I. Introduction

The days of cyberspace anarchy are pretty much over now that corporate America has moved in, even without government regulation of the Internet. Legal risks abound. Even the most cherished practice of linking to other Web sites, which used to be the only practical method of navigating the Internet, has been challenged on various legal grounds.

This article identifies some of the basic issues to be addressed when advising a client who is either setting up a Web site or seeking a review of the legal risk posed by an existing Web site. The purpose here is to present some of the issues to consider and point out some potential risks of having a Web site on the Internet. The topics discussed include legal issues involving domain names, ownership of...
content and Web site development agreements, links, meta-tags, li-
ability for third-party activity, and jurisdictional concerns.

II. Domain Names

For most commercial entities, the choice of a domain name is
easy. Customers, investors, potential employees and other users are
able to easily find a company's Web site if the domain name is sim-
ply the company name: www.companyname.com. However, some
companies have learned, to their dismay, that others with similar or
identical company names have registered the desired domain name
first. This section will discuss some options to be considered when a
client's company name has already been incorporated into a previ-
ously registered domain name.

First of all, negotiations to buy the rights to use the domain
name should be considered, as this may be the most practical and
economical solution. An initial issue to be considered, whether as
part of negotiations or otherwise, is whether the company name is
also a famous trademark. If so, the client may have an infringement
claim under the 1996 Federal Trademark Dilution Act.\(^2\) This portion
of the Lanham Act\(^3\) allows a client with a famous mark to assert a
claim when another's domain name dilutes the trademark owner's
capacity to use its trademark, even where there is no risk of confusion
from the use. If the client's trademark does not qualify as famous
under the federal trademark statute, state trademark dilution laws
should be reviewed.

In some cases, companies find their famous trademarks are al-
ready registered by a "cybersquatter." This term denotes a person
who registers domain names, which incorporate famous trademarks
or company names, with the primary intent to sell the domain name
to the trademark owner. This type of situation can be different from
the above problem because the Web site may never be created and
the name never used. A traditional trademark infringement claim
may be hard to make if the domain name has never actually been
commercially used. One case,\(^4\) however, decided that the federal
law's requirement that the allegedly infringing domain name be in
commercial use is met if the name was registered with the intent to
sell it.

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Additionally, administrative action may be taken to prevent the current domain name holder from using the trademark name pending legal resolution of a trademark infringement claim. Domain names are assigned by a central non-profit organization entitled InterNIC, through registrar companies responsible for applying for registrations with specific endings (such as .edu for educational institutions and .gov for government agencies). InterNIC does not decide domain name disputes, but rather employs a dispute policy (that has been much criticized and subsequently revised several times) under which a challenged domain name can be suspended.

Sometimes the least costly solution, particularly if the trademark claim is not strong, is to select another domain name, perhaps a variation of the company name. It is wise, of course, to perform a trademark search prior to applying for a domain name registration to ensure that the new domain name will not infringe another's trademark.

Lawyers, whose clients have or are in the process of applying for domain names, might want to stay abreast of developments over the responsibility for registering domain names. Names ending in .com, .net, and .org, three of the most popular generic top-level domains, are registered at InterNIC exclusively by Network Solutions Inc. ("NSI") under an agreement with the National Science Foundation ("NSF"). That agreement is currently set to expire in September 1998. Negotiations concerning NSI's further role have been ongoing.

In June of this year, the White House, eschewing the more regulated approach originally proposed in January 1998, issued a policy statement regarding the future administration of the Internet domain name system. Pursuant to this policy the U.S. government would recognize and enter into an agreement with a new, non-profit corporation, created by Internet stakeholders, to administer the domain name system. While favoring a completed transition date before the year 2000, an "outside" date of September 30, 2000 is foreseen.

