



Raising Funds for Nonprofits: Key Legal Issues, Common Pitfalls & New IP Concerns

*with the Education and Research Foundation of the Better Business
Bureau of Metropolitan New York*

March 28, 2013

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Venable LLP
Rockefeller Center
1270 Avenue of the Americas
Twenty-Fourth Floor
New York, NY 10020

Moderator:

Jeffrey S. Tenenbaum, Esq.

Panelists:

Marcella Ballard, Esq.

Kristalyn Loson, Esq.

Presentation



***Raising Funds for Nonprofits:
Key Legal Issues, Common Pitfalls & New Intellectual
Property Concerns***

Better Business Bureau of Metropolitan New York / Venable LLP
MARCH 28, 2013



Today's Presenters



Jeff Tenenbaum
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agenda

Charitable Solicitation

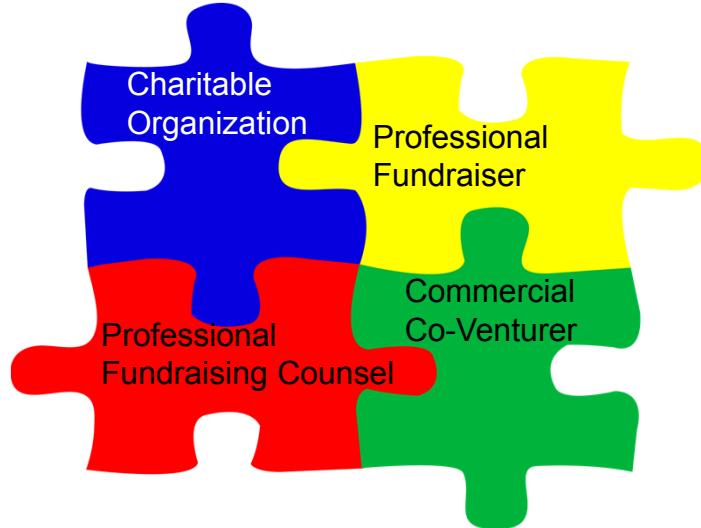
- Charitable Solicitation Regulatory Overview
- Legal Considerations for the Charity's Own Fundraising
- Working with Professional Fundraisers
- Commercial Co-ventures
- Federal Tax Considerations

Protecting Intellectual Property

- Intellectual Property Overview
- Facebook Faux Pas
- Crowdsourced Fundraising
- Twitter Legal Updates
- Pinterest Considerations

Charitable Solicitation Issues

Regulatory Landscape



Charity Registration in 40 States



- Trigger = “**Solicitation**”
 - affirmative act of asking for a gift (“contribution”) OR
 - selling goods/services that will benefit a charitable cause.
 - Broad – “by any means”
 - May include grant solicitation

- **Unified Registration Statement**
 - currently accepted by 36 states
 - not really “uniform”
 - <http://www.multistatefiling.org/>

Charleston Principles

Offline

Letters

Phone calls

Online

Specifically target

Repeated and ongoing

Substantial basis



Professional Fundraisers

Professional Solicitor

- For a fee
- Solicits general public on behalf of charity OR
- Has custody and control of funds

Professional Fundraising Counsel

- Manages, advises, plans, produces, or designs a solicitation
- **NO** direct solicitation
- **DOES NOT** hold funds



41 States Impose Requirements



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Professional Fundraisers – Items for Consideration

- Compensation
- Intellectual
Property
- Third Party
Assurances
- How is Money
Transferred?



Professional Fundraisers Contracts

“MUST HAVE” TERMS

- ✓ Charity right to rescind
- ✓ Listing of fee calculation
- ✓ Signature of two charity officials
- ✓ Branding & Intellectual Property Terms
- ✓ Term and Termination
- ✓ Indemnity & Insurance
- ✓ Conflict of Interest & Confidentiality



Commercial Co-ventures: Cause Marketing



Commercial Co-Venture – a person who regularly and primarily is engaged in a trade or business other than the raising of funds for charities that conducts a charitable sales promotion

Charitable sales promotion – Offering goods or services on the representation that the purchase or use of goods or services will benefit a charitable organization or charitable purpose



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Internet 100%

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CCV Contracts

- **Term of Agreement and Dates of Solicitation (Dates of Campaign)**
- **Amount to Be Donated (\$ or % of Items)**
- **Geographic Scope of Campaign**
- **Schedule for Donations to be Transferred**
- **Schedule for Reporting**
- **Charity Ability to Cancel**
- **Branding & Intellectual Property Terms**
- **Reps and Warrants Re: Compliance With Laws**
- **Advance Approvals**
- **Clear Tax Treatment & Description of Activities**

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Tax Concerns

- Will the charity be required to promote?
- Unrelated Business Income – income from (i) a trade or business that is (ii) regularly carried on and (iii) is not substantially related to the organization's exempt purpose
- One campaign of short duration – likely okay, but consider aggregate activities



Intellectual Property Issues



Intellectual Property Overview

- **Trademark:** Any word, name, symbol, device, or any combination, used or intended to be used to identify and distinguish goods/services.
 - Trademark protection is a function of both Federal and State law.
- **Patent:** Any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvements thereof is eligible for patent protection.
 - Patents are governed by federal law.
- **Copyright:** Original works of authorship are protected by copyrights.
 - Copyright protection is granted under Federal law.
- **Trade Secret:** Any confidential business information which provides an enterprise a competitive edge including sales methods, distribution methods, and manufacturing processes.
 - Trade secrets are protected by state law.



Facebook



- Facebook is a social networking site that aims to “make the world more open and connected”.
- Facebook is every day becoming a more powerful marketing force with one study finding that consumers think a brand’s Facebook page is more useful than a brand’s website.
- With more than 1 billion users posting and reposting content, Facebook usage presents numerous intellectual property issues.

Facebook



- Facebook Intellectual Property Policy
 - prohibits users from posting content that infringes on another party's property rights

Facebook Faux Pas



- Monitor Facebook for infringements.
 - Balance IP Protection with Reputation Protection
 - Enforce with Policy Statements, DMCA, Demand Letters, and Legal Proceedings
 - Examine and use Facebook Policies and Enforcement Mechanisms
- Retain express contractual control over use of trademarks by others.
 - Consider false associations
 - Consider what you will allow employees to post
 - Remember: Attribution to entity – actual or apparent

Facebook Faux Pas Cont'd



- Audit your own Facebook site
 - Get express consent to use other's IP
 - Use clear placement of appropriate symbols- ©, ®, ™
 - Avoid using third-party trademarks in search terms, domain names, or user names
 - Be careful of false associations
 - Consider copyright ownership issues: Who owns posted content?
- Create and Implement An Effective Social Media Policy

Crowdsourced Fundraising Sites



CREATE YOUR FUNDRAISER

IF YOU DON'T GIVE BACK NO ONE WILL LIKE YOU

[CLICK HERE TO GET STARTED](#)

- Crowdsourced Fundraising sites like crowdrise, razoo, and go fund me allow interested donors and donees to connect with one another over the internet.
- Fundraising efforts reach more potential donors than traditional means of fundraising.

Crowdsourced Fundraising



15 USC § 1125 - False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Crowdsourced Fundraising Cont'd



- Unauthorized use of a NFP's name on Razoo.com or CrowdRise.org or a similar site may give rise to Lanham Act claims of false association.
- Consider Monitoring these Sites.
- Take down notices and operator enforcement mechanisms are possible responses when an unauthorized person is using sites and the named nonprofit is not receiving those funds.

Twitter

follow us on
twitter



- Twitter is an information sharing social networking site
- Information is shared in “tweets” which are limited to 140 characters
- Tweets can be directed at particular users using their @username
- Tweets are spread across the internet through followers and users who retweet messages
- Conversation streams are categorized by #topic

Twitter Updates

- Avoid Trademark Misuse
 - Seek Permission.
 - Avoid Using Others’ Trademarks or Trade Dress in user names
- Twitter recently updated its policy on takedown requests
- Allegedly infringing tweets will be replaced with a message that the tweet was taken down in response to a request from a copyright holder
 - Consider the reputational harm from a take down notice vs. leaving the infringing material up

Pinterest



Pinterest

Pinit!

- Pinterest is an online scrap book
 - Users copy images and videos and “pin” them to their pinterest pages
 - Pins are organized by topic on boards
- Pinterest is the third most-visited social networking site in the US

Pinterest Considerations

Pinterest

- Pinterest website has a “do not pin” meta-tag available for users available on the Pinterest site
 - <meta name="pinterest" content="nopin" />
 - Response: "This site doesn't allow pinning to Pinterest. Please contact the owner with any questions. Thanks for visiting!"
- “Pin Etiquette” asks that users credit their sources
- Monitor Pinterest for objectionable uses of protected intellectual property
 - Consider the dangers of false association
 - Pinterest is a good source of exposure

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Questions

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To view Venable's index of articles, PowerPoint presentations, recordings and upcoming seminars on nonprofit legal topics, see www.Venable.com/nonprofits/publications,
www.Venable.com/nonprofits/recording, www.Venable.com/nonprofits/events.



