

Ten Best Practices for Protecting Your Nonprofit's Intellectual Property

Wednesday, June 13, 2012
12:30 p.m. – 2:00 p.m. EDT
Venable LLP
Nonprofit Organization Practice
Washington, DC

Moderator:

Jeffrey S. Tenenbaum, Esq.

Panelists:

Andrew D. Price, Esq.
Armand J. Zottola, Esq.



Upcoming Venable Nonprofit Legal Events

July 12, 2012 - [Nonprofit Chapters and Affiliates: Key Legal Issues, Pitfalls, and Successful Strategies](#)

August 2, 2012 - How Nonprofits Can Raise Money and Awareness through Promotional Campaigns without Raising Legal Risks – Details Coming Soon



Introductions



Moderator & Speakers

Moderator:

Jeffrey S. Tenenbaum, Esq., Partner and
Chair of the Nonprofit Organizations
Practice

Speakers:

Andrew D. Price, Esq., Partner
Armand J. Zottola, Esq., Partner



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Trademarks and
Brand Protection



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U.S. News and World Report, 2011-2012

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Top 20 U.S. trademark filer, *World Trademark Review*, 2011

Intellectual Property Today™

Top 10 in obtaining U.S. trademark registrations *Intellectual Property Today*, 2011



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Intersection of Commerce and Technology

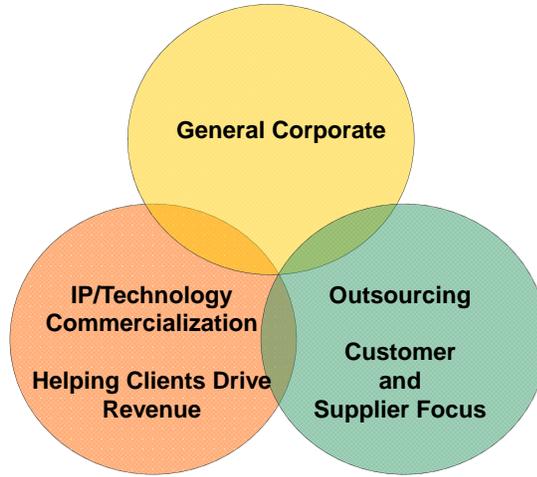


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 - A.J. Zottola (DC)
 - Nora Garrote (DC)
 - Jim Nelson (NY)
 - Bill Russell (NY)



Practice Integration with Intellectual Property Practice



Areas of Focus



10 Best Practices



Best Practice #1

**Understand the value of trademarks
and brand protection.**



“The Single Greatest Asset”

**“Our brand is the single greatest asset that
our network has, and it’s what keeps
everyone together.”**

Marci Marsh, COO, World Wildlife Fund

(“The Role of Brand in the Nonprofit Sector,”

Stanford Social Innovation Review, Spring 2012)



Trademarks Have Come of Age

- What is a trademark/brand?
 - Names, acronyms, logos, slogans
 - A source indicator
- Consider:
 - What is happening on the National Mall?
 - What is the “E.T.” generation doing?
 - What is Donald Trump doing?
 - What is the legal world telling us? (TM applications, INTA meetings, nonprofit group)



The Rise in Trademark Battles Among Nonprofits

- Front-Page News: “Charity Brawl: Nonprofits Aren’t So Generous When a Name’s at Stake,”
The Wall Street Journal
 - The theme of lost donations and brand power
 - Susan G. Komen “For the Cure” and pink
 - LIVESTRONG versus HEADstrong
 - “The days are probably over when nonprofits just said, ‘We’ll just get along with anybody who’s a nonprofit because we’re all trying to do good here.’”



The “Bet the Nonprofit” Moment: Think Trademarks

- Launching key brands creates the moment
- Establishing a trademark is not like setting up a legal entity with a state
- The “likelihood of confusion” standard
 - Similarity of marks, goods/services, etc.
 - Low standard; compare with “beyond a reasonable doubt”
- The high cost of trademark litigation (\$775K)
 - Alternatives: move to new brand, pay licensing fees, buy the other side out
 - Risk of damages



Best Practice #2 After Trademarks, What Else?



