**Alternate Case Problems**

*Chapter 4*

**Intellectual Property Rights**

**4-1. Trademark Infringement.** Nike, Inc., manufactures and markets footwear, ap­parel, and related accessories. To identify its products, Nike uses the word “Nike” and/or a “swoosh” design as its trademarks. From 1977 through 1991, Nike spent more than $300 million advertising the trademarks. Since 1971, sales revenues for items bearing the trademarks have exceeded $10 billion. Nike began using the phrase “Just Do It” in 1989 as a slogan for its sweatshirts, T-shirts, caps, and other accessories. Sales revenues for “Just Do It” items have exceeded $15 million. “Nike,” the swoosh design, and “Just Do It” have gained widespread public acceptance and recognition. Michael Stanard is an award-winning commercial artist whose works include, among others, the trademark “Louisville Slugger” printed on baseball bats. As a summer project, he and his daughter decided to market his first name, Mike, as a takeoff on the Nike logo. They named their project “Just Did It” Enterprises and concentrated on marketing T-shirts and sweatshirts to members of the general public with the given (first) name of Michael. They also mailed brochures to college athletes and celebrities named Michael. Sales were entirely by mail order. Approximately two-thirds of those purchasing the shirts were named Mike. Stanard believed that the other third probably bought a T-shirt for a friend, relative, or loved one named Mike. Ultimately, the project lost money. Nike sued Stanard for trade­mark infringement. Stanard argued that the word play was humorous and constituted a fair use of the trademarks as a parody. Should the court rule that Nike’s trademark had been infringed? Explain. [*Nike, Inc. v. “Just Did It” Enterprises,* 6 F.3d 1225 (7th Cir. 1993)]

**4-2. Trade Secrets.** William Redmond, as the general manager for PepsiCo, Inc., in California, had access to the company’s inside information and trade secrets. In 1994, Redmond resigned to become chief operating officer for the Gatorade and Snapple Co., which makes and markets Gatorade and Snapple and is a subsidiary of the Quaker Oats Co. PepsiCo brought an action in a federal district court against Redmond and Quaker Oats, seeking to prevent Redmond from disclosing PepsiCo’s secrets. The court ordered Redmond not to assume new duties that were likely to trigger disclosure of those secrets. The central issue on appeal was whether a plaintiff can obtain relief for trade secret mis­appropriation on showing that a former employee’s new employment will inevitably lead him or her to rely on the plaintiff’s trade secrets. How should the court rule on this issue? Discuss fully. [*PepsiCo v. Redmond,* 54 F.3d 1262 (7th Cir. 1995)]

**4-3. Copyright Infringement.** James Smith, the owner of Michigan Document Services, Inc. (MDS), a commercial copyshop, concluded that it was unnecessary to obtain the copyright owners’ permission to reproduce copyrighted materials in coursepacks. Smith publicized his conclusion, claiming that professors would not have to worry about any delay in production at his shop. MDS then compiled, bound, and sold coursepacks to students at the University of Michigan without obtaining the permission of copyright owners. Princeton University Press and two other publishers filed a suit in a federal district court against MDS, alleging copyright infringement. MDS claimed that its coursepacks were covered under the fair use doctrine. Were they? Explain. [*Princeton University Press v. Michigan Document Services, Inc.,* 99 F.3d 1381 (6th Cir. 1996)]

**4-4. Trademark Infringement.** Elvis Presley Enterprises, Inc. (EPE), owned all of the trademarks of the Elvis Presley estate. None of these marks was registered for use in the restaurant business. Barry Capece registered “The Velvet Elvis” as a service mark for a restaurant and tavern with the U.S. Patent and Trademark Office. Capece opened a nightclub called “The Velvet Elvis” with a menu, decor, advertising, and promotional events that evoked Elvis Presley and his music. EPE filed a suit in a federal district court against Capece and others, claiming, among other things, that “The Velvet Elvis” service mark infringed on EPE’s trademarks. During the trial, witnesses testified that they thought the bar was associated with Elvis Presley. Should Capece be ordered to stop using “The Velvet Elvis” mark? Why or why not? [*Elvis Presley Enterprises, Inc. v. Capece,* 141 F.3d 188 (5th Cir. 1998)]

**4-5. Trademark Infringement.** A&H Sportswear Co., a swimsuit maker, obtained a trademark for its MIRACLESUIT in 1992. The MIRACLESUIT design makes the wearer appear slimmer. The MIRACLESUIT, which was widely advertised and discussed in the media, was also sold for a brief time in the Victoria’s Secret (VS) catalogue, which is published by Victoria’s Secret Catalogue, Inc. In 1993, Victoria’s Secret Stores, Inc., began selling a cleavage‑enhancing bra, which was named THE MIRACLE BRA and for which a trademark was obtained. The next year, THE MIRACLE BRA swimwear debuted in the VS catalogue and stores. A&H filed a suit in a federal district court against VS Stores and VS Catalogue, alleging in part that the miracle bra mark, when applied to swimwear, infringed on the miraclesuit mark. A&H argued that there was a “possibility of confusion” between the marks. The VS entities contended that the appropriate standard was “likelihood of confusion” and that, in this case, there was no likelihood of confusion. In whose favor will the court rule, and why? [*A&H Sportswear, Inc. v. Victoria’s Secret Stores, Inc.,* 166 F.3d 197 (3d Cir. 1999)]