III. OWNERSHIP ISSUES IN WEB SITE DEVELOPMENT AGREEMENTS

There are many issues that should be addressed when drafting or reviewing a contract to produce a Web site. These issues may in-
clude technical specifications, the functions that will be presented on
the site (e.g., tool bars, frames, interactive forms), responsibilities for
listing the Web site with various search engines, copyrights and li-
censes to use copyrighted material, obligations to work with the Web
host, and maintenance services. In addition, there are many different
issues to be addressed when dealing with a Web hosting agreement.
However, the following discussion will focus only on the issue of
who owns what rights in the content of the Web site.

There are three levels of ownership for which copyright and
other intellectual property rights in material contained in a Web site
need to be considered. First, there are the different parts of the Web
site that the user sees — the text, the graphics, any audio or video
content, and the layout. Second is also what the user sees, but in a
collective way — the look and feel of the Web site. The third level
to consider is the underlying coding or instructions for creating the
Web site.

Starting with the first level, the Web site content or what ap-
pears on the user's screen, the material will be provided either by the
client's own employees or an independent contractor, such as a Web
site development company, or possibly both. In the former case,
copyright in any text and graphics will be owned by the client.8 In
the latter case, it is critical to come to a written agreement over who
will own the copyright in the material supplied by the outside con-
tactor. Under U.S. copyright law, the contractor will own the copy-
right to any material it produces for its clients, unless a written
agreement provides otherwise, such as by assigning the copyright to
the client.9 If for any reason it is intended that copyright remain with
the contractor for the material it produces, it will be important to get
a comprehensive license to use the material, including a license to
make derivative works10 so that modifications to the Web site can be
made without infringing the copyright.

With an independent contractor involved in developing a Web
site it is also important to ensure that any material not produced di-
rectly by that party is either covered under an adequate license (for
instance, use of commercial software that allows users to search for
keywords on the site) or falls within the public domain. Lawyers

8. 17 U.S.C. § 101 (definition of "work made for hire"), and § 201(b).
9. 17 U.S.C. §§ 101, 201(b), and § 204.
10. 17 U.S.C. § 101 (definition of "derivative work "). "...[A] work based upon one
or more preexisting works, ... A work consisting of editorial revisions, annotations, elabora-
tions, or other modifications ... "
should be aware that some freeware and shareware contain use restrictions that should be reviewed before incorporation into a Web site. A good practice is to make sure the Web site development agreement includes an indemnity clause so the client is protected in the event that any claims of copyright or other infringements of intellectual property rights arise from pre-existing material incorporated into the site.

In addition to Web site developers, many Web hosting companies also provide Web site development services. Ownership of copyright in any material created by these companies can be of the utmost importance if the client wishes to change Web hosting companies. The Web site should be portable, and clients should retain the right to take content with them, as well as the right to allow others, thereafter, to modify the site.

With respect to the second level of content, the look and feel of the Web site may also be of sufficient importance to the client to merit separate attention with respect to ownership rights. Possibilities for protection include copyright for the visual elements and trade dress protection to the extent elements in the site are distinctive and have become associated by the public with the client’s products or services. This latter form of protection may take some time to establish. If an independent contractor designs the site, the rights in the overall design of the Web site should be assigned to the client or a perpetual license for both use and modification should be granted. Signing an agreement with the consultant, which prevents the consultant from creating a similar Web site for a competing company, would also be advisable.

The third level deals with the underlying coding that instructs the computer how to achieve the site’s desired appearance. If another company provides the coding for creating the site, it is wise to obtain assurances that this other company provides only original material and not material over which any other party may claim proprietary rights. Again, any non-original material in the code should be subject to a license for use of any copyrighted material and, preferably, the license should cover derivative works. Copyright ownership in the coding for the Web site is less important than ownership over the content on the screen itself because a Web site’s functions and visuals can be closely replicated with entirely original coding. However, clarification over ownership of the coding further ensures that the Web site is portable and capable of being modified by others. As with the screen content which the user sees, underlying coding pre-
pared by an independent contractor will be owned by that contractor unless an agreement has been signed which assigns copyright to the client.

