

MODULE

08

IP in the Digital Economy



# MODULE 08. IP in the Digital Economy

## OUTLINE

### **LEARNING POINT 1: IP & e-commerce**

1. Impact of e-commerce on IP
2. Challenges raised by the impact of e-commerce
  - (1) IP protection in software
  - (2) Online content distribution
  - (3) Domain name issues

### **LEARNING POINT 2: Creating website**

1. Outsourcing website development
2. Topics to be included in the agreement
3. Using material owned by others
4. Other mindful issues

### **LEARNING POINT 3: Choosing domain name**

1. Basics of domain name
2. How to choose domain name
  - (1) Choosing the Top-level domain
  - (2) Choosing a good Second-level domain

3. Practical consideration
4. UDRP: One of the cybersquatting resolutions

#### **LEARNING POINT 4: Protecting your website**

1. What elements of your website can be protected
2. How to protect your website
3. Taking actions against violations

### **INTRODUCTION**

With the dramatic rise in Internet usage for e-commerce the proper use of the tools of the IP system has become crucial for the orderly development of the digital economy.

In the online business environment, protection of IP assets plays a crucial role in the success of an e-commerce company.

### **LEARNING OBJECTIVES**

1. You understand the impact of digital environment and the challenges posed by it for managing IP rights.
2. You know what goes into a good website development agreement
3. You can select a legally safe and practically useful domain name
4. You know how to protect a website and its content, as well as how to avoid legal problems in the online environment.

## **LEARNING POINT 1: IP & e-commerce**

### **1. Impact of e-commerce on IP**

With the dramatic rise in Internet use, especially for e-commerce and information and knowledge exchange, the IP system becomes crucial for the orderly development of the digital society.

#### **(1) IP and online trade of products and services**

com enterprises and e-commerce businesses, more than other business systems, often involve selling products and services that are based on IP and its licensing. Music, pictures, photos, software, designs, training modules, systems, etc. can all be traded through new digital information technologies, such as the Internet. In this case, IP is the main component of value in the transaction. IP is important because the things of value that are traded on the Internet must be protected, using technological security systems and IP laws, or else they can be stolen or pirated and whole businesses can be destroyed.

#### **(2) IP and digital technologies**

IP is involved in making new digital technologies work. The systems that allow the Internet to function - software, networks, designs, chips, routers and switches, the user interface, and so on - are forms of IP and often protected by IP rights.

#### **(3) IP and online branding**

For e-commerce businesses, commercial branding is even more important than for traditional businesses. This is because customers are naturally cautious in an online environment, traders may be remotely located and there is little or no physical contact to reassure purchasers of your business' financial security and good faith. Trademarks are therefore an essential part of e-commerce business, because branding, customer

recognition and goodwill are protected by trademarks and unfair competition law. But identity on the Internet goes beyond the trademark system, because of the role played by the Internet domain name system, which facilitates users' ability to navigate to your business site. Domain names, because they are easy to remember, also perform a function as business identifiers, in a manner similar to trademarks.

#### **(4) IP and business value**

Businesses related to new digital technologies usually hold great deal of their value in IP. The valuation of such businesses will be affected by whether they have protected their IP. Many technology companies have patent portfolios and trademarks that enhance the value of their business.

#### **(5) Relevance of patent licensing in e-commerce**

So many different technologies are required to create a product that companies often outsource the development of some components of products, or share technologies through licensing agreement. Therefore web-based businesses often depend on patent licensing. The economics of new technologies depends on companies working together to share, through licensing, the opportunities and risks of business.

## **2. Challenges raised by the impact of e-commerce**

### **(1) IP protection in software**

Different types of IP rights may protect different components of a computer program.

#### **a. Copyright**

One of the most used forms to protect components of a computer program

#### **b. Patent**

In some countries, inventions relating to software may also be protected

by patents, while in others; software is explicitly excluded from patent protection.

c. Trade Secret

Many companies protect the source code of computer software as a trade secret.

d. Industrial Designs

Certain features created by computer software, icons on a computer screen, may be protected in some countries as industrial designs.

**(2) Online contents distribution**

a. Illegal downloads

In recent years, there has been much publicity about the unlawful distribution of IP-protected music, films, art, photos, scripts, and software (“content”) on the Internet. These unauthorized downloads often violate national laws of copyright. Because of the ease with which digital files can be downloaded, unauthorized copying of content has been a major problem causing the loss of millions of dollars in revenue for the owners of these rights.

b. As an e-commerce business, keep in mind

- to protect your IP rights on the Internet;
- never to distribute or permit downloads of third party content that does not belong to your company; and
- put in place programs to make sure that your employees understand your company policies in this regard.

**More Reference 1-1: Napster case (US)**

The first case to put an international spotlight on unauthorized downloading of music files. The case, which resulted in the court issuing a permanent injunction preventing Napster from operating its file sharing system, was a

“contributory infringement” case because the claim was that Napster facilitated illegal copying by users of the system, not that Napster copied the files itself. Other cases will continue to test the law in this area, and there may be different issues and different results in different jurisdictions,

Lesson of Napster:

1. Make sure you have a clear policy against unauthorized copying of files, or any actions that encourage or facilitate such copying;
2. Make sure that your employees do not gain access to or keep in their possession or on their systems any unauthorized copies of software or other content.;
3. Make sure that all your employees know about the company's policies against misuse of IP; and
4. Senior management should be responsible for reviewing company business practices on a regular basis to make sure that the policy is being followed. It is wise to assess situations in which a policy violation is found, to see if disciplinary action should be taken.

