

Safeguarding Your Business Internet Presence: Legal Protection, Liability Prevention, Part One

By Attorney Patricia F. Claire

This is the first of two articles which will review basic legal issues applicable to all business Websites.

The last five years have seen an explosion of business-related Websites appearing on the Internet. Throughout the U.S. economy, use of the Internet for many primary, traditional business purposes has become an everyday practice for multitudes of companies, their customers and suppliers. And new business models continually are being developed to take advantage of unique features of conducting business on-line.

With the Internet's new opportunities, however, new problems - legal as well as technological - also arise. As a result, many businesses currently are re-assessing fundamental issues of legal protection and liability avoidance to safeguard their on-line presence. An Internet presence and Internet transactions do not operate in an entirely unregulated world, as some have claimed. Basic legal principles regarding such issues as intellectual property ownership and contracts continue to apply, and new statutes and regulations have been developed as new issues emerge.

One of the unique elements of the Internet is that much of the ownership of a business Website consists of what is known as intellectual property. What is "intellectual property"? Basic types of intellectual property are trademarks, copyrights, patents, and trade secrets. Each of these is governed by different laws and different procedures for protection. Every Website is full of intellectual property that needs to be identified and then protected if it belongs to your business, and reviewed to prevent infringement if it belongs to someone else.

Copyrights and trademarks are the two different types of intellectual property (IP) most relevant to business Websites. Reviewing a company's Website for legal protection immediately raises the issue of who owns the content of that Website. Businesses often make the assumption that their company owns all of the content of the Website. You may be surprised to find that this very often is not the case. Nothing can be taken for granted when it comes to the ownership of a Website.

What is Website "content"? Content includes any copyrightable material on a Website, such as graphics, text, audiovisual material, sound recordings, underlying computer programs, databases. Under the U.S. Copyright Act, these types of original works of an author, not existing just as ideas

but actually fixed in a tangible medium of expression, are protected from copying, distribution and alterations without permission. As a result, copyright registration can cover the entire content of a Website.

To identify and protect ownership of the Website, these questions need to be answered: what content does the company own because its employees created the content? was there content created by others? is any of it owned because of assignment or is it used under a license? what should be owned? have any steps been taken to register trademarks and copyrighted material with the appropriate Federal offices? who on staff is responsible for this process of identifying ownership and following through to secure the full legal rights of ownership?

A basic legal problem with ownership of Website content is who is the “author” - who created the content? If an employee created it in the course of employment with the company, then that company is the owner under an important concept called “works made for hire”. If, as is often the case, the business contracted out the work of Website development - most often the graphics and the programming - the business does not own the content that was created for it unless the developer assigned the copyright in the content to the business. A second, complex part of the “works made for hire” concept regarding independent contractors, typically does not apply to the creation of content for a Website. Any agreement with an outside Website developer needs to be carefully reviewed to see that ownership in the content passes to the business which expects to own it.

It is important to verify the source of all materials that will be used on the business Website. Because of the ready accessibility on-line of so much material belonging to others, the possibilities abound for infringement of the works of others. The internal policies of the business should deal with positive measures to avoid infringement and accompanying liability, and any Website development agreement should address liability for infringement.

It is possible to use the copyrighted materials of others on the business Website, under license from the copyright owner. If licensed material of others is already being used by the business, for example in print materials, the license should be reviewed to see if it extends to on-line use as well.

Once direct ownership or appropriate licensing is secured, the correct copyright notices should be displayed on the Website, and application for registration of the Website content should be filed with the U.S. Copyright Office.

Concerns about Website ownership also include the ownership of any trademarks or service marks used on the site, such as slogans, logos or words. A trademark serves to identify the source and to distinguish the goods or services of the owner of the mark from the goods or services of anyone else. Trademark protection is a separate process from copyright protection, and different rules apply.

Fortunately, trademark identification and protection generally presents simpler issues than does copyright. Many businesses which create an on-line presence already have a portfolio of trademarks for which the company has secured Federal registration. If only state registration has been obtained, Federal registration should be considered for a trademark that will be used on-line to promote sales. The same is true for unregistered marks that only have common law, or “rights of the first user” protection. If a business has not previously identified its trademarks, it is advisable to do so, and to screen them for the possibility of infringement, in connection with creating an on-line presence.

For many businesses, a new trademark or a variation on an existing trademark may be developed for use on the Website. The standard process of search, refinement and registration applies. However, because of the Internet, the process of search has expanded to include not just the trademark registries, but also the domain name registries and informal searching via search engines for potentially conflicting use.

Although the domain name, the Website address, generally is not itself a trademark, its ownership is important to the business Website owner. Frequently the domain name may be registered in the name of an outside party involved in creation of the Website. In such case, the business would not be able to move the domain in the event of that contract being terminated, and might find itself having to pay to acquire the domain name which has established its Internet presence.

Enforcement of the rights of the trademark owner are of great importance, since a mark will be considered abandoned if an owner “sleeps on its rights”. The Internet provides ample means to search for infringement by others using the same or a confusingly similar mark for similar goods or services. The converse also is true, and a company might find a cease and desist e-mail arriving from another business that believes it has spotted infringement of its mark. Prudence dictates that trademarks used on-line be fully protected so these increasingly frequent claims can be overcome.

Moving beyond issues of ownership of the Website and intellectual property protection, there are many other legal issues arising from relationships with users - such as privacy policies. The second article in this series will review this additional issue affecting business Website legal protection and liability avoidance.

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