

October 1999 - March 2000 Update:  
e-commerce and Internet Law from  
a U.S. and Japanese Perspective

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# Overview

- Domain Name Registration Reforms
  - new U.S. anticybersquatting legislation
  - ICANN dispute resolution procedures
- Broadband -- open access for ISP's to cable television systems
- Privacy
- Court cases applying traditional doctrines to the online world, with some surprising results
- Expansion of e-commerce in Japan
- Seven battles on the horizon

# Domain Names: Anticybersquatting Consumer Protection Act

- Signed into law November 29, 1999
- Permits action vs. domain name registrant purely on the basis of registration, without use and without effect on well-known trademark
- Provides basis for attacking domain name which is “identical or confusing similar” to protected trademark or name of living person
- Domain name registrant must have “bad faith intent to profit”

# Anticybersquatting Consumer Protection Act: What is Bad Faith Intent to Profit?

- If domain name holder intends to use domain name in a manner to harm goodwill represented in mark
- If domain name holder offers to sell domain name for a profit without actually using it “in the bona fide offering of goods or services” or has a past pattern of such conduct
- If domain name was obtained under false pretenses
- If domain name holder acquires multiple domain names with knowledge that names are identical or confusingly similar to protected trademarks

# Anticybersquatting Consumer Protection Act: Remedies

- If a domain name has been registered improperly, it may be canceled or forfeited to rightful owner
- Courts may award, at plaintiff's election, either actual damages or statutory damages up to US\$100,000 per domain name

# ICANN Dispute Resolution Policy

- New Uniform Domain Name Dispute Resolution Policy adopted by principal U.S. and international domain name registrars
- Part of agreement every registrant must accept prior to obtaining a domain name
- Policy permits trademark owner to bring arbitration against registrant of domain name that is identical or confusingly similar to trademark if registrant has registered the domain name in bad faith

# ICANN Arbitrations

- World Intellectual Property Organization (WIPO), National Arbitration Forum and Disputes.org approved to act as arbiters
- Sole remedy is to cancel registration or transfer it to trademark owner
- Streamlined procedure:
  - designed to be conducted by E-Mail
  - takes less than 60 days
  - no discovery

# Resolution of Cases under ICANN Procedures

- As of February 15, 131 disputes submitted
- WWF v. Bosman: registrant's letter offering to sell name shows bad faith
- AOL v. QTR Corporation: bad faith found based on:
  - names registered shortly after AOL began using marks
  - offering to selling names in WHOIS directory
  - pattern of registering domain names that infringe on trademarks of other entities

# Broadband Access:

## Where We Left Off in Sydney

- Several municipalities have demanded that AT&T provide ISPs equal access to MediaOne's service before cable franchises are transferred to AT&T
  - Cambridge, Massachusetts; Portland, Oregon; Broward County, Florida; San Francisco
  - AT&T v. City of Portland still pending
- AOL has publicly announced that it will continue to support a statewide open access referendum, proposed for November 2000 ballot in Massachusetts, notwithstanding its

# Broadband: Victories for Open Access

- AT&T has agreed to allow MindSpring to lease cable lines and provide service in 2002, when AT&T's exclusive arrangement with Excite@Home expires
- Fremont, California "Bill of Rights" for cable modem customers: extends cable TV service standards to cable modems
- Pittsburgh's open access arrangement with AT&T: must open lines to unaffiliated ISP's if AT&T is required by legal decision

# Broadband Access: Role of FCC

- Continues hands-off, market approach, hoping to spur investment in cable networks
- Willing to intervene for other types of telecommunication services -- November 1999 order required local phone companies, such as Bell Atlantic, to share their home and business lines with digital subscriber line service competitors

# Privacy

- Implementation of Children's Online Privacy Protection Act
- U.S. Supreme Court treats personal information as an article in commerce (Reno v. Condon)
- network advertising and online profiling
- FTC's cease and desist order in reverseauctions.com
- more aggressive FTC enforcement policy

# Implementation of Children's Online Privacy Protection Act

- Rules become effective April 21, 2000
- Applies to sites and online services
  - directed at children and collecting personal information from children; OR
  - maintained by operators with “actual knowledge” that personal information is being collected from children
- Requirements
  - post information privacy policies
  - notify parents and obtain their consent before collecting personal information