Biographies



Jeffrey S. Tenenbaum

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Jeffrey Tenenbaum chairs Venable's Nonprofit Organizations Practice Group. He is one of the nation's leading nonprofit attorneys, and also is an accomplished author, lecturer, and commentator on nonprofit legal matters. Based in the firm's Washington, DC office, Mr. Tenenbaum counsels his clients on the broad array of legal issues affecting charities, foundations, trade and professional associations, think tanks, credit and housing counseling agencies, advocacy groups, and other nonprofit organizations, and regularly represents clients before Congress, federal and state regulatory agencies, and in connection with governmental investigations, enforcement actions, litigation, and in dealing with the media.

Mr. Tenenbaum was the 2006 recipient of the American Bar Association's Outstanding Nonprofit Lawyer of the Year Award, and was an inaugural (2004) recipient of the *Washington Business Journal's* Top Washington Lawyers Award. He was one of only seven "Leading Lawyers" in the Not-for-Profit category in the 2012 *Legal 500* rankings, and was the 2004 recipient of The Center for Association Leadership's Chairman's Award, and the 1997 recipient of the Greater Washington Society of Association Executives' Chairman's Award. Mr. Tenenbaum was listed in *The Best Lawyers in America* 2012 and 2013 for Non-Profit/Charities Law, and was named as one of Washington, DC's "Legal Elite" in 2011 by *SmartCEO Magazine*. He was a 2008-09 Fellow of the Bar Association of the District of Columbia and is AV Peer-Review Rated by *Martindale-Hubbell*. Mr. Tenenbaum started his career in the nonprofit community by serving as Legal Section manager at the American Society of Association Executives, following several years working on Capitol Hill as a legislative assistant.

AREAS OF PRACTICE

- Tax and Wealth Planning
- Antitrust
- Political Law
- Business Transactions Tax
- Tax Controversies and Litigation
- Tax Policy
- Tax-Exempt Organizations
- Wealth Planning
- Regulatory

INDUSTRIES

- Nonprofit Organizations and Associations
- Credit Counseling and Debt Services
- Financial Services
- Consumer Financial Protection Bureau Task Force

GOVERNMENT EXPERIENCE

- Legislative Assistant, United States House of Representatives

BAR ADMISSIONS

- District of Columbia

REPRESENTATIVE CLIENTS

- AARP
- American Academy of Physician Assistants
- American Alliance of Museums
- American Association for the Advancement of Science
- American Association for Marriage and Family Therapy
- American Bureau of Shipping
- American College of Radiology
- American Institute of Architects
- Air Conditioning Contractors of America
- American Society for Microbiology
- American Society for Training and Development
- American Society of Anesthesiologists
- American Society of Association Executives
- American Society of Civil Engineers
- American Society of Clinical Oncology
- American Staffing Association
- Associated General Contractors of America
- Association for Healthcare Philanthropy

EDUCATION

J.D., Catholic University of America, Columbus School of Law, 1996

B.A., Political Science, University of Pennsylvania, 1990

MEMBERSHIPS

American Society of Association Executives

California Society of Association Executives

New York Society of Association Executives

Association of Corporate Counsel
Association of Private Sector Colleges and Universities
Automotive Aftermarket Industry Association
Brookings Institution
Carbon War Room
The College Board
Council on Foundations
CropLife America
Cruise Lines International Association
Foundation for the Malcolm Baldrige National Quality Award
Goodwill Industries International
Homeownership Preservation Foundation
The Humane Society of the United States
Independent Insurance Agents and Brokers of America
Institute of International Education
Jazz at Lincoln Center
The Joint Commission
LeadingAge
Lincoln Center for the Performing Arts
Lions Club International
Money Management International
National Association of Chain Drug Stores
National Athletic Trainers' Association
National Coalition for Cancer Survivorship
National Defense Industrial Association
National Fallen Firefighters Foundation
National Fish and Wildlife Foundation
National Hot Rod Association
National Propane Gas Association
National Quality Forum
National Retail Federation
National Student Clearinghouse
National Telecommunications Cooperative Association
The Nature Conservancy
NeighborWorks America
New York Blood Center
Peterson Institute for International Economics
Professional Liability Underwriting Society
Project Management Institute
Public Health Accreditation Board
Public Relations Society of America
Recording Industry Association of America
Romance Writers of America
Texas Association of School Boards
Trust for Architectural Easements
United Nations High Commissioner for Refugees
Volunteers of America

HONORS

Recognized as "Leading Lawyer" in the 2012 edition of *Legal 500*, Not-For-Profit

Listed in *The Best Lawyers in America 2012 and 2013* for Non-Profit/Charities Law, Washington, DC (Woodward/White, Inc.)

Washington DC's Legal Elite, *SmartCEO Magazine*, 2011

Fellow, Bar Association of the District of Columbia, 2008-09

Recipient, American Bar Association Outstanding Nonprofit Lawyer of the Year Award, 2006

Recipient, *Washington Business Journal* Top Washington Lawyers Award, 2004

Recipient, The Center for Association Leadership Chairman's Award, 2004

Recipient, Greater Washington Society of Association Executives Chairman's Award, 1997

Legal Section Manager / Government Affairs Issues Analyst, American Society of

Association Executives, 1993-95

AV® Peer-Review Rated by *Martindale-Hubbell*

Listed in *Who's Who in American Law* and *Who's Who in America*, 2005-present editions

ACTIVITIES

Mr. Tenenbaum is an active participant in the nonprofit community who currently serves on the Editorial Advisory Board of the American Society of Association Executives' *Association Law & Policy* legal journal, the Advisory Panel of Wiley/Jossey-Bass' *Nonprofit Business Advisor* newsletter, and the ASAE Public Policy Committee. He previously served as Chairman of the AL&P Editorial Advisory Board and has served on the ASAE Legal Section Council, the ASAE Association Management Company Accreditation Commission, the GWSAE Foundation Board of Trustees, the GWSAE Government and Public Affairs Advisory Council, the Federal City Club Foundation Board of Directors, and the Editorial Advisory Board of Aspen's *Nonprofit Tax & Financial Strategies* newsletter.

PUBLICATIONS

Mr. Tenenbaum is the author of the book, *Association Tax Compliance Guide*, published by the American Society of Association Executives, and is a contributor to numerous ASAE books, including *Professional Practices in Association Management*, *Association Law Compendium*, *The Power of Partnership*, *Essentials of the Profession Learning System*, *Generating and Managing Nondues Revenue in Associations*, and several Information Background Kits. He also is a contributor to *Exposed: A Legal Field Guide for Nonprofit Executives*, published by the Nonprofit Risk Management Center. In addition, he is a frequent author for ASAE and many of the other principal nonprofit industry organizations and publications, having written more than 400 articles on nonprofit legal topics.

SPEAKING ENGAGEMENTS

Mr. Tenenbaum is a frequent lecturer for ASAE and many of the major nonprofit industry organizations, conducting over 40 speaking presentations each year, including many with top Internal Revenue Service, Federal Trade Commission, U.S. Department of Justice, Federal Communications Commission, and other federal and government officials. He served on the faculty of the ASAE Virtual Law School, and is a regular commentator on nonprofit legal issues for *The New York Times*, *The Washington Post*, *Los Angeles Times*, *The Washington Times*, *The Baltimore Sun*, *Washington Business Journal*, *Legal Times*, *Association Trends*, *CEO Update*, *Forbes Magazine*, *The Chronicle of Philanthropy*, *The NonProfit Times* and other periodicals. He also has been interviewed on nonprofit legal issues on Voice of America Business Radio and Nonprofit Spark Radio.



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Marcella Ballard's practice covers a wide range of intellectual property matters, including trademark, copyright, trade secret, privacy rights, licensing disputes, unfair competition, contract and business tort claims. She has represented clients in bench and jury trials and arbitration hearings throughout the U.S. and in the UK.

Ms. Ballard's client base spans a range of industries that includes fashion, media, consumer products, entertainment, financial services, insurance, pharmaceutical, healthcare, and IT. Her exposure to so many industries positions her to effectively meet her clients' needs, no matter what their business focus.

Ms. Ballard is a veteran in prosecuting and defending motions for emergency injunctive relief, and has acted as lead counsel in anti-counterfeiting actions around the country in which ex parte seizure and TRO relief was obtained. Her experience includes successfully managing the simultaneous seizure of counterfeited goods across 11 locations in a single day; an effort that involved coordinating with a large group of law enforcement, customs officials and Federal Marshalls.

She previously served as an Assistant District Attorney in New York, Bronx County where she tried over 15 jury trials to conclusion and had a near perfect record of obtaining convictions for the State.

AREAS OF PRACTICE

Intellectual Property
Intellectual Property Litigation
Anti-Counterfeiting
Advertising and Marketing Litigation
Trademark Litigation
International Dispute Resolution

INDUSTRIES

New Media, Media and Entertainment

BAR ADMISSIONS

New York
Washington

COURT ADMISSIONS

U.S. Court of Appeals for the Second Circuit
U.S. Supreme Court
U.S. Court of Appeals for the Fifth Circuit
U.S. District Court for the Eastern District of Michigan
U.S. District Court for the Eastern District of New York
U.S. District Court for the Southern

SIGNIFICANT MATTERS

- Represented a global software manufacturer in a licensing dispute with its South American distributor in a bench trial on an expedited schedule, prevailing at the trial court level and continued the successful representation through confirmation of the award on appeal.
- Represented the US distributor of a variety of consumer goods in multiple anti-counterfeiting litigations in several jurisdictions, including moving for ex parte, emergency, injunctive and permanent relief through motions, trial practice and eventually the successful confirmation of a multimillion dollar contempt award on appeal.
- Represented the owner of the intellectual property rights to various children's books and characters in a copyright, trade dress and unfair competition action against an infringer selling goods through the Internet and franchise stores.
- Represented a global film studio in an action brought by its licensees over the rights to licensed goods from a major motion picture and successfully resolved the case through mediation.
- Represented a luxury retailer in a class action under the Song Beverly Credit Card Act.

