

## **PROMOTING AND PROTECTING YOUR FIRM'S BRAND, PRODUCTS, AND SERVICES: WHAT COMPANIES SHOULD KNOW ABOUT INTELLECTUAL PROPERTY LAW AND THE BOTTOM LINE**

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For ESCOs and others in the energy services industry, the problem of “intellectual property” should be a key concern and failure to adequately protect such assets may directly affect the bottom line. Whether it’s a patent, trademark, copyright, or trade secret, such assets can be critical to a company’s growth and success, and deserve to be nurtured and protected.

In fact, much of the value of the service an ESCO provides to its customers may be bound up in intellectual property (IP) assets, such as computer software or customized energy audit procedures. IP assets can also help distinguish an ESCO from its competitors, generate revenue, and provide a competitive advantage. Clearly, these assets warrant your company’s full attention and protection.

This article briefly describes legal mechanisms that are available to protect an ESCO’s IP rights and assets. These rights and assets are not only deserving of protection, they can and should be seen as productive resources to be exploited.

### **Examples of an ESCO’s IP Assets**

Intellectual property assets are many and varied, and for an ESCO can include the following:

- Computer software programs developed by or for a particular ESCO (*e.g.*, software that operates automated measurement and verification equipment or that performs pricing and savings analyses);
- Written questionnaires or procedures for conducting an energy efficiency audit;
- Articles, promotional materials, and Internet web pages describing a company’s qualifications, capabilities, and technologies;
- Client training materials;
- The names, designs, or slogans of the company and its products and services;
- Lists of customers and potential customers;
- Written documentation or strategies for designing or performing an energy savings project;
- Internal company financial data;
- Service contract pricing assumptions and methodologies; and
- Ideas for innovations and improvements in energy efficiency-related technologies.

An ESCO may rely upon a variety of legal mechanisms to protect and exploit its IP assets. Each of these mechanisms is briefly described below.

## Copyright Protection

A copyright is a form of legal protection available for “original works of authorship,” including literary, musical and dramatic works, computer software, pictorial, graphic and sculptural works, sound recordings, and architectural works. Copyright protection is available for both published and unpublished works, for “creative” works, such as novels or graphic materials, and for original factual works such as a map or drawing of a property or geographical area, and other compilations of information.

A copyright is valuable because it extends exclusive rights to the copyright owner to engage in any of the following activities:

- to reproduce the copyrighted work;
- to distribute copies of the copyrighted work to the public;
- to prepare derivative works based upon the copyrighted work (*e.g.*, to create a marketing video based on a written brochure); and
- to perform or display the copyrighted work publicly.

The general term in the case of a copyrighted work created by a company is the longer of 75 years from the date of publication or 100 years from the date of creation.

A copyright is generally owned by the author of the work. In cases in which an employee creates a copyrighted work within the scope of his or her employment, the company will own the copyright under the “work for hire” doctrine. However, if material is created by an independent contractor, such contractor – rather than the company commissioning the work – is assumed to own the copyright. It is therefore critical to obtain a written copyright assignment from all independent contractors as a matter of course.

It is important to note that copyright does not protect *ideas*, only the *expression* of ideas. Copyright protection also does not extend to blank forms, works consisting of information that is not original, such as standard calendars, schedules, lists or tables taken from public domain sources, or typically names, titles, short phrases, or expressions. Designs and graphics may be subject to copyright protection. If such design is used to promote an ESCO product or service, however, it may also qualify for trademark protection.

Copyright protection is secured automatically upon the creation of an original work, whether published or unpublished, and the fixation of that work in a tangible means of expression. For example, the following ESCO works would automatically be protected by copyright from the date of their creation, assuming sufficient originality: handwritten notes on an envelope (the notes have been “fixed” on paper), computer object code (the code has been “fixed” in a machine-readable form), or a company videotape (the material has been “fixed” in a celluloid format).

## **Trade Secret Protection**

A trade secret is any formula, program, compilation of information, method, or device used in one's business that gives its owners an advantage over competitors lacking such information. Perhaps the world's best-kept trade secret is the formula for Coca-Cola®. Examples of trade secrets that may apply to ESCOs include customer lists, strategic business plans, computer software, or internal cost, revenue, and profit data.

To qualify as a legally protected trade secret, the information must be kept confidential and not disclosed to third parties. Trade secrets should not be disclosed to any individuals or entities outside the company without an express, signed non-disclosure agreement, and should not be published or otherwise made publicly available. In general, once the information has been divulged outside the company, whether intentionally *or inadvertently*, trade secret protection is forever lost.

