



Minefields in the digital world of commerce

A presentation on the protection of
Legal and Intellectual Property
Rights in a digital environment

Topics

- Common concerns of an Internet company;
- Legal pitfalls
 - Contracts;
 - Midnight clauses;
- Intellectual Property rights protection
 - Cyber squatting;
 - Digital Copyright;
 - Trade Mark online;
 - Business methods and concepts;

Perils of the digital firm

- The World Wide Web ~ world's largest pirate haven
 - No geographical barriers;
 - Few states policing;
 - Instantaneous transmission without degradation in quality;
 - Faceless denizens of the web;
 - Public misconception that anything on the Internet is in 'public domain';
 - Common use of 'hot-linking' and 'spider harvesting'

Legal pitfalls - Contract

- Ability of other party to contract
 - Faceless and no way of knowing for sure the age of other contracting party ~ many jurisdictions will have a minimum age of consent ~ contract unenforceable if contracting with minor;
- Fraud
 - unauthorized use of credit card to purchase goods/services & illegal access of 3rd parties to steal customer credit card details;
- Misrepresentation
 - Erroneous statements of fact on the website which leads to reliance by customer may lead to (i) customer voiding the contract, (ii) customer lodging police report for credit card fraud (e.g. where product of RM1,500 stated as RM1,000 and credit card billed for RM1,500);

Legal pitfalls - Contract

- Securing vendor/supplier support
 - Infrastructure failure ~ where server hosting out-sourced or co-located externally – outage/ data crash detrimental to business vis-à-vis the customer
- Click-Wrap Agreements
 - Enforceability is a big question mark in many jurisdiction ~ no test cases for Malaysia.

Legal Pitfalls – Midnight Clauses

- Choice of law and forum
 - While putting up T&Cs on the website with midnight clauses will solve any jurisdictional issues ~ there are still risks:
 - Countries with laws that impose their own laws and forum for any legal proceeding against their citizens;
 - Countries with laws that may render the transaction carried out on the website to be void, unenforceable and/or illegal;
 - Non-reciprocal enforcement of judgement ~ refusal to enforce foreign awards.

Cyber Squatting

- Pre-emptive registration of trade marks by 3rd parties as domain names;
- Takes advantage of goodwill of the person or business associated with that domain name to attract business to their own site;
- Puts domain names up for auction or offers to sell directly to person or company for a higher price;
- Well known cases ~ www.juliaroberts.com and www.jimihendrix.com
- 'Typo squatting' ~ taking advantage of web users who mistype domain names (*Société Air France v. Alvaro Collazo* [2003] for the site www.arifrance.com);
- Meta Tagging ~ misuse of 'Title Tags', 'Meta Description Tag' & 'Meta Keywords Tag' to confuse and mislead web users through search engines

Cyber Squatting

- Uniform Domain Name Dispute Resolution Policy (UDRP) took effect on 1-Dec-99 and governs all ICANN-accredited registrars of Internet domain names – WIPO as leading dispute resolution provider;
- **Allows complainants to file a case for resolution of cyber squatting or domain name abuse without resorting to local Courts;**
- Panel consists of neutral experts and can be concluded within 2 months using on-line procedures. Costs between US\$1,500 for single arbitrator to US\$4,000 for 3 arbitrators;
- **Remedy: domain name is either (i) cancelled, (ii) transferred or (iii) sustained – accredited domain name registrar must comply with decision of arbitrator;**
- No monetary damages (\$\$) and no injunctive relief is available through UDRP and parties only have 10 days to appeal a decision
- **Appropriate when dealing with foreign and global domain names, e.g. .com, .net, etc. Note that each country may have own appointed domain name dispute resolution provider;**

Cyber Squatting

- The Malaysian Network Information Centre (MYNIC) ~ administers the .my domain;
- Appointed domain name dispute resolution provider ~ Regional Centre for Arbitration Kuala Lumpur (RCAKL):
 - Fees range between RM2,500 (single arbitrator) to RM9,000 (3 member panel) ~ not including legal fees;
 - Panelists are selected from M'sia, India, Japan, Korea, S'pore, Netherlands, Sweden & Switzerland;
- Relevant laws/policies:
 - MYNIC Domain Name Dispute Resolution Policy;
 - MYNIC Domain Name Dispute Resolution Policy Rules;
 - RCAKL Supplemental Rules to MYDRP