IV. LINKS

Initially, before commercial search engines and Web site directories, links were the best way to navigate the Internet, and they still remain an important tool for finding material on the Web. However, certain linking practices are under legal attack. Web site owners can get into trouble by using material protected by trademark or copyright to indicate a link to the site of the trademark or copyright owner or by using "frames" to link to other sites. Two cases of note that deal with framing issues are described below. Additionally, various factors that may help reduce legal risks posed by a Web site's links and the establishment of a Web site linking policy to convey how links to a site should be made are discussed.

A link provides a functional address; by clicking on the link the user can go to another Web site. It is generally believed that a mere link to a Web site is not an act of copyright or other type of intellectual property infringement, and therefore no permission is needed to link to another site. This belief is founded on arguments based on the functional (and thus unprotectable under copyright or trademark) nature of the link, as well as arguments that there is an implied license to link. Thus far, no court has addressed the issue of whether a simple link alone, absent use of trademarked or copyrighted material or framing technology, can be legally prevented on any grounds.


12. One case has discussed First Amendment protection in the case of a state statute that sought to prevent infringing links. In ACLU v. Miller, 43 U.S. Pd.Q. 2d 1356 (1997), plaintiffs challenged on First Amendment grounds a Georgia statute which made it a crime to "knowingly... use any... trade name, registered trademark, logo, legal or official seal, or copyrighted symbol... which would falsely state or imply that such person... has permission or is legally authorized to use [it]..." The plaintiffs argued that the statute would restrict the use of links, and indeed the court noted in footnote 5 that, "[a] fair reading of the clause, as written, is that it prohibits the current use of Web page links... The appearance of the [trademark, seal, etc.] although completely innocuous, would definitely 'imply' to many users that permission for use had been obtained. Defendants have articulated no compelling state interest that would be furthered by restricting the linking function in this way." The statute was overturned for being vague (neither the term "use", nor the term "falsely imply," were defined) and overbroad. The plaintiffs' case was based upon the bare language of the statute, and there were no specific facts, i.e., no claim of infringement or specific use of a trademark in a link, before the court.
One case pending is expected to provide guidance on the legal parameters of linking between commercial Web sites. *Ticketmaster v Microsoft* involves a deep link (i.e., a link to a page other than the homepage) from Microsoft’s “Seattle Sidewalk” Web site, which contains information on entertainment in Seattle, to a Ticketmaster Web page providing information and an on-line facility for purchasing tickets to Seattle events. The complaint\(^{13}\) alleges dilution of trademarks and misleading representation of association under federal trademark law, as well as unfair competition, false and misleading statements, and unfair business practices under California State law.

In its reply to Microsoft’s answer,\(^{14}\) Ticketmaster tried to clarify that it is not attacking the general use of links, but rather Microsoft’s allegedly unfair commercial use of Ticketmaster’s Web site through the link.\(^ {15}\)

The use of frames raises a number of potential legal risks, from whether an infringing derivative work is created, to claims based on misleading representation of association. Framing technology allows another Web site to appear on the screen framed by material from the linking Web site, with the URL location window showing only the address of the framing and not the linked site. Furthermore, the linked site can be surrounded by the framing site’s logo, table of contents, and advertising. Thus, it gives the appearance that the linked material is actually content from the framing site or at least that the two sites are related to each other.

The most important case on this issue to date, *The Washington Post v. Total News*, settled, so no court decision is available to provide guidance on this issue. However, a review of the complaint\(^ {16}\) is instructive. Total News used framing technology to bring the content of other news entity’s Web sites within its own site, effectively replacing the linked-to sites’ advertising with its own.

The complaint describes Total News as a “parasitic” Web site with “little or no content” of its own. Under the settlement agreement\(^ {17}\) Total News agreed to cease framing plaintiffs’ sites, but is allowed to make plain text links to the sites as long as no proprietary material is used and the link is not done in such a way as to imply an

affiliation between the sites. Framing should be approached with great caution. The most prudent advice is not to do it, unless permission has been received from the linked-to or framed site.