# Implementation of Children's Online Privacy Protection Act

- allow children's participation with minimal information collection
- enable parents to review information and prohibit future information collection
- adopt procedures to protect information
- violations treated as “unfair” or “deceptive” trade practices, punishable by cease-and-desist orders, public admonition and substantial fines

# Reno v. Condon

- driver's information must be submitted when obtaining driver's license
- states can be prohibited from selling names and addresses of drivers
- some states lost millions of dollars in revenues, and sued under federalism grounds
- reaffirms Congress' ability to regulate privacy; 9-0 decision may embolden

# Network Advertising and Online Profiling

- Aggregating information about consumers' interests, gathered primarily by tracking their movements online, and using the resulting consumer profiles to create targeted advertising on web sites.
- Differs from traditional privacy issues
  - invisible to users: they do not fill in any information
    - data collected by “cookies” and other automated techniques
  - profiles not sold to third parties
  - information may not even be personally-identifiable
- DoubleClick embarrassing reversal -- won't match up tracking data with detailed personally-identifiable information contained in mail order catalogue marketing databases
- FTC: July 1999 wait-and-see approach
- Tougher standard: notice and choice: allow opt-out, even if

# FTC's cease and desist order in reverseauctions.com

- reverseauctions harvested data from eBay, violating terms of use
- told eBay users that their ID's were about to expire
- FTC found unfair and deceptive trade practice
  - violations of terms of use
  - implication that messages were sent with eBay's permission

# More Aggressive FTC

## Enforcement Policy on Privacy

- 1999: tracking to see if any self-regulation
- 2000: focusing on whether sites follow four fair information practices:
  - notice: what information is collected and how will it be used
  - choice: giving users control over transfers of their information
  - access: giving users access to their own information
  - security

# Court Cases Applying Traditional Doctrines to the Online World

- Utah Lighthouse Ministry: linking can be contributory infringement
- EarthWeb: court refuses to enforce non-competition covenant
- Tasini: publishers cannot republish articles in searchable websites or online databases without further permission from authors

# Utah Lighthouse Ministry

- linked to other sites containing infringing materials
- links found to actively encourage infringement of copyright; linking party knew that materials were infringing
- previously, contributory infringement prohibited a person from knowingly inducing, causing or materially contributing to infringing conduct of others
- logical extension of existing law

# EarthWeb

- New York court does not enforce non-competition covenant
- 12-month non-competition covenant found to be too long
  - given dynamic nature of industry; one-year hiatus is “several generations, if not an eternity”
- would not apply “inevitable trade secret disclosure” theory
  - unwilling to conclude that new employer would inevitably compete with old employer in “a nascent industry evolving and reinventing itself with breathtaking speed”

# Tasini

- articles written by free-lance writers for New York Times and Sports Illustrated
- does permission to publish in newspaper or magazine include right to republish in online or other electronic database such as Lexis/Nexis?
- 2nd Circuit: publishers need specific permission to republish in searchable web site or online or other electronic database
- Publishers are going back and asking for electronic rights, or removing articles from

