Instructor Manual

Miller, Business Law Today – Comprehensive Edition: Text and Cases 13e 2022, 9780357634783; Chapter 7: Intellectual Property Rights

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# Purpose and Perspective of the Chapter

 The purpose of this chapter is for students to learn the laws and rights associated with intellectual property. More than two hundred year ago, writers of the U.S. Constitution recognized the importance of protecting creative works in Article 1, Section 8. In this chapter, students will learn how statutory protection of intellectual property rights began and continues to evolve to meet the needs of today’s modern society.

# Cengage Supplements

The following product-level supplements provide additional information that may help you in preparing your course. They are available in the Instructor Resource Center.

* Transition Guide (provides information about what’s new from edition to edition)
* Test Bank (contains assessment questions and problems)
* Solution and Answer Guide (offers textbook solutions and feedback)
* PowerPoint (provides text-based lectures and presentations)
* Guide to Teaching Online (provides technological and pedagogical considerations and resources for teaching online)
* MindTap Educator Guide (describes assets in the MindTap platform with a detailed breakdown of activities by chapter with seat time)

# Chapter Objectives

The following objectives are addressed in this chapter:

1. Identify how trademarks offer protection.
2. Examine how the law protects patents.
3. Identify the laws that protect authors’ rights in the works they create.
4. Explain trade secrets, and the laws that protect this form of intellectual property.
5. Evaluate how the TRIPS agreement protect intellectual property worldwide.

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# Key Terms

**Certification mark**: a mark used by one or more persons, other than the owner, to certify the region, materials, mode of manufacture, quality, or other characteristic of specific goods or services.

**Collective mark**: a mark used by members of a cooperative, association, union, or other organizations to certify the region, materials, mode of manufacture, quality, or other characteristic of specific goods or services.

**Copyright**: the exclusive right of an author or originator of a literary or artistic production to publish, print, sell, or otherwise use that production for a statutory period of time.

**Intellectual property**: property resulting from intellectual and creative processes.

**License**: an agreement by the owner of intellectual property to permit another to use a trademark, copyright, patent, or trade secret for certain limited purposes.

**Patent**: a property right granted by the federal government that gives an inventor an exclusive right to make, use, and sell an invention for a limited time.

**Royalties**: payments made by a licensee to a licensor as part of an agreement for the ongoing use of the licensor’s trademarked assess.

**Service mark**: a trademark that is used to distinguish the services (rather than the products) of one person or company from those of another.

**Trade dress**: the image and overall appearance of a product.

**Trade name**: a name that a business uses to identify itself and its brand; a trade name is directly related to a business’s reputation and goodwill, and is protected under trademark law.

**Trade secret**: a formula, device, idea, process, or other information used in a business that gives the owner a competitive advantage in the marketplace.

**Trademark**: a distinctive word, symbol, sound, or design that identifies the manufacturer as the source of particular goods and distinguishes its products from those made or sold by others.

**Trademark dilution**: the unauthorized use of a distinctive and famous mark in a way that impairs the mark’s distinctiveness or harms its reputation.

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# What's New in This Chapter

The following elements are improvements in this chapter from the previous edition:

* New Business Law Analysis: *The Impact of Patent Time Limits*
* 1 New Margin Definition
	+ Royalties
* 2 New Numbered Case Examples:
	+ on the compilations of facts regarding protected expressions based on a 2019 case
	+ on trade secrets in cyberspace
* 1 New Case Problem on copyrights (2020 case)
* 1 New Case:
	+ *LEGO A/S v. ZURU, Inc.* (2020) – A dispute between two toy makers over copyrighted similarities in their respective products.

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# Chapter Outline

*In the outline below, each element includes references (in parentheses) to related content. “PPT Slide #” refers to the slide number in the PowerPoint deck for this chapter (provided in the PowerPoints section of the Instructor Resource Center). Introduce the chapter and review objectives for Chapter 07. (PPT Slide 3).*

**I.07-1 Trademarks (PPT Slide 5-19)**

* 1. **Statutory Protection of Trademarks**
		1. Statutory protection of trademarks and related property is provided at the federal level by the Lanham Act of 1946.
			1. Trademark Dilution
				1. The Federal Trademark Dilution Act amended the Lanham Act to allow trademark owners to bring suits in federal court for trademark dilution.
			2. The Marks Need Not Be Identical
				1. A famous mark may be diluted not only by the use of an identical mark but also by the use of a *similar* mark, provided that it reduces the value of the famous mark.

