

or more elements of the invention may lack novelty; in that case, one must convince an examiner that the invention would have been “unobvious” to those skilled in the art at the time it was made.⁶³ While a novelty search is not required, omitting it to save money could easily mean that the cost of preparing and filing an application is wasted. It could also result in less protection than deserved.⁶⁴

Before an application is filed, inventors must be identified. Regardless of ultimate ownership, a U.S. application must be filed in the inventors’ names, and they usually must participate in “prosecution”.⁶⁵

An application consists of a description of the invention (the “specification”) with or without drawings, a fee, and an oath or declaration that the applicant is the first and true inventor.⁶⁶ The specification must describe the invention in terms that enable those skilled in the art to practice it and conclude with one or more “claims.” The first (what patent attorneys usually mean by “specification”) frames the inventors’ contributions, but claims identify what is believed to be protectable.⁶⁷

Upon receipt, the PTO usually gives applications a filing date and serial number.⁶⁸ Based upon the classification of the claimed subject matter,⁶⁹ they are assigned to a patent examiner. When applications come up for action, examiners may object on formal grounds or reject one or more claims as substantively unpatentable.⁷⁰

⁶³ Section 103.

⁶⁴ For example, failure to discuss advantages over the prior art may preclude later efforts to distinguish that art both within and without the PTO. *See, e.g.*, *Graham v. John Deere Co.*, 383 U.S. 1, 23 (1966).

⁶⁵ Sections 116-18. Even if an invention has been previously assigned as a condition of employment, the application must be filed in the inventor’s name, not the assignee’s; *see* § 118. With regard to joint inventors, *see infra* note 92.

⁶⁶ Sections 111-15, 41.

⁶⁷ Section 112 ¶ 1; subsequent paragraphs indicate that multiple claims are permissible.

⁶⁸ *See, e.g.*, § 111.

⁶⁹ Organized by a complex, constantly changing scheme published in the Manual of Classification.

⁷⁰ Sections 131-33.

This ex parte process rarely takes less than eighteen months, and may take several years,⁷¹ while the PTO attempts to ensure that the application is complete and enables others to practice the invention.⁷² Are the claims reasonably related to the inventor's contribution?⁷³ Do they define proper subject matter that is useful, novel, and not obvious at the time of the invention?⁷⁴

As mentioned,⁷⁵ the novelty requirement is a serious trap for the uninitiated but is easily avoided. No one should disclose or try to commercialize inventions without having discussed the situation with a specialist! U.S. law contains a one-year grace period, but patentability of an invention offered for sale, used or described publicly is immediately lost in most of the world.⁷⁶

If attorneys cannot convince examiners that submitted claims are allowable, they may be abandoned or narrowed, an application may be abandoned or refiled,⁷⁷ or appeals may be taken. Appeals within the PTO,⁷⁸ and ultimately (short of the U.S. Supreme Court)⁷⁹ review in the CAFC⁸⁰ can be expensive. However, anyone who considers dropping or narrowing claims to control costs must consider that claims can cover the equivalent of a square inch of Arctic tundra

71 <Holder>

72 Section 112.

73 *Id.*; see also, *supra* note 59.

74 Sections 101-3. Of these, for qualifying subject matter, § 103 is usually most difficult; see, e.g., Carole Kitti, Patent Validity Studies: A Survey, 20 *Idea* 55 (1979). See also, Thomas G. Field, Jr., Law and Fact in Patent Litigation: Form vs. Function, 27 *Idea* 153 (1987).

75 Part II.B.

76 Section 102(b). Foreign law is generally beyond the scope of this discussion; see generally, World Intellectual Property Organization, Background Reading Material on Intellectual Property 83 (1988).

77 See § 120.

78 Section 134.

79 See, e.g., *supra* note 43.

80 Sections 141-46. In situations not so governed, review may be had under the Administrative Procedure Act; 5 U.S.C. § 703 (1977), and CAFC jurisdiction is only arguably conferred under 28 U.S.C. § 1295. Although review was not under 5 U.S.C., see, e.g., *Wyden v. Comm'r Patents & Trademarks*, 807 F.2d 934, 937 (Fed. Cir. 1986) (Chief Judge Markey dissenting).

or a square mile of Manhattan.⁸¹ One must consider whether protected territory is adequate.⁸² Also, applicants should know that patentees are estopped from arguing that activity falling outside narrowed claims, upon equitable principles, infringes.⁸³

After an application satisfies the PTO, it is prepared for issue upon the payment of a further fee.⁸⁴ Here, applicants run a small risk of being drawn into an interference. Only one patent may issue for an invention. In the U.S., interferences determine who is first.⁸⁵ Although uncommon, interferences require a believable record of what was done — and when. As soon as innovation begins, inventors should start a notebook. Trusted third parties should be asked to witness it periodically and to indicate, in writing, that they have read and understood it.⁸⁶

4. Patents as property

Patents can be used to prevent others from, e.g., making⁸⁷ protected subject matter for their duration⁸⁸ and have the attributes of personal property.⁸⁹

⁸¹ Either in terms of the amount of technology covered or their market value. The last seems to be all that counts; *see Seeking Cost-Effective Patents, supra* note 26.

⁸² *Id.*

⁸³ *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 122 S. Ct. 1831 (2002).

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⁸⁴ *See generally*, §§ 151-53; § 41(2) sets the issue fee. Also note that subsequent fees are necessary to maintain the patent in force; *see* § 41(b).

⁸⁵ Section 135.

⁸⁶ <Holder>

⁸⁷ For design and utility patents, § 154; for plant patents, § 163.

⁸⁸ Since 1994, the term of plant and utility patents has been twenty years from the date of first filing, Uruguay Round Agreements Act, Pub.L. 103-465, § 532(a)(1). *See* §§ 154(a)(2) and 161 (§ 163 does not provide otherwise). Design patents have a fourteen year term, § 173. *See also*, § 154(b) (extensions of up to five years to compensate for delays caused by interferences and appeals) and, e.g., § 156 (limited extension for delay in pre-

No rights exist before issue,⁹⁰ but patent applications may be assigned.⁹¹ Employed inventors usually pre-assign inventions.⁹² Partial rights may be assigned, and unrecorded assignments are void against later transferees without actual notice.⁹³

Patents can also be licensed. This is often little more than a promise not to sue, e.g., if royalties are paid. If the licensee and licensor (or assignee and assignor) are in the same market, careful attention must be given to antitrust restrictions on horizontal agreements. Restrictions on vertical agreements are not so acute, but they should also be avoided.⁹⁴

The statute also provides that joint owners, in the absence of contrary agreement, may each practice an invention without accounting.⁹⁵ This can create serious problems for independent inventors. Would-be transferees are rarely interested in non-exclusive rights — particularly where substantial risk capital is needed to develop and market the invention.⁹⁶ Unless co-owners agree on terms of a transfer, neither may have anything valuable to convey. This can be avoided if the inventors assign their respective interests to a single entity before disagreements arise.

market approval of drugs and related products.

⁸⁹ Section 261.

⁹⁰ See, e.g., *supra* note 56. See also, *Morehouse Mfg. v. Strickland*, 407 F.2d 881, XXX (CCPA 1969), quoted *infra* at note 301.

⁹¹ See also, §§ 116-18.

⁹² For further discussion of employed inventors, see, e.g., Peter D. Rosenberg, 2 *Patent Law Fundamentals* § 11.04 (1989).

⁹³ Section 261.

⁹⁴ See generally, e.g., Jerrold G. Van Cise, William T. Lifland & Laurence T. Sorkin, *Understanding The Antitrust Laws* 162 (9th ed. 1986).

⁹⁵ Section 262. See also, § 116.

⁹⁶ Such concerns eventually led to specific provisions permitting the government to grant exclusive rights in government inventions; see §§ 200-212 and, e.g., Lawrence Rudolph, *Overview of Federal Technology Transfer*, 5 *Risk* 133 (1994). See also, Ronald E. Barks, *Accessing and Licensing Federal Technology*, *Licensing Law and Business Report*, May-June 1992, at 76: “[F]or every \$1 of research, a company spends \$10 to develop the product and another \$100 to take it to market.”

5. Enforcement and defenses

If infringement is discovered and negotiations fail, mediation and arbitration are possible.⁹⁷ Otherwise an action must be brought in federal court.⁹⁸ Besides being able to seek relief from direct infringers, patentees may also challenge those who induce or otherwise contribute to infringement.⁹⁹ Remedies include injunction and recovery of up-to-three times damages.¹⁰⁰ At a minimum, a reasonable royalty is awarded, and, in exceptional cases, attorney fees too.

Two basic defenses, noninfringement and invalidity,¹⁰¹ may be asserted in any IP infringement suit. Patent claims are presumed valid¹⁰² but can be invalidated with clear and convincing evidence — in what amounts to collateral review of the grant. Invalidated claims cannot later be asserted.¹⁰³

Applications may cover narrow inventions.¹⁰⁴ These often issue if claims are sufficiently limited. Examiners have difficulty showing that several obvious features, taken together, are obvious. Although others must copy quite closely to infringe narrow claims, the Supreme Court has traditionally shown little sympathy for such patentees and tended to find their patents invalid.¹⁰⁵ Inventors with limited resources may not appreciate the effect of undiscovered prior

⁹⁷ Section 294. *See also, e.g.*, Thomas G. Field, Jr., *Patent Arbitration...*, 24 *Idea* 235 (1984); Thomas G. Field, Jr. & Michael Rose, *Prospects for ADR in Patent Disputes: An Empirical Assessment of Attorneys Attitudes*, 32 *Idea* 309 (1992); and Norman L. Balmer, *Alternative Dispute Resolution in Patent Controversies*, 6 *Risk* 145 (1995). Further, see § 135(d) (arbitration may be used to resolve interferences).

⁹⁸ *See* 28 U.S.C. §§ 1338(a), 1400, and 1498.

⁹⁹ Section 271(b & c). Regarding the latter, *see Dawson*, 448 U.S. 176. *See also*, §§ 271(f) and (g).

¹⁰⁰ *See generally*, §§ 281-88. Also, § 289 provides minimum statutory damages for design patent infringement.

¹⁰¹ These are the first two enumerated patent defenses; *see generally*, § 282.

¹⁰² *Id.*, first sentence.

¹⁰³ *See* §§ 288 and 290. *See also*, *Blonder-Tongue Laboratories v. Univ. Ill. Fdn.*, 402 U.S. 313 (1971).

¹⁰⁴ *See, e.g.*, U.S. Congress, Office of Technology Assessment, *Patents and the Commercialization of New Technology* 170-74 (Draft June 21, 1982) and *Brief Survey... Patent, Trademark, Copyright*, *supra* note 3, at 89.

¹⁰⁵ *See, e.g.*, *Graham*, 383 U.S. 1, or *Sakraida v. Ag Pro*, 425 U.S. 273 (1976). *See also*, *Shapiro*, *supra*

art.¹⁰⁶ Infringers encounter more difficulty convincing a court that a claim is invalid if the PTO considered all the art. It is thus unwise to stint on searches or fail to bring everything remotely relevant to an examiner's attention. All claims are unenforceable if an infringer can show, e.g., that known relevant art was not disclosed to the PTO, even if it applies to only one claim.¹⁰⁷

Even well-heeled applicants must attend to prosecution costs. They cannot afford to do other than prosecute domestic and foreign applications with vigor commensurate to the projected market value of their inventions.¹⁰⁸ If that value is underestimated, searches may miss prior art. Once an invention has been commercialized, infringers have an inherent advantage: They know exactly what it is worth, and this may justify a considerably expanded novelty search.¹⁰⁹

Because patentees have the burden of proving infringement, it may be easier for infringers to show that their acts fall outside the scope of the claims. Once more, poorly financed patentees are particularly vulnerable. If claims are narrower than proven market value warrants, imitators may be able to design around the claims.¹¹⁰

Besides invalidity and non-infringement, infringers have several general defenses. Perhaps the most prominent of these is unclean hands — likely if the patentee's licenses contain restrictions going beyond the reach of the patent law¹¹¹ or violating antitrust laws.¹¹² A similar defense is fraud or inequitable conduct in prosecution. The consequences of the last are far more serious.¹¹³ Unclean hands does not bar relief after offensive conduct has ceased, but all claims in

note 1. While the CAFC may have more sympathy for such inventors than some circuits have heretofore shown (*see, e.g., supra* notes 41-43), it remains to be seen whether the Supreme Court will go along.

