



# **As Nonprofits Expand Their Global Reach, a Special Focus on Tax, Trademarks and the Foreign Corrupt Practices Act**

May 14, 2013

12:30 PM – 2:00 PM EDT

Venable LLP

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Washington, DC 20004

## **Moderator:**

Jeffrey S. Tenenbaum, Esq.

## **Panelists:**

Lindsay B. Meyer, Esq.

Andrew D. Price, Esq.

Charles K. Kolstad, Esq.

# Presentation



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Washington, DC

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## Upcoming Venable Nonprofit Legal Events

June 25, 2013 – [Employee Leaves of Absence and Other Employee Accommodations under the Law: What Every Nonprofit Needs to Know](#)

July 23, 2013 – Evaluating Your Nonprofit's Options under the Affordable Care Act: The Pros and Cons of Health Insurance Alternatives for Your Employees and Members (details coming soon)



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## Agenda

- Introduction
  - Jeffrey S. Tenenbaum, Esq., Moderator
- Trademark/Brand Strategy and Protection
  - Andrew D. Price, Esq.
- U.S. Foreign Corrupt Practices Act and Anti-Corruption
  - Lindsay B. Meyer, Esq.
- Cross-Border Tax Planning and Compliance
  - Charles K. Kolstad, Esq.



## Trademark/Brand Strategy and Protection

## Getting to Brand Value



## Threshold Brand Issues





## Availability: The “Bet the Nonprofit” Moment

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

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## Distinctiveness: The Hierarchy

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

Note: Terms that are “suggestive” in the U.S. are often considered “descriptive” outside the U.S.

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## Exclusivity: Don't Fall into the Joint-Brand Trap

- What happens when the split occurs?
  - A trademark is not divisible; not like other property
  - Cases are fact-specific, thus expensive
  - Factors:
    - What was the parties' intent?
    - Who used the mark first?
    - Who was responsible for quality?
    - What are consumers' perceptions?
    - Who owns the registration?



## Exclusivity: Joint-Brand Takeaways

- Documentation is key
  - What does the affiliation agreement say?
  - What do the board minutes say?
- Applicant/registrant is key
  - Who owns the application(s)/registration(s)?
    - Some say the registry is “king”
    - Presumption of rights; first-to-file
- Moral: Own the brand outright
  - Fallback: Own the registration and plan for dissolution via written agreement



## Brand Registration & Control



## Registration: First to File/Use

- The problem of “first-to-file” countries
  - Compare with first-to-use/common-law countries
  - The high cost of being the second to file
  - “Trademark troll” extortion
  - Biggest problem countries: BRIC, Mexico



## Registration: Nonprofit Nuances

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

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## Registration: The Chapter/Affiliate Problem

- “From Russia With Love”
  - Trademark registrations are the foundation of brand protection
    - How do you prove bad faith?
      - What does the charter agreement say?
      - What do the bylaws and policies say?

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## Control: The “Naked Licensing” Problem

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



## Control: Four Steps to Licensing

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



## Brand Strength & Value



## Value “Brand Value”

- “**Brand Value**” considers
  - (1) The **performance** of the branded products or services;
  - (2) The **role of the brand** in the purchase decision process; and
  - (3) Brand strength.
- “**Brand Strength**” considers factors like:
  - **Clarity, differentiation, and consistency**
- Interbrand: founded in 1974; 40 offices in 27 countries; helps create and manage brand value
  - Known for **Best Global Brands** report

## Why Does Brand Value/Strength Matter?

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

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



## Brand Value Success Stories

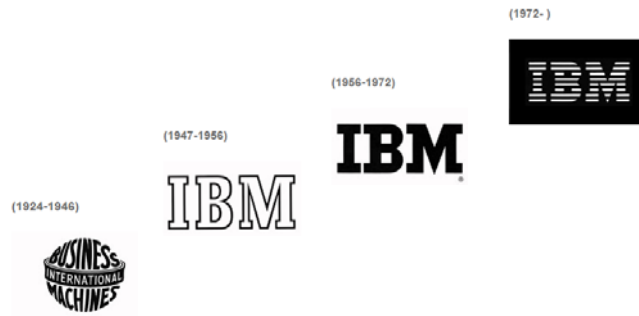
### 2011 Ranking of the Top 100 Brands

[Print](#)

	Rank	Previous Rank	Brand	Region/Country	Sector	Brand Value (\$m)	Change in Brand Value
	2	2		United States	Business Services	69,905	8%
	13	14		United States	Business Services	25,309	9%
	20	22		United States	Business Services	17,262	16%
	24	26		Germany	Business Services	14,542	14%
	45	47		United States	Business Services	8,005	7%



## IBM: A Case Study in Branding



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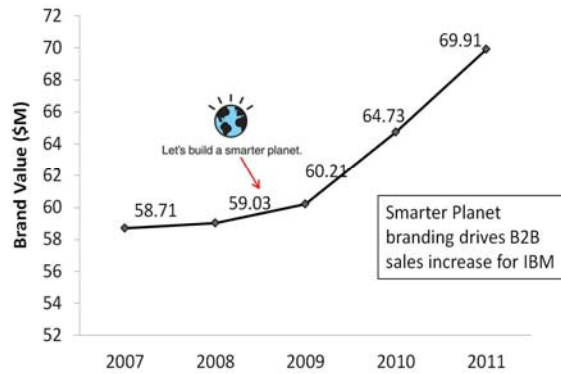
## IBM: Brand Evolution in 2008



- Three elements working together:
  - Main trademark (stylized acronym): **IBM**
  - Slogan (word mark): **SMARTER PLANET**
  - Logo (color design): “smart” blue globe

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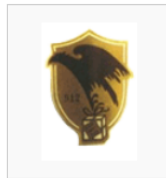
## IBM Increase In Brand Value 2007 - 2011



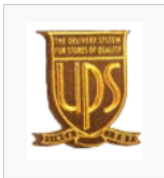
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## UPS: Another Case Study in Branding

### Brand mark



United Parcel Service logo  
(1919-1937)



United Parcel Service logo  
(1937-1961)



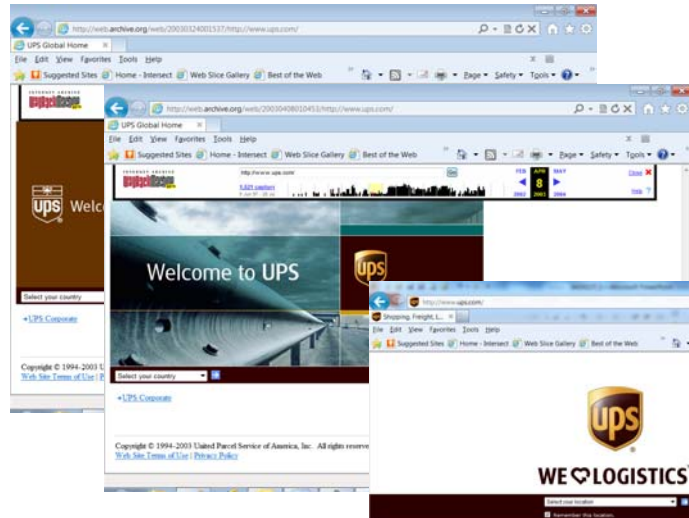
United Parcel Service logo  
(1961-2003)



United Parcel Service logo  
(2003-present)

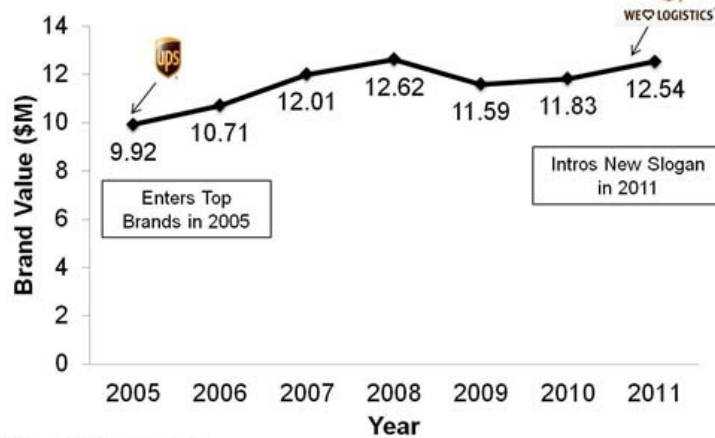
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## UPS: Brand Evolution in 2003, 2011



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## UPS Increase in Brand Value 2005 - 2011



2003 – Brand Update



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## Nonprofits: Act Like a Strong Brand



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## What Do the Top 100 Brands Have in Common?

- **Acronyms** are increasingly popular (30% of top 25)
- Other elements that are both distinctive and **differentiating**:
  - The majority use distinctive **stylization** or **designs** as part of the brand (approx. 80%)
  - The majority use **color** as part of the brand (approx. 70%)
- **Consistency** and **clarity** in use of brands
- **Social media** presence/performance

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## Nonprofits Can Act Like Top 100 Brands



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## You've Arrived



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## Business and Legal Action Items

- Value “**brand value**”
- **Act like a top brand**
- **Control chapters/affiliates** in charter agreements, bylaws and/or policies
- **Avoid naked licensing**
- **Apply to register** key trademarks for key goods/services in key countries
- **Avoid joint ownership**
- Pick **distinctive brands** and clear them

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## “The Single Greatest Asset”

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

Marci Marsh, COO, World Wildlife Fund

“The Role of Brand in the Nonprofit Sector,”

*Stanford Social Innovation Review*, Spring 2012

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## Venable's Global Focus

- We have flexibility that is unique among *AmLaw 100* firms
  - Venable is not bound to use certain firms or individuals outside the U.S.
  - Venable is one of two *AmLaw 100* firms without foreign offices
- We work with foreign firms that provide the best combination of expertise and value



## Venable Has Long Relationships with Top Foreign Counsel



## U.S. Foreign Corrupt Practices Act and Anti-Corruption

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### What Is the U.S. Foreign Corrupt Practices Act or “FCPA”?

- Enacted by Congress in 1977 to stop the practice of bribing foreign officials
- Two main provisions:
  - Anti-bribery provisions
  - Books and records provisions
- Who enforces?
  - Jointly enforced by:
    - U.S. Department of Justice (DOJ)
    - U.S. Securities and Exchange Commission (SEC)



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## The Anti-Bribery Provisions

15 U.S.C. § 78dd-1

- Prohibits:
  - Paying
  - Offering or promising to pay
  - Authorizing to pay or offer
- Money or “anything of value,” directly or indirectly, with corrupt intent,
- To a “foreign official,” political party, political party official, or a candidate for political office,
- For the purpose of:
  - Influencing an official act or decision, or
  - Causing the official to fail to perform his lawful duty, or
  - To secure any improper business advantage, or
  - To assist in obtaining or retaining business for or with any person.
- Limited exceptions and affirmative defenses exist.

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## The Anti-Bribery Provisions (cont'd.)

- Consider your Code of Conduct
  - All employees must avoid even the appearance of impropriety
  - The Code of Conduct prohibits employees from providing or offering money or anything of value, directly or indirectly,
    - To any external party, e.g., foreign officials, but also subcontractors, sponsors, vendors, or other business associates,
    - To improperly obtain or retain business, or
    - To reward favorable treatment.
  - Consequences include:
    - Adverse employment actions up to and including termination, or
    - Potential civil and criminal penalties.

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## Accurate Books and Records

- FCPA also contains provisions requiring **public** companies to maintain books and records that accurately reflect all transactions (15 U.S.C. § 78m)
- What about nonprofit or charitable organizations?
- Do you have a Code of Conduct?
  - While the books and records provisions of the FCPA do not apply to non-profit or charitable entities directly, often an organization's Code of Conduct will require its employees to keep accurate records and use proper accounting methods.
  - Each organization employee is responsible for the integrity of his/her reports, records, and information, and for creating, using, storing, preserving, and disposing of records properly.