**Spotlight Case Example 7.1** Samantha Lundberg

* 1. **Trademark Registration**
		1. Trademarks may be registered with the state or with the federal government.
	2. **Trademark Infringement**
		1. Registration of a trademark with the U.S. Patent and Trademark Office gives notice on a nationwide basis that the trademark belongs exclusively to the registrant. The registrant is also allowed to use the symbol ® to indicate that the mark has been registered. Whenever that trademark is copied to a substantial degree or used in its entirety by another, intentionally or unintentionally, the trademark has been infringed(used without authorization).
	3. **Distinctiveness of the Mark**
		1. A central objective of the Lanham Act is to reduce the likelihood that consumers will be confused by similar marks. For that reason, only those trademarks that are deemed sufficiently distinctive from all competing trademarks will be protected.
			1. Strong Marks
				1. As the most distinctive (strongest) trademarks, fanciful and arbitrary marks receive automatic protection because they serve to identify a particular product’s source, as opposed to describing the product itself.
			2. Secondary Meaning
				1. Descriptive terms, geographic terms, and personal names are not inherently distinctive and do not receive protection under the law until they acquire a secondary meaning.

**Case Example 7.2** FedEx

* + - 1. Generic Terms
				1. Generic terms that refer to an entire class of products, such as *bicycle* and *computer*, receive no protection, even if they acquire secondary meanings.

**Case Example 7.3** David Elliot and Chris Gillespie

* 1. **Service, Certification, and Collective Marks**
		1. A service mark is essentially a trademark that is used to distinguish the services of one person or company from those of another. A certification mark is used by one or more persons, other than the owner, to certify the region, materials, mode of manufacture, quality, or other characteristic of specific goods or services. When used by members of a cooperative, association, labor union, or other organization, a certification mark is referred to as a collective mark.
			1. **Example 7.4** Collective Marks “CPA”
	2. **Trade Dress**
		1. Trade dress is a broad concept that can include all or part of the total image or overall impression created by a product or its packaging.
			1. **Example 7.5** Gucci
	3. ***Knowledge Check Activity (1) PPT Slide: 1 minute(s) total (5 minutes with discussion and review of answer).*** *Tests students’ knowledge of trade dress. After answer is provided, review with students the concept of trade dress and how it is distinguished from trademark.*
	4. **Counterfeit Goods**
		1. Counterfeit goods copy or otherwise imitate trademarked goods but are not genuine.
			1. Stop Counterfeiting in Manufactured Goods Act (SCMGA)
				1. Was enacted to combat counterfeit goods.
			2. Penalties for Counterfeiting
				1. Violating the SCMGA may be fined up to $2 million or imprisoned for up to ten years (or more, if they are repeat offenders).

**Example 7.8** Domain Names

* + - 1. Combating Online Sales of Counterfeit Goods
				1. One effective tool that U.S. officials are using to combat online sales of counterfeit goods is to obtain a court order to close down the domain names of websites that sell such goods.
	1. **Trade Names**
		1. Refers to part or all of a *business’s name*, whether the business is a sole proprietorship, a partnership, or a corporation.
	2. **Licensing**
		1. One way to avoid litigation and still make use of another’s trademark or other form of intellectual property is to obtain a license to do so.

**II.07-2 Patents (PPT Slides 20-24)**

1. **Searchable Patent Databases**
	* 1. The website of the U.S. Patent and Trademark Office provides searchable databases covering U.S. patents granted since 1976. The website of the European Patent Office provides online access to 50 million patent documents in more than seventy nations through a searchable network of databases.
2. **What is Patentable?**
	* 1. To be patentable, an invention must be *novel*, *useful*, and *not obvious* in light of current technology.
			1. **Case Example 7.9** West View Research, LLC
3. **Patent Infringement**
	* 1. If a firm makes, uses, or sells another’s patented design, product, or process without the patent owner’s permission, it commits the tort of patent infringement.
			1. **Spotlight Case Example 7.10** Apple v. Samsung
4. **Remedies for Patent Infringement**
	* 1. If a patent is infringed, the patent holder may sue for relief in federal court.
			1. **Spotlight Case Example 7.11** Cordance Corporation

**III.07-3 Copyrights (PPT Slide 25-29)**

1. **Registration**
	* 1. Copyrights can be registered with the U.S. Copyright Office in Washington, D.C. However, registration is not required.
2. **What is Protected Expression?**
	* 1. Works that are copyrightable include books, records, films, artworks, architectural plans, menus, music videos, product packaging, and computer software.
			1. Section 102 Exclusions
				1. Generally, something that is not an original expression will not qualify for copyright protection.
			2. Compilations of Facts
				1. Under Section 103 of the Copyright Act, a compilation is a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship.

**Case Example 7.13** EC Design’s LifePlanner

1. **Copyright Infringement**
	* 1. Whenever the form or expression of an idea is copied, an infringement of copyright occurs.
			1. Remedies for Copyright Infringement
				1. Those who infringe copyrights may be liable for damages or criminal penalties.