¹⁰⁶ There is even a possibility of invalidity based on another's earlier secret use of the invention. *See, e.g., Dunlop Holding Ltd. v. Ram Golf Corp.*, 524 F.2d 33 (7th cir. 1975), cert. denied, 424 U.S. 958 (1976).

¹⁰⁷ *See, e.g., Handgards v. Ethicon*, 743 F.2d 1282 (9th Cir. 1984).

¹⁰⁸ <Holder>

¹⁰⁹ Therefore, they may be motivated to investigate, e.g., foreign publications and other prior art that would invalidate the patent under § 102(a).

¹¹⁰ *See, e.g., Field* (1985) *supra* note 3, at 90-92.

¹¹¹ *See, e.g., Brulotte v. Thys Co.*, 379 U.S. 29 (1964).

¹¹² *See David Lowin, Whether Patented or Unpatented...*, 23 *Idea* 77 (1982).

an improperly procured patent are likely to be unenforceable.

Finally, defenses can be affected by the relationship between the parties or the special status of the infringer. For example, an injunction will not lie against the federal government,¹¹⁴ and state governments may not be sued in federal court.¹¹⁵ Where licenses or assignments are involved, transferees have the usual contract defenses and may not be estopped from showing patent invalidity.¹¹⁶

6. Avoiding infringement

Because independent creation is not a defense, and copying is unnecessary for patent infringement, there is always a possibility that relatively new technology will infringe patents. This can be minimized with a search.¹¹⁷ Still, because some pending applications remain unavailable for inspection,¹¹⁸ subsequently issued patents pose a risk that blocking patents will issue later.

Thus, even technology broadly described in the literature, licensed, or covered by expired patents poses some risk.¹¹⁹ Infringement can always be avoided by ceasing to use the technology when a patent issues. Yet, this may be painful if start-up costs have not been recouped or substantial inventory has been accumulated. Hence, firms must exercise every precaution against

¹¹³ See, e.g., *Handgards*, 743 F.2d 1282; see also 37 C.F.R. § 1.56.

¹¹⁴ See 28 U.S.C. § 1498.

¹¹⁵ See *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666 (1999), and *Regents of University of California v. Genentech, Inc.*, 527 U.S. 1031 (1999) (patent suit vacated and remanded in light thereof).

¹¹⁶ See, e.g., *Lear*, 506 U.S. 653.

¹¹⁷ *Supra* note 61.

¹¹⁸ See § 122.

¹¹⁹ See, e.g., § 101 providing for improvement patents. These are likely to be narrower than so-called “pioneer” patents. If the earlier patents are still in effect, improvement patents cannot be practiced without infringing — further illustrating the proposition that intellectual property only excludes others.

Many countries avoid such problems, e.g., by granting patents to the first to file and publishing pending applications; see generally World Intellectual Property Organization, *supra* note 76. The U.S. now publishes pending applications; see § 122.

the possibility of subsequently issued patents.

*B. Copyrights*¹²⁰

1. Origins and rationale

As with patents, the Constitution is the legal foundation for copyright.¹²¹ The first copyright law was passed in 1790, but not until 1891 were foreign authors protected.¹²² After a major revision in 1909, the law served remarkably well and was not replaced until 1976 — partly because of technological advances. Amendments, mostly procedural, followed.¹²³

Copyright is intended to promote the progress of “science.”¹²⁴ Persons who invest time and private capital can recover investments if consumers favor their work. However, as with inventors, few authors support themselves by direct public sales. Copyright would probably accomplish little if authors could not convey rights to publishers. Obviously, publishers who copy works without paying, e.g., for authors’ time can beat the prices of those who do, and copyright goes a long way toward preventing free riding.

Yet, while commercial infringement is comparatively easy to detect and address, non-commercial activity often is not. For example, individuals can make copies of computer software fully equivalent to those on sale — and for a tiny fraction of the cost. Such copying is almost

¹²⁰ Citations in this subpart, unless otherwise indicated, are Title 17 of the U.S. Code.

¹²¹ *Supra* note 6.

¹²² *See, e.g.*, William F. Patry, Latman’s *The Copyright Law* 2-15 (6th ed. 1979) for a brief discussion of the early history of copyright law.

For an account of the early situation with foreign authors, *see* Lardner, *supra* note 33, at 120. This entertaining book describes the divergent economic interests of the motion picture and video recorder industries, and to a lesser extent Japan and the U.S., that led to *Sony Corp. Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

¹²³ A major thrust of the 1976 act was to move the U.S. toward joining the Berne international copyright convention. It does not permit formal requisites to protection. After joining, Congress passed “An act to... implement the Berne Convention...,” P.L. 100-568, 102 Stat. 2853 (1988). One of the more significant substantive changes added architectural works to § 102(a). *See also* § 104(c) regarding possible implied changes.

¹²⁴ *Supra* note 6.

impossible to detect. Hence, honest users surely pay more than would be necessary if all contributed. In extreme situations, contributing users have been unable to support product development.

2. Subject matter: Patents versus copyrights

Copyrightable subject matter is primarily set forth in § 102. For example, § 102(a) reads:

Copyright protection subsists... in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include... (1) literary works (2) musical works including any accompanying words (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works. [Emphasis added.]

Obviously this goes well beyond works associated with “authors” or “writings.”¹²⁵ However, copyright has very important limitations. A major one appears in § 102(b), representing a clear effort to distinguish patentable subject matter: “In no case does copyright protection of an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.”

Notwithstanding many changes in the law, very early cases are still important. One of the most important antecedents is an 1879 decision involving bookkeeping forms. Defendant’s forms were similar to plaintiff’s copyrighted forms but had a different arrangement of columns and used different headings. In finding noninfringement, the Supreme Court said, “*To give the author of the book an exclusive property in the art described therein, when no examination of its novelty has ever been officially made would be a surprise and a fraud upon the public. That is the province of letters-patent, not of copyright.* [Emphasis added.]”¹²⁶

¹²⁵ *Id.*

¹²⁶ *Baker v. Selden*, 101 U.S. 99, 102.

Unfortunately such things were long regarded as inappropriate for a patents; *see, e.g.*, Gordon R. Blakney, Jr., *Systems of Business Patents*, 30 *Idea* 355 (1990). *But see* *State Street Bank & Trust Co. v. Signature*

The emphasized language confirms what was said earlier about the meaning of “art” and “science” in the Constitution. It also suggests that patents are more exclusive than copyrights, but that is not pursued.

Further insight is provided in an opinion by Justice Holmes reversing two lower court holdings that circus posters do not qualify for copyright. Dismissing an apparent objection that copyright for pictures depicting real scenes would interfere with others’ legitimate interests, he noted, “Others are free to copy the original. They are not free to copy the copy.”¹²⁷ Also, dismissing the apparent objection that commercial “art” (in the modern sense) falls within “the useful arts,” he held that “A picture is none the less a picture and none the less a subject of copyright that it is used for for an advertisement.”¹²⁸ Finally, disposing of the idea that posters are artistically unworthy, he said “That these pictures had their worth... is sufficiently shown by the desire to reproduce them without regard for the plaintiff’s rights.”¹²⁹

Finally, consider an important 1954 case.¹³⁰ There, plaintiffs had registered copyright in statuettes of dancing figures, the vast bulk being sold as fully equipped lamps. Defendants, having copied and sold the lamps, argued that plaintiffs’ statuettes were protectable only by design patent because, as suggested in *Baker*, they “required the critical examination given patents to protect the public against monopoly.”¹³¹ Pointing out that “Neither the Copyright Statute

Financial Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998).

Notwithstanding *Baker*, tests of scholastic aptitude and other psychological characteristics seem to enjoy copyright protection; *see, e.g.*, *Educational Testing Services v. Katz*, 793 F.2d 533 (3d Cir. 1986) and *Applied Innovations, Inc. v. Regents of the U. of Minn.*, 876 F.2d 626 (8th Cir. 1989). Given that such tests lose their utility if the expression is changed, such protection would seem to run afoul of § 102(b).

¹²⁷ *Bleistein v. Donaldson Lithographing*, 188 U.S. 239, 249 (1903), *but see, e.g.*, *Gross v. Seligman*, 212 F. 930 (2d Cir. 1914) or *Dallas Cowboys Cheerleaders v. Scoreboard Posters*, 600 F.2d 1184 (5th Cir. 1979) — in neither of the latter cases was plaintiff’s work copied.

¹²⁸ *Bleistein*, 188 U.S. at 251.

¹²⁹ *Id.*, at 252.

¹³⁰ *Mazer*, 347 U.S. 201(1954); *see also supra* at note 8.

¹³¹ *Mazer*, 347 U.S. at 215.

nor any other says that because a thing is patentable, it may not be copyrighted,”¹³² the court upheld the copyright. In doing so, Justice Reed observed:¹³³

Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea — not the idea itself. ... Absent copying there can be no infringement of copyright. Thus, [plaintiffs] may not exclude others from using statuettes of human figures in table lamps; they may only prevent use of copies of their statuettes as such or as incorporated into some other article. [Emphasis added.]

In their efforts to distinguish the two, these opinions are as important to an understanding of patents as of copyrights. They also demonstrate the need for patents to be understood at some level even if one desires to do only copyright work. The last case in particular also gives insight into two § 101 definitions that further critically limit copyright:

“Pictorial, graphic, and sculptural works” include two-dimensional and three-dimensional works of fine, graphic, and applied art.... [T]he design of a useful article... shall be considered a pictorial, graphic, or sculptural work only... to the extent [it] incorporates... features... capable of existing independently of [its] utilitarian aspects....

A “useful article”... [does] *not merely... portray the appearance... or... convey information*. An article that is normally a part of a useful article is considered a “useful article.” [Emphasis added.]

Because copyright covers sculpture but not “useful” articles, one might assume that Congress regards sculpture as “useless,” but the language merely reflects a poor choice of terms. Semantics aside, these definitions cause serious problems for creators of works having other than a solely aesthetic function. It also sometimes leads to unfair discrimination between, e.g., masks that do¹³⁴ and costumes that may not¹³⁵ qualify. Works that cannot qualify, rather than having

¹³² *Id.*, at 217.

¹³³ *Id.*, at 217-18.

¹³⁴ *See, e.g.*, *Masquerade Novelty v. Unique Industries, Inc.*, 912 F.2d 663 (3d Cir. 1990) (masks shaped to resemble animal noses have no function other than that associated with their appearance). Contrast costumes that also serve, e.g., to preserve the modesty of the wearer as in *Whimsicality, infra*.

¹³⁵ *See, e.g.*, *Whimsicality, Inc. v. Rubie’s Costume Co., Inc.*, 891 F.2d 452 (2d Cir. 1989) (where arguably uncopyrightable costumes were represented to be copyrightable soft sculpture, the court refused to reach the issue of

automatic protection, are protectable, if at all, by design patents that are often prohibitively expensive and slow.¹³⁶ Until recently, this situation faced architects as creators of “useful” works. Now, under § 102(a)(8), architectural works qualify.¹³⁷ Congress has been urged to consider liberalized protection for other “useful” works, but this has been resisted by the insurance industry lest the costs of replacement automobile fenders, grilles — or even shock absorbers be increased.¹³⁸

3. Copyrights as property

Provisions governing ownership and transfer are more complex and generally more thorough than those for patents.¹³⁹ One complexity arises, particularly with regard to unique works, because people may not distinguish ownership of works and of copyright.¹⁴⁰ Another arises because the statute treats works created “for hire”¹⁴¹ and works created and assigned differently.

