

PATENT LAW

FINAL EXAMINATION - Fall 1999

Professor Robert Kreiss

Saturday, December 11, 1999
9:00 - 11:00 a.m.

This examination consists of three questions. You have two hours in which to write your answer.

Exam-taking hint: Before you begin writing your answer to a question, I strongly suggest that you spend some time (i) reading the question, (ii) analyzing the issues you are asked to address, and (iii) organizing your answer. Good organization and good analysis almost always go hand-in-hand.

You may use as many examination booklets as you need. Please write on one side only of each sheet in your examination booklet.

Please write as legibly as possible.

This examination is open book. You may use the casebook for the course, a statutory supplement, and notes you have prepared or which were prepared by your study group. You may not use any other materials.

If you have any procedural questions, I will be in my office, which is Room 420.

GOOD LUCK

Exam begins on next page

QUESTION ONE
(suggested time:30 minutes)

Harry Potter, the President of Broomsticks, Ltd. ("BL"), comes to your office asking your advice about the following matter:

BL makes and sells broomsticks. Mr. Potter tells you he has quite a number of competitors who have been in business for hundreds of years. Like his competitors, BL has numerous closely-guarded secrets about which kinds of woods work best for which kinds of broomsticks, the times of day and phases of the moon when the trees should be cut, and how to craft the broomsticks so that the owner will feel that it flies through the job it is set at doing. These secrets have been passed down through the firm for dozens, if not hundreds of years. Because of their secrets, BL can truthfully claim that their broomsticks are well-suited for the tasks they have to perform.

Mr. Potter tells you that in the past twenty years he has only had two employees and two apprentices in the business and they all understand how important it is to keep the secrets from being divulged to outsiders. All of these people have taken oaths to prevent outsiders from learning the secrets. To the best of his knowledge, these people have all abided by their oaths, until now.

Recently, Mr. Potter had to fire Mickey Mouse, one of his apprentices, because of conduct unbecoming to a member of the firm. Mickey promptly created a website and posted a number of valuable firm secrets on the website. Mr. Potter learned of this the next day and was able, through the intervention of a mutual friend, to get Mickey to remove the information from the website.

Although the Mickey Mouse website only had the information posted for one day, Lucius Malfoy ("LM"), an internet junkie who spends hours and hours each day surfing the internet, found and downloaded the information. He has posted an offer on e-auction.com, an internet auction site, offering to auction the information to the highest bidder.

Mr. Potter wants to know whether he can prevent LM from auctioning or disclosing BL's secret information.

Please write a memorandum analyzing BL's rights and remedies against LM. You already know that courts in your state use the common-law analysis of trade secret law found in the Restatement of Unfair Competition.

QUESTION TWO
(suggested time: one hour)

Part A

In February 1999, researchers at Continental Chemicals Co. (CCC) discovered that eighty percent of Americans had increased appetite levels when they were exposed to the scent of samvalena. More particularly, those people who are affected by the scent of samvalena develop a craving for fried foods and ice cream. They are unaware that the scent has this effect on them. Samvalena is a chemical found on the leaves of the samval plant, a plant recently discovered in remote jungles in the tropics. Natives in the tropics are aware that brushing the samval plant releases the chemical into the air (they can smell the scent), but those natives are unaffected by the scent because they don't prepare fried foods, nor do they have ice cream.

The researchers at CCC are the first scientific researchers to do research on the samval plant. They discovered that the crushed samval leaves contain about 1 percent samvalena and they learned how to process those crushed leaves to produce refined samvalena, which was ninety five percent pure samvalena.

CCC granted a license under the patent to Ohio Fried Chicken, Inc. (OFC), a large chain of franchised fried chicken restaurants. OFC puts a very small amount of its refined samvalena onto its menus. When a customer touches the menu, the scent is released onto the customer's fingers and into the air. This stimulates the appetite of the customer, leading the customer to purchase more fried chicken, french fries, and ice cream products. Experts at OFC believe that the use of samvalena on its menus has directly resulted in a fifteen percent increase in sales and a twenty-five percent increase in profits for OFC.

In March 1999, CCC filed a patent application which had three claims. Claim one was for the chemical samvalena. Claim two was for "substantially pure samvalena," which the application defines as being at least ninety percent pure samvalena. Claim three was for a method of stimulating appetites by exposing individual people to the scent of samvalena.

Healthwatch, Inc., a public interest group dedicated to better health, has just learned about OFC's use of samvalena and the effects that samvalena has on people. They have started a massive publicity campaign against the company and are picketing OFC stores. They say that the American diet has too much fat, which leads to clogged arteries and heart disease. They argue that the use of samvalena will lead to hundreds of thousands of more deaths due to heart disease and that the use of samvalena should be banned. They are particularly outraged that samvalena is being used secretly and deceptively without the public even being aware of its effect on people's appetites. Officials at OFC and CCC admit that the use of samvalena is likely to lead to people eating more fat, which would lead to more deaths, but they argue that customers should be allowed free choice as to the foods they choose to eat.

After filing the patent application, the patent attorney, a sole practitioner, suddenly retired. CCC retained new patent attorneys who reviewed the file. The new attorneys also conducted a new search for prior art. They used Yahoo, a widely-used internet search engine, which indexes millions of website pages. One of the pages indexed by Yahoo and found by the new patent attorneys contained the following statement:

My daughter has been working in the tropics in a study of medicinal properties of plants. She has written me a letter telling me about an unusual plant where she is. She says that, after she brushes against the plant, she is homesick and craves ice cream and french fries for the rest of the day!

