

Protecting and Exploiting a Charity's Intangible Assets Intellectual Property Rights

These notes cover:

- a basic introduction to each of the different types of intellectual property rights
- the powers of the Charity Commission and the courts in name disputes
- practical steps to protect your organisation's name and logo
- ensuring ownership of copyright in work done by employees, volunteers and consultants
- joint ventures and sharing ownership of intellectual property
- trustees' duties to protect the results of research and guidelines from the Charity Commission on charities and research

These notes have been prepared to accompany the seminar. They should not be regarded as giving specific advice to participants - this is a complex area of the law and you should consult a solicitor for specific advice.

Further Help: This is a brief summary of a complex area. For further help, or if you want to reproduce or circulate this note, please call James Sinclair Taylor on 0208 394 6480 or David Mears on 0208 394 6484.

Introduction

Intellectual property is a term used to describe non-tangible assets such as names, goodwill and rights arising from the creation and invention of new products and ideas. There are various legal rights which protect intellectual property - some which have to be registered to be effective, and some which arise automatically.

Rights which exist without registration are:

- copyright
- moral rights arising from copyright
- trade mark rights where a business has built up a reputation and goodwill in the UK
- some design rights
- rights relating to confidential information

Rights which arise only through registration are:

- registered trade marks
- registered designs
- patents

Copyright

Main sources of law:

Copyright Designs and Patents Act 1988
The Duration of Copyright and Rights in Performances Regulations 1995
Case law

What can be protected by copyright?

The strict legal definition of copyright is:

"a property right which subsists in the following descriptions of work:

- (a) original literary dramatic, musical or artistic works;
- (b) sound recordings, films, broadcasts, or cable programmes; and
- (c) the typographical arrangement of published editions"

(Section 1 Copyright Designs and Patents Act 1988)

In practice copyright covers most pieces of original written work, original paintings and music.

Copyright protection can arise for:

- books
- articles
- logos
- leaflets, fundraising material
- research reports
- annual reports
- computer programs
- drawings, paintings, photographs
- music

Copyright does not generally protect:

- the name of an organisation
- the name given to a particular event
- ideas

Creation of copyright and duration of protection

Copyright arises automatically - there is no need to comply with any registration formalities in the UK. Protection will start from the date of creation of the copyright work but copyright protection does not last indefinitely. The duration varies depending on the type of work and the date the work was first created.

Following the implementation of a European Directive (The Duration of Copyright and Rights in Performances Regulations 1995, the duration of copyright protection in the UK has been extended substantially. Now, the copyright in a literary or artistic work lasts until the seventieth anniversary of end of the year in which the author died. This new extended protection applies to works created after 1 January 1996 and also to any copyright works in existence as at 31 December 1995.

Ownership of copyright

The general rule is that the person who first creates a copyright work will own the copyright. If more than one person is involved, one may own copyright in part and the other may own copyright in the rest or the copyright in the whole work may be jointly owned by both.

There are two important exceptions to the rule that the first author owns copyright:

- (a) **employees** - Copyright in any work created by an employee in the course of their employment will belong to the employer unless the employer and employee have agreed otherwise.
- (b) the first author can agree in advance that someone else will own copyright.

See the section below on ensuring ownership of copyright in work done by employees, volunteers and consultants.

Use of the © symbol

There is no legal requirement to use the © symbol to show your claim to own copyright in work and by the same token, by using the © sign, you do not automatically prove ownership of copyright.

However, using the © sign is recommended. It puts other people on notice that you claim copyright and should therefore make them think twice before copying your work. It also increases the likelihood you would be able to obtain damages from any infringers. Innocent infringers can avoid paying damages but it would be difficult to argue innocence if your works are clearly marked with the © symbol

How to protect copyright in your publications?

Any original leaflet, publication, design, drawing or text will usually qualify for copyright protection. You should keep a record of the author and date of creation of any piece of work which you regard as copyright. If a piece of work has been carried out by anyone not employed by your organisation, you should ensure they assign the copyright to you.

It is advisable, but not necessary, to include on any publication a copyright notice e.g.

