

WEB SITES: The Intellectual Property Issues

A host of legal issues arise in the operation of a web site by a business. Even a simple "billboard" site that merely promotes and provides static information about a business via the Internet often involves multiple parties to set up and host. Those relationships involve legal rights and obligations.

Where consumers can place orders via the site or the public can contribute content to the site, the legal issues escalate along with the number of parties involved. Such issues may include concerns about privacy laws, marketing laws, consumer protection laws as well as basic contract law.

In this article, we will identify and review the typical intellectual property issues that arise with respect to web sites operated by a business.

Domain Names ≠ Trademarks

Like incorporation and business names, a domain name registration does not grant trademark rights or protection in the name.

In legal terms, a trademark is a mark "used" for the purpose of distinguishing goods and services sold by one business from those sold by others. Unless a domain name is "used" in the manner of a trademark, it is not a trademark. It is the equivalent of an address or telephone number as it is simply a means of locating your business or information about your business via the Internet.

For instance, simply displaying a domain name on business cards, letterhead, packaging and advertising together with other contact information for your business (like a street address or telephone number) will not likely be considered "use" of the domain name in the manner of a trademark. To achieve trademark

status, the domain name (with or without the .ca, .com, .biz or other extension) should appear prominently in advertising, signage and/or packaging as a means of distinguishing the associated business or its goods/services from those of its competitors. Until a domain name is used in the manner of a trademark, the business will not enjoy any exclusive rights in it for the relevant market.

If the selected domain name is confusing with an existing trademark, the trademark owner may be able to cancel the domain name registration or compel a transfer of the registration into its control. If a domain name is descriptive of the business or its goods/services, the domain name may never qualify for trademark status as it cannot serve as a means of distinguishing the business from its competitors. For instance, no business can acquire exclusive rights in the word "apple" in the marketplace for apples even if it owns the domain name <apple.com>. For these reasons, the principal domain name used by a business should be selected with the same care as its trademarks.

Control of Domain Name Registrations

If a business does adopt a domain name that incorporates all or part of a trademark, it is important to ensure that the business is identified as the domain name registrant. If the business has assigned its trademarks to a holding company, the holding company should be identified as the domain name registrant and manage the domain name registrations as part of the trademark portfolio.

In the past, it was not uncommon for marketing companies or employees to be recorded as the registrant and/or administrative contact for the domain name registrations of a business. If possible, this practice should be avoided or corrected as it can cause serious problems in

exercising future control over the domain name registration if, for instance, the marketing company goes bankrupt or the employee is terminated. Registering trademarks and related domain names to different parties may also lead to arguments that the business has compromised its exclusive rights in the trademark by failing to exercise full control over the trademark.

Domain Name Registrars vs. Web Site Hosts

It is also important to distinguish between the domain name registrar and the web site host. Once registered, a domain name registration is simply "pointed" to the server hosting the content of the web site. One business may have multiple domain name registrations that all point to the same web site content like multiple telephone numbers set up to ring the same telephone.

Although many domain name registrars also offer hosting services and vice versa, these are two separate functions. Some companies will also offer one or more of these services as part of a package deal. For instance, WordPress.com will register the domain name, host the web site and provide access to its software platform as a service. For perhaps obvious reasons, a business should be cautioned against consolidating all of these functions with the same party.

If there is a falling out with the marketing company that designed the web site, the company hosting the web site and/or the provider of the software platform that operates the web site (the software issues are discussed more fully below), a business may cause new web site content to be created and/or transfer the web site content to a new host. Like moving a telephone number to a new network or street address, the business then points the domain name registration to the new location to redirect Internet traffic to its new web site and/or host. If all of these services have been consolidated with the same service provider, a business may lose effective control of its web site when disputes arise with that service provider.

A business should have effective control over its account with the domain name registrar and, if possible, the web site host. Although access may be granted to employees and suppliers for various purposes, the ability to change the registrant and/or the password should be strictly controlled so that former employees and suppliers can be locked out of the accounts upon termination of those relationships.

Web Site Content: Photographs & Graphics

With respect to the content of a web site, an area where legal problems frequently arise is in the use of photographs and other graphic content without ensuring that the business owns copyright in the material or has a valid license to reproduce it.

Many stock photo companies actively police the Internet by deploying programs known as "bots" or "crawlers" that constantly search the Internet for instances of copyright infringement. When they locate such instances, demand letters are automatically generated and sent out. The sum demanded for a retroactive license will always be more than it would have cost to purchase a license in advance. If not paid, the copyright owner is entitled to seek damages for copyright infringement through the courts and the minimum sums payable may be set by statute. In Canada, the minimum sum for copyright infringement by a business is generally \$500 per work. If a web site includes multiple photographs or graphics, the potential damage claim can be substantial.