Your company should have a system of prevention, education and monitoring to make sure that employees are not knowingly or unknowingly using illegal copies of software.

How about Grokster of 2005? (the most recent P2P case in the US)

Held: One who distributes device with object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps...is liable...  
Inducement Doctrine: Court found that inducement doctrine applies to a copyright infringement case.

**(3) Domain name issues**

Surprisingly, many companies fail to make an informed choice when selecting their Internet addresses, or domain name. A domain name may be available and registerable, but that does not necessarily make it legally safe or practically useful. For example, the chosen domain name may conflict with the trademark rights or personality rights of someone else. Before establishing presence on the Internet for obtaining worldwide visibility, you



need to understand the domain name system as such and its interface with the trademark system.

### **More Reference 1-2: IP concerns about international transaction in the digital economy**

One of the most remarkable characteristics of the digital economy is that it occurs globally. IP may be used and licensed in many countries simultaneously.

The global characteristic of Web-based businesses affects IP in a number of ways.

#### **1. Jurisdiction**

- (1) It is unclear which courts will have jurisdiction over disputes relating to e-commerce and IP. Also, laws affecting IP vary from country to country so levels of protection may be different;
- (2) The court may or may not take jurisdiction (legal control) over the case, depending on many factors such as connection of the case with the country. Another difficult issue is what law to apply, especially if the laws of the countries of the parties involved are different.

#### **2. Enforcement**

International aspect involved in e-commerce further triggers enforcement issues.

- (1) It makes it difficult to find the infringer and enforce IP rights that are violated on the Internet;
- (2) Even if the lawsuit succeeds, it could be difficult to enforce a judgment in another country.

## **LEARNING POINT 2: Creating website**

### **1. Outsourcing website development**

If your website has been developed by your employees who are employed for this purpose, then, in most countries, you (as the employer) would own the

copyright over the website, unless you otherwise agreed with your employees. However, for a small business, this is rarely the case.

Most companies outsource the creation of their website design and/or content to an outside contractor, and assume they own IP rights in it because they paid for the work. Beware! You may be surprised to find out that you do not own the IP rights in what has been created for you. Independent contractors (contrary to employees) usually own IP rights in the works they create – even if you have paid for it -, unless otherwise agreed in a written contract.

In practice, this means that the independent web developer will usually own copyright and other IP rights in the website, as well as in the design and elements contributing to that design (such as colors, gifs, jpegs, setup, hyperlinks, text coding). Without a valid, written agreement transferring to you all these rights, you may end up owning nothing except perhaps a non-exclusive license to use your own site.

Example: You have your site created by a freelance web designer. There is no agreement transferring all rights to you, so the copyright belongs to the web designer (according to the national laws). A year later, you want to refresh your site and make some changes to its presentation. Under most copyright laws, you will need authorization from the web designer, and may be required to pay an additional fee, to substantially update your website. It is better to enter into a clear, written agreement with the website developer that spells out who owns IP rights in each element of the site.

## **2. Topics to be included in the agreement**

When negotiating an agreement for the actual creation of your website with the website developer, you should have a clear long-term vision of the market for

your product or service. A good agreement should give you all the rights you need for the foreseeable future use of your website. Your web development agreement should at least deal with the following issues:

**(1) Scopes of work**

Specify exactly what will be developed.

- Will the developer be responsible not only for writing the computer code, but also for the design and appearance?
- Will he register a domain name?
- Will he provide consulting services?
- Is he responsible for the maintenance and updating of your site?

**(2) Ownership of material**

Specify the ownership details of each element of your website. Make sure that you receive ownership rights or a license that is broad enough so that you can use the website design and software how and where you want after the web development agreement is terminated. Consider the following:

- Who owns IP rights in the different components of the website that are created by the website developer (e.g. computer code, graphics, text, website design, digital files used for creating the site, etc.)? As this is primarily a price issue, you should carefully contemplate what you need to own versus what you only need a license to use. National laws may impose mandatory requirements for transferring the IP rights; make sure your agreement complies with such conditions.
- Who owns IP rights in material that you have provided to the website developer for use on the website? It is normally the case that you will supply trademarks, product logos, literary information and other subject matter that is owned by you. It would be prudent to include a list of website elements wherein your ownership of such material is clearly confirmed.

- What can you do with the elements in which the website designer owns IP rights? Do you have the right to sublicense, make changes, etc.? Remember that you will need permission from the original website developer to modify your website. If it is important to you that you can update the website yourself, or have it updated by another website developer, then you should make sure you obtain a perpetual license to make modifications to the site.
- Who is responsible for getting permission to use third party material like text, trademarks or software in which someone other than you or the website developer owns IP rights?
- Who owns IP rights in the software that displays your website and runs the components of your website? If the developer (or a third party) retains ownership and you only receive a license that is specific to your intended use, make sure the scope of the license is broad enough to switch developers and operating systems, to expand the use of the sites to additional business entities, etc.
- Can the website developer use the design as a model for other websites? Can he license the software or any other things built into your site to your competitors?

### **(3) Warranties**

Each party should warrant that it owns or has permission to use any material that it provides for the website and that the contents do not violate any law or regulation.