## Accurate Books and Records (cont'd.)

- What does your Code of Conduct require?
  - To comply with the FCPA, employees should track, vet, and appropriately monitor:
    - Promotional accounts
    - Charitable giving
    - Entertainment expenses
    - Payments to middlemen, agents, or venture partners



## Who Is Subject to the FCPA?

- “Domestic Concerns”
  - Any corporation, partnership, association, unincorporated organization (such as a nonprofit organization), or sole proprietorship that is organized under U.S. law or has its principal place of business in the United States.
  - Also includes most non-U.S. subsidiaries of U.S. companies and organizations, and U.S. subsidiaries of non-U.S. companies and organizations
  - U.S. citizens, nationals, and residents
- Non-U.S. companies whose securities trade on U.S. exchanges via American Depositary Receipts (ADRs)

## Who Is Subject to the FCPA? (cont'd.)

- *Respondeat Superior* Liability:
  - Organizations subject to the FCPA are vicariously responsible for the actions of their employees, agents, independent sales representatives, distributors, and other service providers, so long as they are acting on the organization's behalf and are joint-venture partners.
    - “Directly or Indirectly”
    - Example: BAE made unlawful payments to “market advisors” to facilitate sales of defense articles to European and Middle Eastern governments.
      - BAE “failed to conduct adequate due diligence into these advisors” who were acting as BAE agents.
      - Paid \$400 million and £30 million in penalties.

## Understanding Territorial Jurisdiction

- Both DOJ and the SEC take an extremely broad view of U.S. FCPA jurisdiction:
  - Any contact with the U.S. in furtherance of the corrupt scheme, no matter how slight, gives rise to FCPA jurisdiction, to include:
    - E-mails,
    - Telephone calls, and
    - Use of U.S. accounts to clear dollar-denominated transactions (“correspondent bank accounts”).
- **Example:** In 2011, allegations that JGC, a Japanese corporation, bribed Nigerian government officials to obtain business related to designing/building an LNG plant.
  - “Territorial jurisdiction” theory from JGC’s co-conspirator’s use of correspondent bank accounts to transfer alleged bribes between two foreign banks.
  - \$218.8 million criminal penalty paid as part of 2-year deferred prosecution agreement with DOJ.

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## So, What Are the Elements?

- “Anything of value”
- “Directly or indirectly”
- “Foreign official”
- “Obtaining or retaining business”
- As the cases show, the devil is in the details!
- For nonprofits, consider:
  - Promotional accounts
  - Charitable giving
  - Entertainment expenses
  - Payments to middlemen, agents, service providers, venture partners

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## Watch Out for “Willful Blindness”

- FCPA applies to knowing violations, i.e., payments made with corrupt intent.
  - **BUT**, can’t engage in willful blindness where probability that an illegal payment is likely, or it satisfies the “knowledge” or “corrupt intent” requirement.
- Examples where “knowledge” might be found:
  - Doing business in a country with rampant corruption without vetting suppliers and representatives
  - Hiring a foreign representative with a history of making illegal payments without properly supervising or vetting the representative
  - Hiring an agent whose function is unclear
  - Building into a contract price extra costs to “grease” wheels
  - 2009 *Bourke* case - U.S. Dis. Ct. for S.D.N.Y. Jury instructed that “knowledge may be established if a person is aware of a high probability of its existence and consciously and intentionally avoided confirming that fact.”
    - Bourke found guilty and sentenced to 1 year in jail. © 2013 Venable LLP



## Affirmative Defenses and Exceptions

- **Note:** Extremely limited
- When the payment is lawful under the **written laws** of the foreign government official’s country
  - There are no such written laws
- When the payment is a reasonable and *bona fide* expenditure, such as travel and lodging expenses, incurred by or on behalf of a foreign government official and directly related to:
  - The performance, demonstration, or explanation of products or services; or
  - The execution or performance of a contract with a foreign government or agency.
  - That does NOT include a weekend in Vegas!



## The Disappearing Facilitation Payment Exception

### ■ Facilitation Payment Exception

- A narrow exception for nominal payments
- Also known as “grease payments”

### ■ BUT...

- Action sought to be facilitated must be ministerial
- It must not involve any discretion on the part of the foreign government official
- The amount paid must be modest
- Tension with “business nexus concept”
- Contrary to OECD Treaty
- Violates the UK Bribery Act
- Violates the national law of most nations



## What Happens If?

### ■ Criminal Penalties

- For corporations/organizations, up to \$2 million per violation or twice the pecuniary gain, whichever is higher
- For officers, directors, shareholders, employees and agents, up to \$100,000 and imprisonment up to five years

### ■ Civil Penalties

- Disgorgement;
- Injunction;
- A fine of \$10,000 per violation; and/or
- Enhanced penalties of up to \$500,000.

### ■ Private Lawsuits

- Currently, no FCPA private right of action
- But, civil litigation involving or stemming from alleged FCPA violations is rampant

### ■ Don't Lose the Golden Goose:

- Loss of Grants/Contracts!



## Recent Trends

- Enforcement against Individuals
  - **Jean Rene Duperval**, sentenced to **9 years** in prison for involvement in the *Haiti Telecom* case.
    - First foreign official to stand trial in an FCPA case.
  - **Albert Jack Stanley**, sentenced to **30 months** in prison for his involvement in the *KBR/TSKJ* case.
  - **Manuel Caceres**, sentenced to **23 months** in prison for his involvement in the *Latin Node* case.
  - **Fernando Basurto**, sentenced to time served after **22 months** in prison for involvement in *ABB* case.
  - **Jeffrey Tesler**, sentenced to **21 months** in prison for involvement in the *KBR/TSKJ* case.
- Challenges to case law by settlement!



## 2012 Enforcement Actions

- 12 Corporate FCPA Enforcement Actions (\$260M)
- Average fine/penalty \$21.7 million (median \$17.3M)
  - **5 DOJ & SEC:**
    - Smith & Nephew (\$22.2M)
    - Biomet (\$22.8M)
    - Orthofix (\$7.4M)
    - Pfizer (\$60.1M)
    - Tyco (\$26M) (follows 2006 \$50M & \$1M disgorgement)
  - **4 DOJ only:**
    - Marubeni (\$54.6M)
    - BizJet/Luftansa (\$11.8M)
    - Data Systems & Solutions (\$8.82M)
    - NORDAM Group (\$2M)
  - **3 SEC only:**
    - Oracle (\$2M)
    - Allianz (12.3M)
    - Eli Lilly (\$29.4M)





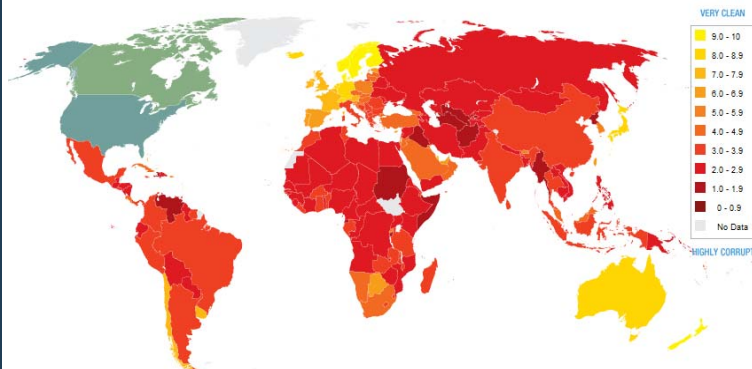
## FCPA “Red Flags”: What You Should Investigate

- The transaction is in, or involves, a high corruption risk country (e.g., Indonesia, China, India, Iraq, Afghanistan)
- Representative or agent is requesting an unusually high “commission” or fee
- Entertaining or giving gifts to government officials or relatives
- Unusual contract terms or payment arrangements (e.g., requests for cash payments or “special” invoices)
- Use of shell companies
- Foreign customer’s insistence that a particular agent be used
- Role or function of agent or middleman is unusual or unclear
- Extraordinary payments
- Charitable donations
- Payments via third countries without sound commercial reasons

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## The Global Heat Map: Where Are You Doing Business?




Source: [www.transparency.org](http://www.transparency.org)

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RANK COUNTRY/TERRITORY SCORE			RANK COUNTRY/TERRITORY SCORE		
1	New Zealand	9.5	25	France	7.0
2	Denmark	9.4	26	Saint Lucia	7.0
3	Finland	9.4	27	Uruguay	7.0
4	Sweden	9.3	28	United Arab Emirates	6.8
5	Singapore	9.2	29	Estonia	6.4
6	Norway	9.0	30	Cyprus	6.3
7	Netherlands	8.9	31	Spain	6.2
8	Australia	8.8	32	Botswana	6.1
9	Switzerland	8.8	33	Portugal	6.1
10	Canada	8.7	34	Taiwan	6.1
11	Luxembourg	8.5	35	Slovenia	5.9
12	Hong Kong	8.4	36	Israel	5.8
13	Iceland	8.3	37	Saint Vincent and the Grenadines	5.8
14	Germany	8.0	38	Poland	5.5
15	Japan	8.0	39	Bhutan	5.7
16	Austria	7.8	40	Malta	5.6
17	Barbados	7.8	41	Puerto Rico	5.6
18	United Kingdom	7.8	42	Cape Verde	5.5
19	Belgium	7.5	43	Croatia	4.0
20	Ireland	7.5	44	Korea (South)	5.4
21	Bahamas	7.3	45	Burundi	5.2
22	Chile	7.2	46	Dominica	5.2
23	Oman	7.2	47	Bahrain	5.1
24	United States	7.1	48	Macao	5.1
25	India	3.1	120	Bangladesh	2.7
26	Kenya	3.1	121	Ecuador	2.7
27	Swaziland	3.1	122	Ethiopia	2.7
28	Tonga	3.1	123	Guatemala	2.7
29	Argentina	3.0	124	Iran	2.7
30	Benin	3.0	125	Kazakhstan	2.7
31	Burkina Faso	3.0	126	Mongolia	2.7
32	Ghana	3.0	127	Mozambique	2.7
33	Gabon	3.0	128	Salomon Islands	2.7
34	Indonesia	3.0	129	Armenia	2.6
35	Madagascar	3.0	130	Dominican Republic	2.6
36	Malawi	3.0	131	Honduras	2.6
37	Mexico	3.0	132	Philippines	2.6
38	Sao Tome and Principe	3.0	133	Syria	2.6
39	Suriname	3.0	134	Cameroon	2.5
40	Tanzania	3.0	135	Eritrea	2.5
41	Algeria	2.9	136	Guyana	2.5
42	Egypt	2.9	137	Lebanon	2.5
43	Kosovo	2.9	138	Maldives	2.5
44	Moldova	2.9	139	Nicaragua	2.5
45	Senegal	2.9	140	Niger	2.5
46	Vietnam	2.9	141	Pakistan	2.5
47	Bolivia	2.8	142	Sierra Leone	2.5
48	Haiti	2.8	143	Azerbaijan	2.4
49	Mauritius	5.1	144	Belarus	2.4
50	Rwanda	5.0	145	Comoros	2.4
51	Costa Rica	4.8	146	Mauritania	2.4
52	Lithuania	4.8	147	Nigeria	2.4
53	Oman	4.8	148	Russia	2.4
54	Seychelles	4.8	149	Timor-Leste	2.4
55	Hungary	4.6	150	Togo	2.4
56	Kuwait	4.5	151	Uganda	2.4
57	Jordan	4.5	152	Tajikistan	2.3
58	Czech Republic	4.4	153	Ukraine	2.3
59	Namibia	4.4	154	Central African Republic	2.2
60	Saudi Arabia	4.4	155	Congo Republic	2.2
61	Malaysia	4.3	156	Cote d'Ivoire	2.2
62	Cuba	4.2	157	Guinea-Bissau	2.2
63	Latvia	4.2	158	Kenya	2.2
64	Turkey	4.2	159	Laos	2.2
65	Georgia	4.1	160	Nepal	2.2
66	South Africa	4.1	161	Papua New Guinea	2.2
67	Croatia	4.0	162	Paraguay	2.2
68	Montenegro	4.0	163	Zimbabwe	2.2
69	Slovakia	4.0	164	Cambodia	2.1
70	Ghana	3.9	165	Guinea	2.1
71	Italy	3.9	166	Kyrgyzstan	2.1
72	FYR Macedonia	3.9	167	Yemen	2.1
73	Samoa	3.9	168	Angola	2.0
74	Brazil	3.8	169	Chad	2.0
75	Tunisia	3.8	170	Democratic Republic of the Congo	2.0
76	China	3.6	171	Libya	2.0
77	Romania	3.6	172	Burundi	1.9
78	Gambia	3.5	173	Equatorial Guinea	1.9
79	Lesotho	3.5	174	Venezuela	1.9
80	Vanuatu	3.5	175	Haiti	1.8
81	Colombia	3.4	176	Iraq	1.8
82	El Salvador	3.4	177	Sudan	1.6
83	Greece	3.4	178	Kuwait	1.6
84	Morocco	3.4	179	Uzbekistan	1.6
85	Peru	3.4	180	Afghanistan	1.5
86	Thailand	3.4	181	Myanmar	1.5
87	Bulgaria	3.3	182	Korea (North)	1.0
88	Jamaica	3.3	183	Somalia	1.0
89	Panama	3.3			
90	Serbia	3.3			
91	Si Lanka	3.3			
92	Bosnia and Herzegovina	3.2			
93	Liberia	3.2			
94	Trinidad and Tobago	3.2			
95	Zambia	3.2			
96	Albania	3.1			

