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## INSIGHT: University Trademarks--Securing Protection and Generating Revenue



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A university's trademarks are valuable assets that support its brand and can convey the university's distinct identity as an exemplary higher education institution. Thanks to strong traditions, academic renown, athletic success, and pride in the university, there may be considerable demand to use a university's trademarks by students, alumni, vendors and fans. This article discusses how universities can protect and leverage them to their full advantage.

### [1]—Trademarks and Their Value

A trademark is a word, slogan, symbol, design or combination that identifies and distinguishes one party's goods or services from those of others. Trademarks support stronger sales volume and permit enhanced margins. They help consumers (students, alumni, instructors, collaborators, and others) find and distinguish universities, and can be the critical driver of a consumer's decision about where to attend or teach, which institution to support, or with whom to collaborate. When used properly, trademarks are among the most economically efficient communication tools ever developed. Further, they help build a valuable brand, which can be "mortgaged" to secure funding for growth or restructuring.

### [2]—Leveraging and Protecting the Value of University Trademarks

Trademarks can generate significant income, if properly maintained and managed. With clear and reasonable policies and vigilant trademark oversight, a univer-

sity can create a significant revenue stream while strengthening its brand and economic position. To this end, universities must establish well-structured trademark programs that combine three features: (a) use, (b) trademark licensing and/or sale to others, and (c) policing and enforcement strategies.

**[a]—Use** Goods such as apparel and accessories, school supplies and mugs and services such as educational and sports offerings bearing the university's name, logo and other trademarks can be used to advertise and differentiate the university, enforce its brand, create goodwill, and gain a competitive advantage, all while creating an impressive income stream.

**[b]—Licensing (or Selling) the Mark** Universities can also realize value by licensing or selling the rights to use their trademarks. Through an assignment or sale, all rights are transferred. Such arrangements make a lot of sense if a university lacks the facilities or skill to market certain goods or services under a particular trademark.

A few universities have become sophisticated and creative in maximizing profitability of their trademark portfolios through licensing, joint ventures and other business arrangements. They license trademark rights to others in exchange for royalty fees, which typically are set at a percentage of net sales ranging from 3-12%.

Pursuant to a license agreement, the trademark owner (licensor) allows one or more third parties to use the licensor's trademark. Through an arrangement known as "merchandising," a university grants manufacturers and/or retailers a license to produce and sell products bearing the university's logo, name or other trademark. The mark enables the licensee to sell

trademark-bearing products at a higher price and the university earns a royalty.

A license may be exclusive or nonexclusive. Nonexclusive licenses are limited to a specific territory, type of good or service, or time period. They allow the licensor to license its trademark to numerous licensees. Royalty arrangements vary and may include an up-front fee, a scaled, set or percentage of sales fee, or some combination thereof. Licensing arrangements help universities widely circulate their brand, enhance their reputation and, of course, leverage their brand's value to generate revenue.

College football teams, such as the University of Texas Longhorns, capitalize on their athletic success, popularizing their trademarks and entering lucrative royalty deals. Royalties, which can amount to millions of dollars per year, can then be used to fund scholarships, academics, athletics, faculty hiring and retention, or facilities' improvements, etc.

Many universities limit the number of licenses granted each year to maintain selectivity and enable effective oversight. They use carefully crafted licensing arrangements to control the use of their trademarks in the marketplace, and establish and enforce clear policies and guidelines regarding who may use their trademarks and the types of products that may bear their name. Further they use licensing relationships to engage new customers with new products that enhance their image and commercial appeal.

**[c]–Enforcement** The third way for a university to realize value from a trademark is through enforcement of its trademark rights against infringers and potential infringers. Enforcement is an important aspect of trademark management, and includes regularly monitoring the market for trademark infringement. In fact, trademark owners have a duty to enforce, or “police,” their marks. Failure to do so risks a reduction in trademark value and can even result in a finding of abandonment or loss of trademark rights.