### **(4) Maintenance and update**

Maintenance of the site includes such things as changes, updates, troubleshooting or repairs. You should detail the level of maintenance and the price terms. Will the developer update your site and if so, how often? What kind of endeavor is he responsible for? What kind of actions will he take when the service interrupts or breaks down?

### (5) Confidentiality

While divulging confidential information about your business or allowing access to your facilities, you should include a confidentiality or non-disclosure clause in your web development agreement. This can protect you against unauthorized disclosure of your trade secrets.

### (6) Liability

Who will bear the responsibility for the links to other sites, the designation of keywords and metatags? Who will be liable in the event of any trademark or other claims?

### (7) Others

Your website development agreement will also need to include clauses related to fees and payment, timetable for delivery of the website, indemnification, disclaimers, limitation of liability, jurisdiction and applicable law, etc.

#### More Reference 2-1: Checklist for drafting a development agreement

When you draft a web development agreement, check the following issues.

Item	Content		Mark
Scope of Work	1	Will the developer be responsible not only for writing the computer code, but also for the design and appearance?	
	2	Will he register a domain name?	
	3	Will he provide consulting service?	
	4	Is he responsible for the maintenance and updating of your site?	
Ownership of material	5	Who owns IP rights in the different components of the website that are created by the website developer? (e.g. computer code, graphics, text, website design, digital files used for creating the site, etc.)	
	6	Who owns IP rights in material that you have provided to the website developer for use on the website?	

	7	What can you do with the elements in which the website designer owns IP rights? Do you have the right to sublicense, make changes, etc.?	
	8	Who is responsible for getting permission to use third party material like text, trademarks or software in which someone other than you or the website developer owns IP rights?	
	9	Who owns IP rights in the software that displays your website and runs the components of your website?	
	10	Can the website developer use the design as a model for other websites? Can he license the software or any other things built into your site to your competitors?	
Warranties	11	Does each party warrant that it owns or has permission to use any material that it provides for the website?	
	12	Does each party warrant that the website contents do not violate any law or regulation?	
Maintenance & Update	13	Will the developer update your site and if so, how often?	
	14	What kind of endeavor is he responsible for?	
	15	What kind of actions will he take when the service interrupts or breaks down?	
Confidentiality	16	Is there a confidentiality or non-disclosure clause in your web development agreement?	
Liability	17	Who will bear the responsibility for the links to other sites, the designation of keywords and metatags?	
	18	Who will be liable in the event of any trademark or other claims?	
Others	19	Fees and payment	
	20	Timetable for delivery of the website	
	21	Indemnification, Disclaimers, Limitation of liability	
	22	Jurisdiction and applicable law	

### **3. Using material owned by others**

Current technology makes it fairly easy to use material created by others - film and television clips, music, graphics, photographs, software, text, etc. - in your website. The technical ease of using and copying these works does not give you the legal right to do so. Using material without getting permission - either by obtaining an "assignment" or a "license" - can have dire consequences.

#### **(1) Technical Tools**

If you are using a search engine or other technical Internet tool for your website, make sure that you have a written license agreement, and get it checked over by a lawyer before you sign it and before any design or installation of the site begins.

#### **(2) Software**

Packaged software is often licensed to you upon purchase. The terms and conditions of the license (called "shrink-wrap licenses") are often contained in the package, which can be returned if you do not agree with them. By opening the package you are deemed to have accepted the terms of the agreement. Alternatively, the licensing agreement is sometimes included inside the packaged software or on the webpage from which you can install or download the software. Each time an end user install or download the software, he/she may have an option to agree to the license terms. A "click-wrap license" requires an end user to manifest his or her assent by clicking an "ok" button on a dialog box or pop-up window. A user manifests a rejection by clicking cancel or leaving. In all cases, you should check the licensing agreement to find out what you may and may not do with the software you have bought. In addition, there may be exceptions in your national copyright law that allow you to make certain uses of the software without permission, such as making interoperable products, correcting errors, testing security and making a backup copy.

### **(3) Copyrighted works**

#### **a. General**

If you want to put up any written material, photos, videos, music, logos, art work, cartoons, original databases, training manuals, drawings, etc. on your website that was created by someone else and whose copyright has not expired, you usually need a written permission from the copyright owner. Even if you use just a part of a copyrighted work, you will generally need authorization. Note also that material on the Internet or stored on web servers is protected by copyright in the same way as works published through any other means. Just the fact that you obtain material from the Internet does not mean that you can download or reproduce it freely.

#### **b. Collective management organization**

Finding the copyright owner and obtaining all necessary licenses is not always an easy task. The best way is probably to see if the work in question is registered in the repertoire of the relevant collective management organization or clearinghouse, which considerably simplifies the process of obtaining licenses.

#### **c. Moral rights**

In most countries, when you use a copyrighted work in your website, you also have the legal obligation to respect the moral rights of the author. You must make sure that:

- The author's name appears on the work; and
- The work is not used or changed in a way that would tend to damage the author's honor or reputation.

#### **d. Photographs**

Special care should be taken when using photographs on your website. In addition to the authorization of the copyright owner of the photograph



(usually the photographer), you may also need separate permission to use the subject matter depicted in the photograph. For example, if the photograph is of a person, you may need the permission of the person depicted in the photograph to use his/her likeness; for a photograph of a copyrighted artwork, you will need clearance of the artist; and for photographs of buildings, you may need, in certain jurisdictions, clearance from the architect.

e. Public domain material

Given the somewhat laborious task of tracking down copyright owners and negotiating licenses, website developers and businesses that create their own website often use material that is in the public domain. There are numerous institutions (libraries, national archives, collective management organizations) and online portals that have databases with public domain works.