© [Organisation's name], 2010

Traditionally, people have taken steps to record the date of creation of a piece of work by posting a copy of the work to him or herself by registered post and leaving the envelope unopened. This is not essential; it is usually enough to note on every draft of a work the date and author.

Using someone else's copyright material

Generally, if you copy or publish someone else's copyright material you will be infringing their copyright and may be committing a criminal offence (Sections 16 - 27 and 107 - 110 Copyright Designs and Patents Act 1988). The copyright owner can ask a Court to grant an injunction to stop you and they can ask to be awarded damages. It is therefore a good idea wherever possible to get the copyright owner's permission, often referred to as a licence, before copying or publishing someone else's material.

There are some exceptions where you do not need to get the copyright owner's permission (Sections 28 - 50 Copyright Designs and Patents Act 1988). In brief these are:

- where a student or researcher copies part of a published book
- use of a published book for research or private study
- use of some copyright works for educational purposes e.g. copying text for teaching purposes, or for inclusion in an exam paper, or performing a dramatic or musical work
- copying by librarians provided they have appropriate signed declarations from the person requesting the copying
- playing sound recordings (music) as part of the activities of a not-for-profit organisation whose main objects are charitable provided the proceeds of any charge for admission are applied solely for the purposes of the organisation

It is also possible to get blanket "permission" to carry out certain types of copying from industry umbrella bodies. Examples are:

- the Newspaper Licensing Agency which will give a free licence to charities for internal copying
- Performing Rights Society Ltd and Phonographic Performance Ltd which give licences in connection with playing and performing copyright works such as playing recorded music in public.

Use by someone else of your copyright material

If someone else wants to use your copyright material and you are willing to give your permission, you should record in writing the terms upon which your permission is being given.

If someone is copying your work without your permission, your remedies for infringement include:-

- getting an injunction
- getting an award of damages and/or
- getting an account of the profits made from the copying.

If you are unable to resolve a dispute with someone, you should seek legal advice about whether to pursue your claim in Court.

Computer Software, Web-sites and the Internet

A computer program is regarded as being a "literary work" and is protected by copyright. If a program is converted into or between languages it will amount to copying. Also, running a program usually involves copying.

Web-sites are likely to include several copyright works, including the text, the HTML or other code in which the pages are constructed, any logos or other graphics used, and even accompanying sound files. The web-site addresses, or domain names, also raise trade mark issues (see below).

You should ensure you have a licence from the manufacturer for each computer program used in your organisation.

The Database Right

Some databases are protected by copyright. There is now also a specific right which protects databases where there has been a substantial investment in obtaining, verifying or presenting the contents of that database. The Database Right may subsist even if the database does not qualify for copyright protection as a literary work in its own right.

The first owner of the Database Right is defined as the maker of the database. The maker is, in turn, defined as the person who takes the initiative in obtaining, verifying or presenting the contents of the database and assumes the risk of investing. Where a database is made by an employee in the course of his employment, the employer is regarded as the maker of the database, subject to any agreement to the contrary.

Database Right is infringed if, without the consent of the owner of that right, a person extracts or re-utilises all or a substantial part of the contents of the database. The repeated and systematic extraction or re-utilisation of insubstantial parts of the database may also amount to infringement.

Database Right lasts for fifteen years from the end of the calendar year in which the database was first made available to the public. If the database is not made available to the public, then the right expires fifteen years from the end of the calendar year in which the database was completed. However, a new period of fifteen years protection will begin if a substantial investment is made in updating the database. With appropriate management, the protection can therefore be extended.

Moral Rights

Main sources of law

Copyright Designs and Patents Act 1988
Case law

The most recent copyright legislation, The Copyright Designs and Patents Act, created a new set of rights called collectively "moral rights". These are:

- (a) the right of paternity (Section 77) - which is the right of the author of a work to be identified as the author. The author only has these rights if he or she specifically asserts them.
- (b) the right to object to derogatory treatment - authors of works and film directors can object to certain changes (deletions/adaptations) being made to their works if the effect is derogatory.
- (c) the right not to be falsely described as the author of a work
- (d) the right to object to the publication of photographs or films commissioned by an individual

There are a number of situations set out in the Copyright Designs and Patents Act 1988 where these rights may not arise. The most important exception is that employees who produce works in the course of their employment do not have rights of paternity or the right to object to derogatory treatment.

