

The Metropolitan Corporate Counsel

www.metrocorpcounsel.com

Volume 20, No. 6

© 2012 The Metropolitan Corporate Counsel, Inc.

June 2012

Corporate Social Media: Marketing Opportunities, IP Challenges

The Editor interviews Jeanne M. Hamburg, Member, Norris, McLaughlin & Marcus, P.A.

Editor: Please tell us about your background and experience.

Hamburg: I've been practicing law for about 22 years, and for 17 of those years I've focused exclusively on trademark and copyright matters, both transactional and litigation related. I am resident in Norris McLaughlin's New York City office and am honored to be among the five percent of New York attorneys who received the Super-Lawyer award for IP and IP litigation, which I have received in each of the past four years.

Editor: We understand you led a workshop at a recent conference entitled "Opportunities and Challenges of Internet Marketing and Social Media in the Expanding Digital World." Please tell us the broad points of your presentation.

Hamburg: Social media is a pervasive presence in all our lives. Companies can harness these platforms to market their goods and services, both to reach a broader consumer base and to elicit valuable product feedback. These opportunities, however, also create challenges for companies in protecting its intellectual property ("IP").

Specifically, companies must be careful about avoiding the risk of liability for the actions of employees and third parties who unwittingly post infringing content on corporate social media pages. Having a good social media policy, including complaint/takedown procedures for offensive content, can prevent unauthorized, harmful and even unlawful actions by employees and others. Facebook, for example, does not permit page administrators to pre-screen posts; thus, allowing third-party interactivity on a corporate page can lead to real-time complaints and public relations headaches. Critically, a company should understand the social media platform's terms of use because signing on

requires agreeing to those terms.

Editor: Please describe the growth of social media websites. Is it important for companies to maintain a social media presence?

Hamburg: Founded seven years ago, Facebook has been publicly available for only five years and has amassed 800 million users, which is more than double the U.S. population of 310 million. If Facebook were a country, it would be the third largest in the world. Its continued growth rate is currently reported at 100 million new users every nine months.

In March 2012, Twitter reported an average of 140 million tweets per day and one billion tweets per week. Given the explosive growth and sheer ubiquity of these platforms, companies would be wise to consider whether a social media presence can serve their bottom line or improve their image.

Editor: What key legal issues should companies address before establishing a social media presence?

Hamburg: As mentioned, companies must scrutinize the social media platform's terms and conditions in order to understand the implications of participation. For example, Facebook terms include: (1) granting to Facebook a sublicensable, transferable, royalty-free, worldwide license to the company's IP, including brands and copyrighted creative work; (2) permitting Facebook to monetize that IP by running ads – even those for competitors – on the company's page without compensating the company; (3) allowing the contract terms to be changed at any time by Facebook; and (4) indemnifying Facebook from all claims, including those of third parties, while offering no limitation on liability for the company. Therefore, a com-



Jeanne M.
Hamburg

pany should proceed with full knowledge of current terms, and it should periodically review the terms and adapt to any updates.

Further, companies can manage IP and reputational risks by controlling third-party interactions. Loss of control occurs, for instance, when employees or third parties are given the unfettered ability to post on the company's Facebook wall or to tweet on its behalf. These risks exist irrespective of the user's intent; thus, employees intending to act on behalf of a company can do as much damage as users who post real-time complaints.

Companies may wish to disallow third-party interaction altogether, though doing so may deprive them of the ability to elicit consumer feedback. If posts are allowed, they should be closely monitored, and companies can control employee actions by permitting only trusted employees to post or tweet or by pre-screening employee posts/tweets.

Further, companies should establish and distribute to all employees a social networking policy and should require those who interact with its social media page to agree to terms of use ("TOU") that include the company's right to take down offensive postings. Companies can create a link to the TOU from the social media platform that requires prospective users to agree to these terms before gaining access to the company's presence.

The TOU should include clear guidance regarding acceptable use of the company's copyrighted content or brand names, and they should require that users license to the company the right to use that user's submissions without compensation to the user. Additionally, the TOU should set forth a complaint procedure that identifies who may receive infringement complaints and that empowers the company to remove infringing postings.

Editor: What industries are most at risk for trademark infringement via social media, and what laws are out there to protect companies?

Please email the interviewee at jhamburg@nmmlaw.com with questions about this interview.

Hamburg: Virtually all industries are touched by IP theft on the web. Companies generally should be aware of the takedown remedies afforded by the Digital Millennium Copyright Act (the “DMCA”), which allows a company to write to a website owner or Internet service provider (ISP) and demand that infringing content be taken down. The site owner or ISP must comply in order to avoid liability, so it usually does so very quickly. This is a great remedy, particularly where it is difficult to learn the identity of the site owner or blogger, because it’s always possible to locate the ISP.

Although the DMCA does not address trademark infringement, I’ve found that by writing to the copyright agent – as identified by the website or ISP – you can often have infringing content removed. Frequent targets of IP complaints include all the popular social network sites (Facebook, Twitter, tumblr) and auction sites or marketplaces, such as eBay, Amazon, the iTunes store, and the Android Market.