If a work is created by an employee, it is “for hire”; the employer owns everything. If a work is finished before it is sold, it is not “for hire”; the author retains the copyright unless separately conveyed. Commissioned works warrant special care. They may be regarded as joint copyrightability because the registration was obtained fraudulently).

¹³⁶ Also, one might consider that copyrights may last for a lifetime and beyond, whereas design patents last only fourteen years. However, this is likely to be insignificant where the problem is that design patents issue too slowly. Thus, makers of clothing, and at one time fabric designs, have been in a difficult situation and unable to resort to self help; *see* Fashion Originators’ Guild v. Federal Trade Commission, 312 U.S. 457 (1941); *see also*, Cheney Bros. v Doris Silk Corp., 35 F.2d 279 (1929).

¹³⁷ Subject to the right, e.g., to photograph a building “ordinarily visible from a public place;” *see* § 120(a).

¹³⁸ At least until 1986, in the United Kingdom, such works were protected through the doctrine of “indirect copying,” *see* British Leyland Motor Corp. Ltd. v. Armstrong Patents Co. Ltd., H.L.E. [1986] 2 W.L.R. 400 (Appeal taken from Court of Appeal).

¹³⁹ But § 201(a) provides that authors of a joint work are co-owners of copyright without, as in the case of the patent statute, specifying their obligation to one another. *Compare supra* at note 95.

¹⁴⁰ Section 202. *See also, e.g.*, Community for Creative Non-violence v. Reid, 490 U.S. 730 (1989).

¹⁴¹ Section 101 “work made for hire.”

works,¹⁴² but few can be “for hire” — and only if so agreed in writing.¹⁴³

If a work is for hire, the term is the shorter of 95 years from publication or 120 years from creation. For other works, unless published anonymously or under a pseudonym, copyright lasts until 70 years after the death of the last surviving author, if more than one.¹⁴⁴ Moreover, authors (or successors) have a right to terminate transfers within a five year period beginning thirty-five years after the transfer.¹⁴⁵ If a work is for hire, no termination right exists.¹⁴⁶

Aside from these matters, copyright and patent licenses and assignments are similar; e.g., it is necessary to record transfers to give constructive notice to later transferees.¹⁴⁷

4. *Deposit and notice*

Nothing other than “fixing” by or under the authority of an author is necessary.¹⁴⁸ Neither notice nor deposit are required for U.S. copyright protection. Deposit of two copies of the best edition of many works is required, however, and failure to deposit following a Copyright Office demand can result in penalties.¹⁴⁹

Notice warrants closer attention. Under the 1909 Act, failure to give proper notice when a work was published was fatal: State protection was lost, and federal protection was forfeited. While copyright notice is unnecessary,¹⁵⁰ it is still a good idea. Some countries where an author might have rights under international treaties require traditional notice, as well as, e.g., “All rights reserved.”¹⁵¹ Also, after being free to copy published works lacking notice, some people will

¹⁴² See, e.g., *Community for Creative Non-violence*, 490 U.S. 730. See also, *Olan Mills, Inc. v. Eckerd*, 1989 WL 90605 (N.D.Tex.) (pharmacy infringed by reproducing portraits at the behest of the subjects, notwithstanding suggestion that the latter could authorize reproduction, e.g., as joint authors).

¹⁴³ Section 101 “work made for hire” (2).

¹⁴⁴ Section 302. A helpful online page maps out most of the options.

¹⁴⁵ Section 203(a)(3).

¹⁴⁶ Section 203(a) (“In the case of any work other than a work made for hire...”).

¹⁴⁷ Sections 204 and 205.

¹⁴⁸ Section 301(a).

¹⁴⁹ Section 407(d).

¹⁵⁰ Sections 401 and 405.

¹⁵¹ See, e.g., Patry, *supra* note 122, at 307 — discussing inter-American protection under the 1911 Buenos

need to learn that lack of notice no longer means lack of copyright.¹⁵²

5. Registration

While registration is unnecessary for copyright protection, infringement actions cannot be brought by owners of works originating in the U.S. until registration is at least attempted.¹⁵³ However, it is inexpensive,¹⁵⁴ generally straightforward and confers important remedial advantages — regardless of country of origin. Failure to register unpublished works forfeits statutory damages and attorney fees for infringement commenced before registration. For published works registered within three months of publication, those remedies are available even for infringements commenced earlier.¹⁵⁵

Registration follows an “examination”.¹⁵⁶ The Copyright Office sometimes rejects an application for improper subject matter,¹⁵⁷ but registration is largely ministerial. Assuming appropriate subject matter, only subjective novelty is usually required.¹⁵⁸ Thus, many valid copyrights apparently could cover very similar works (e.g., photographs of the same tree, taken from the same angle), each in a different owner.¹⁵⁹ Even works derived from prior works (e.g., a film based on a novel) seem generally to qualify,¹⁶⁰ but these are of course subject to any rights in the originals.

Aires Convention.

¹⁵² See also, § 405(b).

¹⁵³ Section 411. See also, §101 “country of origin.” But see, *Pacific and Southern Co. v. Duncan*, 744 F.2d 1490, 1499, n. 17 (11th Cir. 1984) (enjoining infringing works not yet created, much less registered).

¹⁵⁴ <Holder>.

¹⁵⁵ Section 412. Regarding promptness of registration, see also, § 410(c).

¹⁵⁶ Section 410(a), but, under § 410(d), the certificate dates back to that of the completed application.

¹⁵⁷ See, e.g., *Esquire v. Ringer*, 591 F.2d 796 (D.C. Cir. 1978).

¹⁵⁸ See, e.g., *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99 (2d Cir. 1951).

¹⁵⁹ *Id.*; see also, *supra* note 127.

¹⁶⁰ See, e.g., *Alfred Bell*, 191 F.2d 99. But see, e.g., § 115(b), providing a limitation (difficult to fathom) on the rights of those who prepare derivatives of nondramatic musical works.

6. Enforcement and defenses

Exclusive rights are set forth in § 106. They include the right to copy and sell (or rent) protected works and, for some, the right to perform or display publicly.¹⁶¹

Persons who directly infringe copyrights or induce or otherwise contribute to infringement¹⁶² must be sued in federal court.¹⁶³ Subject to possible limitation based on time of registration,¹⁶⁴ remedies include injunction, impounding (and destroying or otherwise disposing of) infringing copies, costs and attorneys' fees, damages and profits, and statutory minimum damages.¹⁶⁵ Those who infringe willfully and for gain suffer larger statutory damages and may incur criminal sanctions.¹⁶⁶

As with patents, invalidity and noninfringement are possible defenses — along with generic defenses such as unclean hands¹⁶⁷ or fraud on the Copyright Office.¹⁶⁸ A certificate of registration issued before or within five years of publication constitutes only “prima facie evidence of the validity of the copyright and of the facts stated in the certificate,”¹⁶⁹ but invalidity is an uncommon defense.¹⁷⁰

¹⁶¹ See § 101 “perform or display...” ; *see also, e.g.*, § 109(c).

¹⁶² *See, e.g., Sony*, 464 U.S. 417 (1984). One of the most remarkable things about the case is that the Court cited and discussed 35 U.S.C. § 271(c) (the patent statute) in deciding whether contributory infringement had occurred. This was found warranted insofar as the doctrine was originally created by the courts, and no provisions appear in the copyright statute.

¹⁶³ See 28 U.S.C § 1338.

¹⁶⁴ *Supra* note 155.

¹⁶⁵ *See generally*, §§ 501-10.

¹⁶⁶ Section 506.

¹⁶⁷ But at least two circuits have refused that defense as an attack on copyright validity. *See, e.g., Belcher v. Tarbox*, 486 F.2d 1087, 1088 (9th Cir. 1973) and *Mitchell Bros. Film Group v. Cinema Adult Theater* 604 F.2d 852 (5th Cir. 1979).

Regarding possible antitrust problems, *see, e.g., Broadcast Music, Inc. v. Columbia Broadcasting System, Inc.* 441 U.S. 1 (1979). *See also*, § 109(b)(2).

¹⁶⁸ *But see, Whimsicality*, 891 F.2d 452, discussed *supra* note 134.

¹⁶⁹ Section 410(c).

Suits are more apt to turn on infringement. Noninfringement can be framed several ways, e.g., a work was independently created,¹⁷¹ or use was proper. The latter can be further subdivided, e.g., use was (1) not forbidden by § 106,¹⁷² (2) permitted by § 102(b)¹⁷³ or (3) permitted by “fair use” as defined in §§ 107-121. The last two are most likely to cause trouble for newcomers.

Copyright registrations do not delimit coverage.¹⁷⁴ More than in the case of patents, judges often must decide whether what was copied was protected. They may conclude, e.g., that a directory identical to another does not infringe,¹⁷⁵ whereas a motion picture that is only substantially similar to an earlier play does.¹⁷⁶

Originally created by the courts, fair use defenses¹⁷⁷ now occupy perhaps about half of the statute.¹⁷⁸ Section 107 and sequels permit use of another’s work where the purpose and amount of use pose little likelihood of injury¹⁷⁹ or are justified on policy grounds.¹⁸⁰ Were it not

¹⁷⁰ *But see*, *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675 (1st Cir. 1967).

¹⁷¹ If a work is very similar to an earlier distributed work, access as well as copying may be presumed. *See*, e.g., *ABKCO Music v. Harrison Music*, 722 F.2d 988 (2d Cir. 1983). *But see*, *Benson v. Coca-Cola Co.*, 795 F.2d 973 (11th Cir. 1986).

¹⁷² *See*, e.g., *Muller v. Triborough Bridge Authority*, 43 F.Supp. 298 (S.D.N.Y. 1942) (finding a bridge not to infringe a drawing of a bridge). In the U.S., three dimensional works infringe only if they are also copyrightable (not “useful”). *Compare*, e.g., *Fleischer Studios v. Freundlich*, 73 F.2d 276, 278 (2d Cir. 1934) and *see supra* note 138.

¹⁷³ *See*, e.g., *Baker*, 101 U.S. 99, discussed *supra* note 126.

¹⁷⁴ *See*, e.g., *Ideal Toy Corp. v. Sayco Doll Corp.*, 302 F.2d 623 (2d Cir. 1962); at 627, Judge Clark (dissenting) called attention to a third doll, apparently in the public domain, that more resembled an allegedly infringing doll than did the doll said to be infringed. Patent examination attempts to preclude such a result, e.g., by forbidding claims that cover subject matter that can be freely used by anyone.

¹⁷⁵ *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340 (1991).

¹⁷⁶ *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir. 1936), cert. denied, 298 U.S. 669 (1936).

¹⁷⁷ <Holder>

¹⁷⁸ Sections 107-121. Some focus on works, e.g., § 120 (architecture), some on users, e.g., § 108 (libraries and archives) and some on activities, e.g., § 106 (transfers of particular copies) or § 121 (translations for the blind).

¹⁷⁹ <Holder>

for fair use, critics and scholars could not quote, or a fortiori copy, another's work without permission or the risk of paying costs, attorneys' fees and statutory damages.¹⁸¹ Teachers and librarians were particularly eager to have fair uses spelled out precisely, but this was not done.¹⁸² Indeed it seems impossible to define "fair" with the kind of precision nonlawyers (or law students) may want.