# Expansion of E-Commerce in Japan

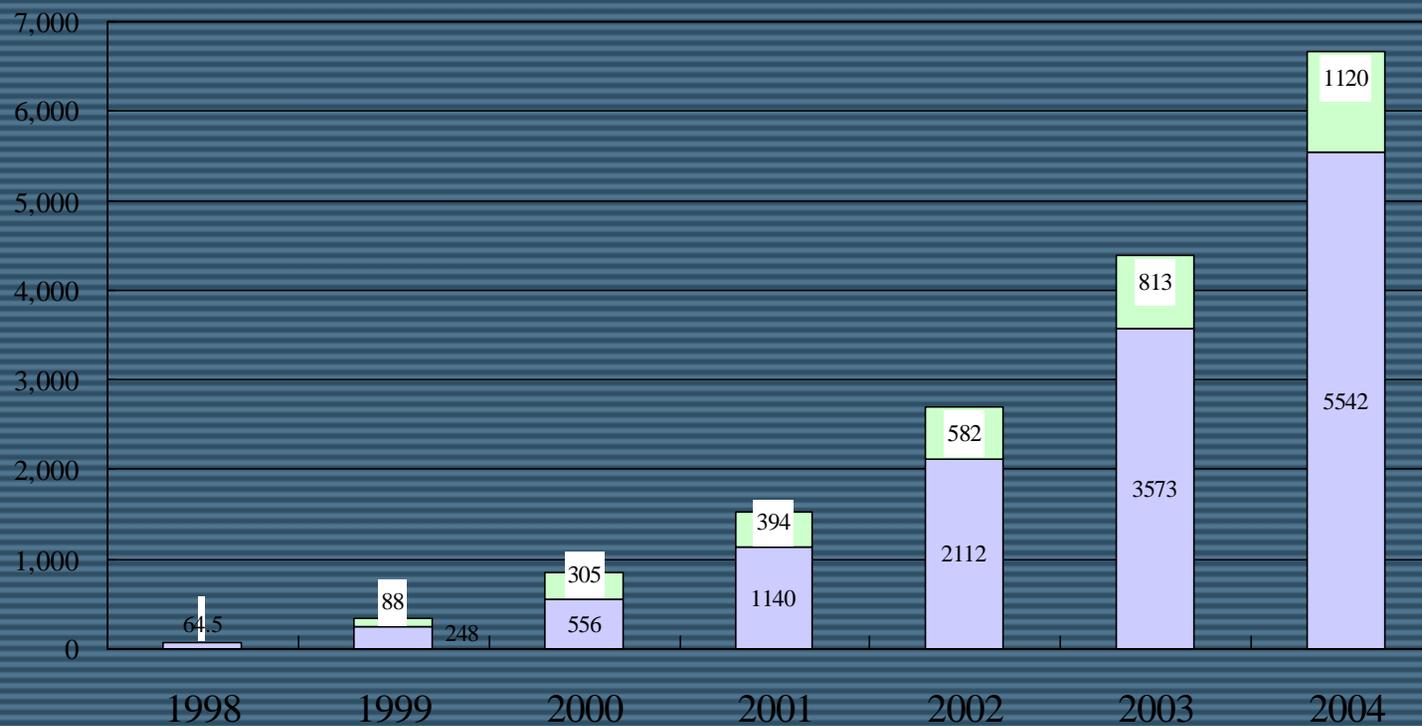
- In Japan, e-commerce is now rapidly expanding in various segments.
- Recent joint survey by the Electronic Commerce Promotion Council of Japan (ECOM) and Andersen Consulting has revealed:

# Expansion of E-Commerce in Japan

- The scale of the market in Japan for electronic commerce directed towards the consumer (B to C) in 1999 reached 248 billion yen, four times the 64.5 billion yen in 1998. (If we include real estate, the total scale of the market in Japan in 1999 is estimated to reach 336 billion yen.)
- The scale of the B to C e-commerce market in Japan in 2004 is estimated to reach 5.5 trillion yen (excluding real estate) and almost 6.7 trillion yen (including real estate).