PUBLICATIONS

District of New York

EDUCATION

J.D., University of California,
Hastings College of the Law, 1988

B.A., The Ohio State University
1985

- November 29, 2012, Advertising News & Analysis – November 29, 2012, Advertising Alert
- November 15, 2012, @Twitter Revises Copyright and DCMA Takedown Policy #Transparency, *IP Buzz*
- November 8, 2012, Advertising News & Analysis - November 8, 2012, Advertising Alert
- October 2012, IP Buzz - October 2012, IP Buzz
- October 18, 2012, Fashion and IP Roundup – Nontraditional Marks and the Careful Selection of Forum, Infringing Articles and Even Media By Brand Owners Can "Make or Break" the Winning Strategy, *IP Buzz*
- October 18, 2012, Innovative Design Protection and Piracy Prevention Act (IDPPPA) and the Innovative Design Protection Act (IDPA) – What's Next for Protection of Fashion Design in the United States?, *IP Buzz*
- July 2012, IP Buzz - July 2012, IP Buzz
- July 2012, Sole Ownership of a Color? Louboutin Loses Appeal in French Court in Trademark Dispute with Zara Over Signature Soles on Shoes, *IP Buzz*
- May 2012, IP Buzz - May 2012, IP Buzz
- May 8, 2012, Examining the Risks Associated with Corporate Social Media Use, *Inside Counsel*
- April 2012, IP Buzz - April 2012, IP Buzz
- 2012, United States chapter, "Anti-Counterfeiting 2012 – A Global Guide", *World Trademark Review*
- January 2012, IP Buzz - January 2012, IP Buzz
- October 13, 2011, 'Fame Monster' Lady Gaga Terrorized by 'Frivolous' Trademark Applications
- October 13, 2011, Top Ten List of Best IP Practices
- September 7, 2011, Louboutin Gets the Boot: S.D.N.Y. Judge Denies Motion for Preliminary Injunction in Trademark Dispute Over Signature Red Soles, *IP Buzz*
- September 7, 2011, New Apple Lawsuit Combats Counterfeit Products at Home and Abroad, *IP Buzz*
- August 5, 2011, Copyright Troll Righthaven Kicked Out of Court Again
- August 5, 2011, Amazon's "Appstore" Not Likely to Be Confused With Apple's Appstore mark
- June 2011, IP News & Comment - June 2011, IP Buzz
- June 20, 2011, The Protect IP Act : A Powerful Tool, A Powerful Controversy

SPEAKING ENGAGEMENTS

- March 28, 2013, Raising Funds for Nonprofits: Key Legal Issues, Common Pitfalls & New Intellectual Property Concerns
- January 28, 2013 - January 30, 2013, 2013 Anti-Counterfeiting & Brand Protection West Coast
- September 20, 2012 - September 21, 2012, 9th Annual Anti-Counterfeiting & Brand Protection Summit
- January 24, 2012 - January 25, 2012, 8th Annual Anti-Counterfeiting & Brand Protection Summit
- September 26, 2011 - September 28, 2011, IQPC's 7th Anti-Counterfeiting & Brand Protection Conference - East Coast
- April 2011, Germany Anti-Counterfeiting Legal Updates, Berlin
- January 2011, IQPC Anti-Counterfeiting



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Kristalyn J. Loson is an Associate in Venable's Regulatory Practice Group. She focuses her practice primarily on nonprofit organizations and associations, assisting charities, trade and professional associations, and other nonprofit organizations on a wide array of legal issues, including incorporation and tax-exemption applications, tax-exemption compliance and IRS audits, corporate governance, membership issues, contracts, and charitable solicitation regulation, among others.

Prior to joining Venable, Ms. Loson served as a *pro bono* staff attorney for the Guardian ad Litem Program, 20th Judicial Circuit of Florida. While earning her law degree, she also completed internships with the U.S. Department of Justice's Civil Division, and the U.S. Attorney's Office. She also served for a year as a judicial intern in the chambers of the Honorable Fern Flanagan Saddler of the Superior Court of the District of Columbia.

Prior to entering law school, Ms. Loson worked as a fundraiser for a large multi-national nonprofit organization. Through her experience in the nonprofit sector, she has gained perspective on the unique needs of these organizations, both legal and otherwise.

AREAS OF PRACTICE

Regulatory
Advertising and Marketing
Tax-Exempt Organizations
Communications

INDUSTRIES

Nonprofit Organizations and Associations
Credit Counseling and Debt Services
Education

BAR ADMISSIONS

District of Columbia
Florida

EDUCATION

J.D., *with honors*, The George Washington University Law School, 2009
The Public Contract Law Journal, *member*
George Washington University Domestic Violence Project Clinic
B.A., *cum laude*, University of Miami, 2005
Department of Political Science

PUBLICATIONS

- February 15, 2013, U.S. House of Representatives Ways and Means Committee Holds Marathon Session on Charitable Contribution Tax Deduction, *Nonprofit Alert*
- February 12, 2013, Commercial Co-ventures – Best Practices and Legal Developments for Nonprofits
- November 6, 2012, What New York's New Cause Marketing Guidelines Mean for You
- October 25, 2012, Advertising News & Analysis - October 25, 2012, Advertising Alert
- October 2012, Significant New and Higher Standards for Cause Marketing: New York Attorney General Releases Report on "Pink Ribbon" Campaigns
- October 12, 2012, Nonprofit Bloopers: Avoiding Political and Promotional Pitfalls
- August 2, 2012, How Nonprofits Can Raise Money and Awareness through Campaigns without Raising Legal Risk
- July 26, 2012, Second in Series of Hearings on Tax-Exempt Sector Held by U.S. House of Reps. Ways and Means Subcommittee
- June 26, 2012, Agreeing to Convene: Spotting and Solving the Most Common Event Contract Pitfalls
- May 16, 2012, U.S. House of Representatives Ways and Means Oversight Subcommittee Holds Hearing on Tax-Exempt Sector
- May 9, 2012, The Top Ten Things You Need to Know about the New District of Columbia Nonprofit Corporation Act

Honoree

- April 26, 2012, Social Media and Charitable Solicitation Considerations
- February 28, 2012, Nineteen Questions Every Cause-Related Marketer Should Be Prepared to Answer: Lessons from the NY Attorney General's Investigation of Breast Cancer Cause-Related Marketing
- February 28, 2012, Charitable Solicitation and Commercial Co-Venturer Red Flags: Insights for Charities and Marketers from the NY Attorney General
- December 19, 2011, The New D.C. Nonprofit Corporation Act Takes Effect on Jan. 1, 2012: Everything You Need to Know to Comply
- December 2, 2011, Advertising News & Analysis - December 2, 2011, Advertising Alert
- November 22, 2011, Cause-Related Marketing in the Crosshairs: What the New York Attorney General's Breast Cancer Investigation Means for Nonprofits and Their Corporate Supporters
- November 18, 2011, The New D.C. Nonprofit Corporation Act Takes Effect on Jan. 1, 2012: Everything You Need to Know to Comply
- October 17, 2011, Lobbying: What Does It Mean for Nonprofits?
- October 17, 2011, Lobbying: What Does It Mean for 501(c)(3) Organizations?
- October 13, 2011, Advertising News & Analysis - October 13, 2011, Advertising Alert
- October 2011, Avoid Legal Pitfalls in Cause Related Marketing, *Electronic Retailer Magazine*
- September 26, 2011, Preventative Planning: Avoiding Common Legal Pitfalls in Hotel, Convention Center and Meetings Contracts
- September 15, 2011, Lobbying: What Does It Mean for Nonprofits?
- August 2011, Contracting for Housing Services
- August 11, 2011, Avoiding Legal Pitfalls in Cause-Related Marketing
- June 20, 2011, IRS Announces First Round of Revocations for Nonprofits that Failed to File Form 990
- April 29, 2011, Developing and Managing a Successful Fundraising Campaign
- April 29, 2011, Raising Funds, Not Eyebrows: Legal Considerations in Fundraising
- April 13, 2011, Considerations in Mergers and Asset Transfers of Credit Counseling Agencies
- October 18, 2010, Avoiding UBIT Pitfalls
- October 2010, Key Steps to Forming and Operating a Nonprofit, Tax-Exempt Charity
- June 3, 2010, A Lesson in Compliance: IRS Releases Interim Report on Nonprofit Colleges and Universities Compliance Project (Long Version)
- June 3, 2010, A Lesson in Compliance: IRS Releases Interim Report on Nonprofit Colleges and Universities Compliance Project (Short Version)
- May 7, 2010, Massive Loss of Tax Exemptions Looming
- February 5, 2010, Mortgage Assistance Relief Services Targeted in Federal Trade Commission Rulemaking, Credit Counseling Alert
- 2009, *Improving Privatization: How Federal Procurement Concepts Can Solve Lingering Problems in State Contracts for Child Welfare*, 38 Pub. Cont. L.J. 956

