



Caplan



Ulio

Intellectual Property: A Primer on What It Is and How to Protect It

Most company directors and officers are aware that their company has intellectual property (IP). Many, though, do not have a good understanding of what IP really is or how to properly protect it. This article provides basic knowledge and reviews what IP is, which aspects and how different types of IP can be protected, and the benefits of proper protection. As with many aspects of business, the details—a company's IP, business methods and models, and legal details inherent in the different types of IP—occur where many of the decision-making processes are considered.

IDEAS

The law does not provide for the direct protection of ideas; however, ideas that become more than mere thoughts are protectable under certain circumstances. Ideas that result in inventions or protocols for achieving a specific result are protectable by patent law. Content-based ideas such as the text of this article, books, computer programs, artistic visual works, sheet music, sound recordings, motion pictures (audiovisual works), and choreography that is written down or recorded are all protectable by copyright law. Your company's name or any of its brands are ideas that upon use become trademarks or service marks, which can be better protected by registration. Some of the information your company develops that it wants to maintain

PATENTS

In the United States, patents are of limited duration and are issued by the US Patent and Trademark Office (PTO). There is no protection for patentable IP if the company does not file a patent application. In rare situations, the information can be protected in another manner, although the scope of protection will be different from that provided by patent law. For example, copyright may protect certain software that would also be eligible for a patent. Trade secret protection may also be available, as discussed later in this article.

Patentable subject matter. The question of what is patentable in today's modern world is one of great debate. Recently, the United States Court of Appeals for the Federal Circuit issued a lengthy en banc opinion that seems to have clouded the issue even further when business processes are at issue. In general, the question of patentability is easier to answer if a machine or other physical item is the invention under consideration. In addition to meeting the subject matter requirements, there are limits based on prior art and obviousness considerations. Under certain circumstances, even your own invention can be prior art that can work against you. To be certain, the initial decision to pursue a patent is one that requires analysis.

First to file. With the passage of the America Invents Act, the United States caught up with the

tors and their companies to take a different view on how far they want to take an invention and how long they should wait before filing either a provisional or nonprovisional application at the PTO.

The latest PTO statistics indicate that the total pendency—the state of being pending—of traditional patents is 31 months. If granted, utility patents (which cover the way something works) generally offer the patent holder a right of exclusive use of the patented technology for 20 years (including the application pendency time). Design patents (which protect the exterior appearance) have a 14-year patent life from the grant date.

To be effective, patent rights must be enforced by the patent holder if he or she chooses to do so. This is typically done through injunctive relief and/or damages that are awarded by the federal district court where the infringement occurs. In general, a patent holder will need to weigh the pros and cons of enforcing patent rights by considering multiple factors—including the cost of enforcement, implied waiver of rights, and the degree of competition in the marketplace.

COPYRIGHTS

Copyrights are of limited duration in the United States and other countries. Copyright attaches as soon as the content is fixed in a tangible medium—meaning copyright begins as soon as content is written down (by hand or type), recorded in a machine-readable medium (e.g., digital recorder, digital photograph, computer code), or painted or sculpted. Copyright law considers the parties that develop content to be the authors and copyright owners. However, works prepared by employees in the course of their employment are considered to be authored by the company. Co-owners also have substantial rights to license and perform a work without the consent of other owners. For this reason, a contract setting forth rights of co-authors or co-owners is important.

The owner of a copyright has the exclusive right to make copies of the work. In addition, the owner has the sole right to make derivative works (works based on or copying substantial portions of the work), license or sell the work, and publicly perform the work. Copyright rights are divisible; for example, a book can be licensed to a publisher and a screenplay based on the same material can be licensed to a movie producer. Copyright licenses can also be exclusive to one party or can be nonexclusive.

The Copyright Act includes some limitations on the owner's exclusive rights, however. Among these exclusions are a number of fair-use factors such as news or critiquing, certain rights granted to libraries and edu-

Registration. One often-misunderstood aspect of copyright law is that registration is almost always required in order to enforce copyright rights because registration from the US Copyright Office is typically required to maintain a lawsuit for infringement. The timing of applying for registration can affect the scope of damages available in an enforcement action, particularly if the infringing activity begins before registration and continues after registration. One item complicating this infringement issue is the Internet: once information appears on the Internet, it tends to remain available.

Work for hire. Another commonly misunderstood copyright concept is work for hire, which is especially important to companies that outsource content creation. The main misconception is that the commissioning party will be the copyright owner if the work referred to in an outsource contract is called a “work for hire.” Copyright law defines a work for hire as

(1) work prepared by an employee within the scope of his or her employment or

(2) work specially ordered or commissioned as a contribution to a collective work, as part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas—if the parties expressly agree in a written instrument signed by them that the work will be considered a work made for hire.

In terms of definition, supplementary work as used here is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting on, or assisting in the use of the other work (e.g., forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, indexes). An instructional text is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

Specially commissioned types of work. Although few in number, such works do not include hiring an outside company or independent contractor or even employees on their own time using their own resources to write a computer program, create a website, take photographs, or record videos.