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## Due Diligence on All Involved Parties

- Ensure that any agent, business representative, or independent contractor/service provider performing work on your behalf:
  - Is properly vetted
  - Has agreed to abide by your Code of Conduct, the FCPA, and any other applicable anti-corruption laws
- Consider your:
  - Employees
  - Venture partners
  - Service providers
- Remember your overseas affiliated entities too!
- Consider all parties with whom you interact overseas



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## Considerations for Your Employees

- Appropriate, risk-based due diligence requires your employees to consider a variety of factors.
- For example:
  - Is the target country prone to corruption?
  - Does representative have a corrupt/questionable reputation?
  - Are representative's demands for fee/commission excessive or unusual?
  - Does representative have close relationships with foreign officials?
  - Are payment methods questionable?
  - Was representative recommended by government official?
  - Is the role of the representative unclear?
  - Does representative lack the skill, qualifications, or resources to undertake representation of your organization?

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## What Due Diligence May Be Needed?

- Red flags trigger the need for further inquiry and greater vigilance on the part of your organization. Consider:
  - Third-party due diligence
  - Interviews and physical inspections of offices/facilities
  - Obtaining an opinion from counsel or another reliable source, such as the local U.S. embassy or consulate, about the representative's reputation and qualifications
- Do your documents and agreements put other parties operating with you or on your behalf on notice that you hold them responsible for compliance with FCPA?
  - Establish your first line of defense
  - Think Morgan Stanley
- **Educate, Train, Audit... Repeat!**

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# Cross-Border Tax Planning and Compliance

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## Overview

- Form of foreign operations
- Foreign tax treatment of the foreign operations
- U.S. tax treatment of the foreign operations
- VAT/GST issues
- Employee and independent contractor issues
- U.S. compliance issues



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## Form of Operation

- There are a number of ways in which a U.S. nonprofit entity can operate in a foreign jurisdiction
  - Branch office
  - Wholly owned subsidiary
  - Local member-owned company
  - Other local entity



## Form of Operation (cont'd.)

- Branch office
  - The U.S. nonprofit registers as a foreign company doing business in the foreign country
  - The U.S. nonprofit may have local filing obligations, and may or may not qualify as a nonprofit under local rules
- Wholly owned subsidiary
  - The U.S. nonprofit establishes a new company in the foreign country, with the U.S. nonprofit as the sole shareholder
  - Qualification issues similar to those of a foreign branch office





## Form of Operation (cont'd.)

- Local member-owned company
  - A local nonprofit company is formed in the foreign country, under its nonprofit laws, with local residents being the members, etc. of that company
  - Trade and professional organizations versus public charities
- Other local entity
  - In some countries nonprofits are formed using other forms of legal entities, such as trusts



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## Form of Operation (cont'd.)

- Stand-alone entities versus affiliated entities
  - Does the fundraising, if any, go to the U.S. operations or to other projects outside of the U.S.?
  - Is there an affiliation agreement between the U.S. and foreign entity, or does the foreign entity operate on a stand-alone basis with no support from the U.S.?



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## Foreign Tax Issues

- What functions does the local entity perform?
  - Conferences from time to time, collecting dues from local members (trade organizations)?
  - Fund-raising from local residents, with the funds being used for local or foreign projects (charities)?
- The foreign tax treatment of the local entity will depend upon the functions and activities of the local entity
- May have to register with a specific agency if seeking local charitable contributions

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## Foreign Tax Issues (cont'd.)

- If local entity is a branch of the U.S. nonprofit, then the U.S. nonprofit may have to register its U.S. and local officers and directors for corporate and tax law purposes
- The U.S. nonprofit may have to file financial accounts for both the U.S. and local operations (under local accounting methods) for corporate law and nonprofit law purposes
- May also have to file foreign tax returns similar to the U.S. Form 990

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## Foreign Tax Issues (cont'd.)

- If local entity is a subsidiary or other separate legal entity, then it may have its own financial account and tax return filing requirements
- If there is an affiliation agreement between the local entity and the U.S. nonprofit, may have to disclose information regarding the cost allocations from the U.S. nonprofit and the use of the funds outside that foreign country



## U.S. Tax Issues

- If the local entity is a branch of the U.S. nonprofit, then the U.S. nonprofit would need to include the income and expenses of the branch in its financial accounts and U.S. Form 990
- Where the local entity is a wholly owned subsidiary, then typically would not have to include any income of the local subsidiary in income for U.S. tax purposes until the local subsidiary declares a cash dividend to its U.S. parent
- However, if the local entity is a member-owned entity or a foreign charity, there may be no U.S. tax reporting requirements



## VAT/GST Issues

- Many foreign countries impose a value-added tax (VAT) or general sales tax (GST)
- U.S. nonprofits that put on conferences or conventions in a foreign country may be required to register with the local VAT/GST authority, typically a taxing authority different from the authority responsible for income taxes
- May be required to register for VAT/GST, even though not considered to be engaged in business for income tax purposes

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## VAT/GST Issues (cont'd.)

- If subject to VAT/GST, then the U.S. nonprofit or local entity should register for VAT/GST, and collect the tax from conference participants.
- VAT/GST would be paid with respect to taxable events, such as hotel conference rooms, meals, and other supplies paid for by the U.S. nonprofit or local entity
- The difference between the VAT collected and the VAT paid is then paid over to the appropriate taxing authority

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## VAT/GST Issues (cont'd.)

- Failure to register for VAT/GST and to pay over VAT/GST when due can result in significant penalties
  - Also, if the U.S. or local entity pays VAT/GST but does not collect it when required, then the VAT/GST becomes a cost to the U.S. or local entity and not to program participants



## Employee Issues

- When a U.S. nonprofit expands its global operations, it is typical to have one or more U.S. employees work abroad
- May also have employees from foreign country work in the U.S. from time to time
  - For example, at a U.S. tradeshow or convention



## Employee Issues (cont'd.)

- U.S. employees paid by the U.S. nonprofit
  - Typically, still subject to U.S. payroll and social security taxes
  - May be subject to local country income taxes, depending upon how much time they spend in that country
  - May be subject to local country social security taxes, but effect could be reduced by a totalization treaty between the U.S. and that foreign country



## Employee Issues (cont'd.)

- U.S. employees paid by the U.S. nonprofit
  - Employee can claim a foreign tax credit for the local country taxes against the U.S. tax liability on the income allocated to time spent working abroad
    - Typically allocated on a days-worked basis



## Employee Issues (cont'd.)

- U.S. employees paid by the local entity
  - Employee subject to local income and social security taxes and applicable withholding requirements
  - Employee generally not exempt from local social security taxes, even if there is a totalization agreement, since paid by a local entity
  - Can still claim a foreign tax credit for the local income taxes, but not the social security taxes, against the U.S. income tax on that income



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## U.S. Compliance

- The U.S. imposes significant information reporting requirements on U.S. taxpayers with overseas operations
- Those requirements apply to U.S. nonprofits, not just for-profit entities
- The IRS and the Justice Department are very focused on international information reporting, even by nonprofits



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## U.S. Compliance (cont'd.)

- Form 90-22.1 (FBAR)
  - Filed if a person has signature authority over, or a financial interest in, one or more foreign financial accounts with a total aggregate balance of more than \$10,000
  - Must be filed, even if the person does not have an actual financial interest in the account(s)
  - For these purposes, the term “person” includes individuals and nonprofits
  - Due June 30 of each year; a U.S. Treasury Department form, not a IRS tax form



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## U.S. Compliance (cont'd.)

- Form 90-22.1 (FBAR) (cont'd.)
  - Considered to have a financial interest if the U.S. person owns more than 50% of the equity or other interests in a foreign entity
  - Foreign financial accounts include foreign bank accounts, securities brokerage accounts, mutual funds, hedge funds, private equity funds, and certain insurance contracts
  - Penalty of \$10,000 for each unreported foreign financial account; six-year statute of limitations



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## U.S. Compliance (cont'd.)

- Forms 926/5471
  - Filed if the U.S. nonprofit owns at least 10% of the stock of the foreign entity
  - Form 926 is filed for the taxable year the foreign entity is formed
  - Form 5471 is an annual information reporting form, used to report the operations of the foreign entity (includes a balance sheet, income statement, and other information)
  - Filed with Form 990



## U.S. Compliance (cont'd.)

- Forms 8938
  - A new IRS tax form that became applicable starting with the 2011 tax year
  - At the moment, only applicable to individuals and not nonprofit entities
  - Reports specified foreign financial assets
    - Includes many assets reported on Form 90-22.1, but also includes stock of foreign entities, and a broader range of foreign financial accounts
  - Not filed with Form 990, until the regulations change



## U.S. Compliance (cont'd.)

- Other Forms
  - Form 8865: Filed to report investments in foreign partnerships
  - Form 8621: Filed to report investments in Foreign Passive Investment Companies



## Questions?

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# **Speaker Biographies**



## Jeffrey S. Tenenbaum

Partner

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### AREAS OF PRACTICE

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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

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.

### 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  
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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Government Contractors  
Consumer Products and Services  
Maritime  
Life Sciences  
Financial Services

### BAR ADMISSIONS

District of Columbia  
Virginia

### COURT ADMISSIONS

U.S. Court of Appeals for the D.C. Circuit  
U.S. Court of Appeals for the

Lindsay Meyer is Co-Managing Partner of Venable and heads the International Trade Practice, assisting sophisticated companies to efficiently import and export under U.S. laws and regulations. As a licensed U.S. Customs broker, Ms. Meyer has a detailed knowledge of and extensive experience with the regulations of the U.S. Bureau of Customs and Border Protection. She is also co-chair of Venable's FCPA and Anticorruption Practice.