This website is operated by a family in Dayton, Ohio, and the attorneys learned that the statement was posted to the website in February 1998. The attorneys contacted the family and obtained a copy of the letter from the daughter. The letter, dated January 25, 1998, from Brazil, describes the plant and its effect on the daughter's appetite. In the letter, the daughter, a biologist, said that the plant is not one she was previously familiar with and that no one on her team in Brazil knows what the plant is. The letter contains a sketch of the plant. CCC researchers admit that, from the sketch and the drawing of the plant in the patent application, anyone can see that the daughter is describing the samval plant.

Please prepare a memorandum discussing the following

1. Discuss whether any of these three claims should be denied on the grounds of claiming material which is not patentable subject matter under §101 of the Patent Act.
2. Discuss whether any of the claims should be denied on the grounds of lack of utility
3. Discuss whether the website and the letter, taken together or separately, provide a statutory bar to granting a patent to any of the claims.

Part B

Assume that the new patent attorneys, after reviewing the patent application, but before the patent examiner had taken any action on the original application, filed amendments to the application. In their amendments, the attorneys cancelled all three of the original claims and added a new claim, discussed below.

In the original patent application, CCC had disclosed that samvalena can be extracted from the samval plant by immersing samval leaves in chemical X for two hours, adding chemical Y which binds chemical X, and draining off the samvalena which has floated to the top of the solution.

The attorneys talked with CCC researchers and learned that samvalena is one of a group of fragrant organic chemicals known as barbies, all of which have similar chemical structures. They also learned that Chemical X is one of a group of organic chemicals known as kennies. It was well

known to organic chemists that all kennies react with all previously known barbies to extract the barbie chemicals from plant material. Chemists also knew that all kennies react with chemical Y, allowing the purified barbie chemical to be drained off. Tests with samvalena showed that it reacts the same way to all of the kennie chemicals as do the other barbie chemicals.

Based on this new information, the patent attorneys amended the patent application by adding a patent claim for a method of extracting samvalena from samval by the following steps: (1) immerse samval leaves in any kennie chemical for two hours, (2) add chemical Y, and (3) drain the purified samvalena off the top of the liquid.

The patent examiner rejected this claim as not being within the scope of the disclosures made in the original patent application. The examiner stated that the original application only disclosed use of chemical X and nothing in the application showed that any other kennie chemical would work. Even though other kennies might work perfectly well, the examiner stated that the new claim had to be limited to the method disclosed in the original patent application.

To overcome this rejection, the patent attorneys amended their claim to be a claim for a method of extracting samvalena from samval by the following steps: (1) immerse samval leaves in chemical X for two hours, (2) add chemical Y, and (3) drain the purified samvalena off the top of the liquid.

The patent attorneys added to the patent file an affidavit from CCC researchers saying that any kennie chemical could be used in place of chemical X to extract samvalena from samval leaves because they all kennies (including chemical X) react with samvalena in the same way and achieve the same result. The attorneys added to the patent file a statement that the process as first claimed would work, but that the amendment was being made "solely because of the examiner's technical, non-substantive objection."

As amended, the claim was allowed and the patent issued with this one claim.

Your client, The Grease Shack ("GS"), a national chain of restaurants, has come to you for advice. They have obtained the patent file (which contains all of the information given above) for CCC's samvalena patent. They would like to use samvalena on their menus in order to increase their sales of fried fish, french fries, and ice cream. They propose to extract samvalena from samval leaves by immersing samval leaves in chemical Z rather than in chemical X, but otherwise using the same method as that claimed in the CCC patent. Chemical Z is one of the kennie chemicals.

Please advise GS as to whether their method of extracting samvalena would violate CCC's patent rights, either literally or under the doctrine of equivalents.

QUESTION THREE

(suggested time: 30 minutes)

K-Mart is the owner of a patent on a new kind of rake for raking leaves - called the "RD Rake." K-Mart has contracted with Tools, Inc. ("TI") to make the RD Rakes for K-Mart. TI has the manufacturing facilities to make as many RD Rakes as K-Mart can sell. The rakes proved so popular that K-Mart quickly discontinued selling any rake other than the RD Rake. K-Mart has sold more than 2,000,000 of the RD Rakes. They sell for \$10.

Because the rakes work so well, WallyWorld Gardens ("WWG") a nationwide chain of gardening stores, copied the RD Rake and began selling an identical rake for \$9.50.

K-Mart has sued WWG for patent infringement. WWG has conceded infringement. At trial, the following facts were established. WWG has sold 1,500,000 of the infringing RD Rakes. If WWG had not been selling the infringing RD Rakes, K-Mart would have sold an additional 1,000,000 RD Rakes, and WWG (which sells a variety of non-infringing rakes at prices of \$8.00, \$10.50, and \$12.00) would have sold 500,000 of these other rakes.

Before WWG began making copies of the RD Rake, the President of WWG wrote an e-mail to one of the vice-presidents of WWG which stated:

K-Mart's new RD Rake is killing us. We've got to have a rake just like that one. I know you've told me that they have a patent, but I can't believe anyone could invent a new kind of rake. That patent can't possible be valid. I don't care what it takes. Get us that rake.

After paying its costs, K-Mart makes a profit of \$2 per rake. K-Mart compiled computer data on the purchases made by all customers who purchase the RD Rake during the past twelve months. That data showed that the customers who purchased the RD Rakes also purchased, on average, three additional items during the same visit to the store. K-Mart's average profit on those additional items purchased was \$3 (\$1 per item). K-Mart has a company policy of not granting licenses to other companies on patents that K-Mart owns.

Write a memorandum discussing the monetary relief that K-Mart is entitled to. Assume, if necessary, that the Supreme Court would review any adverse lower court decision.