

LICENSING AND DUE DILIGENCE CONSIDERATIONS IN THE INTERNET AGE

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LICENSING ISSUES

Scope of Rights

The concept of the territoriality of trademark rights is becoming increasingly illusory in the Internet age. Now more than ever, trademark owners must carefully consider the scope of their rights in order to ensure that their Internet presence does not expose them to liability to heretofore unknown third parties that may have legitimate rights in a mark in other jurisdictions. A licensee that offers licensed goods via Internet channels may inadvertently create conflicts in jurisdictions in which the trademark owner does not own the rights, or in which rights are already licensed to another. Licenses should address the licensee's rights and obligations with respect to use of the trademarks and licensed property to promote and/or sell licensed products via the Internet. Some of the issues requiring consideration follow.

Dueling licensees

Licensees who were separated by territorial restrictions in the past can now find their markets overlapping in cyberspace. What solutions are available?

- Just don't do it. The license can expressly prohibit sales via Internet channels, but this may not make good business sense.
- It's a small world. A "splash" screen (welcome screen) can direct Internet shoppers to the appropriate licensee (i.e., "If you are in the U.S., click here; if you are in the United Kingdom, click here"). If there are jurisdictions in which the trademark owner does not own the mark, the link to that jurisdiction might read "We are sorry, but we are unable to fulfill sales in this country at this time". This can also help to avoid liability for selling goods in jurisdictions where sales may not be permitted or the licensor may not have rights to use the licensed trademark.

Domain name registrations

Licensees should not be permitted to register a domain name that includes the licensed trademark. Domain names should be added to the provision that already prohibits licensees from using or registering the licensed trademark as part of a business or trade name.

Web Sites

Licensor Control. Licensors may wish to establish a policy requiring or permitting licensees to link their web sites to the licensor's main web site; or prohibiting such linking. Licensors may want to develop an "authorized site" icon for licensees to display on their site.

Use of related proprietary material. Licensors will want to control use of their trademarks or copyrighted material on licensee's web sites. For example, can the licensee use licensor's proprietary materials that are not licensed property (such as scenes from the book or movie in which the licensed characters appear) on its web site? Are there artwork, images and related trademarks that can be used on the web site even though they are not licensed for use in connection with the development of licensed products?

Creation of web site. The display of copyrighted material on a web site creates a derivative work that in most cases should be owned by the licensor. While the license may be clear that as between licensor and licensee, licensor is the owner of any such derivative works that are created pursuant to the license, the licensee must ensure that its web site development agreement secures those rights to licensor (or at least, in the licensee as against the web site developer, with an automatic assignment of those rights to licensor embodied in the license agreement). This can be included in the license provisions that already ensure that all new works created in the course of the license are property of licensor.

Take down of web site. If the license has ended on less than amicable terms, the licensor may be chagrined to learn that the licensee's web site is still offering licensed products for sale. If the licensee is uncooperative, and the licensor's copyrighted material is displayed on the web site, a self-help remedy available to the licensor is the "notice and take down" provision of Section 512(c) the Copyright Act. This provision, enacted as part of the Digital Millennium Copyright Act, provides limitations on Internet Service Provider (ISP) liability with respect to information residing, at direction of a user, on a system or network that the ISP controls or operates, if the ISP has designated an agent for notification of claimed infringement by providing contact information to the Copyright Office and through the ISP's publicly accessible website. A directory of ISP designated agents for receipt of notice of claims of copyright infringement is maintained on the Copyright Office web site at <http://www.loc.gov/copyright/onlinesp/list/index.html>. A sample letter notifying ISP of a claim of copyright infringement follows this article.

DUE DILIGENCE ISSUES

In addition to reviewing the seller's portfolio of trademarks and copyrights, the buyer will want to review the seller's domain name portfolio. Consider the following:

- What domain names does the seller own and use?
- With what registrar are the domain names registered, and when are they due for renewal?
- Who are the administrative, billing and technical contacts?

- Does the seller have an appropriate web site development and hosting agreement in place with the designer of its web site which provides that it is the owner of copyright in the source code and all elements of the web site?
- Does the company have linking agreements with third parties?
- Have cybersquatters registered domain names incorporating the trademark and if so, what is the status of any action(s) that have been taken to address the situation?

COPYRIGHT ACT § 512(c) SERVICE PROVIDER NOTICE

S A M P L E

[DATE]

VIA [E-MAIL] AND FEDEX

Registered Copyright Agent

[Name]

[Address]

[Facsimile]

[Email]

Re: **Notice of Infringement** Pursuant to Digital Millennium Copyright Act

Dear Sir or Madam:

This is a Notice of Infringement pursuant to Section 512(c) of the U.S. Copyright Act directed to the registered copyright agents of * (i) pursuant to the “Amended Interim Designation of Agent to Receive Notification of Claimed Infringement” filed with the U.S. Copyright Office.

This law firm represents *, which is the owner of exclusive rights that are being infringed by content posted at the * web site. The following information provides the Elements of Notification required by Section 512(c)(3).

(i) a physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

The required signature is set forth at the end of this notification.

(ii) Identification of the copyrighted work claimed to be infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site.

Multiple copyrighted works at a single online site are claimed to be infringed. A representative list of such copyrighted works is:

*

(iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.

The infringing materials consist of all of the infringing materials located at the web site located at URL *.

(iv) Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an electronic mail address at which the complaining party may be contacted.

*

(v) A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.

The complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.

(vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

The information in this notification is accurate, and under penalty of perjury, the complaining party is authorized to act on behalf of the owner of the exclusive rights that are being infringed.

With the above, it is requested that * act expeditiously to remove, or disable access to, the infringing material displayed on the * web site.

Very truly yours,