**Extensive Trade, Customs and Export Control Experience.** For over twenty years, Ms. Meyer has provided International Trade and Customs advice at Venable where she heads Venable's International Practice based in Washington, DC. Ms. Meyer concentrates on all aspects of International Trade and Customs matters. She regularly advises companies on their compliance with import and export control laws and regulations, and appears before numerous regulatory authorities such as the U.S. Customs and Border Protection (CBP), International Trade Commission (ITC), Commerce Department's Bureau of Industry and Security (BIS), State Department's Directorate of Defense Trade Controls (DDTC), Treasury Department's Office of Foreign Assets Control (OFAC), and the Committee on Foreign Investment in the United States (CFIUS).

Ms. Meyer has extensive experience counseling companies on compliance with export controls regulated by BIS, DDTC, and OFAC and actively assists companies in their registration and license authorization needs for exports, re-exports and deemed exports. She guides companies through internal Export Control Assessments, helps develop tailored compliance policies and procedures, and performs training on export laws and regulations affecting a company. Additionally, Ms. Meyer has successfully defended exporters facing civil and criminal investigations for alleged violations of U.S. export control laws and embargoes.

Concerning import transactions, Ms. Meyer routinely represents companies during U.S. Customs Focused Assessments, NAFTA Audits, C-TPAT and ISA Programs, and defends clients during detentions, forfeitures, seizures, civil and criminal investigations, and other Customs-related matters. She regularly provides strategic customs and trade counseling to Fortune 100 clients by conducting Pre-Assessment Compliance Reviews including corporate-wide, multi-location assessments and training programs, and by representing companies before CBP, such as in Customs protests and Buy American Act rulings, and on appeal to the U.S. Court of International Trade and U.S. Court of Appeals for the Federal Circuit.

For many years, Ms. Meyer has also successfully represented companies in trade remedy actions alleging infringement of intellectual property rights, as well as antidumping duty and safeguard investigations and reviews before the U.S. Department of Commerce, International Trade Commission, and on appeal.

Ms. Meyer also advises clients on international transactional matters, where she counsels on strategic sourcing, targeted acquisitions Helms-Burton analysis, CFIUS investigations and FOCI reviews; sales and distribution arrangements in the U.S. and



Federal Circuit  
U.S. Court of International Trade

## EDUCATION

J.D., George Washington University  
Law School, 1987

B.S., *cum laude*, University of  
Connecticut, 1983

Beta Gamma Sigma

National Business Honor Society

Dean's List

Academic Honors Program

Diplôme d'Études Françaises,  
Université de Rouen, Rouen,  
France, 1982

## MEMBERSHIPS

Virginia Bar Association

District of Columbia Bar  
Association

## LANGUAGES

French

abroad; the use of foreign agents, affiliated offices, joint ventures and teaming agreements; as well as compliance with antiboycott restrictions and anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act (FCPA).

One of the distinctive advantages Ms. Meyer offers is her position as a licensed U.S. Customs broker. Another advantage she offers clients stems from her well-established relationships with counsel around the globe with whom she works on a regular basis. Ms. Meyer brings to her practice extensive years of experience in a multitude of trade matters and the ability to develop innovative solutions to complex legal issues.

## REPRESENTATIVE CLIENTS

Ms. Meyer's clients include multinational manufacturers and service providers in the high technology, chemical, petrochemical, oil services, pharmaceutical, automotive, avionic, space control equipment, steel, food, retail industries, and not-for-profit organizations.

## SIGNIFICANT MATTERS

Significant recent matters have included counseling to and representation on behalf of several multinational companies before the U.S. and other Customs Services; conducting pre-audit assessments of import and export operations and procedures; developing and conducting compliance programs including corporate-wide, multi-location assessment and training programs; and general counseling on strategic sourcing methodologies. She regularly advised companies in the formation of foreign subsidiaries and representative offices; and conducting trade activities overseas. Other recent matters have included the successful defense of antidumping duty investigations and reviews before the U.S. Department of Commerce and International Trade Commission often resulting in findings of zero or minimal duties.

## HONORS

Recognized in the 2012 edition of *Chambers USA* (Band 3), International Trade: Customs, National

## ACTIVITIES

Ms. Meyer is active in business and trade associations related to her profession. She served four terms as Chair of the International Trade and Customs Committee for the American Bar Association's Section of Administrative Law and Regulatory Practice, is a member of the American Association of Exporters and Importers, and is serving in her second term on the Maryland-Washington District Export Council under the appointment of the Secretary of the U.S. Department of Commerce.

## PUBLICATIONS

- May 2013, Obama Nominates Key 2nd Term Trade Positions, International Trade Alert
- April 2013, FCPA Snapshot – 2012, *FCPA White Paper*
- March 2013, Fewer Military Controls and Streamlined Licensing for Exporters Are Expected: Are You in Compliance?, International Trade Alert
- March 2013, U.S. Customs Announces Major Changes in Wake of Sequestration Budget Cuts, International Trade Alert
- February 2013, EPA Proposes New Controls for Chemicals Used in Petroleum Refining: Will They Affect Your Operations?, *BIC Magazine*, International Trade Alert
- December 2012, Could Your Affiliate's Activities Subject Your Company to the New Iran Reporting Requirements?, International Trade Alert
- December 2012, Developments in Eastern Congo Highlight Need for Companies to Prepare for SEC Conflict Mineral Rule Compliance, *Law360*
- November 2012, The New Foreign Corrupt Practices Act Resource Guide: An Opportunity to Review Your Nonprofit's Compliance



- October 2012, Do You Import, Manufacture or Distribute Food (Including Dietary Supplements) in the U.S.? FDA's Mandatory Biennial Registration Renewal Period is Now Open for All Domestic and Foreign Food Facilities, International Trade Alert
- October 2012, Time to Check the Entity List: Eleven U.S. and Russian Companies and Individuals Charged in Illegal Export Scheme and 165 Added to BIS' Entity List, International Trade Alert
- September 2012, Dockworkers Union Threatening to Strike October 1, International Trade Alert
- July 2012, African Growth and Opportunity Act Fabric Extension Bill is a Win-Win Proposition, International Trade Alert
- July 2012, Nicaragua Falls Short Again: Tariff Preference Level Reduced by 3% for 2012, International Trade Alert
- July 2012, OFAC Issues General Licenses Authorizing Investment and Exports of Financial Services to Burma, International Trade Alert
- July 12, 2012, Advertising News & Analysis - July 12, 2012, Advertising Alert
- July 2012, After Nearly Ten Years Under Review, CBP Revises Its Policy to Allow Post-Import Pricing Adjustments for Related Party Goods, International Trade Alert
- June 2012, FCPA Investigation Follows Allegations of Improper Payments to Customs Officials in Kazakhstan, FCPA and Anti-Corruption News E-lert
- June 2012, What You Need to Know About the Temporary Duty Suspension Process Act of 2012, International Trade Alert
- May 2012, U.S. Suspends Restrictions on Investment and Exports of Financial Services to Burma, International Trade Alert
- May 2012, IP Buzz - May 2012, IP Buzz
- May 21, 2012, U.S. Customs Adopts New Rule to Help Brand Owners Identify Counterfeits, *MARQUES Ltd.*
- April 2012, CBP Adds a New Tool to its Anti-Counterfeit Arsenal: New Rule Brings IP Rights Holders into Pre-seizure Investigative Process, International Trade Alert
- April 2012, Act Now: Clock Starts to Request Duty Reduction or Suspensions, International Trade Alert
- March 2012, FCPA Snapshot 2011, FCPA and Anti-Corruption News E-lert
- March 2012, Korea-U.S. Free Trade Agreement Enters Into Force, *International Trade and International Arbitration Alert*
- March 2012, Will CBP's Proposed New Rules for In-Bond Transportation Affect Your Operations?, International Trade Alert
- February 22, 2012, Overseas Operations: What Every Nonprofit Should Know Before Crossing U.S. Borders
- January 2012, Possible Realignment of Trade Regulatory Agencies Could Impact Global Commerce, International Trade Alert
- November 2011, California Transparency in Supply Chains Act of 2010 (SB 657), Client Alerts
- November 8, 2011, Considering Operations Overseas?: What Every Nonprofit Should Know Before Crossing U.S. Borders
- May 2011, Container Liner Shipping Sector "Dawn Raided" in EU, International Trade Alert
- April 2011, Trade Association Asks FMC to Reopen NRA Rulemaking, International Trade Alert
- April 2011, Could the Hospitality Industry be the Latest to Fall Under the FCPA Microscope?, FCPA and Anti-Corruption News E-lert
- March 2011, Obama Bans Transactions with Libyan Government and its Controlled Entities, International Trade Alert
- March 2011, Frequently Asked Questions & Answers about the Foreign Corrupt Practices Act (FCPA)
- February 2011, FMC's New Rule Exempts Licensed NVOCCs from Tariff Publication Requirements, International Trade Alert

- October 2010, U.S. Trade Representative Seeks Public Comment For List of Markets Notorious for Counterfeiting, Client Alerts
- August 2010, DDTC Levies \$42 Million Fine for Export Control Violations, International Trade Alert
- August 2010, New Financial Sanctions Regulations Target Iranian Business Activities of Non-U.S. Financial Institutions, International Trade Alert
- August 2010, A Lesson in Successor Liability: GE Settles Oil for Food FCPA Allegations, FCPA and Anti-Corruption News E-lert
- August 2010, Proposed DDTC Rule Would Reform Requirements Affecting Dual- and Third-Country National Employees, International Trade Alert
- July 2010, Implementation of U.K. Bribery Act Postponed for Six Months, FCPA and Anti-Corruption News E-lert
- July 2010, FCPA News and Trends, FCPA and Anti-Corruption News E-lert
- July 2010, Significant Changes to U.S. Export Control Regulations on Encryption: First Steps to "Mass Market" and "Ancillary" Cryptography Products, International Trade Alert
- June 2010, DoD Contractors and Subcontractors: Are You Complying with the New Flowdown Notice Requirement on U.S. Export Control Laws?, Government Contracts Update
- April 2010, FMC Issues Long-Awaited Proposed Rule on NVOCC Tariff Rules, International Trade Alert
- April 2010, If You Export, Proposed Sweeping Export Control Reforms Will Likely Affect Your Business, International Trade Alert
- March 2010, US Set to Examine Competition Issues in Ocean Transportation Industry, Client Alerts
- March 2010, FMC Votes to Grant NVOCCs Relief from Current Tariff Publishing Requirements, International Trade Alert
- February 2010, U.S. Customs and Border Protection "10 + 2 Initiative": Enforcement Has Begun!, International Trade Alert
- January 25, 2010, DOJ Uses Undercover Sting Operation to Bring Foreign Bribery Case, FCPA and Anti-Corruption News E-lert
- January 2010, DOJ Targets Pharmaceutical & Life Sciences Companies for FCPA Enforcement, Client Alerts
- November 1, 2009, "You're Being Watched", *Industry Week*
- August 2009, Exporters Beware: Recent BIS Settlements Forewarn Strict Adherence to Heightened Penalties—Even with Voluntary Disclosures!, International Trade Alert
- August 13, 2009, Recent Crackdown on U.S. Export Compliance for Logistics Providers, International Trade Alert
- August 2009, Organization of Economic Cooperation and Development (OECD) Releases Firm Policy Statement on Bribery in International Business Transactions, Client Alerts
- July 2009, Reducing Supply Chain Costs: Eliminating Customs Duties on Imports, International Trade Alert
- March 2009, Consumer Product Safety Improvement Act and Issues for U.S. Importers
- December 2008, "Maritime Security" Co-author, *Benedict on Admiralty, Chapter XV*
- February 8, 2007, BIS Effectively Embargoes North Korea, International Trade Alert
- September 7, 2006, Homeland Security Deskbook: Private Sector Impacts of the War Against Terrorism
- July 14, 2006, BIS Proposes to Tighten Controls on Exports to China, International Trade Alert
- April 2005, House Trade Subcommittee Calls for Introduction of Duty Suspension Legislation, International Trade Alert
- September 2004, Co-author, Trade and Transportation chapter, Homeland Security