Competitors must not be allowed to offer similar goods or services under the same or confusingly similar marks. Goodwill reflected by a trademark may be diluted if third parties use the same or similar marks even for goods and services dissimilar to those offered by the university under its trademarks. Counterfeiting is especially prevalent for collegiate athletic products and poses yet another threat.

Clearly, unlicensed goods, especially ones of inferior quality, can harm the university's image and reputation, and its impact revenue stream. Watchfulness is absolutely necessary to protect university trademarks.

Thankfully, there are a number of effective enforcement tools. Federal law gives trademark owners a cause of action to protect famous marks from unauthorized users that attempt to trade on the goodwill and established renown of such marks and, thereby, dilute their distinctive quality. Dilution comes in two forms. It can occur through lessening a famous mark's capacity to identify and distinguish goods or services whether or not the parties are competitors or if there is a likelihood of confusion, mistake or deception. For example, the use of DUPONT shoes or BUICK aspirin would be actionable. It can also occur by tarnishment, which is when association of a third party's similar trademark and a famous mark harms the latter's reputation. For example, tarnishment occurred when a cinema pro-

noted its pornographic movie by suggesting that Dallas Cowboys cheerleaders were participants and used actresses whose costumes resembled those of the Dallas Cowboys cheerleaders.

Enforcement tools include an oral or written warning sent by the university to infringers, a lawyer's formal “cease and desist” demand with or without a complaint attached to trigger settlement negotiations, resolution through alternatives to litigation (including mediation and arbitration) and litigation. When pursuing litigation, goals include obtaining an injunction to prevent further infringement and damages, which are typically measured as the defendant's profits or losses suffered by the university. The court may also order advertising costs to correct the damage caused, award costs of the action and attorneys' fees, or grant treble damages for willful infringement. Statutory damages may be available in counterfeiting cases.

Trademark owners can also oppose another's application to register a mark with the U.S. Patent & Trademark Office (USPTO) or to cancel a confusingly similar registered mark. The USPTO only determines whether a third party is entitled to register, as opposed to its right to use its allegedly conflicting trademark. Although limited in scope, these USPTO procedures are important enforcement tools.

In recent years, universities have taken enforcement actions against third-party merchandisers, other educational institutions, and fans, alumni and others. They have become far more aggressive in challenging other universities, and even high schools, that use the same name, or similar nicknames, logos, colors, mascots, and other insignia.

The rise in concern by universities over the use of their trademarks has been attributed to the increased revenues universities have derived from trademarked apparel and other merchandise sales, increased visibility of university marks on the internet through university websites and social media, and the increased number of broadcasts of university athletic games.

Fans have also been the subjects of infringement disputes. At times overzealous, fans may design and sell unlicensed apparel bearing the trademark of “their” university or use university trademarks on unofficial websites devoted to the university, its products and services. Problems arise if the site domain name includes the university name, or if the site contains inappropriate content or suggests it is sanctioned or endorsed by the university.

Universities should develop a balanced strategy regarding what, if anything, they will do about fan-based activities to minimize the possibility of trademark infringement. Mark protection strategy must consider the risks of alienating alumni and students and facing backlash. Monitoring fan sites is a start, with wide latitude given to sites that are free of charge, do not attempt to sell trademark-bearing merchandise, do not interfere with licensing arrangements, and do not imply that they are university sanctioned. Universities can also strive for cooperation, provide content, and build goodwill in exchange for the website making clear that the content is created by fans, not by the university.

Gripe websites pose another threat. Also known as “sucks,” protest or complaint sites, they typically are run by discontented individuals who feel wronged by the particular university and criticize, complain about, or mock a university. For a nominal fee, a “cyber-

griper” can acquire a domain name of choice, which generally incorporates the university’s trademark, often with a pejorative term such as “sucks,” and reach a global audience. Clearly such sites present public relations concerns, and may give rise to a legal cause of action for unauthorized trademark use. However, cybergriper defenses may include First Amendment freedom of speech rights or a fair use defense.

