PATENT, TRADE SECRET & TRADEMARK LICENSING
SUMMER 2000
INTELLECTUAL PROPERTY SUMMER INSTITUTE

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FINAL EXAMINATION

This is a two-hour (three hours for foreign 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

In 1980 David Hatfield developed several agricultural products, including a fiberglass heating pad for newborn hogs. Osgood Products, Inc. (OPI) was later created to manufacture Hatfield's products, and Hatfield became an employee.

In April 1982, Hatfield learned that OPI planned to develop a trademark, and he insisted that OPI use the name "Hatfield" in the mark. OPI agreed, and in 1983 the parties entered into a license providing in part that OPI could use the name Hatfield for 15 years as a "distinctive mark on all or part of the products" manufactured by OPI, whether or not they were invented by Hatfield. The agreement did not give Hatfield an express contractual right to inspect or supervise OPI's operations in any way.

Hatfield later resigned from OPI, and had no further involvement or relationship with the company. Meanwhile, in March 1985, OPI applied to register the marks "Hatfield" and a circle design incorporating the name Hatfield. The marks were registered in January 1986.

In 1999, Hatfield sued OPI in the district court, based on his understanding that the parties' 1983 license agreement had expired and that OPI's use of the Hatfield marks constituted trademark infringement. Hatfield argued that the parties' 1983 agreement was a limited license permitting OPI to use the "Hatfield" marks for only 15 years. OPI countered that the agreement was a "naked" license, and therefore, Hatfield had abandoned any rights in the trademarks.

B. Question

How should the district court rule and why? **[15 points]**

PROBLEM II

A. Facts

Medical Instrument Corporation (MIC) makes and sells a patented medical device to hospitals. The device is marked with the inscription "Single Use Only". The insert with the device states "For Single Patient Use Only" and instructs that the entire contaminated apparatus be disposed of in accordance with procedures for the disposal of biohazardous waste. However, the hospitals do not limit themselves to a single use. Instead they ship the used assemblies to Oracle Inc. (Oracle), which in turn has them sterilized by a third party and returned to Oracle for repackaging and return to the hospitals, still bearing MIC's trademark and the "Single Use Only" inscription. When MIC brought suit against Oracle for patent infringement, Oracle defended on the ground that the "Single Use Only" restriction was unlawful and made the patent unenforceable.

B. Question

In whose favor should the court rule and why? **[15 points]**

PROBLEM III

A. Facts

Jane Doe as an employee of Contronic Inc. 1) invented and patented a reflow solder method and apparatus, 2) assigned her patent rights to Contronic, 3) then left and founded and became president and CEO of Ceptronic Corporation, 4) practiced said patented invention and 5) when sued for patent infringement by Contronic, defended on the ground that the patent in suit was invalid and not infringed.

B. Question

Who prevails and why? **[15 points]**

PROBLEM IV

Miscellaneous Questions

1. What is the interaction, if any, between running royalty and minimum royalty requirements in a royalty-bearing patent license agreement **[5 points]**

2. What are "grantbacks" and "grantforwards" in a patent license agreement, what is the rationale behind them and what is their status from an antitrust/patent misuse standpoint? **[5 points]**

3. What is the "Blackbox Dilemma" and how can it be neutralized? **[5 points]**

4. Can either a patent owner or a trademark owner, who files for bankruptcy after entering a license agreement, reject the license and thus unilaterally deny licensee the right to use the licensed patent or trademark? If so, why? If not, why not? **[5 points]**

END OF EXAMINATION

KFJ/Ruh/7.7.00