Copyrights.

- **An Original Work of Authorship Fixed in a Tangible Medium of Expression**
- **Exists Upon Creation**
- **Can Be Registered**
- **Positive Right to Authorize Others to Do Five Things**
- **Reproduction, Distribution, Derivative Works**



Trade Secrets. What are They?

- **Any Formula, Pattern, Device, or Information that is Used in One's Business, Which Gives Its Owner an Opportunity to Obtain an Advantage Over Competitors Who Do Not Know About It or Use It**
- **Not Readily Ascertainable by Proper Means**
- **Rights Created/Maintained through Secrecy**
- **NDA, Non-Competes, Passwords, Firewalls, Need-to-Know Disclosure, Physical Security**



Patents.

- **Inventions that are Useful, Novel, and Non-Obvious – Based on Claims**
- **Need to Apply for the Right**
- **Territorial, Finite, and Time-Sensitive**
- **Right to Exclude Others from Making, Using, and Selling**
- **Disclosures, Invention Agreements, Inventorship Analysis**



Don't Forget "Dependencies"

- **Internal - What technology and rights the nonprofit depends on from what it has**
- **Contractual - What the company depends on from others (third-party rights, manufacturing, hosting)**
- **Legal - Existence of permissive law, lack of prohibitive regulation or law, mandated legal restrictions and requirements**
- **Market Trends - Best industry practices not mandated by law**



Best Practice #3

Move toward distinctive brands/trademarks.



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LeadingAge is an association of 5,500 not-for-profit organizations dedicated to **expanding the world of possibilities for aging**. We advance policies, promote practices and conduct research that supports, enables and empowers people to live fully as they age.



The Hierarchy of Distinctiveness

- Fanciful: OXFAM
- Arbitrary: MENSA (“table” / “cafeteria”)
- Suggestive: RACE FOR THE CURE
- Descriptive: TENNIS INDUSTRY ASSOCIATION
- Generic: NONPROFIT; ASSOCIATION



The Trend in Top Brands – Use More Inventive Naming

- 2012 Brand Finance Global 500 rankings show:
 - 80% of the brand names represented are *inherently distinctive* (i.e., fanciful / “made up” or arbitrary / used out of context)
 - Superb brand management and business performance contribute to success
 - But today's hyper-competitive marketplace rewards brands that are distinctive from the start



World's Top Brand Successes vs. *Not*

- Computers: **Apple** vs. Wang
- Search Engines: **Google** vs. InfoSeek
- Software: **Microsoft** vs. WebTV
- General Retail: **Wal-Mart** vs. Woolworth's
- Mobile Phones: **Samsung / Vodafone** vs. Palm
- Bookselling and Online Retail: **Amazon** vs. B. Dalton



It Is Possible in the Nonprofit World!



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Best Practice #4 Consider an IP Audit.

- Start with your IP and then move to IP from others
- Define your IP portfolio:
 - Patents
 - Copyrights
 - Trade Secrets
 - Trademarks
- Consider grouping by:
 - Technology Use
 - Intended Operational Use
 - Income-Generation Capability



What to Look For and Consider

- Copyrights
 - Consider Process of Creation & Acquisition
 - Who Is the Author / Owner?
 - Register? Optional. Need for Infringement Action. Prerequisite for Certain Remedies.
 - Use a Notice. © _____ All Rights Reserved. No Claim of Innocent Infringement Where There is a Notice.
 - Using a Contractor? You Need an Assignment.
- Trade Secrets
 - Secret?
 - How Are You Handling New or Departed Employees?
 - What Is the Physical Embodiment of the Secret?
 - Do You Have a Policy on Disclosure?
 - An NDA?
- Patents
 - Could It Be an Invention? Is It New?
 - Lost or Angry Inventor / Owner
 - Timing?
 - Talk to a Patent Attorney



Other Transactional IP Considerations – Data

- Confirm ownership of data
- Confirm data was acquired correctly
 - Failure to comply with applicable data privacy regulations creates liability
- Confirm manner of use of data



Don't Forget Your Agreements

- What should be reviewed:
 - Technology agreements
 - Licenses, development, manufacturing, distribution, reseller, independent software vendor (ISV's), original equipment manufacturers (OEM's)
 - Nondisclosure agreements
 - Employee / consulting / contractor agreements
 - Source code escrows
 - IP applications, registrations
 - Security interests
- What should be done:
 - Review company documents regarding IP creation and preservation / reservation
 - Review legal filings regarding liens and security interests
 - Prepare due diligence summary for internal use



Best Practice #5

Search and register
trademarks / brands properly.