Registered Trade Marks

Main sources of law

Trade Marks Act 1994
The Trade Marks Rules 1994
Case law

For many years, there has been a system of registration of trade marks in the UK - the Trade Marks Register is divided into 42 different "classes" of goods and services and each registration gives the owner the exclusive right to use the registered mark in relation to the registered class of goods and services. Any unauthorised use by third parties amounts to infringement and can be restrained by court order.

What can be registered?

Any sign which is capable of being represented graphically can be registered as a trade mark so long as the mark is capable of distinguishing the applicant's goods and services from someone else's. There are some specific restrictions on marks that cannot be registered as a trade mark and, as a general rule, descriptive marks (such as "The Children's Charity" for a charity for children) cannot be registered. An organisation whose name is descriptive of its aims or purposes will have difficulty registering its name as a trade mark unless it can show that, through usage, the organisation has built up a distinctive reputation linked to that name.

Assuming these and any other hurdles can be overcome, the marks that are most commonly registered are organisation names, abbreviations or initials, logos and marks which are a combination of one or more of these. Slogans can also be registered.

Checking what has been registered already

Anyone can go along to the Trade Marks Registry offices in London or Cardiff and carry out a search of the Register. The Registry employees are very helpful and there is a fee payable, which varies depending on the complexity of your search. Alternatively, the Trade Marks Registry offers a search and advisory service which is very good and a list of their services and the fees payable can be obtained from any of the Trade Marks Registry offices.

Costs

The official fee for filing an application is £225 for an application covering one class, with an additional £50 for each additional class. Once the mark is registered, maintenance fees must then be paid every ten years to keep the registration valid. The Trade Marks Registry provide official guidance on applications or a solicitor, patent agent or trade marks agent can file applications on your behalf - the costs of their services will be added on to the official fees.

The advantage of having a registered trade mark is that a registration will often be sufficient to prevent others from using the same or a confusingly similar name and, in any dispute over the right to use a certain name or mark, the ownership of a registration by one party will often decide the matter in their favour.

If you decide you should be applying to register your name or logo as a trade mark, you should also consider carefully in whose name the application is made. The applicant should usually be the company or organisation which uses the mark in question. If your organisation has a separate trading subsidiary which uses your name in respect of the sale of certain goods, you have a choice whether to file the applications in your organisation's name and then licence the trading subsidiary to use the marks, or the applications could be filed in the name of the trading subsidiary. Different organisations have adopted different approaches but if there is any risk that the trading subsidiary might become insolvent, it is advisable for the parent organisation to retain the rights and licence the subsidiary so that there is no risk the rights could be lost in the insolvency.

Use of the ® sign

The ® sign should only be used if you have a registration which covers the mark for the goods on which the mark is being used.

Care should be taken not to inadvertently represent that an unregistered mark is registered as this is an offence (Section 95 Trade Marks Act 1994) punishable by a fine of up to £1,000. The commonest way this can happen is if the ® symbol is improperly used. Members of staff who prepare publications or are involved in trading should be made aware of the importance of proper use of the ® symbol, particularly because personal liability for directors or managers can arise where a representation of this kind is made by an employee with their consent.

Use of someone else's registered trade mark

It is generally infringement to use someone else's registered trade mark on the goods or for the services for which it is registered unless you have their consent.

One exception is comparative advertising. Use of someone else's trade mark will not be infringement provided the use is in accordance with "honest practices" and does not take unfair advantage of or act detrimentally to the distinctive character or reputation of the trade mark.

If you have been given permission to use someone else's mark or you are giving permission for someone else to use your mark, the permission should be recorded in writing in a licence and the licence should be registered at the Trade Marks Registry. For more details - see section below on licensing.

Community Trade Mark

From 1 April 1996, it has been possible to apply to register a trade mark which will cover all fifteen countries in the European Community. This is an attractive option if your organisation wants protection outside the UK but the fees are substantially higher than just applying for a UK mark (approximately £800 for the initial application) and the application will fail if there are any identical or similar trade marks already registered by a third party in any of the fifteen countries.