Then there is cybersquatting, where a non-trademark holder registers as domain names well-known trademarks in violation of trademark owner rights. Often, cybersquatters try to make money by selling the names back to the trademark owners. In specific cases of cybersquatting (also known as “cyberpiracy” or “domain name hijacking”), the university might invoke the Anti-cybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d), which created a cause of action for registering, trafficking in, or using a domain name confusingly similar to, or dilutive of, a trademark. An important obstacle the plaintiff must overcome is its need to prove that the defendant domain name registrant had a bad faith intent to profit from the mark. The ACPA does not prevent fair use of trademarks or any use protected by the First Amendment.

Traditional adversarial court proceedings against gripe sites are uncertain, time-consuming and costly. A faster and less expensive administrative action against the cybergriper under the Uniform Domain Name Dispute Resolution Policy (UDRP) may be preferable. The UDRP provides for an expedited arbitration procedure for clear cases of abusive registrations and use of domain names (e.g., cybersquatting). All accredited registrars in the .biz, .com, .info, .name, .net and .org top-level domains and their registrants must contractually agree to abide by decisions rendered under the UDRP. A domain name registrant who loses in a UDRP proceeding may bring an action in federal court under 15 U.S.C. § 1114(2)(D)(v) to override the proceeding’s result. (UDRP’s full text, including operative procedures for arbitrations, and a list of providers is available at [www.icann.org](http://www.icann.org).)

Strategies for combatting offending cybergrippers and preventing future cybergrippers start with the university registering its trademarks and domain names. Preemptively registering common pejorative domain names reduces the possibilities for prospective grippers and, therefore, should also be considered. Next, the university needs to monitor the internet to identify and receive notification of, new gripe sites. Once a gripe site is identified, the university should monitor it for commercial use that may give rise to legal causes of action.

A public relations team can help contain reputational damage. Other nonlegal solutions include addressing and resolving griper complaints, apologizing, if warranted, or contacting the griper to discuss the issues. The university might also consider creating a rebuttal website.

The university can send a cease-and-desist letter or have its attorney do so (with or without a threat of litigation). Before sending the letter, however, the university should consider the risk that the letter will be publicized, and portray the university as a bully. To minimize the risk of public backlash, some trademark owners have started using humor to lighten the tone of their cease-and-desist letters while achieving the de-

sired legal outcome and promoting the brand. Netflix did so when it sent a letter to a Chicago bar that had opened a temporary location called “The Upside Down,” a reference to an alternate dimension from the show “Stranger Things.” The letter concluded by asking the bar (1) not to extend the run beyond its initial six weeks; and (2) to contact Netflix for permission in the future. This was a great tactic. The text of the letter went viral, enhancing Netflix’s reputation and goodwill. Other strategies exist. But in all instances, a measured and proportionate approach is best, one that considers that the university’s response may be forever memorialized online, especially if cybergrippers are involved.

## **[4]–Trademark Management Programs - A Key to Success**

Whether handled in-house or by an outside specialist, a well-structured trademark management program provides strategies regarding trademark registrations, licensing and sales, portfolio optimization, infringement prevention, policing of trademark use, and enforcement.

Program administrators are tasked with: overseeing the acquisition, licensing and protection of trademarks; building and managing the trademark portfolio and university’s brand; negotiating agreements; and collecting royalties for the university. A majority of universities engage an outside company that specializes in managing university trademarks and licensing programs in exchange for a fee and often a share of royalty revenue. Such companies may give the university access to a broader network of potential licensees and offer knowledge and expertise in optimizing trademark value and skill in enforcing compliance on the university’s behalf.

## **[5]–Conclusion**

Trademarks are critical to the integrity of a university’s brand and there is much to gain from having strong, well-protected trademarks. A well-structured program can help universities build a strong trademark portfolio through a combination of use, licensing, assignments, policing and enforcement. Formulating and implementing a strategic trademark management program that combines all of these elements can help universities create goodwill, leverage their brand, protect their reputation, attract and retain high-caliber students and talented professors, and gain a competitive edge while generating significant revenue.

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