

Student Exam No. \_\_\_\_\_

**PEPPERDINE UNIVERSITY SCHOOL OF LAW**

**FINAL EXAM: Trademarks, Unfair Competition, and Unfair Trade Practices**

**TOTAL NO. OF QUESTIONS: 4 (not including subparts)**

**FALL 2006**

**TOTAL NO. OF PAGES: 8**

**PROFESSOR: Johnson**

**TIME: Three (3) Hours**

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**INSTRUCTIONS**

Please place all bluebooks, scratch paper and the examination inside the front cover of the first bluebook you use. If you are using a computer, please insert the exam and scratch paper into the envelope provided. These materials must be turned in or you will receive no credit for this exam.

This exam is OPEN-BOOK. You may use any written or printed materials prepared in advance of the exam by you or anyone else, including, but not limited to, books, treatises, commercial outlines, your notes, others' notes, comic books, ticket stubs, cookie recipes, inspirational non-occasion greeting cards, etc.

**PROFESSOR'S ADVICE**

Different sections of the exam are worth different percentages of the overall exam grade. You might wish to divide your time roughly as follows, which would leave five minutes to spare:

Section One	65%	One hour, 45 minutes
Section Two	8%	20 minutes
Section Three	12%	20 minutes
Section Four	15%	30 minutes

In addition, you may also find it profitable to read the Section Four question first—ideas for your response may come to you while working on the rest of the exam.

In case you are wondering, if you divided your 180 minutes among exam sections exactly in proportion to their worth, the times are: Section One (65%), 117 minutes; Section Two (8%), 14.4 minutes; Section Three (12%), 21.6 minutes; Section Four (15%), 27 minutes. But it might not make sense to try to hold yourself to such a precise time allocation. Some portions of the exam will likely require more time in proportion to their worth, and vice versa. I keyed the percentages to the coverage in the course and a sense of relative importance to your overall grade—timing concerns were secondary. Good luck!

## SECTION ONE (approximately 65 percent of exam grade)

You are the in-house attorney for KJHK Electronics, Inc., a firm that designs and manufactures toys and consumer electronics under various brand names. You are asked to provide a legal evaluation of what is being referred to during development as “Project B33.” Make note of the two memos and various figures depicted below in framing your answer.

<b>KJHK Electronics, Inc.</b>
<u>CONFIDENTIAL – INTERNAL REVIEW ONLY</u>
From: Project B33 Development Team
<b>Preliminary Plans for Project B33 (X-Station 3000)</b>
<i>NOTE: Until we get legal clearance and make a final decision on the brand and product names for this project, we are using the in-house project codename, “Project B33”; however, as we are preliminarily planning on calling the product the “X-Station 3000,” we have generally been using that as a working title for development purposes, including in this memo.</i>
After many years of heated battle between Microsoft’s XBOX and Sony’s PlayStation 2, the market-leading home video-game console systems, Microsoft and Sony have now unleashed the follow-on generation of video-game technology. Microsoft debuted the XBOX 360 first, and then, less than a month ago, Sony triggered a Christmas shopping frenzy by releasing PlayStation 3.
Millions of consumers across the United States are now asking one crucial question this holiday buying season: “Should I get XBOX 360 or PlayStation 3?”
KJHK proposes a unique answer for America: <u>Buy both at the same time – in one box!</u> KJHK will provide consumers with the Microsoft XBOX 360 and the Sony PlayStation 3 housed together in a single attractive unit called the “X-Station 3000.”
We believe that currently, consumers prefer not to buy both the XBOX 360 and PlayStation 3 for contemporaneous use in the same place in the home because the resulting tangle of cords and hand-held game controllers forms an unsightly mess. The X-Station 3000 solves these problems.
The X-Station 3000 provides an integrated, unitary housing for both consoles, made with an eye-catching design that combines the sleek black semi-cylindrical clamshell theme of the PlayStation 3 console ( <i>see Fig. 4</i> ) with the eggshell-white concave cubic rectangle design of the XBOX 360 console ( <i>see Fig. 3</i> ). The X-Station 3000 will be emblazoned with a large X-Station 3000 logo (yet to be designed) on the side of the unit. Although the X-Station 3000 will be very expensive, we anticipate that the product’s inherent advantages, along with an all-out marketing blitz to make the item a “luxury must-have” among status-conscious youth, will create strong demand.
Specially designed hand-held game controllers, which are part of the X-Station 3000 package, can control either the XBOX 360 or the PlayStation 3. The special X-Station 3000 controllers will physically resemble a combination of both the XBOX 360 and PlayStation 3 controllers – so as to allow for easy interoperability between the XBOX 360 and PlayStation 3 systems. Users of the X-Station 3000 will be able to flip between XBOX 360 and PlayStation 3 with the press of a single switch mounted on the side of the X-Station 3000 unit – just press the illuminated XBOX 360 logo to play XBOX 360, or press the illuminated PlayStation 3 logo to use PlayStation 3.
We plan to buy hundreds of XBOX 360 and PlayStation 3 systems at wholesale and pre-install them in our units. The whole assembly will be sold as the “X-Station 3000 Console.” For consumers who already own an XBOX 360 and PlayStation 3, we will sell the unit without the XBOX 360 or PlayStation 3 consoles as an “X-Station 3000 Conversion Kit.”