Factors to be taken into consideration in reducing the legal risk presented by links will vary depending on how the link is constructed and presented within the Web site. Web site owners may search for legal grounds to complain about links to internal pages in their Web sites because they do not like them for any number of reasons. First, internal links may bypass the disclaimers and legal notices posted prominently on the homepage of a site. Second, a poorly designed Web site may mean that there is no way to navigate from the internal page back to the site’s homepage. Third, links to internal pages increase the likelihood that the information linked to will be viewed as an integral part of the linking site, which implies an association between the sites. Linking to the homepage of another site, rather than to an internal page, may help to reduce the risk that a Web site owner might look for a way to legally challenge an internal page link.

If the client does choose to link to an internal page, consider posting some form of notice to let the user know that the link connects to another site. Concern over claims of misrepresentation of association might be alleviated by a statement that the link is to an unrelated site. This statement could be placed in the disclaimer or next to the link itself. It might also be helpful to list the homepage of the site along with the internal Web page link. These suggestions, however, are not safe harbors. In reviewing a Web site’s links, it should be kept in mind that the more a site relies on other sites for its substantive content, the higher the chance that a link may eventually be challenged. Probably the least risky link would be one in a list of many, presented on a page devoted to links to other sites.

Obtaining permission to link is the best legal safeguard, particularly if links to internal pages are made. Agreements to link — setting out mutual obligations, technical specifications and compensation — are becoming more common between commercial sites. From one point of view, the advent of Web linking agreements is not a good omen for linking practices. It has made linking a formal, structured, remunerative act. So while such agreements provide the parties with more legal certainty and mutual benefits, they have also made it less attractive to allow free links.

In addition to considering how the client structures and uses links to other sites, it is wise to consider whether the client should draft and post its own linking policy to let others know whether links
to the site are welcome and if so, under what conditions. Provisions that such a policy might include are: restrictions on links to the site (e.g., no trademarks or copyrighted material to be used); whether links should be only to the homepage or whether internal Web page links are also acceptable; a request for notification of any links made to the site; a reservation of the right to object to a link; and a standard link text or graphic that others may use (either under a formal or implied license). There should be a prominent link to this policy, preferably on each Web page.

Finally, the possibility of internal Web page links to the client's site, as well as the fact that a search engine may point a user to an internal page, need to be considered in the Web site design. As noted above, such links bypass the homepage and any disclaimers or other important information posted there. Depending on the importance of the disclaimer in the context of the particular Web site, it might be advisable to post a link to the disclaimer on every page. At a minimum, there should be links on every page which allow the user to easily find the homepage, so the user is not guided to a page from which navigation to other parts of the site is impossible or difficult.

A good site to access for following lawsuits on linking issues is The Link Controversy Page.18

V. Meta-Tag Infringement

Underlying all Web pages on the Internet are the HTML-encoded source pages. These represent the contents of the page as it is visible to users and all of the coded instructions which direct how the content will be presented (i.e., bold, indented, colors, graphics, etc.). These source code pages, not generally visible to users, also include what are called "meta-tags" which provide descriptions of the contents of a page and are used by search engines to locate pages relevant to a particular search query.

Some enterprising Web site owners insert trade names and trademarks of competing companies, or of companies that provide complementary services, into their meta-tags so a search query for the competitive or complementary Web site returns their own Web site as a response. Not surprisingly, trademark infringement cases have been successfully brought in response to this type of action.19

Based on the risks inherent in this practice, an appropriate caution should be given to the client, and a suggestion made to be vigilant in looking for such infringements of the client’s trademarks or other interests. The caution to the client should be to review the actual coding used for the site to determine whether Web site designers or others with an interest in the success of the Web site are using this technique to increase traffic to the site.

The suggestion would be to regularly query search engines for references to the client’s trade names, service marks and trademarks. As search engines operate differently, and will provide different search results based on the same query, a number of search engines should be queried. If a search result turns up a page with no visible reference to the search term, look at the source code (click on “Source” or “Document Source” in the View menu).