# Scale of B to C E-Commerce Market in Japan

billion yen

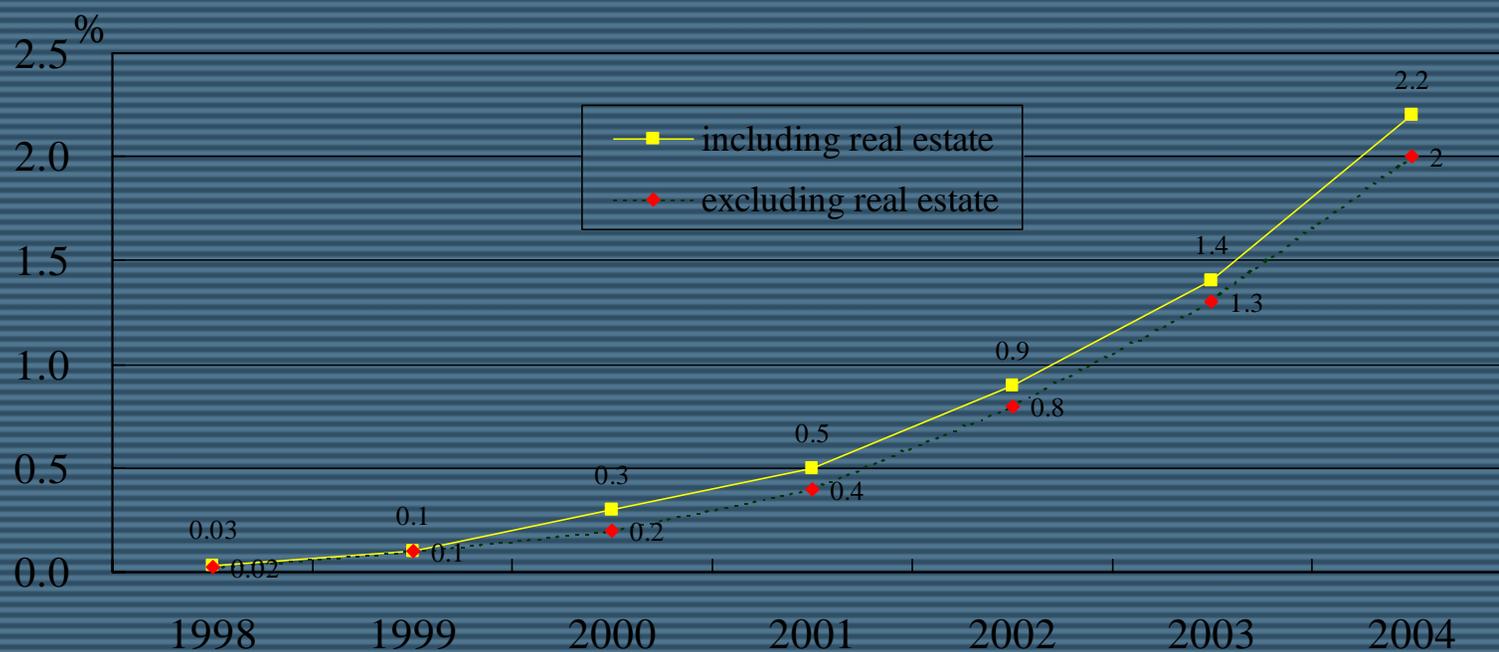


Note: The figures added at the top are those of real estate.