There are also excellent portals that offer online licenses for different types of works. Some artists and companies even release their artwork, photos, backgrounds, wallpapers, banners, logos and other material as free for certain uses. Such material is often called clipart, freeware, shareware, royalty-free work or copyright-free work. However, do not assume that you can distribute or copy freeware without limitation. Read the applicable license agreements first to see what uses can be made of these works.

**(4) Trademark**

Many websites contain discussions of products and services of other companies. There is usually nothing wrong with identifying competitors' products on your website by using their trademarks. However, you should avoid using a trademark in a way that might cause confusion among consumers as to the source or sponsorship of the webpage. Such use

might well constitute trademark infringement or an act of unfair competition. Some Internet practices may raise trademark issues, such as metatagging, linking & framing, and using trademarks in domain names. You should be careful to check the law that applies to your business on this issue and to ensure that you have permission to show trademarks owned by other companies, if the law requires it.

#### **(5) Other's likeness**

In many countries, the name, face, image or voice of an individual are protected by publicity and privacy rights. The area of protection is regulated differently in various national legal systems. Before using such elements on your website, it would be advisable to check the applicable laws and to request permission, if needed.

#### **(6) Other mindful issues**

##### **a. Linking**

###### **- General**

Hyperlinks to other websites are a useful service to your customer, but in many countries there is no clear law on when and how you can use links. In most cases, links are completely legal and no permission is needed from the linked site to include a link. However, some types of links can create legal liability:

Links that lead web users to sites containing illegal content (a pirated copy of a song, perhaps, or an unlawful software program) may subject you to legal liability.

Links that comprise a company's logo (for example, using the Nike logo) may violate copyright, trademark or unfair competition laws. It makes sense to get permission for them.

###### **- Deep link**

Deep links mean links that go straight to a specific page other than a website's home page. For example, instead of linking to the home

page of a newspaper, a deep link might take the user directly to a newspaper article within that site. Deep linking is generally not allowed if it is a way of bypassing a subscription or payment mechanism, or if it is expressly forbidden by the site itself. It is necessary in such cases to obtain permission.

- Framing

It means that you divide your webpage into separate framed regions and display the contents of someone else's site within a frame at your site. The difference with normal linking is that the user is linked to another website in such a way that it is not obvious that what he is viewing is from another website. Inlining or mirroring occurs when you incorporate (or "inline") a graphic file from another website into your own website. For example, a user at your website can, without leaving your site, view a picture featured on another site. Framing and inlining are controversial practices, because they can create the impression that the information belongs to the website doing the framing or inlining. Always get written permission before doing this.

- b. Metatagging

Metatags are keywords or phrases embedded in a website's HTML code, which are invisible to the visitors of the website but are read by some search engines. In theory, metatags allow website developers to provide information making search engines more efficient. However, instead of using terms that properly describe the site, some website developers place the names of competing companies in their metatags. For example, a small chocolate shop may bury the famous trademark "Godiva" in a metatag. Then, anyone searching for "Godiva" would be directed to the chocolate shop's site. This kind of deceptive use of another company's trademark in a metatag may constitute unfair competition or trademark infringement.

c. Personal information treatment

- Privacy policy

If your website collects personally identifying consumer information, such as names, addresses, e-mail addresses, gender and professions, be sure you protect the privacy of such information. National Data Protection or Privacy laws may put limits and obligations on the collection, use and disclosure of personal information. You need to have a clear privacy policy on your site, and train and supervise all employees with access to such information.

d. Terms and Conditions/ disclaimers

- Terms and Conditions

If you sell products or services on your website, or allow users to download software, you may have specific agreements posted on your site that contain warranty information or disclaimers, limits on your liability and other significant terms. Generally, for a person to be bound by the terms of an agreement, he must indicate in some way that he agrees to the terms. If you wish for terms in your online licenses and other agreements to be enforced, your website must be structured so that the agreement terms are reasonably apparent and users have the opportunity to review and agree to the terms, or to disagree and opt out, before proceeding through the site. Additionally, there should be a mechanism for users to indicate their assent.

- Notices and Disclaimers

Notices and disclaimers (A disclaimer is a statement waiving liability for a potentially unauthorized activity or denying an endorsement for or from another site.) are rarely a cure-all for legal claims, but if a notice or disclaimer is prominently displayed and clearly written, it may limit or even prevent your liability. Your notices and disclaimers should be tailored to fit the specifics of your website. For instance, if your website posts reviews of tennis rackets and offers links to resellers,

you might post a disclaimer in a visible place on your site stating “If this site provides links to other sites, the owner of this site is not liable for any information on or practices of the linked sites, nor does a link indicate any association with or endorsement by the linked site to this site.”

**<Practical tips>**

The best practice is to have the agreement appear on the screen as the first step of the ordering or downloading process. The user should be required to scroll through to the bottom of the agreement and click an “I accept” button before he can access to the site. This scrolling through and clicking assent process will help ensure that your agreement is an enforceable “click-wrap” agreement.

e. Other issues

It would be prudent to consult Internet lawyer to make sure your web site complies with the applicable laws especially on the following issues.