VI. LIABILITY FOR THIRD PARTY ACTIVITY

Many Web sites incorporate bulletin boards or other interactive facilities that allow users to post messages, comments or other material onto the Web site. Concerns raised by the use of such facilities include users posting content which infringes another’s trademarked or copyrighted material, and material which is illegal, an invasion of privacy, or which may be considered libelous or defamatory.

Cases dealing with the issue of liability for third party postings may hinge on the extent to which control is exercised over the material in question. The court in *Stratton Oakmont v. Prodigy*,20 found Prodigy, an on-line service provider, liable for defamatory statements made by an anonymous user, who posted the statements on a bulletin board supported by Prodigy. The court found that Prodigy exercised editorial control sufficient for it to be treated as a publisher and therefore liable for what it publishes.

Another key case in this area is *Scientology v. Netcom*,21 in which the court found that Netcom could not be held directly liable for postings by a subscriber which infringed plaintiff’s copyright. The court held that liability could be found, however, based on theories of vicarious liability or contributory infringement if Netcom knew of the infringement and had the ability to exercise control over the subscriber.

Careful consideration should be given to whether a user agreement would be advisable, or not. The client may be in a better position if it can identify an offending user rather than presenting the only target for a defamed party. If this appears a likely risk, it might be a good idea to post and get agreement to a user contract before allowing users to join a list serve or use a bulletin board. The agreement should require users to identify themselves, state restrictions on use, reserve the right to remove someone from the list as well as to remove any material that is challenged or against which claims of infringement of intellectual property are made.

There is, however, a critical trade-off to this type of control. As the cases cited above indicate, whether or not a host site will be held liable for third party content depends on whether it acts as a mere conduit of information or as a publisher who bears responsibility for all the material on its site. The more control the Web site owner exercises and the more it reviews postings for infringing material, the more likely it will be held responsible for third party postings onto its site. In some circumstances it might be better to allow unfettered comment by users, especially if the material is too voluminous to allow for any type of reasonable review. Hence, the pros and cons of a user agreement should carefully be weighed in light of the interactive opportunities on the Web site, the likelihood that problems will occur, and the type of problem anticipated.

The possibility of problems such as those described above, should also trigger the basic question — does your client really want to maintain an interactive Web site that allows users to post material? If, based on the topic and content of the site, the risks of liability for infringing intellectual property or otherwise offensive third party postings are high, but the client wants to obtain user input or feedback, consider other methods. A simple e-mail address or a form that allows users to comment in private e-mail rather than a public posting is an alternative. Or a form consisting of checkbox options rather than allowing users to write in their own comments could be utilized.

Internet service providers and other Internet related industries have lobbied for protection from liability for third party postings. The Digital Millennium Copyright Act legislation includes provisions which would limit the liability of service providers for third party copyright infringement.\textsuperscript{22} It would be wise to stay abreast of devel-

\textsuperscript{22} H.R. 2281, 105th Cong., 2d Sess., Sec. 512(a) (1998). Versions of this bill have passed both the House and the Senate. Differences remain to be worked out.
opments in this area to be able to assess the risks clients with interactive Web sites may face.

VII. JURISDICTIONAL AND APPLICABLE LAW ISSUES

In reviewing a client’s Web site for legal risks, think about the extent to which the content or activities on the Web site could subject the client to the laws and jurisdiction of distant states where the client does not physically engage in business. There are two issues here. The first is a forum question: whether Internet contacts will lead to a finding that the courts of another state have jurisdiction over transactions with parties resident within the state. The second is a question of which law applies: whether activities carried out through a website could be found to violate the laws of the state in which a Web site user, but not the Web site itself or its owner, is located.

In some cases the concern should be obvious: activity, the legality of which varies from state-to-state (e.g., gambling or pornography), is easily identified as needing close legal review both on jurisdictional and applicable law grounds. But what about that “free vacation giveaway” the client wants to offer through its Web site? Or, issues arising from the comparative or other advertising on the site? Or simply selling products through a Web site. Do these activities present the risk that the client could be sued in a distant jurisdiction, and/or under another state’s law?