SPEAKING ENGAGEMENTS

- April 18, 2013, "State Regulation of Nonprofit Organizations: Everything You Need to Know about Required State Filings for Your Nonprofit Organization" for the Association Foundation Group
- March 28, 2013, Raising Funds for Nonprofits: Key Legal Issues, Common Pitfalls & New Intellectual Property Concerns
- February 12, 2013, Legal Quick Hit: "Commercial Co-ventures: Best Practices and Legal Developments for Nonprofits" for the Association of Corporate Counsel's (ACC) Nonprofit Organizations Committee
- January 16, 2013, "Protecting Your Organization: Indemnification and Event Specific Insurance" at the PCMA Convening Leaders Conference

- November 6, 2012, "What New York's New Cause Marketing Guidelines Mean for You," Cause Marketing Forum Webinar
- October 15, 2012, "Charitable Solicitation News and Online Fundraising," Nonprofit Spark radio show
- October 12, 2012, "Nonprofit Bloopers: Avoiding Political and Promotional Pitfalls" for Association of Fundraising Professionals DC Chapter's Advanced Education Session
- October 11, 2012, Social Media Series: "Latest Developments in Cause Marketing" for the ABA Section of Antitrust Law
- August 2, 2012, How Nonprofits Can Raise Money and Awareness through Promotional Campaigns without Raising Legal Risk
- June 28, 2012, Featured on Cause Marketing Radio Show
- June 27, 2012, WMACCA Non-Profits & Associations Forum: "Agreeing to Convene – Spotting and Solving the Most Common Event Contract Pitfalls"
- May 3, 2012, "Hot Topics - The District of Columbia Nonprofit Corporation Act of 2010" at AFG's 10th Annual National Conference on Association Foundations & Fundraising
- April 26, 2012, "Social Media and Charitable Solicitation Considerations" at the 2012 Exempt Organizations General Counsel Conference
- April 24, 2012, "Contracting for Meeting Planning 101: Getting the Best Terms for Your Client" at The George Washington University School
- February 28, 2012, "Cover Your Meetings: Everything You Need to Know About Meetings Insurance" at DMAI's Destinations Showcase
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The New York Attorney General ("NY AG") released a much-anticipated report on "pink ribbon" campaigns, last week. The report, entitled *Five Best Practices for Transparent Cause Marketing* (the "Best Practices"), available [here](#), originated from last year's NY AG initiative focused on breast cancer charities (widely covered by Venable; see links below). Although the NY AG initiative was specific to breast cancer charities, the Best Practices are broadly applicable to all cause-marketing efforts and will likely set a new bar by which the activities of companies and charities involved in these types of campaigns will be measured.

Background of Initiative

In October 2011, the NY AG celebrated National Breast Cancer Awareness Month by sending comprehensive questionnaires to at least 40 charities and over 130 companies asking for detailed information on promotions during which the sale of a product or service is advertised to benefit a charitable cause, in this case, breast cancer awareness. These types of promotional efforts that create goodwill for the company and generate income for a charity are commonly known as "cause-marketing" efforts and are classified as "commercial co-ventures" under New York law.¹

As cause-marketing efforts have grown in popularity, some have come to question whether consumers are made aware of the relevant information in such promotions and whether the charities are actually receiving the benefits that consumers believe are promised. The NY AG likely had these critiques in mind when it sent out its questionnaire. The questionnaire, which consisted of 19 questions, some with subparts, dove into questions of compliance with the New York Charitable Solicitation Act, such as asking whether the company had a written contract with the charity in place and whether an accounting had been provided to the charity. The questionnaire also comprehensively inquired into the way in which the campaign was advertised to consumers, requesting copies of each "product label, advertisement, announcement, message or other marketing material."

Release of Best Practices

After a year of analyzing responses to the questionnaire on "pink ribbon" and other similar campaigns, on October 18, 2012, the NY AG held a press conference and released the Best Practices. The Best Practices appear to be intended as far-reaching reforms to the way in which some cause-marketing promotions are currently conducted.

The Best Practices go beyond the general "avoid deceptive fundraising practices" standard and offer recommended practices for specific types and forms of cause marketing – from social media free-action programs to one-to-one in-kind donation programs – used by many charitable organizations. This report is by far one of the most significant, if not the most significant, proactive forms of guidance any state Attorney General has ever issued in the area of cause marketing. An overview of the themes found in the specific recommendations of the Best Practices is below.

Expanded Disclosure Requirements

While many states' current regulations for cause marketing require that certain disclosures be given "on all advertising," the NY AG's Best Practices fill in the details and leave little to the discretion of the reasonable person. The list of items for disclosure is noticeably longer than any other state regulations currently require. Specifically, the Best Practices call for the following to be disclosed:

- the specific dollar amount per purchase that will go to the charity;
- the name of the charity;
- the charitable mission if not readily apparent from the name of the charity;
- whether consumer action is required for the charitable donation to be made; and

- the start and end dates of the campaigns.

By comparison, currently most other state statutes expressly require disclosure of (i) the name of the charity, (ii) the amount or percentage per unit that will be donated to the charity, and, sometimes (iii) the dates of the campaign.

Additionally, the Best Practices state that the expanded disclosures should be given on “advertisements, websites, and product packaging;” should be in “clear and prominent format and size;” and should be located “in close proximity” to the text of the advertisement. Depending upon the nature and structure of the campaign, adhering to this guidance may be challenging without additional examples from the NY AG.

Suggestion of “Donation Information” Label

The Best Practices take disclosures a step further in suggesting that each product in the promotion and website used to advertise the promotion showcase a “Donor Information” label which would be similar to a nutrition label on food items and would identify for donors key information about the campaign in a standardized format. While an innovative suggestion, it remains to be seen how proposed information labels and disclosures would be implemented in various advertising formats where space is often at a premium.

Attention to Social Media Campaigns

The Best Practices also push the bounds of current regulation by extending disclosure requirements to certain social media campaigns. While social media advertisements which encourage the purchase of a product or service with the promise of a donation to charity are covered under traditional regulation of cause marketing, free-action programs – such as liking a Facebook page or submitting contact information on a company website to trigger a donation – are not normally covered by the regulatory definition of a “commercial co-venturer.” This is because such promotions do not involve the element of a purchase or use of the company’s product or service as a prerequisite to the company’s donation. As the specific disclosure requirements for commercial co-venturers do not apply to such campaigns, they are usually subject to the more general standard of avoiding “unfair and deceptive” advertising.

The Best Practices state, however, that “companies and charities should be no less vigilant about transparency in social media cause-marketing campaigns than they are in traditional product-based campaigns.” This is one of the first times that a regulator has recognized free-action programs in social media to be under the umbrella of cause marketing. The Best Practices go on to recommend that social media cause-marketing programs disclose, at a minimum:

- the amount donated per action;
- the name of the charity that is benefitting;
- the dates of the campaign; and
- the minimum and maximum to be donated.

The Best Practices also recommend implementing a real-time tracking system to cut off the social media campaign when the maximum donation amount is reached or otherwise alert consumers that their action will no longer result in a donation, something that also has not been seen as a requirement in regulatory guidance. For companies and charities used to conducting social media campaigns on a more informal basis, complying with the suggested disclosures will take some careful planning.

Enforcement

In issuing its Best Practices, the NY AG took a unique approach to ensuring that the guidelines are followed, at least in pink ribbon promotions. At the time of the press release, the NY AG announced that the nation’s two largest breast cancer charities – Susan G. Komen for the Cure and the Breast Cancer Research Foundation – had both signed off on, and voluntarily agreed to follow, the NY AG Best Practices in all of their cause-marketing endeavors. This effectively means that a large number of companies that want to hold a pink ribbon promotion also will be playing by these new rules.

And while they have not been directly adopted into law, the guidelines contained in the Best Practices could be used by the NY AG and other state regulators to inform such regulators’ enforcement of general prohibitions against unfair and deceptive marketing as found in state mini-FTC Acts. If used as benchmarks for advertising standards, the Best Practices could have far-reaching effects on the ways in which charities and companies conduct cause-marketing campaigns.

Conclusion

Overall, the Best Practices reinforce the general legal principles that have always applied to companies

and charities conducting cause-marketing campaigns, but provide additional specific and concrete examples of disclosures to consider. A decision to disregard these standards could lead to a greater risk of investigation and enforcement. For companies considering cause-marketing campaigns, the new breadth of recommended disclosures in the Best Practices may take some planning and creative coordination to ensure compliant campaigns. Ultimately, it is possible and perhaps even likely that the Best Practices will provide a new norm as cause-marketing campaigns continue to generate goodwill for companies and increase revenue for charitable causes.

* * * * *

Venable's prior articles on the NY AG "Pink Ribbon" initiative can be found at:

- [**"Charitable Solicitation and Commercial Co-Venturer Red Flags: Insights for Charities and Marketers from the NY Attorney General"**](#)
- [**"Nineteen Questions Every Cause-Related Marketer Should be Prepared to Answer"**](#)
- [**"Cause-Related Marketing in the Crosshairs: What the New York Attorney General's Breast Cancer Investigation Means for Nonprofits and Their Corporate Supporters"**](#)

* * * * *

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This article is not intended to provide legal advice or opinion and should not be relied on as such. Legal advice can only be provided in response to a specific fact situation.

¹ New York Executive Law 7-A, Section 171-a(6) defines a "commercial co-venturer" as, "any person who for profit is regularly and primarily engaged in trade or commerce other than in connection with the raising of funds or any other thing of value for a charitable organization and who advertises that the purchase or use of goods, services, entertainment, or any other thing of value will benefit a charitable organization."