Deskbook: Private Sector Impacts of the War Against Terrorism, *Published by LexisNexis Matthew Bender®*

- September 2003, Food and Beverage Exporters and Importers to the U.S. Should Begin Compliance Actions Now. Deadlines Approach for FDA Bioterrorism Act Regulations.
- May 2003, Additional FDA Regulations Proposed Under the Bioterrorism Act Regarding Product Detention and Recordkeeping Will Impact Food, Beverage, Transportation Service Providers, Ports, and Related Sectors
- March 2003, The FDA's New Bioterrorism Regulations on Food, Beverage and Related Sectors
- February 2003, Proposed FDA Regulations Under the Bioterrorism Act
- January 2002, Some Resolutions May Not Make for a Happy New Year, *Response Magazine*

## SPEAKING ENGAGEMENTS

- May 15, 2013, "Overseas Operations: What Every Nonprofit Should Know Before Leaving Home" at the 2013 ASAE Association International Conference
- May 14, 2013, As Nonprofits Expand Their Global Reach, a Special Focus on Tax, Trademarks and the Foreign Corrupt Practices Act
- April 17, 2013, Government Contracts Symposium
- February 25, 2013, Are You Compliant With the New Iran Reporting Requirements on Sanctions?
- January 24, 2013, Are You Ready for the February 6th Deadline to Comply with the New Iran Reporting Requirements?
- June 22, 2012, "Managing Focused Assessments from A to Z: A Practical Guide on How to Prepare, Respond and Make It through the Entire Process," ACI National Forum on Import Compliance and Enforcement
- May 6, 2012, Law Enforcement and the Chinese American Event
- February 29, 2012, "Managing Risk in International Operations and Meetings" at Meetings Beyond Borders
- February 22, 2012, Overseas Operations: What Every Nonprofit Should Know Before Crossing U.S. Borders
- November 8, 2011, Legal Quick Hit: "Considering Operations Overseas?: What Every Nonprofit Should Know Before Crossing U.S. Borders" for the Association of Corporate Counsel's Nonprofit Organizations Committee
- November 3, 2011, "Moving Beyond the Basics" at I.E. Canada's Annual Export Conference
- October 21, 2011, "Opportunities and Challenges in Implementing an International Business Strategy"
- October 11, 2011, "International Collaborations: Negotiations and Compliance" for NCURA TV
- July 14, 2011, Impact of the U.K. Bribery Act on U.S.-Based Businesses
- February 25, 2011, "FDA Food Safety Modernization Act: What you should know about its impact on imported foods," hosted by Venable
- June 25, 2010, "Corruption - The New Global Landscape" Breakfast Seminar at Venable LLP
- June 10, 2010, "Corruption - The New Global Landscape" Breakfast Seminar at Field Fisher Waterhouse LLP
- April 9, 2010, Foreign Corrupt Practices Act (FCPA) Assessing Risk and Maintaining Compliance Webcast
- February 2010, Western Canada 7th Annual Conference - Customs and Trade
- December 12, 2008, Breakfast Round Table Discussion: Anticipating The Year of Change and the Impact of New Legislative and Regulatory Initiatives on Business
- September 26, 2007, Venable to Host "Investing in India" Breakfast Seminar

- 
- July 18, 2004 - July 20, 2004, Toy Industry Association's 2004 Multi-Discipline Conference
  - March 4, 2003, The FDA's New Bioterrorism Regulations on Food, Beverage and Related Sectors
  - "Section 337: Unfair Practices in Import Trade into the United States" to the China Chamber of Commerce for Machinery and Electronics at the Guangzhou Trade Fair



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### AREAS OF PRACTICE

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Trademark Litigation  
Copyrights and Licensing  
Domain Names and Cyber Protection  
Advertising and Marketing

### INDUSTRIES

Consumer Products and Services  
Nonprofit Organizations and Associations  
New Media, Media and Entertainment

### BAR ADMISSIONS

District of Columbia  
Virginia, Associate Member  
(inactive)

### EDUCATION

J.D., Southern Methodist University, 1996  
B.A., Vanderbilt University, 1991

### MEMBERSHIPS

Andrew Price has spent 15 years at Venable with one focus: he helps clients establish, protect and profit from their brands worldwide.

Twice ranked as one of the elite trademark prosecution and strategy attorneys in Washington, DC, he is noted for a “fantastic global perspective” (*WTR 1000*, 2012). He combines a “first-class knowledge of trademark law” with “commercial acumen” (*WTR 1000*, 2013).

Mr. Price was one of the earliest members of Venable's trademark practice, which has been ranked Tier 1 nationally and in Washington, DC (*U.S. News - Best Lawyers "Best Law Firms,"* 2011-2012). As a leading member of that group, he represents clients of all sizes, from startups and celebrities to nonprofits and multinational corporations.

Mr. Price focuses his practice on brand strategy as well as searching, registering, licensing, and enforcing all types of trademarks worldwide (e.g., brand names, logos, slogans, trade dress such as product configuration, and non-traditional marks such as motion marks). His practice includes bringing and defending opposition and cancellation actions before the U.S. Trademark Trial and Appeal Board. He also works closely with the firm's Intellectual Property Litigation Group to bring and defend trademark-related lawsuits, including preliminary injunction motions, in the United States. Abroad Mr. Price oversees a personal network of top foreign lawyers in a full range of trademark work.

Dedicated to providing strategic counsel, client service and value, he is unique in his long relationships with clients for whom he manages large portfolios of trademarks. He achieves “the perfect balance of being detail focused without losing sight of the big picture” (*WTR 1000*, 2013).

### REPRESENTATIVE CLIENTS

Manages the worldwide trademark portfolio of Sony Mobile (formerly Sony Ericsson), one of the world's largest providers of mobile phones.

Represents a large number of associations and other nonprofit organizations, working closely with Venable's leading Nonprofit Organizations Practice Group.

Responsible for nearly 4,500 active trademark applications and registrations, including portfolios of the above clients plus the following, among others:

- a leading Hollywood production company;
- one of the world's largest investment companies;
- one of the world's top dance footwear and apparel companies; and
- one of the world's largest cloud hosting companies.

### SIGNIFICANT MATTERS

International Trademark  
Association  
Intellectual Property Owners  
Association

Provided strategic counsel to a leading Hollywood production company on global brand protection, and became the company's chief global trademark counsel.

Represented Arianna Huffington in negotiating intellectual property aspects of the sale of *The Huffington Post* to AOL.

Provided strategic counsel to a *Fortune 250* company on how to evolve its house brands.

Helped Sony manage the intricacies of trademark law related to its acquisition of Ericsson's 50% interest in the Sony Ericsson joint venture.

Helped a joint venture of one of the world's top luxury automobile brands select house brands for a new "green" line of cars.

Obtained approval for a mobile app name based on acquired distinctiveness in less than one year.

Won a seven-year battle to register a restaurant chain's main brand in the European Community.

Successfully defended a nonprofit against a party that claimed it jointly owned the client's name.

Successfully defended a large investment company in an opposition, with a counterattack that caused the competitor to withdraw and phase out its own slogan.

Worked with Venable's litigation team to defend and file preliminary injunction actions in U.S. District Court, resulting in favorable settlements.

Developed a global strategy that led to settlement after a party demanded our client not launch a critical product-line brand.

Managed the searching of over 500 trademarks for one client in one year.

Worked on high-dollar licensing transactions involving major TV show names.

Won an appeal for Sony Mobile to register a rare motion mark in the European Community, and obtained for the client one of the few U.S. registrations for a sound mark.

Stopped Asian and European counterfeiters of the world's top-selling dance sneaker.

Filed one of the first U.S.-based applications under the Madrid Protocol, and registered the well-known nonprofit brand MENSA worldwide through the system.

## HONORS

Mr. Price was recognized in the *World Trademark Review 1000* in the category of Prosecution and Strategy in 2012 and 2013.

Mr. Price is a member of American Mensa, a client he helped represent for several years.

He was privileged to intern with the Public Defender Service for the District of Columbia, widely regarded as the premier public defender office in the country.

He was one of the first recipients of the Congressional Award, which is given in part for public service.

Mr. Price is also listed in *Who's Who in America 2012* (published Fall 2011).

## ACTIVITIES

Mr. Price is a member of the International Trademark Association (INTA) and attends its annual meetings. He served on the Hiring Committee for Venable's Washington, DC office for the last three years. With a colleague, he won the Sir Francis Drake Bocce Tournament and is a constant contender. In his spare time, he is a guitarist of 30 years, plotting his next performance at the firm's annual Halloween contest / talent show, which he has won as well.

## PUBLICATIONS

- March 12, 2013, Top Five International Trademark Pitfalls for Nonprofits
- December 13, 2012, Advertising News & Analysis – December 13, 2012, Advertising Alert



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- September 27, 2011, Protecting and Licensing Nonprofit Trademarks: Key Trademark and Tax Law Issues
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- October 12, 2010, Co-author, "Worlds Apart? How to Bridge the Gap Between Legal and Marketing Departments", *Corporate Counsel*
- May 2006, Co-author, Special Rules Apply When Extending Protection to the United States Under the Madrid Protocol, *Venable's IP News & Comment*
- May 1, 2006, Protecting Your Intellectual Property Abroad, *Associations Now Supplement*
- November 16, 2004, Trademarks and Domain Names: Some Issues Affecting Contractors in the Federal Government Marketplace, *BNA Federal Contracts Report and BNA Patent, Trademark & Copyright Journal*
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- December 2003, Trademark Clearance and Protection, *Intellectual Property Today*
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- December 1, 2002, Corporate Trademark Portfolios: Ten Steps to Effective Management, *Intellectual Property Today*
- December 4, 2001, Missing the Mark: The Proposed FAR Rule on Trademarks Presents Another Roadblock in the Path to Developing a Rational IP Policy, *BNA Federal Contracts Report*
- November 21, 1999, So You Want To Be On The Internet ®

## SPEAKING ENGAGEMENTS

- May 14, 2013, As Nonprofits Expand Their Global Reach, a Special Focus on Tax, Trademarks and the Foreign Corrupt Practices Act
- March 12, 2013, Legal Quick Hit: "The Top Five International Trademark Pitfalls for Nonprofits" for the Association of Corporate Counsel's Nonprofit Organizations Committee
- June 13, 2012, Ten Best Practices for Protecting Your Nonprofit's Intellectual Property
- September 27, 2011, Association of Corporate Counsel Webcast: "Protecting and Licensing Nonprofit Trademarks: Key Trademark and Tax Law Issues"
- July 13, 2010, Legal Quick Hit: "Trademark Challenges for Nonprofits" for the Association of Corporate Counsel's Nonprofit Organizations Committee
- May 12, 2009, "Legal Quick Hit: Trademark Law Basics and Pitfalls for Nonprofits" for the Association of Corporate Counsel
- December 2007, "International Clearance Strategies and Budgeting" at the INTA International Trademark Basics Forum
- March 2004, "Issues in Trademark Law and the Madrid Protocol" for Thomson CompuMark
- 2003 - 2005, Course faculty, The Government Contract Intellectual Property Institute



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### INDUSTRIES

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Entertainment Industry Professionals  
New Media, Media and Entertainment

### BAR ADMISSIONS

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New York

### COURT ADMISSIONS

U.S. Tax Court

### EDUCATION

J.D., University of Notre Dame, 1979  
M.B.A., Columbia University, 1978  
B.S., *cum laude*, Villanova

Charles Kolstad focuses his practice on international tax, corporate, and partnership matters. He assists clients in tax planning relating to the acquisition, disposition and restructuring of businesses, corporations and partnerships both domestically and internationally.