As with patents, copyright litigation can also be affected by the status of the infringer. Injunctions do not lie against the federal government,¹⁸³ and state governments may not be sued in federal court.¹⁸⁴ Prior dealings are troublesome — partly because of the work for hire doctrine,¹⁸⁵ but problems go beyond that.¹⁸⁶

7.. *Avoiding infringement*

Because independent origin is a defense, liability can generally be avoided with records that show it. Yet, in one case, where two works were very much alike and the first was well known, the defense failed: It was concluded that copying, even if unconscious, had occurred.¹⁸⁷

When using another's work, caution is warranted — particularly where there have been prior dealings.¹⁸⁸ Also, one can no longer regard a work without notice as being in the public domain.¹⁸⁹ Further, while "fair use" of another's work is permitted, a comparatively small

¹⁸⁰ And perhaps when the defendant's conduct is otherwise reasonable; *see, e.g.*, *Marcus v. Rowley*, 695 F.2d 1171 (9th Cir. 1983) (failure to attribute cited as a reason to deny the fair use defense).

¹⁸¹ *Supra* notes 127-129 and discussion.

¹⁸² It is not easy to find, much less interpret, applicable provisions. The Copyright Office has made the task somewhat easier. *See* Copyright Office Circular 21: Reproduction of Copyrighted Works by Educators and Librarians (1991); this document contains statutory provisions and legislative history as well as "guidelines" that were negotiated during pendency of the Act. The latter cover, e.g., teachers' use of books and periodicals

¹⁸³ *See* 28 U.S.C. 1498.

¹⁸⁴ *See supra* note 115.

¹⁸⁵ *See supra* at notes 139-42.

¹⁸⁶ *See supra* at note 127. *See also*, *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.* 797 F.2d 1222 (3d Cir. 1986), *but see* *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485 (9th Cir. 1984).

¹⁸⁷ *ABKCO Music*, 722 F.2d 983.

¹⁸⁸ *See, e.g.*, *Community for Creative Non-violence v. Reid*, 490 U.S. 730 (1989).

amount of copying may infringe if it interferes with an owner's potential income or is more than incidentally connected with the user's income.¹⁹⁰

C. Trade Secrets

1. Source, subject matter and federal preemption

Trade secret protection originated in common law, and the 1939 Restatement of Torts attempted to codify it.¹⁹¹ More recently there has been a trend toward statutory treatment. A uniform act has been drafted and adopted in whole or part in several states, and theft of trade secrets is now addressed in the federal criminal code.¹⁹² While the basics are the same, important details vary from state to state.¹⁹³

Also, federal law can have a major impact on trade secret law. For example, in the decade following the famous *Sears* and *Compco* preemption decisions,¹⁹⁴ IP attorneys wondered about the extent to which trade secret law still existed. However, a 1974 decision¹⁹⁵ held that, although subject matter often overlaps and legal objectives are similar, federal patent law does not preempt state trade secret protection.

Copyright preemption may pose a problem, too — particularly with unpublished works¹⁹⁶ since 17 U.S.C. § 301 became effective.¹⁹⁷ Now, § 301(a), leaves no room for the states

¹⁸⁹ See, e.g., *supra* at notes 148-50.

¹⁹⁰ See, e.g., *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985).

¹⁹¹ See §§ 757-59. See also, Restatement Third, Unfair Competition §§ 30-45 (1995).

¹⁹² See William E. Hilton, *What Sort of Improper Conduct Constitutes Misappropriation of a Trade Secret*, 30 *Idea* 287, at 297 [Appendix A] (1990) (regarding state statutes). The federal statute is codified at 18 U.S.C. §§ 1831-39.

¹⁹³ See, e.g., Steve Borgman, *The Adoption of the Uniform Trade Secrets Act: How Uniform is Uniform?* 27 *Idea* 73 (1986).

¹⁹⁴ 376 U.S. 225 and 234, respectively.

¹⁹⁵ *Kewanee*, 416 U.S. 470.

¹⁹⁶ To conflict, subject matter must be susceptible of secret commercial use. This is unlikely for most copyright subject matter. With regard to software, where dual protection may be possible, the Copyright Office has muddied the water; see, e.g., Thomas F. Marsteller, Jr. & Robert L. Tucker, *Copyrighting Trade Secrets...*, 25

once a copyrightable work is “fixed in a tangible medium.”¹⁹⁸ Moreover, § 301(b) provides:¹⁹⁹

Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to — (1) subject matter that does not come within the subject matter of copyright..., including works of authorship not fixed in any tangible medium of expression, or... (3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright....

Thus, it will be unclear whether state trade secret law applies to some controversies. However, if any part of the subject matter falls within copyright, plaintiffs will usually want to sue in copyright and append state counts. Copyright remedies are superior — particularly if registration is prompt.²⁰⁰ State trade secret and other protection, if not preempted, can have potentially unlimited duration,²⁰¹ but, given their likely duration, this will rarely be important.

2. *Acquiring, preserving and enforcing trade secret rights*

Both the Restatement and uniform act cover broad subject matter, but the latter explicitly includes information of potential as well as of current competitive value. It also provides that

Idea 211, 218-22 (1984) — especially the discussion of 37 C.F.R. § 202.20, at 219-20.

¹⁹⁷ Compare Field (1975), *supra* note 3, at 531 and 537 (prior to the 1976 Act).

¹⁹⁸ Section 301(a); this means that state law is likely to be important only for works that are publicly performed (probably excluding trade secrets) but not recorded. *See, e.g., Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1977). Insofar as that subject matter arguably falls within copyright, it seems that, had Zacchini been inclined to ratify the unauthorized fixing of his performance, the case could have been brought under federal law. *See, e.g., Pacific and Southern Co.*, 744 F.2d 1490.

¹⁹⁹ This provision was heavily influenced by *International News Service v. Associated Press*, 248 U.S. 215 (1918). *See, e.g.*, 122 Cong. Rec. § 2042-43 (Feb. 19 1976) [letter from the Department of Justice] and H. 10910 (Sept. 22, 1976) [statement. of Rep. Seiberling]. Citing *Sears*, 376 U.S. 225 and *Compco*, 376 U.S. 234, the Department urged that what is now 17 U.S.C. § 301(b)(3) be worded to avoid reinstating the “misappropriation” doctrine as defined by *International News Service*. The section reads as suggested.

²⁰⁰ *See supra* at note 155.

²⁰¹ *See Goldstein v. California*, 412 U.S. 546, 560 (1973) (the Constitutional “limited times” language does not affect state power). *See also, e.g., Estate of Elvis Presley v. Russen*, 513 F.Supp. 1339 (D. N.J. 1981) (describing a type of work that is not secret and, as long as it is neither fixed nor regarded as within copyrightable subject matter, could have virtually perpetual protection).

information is to be regarded as secret if “reasonable measures” are taken to preserve secrecy.²⁰²

Still, both leave a large amount of ambiguity, e.g., where an employee changes jobs. How does one differentiate between information that is, on the one hand, part of an employee’s stock in trade and, on the other, property of the employer?²⁰³ Employers often try to avoid the issue by using covenants not to compete, but, if covenant conditions are unreasonable²⁰⁴ or in excess of statutory maxima,²⁰⁵ they will be unenforceable. Analogous problems can also arise when a business is sold or when two companies are dealing in other ways²⁰⁶ — particularly if the obligation to preserve or not to use secrets is implied. However, the Restatement and the uniform act do not appear to differ on such issues.

Also, both the Restatement and uniform act forbid use of secrets obtained by criminal or tortious conduct.²⁰⁷ However, neither seems to preclude using information obtained from incautious speakers in PTO elevators. Still, the latter includes “espionage” as wrongful. If this covers photographing plants from navigable airspace,²⁰⁸ does it also include photographing from the roof of an adjacent building or a knothole in a fence? Whatever the answers might be, Supreme Court decisions forbid state laws that preclude use of information obtained by independent effort or reverse engineering.²⁰⁹

²⁰² In this and other regards, the uniform act apparently tries to codify the holdings in *E.I. duPont de Nemours & Co. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970), cert. denied, 400 U.S. 1024 (1971).

²⁰³ An especially interesting factual and procedural situation appears in *American Can Co. v. Mansukhani*, 742 F.2d 314 (7th Cir. 1984); *see, e.g., id.* at 329.

²⁰⁴ *See, e.g., Reed, Roberts Assoc. v. Strauman*, 40 N.Y.2d 303, 307 (1976).

²⁰⁵ *See, e.g., NCH Corp. v. Broyles*, 749 F.2d 247, 251, fn. 5 (5th Cir. 1985).

²⁰⁶ *E.g., Kewanee*, 416 U.S. 470.

²⁰⁷ Trade secret law often emphasizes how information is obtained rather than the information itself; *see, e.g., Tabor v. Hoffman*, 118 N.Y. 30 (1889). *See also Kewanee*, 416 U.S. 470. *But compare Smith v. Dravo Corp.* 203 F.2d 369, 374 (7th Cir. 1953) (finding “Pennsylvania will not deny recovery merely because the design could have been obtained through inspection”) *with Van Products Co. v. General Welding & Fabricating Co.*, 419 Pa. 248 (1965) (holding to the contrary).

²⁰⁸ *See duPont*, 431 F.2d 1012.

²⁰⁹ *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141 (1989). *But see* 17 U.S.C. §§ 1301-32 (federal sui

3. Outside submissions

Outside idea or invention submissions are a special case and seem best governed by contract law. Lacking a written contract, one should consider the custom in the trade and the professional status of the person providing information. If the outsider is an “amateur,” and no established trade practice or prior dealings can be relied upon to establish an implied contract, recovery is unlikely: The outsider may be considered a “volunteer” or, if the information lacks objective novelty, be found to have submitted something of no value.²¹⁰ In contrast, if a submission comes from a professional and the custom is to accept and pay for the use of “unsolicited” information, a contract may be implied: The recipient may be obligated to pay fair value even if the information lacks objective novelty.²¹¹

Attorneys who have the opportunity to represent an outside submitter should try to get a written agreement. Minimally, it should provide that the recipient, in consideration of the opportunity to evaluate the information, agrees neither to use it without compensation (later to be negotiated) nor to disclose it. However, attempts often fail.²¹² Companies do not want to risk having to pay for what they already know or to be liable if information gets into the wrong hands. Also, companies may already have many of unused, internally-generated ideas and not be interested in considering more!²¹³

generis protection for boat hulls).

²¹⁰ See, e.g., *Downey v. General Foods*, 31 N.Y.2d 56 (1972). Compare *Liggett & Myer Tobacco Co. v. Meyer*, 194 N.E. 206 (1936), where the idea was arguably more novel.

²¹¹ See, e.g., *Minnear v. Tors*, 266 Cal.App.2d 495, (1968) (regarding an idea for a television series — something excluded from copyright by § 102(b)). *But compare*, *Murray v. National Broadcasting Co.*, 844 F.2d 988 (2d Cir. 1988) (refusing to compensate, for lack of novelty, a professional who allegedly suggested the idea for “The Cosby Show”).

²¹² Indeed, companies are more likely to advance their own agreement disavowing any liability; see, e.g., *Burten v. Milton Bradley*, 763 F.2d 461 (1st Cir. 1985) (company ultimately liable, partly based on evidence of subsequent modification).

²¹³ See generally, Del I. Hawkins & Gerald G. Udel I, *Corporate Caution and Unsolicited New Product Ideas*, 58 J.P.O. Soc’y 375 (1976). See also, *supra* note 3.

4. Trade secrets as property

Secret information has at least some attributes of property. People who obtain it improperly can suffer criminal sanctions. Many states that do not otherwise provide statutory treatment for trade secrets protect them in criminal statutes.²¹⁴ Also, rights in secret information can be assigned, and the right to use it can be licensed.

