

INTELLECTUAL PROPERTY FOR NONPROFIT HEALTH ORGANIZATIONS

patent
copyright
trademark
trade secrets

Healthcare Georgia Foundation
grantmaking for health



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A large food-bank has a new name and logo; the Board of Directors does not want any similar agency in the state to use a similar name or design.

A nonprofit creates school curricula to teach students about healthy eating, and does not want its content and videos copied or used without its permission.

A foundation hires a computer programmer to create innovative software for tracking and connecting grantees, projects, and community needs; it wants to license and sell the program to other foundations.

A clinic for children living in poverty uses successful fundraising strategies with its strong donor base, and wants to keep these tactics and donor lists private so they aren't mined by other organizations.

What do these examples have in common? In each case, the organization is dealing with intellectual property. Intellectual property is property—that is, something that a person, company, or organization owns—that was created by the mind.

Why would a health or social-services organization need to know about intellectual property? Your organization's intellectual property holds a great deal of value, so it's important to identify what is your intellectual property and to be able to protect it. Just as you lock the office doors at night, password-protect your computer network, and safeguard who has access to your bank accounts, your intellectual property is also vulnerable to theft and misuse—which could cost your organization in terms of money, time, capabilities, and reputation. State and federal laws provide protection for certain types of intellectual property; these include:

- copyright
- trademark
- patents, and
- trade secrets

What's more, your intellectual property is a very real asset. It encompasses your identity in the public eye—how recognizable your organization is, the strength of your reputation, your fundraising power. It includes material your organization produces and relies on for revenue, including content on your website and in fundraising materials, features of merchandise you might sell, and more.

Intellectual property is governed by a host of laws, both federal and state. These laws are often complex and are subject to change—so it's advisable to consult an attorney if you have questions or are considering taking action to protect your intellectual property. An intellectual-property (IP) attorney will be up-to-date on these laws and be able to answer questions about your particular situation. **This publication is not intended, nor should it be used, as a substitute for legal advice.**

Your organization probably already uses different types of intellectual property. This publication will help you:

- identify the potential range of your organization's intellectual property, and
- take steps to protect this valuable asset

Your intellectual property is a very real asset. It encompasses your identity in the public eye—how recognizable your organization is, the strength of your reputation, your fundraising power.

WHAT IS COPYRIGHT?

The text on a social-service agency's website. The content in a foundation's brochure. The materials a crisis-services organization uses to train its volunteers. The photographs of a fundraising event that a clinic uses to raise further donations. The radio broadcast used to educate a community about diabetes. All of these are examples of work protected by copyright.

Copyright confers a set of rights for original works of authorship. These works can include:

- written work
- visual art
- film, video, and audiovisual work
- music and other sound recordings
- dramatic and/or choreographed performance
- design of a building, and
- computer software.

Copyright exists for both published and unpublished works. (Copyright doesn't protect names, slogans, logos, and other very short or simple items of identity, which may be protected by trademark.)

Some works of a nonprofit organization that are covered by copyright might include:

- website content
- text in brochures and other publications
- training materials
- photographs and artwork
- software
- audio recordings, and
- video productions.

Copyright does not protect the facts or ideas themselves, but the *expression* of ideas, fixed in a *tangible medium*. For instance, a performance itself would not be copyrighted, since the performance isn't tangible; the notation or recording of the performance, however, can be copyrighted.

WHAT DOES COPYRIGHT PROTECTION DO?

When a work has copyright protection, the copyright owner generally has the exclusive legal right to control who may copy, distribute, create derivative works, publicly display, and publicly perform the work. If someone violates

the copyright, the copyright owner has the right to pursue legal means to stop the infringement.

WHO OWNS THE COPYRIGHT?

The copyright is generally owned by the author who created the work—unless the right is transferred to another party by mutual contractual agreement. If there are multiple authors, they are co-owners of the copyright (again, unless there is a contract stating otherwise). In the case of works for hire (see below), the employer, not the employee, is considered to be the author.

