INTRODUCTION

A little more than two years ago, I offered some guidelines for end users and organizations regarding e-commerce and the legal environment related to it (Mykytyn, 2002). Those issues dealt with contracts and jurisdictional issues. More specifically, contractual issues focused on the Uniform Computer Information Transactions Act, better known perhaps as UCITA. UCITA was developed by the National Conference of Commissioners on Uniform State Laws (NCCUSL) as a statute applicable to computer software, multimedia products, computer data and databases, online information, and other products. Maryland and Virginia enacted UCITA, but since then no further enactments by other states have occurred. Although NCCUSL has removed UCITA from its priority enactment list, Professor Raymond Nimmer, a prominent intellectual property attorney from the University of Houston who was very instrumental in drafting the original statute, believes it has served a valuable service thus far in contract law (Nimmer, 2004). The other issue dealt with previously concerned jurisdiction in an e-commerce setting. Questions raised at that time dealt with where someone can be sued and how courts view jurisdiction. This issue remains an important topic today (E-Commerce, 2003).

Since writing that paper, another area of significance dealing with e-commerce and the legal environment has received a significant amount of attention, predominantly in the popular press and, of course, in legal journals and in the courts. That area is concerned with intellectual property (IP). Most prominent among a vast array of IP issues are those dealing with copyrights and trademarks. Copyright infringement has received extensive consideration, most notably that related to peer-to-peer file sharing activities, such as file sharing clients Napster, Kazaa, and Morpheus. But the issue of copyright and copyright infringement in the e-commerce arena is much more complicated than downloading music. Infringing activities can lead to costly lawsuits and protracted litigation. Likewise, trademarks are well known to all, yet it can be surprising what types of activities can occur that can lead to trademark infringement actions against organizations.

Unfortunately, these issues have not received much attention from information systems (IS) researchers. Yet, the problems that can and do impact organizations and their end users can affect a firm’s financial position and its success in the
marketplace. This article continues with the information systems-related legal issues addressed in the earlier paper, this time concentrating on copyright and trademark matters as related to e-commerce. I will also address briefly two other subjects that include IS issues that impact organizations: online advertising and outsourcing application development.

COPYRIGHT

Copyright is covered by Title 17 of the United States Code. Owners of copyrighted material have exclusive rights to reproduce, distribute, perform, and display copyrighted material and to prepare derivative works based on them. Copyright protection is relatively easy to obtain. First, the copyrightable work must be original. Second, the work must be fixed in a tangible way, meaning that the work must be sufficiently stable so as to be perceived, reproduced, or otherwise communicated for more than a temporary period, for example, stored on a hard drive or posted to a Web site. Copyright laws protect against unauthorized copying regardless of the form of the copy (Lipson, 2001). Computer software is often protected by copyright, brought about by the Computer Software Copyright Act of 1980 and, more recently by the Digital Millennium Copyright Act (DMCA), which changed the Copyright Act of 1976. Among other things, the DMCA prohibits the circumvention of technological measures that effectively control access to copyright owner’s work (Preston, 2001).

Digital copies of works, for example brochures and books, are copies of the original works, and this leads to numerous issues with regard to copyright protection in e-commerce. In general, storing text, images, brochures, or any other work of authorship in a computer or onto a Web site creates a copy of the work. Doing so without the copyright owner’s authorization or without being permitted to do so under a fair use principle constitutes an infringement of the copyright owner’s rights. In one case, Ford Motor Company versus Lane, the court issued a temporary restraining order against Lane, based on copyright infringement stemming from the posting by Lane of copyrighted Ford materials to his Web site (Ford Motor, 1999).

The seriousness of copyright infringement is emphasized in the MP3.com case — a case that received much public attention. Judge Rakoff “sent a message” to would-be copyright infringers, stating that:

...Some of the evidence in this case strongly suggests that some companies operating in the area of the Internet may have a misconception that, because their technology is somewhat novel, they are somehow immune from the ordinary applications of laws of the United States, including copyright law. They need to understand that the law’s domain knows no such limits. (UMG, 2000, pp. 17-18)

TRADEMARK

Trademark rights trace their roots to common law, and they are recognized and enforced by most states. The U.S. statute for trademarks, commonly known as the Lanham Act, provides a national registry for trademarks that carries with it national protection for registered marks. Once registered, the trademark is valid for 10 years and may be renewed for like periods as long as the trademark is in constant use. Failure to use the trademark can result in the loss of the rights in it.

The essence of the trademark statute is protection. That is, the statute protects the public against misidentification of a product or service such that there is mini-
mal likelihood that the public will be misled or misidentify a product or service. Misappropriation of a trademark by a competitor is an issue that confronts trademark owners who have most likely invested heavily in the trademark, so the statute is designed to afford protection to the trademark owner. One of the benefits afforded to trademark owners under the statute is that they can sue for trademark infringement if they can show that they possess a protectable mark. Protectability is generally a function of the strength of a mark and the likelihood of confusion in the marketplace.