Unlike the case with copyright, a trade secret can include almost any information, including ideas. Moreover, there is no originality or novelty requirement, as is the case with both copyrights and patents.

Note that trade secret is a major means of protecting software. The source code of computer programs is frequently protected as a trade secret, often in conjunction with a patent or copyright for such code, if legally available. Software license agreements typically have many restrictions designed to protect trade secrets through preservation of confidentiality.

## **Patent Protection**

A patent is a legal monopoly over the use and exploitation of an invention. A patent protects the right of an inventor to be the exclusive manufacturer, user and/or seller of a specific process, machine, manufactured item, composition of matter, or any new and useful improvement of any of the foregoing. A patent may also be obtained for a new, original, and ornamental design. Patents have a term of 20 years from the patent application filing date, although the term of a *design* patent is 14 years measured from the patent issuance date.

Patent infringement occurs when another claimed invention copies or replicates the expression and ideas covered by the patent, *even if the infringing item was created completely independently and with no knowledge of the patented invention.*

Excluded from patent protection are, among other things, laws of nature, natural phenomena, abstract ideas, and mathematical formulae. Notably, however, a software program's use of a mathematical formula or equation will not in and of itself render the software unpatentable.

Computer software is typically claimed to be or perform a patentable *process*. As such, the applicant must demonstrate the novelty, originality, and utility of the process. For instance, software that merely performs complex mathematical equations, converting one set of numbers into another set of numbers, is generally not patentable without some claimed practical application.

Examples of software patents include specialized application programs (*e.g.*, Word, WordPerfect), portions of operating systems, user interfaces (*e.g.*, data entry screen, graphics), software for computerized business methods, or computer-controlled machines. An ESCO might also hold a patent for a cooling process, the design of a company-specific energy efficiency measurement and verification device, or an improved version of an energy efficient light bulb. Although the patent application is kept confidential during the U.S. Patent & Trademark Office's (PTO) patentability review process, the invention must be fully disclosed to the public if and when the patent issues.

### **Trademark Protection**

A trademark is a word, name, slogan, symbol or design that distinguishes one's products or services from those offered by others. (Technically, a trademark applies solely to products, while a service mark applies solely to services; for purposes of this article, "trademark" will refer to both product and service marks.) Where an ESCO seeks to establish brand identity, customer loyalty and/or market penetration, a federally-registered trademark is an invaluable IP asset that can serve all three goals.

For computer software, trademark protection may be available for the name under which the software is sold, along with any logo or slogan accompanying the software. If the company employs a stylized or unique printing of the name, logo, or slogan (*e.g.*, use of particular fonts or colors), trademark protection may be available for that unique printing as well.

A federally-registered trademark would protect an ESCO's name from being misappropriated by others and would grant the company exclusive nationwide rights to use its trademarks in connection with its goods and services, even if the company is not currently selling goods or services on a nationwide basis. ESCOs can also seek federal trademark registrations not only for brands that are already in use, but for trademarks that they *intend* to use in the future. Filing an "intent to use" application allows a company to reserve a mark for nationwide rights for up to three years from the filing date of the application.

Of particular note is the United States' recent entry into the "Madrid Protocol," officially known as the "Protocol to the Madrid Agreement Concerning the International Registration of Marks." Effective November 2, 2003, a company seeking protection for its trademarks will be able to file a single application in the U.S. and, if approved, simultaneously register the marks in numerous countries. This development is generally seen as a boon to companies that do business in more than one country, as it greatly reduces the time and expense of obtaining trademark protection on an international basis, an increasingly important step to take in the global economy.

## **Protecting Computer Software Using Your Full IP Arsenal**

As you can tell from the descriptions above, there are many strategies available to an ESCO to protect its very valuable intellectual property assets. By way of example, imagine that your company has developed a new software program or application that significantly improves the accuracy of an initial energy efficiency assessment for customers. How would one best protect that software?

One of the first items that should be evaluated is the software's patentability. Even if the software is not patentable, there still may be strong IP protection available. By maintaining the software as a trade secret, the company could license the use of the software to third parties and reap significant royalties, without regard to the originality or novelty of the software. A well-structured licensing program would also enable you to limit others use of your software (*e.g.*, limit types of uses, modifications, numbers of copies one could make of the software, numbers of CPUs on which the software resides), and to protect its confidentiality through the use of a non-disclosure agreement. Moreover, such software may nonetheless be eligible for copyright protection.

**It is important to register your copyrighted work with the U.S. Copyright Office. Registration is not only *prima facie* evidence of the validity of the copyright, but it is also a prerequisite to filing a copy infringement lawsuit. Done correctly, a combination of trade secret and copyright protection can be a powerful weapon to protect your valuable software assets.**

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