Work For Hire

“Work for hire” refers to a situation where an employer is the author of the works, even if they were created by an employee or contractor. Generally, work created by an employee is automatically considered “work for hire” when it is created in the scope of his or her employment, and the employer is automatically entitled to hold the legal rights to the work. In contrast, contracted work is never automatically “work for hire.”

A contractor generally owns his or her own work, unless you have an explicit contractual agreement that states otherwise. If your organization intends to own and hold legal control of work created by a contractor, both the contractor and your organization must sign a contract explicitly stating that the work created by the contractor for the hiring organization shall be work for hire and shall be owned by the hiring organization. In addition, in order for the contracted work to be “work for hire,” it must fall into one of nine specific categories:

- 1) contribution to a collective work
- 2) part of a motion picture or audio-visual work
- 3) translation
- 4) supplement
- 5) compilation
- 6) instructional text
- 7) test
- 8) answers for a test
- 9) atlas

If the contracted work doesn't fit into one of these categories, the hiring organization can still become the copyright owner if the contractor signs a contract assigning the copyright to the hiring organization.

When you hire contractors to create something for your organization, consider requiring them to sign “work for hire” and/or assignment agreements. If you're not sure whether the work will qualify as a work for hire for copyright purposes, and because there may be other intellectual-property rights involved, it is wise to include both “work for hire” and assignment provisions in your contract.

HOW DO WE OBTAIN COPYRIGHT PROTECTION?

“Your work is under copyright protection the moment it is created and fixed in a tangible form that is perceptible either directly or with the aid of a machine or device.” [Source: United States Copyright Office.] In other words, in the United States a work of authorship is *automatically* covered by copyright simply by being created. No registration is necessary—you can use the copyright designation (©) on all eligible work to notify others that it’s protected.

If you choose, you may register your copyright with the United States Copyright Office (USCO). While this registration is optional, it does confer certain advantages. Registration:

- establishes a public record of the copyright claim
- is necessary in order to file an infringement suit in court
- works as evidence in court of the validity of the copyright (if registered before or within five years of publication)
- allows the copyright owner to sue an infringer for statutory damages and attorney’s fees (if registered within three months after publication or before the infringement); otherwise, only actual damages and profits may be recovered, and
- allows the copyright owner to record the registration with the U.S. Customs Service, to protect against infringing copies being imported from other countries.

HOW IS COPYRIGHT DENOTED?

You may use notice of copyright whether or not the work is registered with the USCO. The notice should contain all three of these elements:

- 1) the symbol ©, the word “Copyright,” or the abbreviation “Copr.”,
- 2) the year of first publication of the work (there are some exceptions for works of visual art; consult an attorney or www.copyright.gov for specifics), and
- 3) the name of the copyright owner.

WHAT ABOUT THE “POOR MAN’S COPYRIGHT”?

There’s a popular misconception that sending a copy of your work to yourself by U.S. mail validates your copyright; this is sometimes called a “poor man’s copyright.” According to the USCO, “There is no provision in the copyright law regarding any such type of protection, and it is not a substitute for registration.”

HOW DO WE REGISTER A COPYRIGHT?

Copyrights are registered with the USCO. Registration may be made at any time in the life of the copyrighted work. However, the timing of registration is important in an infringement situation. If a work is infringed upon, the copyright owner is eligible for statutory damages and attorney’s fees only if the work was registered within three months of publication or prior to the infringing activity.

Your copyright registration will become effective as of the date that the USCO received your application with all the required elements in acceptable form—regardless of how long it takes for the USCO to process the application and send your certificate of registration.

For many kinds of works, you may either register online (www.copyright.gov) or mail in a printed form; some kinds of works require paper submissions only. See the USCO website for details.

You may want to consult an IP attorney and/or the USCO website if you have questions regarding copyright ownership or registration. An attorney may also help you address issues related to the involvement of contractors or volunteers.

The registration process requires completing an application form, submitting one or more copies of the work to be copyrighted, and paying a fee. The length of time it takes to receive your certificate of registration varies, generally from a few months to a year. Filing online is typically much quicker than filing paper forms.

HOW LONG DOES COPYRIGHT PROTECTION LAST?