Some of the major e-commerce and Web-related difficulties surrounding trademark law today involve domain names and Web site addresses. Though it still differs from copyright law conceptually, contemporary trademark law at least has this in common: it has now been propelled into the same disordered game of catch-up that the other branches of intellectual property have been familiar (Merges, 2000). Some specific IP issues involving e-commerce are addressed below.

E-COMMERCE LEGAL ISSUES & CASES

In many instances involving large businesses, the strategy of driving users to a Web site may not be reviewed by attorneys or even marketing personnel, but rather handed over to an IS professional running the site. In the case of smaller organizations, that task may be the responsibility of an end user. In either instance, many IS professionals, such as Webmasters and Web designers, and end users have little noticeable knowledge or training regarding copyright and trademark laws as they apply to Web development (Kamarck, 1999). Some common e-commerce or Web creation activities that can lead to copyright and trademark infringement include those discussed below.

Posting

Posting of copyrighted material from one organization onto another’s Web site. Depending on the image or name that is downloaded and posted, it could also lead to trademark infringement. In one case, Playboy Enterprises, Inc. versus Webworld, Inc. (Playboy, 1997), the court found that the owner of an Internet site, Webworld, infringed Playboy’s copyrights by displaying Playboy’s copyrighted images on its Web site. Webworld downloaded material from certain newsgroups, discarded the text and retained the images, and made those images available to its Internet subscribers. The court found that Webworld violated Playboy’s exclusive right to display its copyrighted works.

It is also interesting to note how some end users may view the posting of copyrighted materials. As part of a course requirement in an MBA class I taught, students were required to develop a travel site similar to Expedia.com or Travelocity.com. A number of students thought there was nothing wrong with copying Expedia.com’s familiar logo that appears in the upper left portion of its home page; the logo shows a representation of the world with an airplane circling it. Students did this even though the familiar trademark symbol, ®, was clearly visible.

Metatags

Metatags are used to designate words that are written in HyperText Markup Language (HTML) and identifiable to some search engines, which index certain selected key terms appearing in the HTML version of the Web site document. Improper use of metatags to trick search
engines by placing another person or firm’s name or key word within the metatag is a technique used by Web developers to attract visitors to a Web site. A series of cases have found such usage impermissible under trademark and unfair competition theories. In Brookfield Communications, Inc. vs. West Coast Entertainment Corp. (Brookfield, 1999), for example, the U.S. Ninth Circuit was the first court to distinguish the issue of trademark use in metatags from their use in domain names.

**Misspelling**

Misspelling of famous trademarks in defining domain names. As those who use the Internet often mistake trademark names, a common technique is to register domain names of misspelled trademarks, for example abcnewss.com and businessweek.com. Courts have uniformly enjoined the use of misspelled trademarks as domain names, even characterizing them as a “misuse of the Internet”.

In Shields vs. Zuccarini (Shields, 2001), the U.S. Third Circuit condemned the practice of “typosquatting,” which is often based on the creation of misspelled domain names meant to mislead Internet users. In this case, the plaintiff, Shields, operated a Web site called joecartoon.com. The defendant, Zuccarini, had registered various misspellings of the joecartoon.com domain name and posted Web sites featuring ads at these domain names. The court noted that domain names that are “confusingly similar” to distinctive or famous marks can lead to trademark infringement.

The Anti-cybersquatting Consumer Protection Act (ACPA) is a U.S. federal law enacted in 1999 to protect the owners of trademarks from abuse by domain name cybersquatters. In particular, ACPA outlaws the practice of registering one or more domain names that resemble distinctive trademarks with the intent to force the trademark owner to pay for the right to use that domain name.

**Framing**

Framing is the practice of linking contents of one Web site within the “frame” of another site. If done improperly, this may lead to infringement actions under copyright and trademark law because a framed site may alter the appearance of the content and creates the impression that its owner sanctions or voluntarily chooses to associate with the framer. The owner of a Web site that has been improperly framed can also incur financial losses due to loss or dilution of advertising revenue. Another type of linking that is related to framing is deep linking. In **deep linking**, by clicking on a Web page link, a user is directed to a different specific Web page deep within another Web site. In this manner, the user bypasses the “front door” or home page of a Web site and is taken directly to specific content circumventing the second site’s navigational structure (Deffner, 2002).

One interesting case involving framing, unfair competition, and trademark infringement issues was settled out of court. The suit involved TotalNews.com and numerous news organizations, including the Washington Post, CNN, and Time. Users who would click on, for example, CNN’s hyperlink while within TotalNews.com’s Web site would see the CNN site framed by the TotalNews.com URL at the top, numerous links supplied by TotalNews.com at the left, and a TotalNews logo and advertising banner sold by TotalNews at the bottom. Essentially, TotalNews was using its competitors’ content to drive users to its Web site (Kiritsov, 2000). In Ticketmaster Corp. vs. Microsoft Corp. (Ticketmaster, 1997), a case involving deep linking, Microsoft was accused of, among
other things, trademark infringement and dilution by deep linking within Ticketmaster’s Web site, bypassing Ticketmaster’s home page, advertising banners and links on its home page. The case was settled out of court.