CONFIDENTIAL – INTERNAL REVIEW ONLY

From: Project B33 Development Team

**Trademark and Naming Issues for Project B33 (X-Station 3000)**

Since the X-Station 3000 will represent a new level of innovation and quality at KJHK, aimed at a new segment of sophisticated, wealthy consumers, we plan to market the X-Station 3000 under a new brand for consumer electronics: “Vekzek.”

“Vekzek” is a new word we have coined – it contains what we believe to be the most popular, distinctive and technology-oriented letter sounds (i.e., “v,” “z,” and “k”) that are not already used in “Microsoft,” “Sony,” “XBOX 360,” or “PlayStation 3.” Thus, we are planning for the product as a whole to be marketed as the “Vekzek X-Station 3000.” It is important to our strategy to use the “v,” “z,” and “k” sounds, as we believe any late-coming competitors will be put at a significant disadvantage by having to choose a name that does not include those letters.

While “X-Station 3000” is our preferred product name, it will not be final until the legal department approves. We anticipate, however, that legal can clear “X-Station 3000” for use on the new products because it has been federally registered and in use for 10 years on our soft plastic space-station-themed play set, part of our Bambinito line of toys for children aged zero to 18 months.

Other than “X-Station 3000,” there are a couple of other names we are still considering.

The first alternative name is “Gemini,” which makes sense since the unit combines two game consoles. (Gemini, a constellation of the zodiac, means “the twins.”) Based on the clearance report, there are three possible problems with the name “Gemini”: (1) There is a software programming/consulting firm in Idaho – Gemini Software Solutions – that uses the Gemini mark in conjunction with creating customized enterprise/resource/processing database/software solutions for independent retailers in and around Idaho Falls. We know that Gemini Software Solutions has had plans for the past 15 years to expand into the greater Pocatello metropolitan area. (2) There is a town in central New Mexico, population 411, named “Gemini.” (3) During the 1980s, Coleco sold a “twin” (really a knock-off) of the Atari 2600 video game console under the name “Coleco Gemini.” Coleco hasn’t manufactured or sold the Gemini since the late 1980s.

A final alternative for naming the Project B33 console would be to trademark the name “Console Combination Unit.”

*Figure 1. XBOX 360 logo*



*Figure 2. PlayStation 3 logo*



*Figure 3. XBOX 360 console (pictured with hand-held game controller and remote)*



*Figure 4. PlayStation 3 logo (pictured with hand-held game controller and price placard)*



*Figure 5. View of Project B33 rudimentary test housing, constructed by engineers, showing side-by-side cavities for XBOX 360 and PlayStation 3 consoles. (The finished model will, of course, incorporate design elements discussed separately.)*

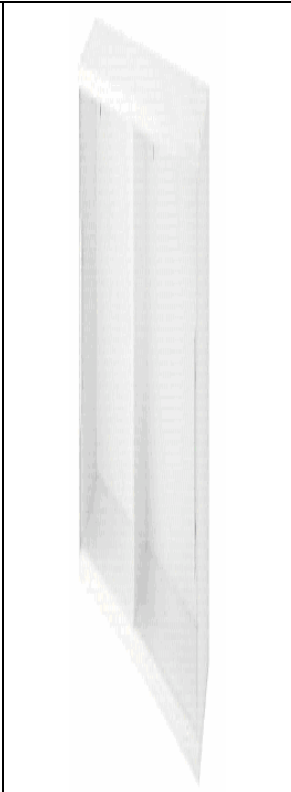


Figure 6. Map of Idaho



**SECTION TWO (approximately 8 percent of exam grade)**

Again, you are in-house counsel at KJHK Electronics, Inc. Provide legal advice with regard to the following:

<b>KJHK Electronics, Inc.</b>
<u>CONFIDENTIAL – INTERNAL REVIEW ONLY</u>
From: Project B33 Marketing Sub-Team
<b>Possible Television Ad for Project B33</b>
Tom Tinson, extremely popular star running back of the Phoenix Javelinas pro-football franchise, was recently quoted in a magazine interview as being a “huge” video game fan who couldn’t choose between XBOX 360 and PlayStation 3. Since those facts are part of the public domain, we propose to run with the following “extreme-peer-pressure” commercial concept, which would perfectly target our upper-middle-class pre-teen demographic:
OPEN on a rotating shot of the Project B33 console, and inset a picture of Tom Tinson.
ANNOUNCER VOICE OVER: Tom Tinson is a huge video game player, and he’s filthy rich. We heard he can’t decide between the XBOX 360 and the PlayStation 3! What’s wrong with this guy? He can have both! If you are Tom’s mom, may we suggest this holiday season you go out and buy Tom the X-Station 3000? The X-Station 3000 is the only way you can get both gaming experiences in one place at the same time! XBOX 360 or PlayStation 3 by itself is completely lame. Major dweeb territory! I’m sure Tom Tinson doesn’t want to be lame. The fact is, all the cool kids will have the X-Station 3000. So if you can only afford PlayStation 3 this Christmas, then be sure you call the government for your welfare check and free jumbo-size can of surplus cheese. And maybe your mom can use the money she saves to pay someone to be your friend!
ELECTRONIC VOICE TAG: X-Station 3000 – Not for loser poor people!

### SECTION THREE (approximately 12 percent of exam grade)

Provide very brief, but complete answers to the following. If you can answer a question completely in a sentence or two, that's fine. Label your responses clearly.

#### Question 3 A:

Ashley wants to use "The Water Store" as a trademark for a prospective retail business selling bottled water in the mall. She is trying to obtain bank financing right now to make the project a reality in the next three months. Can Ashley reserve "The Water Store" with a federal intent-to-use application? Why or why not?

#### Question 3 B:

Today, December 12, 2006, Bailey thought up the perfect trademark for her new insecticide, which is designed to work against fire ants: "Extinguisher Pro." On December 14, 2006, Bailey will have "Extinguisher Pro" labels placed on 10,000 bottles in her facility in Los Angeles, California. On December 16, 2006, Bailey will have 5,000 of those bottles moved to her warehouse in Tucson, Arizona. On December 27, 2006, 3,000 bottles will be shipped to Bailey's retail stores in and around Dallas, Texas. On January 2, 2007, the first bottles of Extinguisher Pro will go on sale in Los Angeles. On January 4, 2007, bottles of Extinguisher Pro will go on sale in and around Dallas. If all goes according to plan, and assuming Bailey does not file an intent-to-use application, which date is the earliest she may have for purposes of claiming priority for federal registration on the primary register? Why?

#### Question 3 C:

Linton Livestock, LLC holds an incontestable registration for the word mark "Break-away Bracket" for a type of bracket used in livestock fencing that is highly secure under ordinary circumstances, but which will cleanly disengage when a certain amount of pressure is applied. (E.g., the bracket will not open when pushed by an animal, but will when pushed by a truck). Independent hardware retailer Colt Colburn would like to use the term "break-away bracket" to describe the functionally identical competing product he manufactures and sells. After all, "break-away bracket" is the term that his customers always use to describe the item when they come into Colt's store. Is there any way that Colt can gain the right to lawfully use "break-away brackets" to describe his wares? If so, what would Colt have to prove?

#### Question 3 D:

Partytime Provisions has held, since 2004, a federal registration on the primary register for the mark "Island Ice" for use in connection with selling bags of ice. On May 1, 2006, Davidson's Discount Depot, a much larger retailer in the same territory as Partytime Provisions, began selling bags of ice labeled "Island Ice." On May 10, 2006, Partytime Provisions delivered a letter to Davidson's Discount Depot demanding that Davidson's stop using Partytime's trademark. Davidson's has continued using the "Island Ice" trademark through today. Describe the damages Partytime should be entitled to obtain in a successful action under the Lanham Act for trademark infringement.

#### **SECTION FOUR (approximately 15 percent of exam grade)**

Professor John Ericsson of Nevizona University Law School is coming to Pepperdine to give a lecture titled, "Strictly Construing Trademark Law According to Source Theory." An e-mail message from Prof. Ericsson describes the thesis of his presentation as follows:

The purpose of trademark law is to prevent competitors from confusing customers by copying words, slogans, or aspects of trade dress that identify the source of the product to prospective customers. By giving trademark users certain exclusive rights in their respective marks, the law affords consumers a low-cost means of identifying the source of goods, and indirectly encourages trademark owners' investments in creating goodwill, thereby benefiting consumers. This is the only theoretical justification for trademark that ought to guide trademark policy and lawmaking. Thus, trademark owners should have trademark rights only insofar as is necessary to prevent consumer confusion as to the source of the goods and to facilitate reputation-related differentiation between the trademark owner's goods and goods that derive from a different source. Trademark law should go no further.

You have been appointed to a panel of students who will debate Prof. Ericsson by opposing his viewpoint. Write a memo to your fellow panel members with the goal of creating a persuasive case against Prof. Ericsson's thesis. Identify three legal doctrines of trademark law that are incompatible with Prof. Ericsson's "source theory," then explain why these doctrines are necessary and desirable within the scheme of trademark law.