The term of copyright for any given work depends on several factors, including the date of first publication (for published works). Generally, works created after January 1, 1978 are protected for the life of the author plus 70 years. For works for hire or works that are anonymous or pseudonymous, the copyright lasts 95 years from the year of first publication or 120 years from the year of creation (whichever expires first). To determine the length of copyright for a specific work, consult the USCO (www.copyright.gov).

HOW CAN WE MAKE SURE WE'RE NOT VIOLATING AN EXISTING COPYRIGHT?

The easiest way to avoid violating another person's copyright is to create your own original materials from scratch, rather than copying, paraphrasing, or basing your creation on the works of others. (This includes images, music, text, code, graphics, and other content.)

If you are considering using materials that your organization did not develop (for instance, in creating presentations, training tools, etc.), it's important not to use copyrighted works without permission. Simply having access to material (on the Internet, for example, or in a book) is not the same as having permission to copy or reuse it.

In order to legally use all or part of a work of authorship, you must get permission from the copyright holder. If you don't know who owns a copyright, you can search the database of the USCO to see if the work is registered (or, for a fee, you can request that USCO staff conduct the search for

you). For works created in or after 1978, the database is online and freely searchable by the public. For works made before 1978, you must pay a fee for USCO staff to manually conduct the search. If the work is not registered, you may have to do some investigating to identify and locate the copyright owner.

"Acknowledging the source of the copyrighted material does not substitute for obtaining permission." [Source: USCO.] While it's important to note the source of material used in order to avoid plagiarism (presenting someone else's work as your own), that doesn't prevent copyright infringement—the unauthorized use of someone else's work, whether or not you cite the source. Plagiarism, while unethical, is not illegal; copyright infringement, on the other hand, is illegal. You avoid infringement by obtaining express, written permission from the copyright owner.

Fair Use

The U.S. copyright statute includes a "Fair Use" clause (section 107 of the Copyright Act). Under Fair Use, it may be permissible to use limited excerpts or quotes of a work, for purposes such as "commentary, criticism, news reporting, and scholarly reports." [Source: USCO] There is no specified number of words, number of musical notes, or percentage of the work that's acceptable to use without permission. Fair Use objections are generally judged on a case-by-case basis, taking the following factors into account:

- the purpose and nature of the use, including whether it's used for commercial purposes or for nonprofit/educational purposes;
- the nature of the copyrighted work;
- the amount and substantiality of the portion used in relation to the work as a whole; and
- the effect of the use on the potential market for or value of the copyrighted work.

The Fair Use doctrine is complex, and permissible use depends on the circumstances of the use. For these reasons, it may be advisable to consult with an IP attorney to assess the likelihood that your planned usage falls under Fair Use.

WHAT IF WE THINK SOMEONE HAS INFRINGED UPON OUR COPYRIGHT?

If you think your work has been copied, distributed, publicly displayed, publicly performed, or used as the basis for a derivative work without your permission, your legal remedies may include filing a civil lawsuit in federal district court. Remember, though, that *your copyright must be registered with the*

USCO before you can bring an infringement suit. If registration was made either within three months after publication or prior to the infringement, then you may be eligible for statutory damages and coverage of attorney's fees; otherwise, only actual damages and profits will be available. In any case, if you believe that your copyright has been infringed upon, it's advisable to consult with an IP attorney.

EXERCISE: What Are Our Organization's Copyrights?

Conduct an inventory—use group-brainstorming as well as a survey of your organization's materials to compile a list of works that your organization uses. Be sure to examine publications and other materials for the public, as well as internal-use content such as training manuals and videos. Consider work that is published on paper as well as work online and in audio or video format.

For each work, do you know who developed it? Was it created solely by one or more employees of your organization? Did an outside contractor or volunteer participate in its creation? If contractors or volunteers were involved, does your organization have a signed agreement (work for hire or assignment) that gives your organization copyright ownership?

Does your organization mark all of its works of authorship with proper copyright notice? Is there content that should have a copyright notice, but doesn't yet? Are there copyrights that you should register?

You may want to consult an IP attorney and/or the USCO website if you have questions regarding copyright ownership or registration. An attorney may also help you address issues related to the involvement of contractors or volunteers.