The penalty in these cases included financial costs, probable loss of business associated with the inability to continue to infringe on other businesses’ trademarked and copyrighted information, injunctions from the courts, and attorney costs. In some cases, such as the necessity of changing business practices due to court mandates, it might be very difficult to place a dollar value on the resulting costs, but it could be substantial. Beginning with the latter part of the 1990s, the number of cases involving e-commerce-related copyright and trademark infringement actions filed in U.S. courts against firms that are alleged to have improperly used protected intellectual property in their Web materials (B2B or B2C) is more than 1,000, and the trend continues to increase.

ONLINE ADVERTISING & FEDERAL TRADE COMMISSION

Many organizations engaged in business-to-consumer e-commerce spend significant monies advertising their products and services online, specifically in this instance, “advertising” resulting from queries submitted to search engines. To this end, some search engine companies may be guilty of violating Federal Trade Commission (FTC) practices. Specifically, the FTC takes a very dim view of search engine results that are in any way deceptive. These are referred to as paid placement and paid inclusion programs. Paid placement is any program where individual Web sites or URLs can pay for a higher ranking in a search results list, with the result that relevancy measures alone do not dictate their rank. Paid inclusion is any program where individual Web sites or URLs are included in search engines index or pool of sites available for display as search results, when that Web site or URL might not otherwise have been included, or might not have been included at a particular point in time, but for the participation in the paid program. Examples of paid inclusion are programs under which organizations can pay to have their Web sites or URLs reviewed more quickly, or for more frequent spidering of their Web sites or URLs, or for the review or inclusion of deeper levels of their Web sites than would otherwise be the case. In essence, search engine companies may be engaging in deceptive practices by failing to disclose clearly that some search results occur as prominently as they do simply because the search engine was paid to do so. In fact, the FTC went so far as to contact a number of search engine companies in June 2002 regarding these issues (Commercial Alert, 2002).

Although the FTC’s focus in this is directed toward search engine companies, organizations who pay them to be listed as, for example, “sponsored listing,” “featured listing,” “recommended site,” or “products and services” could easily encounter adverse reactions from consumers who may appear to be misled or misinformed as to the nature and placement of search results. Furthermore, organizations and their end users may have dozens or even hundreds of Web sites that could be indexed by search engines. Those end users may be unfamiliar with many of the possible repercussions that could occur if consumers see a top-listed Web site from a company among the search results that is unrelated
to what the consumer wanted or which does not offer the product or service desired.

**OUTSOURCING & OWNERSHIP**

Outsourcing of application development has become an attractive option for many organizations today, especially for organizations engaged in e-commerce. It is conceivable that organizations will outsource the design, development, implementation, and operation of their companies’ sites (Kennedy, 2001). What may be unclear to the organization is the nature of the ownership of any development completed by the outsourcing vendor. This is related to the nature of any agreement or contract between the organization and the vendor.

The issues vary in these situations. With regard to computer software, there are a host of software/computer code categorizations that could conceivably result in questions between an outsourcing vendor and the client. In no particular order, these include: preexisting vendor-owned software, preexisting client-owned software, vendor’s third party software (software licensed by the vendor from a third party), customer third party software (software licensed by the client from a third party), and vendor’s work product (new software, and elements of preexisting vendor-owned and vendor third party software) (Delaney & Meister, 2004). Suppose the vendor includes vendor-owned software in a system developed for the client? Would the client own all of that code, including the vendor-owned code? It is unlikely. Likewise, what about client-owned software that the vendor uses to develop the client system or application? What rights to it will the vendor have? How will the client ensure that the vendor is following any agreement about the software? The questions become more difficult regarding, say, vendor work product. That software could include new software, preexisting vendor and client-owned software, as well as vendor and client third party software. Ownership future use of that software by the client and the vendor are very relevant questions today (Delaney & Meister, 2004).

**PRAGMATIC & RESEARCH ISSUES**

The issues related to organizations engaged in e-commerce, many end users working for those companies, and software intellectual property are many and varied. Regarding organizations, possible infringing actions brought on by unsuspecting IS professionals or end users, persons perhaps least familiar with the law, can lead to costly infringement actions against the organization. The loss of the right to use one’s own software unless the organization bends to the wishes of an outsourcing vendor are indeed frightening. From the perspective of organizations, the issues addressed here should indicate to them that due diligence and vigilance are the order of the day.

From a scholarly perspective, researchers are presented with a number of opportunities to investigate these issues further. For example, outsourcing matters continue to be a rich research environment. The nature of the relationship between vendors and clients in terms of contracts and agreements and appropriate wording therein can impact a firm’s success and a competitive advantage it might have had. Training issues are always relevant in or-
ganizations and in IS research. What type of training in these issues is provided to IS professionals who may be engaged in e-commerce development work or end users who may be participating in that development, or who may even be developing sites on their own? Researchers may find that there is little to no attention paid to intellectual property matters.

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