- Marketing and advertising online

If you place advertising on your site, what issues should your online advertising agreement cover? Are there any specific laws and regulations you must comply with?

Are your marketing practices legal? For example, comparative advertising, unsolicited e-mails and bonus or discount schemes are forbidden in some countries.

- Infringing material take down

Immediately remove infringing material - If someone complains about an unauthorized use related to your website, you should remove that material (or disable the link to that material) pending resolution of the dispute. Continuing to use infringing material after being notified may aggravate the claim and increase the chances of your being found liable (and increase the amount of damages you may have to pay). In some countries, you are required to adopt pertinent take down policies.

## LEARNING POINT 3: Choosing domain name

### 1. Basics of domain name

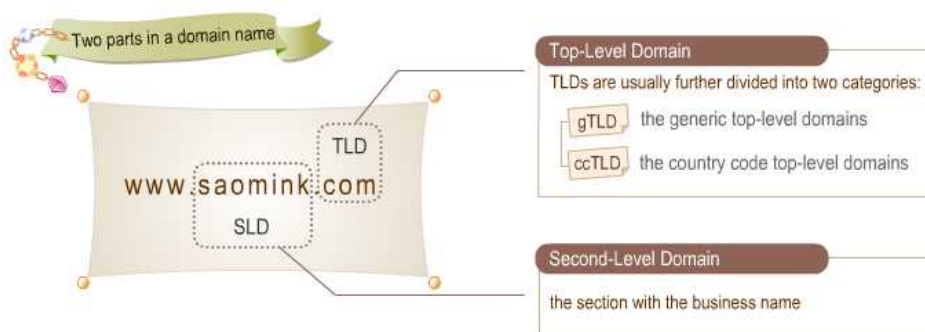
#### (1) Introduction

Every computer connected to the Internet must have a unique address, which is a rather complicated string of numbers called the IP (Internet Protocol) address. While computers readily understand such naming conventions, human users prefer an easier method of identification. The Domain Name System (DNS) was created to meet this need. It essentially has a database to link these numerical addresses on a one-to-one basis with unique mnemonic alphanumeric equivalents called Internet Domain Names.

#### (2) Two Parts in Domain Name

- a. At the highest level is the top-level domain (TLD),
- b. The section with the business name is called the second-level domain (SLD).

TLDs are usually further divided into two categories: the generic top-level domains (gTLDs) and the country code top-level domains (ccTLDs). Domain names may be registered in either a gTLD or in a ccTLD.



## 2. How to choose domain name

### (1) Choosing the Top-level domain

Some gTLDs are open, in the sense that there are no restrictions on who can register under them. These are .com, .info, .net and .org. For most profit-making businesses, offering goods or services on the Internet .com ("com" stands for commercial) is invariably the gTLD of choice. The .net gTLD is reserved for computer networks, but tends to be used for computer and Internet services as well. In principle, .org is for non-profit organizations, but it is sometimes used by profit-making businesses. Other gTLDs are restricted, in the sense that only entities meeting certain criteria may be registered under them, for example .int (for international organizations).

You may register a domain name under a ccTLD, which corresponds to a country, territory, or other geographic location and bears a two-letter country code, for example .kr for the Republic of Korea (for registration services: <http://www.nic.or.kr/>). The rules and policies for acquiring domain names in the ccTLDs vary significantly from country to country. You should take a careful look at the terms and conditions under which a registrar is offering ccTLD registration services. (For more information about registering under a ccTLD, including a complete database of designated ccTLDs and registrars/managers, visit <http://www.iana.org/cctld/cctld.htm>.)

Functionally, however, there is no distinction between the gTLDs and the ccTLDs. Even if ccTLDs are related to a physical space indicated by the national suffix, they generally provide exactly the same worldwide Internet access as gTLDs. For example, a user based in Australia can access the web page of a Korean SME with the .kr suffix and purchase products.

### (2) Choosing a good Second-level domain

A good domain name should enable customers to find easily your business website on the Internet. What is a good domain name and how does one

create it? The following basic suggestions may help you:

- a. Select a domain name that is the same as or similar to your company's business or product name. A domain that is directly linked to your business or products will be easier to remember. If you own a known trademark, then using it as, or in a second level domain is a wise choice.
- b. Choose a second-level domain that is distinctive of your business or products. Such a domain name may be more easily protected under trademark law.
- c. Never choose a domain name that is the trademark of another company. In most countries registration of another's trademark as a domain name is considered to be a violation of trademark rights. Various databases, such as the WIPO Trademark Database Portal (<http://arbiter.wipo.int/trademark/index.html>) may help in determining if a second-level domain being considered is a registered trademark.
- d. Avoid domain names that include controversial words such as geographical terms (e.g. Champagne, Beaujolais), names of famous people, names of generic drugs, names of international organizations, and trade names (e.g. name of another person's business).
- e. Suffix: Of all the TLDs, *.com* is generally considered to be the most valuable. It is the best known category around the world and the most sought after. Nevertheless, if you are a small company and you have a national market in mind, you may prefer a national TLD.
- f. Short domain names are generally the best as they are easier to pronounce, remember, spell, and type into a browser. Even though



domain names can have up to 67 characters, it is advisable to select shorter ones.

### More Reference 3-1: Trademark Concerns

#### Trademark vs. Domain name

The trademark and domain name systems are very different, but in certain situations the two may overlap with unpredictable consequences. This problematic overlap occurs when a trade name or trademark is used in or as a part of a second-level domain name.

