LICENSING PATENTS, TRADE SECRETS AND TRADEMARKS
FINAL EXAMINATION

Professor Jorda December, 2002

Instructions:
This is a two-hour (more for certain foreign students) open-book exam. You may consult the course materials as well as any other materials.

Write your answers 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.

PROBLEM I

A. Facts

A case before the Second Circuit involved the owner, Vintners Inc., of a 1985 U.S. trademark registration for the mark El Greco for wines. In 1990 Vintners licensed an unrelated winemaker to use the mark, but the license agreement lacked any quality control provisions.

In 1995 a Spanish company, Cantina El Greco S.A., started to import wine into the U.S. under an El Greco mark. In 1996, in the course of prosecuting its trademark registration for El Greco in the U.S., Cantina learned of the existing trademark registration of Vintners. In 1997, Cantina commenced a proceeding in the U.S. Patent & Trademark Office seeking cancellation of the Vintners registration based on abandonment. Vintners responded by filing a suit in a N.Y. District Court for trademark infringement.

In support of its position, Vintners argued that it relied upon the reputation of and tastings by a world-famous winemaker employed by the licensee.

Unfortunately for Vintners by the time the case was heard, the world-famous winemaker was dead, and it could not produce any evidence regarding the times at which the alleged tastings were done, how often and under what circumstances. The U.S. District Court held that the mark had been abandoned.

On appeal, Vintners argued that the wine produced by its licensee was objectively good and, as such, the public was unlikely to be deceived by the licensee's use of the mark.

B. Question

What should the ruling an appeal be and why? In your answer also discuss the rationale behind the quality control requirement in trademark licensing. [**15 points**]

PROBLEM II

A. **Facts**

You are acting as a licensing counsel for A company, the owner of four U.S. patents covering process techniques for making electrical cable (U.S. Patent Nos. 3,957,681; 3,957,682; 3,957,683; and 3,957,684), and two patents, U.S. Patent Nos. 4,875,600 and 3,976,4528, each covering a different new electrical cable of novel constructions and properties. The four process patents are useful in making the two patented cables. But the four process patents are also useful in making several types of unpatented electrical cable that are being sold in high volume.

Representatives of A Company and B Company have negotiated a tentative agreement calling for A Company to grant B Company a nonexclusive license under the four process patents (a) to make, use and sell products covered by U.S. Patent No. 3,976,428, and (b) to make any unpatented electrical cable. No know-how or trade secrets are to be licensed in connection with the patent license agreement.

A Company wants to maintain its exclusive rights to make, use and sell product covered by U.S. Patent No. 4,875,600. In this connection, A Company has uniformly refused to grant a license under the four process patents that is any broader in scope than permitting use of the process patents to produce unpatented electrical cable and electrical cable covered in A Company's U.S. patent No. 3,976,428.

B. **Questions**

1. Draft a grant clause and any related definition clauses needed to express the tentative agreement of A Company and B Company. **[15 points]**
2. Is this proposed license agreement legal? **[5 points]**

PROBLEM III

A. **Facts**

John Doe invented a certain fabric and a method for producing it while he was an employee of Pinnacle Inc. In connection with the filing of a patent application on his invention, Doe (1) assigned all right, title and interest in his patent rights to Pinnacle for one dollar ($1.00) and other valuable consideration, and (2) signed a Declaration and Power of Attorney stating his belief in the patentability of his invention.

Subsequently, Doe left the employ of Pinnacle and founded Triumph Corp. and competed with Pinnacle. Pinnacle brought suit against Triumph and Doe for patent infringement. In their response to Pinnacle's complaint, Triumph and Doe raised several defenses alleging that the patent in suit was invalid. Pinnacle moved that these defenses be stricken.

B. **Question**

How should the court rule on this motion and why? [**10 points**]

PROBLEM IV

A. **Facts**

Drivers for CrownCar, a New York city radio-dispatched, black-car limousine service, especially used by New York City's law firms, are licensed to conduct business under the car service's service mark CrownCar and pay a fee for the opportunity of participating in the radio dispatch service. Also the company regulates most aspects of its drivers' activities, including the type of car to be driven, dress code and how customers should be treated.

B. **Question**

Is this licensing arrangement a trademark license or a franchise? In your answer also discuss when a trademark license becomes a franchise and what sets franchising apart from trademark licensing? [**15 points**]

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