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Young Lawyers

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THREE IP PROTECTION STRATEGIES WHEN DESIGNING AND DEVELOPING A BUSINESS WEBSITE

As a young lawyer representing start-up (or “young”) business clients, one subject always surfaces – websites. Websites touch on many areas in the law, but primarily encompass critical intellectual property (IP) rights such as trademark, copyright and trade secrets. This article focuses only on protecting three critical areas of IP during the design and development of a business website.

The Three Pillars of Protection During the Website's Design and Development Phase

For many entrepreneurial companies, lawsuits can be fatal. While the Internet is viewed by many as an open forum that carries little risk of litigation, business resources are far better used reducing the risk of litigation than defending against an expensive, and potentially crushing, lawsuit. With this in mind, a business must focus on three pillars of protection during the website's design and development phase – trademark, copyrights and trade secrets.

1. Protecting the Business' Trademark:

The business' domain name is arguably one of the most important website assets. The domain name, like the business name, must be memorable and identify your goods

or services. Once you have settled on a name, immediately register a domain name that closely matches your business name/trademark.

Practice Tip 1

If a website will be integral to your business, research registered trademarks with the United States Patent and Trademark Office (USPTO) and the Nevada Secretary of State before you commit to a business name or register a domain name. Do not commit to a name or register a domain name that possibly infringes on existing trademark rights. Our firm recently encountered this issue with an existing, and very successful, client. It will take significant time and resources to reach a resolution that satisfies both the client and the third party, whose trademark may be infringed.

Practice Tip 2

It is advisable to purchase additional domain names that the business may not use, but are similar to its trademark. As an example, if your trademark is “ACME Hardware” you may want to register both www.acmehardware.com and www.acmehardwarestore.com. This ensures that third parties do not register similar domain names and dilute your trademark in the future.



2. Obtaining Copyrights in the Design and Development of the Website

If the individual designing the “look and feel” of your website or writing its code is an employee of the business, the business is generally considered the copyright holder of the work if the work is created in the course and scope of employment. If, however, the business retains a third party to design the “look and feel” of your website or write its code, the parties should execute a “work-for-hire agreement” to ensure the business is the legal holder of the copyright.

Practice Tip 1

The United States Copyright Act of 1976 enforces work-for-hire agreements if certain prerequisites are met. If the prerequisites are not met, however, then the business is not the legal author of the work. Therefore, to hedge against the risk that the agreement is not enforceable under the Copyright Act, all agreements should also contain an appropriate assignment clause assigning all IP rights in the work to the business.

Practice Tip 2

If the business hires a third party to design and develop the website, and the third party utilizes its employees in the design and development, include a warranty in the agreement wherein the third party specifically warrants that all individuals designing and developing the site are employees of the third party or, in the event that they are not employees, the designer/developer has obtained all necessary copyrights in the assigned work. An indemnity clause should then follow the warranty clause indemnifying the business against any loss resulting from a dispute over the copyright in the work. This protects the business if any individual who designed or developed the site later attempts to claim a copyright in the work.

Protecting Your Business' Trade Secrets

When a business designs and develops a website, the employees or third parties involved in the process may become privy to a business’ trade secrets and/or confidential information. Competitors are always seeking to obtain this vital intellectual property. Therefore, the business should take proactive steps to ensure this property is protected.

Practice Tip 1

Businesses should have their employees execute an agreement when the employee is hired, or when the third party is retained to provide design and development

services (whichever applies). The agreement should contain appropriate confidentiality clauses, trade secret designation and protection clauses, non-disclosure clauses and non-compete clauses in order to put the developer/designer on notice of the importance of the information and adequately protect the business’ trade secrets and confidential information.

Practice Tip 2

Customer data is a hot-button issue when negotiating website design and development agreements because the data has extensive value. If your website will collect customer data or if that data is collected and stored on the web designer/developer’s servers, include an assignment of all rights in the customer data to the business. Moreover, include appropriate confidentiality and trade secret clauses that will protect the data from being used or disseminated by the developer without the business’ express written permission.

CONCLUSION

This Level 1 Audit contains very general, high-level IP protection strategies for the three most important aspects of designing and developing a business website. Once the site is operational, a Level 2 Audit should be performed and resulting policies and procedures put in place (Level 2 Audit is not discussed here). It is important to impress upon business clients that a website places a business in the legal world of “publishing” and that proper legal strategies are essential to protecting the business’ intellectual property assets in the design and development phase. ■

MATTHEW DIGESTI, along with his father, Larry Digesti, are founding partners of The Digesti Law Firm LLP. Matthew advises a wide variety of entrepreneurial business clients in intellectual property portfolio protection, including extensive Web 2.0 transactions with celebrity athletes and musicians such as Kobe Bryant, T-Pain, New Kids on the Block, Paul Oakenfold, the Game, Thalia, Chris Daughtry and Third Eye Blind.