FRANKLIN PIERCE LAW CENTER
INTELLECTUAL PROPERTY SUMMER INSTITUTE

INTELLECTUAL PROPERTY UNDER THE UCC AND THE BANKRUPTCY CODE

FINAL EXAMINATION

Professor Ward
Two Hours

July 12, 2000
11:30 am - 1:30 pm

INSTRUCTIONS:

1. This examination contains two equally weighted questions.

2. You are permitted to use your copy of SELECTED COMMERCIAL STATUTES and your copy of UNFAIR COMPETITION, TRADEMARK, COPYRIGHT AND PATENT - SELECTED STATUTES. No other materials may be taken into the examination room. The fact situations in the questions arise in Mainshire, a mythical jurisdiction that has adopted the 1995 Official Version of the Uniform Commercial Code. Do not assume the existence of other special state legislation unless the question directs or invites you to do so.

3. Use a pen and write on only one side of the page.

4. Although no page limitation has been imposed, a concise, tightly reasoned answer will receive more credit than one which rambles. Read the questions carefully. Answer only the question or questions asked.

5. Do not write your name on any part of the examination, but be sure to put your examination number on each blue book you turn in. Please write legibly. GOOD LUCK!

Question # 1
[Recommended time: 1 hour]

Patentee is the owner of PATENT NO. 43550. On April 1, X loaned money to Patentee and required that Patentee execute both a security agreement and a patent mortgage on PATENT NO. 43550. Under the terms of the patent mortgage, Patentee assigned title to NO. 43550 to X with the condition that title would revert back to Patentee when the loan debt was paid. As part of the same transaction, X granted an exclusive license in NO. 43550 back to Patentee. On April 15, X duly filed a U.C.C. financing statement covering NO. 43550 with the Mainshire Secretary of State. On August 1, X duly recorded the patent mortgage with the United States Patent and Trademark Office [PTO].

On June 1, Y loaned money to Patentee. Y also caused Patentee to execute both a security agreement and patent mortgage covering NO. 43550. The language of Y's agreements with Patentee is identical to the language in the documents used by X. Y duly filed a proper financing statement on June 2, and duly recorded with the PTO on August 2.

1. As between X and Y, who has Priority in PATENT NO. 43550 if section 261 of the Patent Act is controlling? Explain briefly.

2. Would your answer under section 261 be different if Y had searched the Mainshire state U.C.C. files on May 30 and found X's April 15 financing statement? Explain briefly.

3. As between X and Y, who has priority in PATENT NO. 43550 if Mainshire's U.C.C. Article Nine is controlling? See current §§ 9-312(5)(a) and 9-301(1)(d) Explain briefly.

4. If the patentee above wanted to acquire the patent of another inventor (I) could she borrow the money from either X or Y and give the lender back a purchase-money security interest in the acquired patent? Explain. If the answer is yes, would the purchase-money lender (X or Y) have special priority status in the newly acquired patent under current U.C.C. § 9-312(4)? Explain briefly.

Question # 2
[Recommended time: 1 hour]

First Bank is considering a secured loan to Pipeline, Inc., a company that makes surfboards, skateboards and snowboards. The Bank knows how to perfect its security interest in Pipeline's tangible assets (inventory and equipment) but it is unsure about what steps it should take to perfect its security interest in the following intellectual property owned by Pipeline:

1. "Boardtrack" a piece of software developed and owned by Pipeline that allows the company to design simulated models of their various boards and run simulated friction and resistance tests on board designs. The original version of "Boardtrack" was registered with the Copyright Office. However, the two most recent updates ("Boardtrack 1.1 and 1.2") are protected by Pipeline as trade secrets.

2. PATENT NO. 127653 covering a temperature and time-sensitive heat mold used to make some of Pipeline's more expensive boards.

3. An "intent to use" trademark registration application covering the name "Runline." "Runline" is the name that Pipeline wants to give its newest line of snowboards.

Subpart # 1: Taking each item of intellectual property collateral in turn, briefly explain what steps you would recommend to the Bank to insure the perfection and priority of its proposed security interest.

Subpart # 2: The Bank wants to know if there are any risks associated with the following two-part plan: First, they want to make the secured loan this week, get Pipeline to sign a standard Article 9 security agreement covering all of its collateral, and file a standard financing statement covering that collateral (including the IP collateral) in the Mainshire U.C.C. file. Second, the Bank would then require Pipeline to execute further documents that may be needed after Pipeline has the loan proceeds and the Bank has a few weeks to "look into this confusing federal recording stuff." What risks might be associated with the Bank's plan of action?