He has advised numerous clients, accountants and business managers on dealing with unreported foreign financial accounts and foreign trusts, as well as the reporting requirements for U.S. tax payers with international business operations. Charles also advises individuals moving to the U.S. on pre-immigration, income, gift and estate tax planning opportunities.

In addition, Charles has extensive experience in representing clients during audits by the IRS or the California Franchise Tax Board, as well as in front of the IRS Appeals Office or IRS Collection.

Mr. Kolstad was formerly Senior Counsel in the Business & Tax Group at Reish, Luftman, Reicher & Cohen. Previously, he was a partner at Coopers & Lybrand; Brand Farrar Dziubla Freilich & Kolstad; and Ernst & Young, LLP.

### PUBLICATIONS

- April 2012, Top 10 FATCA Facts You Should Know, Tax Bulletin
- March 2012, United States Supreme Court Raises the Stakes for Tax Disclosure by Green Card Holders and Other Resident Aliens, Tax Bulletin
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- 2008, Use of LLC's in Merger & Acquisition Transactions, *USC Major Tax Planning*
- May 2007, Unresolved Issues in the Income Forecast Method of Accounting, *Los Angeles Lawyer magazine, Entertainment Law issue*

## SPEAKING ENGAGEMENTS

Mr. Kolstad is a frequent speaker at seminars, including the California CPA Foundation and the USC Tax Institute. He is on the part-time faculty at California State University Northridge, where he teaches a class on International Business Law.

- May 14, 2013, As Nonprofits Expand Their Global Reach, a Special Focus on Tax, Trademarks and the Foreign Corrupt Practices Act
- May 23, 2012 - May 24, 2012, "Foreign Account Tax Compliance Act – How Does It Affect NFFEs and Individuals" at Chien Yeh Law Offices in Taiwan
- February 8, 2012, "Foreign Tax Reporting: FBARs & Beyond" at Singer Lewak
- February 10, 2011, "Copyrights and Wrongs" at King, Holmes, Paterno & Berliner, LLP
- February 7, 2011, "Federal Tax Update," Los Angeles Business Managers Discussion Group
- November 24, 2010, "US - European Mergers & Acquisitions Transactions: Overview of US Tax Issues," hosted by Field Fisher Waterhouse
- October 19, 2010, "Form 5472 - What Everyone Should Know," Knowledge Congress webinar
- June 16, 2010, 2010 Entertainment Industry Conference, presented by CalCPA



#### Education Foundation

- May 18, 2010, "Copyrights and Wrongs" at The Motion Picture and Television Fund / Professional Advisory Network's quarterly luncheon
- February 22, 2010, Taxation of Foreign Operations - Rules and Planning Opportunities
- December 2009, Taxation of Cross Border Mergers & Acquisitions Transactions
- September 10, 2009, "Tax Incentives for the 'Green' Industry"

# **Additional Information**

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## The \$60 Million iPad Trademark Lesson Applies to All Brands

Many business people, from both start-ups and major multinational corporations, often question the value or reasoning behind the trademark advice they receive from their lawyers. For instance, business people often ask “do we really need to do this?” – after being told that extensive trademark searching must be done to find a potential brand name that is legally available. Oftentimes the cost of careful trademark work seems to outweigh its benefits and seems too speculative – too far in the future to really worry about today.

Will a mark that looks like a problem in a trademark search really be a problem when the brand is launched? Are trademark registrations and enforcement really needed? Does the chain of ownership for a trademark we want to acquire, or the way in which it is recorded with a foreign trademark office, really matter? In this era of tight budgets, willingness to accept more risk to quickly reach global markets, and lack of familiarity with foreign trademark law means that corners get cut.

It was recently [reported](#) that Apple paid \$60 million to acquire the rights to the iPad trademark in China. Apple paid for a trademark that it thought it already owned for a simple reason: the chain of title was not properly recorded with the local trademark office. It was as if Apple moved into a house when the title search said another party was the owner.

Apple had good intentions and did the right thing to start – it obtained a valid assignment of the trademark rights in iPad in China from a company that earlier acquired the rights from the original owner. Here's the wrinkle: Apple launched the iPad tablet in China when the trademark office records showed the rights were still owned by the third party.

A lawyer might say “the trademark registry is king.” This is especially true in countries like China. There, the party who is on record as the owner of a trademark – either because that party was the first to file a trademark application or because a change in the chain of title was not recorded – is considered the owner. All other users, even good-faith users like Apple, are infringers. Infringers have the choice to defend lawsuits or pay to settle. Apple may have decided to rush the iPad to market, knowing it could bear this type of risk with its deep pockets, or Apple may have just got caught by a technicality. Either way, the relatively low cost (i.e., less than \$6,000) of ensuring a proper chain of title in the trademark registry turned into a \$60 million payment that made news worldwide.

In the latest twist, the law firm for the original owner just asked a local court to seize the iPad trademark, since the firm has not been paid and the owner is now bankrupt. In light of this, the final cost to Apple could conceivably be even higher than \$60 million.

[Andrew Price](#) and [Justin Pierce](#)

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05/21/2012

## The Trend In Top Brands -- Use More Inventive Naming

Many of the top companies in the world use distinctive and inventive naming for their brand names. Our recent [review](#) of 2012 Brand Finance Global 500 rankings reveals a trend -- the top 10 global brands are getting more inventive.

80% of the brand names represented are *inherently distinctive*, meaning they are fanciful or 'made up' words such as "Vodafone", or arbitrary words used out of context such as "Apple". In contrast, from 2007 through 2011, only 50% of the top 10 brands on average reflected inventive or highly distinctive naming.

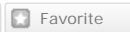
It is instructive to compare some of the brand names represented in the 2012 top 10 list with weaker -- and now defunct -- brands in the same field:

- Computers: Apple vs. Wang (founder's last name)
- Search Engines: Google vs. InfoSeek (for seeking information)
- Software: Microsoft vs. WebTV (for TV on the web)
- General Retail: Wal-Mart ("Wal" from Sam Walton) vs. Woolworth's (founder's last name)
- Mobile Phones: Samsung/Vodafone vs. Palm (for devices that fit in the palm); and
- Bookselling and Online Retail: Amazon vs. B.Dalton (founder's name).

Of course, it is possible to acquire a strong brand over time, even if the brand name is not so inventive to start. Superb brand management and business performance contribute significantly to brand strength over a period of time, and can help less-inventive brands become strong. But today's hyper-competitive marketplace rewards some brands more than others: those that are distinctive and stand out from the rest at the start.

[Andrew Price](#) and [Justin Pierce](#)

Posted on 05/21/2012 at 06:07 PM in [Trademark/IP](#) | [Permalink](#)



## AUTHORS

Andrew D. Price  
Rebecca Liebowitz

## RELATED PRACTICES

Trademarks and Brand  
Protection

## ARCHIVES

2013	2009	2005
2012	2008	2004
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## Articles

November 1, 2011

### Indian Affidavits of Use: A Tool for Effective Trademark Prosecution and Enforcement

*INTA Bulletin*

In trademark prosecution, the threat of infringement of the mark and a potential need to obtain an injunction usually are not at the forefront of the applicant's mind. In India, however, use claims contained in (or omitted from) the application can have a significant effect on the outcome of a later dispute. It is important that both the applicant and its counsel give sufficient consideration to submitting use information to the Indian Trademark Office, in order to better position the trademark owner to initiate and defend challenges.

#### Types of Affidavits of Use

There are three types of Affidavits of Use that may be filed in India: Affidavit of Prior Use (supporting use of the mark that has begun before the application is filed); Affidavit of Bona Fide Intention to Use (supporting the intent, *before* the application is filed, to use the mark *after* filing); and Affidavit of Commencement of Use (supporting use of the mark that began after the application was filed).

#### When to File Affidavit of Commencement of Use

At the time of filing an application in India, an applicant must indicate whether the mark is in use. If use had not begun at the time of filing, an applicant may indicate that use has begun by filing an Affidavit of Commencement of Use. An Affidavit of Commencement of Use can be filed at any time during prosecution of the application (which typically takes between one and two years).

#### Benefits of Filing Affidavit of Commencement of Use

Whether to file an Affidavit of Commencement of Use voluntarily is usually a decision left to the applicant. Although the Trademark Office has the right to require an applicant to file an Affidavit of Commencement of Use, it rarely does so. However, the filing of the Affidavit can be helpful to the applicant in a number of ways.

Defending against cancellation actions. The Affidavit can be helpful in defending against a post-registration cancellation action ("rectification") at the Trademark Office. Under Section 47(1)(a) of The Trade Marks Act, 1999, a petitioner can file a cancellation action on the grounds that (1) the registrant did not have a bona fide intent to use the mark and (2) the registrant has not, in fact, used the mark in relation to the goods and/or services covered.

In *American Home Products Corporation v. Mac Laboratories* (AIR 1986 SC 137), Mac Laboratories had filed for the cancellation of American Home Products' trademark TRISTAN. The Supreme Court held that for a mark to be cancelled under Section 47(1)(a) both grounds of that section must be satisfied.

Thus, a registration is not vulnerable to a "lack of a bona fide intent to use the mark" challenge if the mark is *eventually* used. It is important to note that such use can begin after registration, as long as it commences at least one month before the cancellation action is brought.

Naturally, the fact that an applicant filed an Affidavit of Commencement of Use makes the applicant's use of its mark more apparent, and may dissuade third parties from filing a cancellation action based on lack of intent to use.

Establishing priority. It is important to remember that India is a first-to-use jurisdiction. As such, the date of first use can be more important in trademark disputes than the application filing date. An alleged infringer can seek to rely on its own prior use as a defense. If the plaintiff has an Affidavit of Use on file, there is a public record of when the plaintiff's use began, which can be cited as corroborative evidence in any subsequent legal proceedings, such as a lawsuit. Merely having an earlier filing date would not automatically make the plaintiff's mark a prior mark in enforcement proceedings or in

opposition/rectification proceedings; instead, an Affidavit of Commencement of Use might be needed, to help provide support for this position.

An Affidavit of Commencement of Use can garner more support from the court in a lawsuit. In *Anand Kumar v. Haldiram Bhujia Wala* (80 (1999) DLT 26), during the prosecution of its application, the defendant filed an Affidavit of Use supporting the application, claiming use of the mark only within the state of West Bengal. This persuaded the Delhi High Court to exclude the state of West Bengal from the purview of the injunction order against the defendant. The Affidavit of Use was sufficient to persuade the court that the defendant's rights were superior in that geographic area.

Although it is possible to raise a prior use defense even in the absence of such an Affidavit, the onus of proof is more burdensome. To make up for the absence of a contemporaneously filed Affidavit of Use or subsequently filed Affidavit of Commencement of Use, evidence would have to be filed before the court, which would likely cost more than filing an Affidavit during prosecution.

Although an applicant could file an Affidavit of Commencement of Use just before seeking an injunction, the court likely will give more credence to an Affidavit filed in the normal course, before the injunction proceedings became imminent, than one prepared and filed on the eve of commencement of legal proceedings. Thus it is useful to put on record the date of commencement of use by filing an Affidavit in the Trademark Office as early as possible.

Third, filing the Affidavit will put the applicant in a better position to defend a non-use challenge. India gives registrants a five-year grace period in which non-use is permitted without others' having the ability to bring a cancellation action based on non-use. Nevertheless, an alleged infringer can defend itself from an infringement or passing off claim by alleging and establishing non-use by the registrant, even within the five-year grace period. If an Affidavit of Commencement of Use is already on record with the Trademark Office, others may be deterred from bringing a cancellation action or defending an infringement action on grounds of non-use.