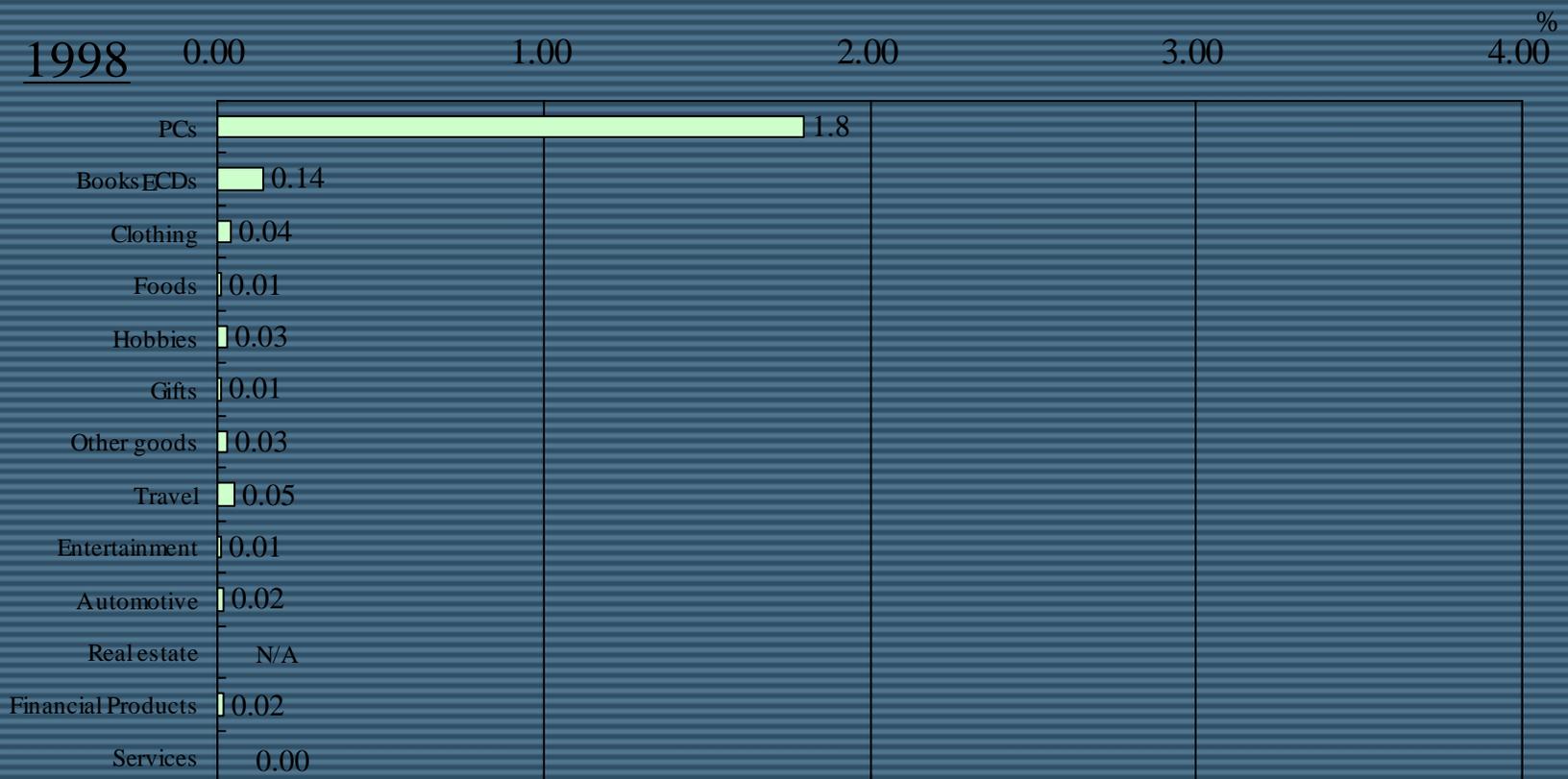
## Scale of B to C E-Commerce Market in Japan

- The percentage of use of e-commerce in the overall B to C market in Japan reached 0.1%, more than three times the 0.03% in 1998 (excluding real estate).
- The percentage of use of e-commerce in the overall B to C market in Japan in 2004 is estimated to reach 2.0% (excluding real estate) and 2.2% (including real estate).

