EXAM NO. _____

PATENT, TRADE SECRET & TRADEMARK LICENSING
SUMMER 2003
INTELLECTUAL PROPERTY SUMMER INSTITUTE

PROFESSOR KARL F. JORDA

FINAL EXAMINATION

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

Write your answers in the blue books supplied, but please use only one side of the page and observe the margins. Please write legibly.

Grading will be anonymous; please **do not** put your **name** on anything you turn in. **USE YOUR EXAMINATION NUMBER**.

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PROBLEM I

A. Facts

The following story appeared recently in the news:

> A $132 Million Boat Ride
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> What began as a weekend of sun and fun in the Florida Keys ended in a $132 million jury verdict this March in a suit over a handwritten contract.
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> The plaintiffs in *Fluorine On Call Ltd. v. Fluorogas Limited* believed that the six-page document, signed in a Duck Key, Florida, hotel room, granted them the exclusive rights to a technology to build and sell semiconductor chip equipment. The pact was signed after company executives spent the day negotiating aboard a yacht.
>
> At trial in the Western District of Texas, Fluorine On Call argued that it had never obtained the "IP, patents, and know-how" promised by the agreement. The company sued Fluorogas for breach of contract and fraud.

The jury award came after an eight day trial and includes $120 million for lost income and $12 million in punitive damages. Judge James Nowlin also added more than $24 million in attorneys' fees and prejudgment interest.

The handwritten document was not meant to be an official contract, says Fluorogas's counsel Christopher Benson, a partner at Fulbright & Jaworski in Austin. When asked why neither side ever prepared a more formal agreement, Benson admits, "I'd like to know that myself."

B. Questions
What had gone wrong here? What should have been done? **[25 points]**

PROBLEM II

A. Facts
ABC Corp. has never conducted an intellectual property audit. ABC's president is not inclined to invest in such an audit, despite the fact that the company has, since its inception in 1973, received more than 100 utility and design patents on engine components, braking and suspension systems and parts, as well as various handles, switches and hardware. In addition, the company's manufacturing processes are controlled by various proprietary software programs. A long culture of secrecy has resulted in a large, but unknown number of trade secrets, including the recipes for special paints and finishes and plastic and chrome plating processes, among other things. ABC puts very few of its training methods in writing, and manufacturing skills are informally passed from senior workers to apprentices.

B. Question
Marshal your arguments to ABC's president. What are the advantages of conducting an audit and the dangers inherent in not conducting one in this setting. **[25 points]**

PROBLEM III

A. Facts
An actual draft of a "License Agreement," which dealt with one pending patent application and was prepared by a general attorney for Licensor, contained the following convoluted clause:

1. License. Subject to the due performance of all the terms, covenants and conditions of this Agreement on the part of the Licensee agreed to be performed hereunder, the Licensor has given and granted, and by these presents does give and grant unto the Licensee, upon the terms and conditions and with the limitations herein set forth, an exclusive, perpetual right to manufacture, bring to market, distribute, and sell, throughout the X Territory (as hereinafter defined), the Licensed Products (as hereinafter defined) (hereinafter the "License"), unless this Agreement is terminated as herein provided.

B. Question
What does this clause purport to be and how should it read? **[25 points]**

PROBLEM IV

A. Facts
Pinnacle Corporation entered into an oral agreement pursuant to which Triumph Corporation was permitted to use Pinnacle's trademark on goods manufactured and sold by Triumph. At least 90% of the components for Triumph's goods were manufactured by Pinnacle. Pinnacle told Triumph that if Triumph chose to use it own parts, Pinnacle wanted to know about it. Pinnacle tested parts of Triumph's goods. Further, Pinnacle had been associated with Triumph for over ten years and respected its ability and expertise. Pinnacle never received any complaints about Triumph's goods. Subsequently, the parties had an irreconcilable disagreement about royalties and ended up in court with Pinnacle suing Triumph for breach of contract. In defending itself, Triumph contended that the agreement between them was a naked license and hence unenforceable.

B. Question
How should the court rule in this situation and why? **[25 points]**

END OF EXAMINATION

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