PASSING OFF

Main sources of law

No governing statute - case law only

Under common law, the Courts will grant some protection to prevent a third party misrepresenting (or passing off) that their goods or services are connected with yours. Generally a court will only grant protection if:

- you can show you have an established reputation or goodwill in the mark, trade mark, product packaging or whatever else they are using to make their misrepresentation
- the defendant has or it is likely the defendant will practice or enable a third party to practice some form of deception either on members of the public or trade by means of some misrepresentation
- that by reason of such misrepresentation, you have suffered or are likely to suffer damage or injury to your business or goodwill.

Passing off can protect:

- your organisation's name
- your organisation's logo
- a web-site address
- slogans
- packaging of a product
- combinations of colours
- a distinctive leaflet or catalogue
- a distinctive advertisement or advertising campaign

The key test is whether you have established a sufficiently strong reputation in whatever you are seeking to protect so that any use of similar advertisements or catalogues by a third party is going to deceive or confuse members of the public.

Until recently, it had been thought that passing off might only protect traders i.e. businesses and not charities or voluntary organisations. However, following a case brought by the British Diabetic Association, it is now accepted that passing off is available as a remedy, albeit an expensive one, for charities and not-for-profit organisations.

Remedies

The remedies available for passing off are:

- an injunction - in particularly urgent cases, a court will sometimes grant an immediate interlocutory injunction to restrain the defendants pending the full trial of the case
- damages
- an account of the defendant's profits from the passing off.

Costs

Bringing an action for passing off is generally very expensive so it is often regarded as a last resort. Even if you are successful, you are unlikely to get all your costs paid by the defendant. The expense arises because of the need to prepare detailed evidence showing the claimant's reputation and detailed evidence showing why the defendant's actions are causing or are likely to cause damage or confusion.

PATENTS

Main sources of law

Patents Act 1977

Copyright Designs and Patents Act 1988

Case law

Patents protect inventions. A patent gives the owner the monopoly right to use the invention and the right to prevent others using it. Patents generally protect scientific discoveries such as new manufacturing processes or new chemical or biological products. Patents do not protect computer programs (except in limited circumstances), business methods, lists of information or ideas for marketing or fundraising.

To be patentable, the invention must never have been made public in any way, anywhere in the world, before the date the patent application is filed. It is therefore very important that details of potential inventions are not disclosed to anyone unless it is under conditions of strict confidence. The best way of doing this is by a written confidentiality agreement.

Registration

To obtain a patent, an application to register must be submitted to the UK Patent Office. (If you want to apply for a patent covering other European countries you can file an application at the European Patent Office in Munich). Details of up-to-date filing fees can be obtained from The Patent Office. There is a fairly lengthy procedure during which The Patent Office will examine whether the invention described is patentable and during which third parties can object to your application. If the application is approved for registration, a further fee is payable.

It would usually cost at least £900 to register a patent, and more if you use a patent agent to handle the application on your behalf.

Duration of Protection

A UK patent lasts for a maximum period of twenty years dating from when the application for the patent was filed. During the last five years a court has powers in some circumstances to compel the patent owner to grant a licence to third parties. The initial registration fee keeps the patent in force for four years and after that an annual fee is payable to keep the patent in force.

The person who is entitled to apply for a patent is the inventor or inventors. There is a presumption that an employer will own the rights to any invention made by an employee in the course of their normal duties or in the course of a project specifically assigned to the employee (Patents Act 1977). There is an additional requirement that the circumstances must have been such that an invention might reasonably be expected to result from the carrying out of the duties.

However, the employee may be entitled to some personal benefit. If the invention is of outstanding benefit to the employer, the employee can apply to the Court or to the Patent Office to be awarded compensation for his or her part in the invention.

Checking what has been registered

The place to go to get a copy of any patent or patent application, or to search for patents relating to a particular invention, is the Science Reference Library - see details below.