So how does a company become the copyright owner of outsourced content? Because copyright transfers require a written agreement, it is crucial that there be a written contract and that it expressly provide for assignment of the copyright to the commissioning party. With this written agreement the author is still the named author, but the company is the copyright owner

combinations of these—and other matter that serves as an identifier of the source of an item or service. Trade-mark (technically a mark used to identify the provider of a service is a service mark; authors will use trade-mark inclusive of service mark) is unlike patent and copyright because mere use of a trademark confers what are known as common-law rights to the user. Under common law, an owner can prevent others from using a confusingly similar mark on similar items or services in the same geographic areas in which the owner uses the mark. Registration is preferred, but both increasing the geographic scope of protection to that granted by the registering agency—in the case of the PTO, the United States and all of its territories or in the case of a state trademark office, an entire state—can enhance monetary damages for infringement, injunctive relief, impoundment, and recovery of attorney's fees in certain cases. Trademark registration can be perpetual as long as use continues and renewals are filed in a timely manner.

A lesser-known protection is trade dress, which is similar to trademark and can be equivalently protected in certain circumstances. Nonfunctional aspects of product design and packaging—such as how a product is wrapped, labeled, or presented—can be protected as trade dress under federal and state trademark laws. The function issue is important because trademark cannot be used to protect a design that can receive only limited patent protection.

OTHER PROTECTABLE MATTER

Much material in everyday use at a company can have protectable status by treating it as confidential information or a trade secret. Unlike “indemnify and hold harmless,” which is a phrase of same-meaning terms, confidential information and trade secrets can be different.

Confidential information. Confidential information is any information a company wants to keep within the company. The steps necessary to prevent public disclosure and achieve confidential status can depend on the ease or difficulty of protecting against unwanted disclosure, the nature of the information, and the number of outside parties having access to the information and under what circumstances.

Trade secrets. Trade secrets are legally protectable information developed by a company. As of May 2013, 48 states, the District of Columbia, and the US Virgin Islands have enacted the Uniform Trade Secrets Act (www.uniformlaws.org/ActSummary.aspx?title=Trade%20Secrets%20Act); Massachusetts and New York have not enacted the law but may have other protections available. The act provides the following defi-

nomic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Each of the enacting state's definition of trade secret may differ.

The most important parts of a trade secret claim are that the information has economic value to others who could not readily obtain it by proper means and that adequate steps are taken to maintain confidentiality. Famous trade secrets include the recipes for KFC and Coca-Cola and algorithms in Google's search engine. Your company's manufacturing processes, job-estimating formulas, recipes (colorant as well as food), and possibly compilations of customer lists are trade secrets. Confidential information not classified as trade secrets could be the contact information of your employees, price guides, and information that will soon be made public. As with trade secrets, adequate steps must be taken to maintain confidentiality.

CONCLUSION

Your company has IP. To adequately protect your IP, your company must first identify its IP and then take affirmative steps to protect it. Understanding what your IP is will make it easier for your company to commercially exploit its IP to both promote growth and gain competitive advantages. Do not overlook what may be your company's most valuable asset class. When in doubt, seek guidance from your in-house counsel or an IP practitioner.

—Howard A. Caplan is a transactional attorney whose practice focuses on intellectual property, commercial and corporate law, franchise, real estate, and business and technology law. He is a member of the International Trademark Association and American Bar Association Forum on Franchising. He is also a member of The Florida Bar and the Jacksonville Bar Association, where he is vice-chair of the Franchise, Intellectual Property and Technology Law Committee. He can be contacted at hcaplan@llw-law.com. F. Joseph Ullo Jr. is a licensed patent attorney with the US Patent and Trademark Office and represents inventors and companies in securing patents, trademarks, and copyright protection. He also represents private clients, local governments, and special districts in the areas of environmental, land use, and administrative law. He is the chair of Lewis, Longman & Walker's Intellectual Property and Business Law Group. He can be contacted at jullo@llw-law.com.



Baird



The Future of Water Infrastructure Asset Management, Part 3: Breaking Down Organizational Silos as Barriers to Cost Savings

In the novel *The Three Musketeers*, Alexandre Dumas writes about the adventures of the French royal guard created in 1622 by Louis XIII. Their motto, “All for one, one for all,” represented a call for unity. Simply stated, unity is the state of being undivided or unbroken.

This same call for action comes in varying degrees from utility managers in an effort to break down the organizational silos that prevent a utility from achieving cost savings and efficiency gains. Comprehensive asset management is one of the most important cost-saving measures for business transformation as people, processes, and technology are strategically aligned. Asset management goes beyond normal collaborative efforts and promises to bring a wide range of tangible and intangible benefits to every utility function. Not using these types of cost-reduction and synergistic practices exposes a utility to greater external pressure on rates and budgets. (The Musketeers’ royal guard learned this lesson the hard way when it was disbanded for budgetary purposes in 1776.)

ORGANIZATIONAL SILOS

In a June 2005 JOURNAL article titled “Breaking Organizational Silos: Removing Barriers to Exceptional Performance,” Rodney Dell, an expert in business process optimization at MWH Global, explained that in the early 1900s the division of labor and standardized work methods improved the manufacturing processes, which enjoyed great success during the Industrial Revolution. He continued, “The traditional utility organization is divided into a series of departments, each of which is focused on a discrete function and is often driven by its own mission and objectives. Utility departments and divisions often operate in isolation from one another, devel-