### **How to File Affidavit of Commencement of Use**

The Affidavit of Commencement of Use must include the date of first use in India (month and year are sufficient). Even if use has not commenced for all of the goods and/or services filed for in the application, an Affidavit affirming commencement of use of only some of the goods/services claimed in an application can be useful. Specifically, upon registration of the mark, the Affidavit can be effective for all "allied and cognate" (i.e., related) goods/services. In determining whether goods/services are "allied and cognate," the court considers factors such as consumer sophistication, channels of trade, methods of sale and the nature of the goods/services themselves. For example, for an application covering tea and spices under Class 33, if the applicant used the mark in connection with tea in May 2008, the applicant may file an Affidavit of Commencement of Use for tea, omitting spices. The applicant could enforce the resulting registration against spices as well as tea because tea and spices would be considered "allied and cognate" goods.

The original Affidavit, signed on stamp paper (official government paper used in legal documentation, which can be provided by one's Indian counsel) and notarized, is filed with the Trademark Office. Other than the cost of the stamp paper, there is no official fee charged by the Indian Trademark Office for the filing of Affidavits of Use.

### **Final Thoughts**

Even though filing an Affidavit of Commencement of Use is recommended, current Trademark Office practice in India suggests it is not fatal to an applicant's position if the applicant does not voluntarily file the Affidavit. However, as discussed above, having evidence of use already on file can be very helpful if it is necessary to take quick action to stop an infringer or defend against a third-party challenge.

## IP Buzz

September 7, 2011

### The "Bet the Company" Moment: Think Trademarks

*This article also appeared in World Trademark Review's Premium Daily, as one of the Editor's Pick of the Web, on September 20, 2011.*

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#### RELATED PRACTICES

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Have you ever heard the phrase "bet the company"? Most people think of it as a business move or challenge that threatens a core product or service. Most do not associate it with launching a new brand. And yet the "bet the company" moment happens each time an organization is created, launches new products or services, rebrands itself, or extends its brand to different areas/industries. These moments have one thing in common: a brand that can succeed or fail based largely on its ability to be protected under trademark law. When a critical new brand cannot be protected or infringes another's rights, it compromises your ability to send a unique and consistent message to consumers. Launching a key brand can truly be a "bet the company" moment.

Some assume that establishing a brand is similar to setting up a new legal entity with a state. In fact, establishing a brand under trademark law could not be more different. When setting up such an entity, if no other party has the same name or "Doing Business As" in that state, you generally get it. Under trademark law, however, establishing a brand depends on whether that brand is available for use and registration under a tough legal standard: likelihood of confusion. This takes into account brands that are similar and not just identical. There must not be a likelihood of confusion between that brand and all the other brands that already exist nationwide. Applying this standard involves a multi-factor legal analysis that considers more than just the brands themselves; the analysis takes into account, for example, the similarity of the underlying products or services. Further, for organizations seeking to provide products or services internationally, a similar analysis must take place in every market where the organization intends to act.

If an organization fails to meet the standard and infringes another party's rights, the entity usually faces three options: (1) move to a new brand, (2) pay licensing fees, or (3) buy the other side out. This infamously happened to NBC in the 1970s. At the time, NBC reportedly paid \$1 million to design a new logo (for which it was the butt of jokes on *Saturday Night Live*). Then was sued for trademark infringement; the new logo was virtually identical to the mark owned by Nebraska's chain of PBS affiliates. To settle the dispute, NBC reportedly paid near \$1 million in cash and equipment.

The same three options can confront an organization that fails to properly apply to register its brand, when another party files first. This happened with Apple's iPhone brand with Cisco (they eventually settled their dispute). Also, Apple reportedly paid millions in China alone, to solve a registration problem to ensure that their iPhone mark covered mobile phones in that first-to-file country.

When key brands must be changed abruptly after launch, the goodwill associated with the brands is lost. This loss can be magnified by bad press over the branding change. Most organizations do not have the NBC's or Apple's reservoir of goodwill or resources to quickly rehabilitate goodwill when it is lost.

The cost of trademark litigation is always a key consideration. For an average trademark infringement suit that does not settle early (where <\$25 million is at stake), the median litigation cost can run up to \$775,000 inclusive of all costs. (See the 2011 Report of the Economic Survey from the American Intellectual Property Law Association (AIPLA).) It is important to note that this does not include the cost to change brands or pay a monetary judgment for damages. The overall cost of a trademark challenge/infringement suit can be millions of dollars in a worst-case scenario, especially in a case where an organization/executive is indifferent to, or disregards, another's trademark rights.

Understandably, organizations are in a hurry to succeed and do not want legal work to delay the business process. But a "bet the company" legal moment occurs each time an organization is created, launches new products or services, rebrands itself, or extends its brand to new areas/industries. To succeed at these "bet the company" moments, it is important to fully vet and protect your key brands



under trademark law's demanding standard and not view this process as a simple filing of forms to record a name.

## AUTHORS

Andrew D. Price

## RELATED PRACTICES

Trademarks and Brand  
Protection

## RELATED INDUSTRIES

Nonprofit Organizations  
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## ARCHIVES

2013	2009	2005
2012	2008	2004
2011	2007	2003
2010	2006	

## Articles

March 10, 2011

### Nonprofits: Don't Get Caught Naked (Licensing)

*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*<sup>1</sup>, 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 *Birtright*<sup>2</sup> 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 *Birtright*). 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 *Birtright* 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 *Birtright* 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.*

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

<sup>2</sup> *Birtright v. Birtright Inc.*, 827 F.Supp. 1114 (D.N.J. 1993).

# CORPORATE COUNSEL

## Worlds Apart? How to Bridge the Gap Between Legal and Marketing Departments

By **Justin E. Pierce** and **Andrew D. Price**

The general counsel of a famous brand in New York City charged with managing intellectual property recently explained that the marketing department was located "across the street." To meet with his marketing colleagues he had to cross the street. This street was more like a chasm – filled with NYC traffic – and not easily crossed. They didn't meet all that often.

This situation may sound impossible in this day and age – after all, meeting in person isn't what it used to be – but it neatly symbolizes the gap we often see between the legal and marketing departments in most companies. Whether collocated or not, the professionals who work in these two departments often seem separated by a busy New York City street.

How do we bridge the gap?

To interact more effectively with marketing colleagues we recommend that in-house lawyers charged with managing trademarks focus on the following six steps. Outside counsel can enhance their value to their clients by supporting in-house counsel in this effort.

(1) Become more relationship-oriented than task-oriented. Counter the stereotype that most lawyers are only task-oriented by focusing on relationships. Our day-to-day lives are task-oriented, constantly working to meet deadlines. But the highlight of our year is dominated by a relationship-focused event: meeting our trademark colleagues at the International Trademark Association (INTA) Annual Meeting. Also, most successful outside counsel get new business as a result of their relationships. In contrast, most of the traditional interactions between trademark lawyers and marketing personnel are more task-oriented (e.g., clearing a trademark). Focus more on the relationship you have with marketing. Try to create a dynamic, positive and friendly environment for interactions with marketing staff. Offer creative solutions and alternatives when trademark search results show that a brand name that marketing really wants is too risky or unavailable. Educate your marketing department and include it in your trademark risk assessment process.

(2) Demonstrate practical intelligence, not just analytical intelligence. Counter the stereotype that lawyers are not in touch with the practicality of their work by showing practical intelligence in how you communicate about legal matters. Do this in terms of not only *what* you say, but *how* you say it. Put legal discussions in the appropriate business context and always start with a brief executive summary. Marketing executives (and most in-house counsel) have little time to read lengthy legal prose.

Report risk on a proposed trademark or new brand name in a way that is useful for business people. And clearly distinguish between "theoretical risk" and "practical risk."

"Theoretical risk" refers to the risk if the trademark registry rejects your application for the proposed brand based on a third party's rights, where there is no or limited overlap in the marketplace. "Practical risk" refers to the risk of challenge by a third party, competing in the same market, with prior rights to a mark similar or identical to your client's proposed brand name. Explain the implications of any practical risk such as the likelihood a challenger could get an injunction – a court order to stop using a trademark – against the company. And use layman's terms instead of trademark jargon and legalese. For example, say "we need to show we are still using the brand," instead of saying "we need to file a Section 8." Outside counsel can help facilitate this in the way it reports advice to inside counsel.

(3) Participate in brand creation. Counter the stereotype that marketing executives and naming agencies have cornered the market on creativity by proving that many trademark lawyers are inherently creative.

Trademark lawyers are arguably better positioned than naming agencies to create brands. Companies devote significant resources to creating brand names, typically turning to naming agencies, ad agencies, and their own employees to create the names. Besides marketplace appeal the names created must have the ability to be used with low risk, get registered as trademarks, and also appeal to consumers without negative connotations.

While naming agencies may tout the notion that they provide names that are "legally sound," many of these names fail during initial trademark searching and legal evaluation. Trademark lawyers have both creativity and the necessary knowledge of trademark law. In-house counsel are already positioned to collaborate with marketing executives to create brand names. Be creative and seek out ways to get more involved in the naming process. This can help speed brand selection, control cost, and create goodwill in the process. Outside counsel are an excellent resource for comprehensive trademark searching and can help guide the process.

(4) Give marketing executives a voice in brand clearance. Counter the assumption that "no" means having to completely start over in the branding process, by empowering marketing executives (in concert with other business executives) to decide on their tolerance for risk before a trademark is searched. Give marketing executives specific factors to consider in making this decision: e.g., projected revenue from the product; projected advertising and promotional expenditures for the product; duration of proposed use; and the ability to quickly stop the use if necessary. Give marketing executives a framework in which to express the level of theoretical and practical risk they will tolerate: high, moderate-to-high, moderate, low-to-moderate, or low. Then, if a marketing executive says it will tolerate "moderate-to-high theoretical risk" and "moderate practical risk," the search results will be easier to understand and the executive will be less angry if a mark does not clear. This is because he/she had a hand in setting the acceptable level of risk. Quantify (or at least estimate) how much it will cost to acquire, or litigate over, a risky but highly sought after trademark. This will go a long way in helping marketing executives understand the costs of the risks they want to take.

(5) Be a better advocate for the value of trademarks and the role lawyers can play in building it. Counter the mistaken belief that trademark lawyers are the "business prevention unit" or merely a "cost center," by giving marketing executives more specifics about how this can be a company's most valuable business asset. Sure, they can remind executives that brand advantage can be reflected in market share (look at Coca-Cola); that more trademark applications are being filed now than a decade ago; and that today's electronic marketplace and brand proliferation dictates that trademarks have superior value. But

trademark lawyers should go a step further. They should become better storytellers and show how trademark lawyers are indispensable for brand building in the company's specific industry. To do this, remind marketing executives of compelling, industry-specific examples of how good brand-protection practices can help exploit business opportunities. When a competitor succeeds or fails, share the story with marketing colleagues. Outside counsel can help spot relevant successes and failures in key markets.

(6) Be empathetic to the perspective of marketing executives. Counter the frequently defensive position of marketing personnel by being empathetic. Marketing personnel often fear lawyers will interfere with their creativity and cause delay in getting goods/services to market. Hard economic times reinforce these fears. The pressure to do more with less is real. Be empathetic. In-house counsel should seek every opportunity possible to meet with, socialize with, and listen to their marketing colleagues. Camaraderie between the legal and marketing departments can go a long way towards improving teamwork and efficiency between the two departments.

In today's world of multinational corporations, many legal and marketing departments do not share the same space or geographic location. But regardless of whether they are located across the hall from one another, across a busy New York City Street, or on another continent, these departments seem deeply divided in most organizations. The six steps above are effective ways to bridge that gap.

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## LEGAL BRIEF

# Protecting your intellectual property abroad

By Michael A. Gollin and Andrew D. Price

Association leaders are wise to pay attention to the issues involving trademarks and copyrights as they play out on the international stage of trade, competitiveness, and innovation. Here are some steps you can take to protect your association's rights.