The idea that creating an Internet Web site subjects one to jurisdiction everywhere in the world seems far-fetched to most people using the Internet. However, based on the particular set of facts before a judge, jurisdiction may well be found by applying the traditional requirements for minimum contacts in the forum in the new context of the Internet. At a minimum, Internet contacts will be a factor taken into consideration along with the more traditional factors in determining whether a court has jurisdiction over a defendant.

Of the three factors that come into play — directing activity toward the jurisdiction, a claim arising out of the forum-related activ-

23. The case International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945), explained the application of due process requirements to a finding of personal jurisdiction over a non-resident defendant:

[D]ue process requires only that in order to subject a defendant to a judgment in personam, if he be not present within the territory of the forum, he have certain minimum contacts with it, such that the maintenance of the suit does not offend “traditional notions of fair play and substantial justice.
ity, and fairness\textsuperscript{24} — the first factor may give rise to the most concern as a Web site is essentially directed to the world.

At least one case\textsuperscript{25} found that advertising on the Internet met the state's long arm statute requirement of "business solicited in this state ... if the corporation has repeatedly so solicited business, ... ."\textsuperscript{26} The extent to which jurisdiction will be found based on the Web site content or activities occurring through a Web site continues to develop rapidly, and lawyers are well advised to track case law in this area. A good source for background information on the required elements of jurisdiction, as well as a discussion of recent cases involving Web sites, can be found on the American Bar Association's Web site: \textit{Litigation in Cyberspace: Jurisdiction and Choice of Law — A U.S. Perspective.}\textsuperscript{27} Finally, those advising clients about legal risks of Web sites which are geared towards an international audience should consider the risk that a foreign state might attempt to exert its jurisdiction and apply its law to a Web site owner.

\section*{VIII. Conclusion}

As outlined above, numerous potential legal issues exist relating to the operation of a Web site, even from the moment a client picks a domain name. A review of contracts relating to the development of the Web site, particularly with respect to licensing and ownership issues of copyrighted material, helps to ensure that the client's site is portable and capable of being freely modified. The client's use of links should be considered in light of the use that has given rise to link lawsuits. Attorneys should give thought to the development of a

\textsuperscript{24} "Where the defendant has not had continuous and systematic contacts with the state sufficient to subject him or her to general jurisdiction, the following three-part test is applied to determine whether the defendant has 'minimum contacts' with the forum:

(1) The nonresident defendant must purposefully direct his activities or consummate some transaction with the forum or resident thereof; or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws; (2) the claim must be one which arises out of or relates to the defendant's forum-related activities; and (3) the exercise of jurisdiction must comport with fair play and substantial justice, i.e., it must be reasonable. Core-Vent v. Nobel Industries AB, 11 F.3d 1482, 1485 (9th Cir. 1993)."


\textsuperscript{26} \textit{Id.} at 164. \textit{See also}, \texttt{<http://zeus.bna.com/e-law/cases/inset.html>}.\textsuperscript{27}

\textsuperscript{27} Found at \texttt{<http://www.abanet.org/buslaw/cyber/jiusjuris.html>}.
linking policy for clients and whether a linking agreement would be appropriate. Caution should be advised when it comes to interactive facilities in a Web site, which may give rise to third party liability claims. Finally, the overall purpose and the specific activity carried out on the Web site should be reviewed with an eye to potential claims in other jurisdictions.

A final word in this area—legal developments occur frequently, if not daily. However, the Internet itself provides lawyers the opportunity to easily stay abreast of developing issues. Internet sources for research include articles posted on various law firm Web sites, on-line legal journals and law school Web sites, as well as on-line computer journals which frequently carry news stories of the latest legal developments in linking controversies, domain-name squabbles, and other cyberspace law issues. Attorneys will find it well worthwhile to locate Web sites that follow these issues and check them regularly, or register with a service such as URL-Minder\(^{28}\) to receive e-mail notices when a Web page is revised.