The Registry is King



The United States of America



CERTIFICATE OF REGISTRATION PRINCIPAL REGISTER

The Mark shown in this certificate has been registered in the United States Patent and Trademark Office in the named registration.

The records of the United States Patent and Trademark Office show that an application for registration of the Mark shown in this Certificate was filed in the Office that the application was examined and determined to be in compliance with the requirements of the law and with the regulations prescribed by the Director of the United States Patent and Trademark Office, and that the Applicant is entitled to registration of the Mark under the Trademark Act of 1946, as amended.

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In case of CANCELLATION of the registration, the owner of the registration must submit a declaration of continued use or successful defense between the fifth and sixth years after the registration date. One not only for more information concerning such a declaration is properly filed, the registration will remain in force for six (6) years, unless terminated by an order of the Commissioner for Trademarks or a federal court. (See www.uspto.gov for information on maintenance requirements for successive six-year periods.)



J. W. D.
Director of the United States Patent and Trademark Office



Do You Have the Tools to Enforce Brands Online and in Social Media?

**.com
.net .org**

facebook

You Tube™

Pinterest



Consider the Number of Applications Filed by Nonprofits in 2012 (compare with phone apps)

List At: OR to record: **511 Records(s) found**

Refine Search (IC with "035" same "association services")[C]

Current Search: S3: (IC with "035" same "association services")[GS] and 'FD > "20120101"' docs: 51

List At: OR to record: **505 Records(s) found**

Refine Search (IC with "035" same "promoting public aware)

Current Search: S4: (IC with "035" same "promoting public awareness")[GS] and 'FD > "20120101"'

List At: OR to record: **903 Records(s) found (This**

Refine Search (IC with "009" same "computer application so)

Current Search: S1: (IC with "009" same "computer application software for mobile phones")[GS] and 'FD > "20120101"'



From Russia with Love?

- The problem of “first-to-file” countries
 - Chapters can “go rogue”
 - A real-life story shows how trademark registrations are the foundation of brand protection
 - “Trademark troll” extortion
- The opportunity and risk of joint ownership
 - Documentation and applicants are key
 - What happens when the split occurs?



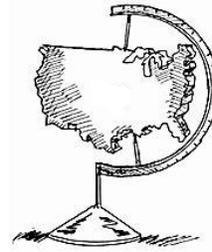
Nonprofit Nuances: Registration

- Descriptive names and acronyms
 - U.S.: Supplemental Register versus Principal Register
 - Treatment in foreign countries
- Certification / accreditation marks (e.g., PG) vs.:
 - Testing / credentialing marks
 - Collective membership marks
- Modern goods/services:
 - Social media services
 - Apps
 - Downloadable content



Is Your World Just the U.S.?

- Country-by-country basis; often first-to-file
- European Community: 27 countries – 1 filing
- The Madrid Protocol: King of the Road, or Hit the Road Jack?
- China: pay a little now,
or a lot later
- The power of U.S. copyright
registrations abroad
 - do you own rights?



Best Practice # 6

Intellectual Property Management.