Use by a third party of a registered patent

If a third party is infringing a patent, the only way to stop them is by bringing court proceedings to obtain an injunction. You can also obtain damages or an account of their profits.

DESIGN RIGHTS

Main sources of law

Copyright Designs and Patents Act 1988
Registered Designs Act 1949
Case law

Design rights are unlikely to be of interest or concern to you unless your organisation is involved in the design and manufacture of objects.

Design rights protect the appearance of an item or product i.e. its shape or surface pattern. Protection can arise automatically for some designs and will be covered by the law of unregistered designs. For other designs, protection will only arise if a design registration is obtained. A design registration protects manufactured articles which have some element of "eye appeal" to them.

The period of protection is:

- (a) for unregistered design rights - fifteen years from the first recording of the design, or ten years from the first marketing of the item, whichever is the shorter
- (b) for registered designs - initially five years, but renewable on five year terms up to a maximum of twenty five years.

More information can be obtained from the two very useful booklets produced by The Patent Office - see notes below for details.

PROTECTION OF IDEAS

Under UK law, there is no blanket protection of all "ideas" - an idea will only be protected if it falls within the scope of one of the recognised intellectual property rights.

For example:

- ideas which are inventions of a novel product or process may be protectable by registering a patent
- ideas which involve the creation of an original drawing or piece of work may be protected by copyright
- ideas for a distinctive form of slogan, type of advert or fundraising event may be protected by passing off but only if a sufficiently strong reputation in the "idea" has been established so that any use of a similar idea by a third party is going to deceive or confuse members of the public.

The scope of protection of the various intellectual property rights is fairly limited - the policy being to encourage free competition in the market place - and many ideas cannot be protected and can be copied freely by third parties. In each case it is a matter of seeing which of the intellectual property rights described above might apply to the particular idea and seeing how, if at all, it can be protected.

PROTECTION OF INFORMATION

As for ideas, there is no general law which protects rights in information.

The way information is presented may be protected by copyright. For example, the information in a telephone directory is protected only in so far as the directory is a copyright work.

Similarly the way information is stored may be protected under copyright or under the new database protection legislation.

Otherwise, the only way the law will grant exclusive rights to information is if:

- the information is by its nature confidential; and
- the information has only been disclosed in circumstances which imposed an obligation on the recipient to respect the confidentiality of the information.

It will help if the information is regarded as a "trade secret". There have been a number of cases about what amounts to a trade secret and some judges apply a narrow interpretation saying it covers secret formulae and processes. Other judges have applied a wider test saying it can in some cases cover any information used by an organisation which, if disclosed, would be liable to cause real or significant damage. For example, this could include the names of customers, price lists, sources of supply, the make-up of the next season's catalogue.

For many charities and voluntary organisations, their most valuable information may be about sources of funding and donations and successful campaigns and research. It is impossible to say generally whether this type of information could amount to a trade secret and legal advice should be sought if a problem arises or is likely to arise.

In any event, sensible steps to take include:

- marking documents as confidential
- only disclosing confidential information to third parties who have signed confidentiality undertakings
- including express confidentiality clauses in employee contracts, with the clauses worded to take into account that particular employee's duties.
- requiring employees who work on a particularly sensitive project to sign specific confidentiality agreements which extend after their contracts of employment terminate
- taking practical steps to restrict circulation of confidential documents

POWERS OF THE CHARITY COMMISSION AND THE COURTS IN NAME DISPUTES

(A) CHARITY COMMISSION

The Charity Commission has some powers to intervene in name disputes but they are fairly limited. Both parties to the name dispute must be registered charities and one of the charities must have been registered less than 12 months ago. In those circumstances, the Charity Commission can intervene and order the most recently registered charity to change its name.

If one party has not been registered yet as a charity but is in the process of applying for registration, the Commissioners may intervene and can insist that the new charity adopts a different name.

(B) COMPANIES HOUSE

If both parties to a name dispute are registered companies, the longer established of the two companies can apply to the Registrar of Companies. The Registrar of Companies can order the newer company to change its name on the ground that it is the same or too close to the older company's name. Again, the Registrar of Companies' powers are limited to making orders against companies registered within the last 12 months.