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November 22, 2011

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The New York Attorney General has recently crossed into what some consider to be the hallowed ground of charities, by launching an investigation into cause-related marketing of “pink ribbon” charities. In its own recognition of National Breast Cancer Awareness Month, the New York Attorney General’s Office (the “NY AG”) is examining charities and commercial partners that are involved in a cause-related marketing campaign representing that a portion of the sales of a product or service will support breast cancer research or screening. Overall, this initiative highlights the focus of the NY AG in preventing charitable fraud in breast cancer charities. This action also demonstrates that organizations, both charities and marketers, engaging in increasingly popular cause-related marketing campaigns should pay close attention to state regulatory requirements for these activities.

New York’s Recent Investigations

This new initiative is a continuation of the NY AG’s focused effort on breast cancer charities. In June 2011, the NY AG filed a complaint against the Coalition Against Breast Cancer (“CABC”), which was alleged to be nothing more than a sham charity established to benefit its founders. According to the complaint, CABC solicited more than \$9.1 million from the public but spent virtually none of it on breast cancer programs. Instead, the founders used the contributions to provide benefits to themselves and their families. In addition, CABC allegedly deceptively advertised an affiliation with the Memorial Sloan-Kettering Cancer Center when, in fact, no such relationship existed. These activities provided the basis for multiple alleged violations of New York’s not-for-profit and charitable solicitation laws. A preliminary injunction prohibiting the defendants from, among other things, soliciting or collecting charitable contributions from any person was granted by the court on November 1, 2011, and the case is ongoing.

Additionally, in August 2011, the NY AG secured guilty pleas against the founders of another breast cancer charity, the Coalition for Breast Cancer (“CFBC”), after the NY AG’s office filed an action alleging the defendants operated a phony charity. The complaint alleged the husband and wife founders of CFBC solicited donations for breast cancer programs but instead diverted the money to pay for personal travel expenses, lavish meals, shopping excursions, and their daughter’s sorority dues. As a result of these activities, the husband in this case pled guilty to two felony counts – one of grand larceny and one of scheme to defraud – while the wife pled guilty to one count of falsifying a business record for her role in opening bank accounts for the organization.

In the newest breast cancer charity investigations, the NY AG is spreading its reach to investigate nonprofits as well as for-profit businesses that engage in cause-related marketing. As the first step in its investigation, the AG has sent questionnaires to at least 40 charities and 130 companies. These questionnaires ask for detailed information specific to activities in which the sale of a product or service is advertised to benefit breast cancer causes. The NY AG is likely to use the information gleaned from the questionnaires to assess whether further investigation is needed in specific instances.

New York’s Requirements for Commercial Co-Venturers

New York is typical of many states in that its charitable solicitation laws (specifically, The Solicitation and Collection of Funds for Charitable Purposes Act, N.Y. Executive Law Article 7-A) define a commercial co-venturer, or business that conducts cause-related marketing, and contain specific requirements for a commercial co-venturer. These requirements include having a written contact with the charitable organization and maintaining accurate books and records of activities for three years following the cause-related marketing campaign. Unlike several other states (such as Alabama, Maine, and Massachusetts), New York does not require that the commercial co-venturer register, obtain a license, or file a bond with the Attorney General. New York does specify, however, that any charity with which a commercial co-venturer contracts must itself be registered.

The New York charitable solicitation laws also mandate that advertising surrounding the cause-related marketing campaign must contain specific disclosures such as the anticipated percentage of the gross proceeds or the dollar amount per purchase that the charity will receive. At the conclusion of the cause-related marketing campaign, the commercial co-venturer also is required to provide an accounting to the charity, including the number of items sold, the amount of each sale, and the amount paid or to be paid to the charity.

Aside from specific requirements for commercial co-venturers, the New York charitable solicitation laws also generally prohibit any person from engaging in a fraudulent or illegal act including “obtaining money or property by means of a false pretense, representation, or promise.” Importantly, New York does not require that either intent to defraud or an injury be shown to prove fraud. Therefore, it is very important for those involved in cause-related marketing campaigns to carefully review their advertisements to ensure that all regulatory requirements are met and that the campaign is not represented in a way that could be characterized as misleading or deceptive, such as by not including any maximum donation limits or implying that the money received will be given to a specific program if it is instead used for general purposes.

Recommendations for Marketers Conducting Cause-Related Campaigns

The New York Attorney General’s investigation is rather unique in that its reach extends into examination of the activities of for-profit marketers. For many marketers, entering into a cause-related marketing campaign is the company’s first venture into charitable solicitation and the regulatory framework surrounding such activities. However, marketers should perform due diligence on potential partners when entering into any new commercial venture. In this case, cause-related marketing efforts should be no different. In fact, because charities are themselves subject to legal and regulatory requirements, the marketer is opening itself to some unique legal and relationship risks in cause-related marking campaigns. For example, one risk may be that the charitable organization is not itself in compliance with applicable charitable solicitation requirements or is found to be a “scam” organization (such as the allegations in the complaints filed this summer by the NY AG against the two breast cancer organizations).

For these reasons, marketers should consider adopting contractual protections in their cause-related marketing agreements. These protections could address such areas as compliance with charitable solicitations laws and the Internal Revenue Code. The marketer also should develop a due diligence and reporting program in order to collect relevant information to confirm the charity’s compliance with applicable federal and state laws. Finally, provisions for indemnification of the marketer by the charity for any claim related to the legal or regulatory status of the charitable organization, as well as insurance to cover the indemnity obligation, also should be considered in the agreement with the charity.

Conclusion

The most recent initiative by the NY AG highlights the increasing focus of state regulators on charitable solicitation in general and cause-related marketing campaigns in particular. Both charities and marketers involved in cause-related marketing should pay close attention to state requirements for charitable solicitation and prohibitions against fraudulent advertising. When it comes to accomplishing the mission of consumer protection, no cause, no matter how purportedly noble, is off-limits to scrutiny from state regulators.

* * * * *

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March 10, 2011

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Association Trends (and elsewhere in various forms)

This article also appeared in the Annual Legal Review section of the March 17, 2011 issue of Association TRENDS. To read the entire section, visit the [Association TRENDS website](#).

Additionally, this article was published in the American Association of Medical Society Executives (AAMSE)'s Hotline on March 4, 2011; Final Proof, an e-newsletter by Association Media & Publishing, on March 15, 2011; the Summer 2011 issue of Chamber Executive; the July 21, 2011 edition of ASAE's Dollars & Cents; and the July/August 2011 issue of Taxation of Exempts.

Nonprofit organizations often allow others to use their trademarks – such as their logos – without much control. This was not a major problem years ago when nonprofits were less aggressive in disputing trademarks and had charitable missions that made courts more tolerant. Today's nonprofits are different.

The Wall Street Journal noted the rise in trademark battles among nonprofit organizations in a page-one story on August 5, 2010. As I told *The Journal*, "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.'"

More recently, in November 2010, a federal appeals court, in a case called *Freecycle*¹, found that a nonprofit abandoned its trademarks because it engaged in what is called "naked licensing." Simply said, naked licensing is when a trademark owner allows another party to use its trademarks without sufficient control. All trademark rights are lost when abandonment occurs.

The amount of control required to avoid naked licensing depends on the circumstances, though *Freecycle* provides some guidance. The big-picture mistakes of the trademark owner in *Freecycle* would apply to most trademark owners. In *Freecycle*, the court found the owner failed to have an overall system of control. Specifically, the owner (1) failed to retain express contractual control over use of the marks by its members, (2) failed to exercise actual control over use of the marks by its members, and (3) was unreasonable in relying on the quality control measures of its members. Thus any trademark owner should establish control in writing, exercise actual control, and not rely on members to control themselves, as discussed further below.

To determine what type of control is needed within this system, it is useful to understand the type of mark being challenged in *Freecycle*. In *Freecycle*, the marks (e.g., FREECYCLE) appeared to be traditional trademarks (*i.e.*, marks that identify the source of goods/services); the owner sought to register its logo as such. The marks did not appear to be certification marks (*i.e.*, marks that certify the quality of goods/services) or collective membership marks (*i.e.*, marks that just signify membership in an organization).

Arguably collective membership marks require less – or at least a different type of – quality control compared to traditional trademarks and certification marks. This is because collective membership marks just signify membership in an organization. These marks do not signify that goods/services come from a particular source (like the traditional trademark THE NATURE CONSERVANCY on a magazine) or that a product is of a certain quality (like the certification mark UL on an electronics device, which shows approval by the nonprofit Underwriters Laboratories). This distinction is important in considering how to treat marks used by the members and chapters of nonprofits. It may help to treat such marks as collective membership marks to avoid naked licensing.

Often a nonprofit wishes to allow members and chapters to use the nonprofit's primary logo as a sign of

membership, though the nonprofit does not wish to manage a certification program like UL or a traditional trademark license (e.g., as used in merchandising). In that case, the nonprofit should take three steps.

First, the nonprofit should ensure the mark does not make the impression of a certification mark or traditional trademark, but instead makes the impression of a membership mark. An effective way to convey this to the world is to add the word "MEMBER" (for members) or "CHAPTER" (for chapters) to the mark and apply to register the mark as a collective membership mark with the U.S. Patent and Trademark Office (USPTO).