To avoid such liability, a business should not reproduce any photographs or graphic material on its web site without ensuring that it either owns copyright in the material itself or it has a license to do so from a reputable source (ie. a stock photo company). In this regard, it is important to note that:

1. a license to use a stock photo or graphic in printed promotional material may not authorize use of the same material in digital form on the web site – review the

- terms of the license to be sure;
2. payment, by itself, does not automatically mean that the business owns copyright in any original photographs or graphic designs created for it by a third party, including the layout and design of the web site itself – a formal written assignment of copyright should be included in all agreements with such third parties; and
 3. the business cannot avoid liability for copyright infringement by blaming the web site designer – it can only try to recover any sum paid for the infringement from the designer in a subsequent claim for negligence.

Web Site Content: Text, Music and Video

All of the above considerations respecting graphic content would also generally apply to the reproduction of any text, video or music on the web site. To avoid liability, a business is again well-advised to ensure that it either owns copyright in this material or it has a valid license to reproduce it on its web site.

If only a small excerpt from the original work is reproduced, a business may try to avoid liability by arguing that it has not reproduced a "substantial" copy of the original work. However, the determination of whether an excerpt qualifies as a substantial copy is a question of fact over which reasonable minds may disagree. Consequently, this should not be considered a reliable defence. If a digital lock was broken to copy the excerpt, this defence is not available.

In Canada, the "fair dealing" exemption is limited to specific purposes such as research, private study and education. There is no exemption available for the general commercial use of copyright protected works, either in whole or in part.

With respect to user-generated content on an interactive web site, the web site should have terms of use that specify which party owns

copyright in any material posted to the web site by the user. If the terms of use specify that the user retains copyright and the business enjoys only a license in such material, the terms of use should further specify whether the business may exploit that material in other channels, such as in its marketing material or on other related web sites. Of course, the business should also be entitled to remove any user-generated content deemed undesirable, such as material that infringes the copyright of a third party.

Web Site Operation: Software Platform

With respect to the operation of a web site, an often overlooked aspect is the software platform which operates in the background. Modern web sites are usually "built", operated and managed on a software platform which may enjoy its own copyright, trade secret or sometimes patent protection.

All the visible content of a web site, such as the text, photos and graphics discussed above, may be provided by a business. However, this material is usually loaded into a software platform where it can be organized and managed. Ideally, a business should make inquiries about the source of this software platform and ensure that there is a written license authorizing it to use the platform for an indefinite period of time.

To ensure that their customers can continue to use the software that operates their web sites indefinitely, many web site designers deliberately use free open source software platforms or acquire a license to use proprietary software that explicitly allows them to sub-license it to their customers. For instance, WordPress.Org offers a popular free open source software platform that can be downloaded from its web site and used by web site designers for this purpose.

In some cases, web site designers develop their own proprietary software platform to create and manage web sites for their customers. They may claim copyright in this software platform and/or treat it as a trade secret. In rare circumstances,

they may even seek patent protection for new features of the platform that they develop. If the web site designer treats the software platform as a trade secret, they may require that the web site be hosted on their servers and managed exclusively by their staff to preserve the trade secret.

Similarly, some service providers, like WordPress.com, offer access to their free open source software platform along with hosting services. An advantage of consolidating the software platform with web site hosting is that any upgrades to the software platform are usually made available automatically to all current customers at no additional charge. For a web site built in the WordPress.org software platform and hosted elsewhere, any software upgrades would need to be downloaded and installed manually.

If a business elects to consolidate web site hosting and software services, it is important to remember that the content of the web site will likely have to be "rebuilt" in a new software platform if it is moved to a new host in future. This will be true even if the business uses all the same photos, graphics, text, video, etc. As discussed above, it is also critical to ensure that the business retains exclusive control over its domain name registration in such circumstances and can redirect the domain name registration when the relationship with the web site host/software provider is terminated.

Some businesses with complex web sites or web sites that offer specialized services may elect to develop their own software platform for operating their web site. If a business wants to have proprietary rights over that software platform, it should ensure that:

1. the software developer avoids incorporating code from open source software sources without express permission as the license terms governing some open source software will compromise proprietary rights in the resulting software; and

2. all users who login into any secure pages of the web site sign or click through a license that requires them to respect the intellectual property rights of the business, including copyright in any unique features of the user interface.

Conclusion

If a business does not understand the various components of its web site, it can be easy to lose control or compromise the value of this important virtual property. And when problems arise, the legal solutions are often expensive and take time to implement – especially if it is necessary to seek assistance from the courts. For some issues, there are no legal solutions available that can correct past errors.

As its web site becomes an increasing valuable asset of a business, it is important to ensure that the business understands how it has been set up and that proper controls have been implemented to manage the associated risks.

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