- Create a policy to audit and continue to identify intellectual property (as developed)
- Educate and establish a management process with employees
- Consider a defined IP registration process for copyrights/patents
 - Protect only those items that have a strong chance of being infringed or are otherwise important to the nonprofit
- Consider confidential treatment for your trade secrets
 - N.D.A.; label; limit access; don't disclose



Do You Own? Can You Use? Key Considerations in Development of IP

- **Ownership / Infringement / Misappropriation**
 - **Employees**
 - Work for hire, scope of employment
 - **Consultants**
 - Written assignments
 - **IP assignments in founders / N.E.O's agreements**
 - **Licenses of key technology**
- **Consider Restrictions on Use or Conduct of Business**
 - **Exclusivity**
 - **Non-competes**
 - **Territory limitations**
 - **Most-favored-nations clauses**



IP Issues Will Remain a Concern:

- **International Use and Expansion**
- **Confidentiality vs. Publicity**
- **How to exploit IP – License vs. Sell?**
Patent vs. Trade Secret? Copyright
Registration vs. Trade Secret?
- **Watch for Invasions of Your IP Rights**
- **Don't Ignore IP Infringement Claims by Others Against You**
- **Information Security Best Practices**
- **Evolving Data Use and Circumvention Laws**



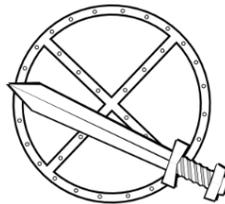
Consider Other IP Risks

- Website Review
- Defects in Record Title through the Creation of a Chronology of Ownership
- Threats to the Validity or Enforcement of Relevant IP
- Un-filed Inventions with Impending Application Deadlines
- Any Actual or Potential Litigation
- Any Restrictions on Expanding the Use of the Intellectual Property
- Any Encumbrances (i.e., Financial) on the Intellectual Property
- Software Ownership and Licensing
- Strategic Partnerships and Joint Ventures
- Antitrust Concerns



Best Practice #7

**Enforce and license
brands/trademarks properly.**



Maintaining Brand Strength

“Having a strong brand establishes a kind of parity between [a nonprofit] and the companies they want to influence.”

(“The Role of Brand in the Nonprofit Sector,”
Stanford Social Innovation Review, Spring 2012)



Enforcing Trademarks

- TM versus SM
- TM/SM versus ®
- The requirement of policing
- Likelihood of confusion vs. actual confusion



Trademark "Bullies" (Two of Top 10 are Nonprofits)



Biggest Bullies

Category:

Year 2011 Biggest Bullies in all classes

- 1 Kellogg North America C...
- 2 Lance Armstrong Foundation
- 3 Apple Inc.
- 4 Zynga Inc.
- 5 K-2 Corporation
- 6 Blue Cross and Blue Shi...
- 7 Johnson & Johnson
- 8 Facebook, Inc.
- 9 TeleTracking Technologi...
- 10 Zuffa, LLC



When Policing Goes Bad

"Eat More Kale" Crusader Fights Back Against Chick-fil-A's Lawsuit



Alex Davies
Business / Corporate Responsibility
March 16, 2012

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The Power of Licensing

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Don't Get Caught Naked (Licensing)

- *Freestyle* and the problem of abandonment
 - “Freecycling” / recycling
 - The effects of abandonment
- What is “quality control”?
- *Birthright* and the issue of whether nonprofits get off easy
 - Crisis pregnancies
 - The nature of nonprofits today: more like for-profits, in terms of court expectations



Licensing Trademarks: Failures to Avoid

- *Failure* to retain express contractual control over use of trademarks by others, including members;
- *Failure* to exercise actual quality control over use of the marks by others, including members; and
- *Failure* to appropriately delegate quality control to others, including members.



Licensing Trademarks: A Four-Step Strategy

- (1) Treat marks used by members / chapters as collective membership marks
 - “Member” / “Chapter” in mark
- (2) Change policies to include trademark license; and reference same in the bylaws
- (3) License other marks used by non-members / chapters separately
- (4) Enforce all the above



Best Practice # 8 Enforce Your Rights Through Contract.



