

## INTELLECTUAL PROPERTY ALERT

### WHAT NONPROFITS SHOULD KNOW ABOUT INTELLECTUAL PROPERTY



How can nonprofit and charitable organizations protect their publications, event names, logos, Web sites and other materials? How can an organization learn if it even has intellectual property assets to be protected? This Alert will help address questions about intellectual property that nonprofits will likely encounter in day to day operations, and will help such organizations comply with the law and avoid legal conflicts as well as take full advantage of the benefits of intellectual property protection.

There are different types of intellectual property that protect different types of business assets for varying periods of time. Understanding the different protections available is the first step.

#### **PATENTS**

Patents protect any new, useful and nonobvious process, machine, article of manufacture or composition of matter. To obtain a patent, an inventor must provide a full disclosure of the invention, trading such full disclosure for the right to exclude others from making, using or selling the subject matter claimed in the patent, starting from the date a patent issues for a period of 20 years calculated from the application filing date. For patents issuing after 2000, the period of patent protection will be at least the aforementioned 20-year term but may be more depending upon delays encountered in the patenting process.

A person may also obtain a patent upon a new, original and ornamental design of utilitarian objects or articles of manufacture, e.g., the grille on an automobile. These patents are called "design patents." Design patents are granted for a period of 14 years from the date of issuance.

Additional information about patents is available at the U.S. Patent and Trademark office Web site at [www.uspto.gov](http://www.uspto.gov).

#### **TRADEMARKS**

A trademark (used in connection with a product) or a service mark (used in connection with a service) is any word, symbol or device (e.g., sounds, colors or even scents) used by a business to identify the source of its products and services, and to distinguish its products and services from those of others. Trademarks embody an organization's reputation and "brand," and are thus an extremely important asset.

Trademark rights in the United States arise through use under the common law, and no registration is required, although federal registration confers valuable rights and legal presumptions. Trademarks are protectable for as long as the mark is used in connection with the product or service. A federal trademark registration lasts for 10 years and is renewable for any number of 10-year terms, as long as the mark is still in use. Unregistered marks should display the designation ™ and federally registered marks should display ®.

Before adopting a new mark or business name, a trademark search should be conducted by experienced trademark counsel to see if the proposed mark conflicts with any existing marks. Reserving a corporate name is not the same as clearing the name as a service mark or trademark. Incorporation under a corporate name will not protect a corporation against a trademark infringement action when using another entity's mark. Trademarks need not be identical in order to infringe – the test is whether the marks and products are so similar that persons encountering the mark would likely be confused either as to the source or sponsorship of the product or as to affiliation between the parties. If found to infringe upon another entity's mark, the corporate name, brochures, Web site and any other reference to the mark will have to be changed unless other authorization is obtained. Famous trademarks are also protected against "dilution."

Additional information about trademarks and federal trademark registration is available at the U.S. Patent and Trademark office Web site at [www.uspto.gov](http://www.uspto.gov).

## **COPYRIGHT**

Copyright protects works of authorship, including, for example, books, Web sites, music, visual arts, sculpture, architectural drawings and structures, choreography, photographs and computer programs, among other types of works, from unauthorized copying and distribution. Copyright does not protect facts or ideas, only the *expression* of those facts or ideas. The original arrangement and compilation of facts (e.g., a database) may be protected. An original work of authorship becomes protected by copyright as soon as it is fixed in any tangible medium of expression. However, an organization should register the copyright in its important printed materials, Web sites and the like as quickly as possible after publication, and no later than three months after publication, in order to preserve certain types of monetary remedies for infringement.

The use of a copyright notice ("©") is no longer required under U.S. law; however, it remains beneficial. All works owned by or created for the organization, in written and electronic form, including books, brochures, pamphlets, informational sheets, advertisements, etc., should bear the copyright notice. A proper notice includes the copyright symbol, the year of first publication (or no year, for unpublished works) and the name of the copyright owner, e.g.:

© 2007 Nonprofit Organization, Inc.

Additional information about copyrights and copyright registration is available at the U.S. Copyright Office Web site at [www.copyright.gov](http://www.copyright.gov).

## **TRADE SECRETS**

Trade secrets may include almost anything used in a business that is maintained in secrecy and confers to the owner a competitive advantage. Examples include proprietary business methods, customer lists, a formula for a product, confidential computer code and the like. Unlike other types of intellectual property, there is no registration process for trade secrets. In fact, public disclosure of the trade secret disqualifies the material from protection.

For the trade secret to be protected, the owner must take reasonable steps to maintain the confidentiality of the trade secret. Accordingly, it is extremely important to have a confidentiality (non-disclosure) agreement in place with employees and also whenever a trade secret is disclosed to an outside party. Internal policies should be instituted to

ensure that the trade secret is kept confidential and protected from unauthorized disclosure, and disclosed internally on a “need to know” basis.