### Guard Trademarks

Routinely review and update the following:

- **Obtain registrations.** Names, acronyms, logos, and slogans can be registered as trademarks. Entry-level trademark registrations usually cover key marks in connection with association services. More expansive applications cover all association marks for the various goods and services that may be found, for example, on the organization's Web site.
- **Protect foreign trademark rights.** Trademark rights are obtained on a country-by-country basis and often go to the first party to file an application. The Madrid Protocol ([www.wipo.int/madrid/en/](http://www.wipo.int/madrid/en/)), a new filing mechanism, reduces the costs of international protection dramatically and may be appropriate for your association.
- **Protect related domain names.** If possi-

ble, register your association's acronym or initialism, full name, and related names, with the appropriate extensions, such as .org, .com, and .eu. Also make sure the association owns the registrations in its name, the registrations are not about to expire, and the contact information in the registrations is current.

### Expand the Reach of Copyrights

Factor in electronic media when you do the following:

- **Register copyrights.** Register your Web site, including the various publications that may be posted there or otherwise distributed. Copyright registration is the least expensive form of intellectual-property protection and gives the right to statutory damages of up to \$150,000 for infringement.
- **Obtain rights from authors.** Make sure that your procurement agreements for Web design, publications, and marketing materials transfer rights from the authors/creators to the association.
- **Mark works.** Marking Web sites and marketing materials with the copyright symbol (©) may deter others from using the materials. Nonetheless, given the prevalence of copyright infringement in many countries, expect a certain amount of leakage and plan for it.

In summary, protect your trade secrets, including member lists, and be prepared to address issues raised by members concerning trademarks, copyrights, trade secrets, and patents.

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## Best Licensing Practices on Exclusivity, Sublicensing and Termination

by John A. Gliedman



Exclusivity, sublicensing and termination are three concepts that are fundamental in the negotiation and drafting phases of a license agreement.

These concepts can open or close potential future revenue streams

*Continued on page 11*

## The Madrid Protocol: King of the Road, or Hit the Road, Jack?

by Andrew D. Price



Those familiar with the Madrid Protocol know that it may reduce the cost of protecting trademarks in foreign countries. Available to U.S. parties since November 2, 2003, the Protocol can create a “one stop shop” for international trademark protection. Then again, sometimes it

does not.

There are circumstances that weigh in favor of selecting the Protocol, with its initial cost savings, over national applications:

1. Did the United States Patent and Trademark Office (“USPTO”) approve your identification of goods/services? If so, would it be sufficiently broad to meet your needs in foreign countries?

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## Announcing In-Use Information and Web Common Law

*See page 5.*

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An application under the Madrid Protocol based on a U.S. application/registration must cover goods/services that are (a) identified in a manner that the USPTO accepts; and, with few exceptions, (b) ultimately used in the United States with the mark. If your USPTO-accepted identification meets your needs in foreign countries, it can weigh in favor of selecting the Protocol.

2. Is your mark arbitrary or fanciful? If not, have you already registered it in a so-called "Commonwealth" country based on inherent distinctiveness?

If the answer to either question is "yes," you are more likely to avoid descriptiveness refusals in foreign countries. If a mark is suggestive by U.S. standards, foreign countries could still refuse it based on descriptiveness. Said another way, a registration on the Principal Register of the USPTO is not a guarantee that the mark will be sufficiently strong elsewhere. Commonwealth countries (e.g. the United Kingdom, Canada, Australia, and Hong Kong) have some of the most stringent standards, so they can be a good barometer. If your mark is on the borderline of being strong, you may need to change it for registration purposes on a country-by-country basis. But that could require adding a distinctive element that might not be required in the United States, and the Protocol does not permit alteration of a mark once filed. If you expect to be able to avoid a descriptiveness refusal, therefore, it can weigh in favor of selecting the Protocol.

3. Do you own an incontestable U.S. registration for the mark?

Protection achieved under the Madrid Protocol is vulnerable to "central attack" of the underlying U.S. application/registration for five years from the date of international registration. If the

underlying application/registration is successfully challenged during that time, protection in other countries could be lost. To avoid loss, the international registration can be "transformed" into individual country applications/registrations. But transformation can be expensive. An incontestable U.S. registration is less vulnerable to central attack. So, if you own one, it can weigh in favor of selecting the Protocol.

4. Has your mark remained unchanged for several years? If so, do you want to register it in the same form in all countries?

Marks registered under the Protocol may not be amended once filed. Moreover, a Protocol application may only cover one version of the mark. So, for example, an applicant under the Protocol may not cover a translation or transliteration of a mark in place of, or in addition to, the mark as filed. If you answer "yes" to both of the above questions, it can weigh in favor of selecting the Protocol.

5. Do you want to register the mark primarily in countries that do not refuse registration based on likelihood of confusion, or have you cleared the mark in your countries of interest through searching?

If you are focused on such countries (e.g., France, Germany, Italy, and the Benelux countries of Belgium, the Netherlands, and Luxembourg), or you have cleared the mark, you may be able to avoid Office Actions and preserve the initial cost savings of the Protocol. Much of that savings is due to avoiding the need for foreign associates to file applications. If associates are needed under the Protocol because Office Actions issue, it can cost as much to engage them at that time as upon application filing; this can surrender any initial savings. So, if you expect to

avoid Office Actions, it can weigh in favor of selecting the Protocol.

6. Could you afford to wait up to eighteen months before the first Office Action issues?

Time until the first Office Action is an indication of the speed of the registration process. Under the Protocol, foreign countries are not required to issue first Office Actions for eighteen months. This means a country that issues Actions in just a few months for national applications (e.g. the United Kingdom), is technically permitted to take much longer under the Protocol. Owners of U.S. applications/registrations

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are accustomed to receiving first Office Actions in four-to-six months. If you can afford to wait much longer, however, this can weigh in favor of selecting the Protocol.

#### 7. Do you want to register the mark in Europe but are mostly interested in countries that do not participate in the European Community?

Remember that Switzerland and some other important European countries (e.g. Liechtenstein, Norway, and Iceland) are not currently members of the European Community. These countries will still not become members when the Community is enlarged on May 1, 2004. If you are interested in such countries plus no more than three or four countries in the Community, it can weigh in favor of selecting the Protocol.

#### 8. Do you own a USPTO application that is nearly six months old and want to obtain priority treatment under the Paris Convention, but lack an established network of foreign associates to file applications?

If you are in-house counsel and do not regularly work with associates in foreign countries, you may not have a network of associates that can file applications on short notice. If you cannot assemble such a network in time, but can navigate the USPTO procedures for filing under the Protocol, it can weigh in favor of selecting the Protocol.

### The Advantages of National Applications

Then again, there are times to consider national applications instead of the Protocol:

#### 1. Could you benefit from a broader identification of goods/services than the USPTO would allow?

The USPTO is notorious for requiring

narrowly tailored identifications of goods/services. Using national applications instead of U.S.-based Madrid applications could allow you to cover entire International Classes in certain countries (e.g., Russian Federation); or a whole subclass of goods/services in others (e.g., Japan). Moreover, national applications in most foreign countries do not require that a mark be used to obtain registration, unlike in the United States where the breadth of registration must generally not exceed breadth of use. If you need the broadest identification of goods/services, it can weigh against selecting the Protocol.

#### 2. Is your mark inherently weak?

Marks that the USPTO registers on the Supplemental Register, or on the Principal Register based on acquired distinctiveness, are bound to be found descriptive in foreign countries. Madrid applications will fail in such cases. It may be that a weak mark could be altered in such a way that it is more likely to be registered abroad. Still, a new U.S. application or separate national applications would be required on a country-by-country basis if the party owns no U.S. application/registration for the altered

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### "Advanced Tips & Tricks" continued from page 3

arranged to retrieve any characters or to retrieve specific series of characters (alphabetic, numeric, vowels or consonants). The range is read from left to right as a "from-to" arrangement, preceded by the desired character substitution. For example:

QUERY	RETRIEVES	CHARACTER / RANGE
G{A1:2}TER	GAster GETter	A retrieves any letter 1:2 includes 1 or 2 letters
G{V1:2}TER	GAIter GATer	V retrieves vowels only 1:2 includes 1 or 2 letters
G{V}TER	GITer GATer	V retrieves vowels only V retrieves 1 vowel only
G{C0:1}TER	GTER GLTER	C retrieves consonants only 0:1 includes 0 or 1 consonant
G{?0:2}TER	G-TER GUSTER	? retrieves any character 0:1 includes 0 or 1 characters (may include punctuation)
GATER{D1:3}	GATER 123 GATER4	D retrieves any digit 1:3 includes 1, 2 or 3 digits
GATER{D2}	GATER 44 GATER 20	D retrieves any digit D2 retrieves 2 digits only

#### Note:

Plurals are not supported for queries containing pattern matching.

*Brian Cardoza is Senior Online Services Representative at Thomson & Thomson. For more information, please contact Brian or any member of the Online Services team at 888-477-3447. For more advanced Custom Search tips, sign up for one of our Advanced Search training sessions (page 14).*

mark in view of "3," below. If your mark is weak, it can weigh against selecting the Protocol.

### 3. Is there a chance your mark will evolve over time?

Owners of U.S. applications/registrations may be accustomed to the USPTO rule allowing marks to be amended if it does not create a material alteration; however, this rule does not apply under the Protocol. Or, you may be familiar with the procedure in the United Kingdom permitting registration of two or more versions of the same mark in one application as a "series"; that rule does not apply under the Protocol either. Design marks and new marks are most likely to evolve over time. Therefore, if you wish to protect a mark that might evolve, it can weigh against selecting the Protocol.

### 4. Do your primary countries of interest participate in the Madrid Protocol and are most of them in Europe?

With the exception of the United States, no countries in the Americas (i.e., North, South, and Latin America) participate in the Madrid Protocol. Canada, then, is notably absent. Other key exceptions include Hong Kong, Taiwan, South Africa, Thailand, and India. Most European countries that participate are also members of the European Community, which can be a better choice if you are interested in more than a few European countries. If your primary countries of interest do not match up with the Protocol, it can weigh against selecting it.

### 5. Is there a chance your trademark rights will need to be assigned to a party not tied to a Madrid Protocol country?

To receive a registration under the Madrid Protocol, the assignee must either have a real and effective industrial

or commercial establishment in a country that participates in the Protocol, be a national of such a country, or be domiciled there. Additionally, it is risky if the assignee of a registration obtained through the Madrid Protocol leaves the underlying U.S. application/registration in the name of the assignor. Rights through the Protocol are lost if that party abandons the application, or fails to maintain the registration, within five years from the date of international registration. If you foresee assignment problems, it can weigh against selecting the Protocol.

### 6. Is the trademark registration on which the Madrid application would be based less than five years old, or is the mark not yet registered in the United States, and especially vulnerable?

Consider that certain types of applications/registrations are especially vulnerable to attack and are not the ideal bases for applications under the Madrid Protocol:

- A new application that it is less than eight months old is especially vulnerable. During this window, applications could be filed in the United States and claim priority treatment under the Paris Convention and/or, under the Madrid Protocol, request extension into the United States. Such applications could establish prior rights.
- An application filed on an intent-to-use basis is more vulnerable than one based on use. This is because the mark has not been exposed to the consumer marketplace and the intention to use the mark in the United States could be lost.
- A registration that is less than five years old can be vulnerable. This

can be true if the mark has not cleared a full search and does not have longstanding use, since the registration is not yet incontestable and the mark may not have had time to conflict with prior users in the marketplace.

If any of these three points describe your basic application/registration, it can weigh against selecting the Protocol.

## Conclusion

While using the Madrid Protocol can create a "one stop shop" for international trademark protection, there are times to consider national applications instead. A trademark attorney who has studied the Madrid Protocol and filed applications using it can help balance interests and guide you to select the Protocol—or not—under the circumstances faced.

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