In practice, it is very difficult to get the Registrar of Companies to order a company to change its name and this is really only a last resort option.

(C) The Courts

If your organisation's name is protected by a trade mark registration or you believe you can show the necessary elements of a passing off action, you can consider taking legal action to obtain an injunction restraining the other party from using the offending name.

The powers of the courts, if you win, include:

- (a) making an interim injunction which prohibits use of the name pending the trial of the case
- (b) making a permanent injunction which prohibits use of the name indefinitely
- (c) ordering the defendant to pay damages or pay you the equivalent of the profits they have made from using your name
- (d) ordering the defendant to hand over or destroy all items with the offending name
- (e) ordering the unsuccessful party to pay a contribution to your costs

Litigation is expensive and, even if you win, you should be aware that you are unlikely to recover all your costs. However, the threat of litigation can often be sufficient to encourage a third party to reach an agreed settlement.

(D) Unauthorised Fundraising - Section 62 Charities Act 1992

Any registered charity can apply to the court for an injunction to prevent unauthorised persons raising money in their name. Before applying for an injunction, the charity has to serve a notice on the unauthorised fundraiser giving them 28 days warning that if they do not cease their activities, the charity will apply to the Court under Section 62 of the Charities Act 1992 for an injunction. The notice must comply with the requirements of Section 62 and The Charitable Institutions (Fund Raising) Regulations 1994.

Practical Steps To Protect Your Name And Logo

- Check that you have registered with the Charity Commission the full name and all abbreviations or "nick-names" for your organisation. In September 1995 the Charity Commission made provision for existing charities to notify the Commission of every name by which it is known in practice.
- Check what trade mark registrations you have - have renewal fees been paid?
- If your organisation does not already have trade mark registrations, check whether the name, initials, or logo could be registered and consider which classes you should register in. Weigh up the financial cost of registering against the potential advantages.
- Use the ® and © symbols where appropriate
- Check whether copyright exists for your logo, check who owns the copyright and check whether the copyright has expired

- Act quickly if a third party starts using a name, initials or logo which you think are too similar to yours. Contact them direct or through a solicitor and outline your objections giving details of any relevant copyright, reputation and/or trade mark registrations. If the matter cannot be resolved amicably, consider your options of contacting the Charity Commission or taking legal action.
- In the case of unauthorised fundraisers, make sure that the correct notice is sent to them at least 28 days before applying to Court.

Ensuring Ownership Of Copyright In Work Done By Employees, Volunteers And Consultants

(a) Employees

Section 11(2) of the Copyright Designs and Patents Act 1988 provides:

"Where a literary dramatic musical or artistic work is made by an employee in the course of his employment, his employer is the first owner of any copyright in the work subject to any agreement to the contrary".

The two key points are whether the work was done "in the course of his employment" and whether there was any agreement to the contrary. To avoid any uncertainty, it is a good idea (but not essential) to include a clause in every employee's contract of employment stating that copyright in anything done by the employee during the course of their employment will belong to the employer.

If an employee is doing work on a special project which could arguably be outside the course of their employment, they should be asked to sign a short statement agreeing copyright will be assigned to the employer.

(b) Volunteers - The status of volunteers as employees is a grey area. If a volunteer is going to be working on a project which could lead to an important copyright work being created (e.g a database or a publication) then you should ask them to sign a short statement agreeing copyright will be assigned to the organisation.

(c) Consultants, outside agencies and freelance workers - It is vital that agreement is reached in advance that copyright in any work will be assigned to you. This should be done in writing and can be achieved either by including a paragraph covering ownership of copyright in the usual letter confirming the work or by having a separate short statement dealing only with copyright. If you do not agree this, you will not own copyright even though you have commissioned and paid for the work.