Second, the nonprofit should change its bylaws and/or policy manual in such a way that will license the mark to members and chapters, and automatically bind them to specific controls for use of the mark. The specific controls would include a requirement not to use the mark other than as a sign of membership (except that chapters could provide limited services the nonprofit expects from a chapter). The controls would also require members/chapters not to change the mark, and to stop using the mark when member/chapter status is lost.

Third, the nonprofit should actively enforce the trademark terms of the bylaws and/or policy manual. (Note that, barring an instance of a nonprofit's members agreeing to be bound by the terms of a policy manual as a condition of membership, only a nonprofit's bylaws are contractually binding on members of the nonprofit – if the organization has *bona fide* members – so that if the provisions are included in a policy manual, you will want to cross-reference that fact in the bylaws. For non-membership nonprofits, there will need to be some affirmative agreement to the terms and conditions, such as an online click-and-accept feature.)

As a final point, it is important to note that the trademark owner in *Freecycle* alleged that a 1993 case called *Birthright*² stood for the principle that loosely organized nonprofits, which share "the common goals of a public service organization," should be subject to less stringent quality control requirements. The court in *Freecycle* said that even if it were to apply a less stringent standard, the trademark owner in *Freecycle* would not meet the lower standard (and that even a lower standard would still require some monitoring and control, consistent with *Birthright*). The court did not take the chance to say whether the "less stringent" requirements should still apply to nonprofits in today's world, though the court seemed skeptical.

We would expect a modern court that takes a position on the *Birthright* issue will say the "less stringent" requirements for quality control do not apply to nonprofits in today's world – especially nonprofits without charitable missions. The party in *Birthright* provided charitable, emergency services for women with crisis pregnancies. Many nonprofits today are not focused on charity but are more like businesses. Many nonprofits today have the size, professional staff, and resources to manage their trademarks like any for-profit company. Thus, nonprofits today should be prepared to be viewed like for-profit companies for trademark law purposes.

Even if nonprofits happen to be subject to "less stringent" requirements, they should be prepared to face aggressive adversaries in trademark disputes. Thus nonprofits should rise to meet basic quality control requirements by establishing control in writing, exercising actual control, and not relying on members to control themselves. In any case, it may help nonprofits to treat certain marks as collective membership marks and take appropriate steps to ensure the marks are treated that way by consumers, the USPTO, and courts – or risk getting caught engaged in naked licensing.

* * * * *

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This article is not intended to provide legal advice or opinion and should not be relied on as such. Legal advice can only be provided in response to a specific fact situation.

¹ *FreecycleSunnyvale v. Freecycle Network*, 626 F.3d 509 (9th Cir. 2010).

² *Birthright v. Birthright Inc.*, 827 F.Supp. 1114 (D.N.J. 1993).

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October 5, 2010

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The Top Five Technology Legal Traps for the Unwary Association

**This article appeared in the Dec. 2010 issue of Associations Now magazine, published by the American Society of Association Executives.*

New technology brings new opportunities for associations to leverage new communication devices, systems and networks. However, incorporating new technology into an association's operations or its external communication, membership or marketing efforts without first considering the potential legal risks can expose the unwary association to potential liability. In order to keep from falling into these legal traps, associations must first be aware of them, and then take proactive steps to avoid them. The following is a non-exhaustive list of some of the top legal traps that can snare an association using new today's new technology.

#1 - The Online/Electronic Contract Trap

Electronic contracts are generally enforceable to the same extent as paper contracts. The Uniform Electronic Transaction Act ("UETA"), which provides that an electronic signature satisfies any legal requirement for a signature on a contract, has been adopted by 47 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Federal legislation, called the Electronic Signatures in Global and National Commerce Act ("ESIGN"), also endorses the use of electronic contracts in interstate commerce. However, even if electronic contracts are generally enforceable, associations that enter into contracts online still have to be mindful of contractual requirements such as showing knowledge of, and assent to, the contract by both parties. Additionally, electronic contracting requires consideration of unique issues, such as maintaining a level of security and authentication adequate to verify reasonably the identity of the parties entering the contract.

Once an association begins to use electronic contracts to make its content, resources and tools available online, the association also should consider setting forth the specific terms and conditions governing the use of such content, resources and tools. These terms and conditions should address common issues such as end-user conduct, permissible use of intellectual property, notice of proprietary rights, disclaimers, limits on liability, the association's role or responsibilities, and other relevant legal issues related to the particular conduct. With respect to posting such terms and conditions, the association should not rely solely on mere notice. Maintaining an enforceable legal document should be accomplished by providing both notice and an opportunity for the end user or other contracting party to review the applicable terms and conditions and subsequently provide some manifestation of assent to the applicable terms and conditions. Recent court decisions suggest that mere notice without a manifestation of assent is not sufficient to make the terms and conditions enforceable. An association also should implement a process by which to document and maintain a record for the online formation and "execution" of an electronic agreement in the same general manner that an association may keep records of the execution of its paper contracts, pursuant to its records and information management policy.

#2 - The Social Media Trap

Associations that operate interactive websites, listserves, blogs, or other interactive online forums, or that utilize online social networks, may encounter user postings with content that infringes or violates the rights of others. For example, with respect to copyrightable works owned by third parties, such as articles written by others, if the posting was made by an association employee, the association may be vicariously liable for copyright infringement if the posting was done without the permission of the copyright owner. If the posting was done by a third party (such as an association member), an association could become liable if it contributes to the posting of the infringing content or alters the material so as to contribute to its content, or if it knew or should have known of the infringement and did not take prompt corrective action. The safe harbor provision of the federal Digital Millennium Copyright Act ("DMCA") may help shield an association from liability for third-party postings that contain infringing

material so long as the organization itself maintains a neutral role, *i.e.*, the infringing material is transmitted at the direction of someone else, is carried out through an automatic process, is not sent to recipients specifically selected by the hosting company, and is transmitted without modification. The federal Communications Decency Act (“CDA”) also provides some protection from defamation and other tort liability for postings by third parties, so long as the association does not become the “publisher” of the content. Note that the CDA does not provide protection from antitrust liability or liability for copyright or trademark infringement.

An association should post terms and conditions that govern the behavior of third-party posters as well as the association’s own employees, and that clearly identify the type of acceptable content that may be posted to the website or other interactive online forum operated by the association. In addition, associations should maintain a policy governing social media use by association employees, making clear both what is encouraged and what is prohibited, restricted or otherwise subject to regulation by the association.

Social media or networking sites also make it easier for someone to masquerade as another person or entity. For example, in *LaRussa v. Twitter, Inc.*, Major League Baseball manager Tony LaRussa sued Twitter after discovering that someone both created an account using his name (www.twitter.com/TonyLaRussa) and posted negative “tweets” about him underneath his name and photo. After contacting Twitter about the account and receiving no response, LaRussa sued Twitter for trademark infringement as well as cybersquatting and misappropriation of his name. Although the suit was later voluntarily dismissed, it provided an example of both the need to monitor and enforce an association’s online identity and the risk that can arise from not establishing and identifying for the public an association’s official online presence. This is especially critical when an association plans to permit others, even affiliated entities such state and local chapters, to use the association’s name online. An association should declare which sites are its own and provide rules for when someone else is using the association’s name or trademark outside of the association’s official site(s).

#3 - The Trademark Trap

It is easy to misuse third-party trademarks in electronic environments. As a general rule, an association should only use a third party’s trademark with permission. In addition, an association should remain vigilant with respect to protecting its own trademarks. Associations should monitor for impermissible use of the association’s name or trademarks in or as keyword search terms, user account names, or as the primary variables in unauthorized search engine optimization efforts. To protect against trademark infringement via online advertising or online social networks, associations should consider reserving their own trademarks as user account names and/or as online search keywords with online social networks, ad networks, search engines, and other interactive communities in order to claim rights in the character string equal to an association’s full or most recognizable name (s). Associations also should notify and communicate with the appropriate search engine operators or online advertisers if they believe that their trademarks are being improperly used. Associations should make it an express policy to prohibit use by third parties of its name or trademarks as an account name or avatar (*i.e.*, a user or account holder’s representation of itself, or the alter ego whether in the form of an image, symbol, icon, logo, username, or text string). Associations should periodically search and enforce such a rule in order to uncover instances when an association’s trademark rights are being infringed or misused.

Domain names remain another area where trademark rights can be easily trampled. Associations likely want domain names that are equivalent or similar to their organization’s name. As such, associations must remain diligent in their efforts to protect their trademark rights in connection with certain domain name reservation or registration practices. Although registrars now recognize the protection and enforcement of trademark rights in their domain name registration practices, new forms of cybersquatting consistently arise in connection with the increasing number of available top-level domains for domain name registration, such as country- or business-specific domains. For example, “front runners” are domain prospectors who register names immediately after potential brand owners have filed trademark registration applications with the U.S. Patent and Trademark Office. This has the effect of requiring the potential brand owner to purchase the domain name from the domain prospector. To protect against “front-running,” associations should consider simultaneously registering for a domain name(s) corresponding to the trademark that is the subject of a new application. Associations also must remain aware of cybersquatters that engage in “drop-catching.” In such instances, cybersquatters wait for a registration for a domain name to expire and then “drop-catch” (immediately register the domain name). Cybersquatters profit by building traffic off of the prior registrants. This is especially true of domains that contain trademarks. Associations can avoid “drop-catching” by being proactive in

their efforts to renew their domain names.