Lastly, as a general rule, intellectual property rights are territorial, which means that rights conferred by the laws of one country are not necessarily recognized in other countries. However, there are several international treaties and conventions that deal with international protection of national intellectual property rights.

## **HOT IP TOPICS FOR NONPROFITS**

### ***“Fair Use” of Copyrighted Works***

One concept in the copyright law that is frequently misunderstood is the doctrine of “fair use.” “Fair use” is a statutory defense to copyright infringement that allows for use of others’ copyrighted work under certain circumstances without being liable for copyright infringement. Fair use is analyzed by balancing four factors (and any other facts that a court considers relevant). The “fair use” analysis, like many other multifactor balancing tests, can be unclear and relatively unpredictable. There is no single factor that will, by itself, ensure that unauthorized use of a copyrighted work is a “fair use.” Similarly, there is no “safe harbor” wherein using fewer than a certain number of, for example, words or musical notes will always qualify as a “fair use”. The four “fair use” factors are:

**1. *The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.***

There is no “per se” rule that commercial uses are unfair, and non-commercial, educational or not-for-profit uses are fair. Thus, simply because a business is nonprofit does not necessarily make the organization’s use of others’ copyrighted works “fair.” However, as a general rule, non-commercial use weighs in the multifactor analysis in favor of a finding of fair use. Classic “non-commercial” uses are teaching, criticism, comment, news reporting, scholarship and research.

**2. *The nature of the copyrighted work.***

Is the third-party material being used factual, or is it creative? If factual, this factor weighs in favor of a finding of fair use. Is the material from a work that is expensive or time-consuming to create? If so, this fact might weigh against a finding of fair use.

**3. *The amount and substantiality of the portion used in relation to the copyrighted work as a whole.***

When fair use is raised as a defense to infringement, courts will often make a detailed quantitative analysis of how much of the entire work was used – is it 30 words or 3000 words? Is it 40 percent of the whole, or 4 percent? If the taking is a substantial part (quantitatively) of the copyrighted work, **or** if the taking is quantitatively small, but qualitatively it is the most important part of the work, such fact will weigh against a finding of fair use. For example, the Supreme Court found that publication of 300 words out of about 200,000 was not a fair use, given that the text taken was Gerald Ford’s description of his pardon of Richard Nixon, and thus key to the value of the entire book.

As the fair use analysis is an equitable one, the less taken from the copyrighted work, the better for the defense.

**4. *The effect of the use upon the potential market for or value of the copyrighted work.***

The exclusivity afforded by the copyright laws provides an economic incentive to the copyright owner to make his or her works available. Thus, a material impact on the copyright owner’s ability to exploit the full commercial value of the work is a key factor in a fair use analysis.

There is no bright-line test for fair use. Organizations should proceed cautiously and preferably with the advice of counsel in making decisions to rely upon fair use, as opposed to obtaining permission from the copyright owner.

**“WORK FOR HIRE”**

As a general rule, copyright belongs to the “author,” i.e., the creator of the work. However, a copyrighted work that is created by a company’s employee within the scope of his/her employment is a “work for hire” and the company is considered to be the author and copyright owner. Ownership of the copyright never vests in the employee in a “work for hire” situation. For example, the copyright in training materials written by a nonprofit’s employee within the scope of his/her employment is automatically owned by the nonprofit employer. “Employment” has the same meaning as is understood under the law of agency, and the many factors that will determine employment include, for example, whether taxes were withheld from payment, where the work was done, who supplied the “tools” and the length of the engagement. The organization’s employment agreements should contain language clearly conferring intellectual property ownership of all of the employee’s creations in the course of employment in the employer.

What if the organization hires an outside consultant or technology developer or specially commissions a project, and the contractor creates copyrighted material that the organization specifies and pays for? A common assumption – often erroneous – is that the commissioning party owns all intellectual property rights in what was purchased. In reality, unless copyright ownership is assigned to the contracting party in the contract, or the work falls within one of the nine categories of “works for hire” identified in the U.S. Copyright Act and the parties agree in writing that the work is a “work for hire”, the author/contractor will own the copyright. As such, if you hire an outside consultant, it is important to let the consultant know that you are seeking copyright in the work and to make the consultant assign the copyright through a written contract. The “work for hire” categories are: 1) a contribution to a collective work, 2) part of a motion picture or other audiovisual work, 3) a translation, 4) a supplementary work, 5) a compilation, 6) an instructional text, 7) a test, 8) answer material for a test, and 9) an atlas.

**CONCLUSION**

Intellectual property can and should be an important asset for nonprofit organizations. Such assets are often not fully appreciated and are sometimes overlooked entirely. A periodic intellectual property review or “audit” is highly recommended. Such a review will help the organization identify its intellectual property assets, ensure that such assets are adequately protected, and identify any activities or practices that could place the organization at risk of an infringement claim.

**CONTACT INFORMATION**

Akin Gump Strauss Hauer & Feld LLP is proud to work closely with the D.C. Bar CED Project. If your organization has legal needs, please contact:

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