**Spotlight Case Example 7.15** Rusty Carroll

* + - 1. The “Fair Use” Exception
				1. An exception to liability for copyright infringement is made under the “fair use” doctrine. In certain circumstances, a person or organization can reproduce copyrighted material without paying royalties.

**Case Example 7.16** Google, Inc.

* + - 1. What is Fair Use
				1. The effect of the use upon the potential market for (or value of) the copyrighted work.
			2. The First Sale Doctrine
				1. Section 109(a) of the Copyright Act provides that the owner of a particular item that is copyrighted can, without the authority of the copyright owner, sell or otherwise dispose of it.

**Case Example 7.17** Supap Kirtsaeng

1. **Copyright Protection for Software**
	* 1. The Computer Software Copyright Act amended the Copyright Act to include computer programs in the list of creative works protected by federal copyright law.
			1. **Case Example 7.18** Oracle America, Inc.

**IV. 07-4 Trade Secrets (PPT Slide 30-32)**

1. State and Federal Law on Trade Secrets
	* 1. Under Section 757 of the *Restatement of Torts*, those who disclose or use another’s trade secret, without authorization, are liable to that other party if they discovered the secret by improper means, and if their disclosure or use constitutes a breach of a duty owed to the other party.
	1. **Trade Secrets in Cyberspace**
		1. Today’s computer technology undercuts a business firm’s ability to protect its confidential information, including trade secrets.
			1. **Case Example 7.19** Charles Furstenau

**V.** **07-5 International Protections (PPT Slide 33-40)**

1. **The Berne Convention**
	* 1. Under the Berne Convention of 1886, if a U.S. citizen writes a book, every country that has signed the convention must recognize the writer’s copyright in the book.
2. **The TRIPS Agreement**
	* 1. Representatives from more than one hundred nations have signed the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement.
			1. Established Standards and Procedures
				1. The TRIPS agreement established, for the first time, standards for the international protection of intellectual property rights, including patents, trademarks, and copyrights for movies, computer programs, books, and music.
			2. Prohibits Discrimination
				1. The TRIPS agreement forbids member nations from discriminating against foreign owners of intellectual property rights in the administration, regulation, or adjudication of such rights.

**Example 7.20** TRIPS agreement

1. **The Madrid Protocol**
	* 1. The Madrid Protocol is an international treaty that has been signed by about a hundred countries. Under its provisions, a U.S. company wishing to register its trademark abroad can submit a single application and designate other member countries in which it would like to register the mark. The treaty was designed to reduce the costs of obtaining international trademark protection by more than 60 percent.
2. **The Anti-Counterfeiting Trade Agreement (ACTA)**
	* 1. An international treaty to combat global counterfeiting and piracy.
			1. Provisions and Goals
				1. The goals of the treaty are to increase international cooperation, facilitate the best law enforcement practices, and provide a legal framework to combat counterfeiting.
			2. Border Searches
				1. Under ACTA, member nations are required to establish border measures that allow officials, on their own initiative, to search commercial shipments of imports and exports for counterfeit goods.

1. ***Knowledge Check Video Activity (2) PPT Slide: 2 ½ minute(s) total (5 minutes with discussion and review of answer).*** *Tests students’ knowledge of intellectual property infringement and remedies. After answer is provided, review with students the concepts of intellectual property infringement and the duties of the Copyright Office.*