Publicity Rights

Although state laws vary, most recognize that an individual is entitled not to have his or her likeness, name, biographical information or other identifiable aspects (including voice and signature) exploited without authorization. This legal principle may be called *rights of publicity*, *personality rights*, or a form of *invasion of privacy*.

This restriction is not limited to commercial or for-profit use. Rights of publicity may be triggered by use for fund-raising or solicitation of donations, or other promotion of the organization, its mission and activities, regardless of whether the use or activity is not-for-profit.

For photographs of people, you should obtain two types of permission:

- from the copyright owner (typically the photographer or his/her employer) to reproduce, distribute and display the photographs, and
- from each individual recognizable in the photographs to have his or her likeness used in connection with your organization or its products, services or events.

TRADEMARKS TM

WHAT IS A TRADEMARK?

The American Red Cross name and symbol; the “Race for the Cure” event name; United Way’s “Live United” slogan—these are examples of trademarks.

Examples:



A trademark is any word, phrase, symbol, or design identifying the source of particular goods or services. A trademark might be a brand name, logo, slogan, or other source identifier. *A trademark is the sign of identity—it informs the public that a product, service, or event originates with the company or organization.* Trademarks include “house” brands such as the identity of the company or organization itself, and product-level brands such as unique names for particular products, services or events. (Note that a trademark is generally short and simple; longer works, like the content of a brochure or website, song lyrics, etc. are not trademarks, but may be protected under copyright instead.)

WHAT DOES TRADEMARK PROTECTION DO?

The trademark owner has the exclusive legal right to control who may use the mark in commerce (commensurate with the mark’s scope of use in a given marketplace). If someone uses a confusingly similar trademark without permission, the trademark owner has the right to pursue legal means to stop the infringement.

The main benefit of denoting your trademark is that it lets others know that you claim it as a trademark. Using a trademark notification can deter others from adopting a similar mark, and thus help avoid public confusion about providers with similar offerings. Using the common-law TM symbol does not give you any specific legal rights, but it may help you establish your claim of ownership of the mark and your unique identity.

Generally, using an *unregistered* trademark gives you some protection rights based on your scope of use, which might be limited to a local or state level. In contrast, a *federally-registered* trademark helps protect the mark nationwide.

WHO OWNS THE TRADEMARK?

The owner of a trademark is the person or entity who “controls the use of the mark, and controls the nature and quality” of the goods or services in question. The owner can be “an individual, corporation, partnership, LLC, or other type of legal entity.” [Source: USPTO.] Essentially, the owner is the party that sells or distributes the product under the trademark.

HOW IS A TRADEMARK DENOTED?

There are two ways to provide notice that you claim the rights to your mark. If the mark is *not* registered with the United States Patent and Trademark Office (USPTO), you can use the TM symbol with your mark. If it has successfully completed the registration process with the USPTO, then (and only then) you may display the ® (“federally registered”) symbol with the trademark.

No registration is necessary to use the TM symbol. It may be used on trademarks in any marketplace, whether local, state, or national, and is frequently used while a federal trademark registration is pending. The TM symbol is informal and only indicates that the user claims trademark rights. It does not, as a legal matter, guarantee validity, strength, ownership, or non-infringement of the mark.

IS OUR TRADEMARK ELIGIBLE FOR FEDERAL REGISTRATION?

A trademark may be federally registered if it:

- is used exclusively by your organization to identify its products and services,
- serves to indicate the source or origin of the products or services (as opposed to describing what the products and services are),
- is not confusingly similar to a previously-registered trademark,
- meets the technical and legal requirements of the USPTO, and
- is used in interstate commerce.

For a nonprofit organization, “interstate commerce” may include fundraising activities such as soliciting donors from out-of-state, holding an event that’s marketed and has participants from across state lines, or having an online presence that services its constituency. As in all areas concerning legal requirements, it’s useful to consult an attorney to ensure that your mark meets this requirement.

HOW CAN WE MAKE SURE THAT THE TRADEMARK WE WANT TO USE WON'T CREATE A CONFLICT?