Unlike patents and copyrights that have a constitutionally mandated terminus,²¹⁵ trade secrets have a potentially perpetual duration.²¹⁶ Yet, as noted in *Kewanee*, their theoretical duration is undercut by limitations on what constitutes misappropriation.²¹⁷

5. Avoiding infringement

Using information not derived from publications, independent research or copying products in the market warrants caution. For example, when hiring research and development personnel from competitors, it seems wise to examine written employment agreements for non-competition clauses. Also, one must never encourage others to disregard contracts: Inducing a breach of contract is usually a willful tort.²¹⁸

IV. Preserving Competition on the Merits

A. Preventing Misrepresentations Generally

1. Suits forbidden at common law

As mentioned, competition can be thwarted when firms misrepresent the source, quality or price of their goods or services. At common law, private parties could take legal action against such misrepresentation only if they were uniquely affected.²¹⁹

²¹⁴ See generally, Hilton, *supra* note 192.

²¹⁵ *Supra* note 6.

²¹⁶ *Goldstein*, 412 U.S. at 560.

²¹⁷ 416 U.S. at 489-91.

²¹⁸ See, e.g., Harvey S. Perlman, *Interference with Contract and Other Economic Expectancies...*, 49 U. Chi. L.Rev. 61(1982). See also, e.g., *Universal City Studios, Inc. v. Nintendo Co. Ltd.*, 797 F.2d 70, 74 (9th Cir. 1986).

²¹⁹ See *Mosler Safe Co. v. Ely-Norris Safe Co.*, 273 U.S. 132 (1927).

Unlike competitors, consumers can usually show specific injury, and aggregate injury can be very large, but damage suffered by individual consumers is often inadequate to justify suit.²²⁰

Moreover, if firms continue to misrepresent, aggregate injury may snowball as others compete, not by, e.g., dropping prices, but by making even more egregious misrepresentations. Such problems could first be addressed other than by consumers when the Federal Trade Commission (FTC) was created to enjoin “unfair methods of competition.”²²¹ However, only after an amendment in 1938, could the FTC clearly enjoin “unfair and deceptive acts and practices” that did not injure competition.²²² Not until much later did states begin to deal with such problems.²²³

Honest firms may find the cost of suit against a competitor’s misrepresentations to be justified, but not until the Lanham Act was passed in 1947, did they have a cause of action.²²⁴ Since then, § 43(a)²²⁵ has allowed them to seek injunctions²²⁶ even though it may be impossible to show special damages,²²⁷ i.e., that particular sales were lost because of a competitor’s misrepresentations. Modern cases sometimes consider whether defendant’s activities sufficiently

²²⁰ See generally, e.g., Thomas G. Field, Jr., *Appraising Private and Public Roles in Returning Small Economic Losses to Consumers: A Comparative Inquiry*, 29 Mercer L.Rev. 773 (1978).

²²¹ 15 U.S.C. § 45(a)(1).

²²² *Id.* For further detail, see Field, *supra* note 220.

²²³ See Council of State Governments, *Unfair Trade Practices and Consumer Protection Law*, 26 Suggested State Legislation 141-52 (1970).

²²⁴ See *Mosler Safe*, 273 U.S. 132.

²²⁵ Unlike the patent and copyright acts, the Act does not correspond to a title in the U.S. Code. Thus, section numbers differ. This can be confusing because lawyers and judges refer to provisions either way. Also, while Lanham Act § 1 is 15 U.S.C. § 1051, merely adding 1050 may not yield correct results; e.g., § 43 is 15 U.S.C. § 1125.

²²⁶ See, e.g., Lanham Act § 43(a) and False Advertising, Ch. 27 in J. Thomas McCarthy, 2 Trademarks and Unfair Competition 335 (2d ed. 1984).

²²⁷ See, e.g., *Alpo Petfoods v. Ralston Purina Co.*, 913 F.2d 958 (D.C. Cir. 1990) (reversing an award of profits). Generally an award of damages looks to plaintiff’s loss in an attempt to make it whole whereas an award of profits looks to defendant’s income in an effort to disgorge ill-gotten gains.

affect the plaintiff in particular, e.g., to warrant standing, but it is difficult to see why a commercial enterprise would sue without strong conviction of potential harm — particularly if competitors could derive as much or more benefit.²²⁸ Indeed, in the latter situation, firms might ask the FTC or another public entity to take action.

2. *Suits permitted at common law*

a. *Unfair competition, dilution and right of publicity*

Trademarks are discussed in detail below, but “unfair competition”²²⁹ suits furnish a classic illustration of the difference between this and the previous discussion. If a seller deliberately or carelessly represents its goods as coming from or being sponsored by another, injury is generally clear. Thus, owners of marks have long been able to bring actions if another uses similar marks on competing goods or services.²³⁰ To prevail, they usually must show that words or other devices used to indicate source are inherently distinctive or have acquired “secondary”²³¹ meaning.²³² They usually must also show that consumer are or are likely to be confused. Yet, where a defendant intentionally represents its or another’s goods or services as those of the plaintiff, both requirements for relief may be presumed.²³³

Famous marks present a particularly interesting situation insofar as owners may prevent their use on very dissimilar goods or services — where “unfair competition” does not literally exist.²³⁴ Yet, consumers may be misled in the short term, and both consumers and owners of

²²⁸ See, e.g., *Johnson & Johnson v. Carter-Wallace, Inc.*, 631 F.2d 186 (2d Cir. 1980).

²²⁹ As a term of art, “unfair competition” often means much less than what it would literally suggest. See Field (1985), *supra* note 3, at 59.

²³⁰ See *Mosler Safe*, 273 U.S. 132.

²³¹ This is another term of art. Insofar as few words have only two meanings, in the sense it is used in trademarks, it means that, e.g., a word has come to signify a particular commercial source.

²³² See, e.g., *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 785 (Justice Thomas, concurring in result).

²³³ See, e.g., *My-T-Fine v. Samuels*, 69 F.2d 76 (2d Cir. 1934); see also, *American Chicle Co. v. Topps Chewing Gum, Inc.*, 208 F.2d 560 (1953).

²³⁴ See, e.g., *Polaroid v. Polarad Electronics*, 287 F.2d 492, 495 (2d Cir. 1961); see also, *Aunt Jemima*

famous marks may suffer from erosion of a mark's uniqueness.²³⁵ Recently, state and federal "dilution" statutes have sought to expand this law by protecting less well-known marks.²³⁶ Still, it is unclear how unique a mark must be to qualify for protection. It is less clear if marks differ.²³⁷

Famous persons can also prevent firms from suggesting associations that do not exist. A variety of theories may be used,²³⁸ and "right of publicity" is one of them.²³⁹ This right is sometimes described as what public persons get in return for their loss of privacy, but its boundaries are far from clear. While privacy rights do not survive their owner's death, a right of publicity may — particularly if the person had been engaged in commercial sponsorship while living.²⁴⁰ However, some publicity cases go well beyond preventing misrepresentation and raise preemption issues where the work to be protected has been fixed, e.g., by videorecording, by or under the authority of its owner.²⁴¹

b. Trade libel, product disparagement and free speech

Mills Co. v. Rigney & Co., 247 F.2d 407 (2d Cir. 1917). Intent is usually a major factor in the calculus of such cases and could give rise to a presumption as in, e.g., *My-T-Fine* or *American Chiclé*, *supra*.

²³⁵ Thus, as discussed below, a "strong" mark may become "weak." In this vein, *see, e.g., California Fruit Growers Exchange v. Sunkist Baking Co.*, 166 F.2d 971 (7th Cir. 1947).

²³⁶ Federal dilution law is governed by Lanham Act § 43(c) [15 U.S.C. § 1125(c)].

²³⁷ *Id.* The court found "Lexus" automobiles not to dilute the mark "Lexis" for computerized legal research services. The analysis bears a remarkable resemblance to that employed in *Polaroid*, 287 F.2d, at 495, or *E. I. DuPont DeNemours & Co.*, 476 F.2d 1357 (Fed. Cir. 1973) (appeal from the PTO) — neither of which involve "dilution" statutes.

²³⁸ *See, e.g., Carson v. Here's Johnny Portable Toilets*, 698 F.2d 831 (6th Cir. 1983). Compare *Shaw v. Time-Life Records*, 38 N.Y. 2d 301, 341 N.E. 2d 817 (1975).

²³⁹ A particularly interesting treatment appears in Stanley K. Murumba, *Commercial Exploitation of Personality* (Law Book Co. 1986). The author focuses on Australian law but nevertheless discusses seminal English cases as well as more recent ones from the U.S. and other former British colonies.

²⁴⁰ *See, e.g., Groucho Marx Productions, Inc. v. Day and Night Co., Inc.*, 689 F.2d 317 (2d Cir. 1982).

²⁴¹ *See, e.g., Estate of Elvis Presley*, 513 F.Supp. 1339. *See also, Zacchini*, 433 U.S. 562. Such cases resemble *International News Service*, 248 U.S. 215. Yet, if the work is not "fixed," it has potentially unlimited protection. *See supra* notes 196-99.

Injurious statements about a firm (trade libel) or its products (disparagement), may cause demonstrable harm and might be presumed. Yet, injunctions may be unavailable and damages difficult to recover. The law is a mix of sometimes arcane common law and, increasingly, unsettled constitutional law and is not easy to understand.

One should first distinguish commercial and non-commercial speech. The latter is not subject to prior restraint, i.e., injunction.²⁴² Also, because the threat of tort liability can deter speech, it is often difficult to recover damages — particularly if the subject is of public concern.²⁴³ Offers to sell were long regarded as unprotected, but public interference with truthful advertising has since been limited. Cases apt to be most durable focus on the need for readily available consumer information.²⁴⁴ Also, the FTC has moved against private restraints on competitive advertising.²⁴⁵

Because of such developments, early cases enjoining, e.g., consumer libel and disparagement are of doubtful current vitality²⁴⁶ — as are cases enjoining other disparaging activity.²⁴⁷ Even cases awarding damages merit careful scrutiny.²⁴⁸

Speech involving matters of public concern is protected two ways. First, plaintiff may have to show, by clear and convincing evidence, that defendant's offensive statements are false. Second, plaintiff may have to show, again by clear and convincing evidence, that demonstrably false injurious statements were known by defendant to be false or that defendant acted maliciously or in reckless disregard of the truth.

For a public person to get relief, a clear showing of malice or reckless disregard of the

²⁴² State constitutions may also afford such protection; see, e.g., *Willing v. Mazzocone*, 482 Pa. 377 (1978).

²⁴³ See, e.g., *Bose Corp. v. Consumers Union U.S., Inc.*, 466 U.S. 485 (1984).

²⁴⁴ See, e.g., *Virginia State Bd. Pharm. v. Va. Citizens Consumer Council*, 425 U.S. 748 (1976) (First Amendment bars government restrictions on truthful price advertising).

²⁴⁵ See, e.g., the FTC's 1979 policy statement on comparative advertising, 16 C.F.R. § 14.15 (1990).

²⁴⁶ See, e.g., *Menard v. Houle*, 298 Mass. 546 (1937).

²⁴⁷ See, e.g., *L.L. Bean v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir. 1987).

²⁴⁸ *Id.*

truth must be made, and, although there is remarkably little law on point, it seems difficult to imagine why a commercial firm or its goods would not also bear that burden.²⁴⁹ Even when the speaker is a competitor, the burden ought not be lowered, e.g., by presuming malice.²⁵⁰

In 1988, § 43(a) of the Lanham Act was amended to permit such suits as a matter of federal law if the speaker is engaged in commercial advertising or promotion.²⁵¹ It will be interesting to see how federal courts develop the law, e.g., whether they do so based on the Constitutional or tort doctrine,²⁵² and the extent to which they find that firms and their products are subject to honest, if mistaken, criticism by competitors who have an especially strong incentive to inform consumers.