There is an evolving body of law addressing whether it is lawful to purchase another party’s trademarks from search engines in order to generate advertising or to optimize advertising (so-called keyword purchases). Google’s entire business model – 95 percent of its revenues – is based on the lawfulness of this and related types of advertising. Additionally, if a trademark is stolen and posted to another website for competing goods/services, i.e., “cybersquatting,” the Internet Corporation for Assigned Names and Numbers’ (“ICANN’s”) Uniform Domain Name Dispute Resolution Policy (“UDRP”) offers a relatively easy-to-use and cost-effective administrative remedy for getting the domain name transferred back. The trademark owner initiates a UDRP proceeding by filing a complaint with an ICANN-approved arbitral forum such as the National Arbitration Forum or World Intellectual Property Organization. Assuming the trademark owner sets forth all required elements of a claim for cybersquatting, it will be awarded transfer of the domain name within a matter of a few months of filing.

Editor: What types of Internet marketing can raise trademark and copyright issues?

Hamburg: Sometimes, companies think that material available on the web is free for the taking, and they use images and content to promote their business without realizing that they must get copyright permissions. One of the most common situations we see is the use of photography that is owned by Getty, a large stock photography agency. Getty acts as licensing agent for photographers around the world and allows website purchases of images on a non-exclusive basis.

Rights to those images are secured from

the Getty website through so-called click-through agreements to which a user consents by clicking on “I Agree” or similar icons. We find that many clients do not pay attention to image-use limitations imposed by Getty via these agreements. For example, the Getty license may permit image use only on a website, or only in hard copy materials, or only for a limited time period.

Click-through agreements also may contain inconvenient terms, such as the requirement that a litigation be instituted in a particular state that may not be convenient for the licensee, or provide for penalties that permit Getty to recover many times the actual license fee. Sometimes clients don’t purchase images from Getty, but take them from a site that purports to offer “royalty-free” images, only to learn afterwards that Getty is the exclusive licensing agent for those images. In order to avoid claims of copyright infringement by Getty and other rights holders, clients must both monitor their media usage to ensure they are using only licensed images and renew licenses before they expire.

Another issue arises from a client’s entry (or more often failure to enter) into website development agreements with third parties. If a company commissions someone to create its website, in addition to making sure that the site meets all technical and aesthetic expectations, the client should insist on execution of a proper website development agreement. This development agreement should, among other things, address ownership of the website content. Absent a “work made for hire” provision or assignment of copyright, the developer, not the company, will own the website content.

Moreover, the developer should represent that it has created all the content it contributes and/or that it has secured necessary permissions if it has used third-party content. To make these promises meaningful, the developer should also indemnify the company for any damages and attorneys’ fees resulting from third-party claims that content created by the developer infringes third-party rights. Good counsel can make sure a website development agreement has all appropriate terms.

Finally, if companies use images of individuals, they need that individual’s permission, in the form of a “publicity release,” in addition to copyright permissions. This situation frequently arises when a company uses customer names in connection with product testimonials. The “right of publicity” is an individual’s right to allow use of his or her name or image to promote a business, and that right cannot be exploited without the individual’s consent. Ways to avoid publicity-right violations include using a customer’s first name only and omitting other identifying information, such as a specific

address (e.g., “ABC company’s contractors were reliable, completed my job on time and within budget” Robert M., Detroit, Michigan). Also, a stock photography agency should warrant that for any licensed images, it secured releases from any individuals photographed (usually models).

Editor: What strategies are companies using to address social media risk and infringements of their rights on the web generally?

Hamburg: In general, companies are savvy about establishing social media policies and about managing the limitations and pitfalls of a social media platform’s terms of use. Companies may restrict which employees are authorized to speak on behalf of the company, and they may prohibit consumer interaction altogether. Further, companies are smarter about policing the web for IP infringement and are taking advantage of laws like the DMCA and the Anti-Cybersquatting Protection Act to enforce their rights.

Editor: What are the contentious issues arising from social media that might lead to litigation? Has the judicial system kept pace with developments in this space?

Hamburg: One contested issue in the courts involves a social media site’s potential liability for copyright infringement perpetrated by its own users, and this issue is illustrated by a current litigation instituted by Viacom against YouTube. Viacom owns numerous videos that users have posted on YouTube. Viacom has filed a federal court complaint alleging that YouTube is aware of the massive infringements furthered on its website. YouTube is defending the case on the grounds that the DMCA shields it from liability – that is, that Viacom must issue takedown demands every time its rights are infringed, and that, as long as YouTube complies with those demands, it is immune from liability under the law.

The court hearing the case must decide whether knowledge of the infringement can be imputed to YouTube, rendering it liable notwithstanding the provisions of the DMCA. It will be interesting to see how this plays out. As a practical matter, it would seem impossible for YouTube to monitor its users’ postings, which are estimated to occur at a rate of sixty videos per minute.

Given the amazing speed with which IP can be distributed using social media and other technologies, the court system and the laws themselves will always lag behind developments in real time. That said, our legal system has done a very good job adapting the existing law to new technologies.