Trademark searching can identify and evaluate potential conflicts with your proposed use of a trademark, and can help minimize your risk of a conflict. The USPTO's searchable online database, the Trademark Electronic Search System (TESS), is available at no cost to the general public—but of course a TESS search can find only registered trademarks. There are companies that provide broader trademark searches and can find unregistered marks, company names, trade usage, and domain names and internet use. Whatever level of searching you undertake, be sure to understand how the search works and how to interpret the results. Because the search can be complex and infringement is a serious risk, many opt for having a trademark attorney perform the search and assess the results.

In any case, it's important to keep in mind that no trademark search, no matter how thorough, can guarantee that a proposed name or trademark is absolutely "clear." The goal of trademark research is to gather enough information to assess the likelihood of a conflict and whether the proposed name or mark can be protected adequately.

SHOULD WE REGISTER OUR TRADEMARKS?

While you don't have to register your trademark in order to own that mark, nor in order for you to take legal action if your mark is being infringed by someone else, registering your trademark with the USPTO does provide many legal benefits:

- public notice that you claim ownership of the mark
- legal affirmation that you own the mark and have the exclusive right to use the mark nationwide to identify the goods or services listed in your registration
- the right to bring a case involving the mark to federal court
- the foundation for registering the mark in foreign countries
- the ability to record the registration with the U.S. Customs and Border Protection Service, to prevent infringing foreign goods from being imported into the U.S.
- listing in the USPTO online databases
- the right to use the federal registration symbol (®).

In short, registering your mark notifies the public that the mark uniquely identifies the source of the goods or services your organization offers, helps to prevent other organizations from confusing your public with a similar mark, and gives you greater legal recourse if your mark is infringed upon. But remember: your mark must be used in interstate commerce in order to qualify for federal registration.

HOW DO WE REGISTER OUR TRADEMARK?

To register, you must file an application with the USPTO. The application may be filed online using the Trademark Electronic Application System (TEAS), or you may file a printed form and mail it to the USPTO.

There are two kinds of registration applications: if the mark is already being used in commerce, file a "Use In Commerce" application; if you have not yet begun using it, then file an "Intent To Use" application (which requires an additional form and fee).

In general, the registration application includes:

- information about the person or body requesting the trademark,
- a drawing and description of the mark itself,
- a description of the goods and services for which the mark stands,
- an example of the mark as it is or will be used, and
- a filing fee.

Depending on any issues that may arise, a successful trademark registration process can take anywhere from almost a year to several years. Although your legal protection may date from your original filing date, you're not legally entitled to use the ® symbol until your registration is successfully completed.

SHOULD WE HIRE AN ATTORNEY TO HELP US REGISTER?

Here is the advice of the USPTO on whether to hire an attorney: "You are not required to hire an attorney, but if you decide to prepare and submit your own application, you must comply with all requirements of the trademark statutes and rules and may be required to respond to legal issues raised by the USPTO. Because the application process can be complex, many applicants choose to appoint an attorney to represent them. If you choose to appoint an attorney, we will only communicate with your attorney."

HOW LONG DOES TRADEMARK PROTECTION LAST?

Generally, your trademark rights are valid for as long as the mark is in use. However, continued federal *registration* of a trademark (and permission to use the ® symbol) requires that you file a “Declaration of Use” between the 5th and 6th year following registration, and a “Declaration of Use and Application for Renewal” between the 9th and 10th year following registration and again every 10 years from then on.

WHAT IF WE THINK OUR TRADEMARK IS BEING USED BY SOMEONE ELSE?

Staff at a large food bank discovers that a food-aid agency in a neighboring county is using a web domain name and logo that are very similar to the food bank’s domain name and logo. Further investigation shows that some of the food bank’s long-term donors, confused by the similarities in the neighboring agency’s marketing materials, have been making donations to the neighboring agency and not to the original food bank. The food bank may have grounds to take legal action for trademark infringement.

