INTELLECTUAL PROPERTY MANAGEMENT
SPRING `96

Professor Jorda

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Instructions

This is a two-hour, open-book exam (three hours for certain foreign students). You may consult the course materials as well as any other materials. Yet, your examination must be your own work. Do not discuss it with other students.

Write your answer in the blue books supplied, but please use only one side of the page and observe the margins. Please write or print as legibly as possible.

Grading will be anonymous; please do not put your name on anything you turn in. BE SURE YOUR EXAM NUMBER IS ON EACH BLUE BOOK YOU TURN IN.

Proble

Servo-Drive Corporation (SDC) retains you, a private IP practitioner, to conduct a so-called intellectual property JP) audit to assess the policies, practices and procedures of the company with respect to protection of its IP and resolution of problems that have arisen.

SDC, like SONY Corporation before it, started "with one good idea and one patent" several years ago and has grown rapidly but helter-skelter. The founder, Mel Thomas, President and CEO of SDC, had invented a pioneering high-performance D.C. servo-motor, capable of starting and stopping thirty times per second and useful for computer disc drives, printers and industrial robots. Mel started the business in his barn in 1987, but it has now close to 500 employees at its plant and offices in Grover's Corners, New Hampshire.

A basic patent on Met's invention was obtained but its broad claims are under a cloud due to subsequently-turned up foreign prior art. Some foreign patents were also obtained. R&D continued and some improvement inventions were made by Mel and/or others on some of which patent applications were filed. Some of these applications issued as granted patents; several are still pending. A number of inventive concepts or ideas relative to additional servomotor improvements or related motors for product line expansion are on the "drawing board". Drawings and prototypes *were* prepared for some of these inventive concepts.

In 1990, several R&D people, including VP for Research, Don-Ununus, left SDC and formed a directly competing company called XYTEK, Inc. in Rochester; others left SDC sporadically over the years and joined existing disk drive, printer, and robotics manufacturers. XYTEK's ads soon began referring to its products as XYTEK "servo-drives." SDC had been so preoccupied with manufacturing and selling its "Servo-Drives" or "Stop/Go Motors", as they were called, that little attention had been paid to protection of its technology and know-how, apart from occasional contacts with an outside patent attorney who filed and prosecuted patent applications for SDC but otherwise was nott very, aggressive.

[OVER]

Recently, sufficient evidence has come to light that one of the competitors was infringing an SDC U.S. patent. On the other hand, a letter from another competitor had been received that brought one of its patents to SDC's attention with respect to a subassembly of a successful "servo-motor." Furthermore, a U.S. patent had issued to yet another competitor on an automated, computer program-monitored servo-motor manufacturing process which had been put into operation in SDC's plant more than a year before the competitor's patent application filing date but with respect to which the decision had been made by SDC to practice it as a secret proprietary process rather than patent it. SDC was unsure as to what ought to be done about these situations.

After Mel's nephew, Tad, was admitted to practice in New Hampshire in late 1988, lie spent the first few months doing some "legal work" for Mel. Tad had taken a course in trademark law in law school. He obtained a single trademark registration for SDC for the mark "Servo-Drive®" in 1989 for "motors" in Trademark Class 7. The trademark examiner refused to allow the application until exclusive rights in the terms "servo" and "drive" were disclaimed. Tad agreed to add the disclaimers. No trademark search was conducted, but the trademark examiner's notice of publication stated that "no registered marks likely to be confused with the proposed mark" were found. After Tad left to become a sole practitioner in Colebrook, SDC faithfully used the "®" with the mark in its ads and on it's packaging but did little else about trademarks.

SDC also had a very creative software engineer, Diane Isis, who had been brought on board in 1989 to design special software for use with disk drives. It was she who referred Mel to her brother, Apollo, a marketing consultant, in 1990. Apollo prepared comprehensive product brochures with artistic illustrations and other promotional material for SDC which were widely distributed in the industry. When Diane left and joined XYTEK in 1993, XYTEK immediately began producing software "virtually identical" to the software SDC had been making previously. XYTEK's promotional literature also began to use virtually the same drawings and much of the same language as that previously used by SDC - always with the name "XYTEK" used prominently. SDC's and XYTEK's motors have become so popular that everybody simply refers to them as "servo-drives." SDC had never bothered about registering copyrights in its software or advertising copy.

Having conducted the IP audit, please write a report to SDC's CEO, Mel Thomas, detailing deficiencies found in practices and procedures in place at SDC and recommending remedial measures in order to maximize IP protection. In this exercise you can use imagination and assume the worst, i.e. there was very little IP awareness and very little was done in terms of protecting and policing SDC's IP rights or heeding the IP rights of others. [80 points]

- END OF EXAMINATION -

KFJ/Ruh/4.26.96