**4-6. Trade Secrets.** Briefing.com offers Internet-based analyses of investment opportunities to investors. Richard Green is the company’s president. One of Briefing.com’s competitors is StreetAccount, LLC (limited liability company), whose owners include Gregory Jones and Cynthia Dietzmann. Jones worked for Briefing.com for six years until he quit in March 2003, and he was a member of its board of directors until April 2003. Dietzmann worked for Briefing.com for seven years until she quit in March 2003. As Briefing.com employees, Jones and Dietzmann had access to confidential business data. For instance, Dietzmann developed a list of contacts through which Briefing.com obtained market information to display online. When Dietzmann quit, however, she did not return all of the contact information to the company. Briefing.com and Green filed a suit in a federal district court against Jones, Dietzmann, and StreetAccount, alleging that they appropriated these data and other “trade secrets” to form a competing business. What are trade secrets? Why are they protected? Under what circumstances is a party liable at common law for their appropriation? How should these principles apply in this case? [*Briefing.com v. Jones,* 2006 WY 16, 126 P.3d 928 (2006)]

**4-7. Theft of Trade Secrets.** Hanjuan Jin, a citizen of the People’s Republic of China, began working at Motorola in 1998. He worked as a software engineer in a division that created proprietary standards for cellular communications. In 2004 and 2005, in contradiction to Motorola’s policies, Jin also began working as a consultant for Lemko Corp. Lemko introduced Jin to Sun Kaisens, a Chinese software company. During 2005, Jin returned to Beijing on several occasions and began working with Sun Kaisens and with the Chinese military. The following year, she started corresponding with Sun Kaisens’s management about a possible full-time job in China. During this period, she took several medical leaves of absence from Motorola. In February 2007, after one of these medical leaves, she returned to Motorola. During the next several days at Motorola, she accessed and downloaded thousands of documents on her personal laptop as well as on pen drives. On the following day, she attempted to board a flight to China but was randomly searched by U.S. Customs and Border Protection officials at Chicago’s O’Hare International Airport. Ultimately, U.S. officials discovered the thousands of downloaded Motorola documents. Are there any circumstances under which Jin could avoid being prosecuted for theft of trade secrets? If so, what are these circumstances? Discuss fully. [*United States v. Hanjuan Jin,* 833 F.Supp.2d 977 (N.D.Ill. 2012)]

**4-8. A Question of Ethics**

Peter Bonyhard, a physicist, had developed disk-drive heads for International Business Machines Corp. (IBM) for five years when Seagate Technology, Inc. hired him away from IBM. Bonyhard’s assignment was to develop at Seagate the same new type of disk-drive head, called a magnetoresistive (MR) head, that he had been working on for IBM. IBM sued Seagate and Bonyhard, alleging that Seagate had hired Bonyhard for the pur­pose of stealing IBM’s secret formula for the MR heads. IBM, without any evidence that Bonyhard had actually disclosed any trade secrets, sought to have the court enjoin Bonyhard from working for Seagate on the ground that it would be simply impossible for Bonyhard to work for Seagate without disclosing IBM information. A district court granted the injunction, but on appeal, the injunction was vacated. The appellate court held that the terms of the injunction were too vague and not based on any specific evi­dence that what IBM claimed were confidential information and trade secrets were so in fact. [*Seagate Technology, Inc. v. International Business Machines Corp.,* 962 F.2d 12 (6th Cir. 1992)]

**1.** Do you agree with IBM that it would be simply impossible for Bonyhard to work for Seagate without disclosing IBM trade secrets? If so, do you agree with the dis­trict court that Bonyhard should be enjoined from continuing to work for Seagate? Why or why not?

**2.** The issue raised in this case is a significant one for high-tech industries that capitalize on state-of-the-art technology in producing and distributing new elec­tronic products. Talented employees who are well versed in certain technology, as Bonyhard was in this case, are frequently sought after by competing firms. What two broad public policies, or ethical precepts, are at issue in this kind of situation?

**3.** Many firms require employees to sign “covenants not to compete” as a way to protect their interests and trade secrets. Covenants not to compete are agreements in which the employees promise to not work for any competitor of the firm in a given geographic area for a given period of time. But courts scrutinize such agreements closely and are often reluctant to enforce them. Can you think of alternative ways in which employers might protect themselves against the divulgence of their trade secrets by former employees?

**4.** Assuming that an employee is violating no law when he or she responds to an enticing offer from another firm, is it ethical for that employee to use his or her skills and talents to the detriment of a former employer?