3. General observations on § 43(a)

The Lanham Act may now be used to address a range of unfair trade practices regardless of whether they could be addressed at common law. It bears emphasis that § 43(a) permits federal suit for source misrepresentation, regardless of diversity and the amount in controversy — or federal trademark registration.²⁵³ Moreover, remedies equal those afforded federally registered marks.²⁵⁴ Thus, two alleged benefits of federal registration²⁵⁵ (federal jurisdiction and usually superior remedies) are available to owners of any mark. Still, if a defendant's behavior is particularly egregious, one should at least consider whether punitive damages or other state relief might be better in particular situations.²⁵⁶

²⁴⁹ See, e.g., *Bose Corp. v. Consumers Union, U.S., Inc.* 692 F.2d 189, 202 (1st Cir. 1982), aff'd 466 U.S. 485. Yet the proposition, while discussed, was assumed, not held.

²⁵⁰ See *Systems Operations, Inc. v. Scientific Games,* 555 F.2d 1131 (3d Cir. 1977) reversing 414 F.Supp. 750 (D. N.J. 1976) on this issue, but with no First Amendment analysis.

²⁵¹ Section 1125(a)(1)(B). For a brief discussion of the prior jurisdictional split, see Field (1985) *supra* note 3, at 59-60.

²⁵² See, e.g., *Dairy Stores, Inc. v. Sentinel Pub. Co.*, 104 N.J. 125 (1986).

²⁵³ See, e.g., *Federal-Mogul-Bower Bearing v. Azoff*, 313 F.2d 405 (6th Cir. 1963).

²⁵⁴ See § 1117.

²⁵⁵ See, e.g., U.S. PTO, *Basic Facts about Trademarks 2* (Draft 1989).

²⁵⁶ See, e.g., *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103 (2d Cir. 1988) and *Getty*

In all cases involving alleged misrepresentations, consumers' impressions are critical. Facially false statements (or facially deceptive marks) may not deceive²⁵⁷ — and facially truthful statements may create false impressions²⁵⁸. Competent surveys are often the best way to resolve those and similar issues addressed below.

*B. Trademarks*²⁵⁹

1. Development of the federal law

Source indicators appear to have been used for thousands of years.²⁶⁰ However, general legal protection against another's use of misleading source indicators is more recent.²⁶¹ The first federal trademark statute was passed in 1870, but it was struck down in 1879²⁶² for exercising power conferred by neither the patent and copyright nor commerce clauses.²⁶³ Although another trademark statute was enacted in 1881, and still others in 1905 and 1920, these were quite limited,²⁶⁴. Still, many cases prior to the famous 1938 Erie decision were decided under federal common law.²⁶⁵ For example, in *Kellogg*, decided shortly thereafter, the Court observed:²⁶⁶ “But

Petroleum Corp. v. Island Transp. Corp., 862 F.2d 10 (2d Cir. 1988).

²⁵⁷ As discussed below, literally misdescriptive marks, e.g., Apple for computers may be fanciful.

²⁵⁸ See, e.g., *McNeilab, Inc. v. American Home Products Corp.*, 848 F.2d 34 (2d Cir. 1988) or *Vidal Sassoon, Inc. v. Bristol-Myers Co.*, 661 F.2d 272 (2d Cir. 1981).

²⁵⁹ In this subpart, citations, unless otherwise indicated, are to 15 U.S.C. [Lanham Act??]

²⁶⁰ See, e.g., Sidney Diamond, *The Historical Development of Trademarks*, 65 *Trademark Rep.* 265 (1975). Diamond also discusses many ways marks have been used other than as “source” indicators, e.g., as livestock brands.

²⁶¹ *Id.*; see also, Beverly W. Pattishall & David C. Hillard, *Trademarks* 1 (1987).

²⁶² *The Trade-mark Cases*, 100 U.S. 82.

²⁶³ The clause is quoted, *supra* note 6. Given that goodwill does not expire but is more likely to increase over time, the “limited times” language is alone a significant obstacle — at least for federal protection; see Goldstein, 412 U.S. , at 560.

²⁶⁴ For brief discussion of early statutes and their limitations, see 1 *Trademarks and Unfair Competition*, *supra* note 226, at 136.

²⁶⁵ *Erie R. Co. v. Tompkins*, 304 U.S. 64 (1938) abolished federal substantive common law that had no foundation in federal statutes. Compare *Community for Creative Nonviolence*, 490 U.S. at 740.

²⁶⁶ *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, fn. 1 (1938).

no claim has been made that the local law is any different from the general law on the subject, and both parties have relied almost entirely on federal precedents.” Efforts to reform the federal law had begun earlier, but it is ironic that the first hearings on a new law were held the same year.²⁶⁷ Because attention was diverted by the war, what ultimately became the Lanham Act was not passed until 1946.²⁶⁸ With few amendments, that is the law today.

In Lanham Act § 45, “commerce” is defined as “all commerce which may lawfully be regulated by Congress.”²⁶⁹ Given the modern view of the commerce clause, federal law could well have exhausted the field. However, this has not happened, and state law can be significant.²⁷⁰

2. Trademark rationale revisited

The rationale for trademark law is starkly different from that for protecting work products. One firm may forbid another from imitating its trade dress, but injunctions must be narrowly crafted to permit competitors to duplicate otherwise unprotected products.²⁷¹ Analogous limits apply to names. It would do consumers little good if a firm could copy a product but not identify it in a way that consumers would recognize.²⁷²

Notwithstanding these limitations, trademarks are sometimes seen as anticompetitive. Brand names for pharmaceuticals in particular have been controversial, but it would be difficult to eliminate them.²⁷³ Critics tend to ignore the need of consumers to search out low cost, reliable

²⁶⁷ See Hearings on H.R. 9041, House Committee on Patents, Subcommittee on Trademarks, 75th Cong. 3d Sess. (1938).

²⁶⁸ Re section numbering, *see supra* note 225.

²⁶⁹ Section 1127.

²⁷⁰ *But see*, *Burger King Fla., Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968).

²⁷¹ *See Kellogg*, 305 U.S. 111; *Sears*, 376 U.S. 225 and *Compco*, 376 U.S. 234, reach a similar result. But they are significant because they turn on preemption rather than substantive law that states could disregard.

²⁷² Thus, in *Kellogg*, a competitor could call its product “shredded wheat.” This is the trademark “fair use” doctrine, and it is codified at § 1115(b)(4). *See also, e.g.*, *Prestonettes, Inc. v. Coty* 264 U.S. 359 (1924) and *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947). *Compare* *Cliff’s Notes, Inc. v. Bantam Doubleday Dell Publishing Group, Inc.*, 886 F.2d 490 (2d Cir. 1989).

products as well as the role of source identifiers in furthering that end. Antitrust law rests in part on the idea that competition encourages firms to produce the highest quality products or services at the lowest possible price. Before this can occur, assuming that other firms have a right to copy a particular product or service, consumers need accurate information about the source and other characteristics of products.²⁷⁴

Particularly for products without close consumer safety regulation, firms' investments in goodwill may also provide the most reliable assurance of safe product design and quality.²⁷⁵ It is difficult to imagine how a competitive market could function without source indicators — even so-called “generics” may have them!

3. Obtaining rights: Strength of marks

As with trade secrets and copyrights, trademark rights usually arise automatically once certain conditions have been met. First, a word or other symbol must be used as a source indicator.²⁷⁶ This is commonly done by using ServicemarkSM or TrademarkTM; the symbol for a Federally Registered Mark[®] should not be used prior to federal registration. Second, it must be recognized as such.²⁷⁷ Once those conditions exist, the first user can usually prevent later users

²⁷³ As compared to, e.g., mandating generic substitution. *See, e.g.*, Federal Trade Commission, Drug Product Selection (Staff Report 1979). *See also, e.g.*, *Pharmaceutical Soc’y N.Y. v. Lefkowitz*, 586 F.2d 953 (2d Cir. 1978).

²⁷⁴ *See, e.g.*, *Virginia State Bd. Pharm.*, 425 U.S. 748 and discussion *supra* at note 244. Again, such results can be obtained without resort to the First Amendment; *see supra* note 272. *See also, e.g.*, *HyperTherm, Inc. v. Precision Products, Inc.* 832 F.2d 697 (1st Cir. 1987) and *Calvin Klein Cosmetics Corp. v. Lenox Laboratories, Inc.*, 815 F.2d 500 (8th Cir. 1987).

²⁷⁵ *See, e.g.*, Wesley J. Liebler, *The Deregulation of Industry: How Far Should We Go?* 51 *Ind. L.J.* 735, 739-45, particularly ff. 14 & 15 (1976). Liebler’s general thesis is that for “credence” goods, i.e., ones that have qualities reasonably well-informed consumers cannot judge either before or after purchase, producers’ reputations serve as collateral against misconduct. While his conclusion that the Food and Drug Administration is unnecessary is extreme, his underlying point seems very well taken.

²⁷⁶ *See, e.g.*, *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916); *see also*, *Morehouse Mfg.*, 407 F.2d 881.

²⁷⁷ Such a mark is said to have “distinctiveness” or “secondary meaning.” *See, e.g.*, *France Milling Co. v.*

— despite their good faith — from using the same or a similar mark in such a way as to cause confusion.

The second requirement is most easily met if distinctive marks are chosen. If not, enforcement can be difficult to impossible.²⁷⁸ For example,²⁷⁹ marks that merely identify goods or services, e.g., “Two-hour Dry Cleaning,” or are associated with other firms should be avoided. Again, one cannot get exclusive rights to common names for products or to functional aspects of trade dress.²⁸⁰ Also, one cannot acquire rights in marks similar to those already in use.²⁸¹

Words that describe a product or service can acquire source significance. Yet, they cannot be readily registered,²⁸² and relief will be limited.²⁸³ If they merely identify a seller by surname, it will be difficult, at best, to limit others with the same name.²⁸⁴ If they indicate geographical origin, it will be difficult to stop others in the same location. Finally, one cannot prevent firms from using words needed to describe products. Thus, even if users of such terms eventually convince consumers that they indicate a particular company, relief will be limited.

Washburn-Crosby Co., 7 F.2d 304, 306 (2d Cir. 1925).

Someone who thinks of a mark, as in the earlier hypothetical, acquires no rights by doing so.

Also, as discussed below, one with a “bona fide intention... to use” can apply to register federally under § 1051(b). If that application later ripens into a registration, the registrant then has, by virtue of § 1057(c), “constructive use” throughout the U.S. as of the filing date of application. Although trademark applications are published by the PTO as soon as possible, this situation poses a risk that a first user in fact will lose to a constructive first user — in spite of being unable, for a brief period, to find the party with superior rights by searching PTO files. *See Zirco Corp. v. AT&T*, 21 U.S. P.Q.2d 1542 (TTAB 1992).

²⁷⁸ *France Milling*, 7 F.2d at 306.

²⁷⁹ For a general discussion of the spectrum, *see, e.g., Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, at 790 (5th Cir. 1983).

²⁸⁰ *See, e.g., supra* at notes 271-72.

²⁸¹ *See, e.g., France Milling*, 7 F.2d at 306.

²⁸² *See, e.g.,* § 1152(e), *but see*, § 1152(f).

²⁸³ *See, e.g.,* § 1115(b)(4).

²⁸⁴ *See, e.g., Taylor Wine Co., Inc. v. Bully Hill Vineyards, Inc.*, 590 F.2d 701 (2d Cir. 1978). *But see, Hat Corp. Am. v. D. L. Davis Corp.*, 4 F.Supp. 613 (1933).

Marks that suggest, without describing, some favorable characteristic of a product are better. Thus, “Whopper” or “Ultra-bright” can be strong marks, given that competitor will be hard pressed to give an acceptable reason for using them in naming or describing their products.