If you find that another organization is using a brand, identity, or other element of trademark

that’s similar to yours and in connection with similar goods or services, it might be a case of trademark infringement. (Remember that common-law trademark extends only to the scope of your use in the marketplace, while federal registration may give you nationwide protection.) Because trademark law is complex and there may be ramifications to your taking action against another party, at this point it’s usually best to consult an attorney specializing in trademark law. The attorney may recommend any of a variety of approaches, including further investigation, sending a “cease and desist” letter, or taking more aggressive legal action.

ARE WE REQUIRED TO USE THE ™ OR ® SYMBOL WHEN REFERRING TO ANOTHER’S TRADEMARK?

The ™ and ® symbols are tools that a business or organization can use to identify its brand; no one is obligated to use this symbol to identify the brand of another party. It’s certainly important not to use or imitate an existing trademark in creating your own trademarks—but, while your organization will probably want to use the ™ or ® symbol on its own trademarks (or at least on the first mention in any given publication), you are not required to use this symbol on others’ trademarks.

EXERCISE: What Are Your Organization's Trademarks?

What trademarks does your organization use? How does it identify its goods and/or services as uniquely originating from your organization? Conduct an inventory—use group brainstorming as well as a visual survey of your organization’s materials to compile a list of all the elements of your organization’s identity. Include the organization name, proprietary names of programs, names of events, slogans, logos, etc.

For each trademark, what products or services (including events) of the organization are branded with that mark? How long has that trademark been in use? In which marketplace (consider geography, channels of trade, likely consumers)? Are there trademarks that you should register?

Are you planning to adopt any new trademarks, or do you have trademarks that are new to the marketplace or have an expanded scope of use? You may want to conduct a trademark search and/or consult an IP attorney to assess the risk of a trademark conflict.

Does your organization mark all of its trademarks with a ™ or ® symbol? Verify whether any trademarks displaying the federal registration (®) symbol are currently registered.

You may want to consult a trademark attorney if you have questions about your trademarks, are concerned about conflicts, or want to seek trademark registration.

PATENTS

An agency serving people with visual impairment develops a new method of helping clients become accustomed to new surroundings. An organization serving residents of a rural area creates an online software tool to help them connect to needed resources. A university laboratory develops a new drug to treat arthritis. These are examples of items that may be protectable by a patent.

WHAT IS A PATENT?

Patent law states that any person who “invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent,” subject to the conditions and requirements of the law. (The word “process” is generally used here to mean an industrial or technical process.)

An invention may be patentable as long as it’s new and non-obvious. There are three types of patents:

- **Utility patents**—for any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof.
- **Design patents**—for any new, original, and ornamental design for an item that is manufactured (this type of patent protects only the appearance of the item, not its structure or function).
- **Plant patents**—for the invention or discovery and asexual reproduction of any distinct and new variety of plant.

Patents may be granted for inventions of items including machines, methods of manufacture, products, tools, ornamental designs, methods of doing business, and software functionality.

Software: Copyright or Patent?

Software can be protected with a copyright, a patent, or both. What’s the difference? Copyright protects the computer code (not what the software does) from being *copied*, while a patent protects the *functionality or process* of the software. So a software copyright prohibits others from copying existing software code; a software patent prohibits someone from making their own computer program that does the same thing as the existing software.

HOW DO WE OBTAIN A PATENT?

Unlike copyright and trademarks, which are recognized under common law, a patent exists only when granted by the government. In order to obtain a patent, a patent application must be made to the United States Patent and Trademark Office (USPTO). The application includes:

- a written specification describing the item to be patented,
- drawings (when necessary),
- an oath or declaration, and
- fees.

In the review process, the USPTO assesses the device to make sure it’s new, useful, and non-obvious, and that the application meets all the legal and technical requirements; you will be asked to address any questions or objections that arise. Utility and plant patent applications are then published so that the public may file any objections. It can take from two to six years for a patent to be granted.

HOW LONG DOES A PATENT LAST?

Most current utility and plant patents last for 20 years from the date of application. Design patents usually last 14 years from the date the patent is granted. In most cases, a patent cannot be renewed; when it expires, the inventor no longer holds exclusive rights to the invention.

HOW IS A PATENT DENOTED?