Cyber Squatting

- Malaysian courts ~ not appropriate forum for dispute resolution ~ domain names have no status in law;
 - Jurisdiction issues;
 - Inadequate legislation:
 - **Trade Marks Act** ~ trade/service mark infringement – Malaysian jurisdiction only;
 - **Computer Crimes Act 1997** ~ wrongful communication of information, unauthorized access to computer material & unauthorized modification of contents of computer;
 - **Digital Signature Act 1997** ~ licensing of certification bodies, rules & reg. governing conduct of licensing bodies, effect of digital signatures on electronic documents. Affects bodies such as Verisign;
 - **Communications and Multimedia Act 1997** ~ applies mainly to ISPs, e.g. Jaring, TMNet, etc.



Cyber Squatting

- Simplest approach ~ register all variations of domain name and domain levels (e.g. .com, .net, .biz, .my, etc.) – cost consideration.

Digital Copyright

- Copyright governed by Copyright Act 1987 (amended most recently in 2003) – traditionally covers:
 - Literary works, musical works, artistic works, films, sound recordings & broadcasts which are
 - Original in character and
 - Written down, recorded or otherwise reduced to material form
- Gives right to owner preventing others from using or copying without consent;
- Automatic protection without need for registration and irrespective of quality and purpose;
- No protection for concept, idea, procedure, method of operation.

Digital Copyright

- Issue arises with advent of digital technology which allows conversion of works into binary form, which can be broadcast across the Internet, copied, re-distributed and stored without degradation of quality. Q: Binary form = Material form?
- Insufficient case laws in Malaysia to draw conclusive findings – opinion is that there should not be an issue invoking the Copyright Act 1987 as HTML, XML coding can be fixed onto a tangible medium by saving it onto a hard drive or even printing out the HTML codes on paper – proviso being that one actually wrote the HTML coding;
- Jurisdictional issues – Copyright Act 1987 applies only a Malaysian author whose rights have been infringed in Malaysia ~ overseas protection afforded through local laws of the 156 contracting members to the Berne Convention for the Protection of Literary and Artistic Works (except USA and Philippines which require copyright registration) – local legislation may have unfamiliar limitations.

Digital Copyright

- Authors/owners find solution instead in (i) **Technological Protection Measures (TPM)**; and
 - Controls access to work or use of work through (a) copying, (b) distribution, (c) performance and (d) display, e.g. cryptography (public and private keys), sealed content, device binding, etc.
- (ii) **Digital Rights Management Systems (DRMs)**
 - Controlling, monitoring and metering uses of a digital work & linked to royalty tracking and accounting systems through Digital Object Identifier (DOI) system & through Extensible Rights Mark-up Language (XrML).
- While the technology is not 100% full proof, it requires pirates to circumvent a TPM or DRMs which turns the act from a simple breach of copyright into a criminal act of illegal trespass and would allow invoking the **Computer Crimes Act 1997** (which has extra-territorial reach).

Trade Mark online

- Trade marks in Malaysia governed under Trade Marks Act 1976 which protects owners of trade marks registered in Malaysia ~ territorial limitation;
- Protection in other countries only granted subject to registration in those countries ~ no worldwide trade mark;
- Overseas registration, creative use of the Madrid Agreement Concerning the International Registration of Marks 1989 (Madrid Protocol) through Singapore;
- Issue of trade mark infringement – territory of infringement difficult to ascertain ~ server location rule, domicile of defendant, place of infringement.

Business method & concept

- No protection is given for business method & concept ~ only exceptions are USA, Australia & EU (to a limited extent);
- E.g. Amazon.com's 1-click checkout system – copied by Barnes & Noble and resulted in a massive patent infringement suit which was later settled;
- Rely on first mover advantage and continue to innovate as solution.

Our role

- Contract creation and enforcement;
- IPR protection;
- Content vetting;
- Due diligence on acquisition of company and IP;
- Legal advisory on cyber laws