Words that misdescribe a product can be either very good or very poor. A term that leads consumers to expect something other than what they get is unlikely to be protected and, worse, is useless for building goodwill. In contrast, “Rabbit” brand automobiles or “Apple” brand computers are unlikely to confuse anyone and may even suggest a favorable product characteristic. Nevertheless, others can, of course, use such words for their ordinary meaning.²⁸⁵

The strongest marks are coined words such as “Kodak” or wholly arbitrary product or package designs.²⁸⁶ Yet, truly new products or services for which no common names exist are a special case. In such an instance, one cannot stop with a coined word such as “Xerox”. A generic name must be chosen to identify the product, e.g., “photocopier”.²⁸⁷ Also, firms must take care to ensure that consumers are aware of and can distinguish them.²⁸⁸ This can be difficult for market leaders, but failure means loss of trademark. When the patent on shredded wheat eventually expired, consumers had no other name by which to seek the product. Thus, a competitor was permitted to use it.²⁸⁹

Once a mark is chosen, protection is acquired in new geographical and product (or service) markets as in initial markets — unless another with pre-existing rights is encountered.²⁹⁰ Also, rights can extend beyond markets actually served.²⁹¹ For example, if a firm sells both granola and

²⁸⁵ See, e.g., 698 F.2d 786. For a discussion of more recent events, see my **online article** Making the Most of Commercial Global Domains.

²⁸⁶ See, e.g., *In re Leblanc*, 429 F.2d 989 (CCPA 1970).

²⁸⁷ See, e.g., *Kellogg*, 305 U.S. 111. See also, *DuPont Cellophane Co. v. Waxed Products Co.*, 85 F.2d 75 (2d Cir. 1936) (the only generic term apparently available was “transparent glycerinated cellulose hydrate regenerated from viscose;” imagine the likelihood that consumers would use it!).

²⁸⁸ Some hire clipping services to report misuses of their marks by magazines and newspapers. See, e.g., Shannon, *Dow Shall not Take its Trademark Lightly*, Concord [NH] Monitor, Oct. 6, 1987, at D1.

²⁸⁹ *Kellogg*, 305 U.S. 111.

²⁹⁰ See, e.g., *France Milling*, 7 F.2d 304.

²⁹¹ See, e.g., *Aunt Jemima*, 247 F.2d 407.

shredded wheat under a mark, consumers may assume that cornflakes with that mark have the same source. Further, when a firm is known by a name that it does not formally use, other firms may be prevented from using it.²⁹² In short, a firm's rights extend to any use of the same or a similar mark in circumstances where source (or sponsorship) confusion can occur.

4. Registering marks

Marks may be registered under state law. But such registrations are of dubious value.²⁹³

Federal registration is the primary focus of of the Lanham Act. It provides for two PTO²⁹⁴ registers. Principal registration is far more valuable and will be the focus here.²⁹⁵

Federal, in stark contrast with state, law affords the opportunity to protect marks nationally — even though they are used in a smaller area.²⁹⁶ Also, marks that qualify will be

²⁹² See, e.g., *Coca-Cola Co. v. Busch*, 44 F.Supp. 405 (E.D. Pa. 1942), permitting the plaintiff to stop another from calling its product “Koke-Up” even though “Coke” was, at the time, only a consumer nickname!

²⁹³ See, e.g., *Burger King*, 403 F.2d at 908:

Under 15 U.S.C. 1115(b)..., the federal certificate can be “conclusive evidence” of registrant’s “exclusive right.” And 15 U.S.C. 1127 of the Act provides that “The intent of this chapter is... to protect registered marks used in such commerce from interference by State... legislation.” The Illinois Act, however, provides only that a certificate of registration “shall be admissible... evidence as competent and sufficient proof of the registration...”

Moreover, we think that whether or not Illinois intended to enlarge the common law..., the Illinois Act does not enlarge its right... where the federal mark has priority. ... Congress intended the Lanham Act to afford nation-wide protection to federally-registered marks, and that once the certificate has issued, no person can acquire any additional rights superior to those obtained by the federal registrant.

²⁹⁴ Not until 1975 was Trademark added to the name of the Office; P.L. 93-596.

²⁹⁵ The principal and supplemental registers are both governed by §§ 1051 et seq. Section 1091, permits supplemental registration of marks that do not meet the requirements of § 1052(e); but many benefits are denied under § 1094. Still, for goods, federal supplemental registration may provide more effective notice to others than registration in only one or two states — or none at all.

²⁹⁶ *Id. But see, Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 365 (2d Cir. 1959) (refusing to grant legal or immediate equitable relief where defendant adopted the mark without actual notice and plaintiff was not in the geographical market).

presumptively valid²⁹⁷ and may become “incontestable” after five years,²⁹⁸ i.e., subject to very limited challenge.²⁹⁹

Still it is worth keeping in mind that:

Every right a patentee has is given to him by the Patent Office. On the other hand, the acquisition of the right to exclude others from the use of a trademark results from the fact of use and the common law, independently of registration in the Patent Office. The happenstance that trademarks are registered in the Patent Office should not result in confusing the principles involved in dissimilar proceedings with respect to wholly dissimilar rights. It is in the public interest to maintain registrations of technically good trademarks on the register so long as they are still in use. The register then reflects commercial reality... trademark rights, unlike patent rights, continue notwithstanding cancellation of those additional rights which the Patent Office is empowered by statute to grant.³⁰⁰

Nevertheless, several hurdles must be overcome. First, registration does not ordinarily create rights, and use must occur before registration.³⁰¹ Also, at least until recently, the PTO required use to be in rather than merely affect interstate commerce.³⁰² Since 1988, applications can be based on bona fide intent to use, but registration cannot occur until use³⁰³ — and the PTO

²⁹⁷ Section 1057(b).

²⁹⁸ *See, e.g.*, § 1065, proviso 3.

²⁹⁹ Section 1065.

³⁰⁰ *Morehouse*, 407 F.2d, at 888 (CCPA 1969). *See also, supra* note 295.

³⁰¹ *Morehouse supra*. *But see*, § 1126 (registration of marks under international conventions).

Many countries do not require use prior to registration; so § 1126 permits registration of marks that may be used nowhere in the world.

³⁰² *See Larry Harmon Pictures Corp. v. The Williams Restaurant Corp.*, 929 F.2d 662 (Fed. Cir. 1991), cert. denied 502 U.S. 823 (1991). Notwithstanding that “commerce” was defined before *Wickard v. Filburn*, 317 U.S. 111 (1942) was decided, the court interpreted the language according to the law in effect when the bill passed.

The main problem with the PTO’s historically narrow view of “commerce” is that someone like Hoots, *supra* note 270, can be excluded from registration and later be penalized. *See also*, *In re Taylor*, 133 U.S. P.Q. 490, 491 (TTAB 1962) where the Board failed to appreciate that the word “commerce” can mean very different things in different statutes depending on whether, e.g., it is preceded by “in” or “affecting.”

³⁰³ Section 1051(b)-(d); *see also*, § 1057(c) providing that, contingent upon registration, “the filing of the application... shall constitute constructive use of the mark, conferring a right of priority....” Prior to 1988, attorneys

may continue to require an effect on interstate commerce before registering a mark.³⁰⁴

For purposes of registration, marks are subdivided into several categories:³⁰⁵ (1) trademarks, (2) service marks, (3) collective marks and (4) certification marks.³⁰⁶ Although these categories are not legally important, respective examples are: (1) “Bandaid” or “Kool-Aid,” (2) “H & R Block” or “The Educational Testing Service,” (3) “The Dairymen’s Association” and (4) “Underwriter’s Laboratories” or “The Good Housekeeping Seal of Approval.” There is also a classification scheme for goods and services, but it is insignificant within the U.S. except for purposes of registration.³⁰⁷

Echoing points made earlier, the mark itself must be capable of distinguishing a product or service and cannot, e.g.: (1) comprise, e.g., immoral, scandalous or deceptive matter; (2) be confusingly similar to marks of others; (3) be descriptive or deceptively misdescriptive; or (4) consist of a surname.³⁰⁸ The last two prohibitions may be overcome if an applicant shows five years exclusive use or, better yet, demonstrates that the mark has acquired distinctiveness (or “secondary” meaning).³⁰⁹

If an applicant survives initial examination, the mark is published for opposition. If it does not get into a contest with another applicant, registrant or user,³¹⁰ and use has occurred,³¹¹

often resorted to “token” use; *see* *Blue Bell, Inc. v. Farah Mfg. Co., Inc.*, 508 F.2d 1260 (5th Cir. 1975).

³⁰⁴ *See supra* note 303, but bear in mind that firms with a small effect on interstate commerce are unlikely to attempt to register — much less appeal.

³⁰⁵ Sections 1052-54.

³⁰⁶ Again, definitions are in § 1127; e.g., “trademark” is defined as “any word, name, symbol or device... used... to indicate the source of goods, even if that source is unknown.” *See, e.g.,* *Leblanc*, 429 F.2d 989; *see also, In re DC Comics*, 689 F.2d 1042 (CCPA 1982). (Regarding so-called definitions, *see infra* note 328.)

³⁰⁷ Section 1112. *But see, Natural Footwear Ltd v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1403-05 (3d Cir. 1985).

³⁰⁸ Section 1052.

³⁰⁹ Section 1052(f) provides that five years of exclusive use may be accepted as prima facie evidence of distinctiveness. *See also supra* at note 231.

³¹⁰ Sections 1063-64 and 1066.

³¹¹ Section 1051(c) or (d).

a certificate of registration issues. It is “prima facie evidence of the validity of the registration... and registrant’s exclusive right to use [it].”³¹² Registrations, subject to filing a certificate of continuing use in the fifth year,³¹³ last 10 years.³¹⁴

5. Marks as property

Trademarks have no value except as part of a business and as they serve some function with regard to indicating source or sponsorship.³¹⁵ Subject to those limitations, trademarks and registrations can be assigned and trademarks can be licensed. A business may be sold without conveying goodwill or assigning marks, but marks cannot be assigned (or probably retained) without the business.³¹⁶ Trademarks can be licensed with fewer restrictions, and an enormous franchising industry has grown up around this proposition. Thus, one sees children’s clothes and toys bearing the marks of television programs and motion pictures — or hats, T-shirts and a host of other things bearing the marks of soft drink companies and professional sports teams.³¹⁷ In such circumstances, the owner must police the products or services for which the mark is licensed or risk loss of the mark.³¹⁸

While IP licenses may often be no more than a promise not to sue, they cannot be so

³¹² Section 1058(b); see also § 1065(3).

³¹³ Section 1058, especially (b). *See also*, § 1065, proviso 3.

³¹⁴ Section 1059.

³¹⁵ Re trademarks as property, *compare Hanover Star*, 240 U.S. 403, *with DuPont v. Masland*, 244 U.S. 100, 102 (1917) (Justice Holmes) (“The word ‘property’ as applied to trademarks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith.”).

See also, *Manhattan Industries v. Sweater Bee by Banff, Ltd.*, 627 F.2d 628 (2d Cir. 1980) (In a contest between two new users over a mark previously used by another, the court refused exclusivity to either new user; had it felt comfortable doing so, perhaps it would have refused both the right to use!).

³¹⁶ Such an assignment is invalid; *see, e.g., Pepsico, Inc. v. Grapette Co.*, 416 F.2d 285 (1969).

³¹⁷ *See, e.g., Wyatt Earp Enterprises, Inc. v. Sackman, Inc.*, 157 F.Supp. 621 (S.D. N.Y. 1958).