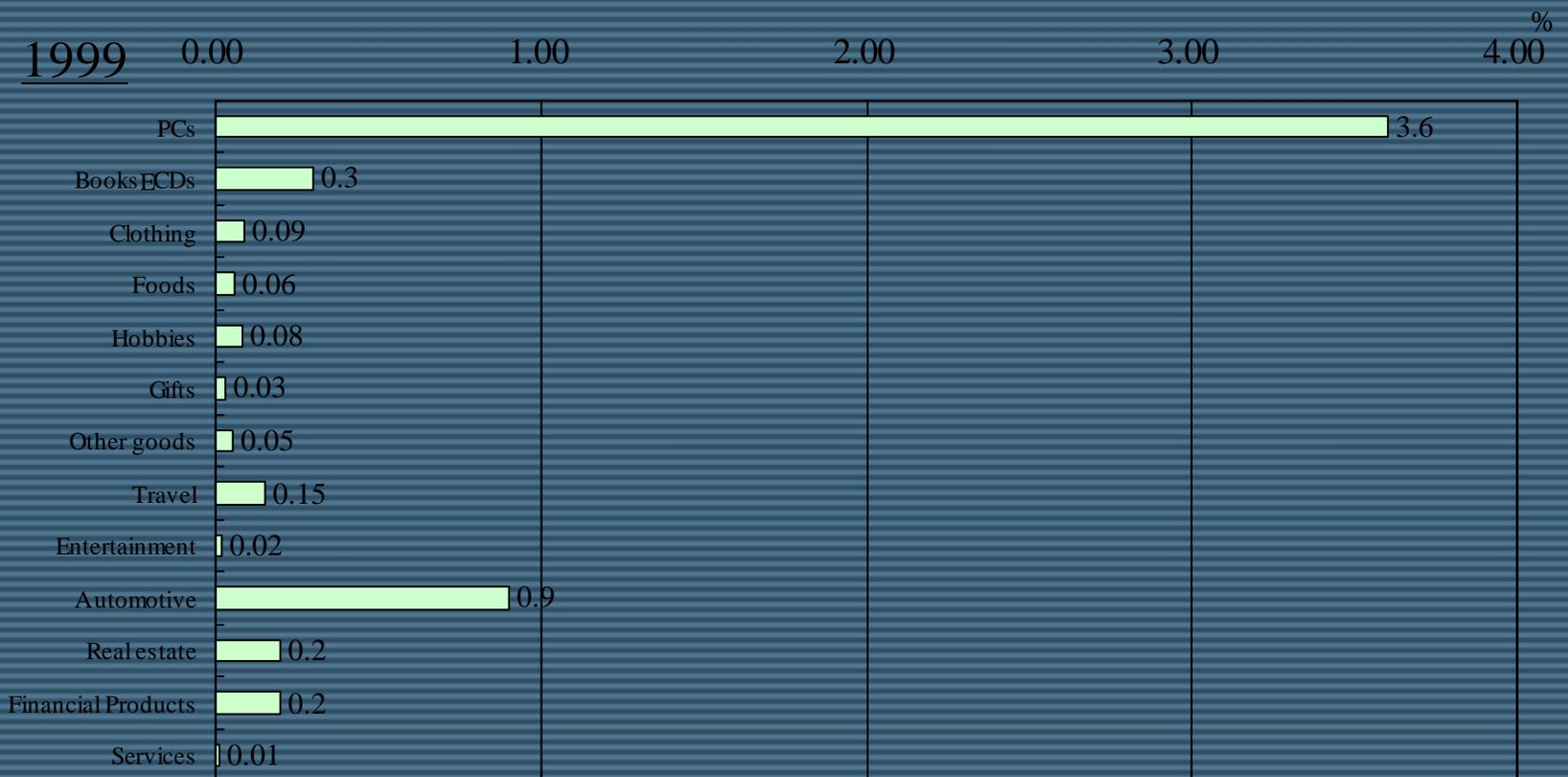
# Percentage of Use of E-Commerce in B to C Market in Japan