#4 - The New Technology Trap

When a new technology gains widespread use and acceptance, it still remains important for an association that may be utilizing the technology for the first time to be aware of the related requirements and potential risks associated with the new technology. This is true even if the association is not one of the early adopters of the technology. For example, more and more associations are conducting business transactions (such as membership dues payments, conference registration fees, and publication sales) and accepting payment through their websites. Associations that utilize credit and debit cards to process payment transactions should ensure that their efforts to protect consumer account information comply with PCI Data Security Standards ("PCI DSS"). PCI DSS is a set of 12 security standards created by the credit card industry that are intended to help organizations protect customer account information from theft and misuse. The standards focus on security management, as well as policies, procedures and protective measures for safeguarding customer account data. Although there are no federal or state laws that mandate compliance with all 12 PCI standards, several states, including Minnesota, have recently enacted statutory requirements similar to PCI DSS. The Minnesota law prohibits merchants from storing sensitive authentication data after payment cards are authorized. As a consequence, associations that process payment card data should validate the association's data security, handling and storage processes and take proactive steps to ensure their compliance with PCI DSS. On many occasions, an association may need to implement and pay for the necessary security programs and measures required to remain in compliance with PCI DSS. Although such PCI compliance may be costly, in the long run, secure payment systems will help associations to preserve member/customer loyalty and brand value.

Associations also must protect against the risks that accompany employee use of employer-issued mobile communication devices. More and more associations permit use of, or even provide their employers with, mobile devices to facilitate their work. As the capacity and sensitivity of data that mobile communication devices can hold continues to expand, employers should make every effort to protect the information managed or stored through such devices in the same manner that the association manages the information on its own internal computer network. For example, the use of third-party applications on mobile communication devices is now a prevailing norm (e.g. ringtones, games, etc.). As a result, the risk of malware for mobile devices continues to increase (e.g., there were some 300 to 500 known versions of mobile malware in 2008). Although most mobile operating system vendors require third-party applications to be tested for approval and certification, this often is not enough protection to avoid viruses or other forms of malware. Associations should therefore work to protect both their own internal computer networks and systems and their external networks and mobile devices by purchasing anti-malware programs and measures that address both kinds of networks. Additionally, employers should implement proactive processes to protect information on employee mobile devices that are lost or stolen. Beyond password features, associations should invest in remote data deletion software that would allow an association to remotely delete sensitive information on lost or stolen devices.

#5 - The Employee Use Trap

As more and more information is stored electronically and new technology makes it easier to access and disseminate information, trade secret protection becomes harder to manage and enforce. Trade secret owners therefore must take extra precautions for the use, handling and transmission of their valuable or proprietary information in digital form. Associations should implement policies directed specifically against disclosure that may occur online or through mobile communication devices. These policies should focus on restricting and controlling employee access to and disclosure of trade secrets through these newer forms of communication. For example, associations should prohibit employees from storing confidential information on unauthorized digital devices or posting confidential information on unaffiliated websites (e.g., social media sites, blogs, etc.). Additionally, associations should actively promote security compliance to their employees, and require that employees promptly report any security breaches. Finally, upon termination of employment, associations should require employees to delete any association information that has been stored on personal electronic devices.

In addition to remaining mindful of trade secrets in connection with mobile communication devices, the capabilities of remote access are increasingly expanding the traditional notion of the workplace. This expansion has ramifications on both controlling and monitoring employee conduct. According to the U.S. Supreme Court's recent decision in *City of Ontario v. Quon*, employers can monitor employee text messages on employer-issued mobile phones or pagers – if done in the appropriate manner. In that

case, the City reviewed an employee's text messages (and those of two fellow co-workers) after the employee exceeded his texting limit. In conducting its review, the City discovered many of the employee's text messages to be personal and sexually explicit. The Court held that the search did not violate the employee's Fourth Amendment rights to reasonable search and seizure. While *Quon* involved a government employer and thus posed different legal standards than most associations face, it serves as an important reminder that associations should consider adopting policies that explicitly address the ability to monitor employee conduct outside an association's own offices (e.g., on personal computers linked to the association's network and personal mobile communication devices linked to the association's email system) – and that specifically make clear to employees that they have no reasonable expectation of privacy when using these facilities. In addition to safeguarding confidential information and maintaining productivity, monitoring can be justified as necessary to help protect associations from vicarious liability for employee conduct. Courts have regularly held employers liable for their employees' inappropriate use of employer-provided mobile communication devices. For example, in *Ellender v. Neff Rental, Inc.*, an employer was held vicariously liable for the negligence of an employee who caused an accident in his personal vehicle while conducting business on his employer-provided cell phone. Therefore, to protect themselves from potential liability, associations should establish written policies that work to monitor and deter inappropriate use of association-related facilities both in and outside of the office.

* * * * *

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Association names and acronyms may be trademarks protected under federal law or at common law. But what happens when your association's name or acronym is used by another association? Can you prevent the other association from using your mark or will your association have to give up its mark after all the time and money expended on building recognition in the mark? The answer is: it depends.

It is important for every association to understand the basics of trademark law in order to secure its trademark rights, to recognize infringement of its marks, and to avoid possible infringement of someone else's trademark.

A trademark is any word, phrase, symbol, or design (or combination thereof) used by a company, individual, or association to identify the source of a product. A service mark is the same as a trademark except that it identifies the source of a service. A certification mark is a mark used by an authorized third party to indicate that their products or services meet the standards set by the owner of the mark.

Choose your mark carefully, because not all trademarks are entitled to protection under either common law or federal law. Generic marks (those that are the common name of the product or services offered, for example, CARS for cars), or descriptive marks (those describing a feature, function, quality, characteristic, use or user of the product or service offered, for example, USED CAR DEALER for a magazine in the field of automobiles), marks that are primarily surnames, geographically descriptive marks, national symbols or scandalous marks are generally not protected. However, descriptive marks and surname marks can acquire trademark significance through extensive use of the mark over time. It may also be possible to get around these problems by combining a generic, descriptive or surname mark with a distinctive logo design; the words together with the design may be protected.

Ideally before a trademark is chosen, the mark should be "searched" and cleared for availability. Searching can answer two questions: will the use or registration of the mark infringe someone else's mark, and will you be able to stop or prevent someone else from using the same or a similar mark to identify the source of the same or similar products or services? It is worth noting that infringement of a trademark does not have to be intentional; innocent infringement still forms the basis for a cause of action against the later user. Therefore, searching and clearing trademarks can be a critical part of managing and protecting your association's intellectual property.

Trademark rights are established either by use of the mark in commerce, or by federal registration with the U.S. Patent and Trademark Office ("USPTO"). For state or local associations, state registration also is available. Generally, the first party to use the mark in commerce or the first to file an application for registration has the right to use or register the mark. For example, if the Association for Bicycle Safety filed a trademark application for the mark ABS with the USPTO on March 12, 2003 covering association services, namely, promoting bicycle safety, and the American Bicycle Society begins using ABS on June 12, 2003 in connection with association services, namely, promoting the interests of bicyclists, the safety group would have superior rights (once the application matures to a registration) and could prevent the latter group from using the ABS mark.

Trademark rights extend to the same or similar marks when used to identify the same or related products or services. There may be a likelihood of confusion between two parties' use of the same or similar mark on the same or similar products or services in the same industries, such as in the ABS example above. On the other hand, two different users of the same mark may be able to coexist if the marks are used on different products or services in different industries. For example, the Association for Bicycle Safety and the American Baker Society could both use the mark ABS.

One exception to this rule is if one of the marks is a "famous" mark. The owner of a famous mark may be able to prevent others from using the same mark on *any* product or service if such use causes dilution of the distinctive quality of the mark. However, a recent Supreme Court ruling has made proving

dilution of famous marks much more difficult, especially when the marks are not identical.

Understanding the basics of trademark law will help strengthen the value of your association's trademarks as well as prevent your association from infringing the trademark rights of others, with the sometimes devastating consequences that can follow.

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Despite great potential to use intellectual property to raise non-dues revenues and better serve members, many association leaders fear that the “hassles” or “mistakes” surrounding copyright issues in the past preclude new knowledge-based product development. One lawyer’s response? Do something about it.

Your association wants to launch a new online educational service. The association's staff develops a wonderful, innovative proposal. The service would hinge on taking years' worth of association-published materials on every aspect of your industry and reformulating it into a user-friendly, searchable database.

Or perhaps the idea is to take past articles on select topics from your magazines or newsletters, or past speaker handouts from your conferences, and repackage them into a new, more-accessible online service for members. Or maybe the concept is to create a “best practices” online library, culling sources from your association's publications, meetings, and other resources. These potential revenue-raisers might even involve another industry association.

In all of these instances, your association's ability to engage in the exciting new venture hinges on its ownership – or at least right to use – the intellectual property (i.e., copyrights) in the relevant materials. If association employees created all of the materials, the copyright issues would be simple and likely non-existent. Unfortunately, in the world of association management – where staff has no choice but to rely on the invaluable input of and content from volunteers and outside contractors – the legal analysis is far from simple.

In fact, due to a basic, straightforward, yet very misunderstood concept of our copyright law – that the paid or unpaid creator of the work is the owner of the copyright in that work (except for an employee acting within the scope of his or her employment and certain other very limited circumstances) – the realities of this law can throw a big monkey wrench into your association's well-conceived plans. Some associations are so fearful of copyright law and its implications that they shy away from even attempting what could be highly successful ventures.