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# Discussion Questions

You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. **Discussion – Trademarks (PPT Slides 5-19). Duration 20 Minutes.**
2. **What is a trademark?**
	1. A trademark is a distinctive mark, motto, device, or emblem that a manu­fac­turer stamps, prints, or otherwise affixes to the goods it produces, so that they can be distinguished from the goods of others. Personal names, words, or places that describe an article or its use cannot be trade­marked. Words that are used as part of a design or device, or words that are used in an uncom­mon or fanci­ful way may be trademarked. Under the Trademark Revision Act of 1988, an applicant can register a mark with the federal Patent and Trademark Office on the basis either of use or of the bona fide intent to use it in com­merce within six months.
3. **What is infringement?**
4. Trademark infringement occurs when a trademark is copied to a substan­tial degree or used in its entirety by another, it has been infringed. Patent infringe­ment is commit­ted when a firm makes, uses, or sells another’s patented design, product, or process without permission. An invention need not be copied entirely, but all steps of a process must be. Copyright infringe­ment is when the form or expression of an idea is copied in substantial part.
5. **Would the use of a purported trademark solely on a website satisfy the “use in commerce” requirement for trademark protection?**
6. The use of a purported mark on a Web site alone would likely qualify as “use in commerce,” assuming of course that the use was sufficiently prominent. Together with other uses of the mark—displays in stores and catalogues, for example—the use of a mark on a Web site that includes pictures and descriptions of certain products would constitute the circum­stances that meet the test.
7. **Why is it important to allow those who have applied for trademark protection to defend preemptively against the use of the mark by another party?**
8. Policy considerations, especially the promotion of certainty in business transactions by fixing an applicant's priority right as of the date of its filing an applica­tion, and the encouragement and reward of early filing so as to put claims to marks on the public record as soon as possible.
9. **What are service, certification, and collective marks?**
10. A service mark distinguishes services rather than goods. A certification mark is used by one or more persons, other than the owner, to certify the region, ma­terials, mode of manufacture, quality, or accuracy of the owner’s goods or services. When used by mem­bers of a cooperative, association, or other organization, the mark is a collective mark. The same poli­cies and restrictions that apply to trademarks apply to service, certification, and collective marks.
11. **Discussion – Patents (PPT Slides 20-24). Duration 5 Minutes.**
12. **Why don’t all software products qualify for patent protection?**
13. A patent is a grant from the federal government securing the exclusive right to make, use, and sell an invention for seventeen years (de­signs are covered for a shorter period). The invention or design must be genuine, novel, useful, and not obvi­ous. Software products often do not meet the “novel” and “not obvious” requirements because much software only automates procedures that can be performed manually. Also, the basis for a computer program is often a mathematical equation or formula, which is not patentable.
14. **Discussion – Copyrights (PPT Slides 25-29). Duration 10 Minutes.**
15. **What is a copyright?**
16. A copyright is an intangible right granted to an author or originator of cer­tain literary or artistic productions. The right is granted automatically; the protection lasts for the life of the au­thor plus fifty years. Copyrights owned by publishers last for seventy-five years from the date of pub­lication or a hundred years from the date of creation, whichever comes first. For works by more than one author, the copy­right lasts fifty years after the death of the last surviving author. If an American writes a book, his or her copy­right is recognized by every country that has signed the Berne Convention.
17. **Discuss the fair use doctrine, and what factors are considered in determining whether a use is fair.**
18. Reproduction of copyrighted works is permitted without payment of royalties under the fair use doc­trine. The factors used in determining whether a use qualifies as fair are (1) the purpose and character of the use, in­cluding whether it is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copy­righted work; (3) the amount and substantiality of the portion used in relation to the work as a whole; and (4) the effect of the use on the potential market for or value of the copyrighted work.
19. **Discussion – Trade Secrets (PPT Slides 30-32). Duration 5 Minutes.**
20. **What's the difference between a patent and a trade secret?**
21. Both patents and trade secrets are forms of intellectual property. A patent is a right, granted by the government, to exclusive use of an invention. As a government granted right, the details of a patent are part of the public record. Trade secrets, on the other hand, consist of valuable unique processes, formulas, or ideas that are protected by virtue of the fact that they are kept confidential.
22. **Discussion – International Protections (PPT Slides 33-40). Duration 5 Minutes.**
23. **What are some of the pros and cons of having an international standard for trademark pro­tection?**
24. An international standard for trademark protection promotes progress and development in the arts and sciences and saves the time and expense of applying for the protection many times in different coun­tries. The cons may include the differing application of that protection in various coun­tries. Also, any flaw that exists in that standard will have universal application.

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# Additional Activities and Assignments

1. **MindTap**: Why Does Intellectual Property Matter to Me?
	1. Online auto-graded activities connect the upcoming chapter to an authentic, real-world scenario designed to pick engagement and emphasize relevance. Consists of 1 multiple choice question in each.
2. **MindTap**: Learn It: Laws Protecting Intellectual Property; Patents, Copyrights, Trademarks, and Trade Secrets; First Sale Doctrine
	1. Online auto-graded activities that review foundational concepts presented in this chapter, and assesses students’ comprehension of the topics. Consists of 2 multiple choice questions in each.
3. **MindTap**: Check Your Understanding: Intellectual Property
	1. Online auto-graded activity that assesses students’ foundational knowledge of the concepts presented in this chapter. Consists of 10 multiple choice questions.
4. **MindTap**: Case Problem Analysis: Trade Secrets
	1. Online auto-graded activity that first walks students through a fact pattern, and then asks them to answer similar questions with slight variations in the fact pattern. Consists of approximately 5 fill-in-the-blank questions.
5. **MindTap**: Brief Hypotheticals: Intellectual Property Rights
	1. Online auto-graded activity that presents 5 fact patterns in which students are asked to apply the concepts of the chapter, and to come up with a legal conclusion. Consists of 5 multiple choice questions.

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# Additional Resources

## Cengage Video Resource

* MindTap Quick Lesson Videos:
	+ Intellectual Property Infringement and Remedies. Duration 2:17 minutes.
	+ The First Sale Doctrine. Duration 2:20 minutes.

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