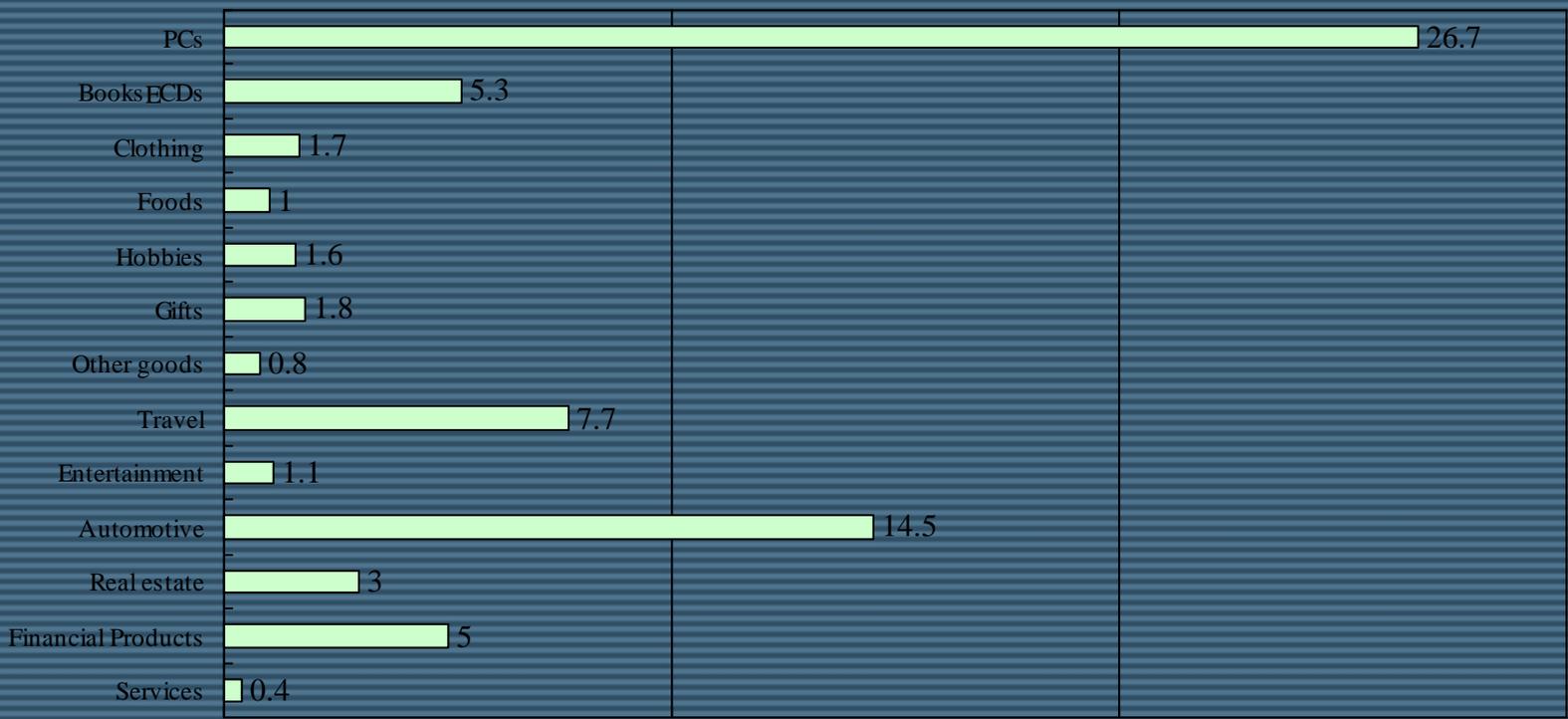
# Percentage of Use of E-Commerce by Product/Service Segment



1999



2004 0.00 10.00 20.00 30.00 %



## Bill of “Electronic Signature and Certification Act” in Japan

- As the first step of legislation for expansion of e-commerce, a bill of the new “Electronic Signature and Certification Act” has been submitted to the national Diet of Japan jointly by the Ministry of Industry and International Trade, the Ministry of Posts and Telecommunications and the Ministry of Legal Affairs.

# Bill of “Electronic Signature and Certification Act” in Japan

- In summary, the bill proposes:
  - Any electronic document with an electronic signature shall be presumed to indicate the signer’s intention.
  - An organization engaging in the business of certifying electronic signatures may (but is not required to) obtain an authorization from the three Ministries.
  - Such certifying organization may indicate that it has obtained an authorization from the three

# Bill of “Electronic Signature and Certification Act” in Japan

- The three Ministries may designate an organization which will scrutinize certifying organizations to determine whether such authorization may be issued to them.
- The three Ministries shall promote research and study regarding electronic signatures and their certification.
- It is expected that the Act will come into force as from April 2001.

# Battles on the Horizon

- #1 - TAX: U.S. Internet Tax Freedom Act expires on October 21, 2001
  - states and “brick and mortar stores” want sales taxes imposed on .coms
- #2 - PRIVACY: Will Internet privacy become an even bigger issue?
  - More aggressive FTC enforcement
  - US-EU negotiations on transfers of personal data completed
  - pending Canadian legislation
  - additional U.S. legislation?
- #3 - PATENTS: Increasing importance of business methods patents affecting e-commerce

# Battles on the Horizon

- #4 - CONSUMER PROTECTION: governments become more vigilant
  - trend towards jurisdiction wherever a consumer can purchase goods or services
  - Impact of EU directives on long distance selling
- #5 - SECURITY: recent high-profile attacks by hackers
- #6 - LOGISTICS: Will logistical bottlenecks and difficulty in returning items slow down e-commerce?
- #7 - ISP LIABILITY: Internet Service Provider liability outside U.S.