All of this is terribly unfortunate – and very unnecessary. Once understood, this simple tenet of copyright law can be quickly used to the association's advantage. For instance, by obtaining brief, one-paragraph copyright “assignments” (transfers of ownership) or “licenses” (permission to use, which can be drafted broadly and perpetually) from volunteer authors, speakers, and committee members, as well as from all paid contractors and consultants, the association can ensure that it has the rights to do with “its” publications whatever it chooses, without restriction, without fear of reprisal from copyright holders, and without having to pay royalties to hundreds of “joint authors.” And even if your association may not have been as proactive as it should have been over the years – you would be shocked at how many have not – all is not lost. These problems are solvable – easier at the outset than later on, to be sure – but solvable nonetheless.

In short, an even rudimentary understanding of the basics of copyright and trademark law can go a long way toward giving your association the flexibility it needs and wants to engage in the activities it desires, to launch the new ventures it conceives of, and to otherwise act in the best interests of the association rather than let intellectual property laws be the tail that wags the dog.

Below are 11 tips that will, if followed, go a long way toward protecting and maximizing your association's intellectual property and avoiding the infringement of others'. The following guidelines should provide the framework for effective association policies and practices in the copyright and trademark area:

1. **Use copyright and trademark notices.** Use copyright notices (e.g., © 2004 The Center for Association Leadership. All rights reserved.) on and in connection with all creative works published by

your association and trademark notices on all trademarks, service marks, and certification marks owned and used by your association (e.g., TM for non-registered marks and ® for registered marks). While copyright and trademark notices are not required, their effective use can significantly enhance your intellectual property rights, including eliminating an “innocent infringement” defense.

2. Register your trademarks. Register your association’s name, logos, slogans, certification marks, and all other important marks with the U.S. Patent & Trademark Office. While federal registration of your marks is not required to obtain and maintain trademark rights, it can be extremely helpful in enhancing and enforcing them. In addition, obtain domain name registrations for all available names you plan to use in the future, and try to obtain registrations from others if your association has superior rights to the domain name.

3. Register your copyrights. Register your association’s Web site, publications, and all other important, original, creative works that are fixed in any print, electronic, audio-visual, or other tangible medium with the U.S. Copyright Office. Again, although such registration is not required to obtain and maintain a copyright in a work, it is a prerequisite to filing suit to enforce your rights, and it confers other valuable benefits. Copyright registration is a very simple, inexpensive process that can be done without the assistance of legal counsel.

4. Police use of your intellectual property. Police the use of your copyrights and trademarks by others and enforce your rights where necessary. Use periodic Web searches, among other means, to do so. Enforcement does not necessarily involve the filing of a lawsuit.

5. Codify all licenses in writing. Whenever your association lets others – such as members, chapters, affiliated entities, or endorsed vendors – use your name, logos, copyrighted works, and other intellectual property, put the terms and conditions of the license in writing. Note that an assignment (transfer of ownership) must be in writing to be valid, as must an exclusive license (permission to use). While oral or implied non-exclusive licenses can exist, they can be difficult to interpret, difficult to enforce, limiting in nature, and otherwise problematic for your association. If a copyright owner will not assign a copyright to your association, simply obtain a broad, permanent license instead. A perpetual, irrevocable, worldwide, restriction-free, royalty-free license to use a copyright holder’s work in any medium – whether exclusive or non-exclusive – can be virtually as good as ownership and typically much easier to obtain.

6. Make sure you own or have permission to use all intellectual property. Ensure that your association owns or has appropriate permission to use all intellectual property (e.g., text, graphics, photos, video) that appears in its publications, on its Web site, and in all other media. More copyright problems arise in this area than any other. You may have conceived the idea, supervised the work’s creation, and paid for it, but that does not mean you own the work. You may have only a limited license for a specific use. When you wish to use the work on another project or in another medium, you may learn that a separate fee and permission is required.

7. Maintain agreements with contractors. Maintain written contracts with all contractors to your association, such as software developers, lobbyists, and other outside consultants and contractors, to ensure that your association is assigned the ownership rights (or at least sufficient, irrevocable license rights) to all intellectual property created by the contractor under the agreement. Without something in writing, the basic rule in copyright law is that the person who creates the work is the one who owns it, regardless of who paid for the work to be created. This rule does not apply to employees, ownership of whose work (that is within the scope of their employment) automatically vests in the employer. If your association is a joint author with another party (e.g., association employees working side-by-side with technology consultants to write software for your association), seek to obtain an assignment from the co-author(s) to your association.

8. Negotiate agreements with authors and speakers. For the same reason stated previously, obtain a written and sufficiently broad license or assignment from all non-employed writers and speakers for your association, including members. Be sure that, for licenses, the permission is irrevocable, worldwide in scope, royalty-free (if applicable), exclusive (if applicable), covers all possible uses of the work in all media, contains a release to use the author or speaker’s name and photograph, and contains appropriate representations and warranties.

9. Don’t forget to collect agreements with board and committee members. Again, for the same reason, obtain a written assignment from every member of your board of directors and committees that assigns ownership of all intellectual property they create (within the scope of their service to the association) to the association. Such a form also can be used to impose confidentiality obligations on members, to require conflict-of-interest disclosure, and to impose noncompetition

restrictions.

10. Protect your membership database. Since names, addresses, and other contact information contained in your membership directory, mailing labels, and membership list are generally not protected by copyright because they usually don't possess the minimum level of originality required, it is imperative for your association to use a "shrinkwrap" license, click-and-accept feature, or other form of contractual commitment to place explicit, binding limits and conditions on the use of your membership list by members, vendors, and others. Failure to do so may leave your association with little or no recourse to prevent unrestricted use of this most-valuable information by those who obtain a copy of it.

11. Rules for interactive online services. As part of your association's chat rooms, bulletin boards, e-mail exchanges, and other member-interactive online services, regularly distribute rules that prohibit the posting of any copyright-infringing materials (along with other rules). In addition, be sure to immediately remove infringing material if it comes to your association's attention.

The bottom line is that a fear of copyright infringement should not prevent association leaders from seriously considering new knowledge products as a way to better serve members, develop non-dues revenues, and forward the organization's mission. However, they should expect to devote significant time and effort to both clearing up any copyright confusion, securing all necessary copyright rights, and ensuring that intellectual property processes and policies are in place and followed.

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Except for employees acting within the scope of their employment and certain other limited cases, the basic rule under U.S. copyright law is that the creator of an original work is the owner of the copyright in that work (regardless of who paid for the work to be created), barring a written assignment of the copyright to another party. This widely misunderstood rule applies with equal force in the association community, and it applies not only to outside contractors such as consultants and lobbyists, but also to your association's volunteer or paid authors, speakers, officers, directors, and committee members. Failure to understand this rule can have devastating consequences for your association.

It is critical for your association to ensure that it owns, or at least has appropriate permission to use, all intellectual property (e.g., text, graphics, photos, video) that it uses in its publications, on its Web site, and in all other media. Your association's staff may have conceived the idea and supervised the work's creation – with your association paying for it – but that does not mean your association owns the work. You may have only a limited license for a specific use. When you wish to use the work on another project or in another medium, you may find the work's creator demanding a separate fee or other consideration – or you may be precluded from using it at all.

Contractors. Maintain written contracts with all contractors to your association – such as software developers, lobbyists and all other outside consultants and contractors – to ensure that your association is assigned the ownership rights (or at least sufficient, irrevocable license rights) to all intellectual property created by the contractor under the agreement. If your association is a *joint* author with another party (e.g., association employees working side-by-side with technology consultants to write software for your association), seek to obtain an assignment from the co-author(s) to your association.

Authors and Speakers. Obtain a written and sufficiently broad license or assignment from all (non-employed) writers and speakers for your association, including members. Be sure that, for licenses, the permission is irrevocable, worldwide in scope, royalty-free (if applicable), exclusive (if applicable), covers all possible uses of the work in all media, contains a release to use the author or speaker's name, photograph, and biographical information, and contains appropriate representations and warranties.

Officers, Directors and Committee Members. Obtain a written assignment from all association officers, directors and committee members assigning ownership of all intellectual property that they create (within the scope of their service to the association) to the association. Note that when a work has numerous creators (such as a set of standards or a report produced by a committee, perhaps in conjunction with association staff), each of the individual contributors (including the association) may be a joint owner of that work, each with the right to use the work and each with a proportional right to share in all proceeds from the work. Below is an abbreviated version of a sample assignment form for use with association committee members (more comprehensive versions of such forms are sometimes used):

Copyright Assignment Form for the ABC _____ Committee

As a member of the _____ Committee (the "Committee") of the ABC Association ("ABC") that assists ABC staff members and others in the development, modification and refinement of _____ and related material for its _____ (collectively, the "Intellectual Property"), I, _____, hereby completely, exclusively and irrevocably assign and agree to assign to ABC in perpetuity ownership of all of the copyrights (and all rights subsumed thereunder) in and to all of my contributions to the Intellectual Property (the "Contributions"), both those Contributions that have been made in the past and those that will be made in the future. I hereby grant, convey, assign, and set over unto ABC, its successors and assigns, on an exclusive basis, all of my right, title and interest in and to the copyrights in the Contributions, including, without limitation, copyrights and renewals and/or extensions thereof, for all territories of the world in perpetuity.

Good and valuable consideration has been provided to me for the assignment of these rights. In addition, I hereby waive any and all rights of attribution and integrity with respect to ABC's use of the Contributions.

Signature_____ Date_____