Once a patent is granted, the patented device must be marked with the word “Patent” and the patent number. If this notice does not appear on the device, then it may be impossible to recover damages from infringement unless the offending party was notified of the infringement (such as through a “cease and desist” letter) and continued to infringe. In that case, the patent owner is entitled only to damages from infringement that happened after the notification.

HOW CAN WE MAKE SURE WE'RE NOT INFRINGING ON AN EXISTING PATENT?

To reduce the risk that you're creating or profiting from an invention that's already patented, it may be advisable to have a patent search conducted. You can hire a patent attorney to search for relevant patents and assess whether the claims in the patents apply

to your situation. However, a patent search is not a guarantee that you have "clearance." The more extensive the search, the more information you'll have to help evaluate the risk of potential infringement. This information can help your organization reduce the risk of infringement, but it does not eliminate risk.

EXERCISE: Patents

Does your organization already hold any patents? If you don't know, consider hiring an attorney to search patent records to see if your organization is the owner of any patents.

Are there any devices or specific, unique processes that your organization has developed and could legally protect? Brainstorm with staff or board members. For each potential patent, examine whether the item is unique, non-obvious, and new. If you find a potential patent that is worth protecting, you may want to talk with a patent attorney about potentially filing for a patent.

TRADE SECRETS

A regional organization helping low-income families has found a powerful means of reaching donors and inspiring donations. A mobile-meals service raises funds by selling its popular soup mix. A foundation is especially effective at running with a low overhead and making the most of its finances. Each of these organizations may have a trade secret.

WHAT IS A TRADE SECRET?

A trade secret is information used in commerce that is valuable because it's not publically known, and that its holder deliberately keeps from being publically known. Unlike copyrights, patents, and registered trademarks, trade secrets are not governed by a federal body; instead, they are regulated on the state level.

While state laws vary, every state has a law prohibiting theft or disclosure of trade secrets. Most of these laws were derived from the Uniform Trade Secrets Act (UTSA), a model law that was drafted by the National Conference of Commissioners on Uniform State Laws. The UTSA defines trade secret as "information, including

formula, pattern, compilation, program, device, method, technique, or process that:

- (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
- (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

In other words, for information to qualify as a trade secret, generally the owner of the information must **gain economic value from it because it is secret, and must take reasonable measures to keep the information secret.**

Examples of trade secrets may include: recipes, manufacturing techniques, formulas, research and development on new projects, marketing strategies, and customer lists.

There is no registration of trade secrets; you generally have a valid trade secret as long as you meet the two conditions above. In most states, meeting these conditions will afford you some validity in a legal

proceeding if you believe that your trade secret has been stolen or infringed upon.

In many states, trade secrets law prohibits “misappropriation” of trade secrets, and provides certain legal remedies for a trade secret being improperly disclosed, obtained or used.

HOW CAN WE PROTECT OUR TRADE SECRETS?

Generally, businesses and organizations limit the disclosure of trade secrets both within their organizations and externally. To establish an effective confidentiality program, an organization should identify which information is confidential, establish security measures (i.e., physical, technical, and administrative safeguards) to protect that information from improper use and disclosure, and communicate its policies and procedures to its workforce.

If an organization provides access to trade secrets or other confidential information to another party, it’s important to require the receiving party to protect the confidentiality of the information. This requirement is usually formalized with a *nondisclosure agreement*. A **nondisclosure** (or confidentiality) agreement is a legal document in which an employee, contractor, partner, or other party promises not to disclose specific information received through its relationship with the organization and its work.

WHAT IF WE BELIEVE THAT OUR TRADE SECRET HAS BEEN EXPOSED OR USED WITHOUT PERMISSION?

Under most states’ laws, the following groups of people are legally prohibited from using your trade secret:

- 1) anyone who has signed a legally-sound nondisclosure agreement;
- 2) anyone who knowingly obtained the trade secret through illegal means (including theft, bribery, spying); and
- 3) anyone who deliberately obtained the trade secret from someone who does not have the right to disclose it.

You may have the grounds for legal action against someone in one of these groups; it’s advisable to consult an attorney to further discuss the applicable laws and remedies. However, if someone discovers the information in question independently, they might *not* be in violation of trade-secret law and there may be no recourse for the original holder of the trade secret.