Two identical trademarks may happily coexist and be owned by different companies for identical products in separate geographical areas under relevant trademark laws. In fact, the trademark system allows for the registration and use of an identical or similar trademark for different classes of goods or services in the same geographical area or country, provided the trademark in question is not a well-known trademark.

Example: The trademark LIFESAVERS for confectionery is owned in Australia by Nestle and in the United States by Nabisco; the trademark PETERS is a trademark for ice-cream owned by one company in western Australia, and, in the rest of Australia, by other companies. In contrast, the domain name system allows the use of one name by only one registrant. Unlike trademarks, domain names create a monopoly right on a name or word, independent of the goods or services the website offers. As domain names are generally registered on a first-come, first served basis, the owner of a trademark may find that another person has registered a domain name that is the same as, or confusingly similar to his trademark.

Owners of certain types of trademarks may find that they are not permitted to register their trademarks as domain names in some countries because of applicable domain name policies that restrict registration of geographic names or generic/descriptive names. For example, in Spain, the trademark MADRID owned by a private publisher, and, in Italy, the trademark ROMA owned by an Italian newspaper, cannot be registered as ccTLDs ([www.madrid.es](http://www.madrid.es); [www.roma.it](http://www.roma.it)). Therefore, considering the diversity of naming rules amongst registrars of domain names, it is prudent to verify the rules of the national domain name registering authority before applying for registration of a domain name.

### **3. Practical considerations**

#### **(1) Registration of Domain Name**

Anyone, whether an individual, organization, or company can register a domain name. Anyone who currently wants, or is thinking of acquiring, a distinctive, individual presence on the Internet should register a domain name.

Another important aspect of domain names is that their duration is unlimited. As with trademarks, you can hold a domain name for as long as you continue to pay the renewal or maintenance fee.

#### **(2) Exposure of the Domain Name**

Once you have registered a domain name, it is important to make the existence and content of your business' site visible so that you can attract visitors. A first step is to register the domain name with search engines, such as *www.yahoo.com*, *www.google.com*, and *www.altavista.com*. Search engines are specific tools that search web pages and documents all over the Internet for specified keywords or phrases and return a list of documents where the keywords or phrases can be found. Before registering the domain name with a search engine, one should understand the ranking system followed by different search engines.

### **4. UDRP : one of the Cybersquatting resolutions**

#### **(1) UDRP**

In order to protect trademark owners and legitimate domain name registrants, the Internet Corporation for Assigned Names and Numbers (ICANN), WIPO and national Internet authorities have put in place certain measures for the protection of the interests of trademark owners. On October 24, 1999, the ICANN Board adopted a set of Rules for Uniform Domain Name Dispute Resolution Policy (the UDRP Rules) setting out the

procedures and other requirements for each stage of the dispute resolution administrative procedure. The procedure is administered by dispute resolution service providers accredited by ICANN. The WIPO Arbitration and Mediation Center (WIPO Center) is such a dispute resolution service provider.

**(2) Abusive registration criteria**

- a. The domain name is identical or confusingly similar to the trademark in question;
- b. The trademark owner has a right or a legitimate interest in the domain name, and the domain registrant does not; and
- c. The registrant registered or is using the domain in bad faith.

Many cases of cybersquatting (Cybersquatting means behavior that speculator registers others' trade name/mark with the intention of reselling it to them for huge amounts of money.) involving well-known marks and names have been solved by this procedure, in particular: *microsoft.org*, *juliaroberts.com*, and *sony.net*. Such procedure can be used solely for gTLDs and a few ccTLDs for which States have adopted the WIPO Uniform Dispute Resolution Policy. Other countries generally have other alternative dispute resolution procedures.

**More Reference 3-2: UDRP procedure**

1. The filing of a Complaint with an ICANN-accredited dispute resolution service provider chosen by the Complainant, such as the WIPO Center;
2. The filing of a Response by the person or entity against whom the Complaint was made;
3. The appointment by the chosen dispute resolution service provider of an Administrative Panel of one or three persons who will decide the dispute;
4. The issuance of the Administrative Panel's decision and the notification to all relevant parties; and

- |   |
|---|
| <p>5. The implementation of the Administrative Panel's decision by the registrar(s) concerned should there be a decision that the domain name(s) in question be cancelled or transferred.</p> |
|---|

## **LEARNING POINT 4: Protecting your website**

### **1. What elements of your website can be protected**

Before we talk about protection measures, let's first have a look at what parts of a website can be protected by intellectual property (IP) rights. In fact, there are many elements in a website that can be protected by different types of IP. For example:

- (1) New technologies systems, search engines or other technical Internet tools may be protected by patents or utility models;
- (2) Software can be protected by copyright and/or patents;
- (3) Your website design is likely to be protected by copyright;
- (4) Creative website content, such as written material, photographs, graphics, music and videos, may be protected by copyright;
- (5) Databases can be protected by copyright or by *sui generis* database laws;
- (6) Business names, logos, product names, domain names and other signs posted on your website may be protected as trademarks;
- (7) Computer-generated graphic symbols, screen displays, graphic user interfaces (GUIs) and even webpages may be protected by industrial design law;

(8) Hidden aspects of your website (such as confidential graphics, source code, object code, algorithms, programs or other technical descriptions, data flow charts, logic flow charts, user manuals, data structures, and database contents) can be protected by trade secret law.