³¹⁸ An unpoliced license is called a “license in gross;” *see, e.g., Alligator Co. v. Robert Bruce, Inc.*, 176 F.Supp. 377 (E.D. Pa. 1959). A licensor may also have to defend product liability suits; *but see, e.g., Torres v. Goodyear Tire & Rubber Co., Inc.* 857 F.2d 1293 (9th Cir. 1988) (finding no licensor liability).

regarded in the trademark area. Failing to police licensees' use of marks is likely to work a fraud on the public and could be the basis for denying relief. However, trademark law is much stricter: Failure to police the use of one's marks may forfeit rights in them even without consumer harm.³¹⁹ The result may be less harsh if independent parties cross-license to settle an infringement dispute, but, even there, disputants should consider the broad implications of their agreement. For example, both marks will be weaker, and it will be easier for third parties to adopt more similar marks for more similar goods than would otherwise be possible.³²⁰

6. Enforcement and defenses

Federal registration is unnecessary to bring trademark actions in federal courts.³²¹ Infringement occurs when a mark is applied to goods when another has a pre-existing right to use the same or a similar mark³²² and when the concurrent use is likely to cause confusion³²³ as to source or sponsorship.³²⁴

Remedies available for trademark infringement include (1) injunctive relief, (2) damages, (3) profits, (4) costs and attorneys' fees, and (5) seizure and destruction of infringing articles.³²⁵

As before, defenses include invalidity, noninfringement and general defenses such as unclean hands.³²⁶ A defendant can assert general invalidity, i.e., that the mark has been

³¹⁹ See, e.g., *Alligator*, 176 F.Supp. 377.

³²⁰ See, e.g., *California Fruit Growers Exchange*, 166 F.2d 971.

³²¹ Sections 1121 and 1125(a).

³²² <Holder>

³²³ <Holder>

³²⁴ Section 1114. Although the case was decided in a different context, i.e., an opposition, *duPont*, 476 F.2d 1357 lists twelve factors (plus a catchall) for determining likelihood of confusion.

³²⁵ Sections 1116-18. See also, § 1111 (forfeiture of certain remedies for failure to provide proper notice, e.g., R-in-a-circle).

³²⁶ Section 1115(b)(7); also § 1116: "injunctions according to the principles of equity;" see, e.g., *Cameo v. Plough, Inc.*, 185 U.S. P.Q. 228 (N.D. Ohio 1975). Moreover, at one time a wide range of improper conduct (unrelated to the mark per se) could seriously affect an ability to register, see, e.g., *Thomas G. Field, The Fourth Dimension in Labeling...*, 25 Food D. Cos. L. J. 347 and 372. (1970); but see, *Satinine Societa*, 209 U.S. P.Q.

abandoned³²⁷ or has become the common name for goods or services in question.³²⁸ Also, a defendant can assert invalidity in a particular market, e.g., by virtue of prior use.³²⁹

Noninfringement can be established, e.g., by rebutting the plaintiff's showing of likelihood of confusion. Probably the best way to show, e.g., whether the use of similar marks on camera equipment from different sources or the same mark on both cameras and radios is likely to confuse is to survey purchasers of such equipment.³³⁰

Finally, defendants in trademark infringement often have enormous opportunities to avoid or narrow injunctive relief in light of their right to accurately describe themselves, their geographic location or their products.³³¹

7. *Avoiding trademark infringement*

The first step in avoiding trademark infringement is to stay clear of the marks of well known parties and potential competitors. Evidence of an attempt to trade on another's goodwill will generate a presumption that the junior user has in fact accomplished what it set out to do.³³²

Next, it is necessary to search for unknown parties who may be using a proposed mark. At a minimum, one must avoid adopting the mark of a federal registrant. Even though the registrant may not be in the local market, its right to enter seems clear. Also, it is good to search beyond federal and state registers. Failure to do so can result in being excluded from any geographical or product market where others have common law rights. Fortunately, firms provide

958 (TTAB 1980).

See also, e.g., Fuller v. Fuller Brush Co., 595 F.Supp. 1088 (E.D. Wis. 1984) (entertaining case that presents the unusual defense of malicious prosecution).

³²⁷ Section 1127 states, as part of a so-called definition, that "Nonuse for two consecutive years shall be prima facie evidence of abandonment."

³²⁸ *See, e.g.,* § 1064(c). *See also,* Trademark Clarification Act of 1984, P.L. 98-620, 98 Stat. 3335 (1984), amending § 1064(c). *But see,* Park 'N Fly v. Dollar Park and Fly, 469 U.S. 189 (1985).

³²⁹ Section 1115(b)(6).

³³⁰ *See also, supra* at note 257-58.

³³¹ *See supra* at notes 271-74.

³³² *See, e.g., My-T-Fine*, 69 F.2d 76.

search services at a price apt to be less than the cost of a later name change. While searches may not spot all uses of a mark in very limited geographical areas, they can furnish reasonable assurance of being able to use a mark throughout the country.

Still, even with the best of intentions, it may be difficult to avoid problems with similar marks: Attorneys have characterized the problem of trying to predict likelihood of confusion, hence trademark infringement, as a “black art.”³³³ Sensitivity to general principles of consumer behavior — especially those appearing repeatedly in cases — is useful but may prove inadequate to deal with specific situations,³³⁴ and a survey of potentially affected consumers may be necessary.³³⁵

Once a mark is cleared, federal registration should be seriously considered before using it, and bona fide intent applications allow one to learn whether others will object before significant promotional investments have been made. If use has begun, federal registration should be considered even more closely. Even state registration, although extremely limited,³³⁶ makes it easier for other firms to learn of one’s prior use and is reputed to make it easier to get relief in state courts. In short, the best defense is a good offense.

333 Yet it seems no more so than attempting to predict whether certain conduct will be regarded as negligent.

334 See, e.g., *duPont*, 476 F.2d 1357.

335 See, e.g., *supra* at notes 257-58 & 331.

336 See *supra* at note 296.

V. Summary

This article identifies serious pitfalls for those uninformed about IP³³⁷ and provided strategies for avoiding infringement,³³⁸ but readers should come away with more. For example, this discussion should help readers begin to compare and contrast alternatives for recouping investments in developing and marketing goods and services — in a way that is impossible in detailed treatments of individual IP topics.³³⁹ Ultimately clients decide how much protection they need and can afford, but first they must be apprised of their options and be made aware of certain risks.³⁴⁰ This discussion should facilitate such an appraisal in the bulk of cases³⁴¹ — particularly because its scope in relation to its size has dictated careful attention to the most important and durable aspects of the law.³⁴²

³³⁷ E.g., going to the expense of patenting technology without considering its market value, marketing potentially patentable inventions without considering whether their market value exceeds the cost of patents, accepting claims of narrower scope than possible without considering the practical and legal consequences, or failing to carefully consider the costs and benefits of copyright and trademark registration.

³³⁸ E.g., never using a mark without searching for prior users or registrants, adopting technology that may be patented without determining whether this is so, or using another’s copyrightable work without permission or carefully considering potential liability for attorneys’ fees, costs and statutory damages.

³³⁹ See, e.g., Field (1985), *supra* note 3, at 85-89 (considering options for protecting a “sound sculpture”).

³⁴⁰ E.g., that neither patent nor trademarks searches will eliminate all possibility of infringement, and certainly not avoid possible allegations of infringement.

Beyond this, thoughtful readers may consider, e.g., the extent to which obtaining a design patent on a container might later interfere with trade dress protection. Although the topic is not addressed explicitly, one must ponder whether, if an ornamental improvements in a package warrants patent protection, excluding others from copying those improvements tends more to prevent competition than to secure competition on the merits. See *Sears*, 376 U.S. 225 and *Compco*, 376 U.S. 234 (1964); compare, e.g., *Morton-Norwich*, 671 F.2d 1332.

³⁴¹ See *supra* note 338. As another interesting example, consider the options for the maker of a new perfume; see *How to Buy a Fragrance*, Consumer Reports, Dec. 1993, at 765-71.

³⁴² For a longer treatments of similar scope, see Robert C. Dorr & Christopher H. Munch, *Protecting Trade Secrets, Patents, Copyrights and Trademarks* (2000) or J. Thomas McCarthy et al., *Desk Encyclopedia of Intellectual Property* (2004) (contains definitions of intellectual property terms of art, including the most arcane terms I could think of).

The article also attempts to provide a general feel for the diverse expanse of IP law. For example, some ask whether IP is really “property” or “torts.” After taking a broad look at the area, the question seems silly. Sometimes, one must clearly attend to things that come to mind when focusing on “property,” i.e., clearing and registering title, inverse condemnation³⁴³ or estates.³⁴⁴ One must also usually consider the scope of overlapping and often competing commercial interests.³⁴⁵ Because no interest, whether or not denominated as property, is absolute, the meaningful question is not whether one has a “property” interest but whether the law affords a particular interest the necessary degree of recognition and protection, if any, in particular circumstances. Beyond this, protected interests are protected by tort and transferred by contract — regardless of whether or not, for example, title can or must be registered. With regard to torts, one must have a sense of the range of possible causes of action as well as associated defenses, remedies, and certainly costs. Also, one must be alert to a variety of contract problems such as the tendency of courts to read restrictive covenants narrowly.

Finally, readers should find many opportunities for applying law developed in one IP area to others. For example, students are often surprised to find that the U.S. Supreme Court turned to the patent statute to determine whether Sony’s sale of videorecorders constituted copyright infringement.³⁴⁶ This illustrates as well as any case that very distinct parts of IP often have important common foundations. Once this is fully appreciated, the door opens to a host of opportunities. Yet, conversely, when might fair use provisions in the copyright statute be helpful

³⁴³ See 28 U.S.C. § 1498.

³⁴⁴ The interests of those who create in comparison with those who later improve patentable or copyrightable subject matter closely resemble those of landlord and tenant, respectively. For example, assuming that both patents are in force, the improvement patentee’s rights are subservient to those of the first patentee, but the latter cannot practice technology covered by the improvement patent.

³⁴⁵ See, e.g., John E. Cribbet, *Principles of the Law of Property* 4 (1962). There Dean Cribbet observed in part, “[P]roperty can exist in relation to an infinite number of things.... It is just as true but less obvious, that... patents, trademarks, copyrights, and even goodwill can be brought within the ken of property.” But, again, consider Justice Holmes’ comment quoted *supra* at note 316.

³⁴⁶ See *supra* at note 162.

in answering a charge of patent infringement?³⁴⁷ Or, how might the copyrightability of obscene books³⁴⁸ be used to argue for patentability of an “illegal” invention — and what distinction between patents and copyrights might influence the results in a particular case? The more one considers IP law broadly, the more apparent such opportunities become.

Nevertheless, caution is warranted, and one must be alert to important distinctions between the several species of IP. For example, as pointed out by Judge Rich in *Morehouse*,³⁴⁹ all rights of patentees depend on PTO action whereas that generally affects trademark owners far less. Analogizing from work-product rights (Part III) to competition-on-the-merits rights (Part IV) is particularly dangerous.

³⁴⁷ Consider the situation faced by MX, a manufacturer who makes Y as a by-product of producing X, when PY has a patent on Y. If MX removes as much Y as possible from its X and destroys it, is PY’s patent infringed merely because MX makes some Y? Is the patent infringed if MX sells Y as, at most, a contaminant of its product?

If MX does infringe by making or selling Y, what are PY’s likely remedies? Unlike the situation with the copyright statute, the patent statute provides, e.g., no minimum statutory damages — and injunctions are granted “according to the principles of equity”. If no meaningful remedy is available for what might be a technical infringement is “patent fair use” needed?

³⁴⁸ See, e.g., *Belcher*, 486 F.2d 1087 and *Mitchell Bros. Film Group*, 604 F.2d 852.

³⁴⁹ See *supra* note 301. See also, e.g., *In re McGinley*, 660 F.2d 481 (Fed. Cir. 1981).