It is important to ensure that you take the necessary steps to secure ownership of copyright. The most common difficulty in bringing an action for copyright infringement is that an organisation which had assumed it owned copyright suddenly finds on further investigation that the creator of the piece of work was a volunteer or consultant and then problems arise if the volunteer or consultant cannot be traced or refuses for one reason or another to assign the copyright.

joint ventures and sharing ownership of intellectual property

(A) Commercial Use Of Charity Names

There are no express restrictions preventing a charity from fundraising in this way but:

- (i) the Charity Commission may be concerned that the generation of income of this kind is outside the charity's primary purposes which could lead to the charity's status as a charity being attacked; and
- (ii) the Charity Commission may argue that the trustees by fundraising in this manner have breached their duty to act in the best interests of the charity;

The Charity Commission gave limited guidance on this subject in their 1991 Report:

"If a charity's name is used commercially it must be shown that the arrangement is expedient in the interests of the charity and on terms which are advantageous to the charity. Any such arrangement must be precisely defined by the charity trustees in every detail and kept under review. They must ensure that there is no misuse of the charity name nor any improper exploitation of its association with a commercial organisation and that the arrangements made allow them to prevent any such misuse."

Structure arrangements through charity trading subsidiary Licensing of charity names should, where possible, be structured in a three way agreement: the charity licences its trading subsidiary to use the charity name, the trading subsidiary licences the name to the commercial party, the commercial party pays the trading subsidiary.

Need for written agreements - Arrangements of this kind should be recorded in writing. Part II of the Charities Act 1992 requires all arrangements with "commercial participators" to be recorded in writing and to cover certain specific terms.

Tax - The Inland Revenue have indicated that if a charity receives a royalty for licensing its name or logo and there is no other involvement of the charity, income received would be exempt from tax if it is applied for charitable purposes. However, if a charity moves from being a passive recipient to promoting the products or services of third parties, the income earned may be taxable and therefore the arrangement should be structured through a trading subsidiary.

VAT may be payable if the charity provides any services in connection with the licensing arrangement. For example, if a charity grants a licence for its name to be used in connection with an event and the charity also agrees to advertise the event through its own channels (such as a newsletter to members), VAT would be payable on the advertising services provided.

(B) Joint Ventures/Joint Funding

There are no "special" rules. Ownership of copyright will depend on who created the copyright for jointly funded work and ownership of patents will depend on who is the "inventor" or "inventors".

Two important results of this are:

1. **Contributing to the financial funding for a project does not of itself give any rights to share ownership of intellectual property.**
2. **Joint owners of copyright or patents cannot act to publish or exploit research results without the consent of all the owners**

It is therefore very important to:

- (a) check the terms of funding to see whether the funder reserves rights to own intellectual property
- (b) discuss in advance with other co-funders how ownership of intellectual property will be shared and published or exploited
- (c) where possible, record what is agreed in a letter or written agreement before the project begins

Trustees' Duties To Protect Results Of Research And Proposed Charity Commission Guidelines

In recent years, there has been increasing debate about whether trustees have any "duty" to protect a charity's intellectual property rights. The Charity Commission's guidance is that trustees have a duty to exploit intellectual property where appropriate to ensure that charities share in the commercially valuable products of research they fund.

The Charity Commission is currently re-working its guidance on this topic. In the past its guidelines have addressed both legal issues and advice on "best practice". The areas likely to be covered in the new guidance when it is issued include:

- responsibilities of trustees when funding research
- issues to be considered when carrying out research (including ethical issues)
- the duty of dissemination
- protection and exploitation of intellectual property arising out of research.

There may be different sets of guidance for charities which solely fund research and those which undertake research. The Commission may also say a charity can satisfy the duty to disseminate the results of research by means other than publication. For example, where research leads to the development of a new product (such as a new drug) the duty to disseminate could be satisfied if the research product is made available to the public.

There is no current indication of when the guidelines in final form will be published. In the meantime, some guidance can be found in Charity Commission Information Sheet 1 "Research Trusts" which sets out ethical and practical considerations for trustees of charities involved with research

This material does not give a full statement of the law. It is intended for guidance only, and is not a substitute for professional advice. No responsibility for loss occasioned as a result of any person acting or refraining from acting can be accepted by Russell-Cooke LLP.

Further reading:

The Russell-Cooke Voluntary Sector Legal Handbook can be obtained from Sandy Adirondack 020 7232 0226, 39 Gabriel Street London SE16 1HD.

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