Type of protection	Elements of your website
Patent	New technological systems search engines or other technical Internet tools Software
Copyright	Database Website design Website content <ul style="list-style-type: none"> <li>▪ Written material</li> <li>▪ Photographs</li> <li>▪ Graphics</li> <li>▪ Music and videos</li> </ul>
sui generis Database law	
Trademark	Business names Logos Product name Domain names Other posted signs
Industrial design	Computer-generated ; Graphic symbols Screen displays GUIs (Graphic User Interfaces) Webpages
Trade secret	Graphic symbols <ul style="list-style-type: none"> <li>▪ Confidential graphics</li> <li>▪ Source code</li> <li>▪ Object code</li> <li>▪ Algorithms</li> <li>▪ Data flow charts</li> <li>▪ Logic flow charts</li> <li>▪ User manuals</li> <li>▪ Data structures</li> <li>▪ Database contents</li> <li>▪ Programs or other technical descriptions</li> </ul>

## 2. How to protect your website

Some precautionary measures are necessary to protect a website from abusive use. These may include:

### (1) Protecting your IP rights

You should develop appropriate strategies to protect your IP from an early stage so as not to lose your legal rights in them. You should:

- a. Register your trademarks;

- b. Register a domain name that is user-friendly and reflects the trademark, business name or character of your business. If your domain name can also be registered as a trademark, then it is advisable to do so. A trademark registration will:
  - strengthen your power to enforce your rights against anyone else who tries to use the name to market similar products and services; and
  - prevent someone else from registering the same name as a trademark.
- c. Register your website and copyright material with the national copyright office, in countries which provide this option;
- d. Think about patenting online business methods, in countries where such protection is available.

**(2) Letting people know that the content is protected**

Many people assume that material on websites can be used freely. Remind them of your IP rights.

- a. Mark your trademarks with the trademark symbol ®, TM, SM or equivalent symbols.
- b. Use a copyright notice (the symbol © or the word “Copyright” or abbreviation “Copr.”; the name of the copyright owner; and the year in which the work was first published) to alert the public that your copyright material is protected.
- c. Another option is to use watermarks that embed copyright information into the digital content itself. For example, a music file might be watermarked by using a few bits of some music samples to encode ownership information. Watermarks are useful to deter people from copying, and they can also aid in tracing a work online and proving theft.

- d. Give notice to the public that your website or business method is patented. You can, for example, list at the bottom of your home page the patent numbers that apply to the website, along with the "patent" or "pat." label.

**(3) Letting people know what use they can make of the content**

Insert a copyright statement on every page of your website that spells out your business' terms on use of the page. Viewers would at least know

- a. what they can do with the page (for example, whether or not, and on what conditions, they are allowed to create links to the site, download and print material from the site); and
- b. who to contact to get a copyright clearance in relation to any material on your site.

**(4) Controlling access and use of your website content**

You may use technological protection measures, so that only those visitors who accept certain conditions upon the use of the works and/or have paid for such use, can have access to the works published on your website. The following techniques are commonly used:

- a. Online agreements are frequently used to grant visitors only a limited license to use content available on or through your website.
- b. Encryption is a technique of enciphering and deciphering. Typically, software products, phonograms and audiovisual works may include encryption to safeguard them from unlicensed use. When a customer downloads a content file, a special software contacts a clearinghouse to arrange payment, decrypts the file, and assigns an individual "key" - such as a password - to the customer for viewing or listening to the content.

- c. Access control or conditional access systems. In its simplest form, such systems check the identity of the user, the identities of the content files, and the privileges (reading, altering, executing, etc.) that each user has for each file.
- d. Releasing only versions of insufficient quality for the suspected misuses. For instance, you can post images on your website with sufficient detail to determine whether they would be useful, for example, in an advertising layout, but with insufficient detail and quality to allow reproduction in a magazine.

#### **(5) Detecting infringements of your website**

To find infringements, you may take random snippets of text from your site and search for the snippets using search engines like Google and Alltheweb. If you have unique graphics on your website and want to find out if anyone else is using them, enter the file name of your graphic into <http://images.google.com>. There exist also various technologies that may help you to find violators. They include “spider programs” that search the Internet for copies of your pages or graphics and illegal use of your trademarks; and “fingerprints”, which are like hidden serial numbers which enable you to identify which customer broke his/her license agreement by supplying the property to other people.

### **3. Taking actions against violations**

When you find out that someone is infringing your copyright or trademark on his website, you should take the following steps:

- (1) Make screen shots or prints of all relevant pages, and print the source code from the infringing website;



- (2) Be sure you can prove that your website content is original and that you have owned it for a longer period of time than the infringing website;
- (3) Send a cease and desist letter to the owner of the infringing website asking to take your material off their website. An IP lawyer may help you to draft such a letter;
- (4) If the owner does not respond, you may (i) send a notice of infringement to any search engine where the infringing site is listed and demand that they remove any links to the infringing site; and (ii) send a notice of infringement to the website hosting company or internet service provider (ISP) and demand that the infringing site be removed from the server where it is hosted.

#### **More Reference 4-1: Patentability of Software in the USA**

In the last decade or so, most developed countries have permitted patenting of software and computer implemented inventions, although to varying degrees. As a result, in many countries there has been a sudden surge of patent applications for protecting software, e-commerce and Internet technologies. Also, some recent court decisions in the United States of America have put to rest any doubts about patentability of business methods. In the U. S., this has triggered a flood of new patent applications in the areas of business management, finance and accounting, particularly for computerized methods for these types of functions. So, software developers and businesses in e-commerce, as well as providers of banking, financial and insurance services, are now at increased risk of inadvertent patent infringement.