EXERCISE: Trade Secrets

Does your organization benefit from trade secrets? Remember, a trade secret gives your organization economic value, is not known within the industry and to the public, and is actively kept secret by the organization. With staff and/or board members, brainstorm any areas of knowledge, processes, designs, etc. that might be trade secrets in your field. Even if certain information does not meet the definition of a trade secret, you may still want to maintain it as confidential.

Discuss and list the steps currently taken to protect your trade secrets and other confidential information. What further steps should your organization take to improve confidentiality? Are there additional safeguards to be put in place? Are your policies clearly communicated to your workforce (including periodic reminders)? When you hire contractors or enter business relationships with other parties, do you routinely consider whether confidential information might be shared—and if so, do you use confidentiality agreements?

GRANT-FUNDED WORK AND INTELLECTUAL PROPERTY

A large agency that provides low-income housing, job training, and other services decides to offer training and instructional materials to other organizations, to share its successful model of helping families out of poverty. The agency applies for and receives a sizable grant to develop the training materials—and then discovers that the grant contract stipulates that the copyright on all work developed as a result of the grant will belong to the granting foundation. The agency does not have the legal right to license or sell the materials they develop.

If your organization receives grant funding, the grantor may stipulate that any work it funds will be owned by the granting body. Be sure to examine grant contracts carefully before signing them so that you're aware of the ownership structure required by the grant. You may need to take action so that the ownership of the work developed under a grant is consistent with the grant requirements.

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Intellectual-property arrangements in grants can vary widely. They may include one of the following conditions:

- The grantee retains full rights of ownership for all work.
- The work is the property of the grantee, but the grantor is allowed to use the work for publicity and sample purposes.
- The grantee and grantor share joint ownership and rights.
- The grantee agrees to license the work to the grantor.
- The grantor owns all rights to the work.

It's not unusual for a grant contract to state that work done under the grant is *work for hire*, owned by the granting body. Nonprofit organizations are sometimes surprised to learn that their grant-funded work belongs to the grantor, rather than to the organization itself.

Since each grant contract is unique, it's very important to read and thoroughly understand everything contained in the agreement. If anything is unclear, do not hesitate to contact the grantor; it may also be advisable for your organization to consult with its own attorney for clarification. In some cases, you might be able to negotiate ownership issues with the granting body for specific purposes—but this must be done before you sign the contract!

WHY PROTECT YOUR INTELLECTUAL PROPERTY?

Your organization's intellectual property, in its various forms, is a source of very real value. Trademarks communicate the organization's identity and brand to the public—so it's a vehicle for your organization's reputation and ability to attract clients and supporters. Your copyrighted works could potentially be, or may already be, a source of revenue: many organizations sell or license their materials in the form of trainings, curricula, merchandise, etc.

For each intellectual property asset your organization owns, consider how best to protect and capitalize on that property. Consider the basics we've discussed here:

- identify trademarks, copyright, patents, trade secrets and other confidential information
- use the appropriate symbols and legends to provide notice of your rights
- consider registration of trademarks and copyrights, and applications for patents, and
- establish or improve your confidentiality program.

And remember the other side of the intellectual-property coin: it's important to take measures to ensure that your organization is not infringing upon anyone else's intellectual property. Don't imitate or play off of others' trademarks; conduct searches for potential trademark conflicts; create your own works and be careful about re-using works of authorship, including music, in any context.

Intellectual-property law can be complex—and it can change! When in doubt, it's advisable to consult an intellectual-property attorney to help navigate the legal complexities. Whether you're protecting your own intellectual property or evaluating the risk of infringing upon someone else's property, it's certainly better to conduct "due diligence" at the outset than to suffer the consequences of a misstep. Your organization's intellectual property is a prized asset; make the most of it!

RESOURCES

United States Copyright Office (USCO):
www.copyright.gov

United States Patent and Trademark Office (USPTO): www.uspto.gov

Uniform Law Commission (ULC):
www.uniformlaws.org

MissionWise: www.missionwise.org



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