Licensing Checklist

- ☒ Identification of parties
- ☒ Recitals
 - ☒ *Facts behind license*
 - ☒ *Purpose of license*
 - ☒ *Each party's interest in and / or contribution to the license*
- ☒ Definitions
 - ☒ *IP Identification – be specific, attach an exhibit identifying all relevant territories and registration numbers*
 - ☒ *Territory for grant*
 - ☒ *Scope of use (e.g., Product, Field of Use)*
 - ☒ *Sales – e.g., gross sales, net sales, and / or any other terms necessary to calculate moneys due under the license*
 - ☒ *Effective date*



Licensing Checklist (continued)

- ☒ Grant of Rights
 - ☒ *Exclusive v. nonexclusive*
 - ☒ *If exclusive, does it also exclude licensor?*
 - ☒ *Grant back*
- ☒ If Trademark, quality control language
- ☒ Confidentiality
- ☒ Consideration
 - ☒ *Fixed amount*
 - ☒ *Running royalty*
 - ☒ *Fixed percentage*
 - ☒ *Sliding scale*
 - ☒ *Guaranteed minimum*
 - ☒ *Ceiling*



Use “Enforceable” Online Contracts

- **Electronic contracts are generally enforceable**
- **Nonprofits must be mindful of contractual requirements**
 - **Notice; Opportunity to Review & Reject; and Manifestation of Assent**
- **Electronic contracting requires consideration of unique issues**
 - **For example, electronic signature processes and identity authentication**
- **If using electronic contracts, consider setting forth specific terms and conditions of use**
- **Nonprofit organizations should not rely solely on mere notice to create enforceable terms and conditions**



Best Practice #9

**Make the big-picture decisions
on brands / trademarks now.**



Be Prepared!

- Audit and consolidate your trademark portfolio
 - Key countries covered?
 - Key trademarks?
 - Key goods/services?
- Establish a trademark / brand protection budget
- Bridge the gap between legal and marketing
 - The “New York City street gap”
- Establish the organization’s philosophy for
 - How aggressive to be in policing
 - Risk tolerance (consider organization size)



"We've considered every potential risk except the risks of avoiding all risks."



"We've considered every potential risk except the risks of avoiding all risks."



The Risk of Being Your Own Trademark Lawyer

- A properly searched and filed trademark is the foundation of a successful trademark and brand protection program
- Avoid significant long-term damage and cost



Best Practice #10

Watch Out for Social Media.

Similar Issues, New Platforms



What is On-line Social Media?



- (1) *social networks* – Facebook, Myspace, LinkedIn
- (2) *media repositories* – YouTube, Flickr, Picasa, Vimeo
- (3) *blogs and microblogs* – Twitter
- (4) *wikis* – Wikipedia, Medpedia, Sidewiki



Nonprofit Use of Social Media: IP Issues

- **Avoid Trademark Misuse**
 - Seek Permission
 - Be Especially Careful in Commercial Context
 - Avoid Using Other's Trademarks in Search Terms, Domain Names, or User Names
- **Be Mindful of Copyright Ownership. Social Media Is Primarily about the Content.**
 - Who Owns Work on Social Media?
 - Work-Made-for-Hire Doctrine, Written Assignments of Rights



Nonprofit Use of Social Media (Cont.): IP Issues

- **Protecting Own Intellectual Property Rights**
 - Monitor for Misuse
 - Balance IP Protection with Reputation Protection
 - Many Times, It's an Innocent Infringer
 - Use Clear Placement of Appropriate Symbols - ©, ®, ™
 - Enforce with Policy Statements, DMCA, Demand Letters, and Legal Proceedings
 - Consider Available Registrations, such as for Trademark, Domain Name, or User Name



Developing a Policy for Social Media Use

- Operator Policies Provide Limited Protection, Although They Offer Some Enforcement Mechanisms
- But, Don't Ignore Third-Party Policies
- How Will You Manage Your IP Presence (Internally & Externally)
- Try to Maintain Consistent Approach across Platforms & Networks
- Consider Level of Monitoring
- Consider Shelf-Life of Archived Content
- Consider (Internal & External) Collaborative Efforts Involving Social Media
- Outline Best Practices for Publishing Material on Social Media
- Avoid Use of Inappropriate Online Names / Identifiers
- Identify Limits on Acceptable Use
- Communicate Policy



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- Global IP strategy development
- Searching and registering IP worldwide
- IP litigation (patent, trademark, and copyright)
- Managing global portfolios of IP
- Licensing
- Anti-counterfeiting / gray market goods
- Domain names (anti-cybersquatting)
- Protecting brands online and in social media



We Have Helped Nonprofits Like These (and Many More)



Questions and Discussion

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Thank you!