In 1996, when the U.S. Patent Office issued guidelines for software patent applications, it represented a major new pro-patent step. Amongst other things, these guidelines clarified that software that demonstrably controls or configures some computer hardware is patentable, regardless of whether it includes significant mathematical processes.

Further, in the U. S. patent protection is available for data structures in combination with some form of computer readable memory. Furthermore, for software patents, the written description requirement is generally met by an

ordinary language description of the software functionality, that is, source code of the software does not require to be revealed in the patent application.

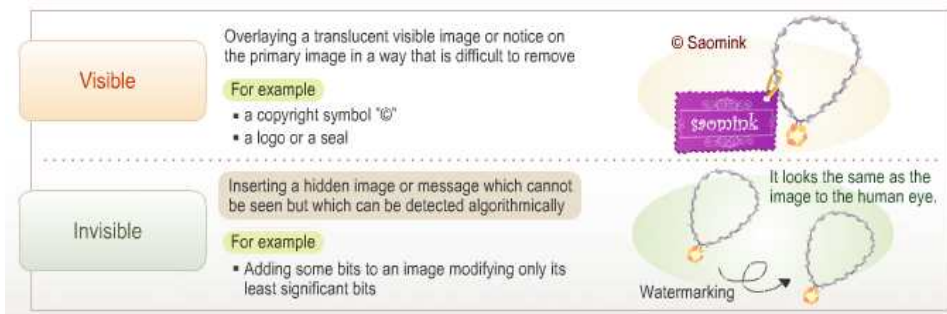
As a result, especially in the U.S., the range of subject matter excluded from the purview of patents has been narrowed down to include only a scientific principle, laws of nature, natural phenomenon, abstract idea or mental steps.



## More Reference 4-2: Watermarking

Watermarking is a technique to insert copyright notices or other verification messages (in the form of a pattern of bits) into digital images, audio clips, video and documents that identifies the file's copyright information.

### 1. Types of watermark



### 2. Watermarks are useful to

- (1) deter people from copying;
- (2) monitor the usage of the material
- (3) prove ownership of copyrighted material; and
- (4) trace a work online and prove theft

## QUIZ

### Q1. Identify the incorrect statement:

- 1) In most countries registration of another's trademark as a domain name is considered to be a violation of trademark rights.
- 2) You have to be a US company or resident to register a .com, .net or .org domain name.
- 3) Two companies can own and use the same trademark, but only one company can own a particular domain name. Domain names are unique.
- 4) Domain names are a substitute for IP addresses.

Answer : 2)

Anyone can register a domain name under any of the .com, .net or .org top domains. You don't have to be a US citizen or resident, and you don't have to be registering on behalf of a company either.

### Q2. Identify the incorrect statement:

- 1) Cybersquatting is the pre-emptive registration of trademarks by third parties as domain names. Cybersquatters exploit the first-come, first-served nature of the domain name registration system to register names of trademarks, famous people or businesses with which they have no connection.
- 2) The Uniform Domain Name Dispute Resolution Policy (UDRP) is a mandatory administrative procedure for speedy, low-cost resolution of all domain names disputes.

- 3) There are no monetary damages applied in UDRP domain name disputes, and no injunctive relief is available. Under the UDRP the panelist can only decide to transfer or cancel the domain name(s), or deny the complaint.
- 4) The accredited domain name registrars - which have agreed to abide by the UDRP - implement a decision after a period of ten days, unless the decision is appealed in court in that time.

Answer : 2)

The UDRP established an administrative procedure for speedy, low-cost resolution of disputes between trademarks and domain names. However, the UDRP procedure can only be used in the following cases:

The UDRP applies only to the global top-level domains, to domain name ownership disputes that involve trademarks, in cases where there is bad faith registration and the panel decisions are mandatory in the sense that accredited registrars are bound to take the necessary steps to enforce a decision, such as transferring the name concerned. The parties, however, retain the option to take the dispute to a court of competent jurisdiction for independent resolution.

**Q3. Identify the incorrect statement:**

- 1) If you want to upload on your website works created by someone else and whose copyright has not expired, you usually need a written permission from the copyright owner.
- 2) If you want to post a photo of a painting on your website, then, in addition to the authorization of the copyright owner of the photograph (usually the photographer), you may also need separate permission from the painter to use the painting depicted in the photograph.

3) Websites that collect, use, handle or disclose personal information of its users, must comply with the national privacy laws of the country from which they are operating. Company websites may be required to establish privacy policies that disclose the nature of the personal information they collect and the use they make of this information.

4) If you commission a web developer to create a website for your company, then you own IP rights in the website, provided you pay a fair compensation for the work.

Answer : 4)

You do not always automatically own the IP rights in what has been created for you, even if you have paid for it.

Independent contractors (contrary to employees) usually own IP rights in the works they create, unless otherwise agreed in a written contract. In practice, this means that the independent web developer will usually own copyright and other IP rights in the website, as well as in the design and elements contributing to that design (such as colors, gifs, jpegs, setup, hyperlinks, text coding). Without a valid, written agreement transferring to you all these rights, you may end up owning nothing except perhaps a non-exclusive license to use your own site.