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Impact of digitalisation and legal tech on IP law: part three – e-commerce challenges for companies distributing products online

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- Selling products online comes with several challenges
- Picking right domain name
- Protecting IP assets from earliest stage
- Avoiding violation of third-party copyrights – what about hyperlinking, framing and inline-linking?

The days when lawyers could afford to think that digitalisation was irrelevant in legal services and clients could afford to have lawyers who had no idea about technology are over. This series of articles discusses digitalisation and legal tech in the context of their use in IP law.(1)

Selling products online comes with several challenges

Online platforms today are almost indispensable for the distribution of goods and services. However, promoting and selling products online comes with a number of challenges. Part three of this series looks at some of the key IP challenges faced by companies distributing their products online and how they can be tackled.

Picking right domain name

Disputes may arise if a domain name is identical or similar to an existing trademark, name or expression protected by copyright; the holder of the domain may be threatened in such a situation by a cease-and-desist order and damage claims for trademark infringement (for example). Another widespread phenomenon related to domain names is cybersquatting or domain grabbing by third parties that register company names or generic terms in order to make a profit by reselling the domain to an interested party.

Therefore, before choosing a domain name it is important to first ensure that no third-party rights – particularly trademark rights – are infringed. Thus, irrespective of whether the desired domain is "available" according to the domain name register, online trademark registers such as of the Austrian Patent Office and the EUIPO should also be checked to see whether the desired term is already protected by a third party under trademark law.

Once a suitable domain has been found, all relevant top-level domains such as ".at", ".de", ".it" and ".com" should be registered to avoid cybersquatting or domain grabbing and thereby also taking into account potential future sales markets.

Protecting IP assets from earliest stage

A website typically contains marketing content such as videos, images, slogans and product descriptions which are protected by copyright. Even the layout of the website may be protected by copyright if it represents a peculiar or significant creation. In general, a number of people contribute to the creation of a website (for instance, programmers, photographers, graphic designers and copywriters). As copyright arises with the creation of a work or individual parts of a work – provided such parts represent per se a peculiar or significant creation – it must be ensured in advance that:

- all copyrights in the work or parts thereof are acquired; and
- the rights obtained cover all uses envisaged.

If this is not the case, the (further) use of the work could constitute copyright infringement.

In this context, it must be also borne in mind that once the content is online it can be disseminated easily. The greater the scope of publication of another's work, the higher the potential monetary claims of the author.

Therefore, it is essential to set up a contract with a strong IP protection clause with every third party involved in the creation process of the website and the advertising materials. Such IP protection clauses should:

- contain a broad definition of "IP" so that one's rights are not restricted; and
- specify who owns the IP that is created and how the IP will be handled in the future.

In order to protect the IP assets from unauthorised use after the website has been put online, the ownership of the content should be clearly identified. This is primarily done by stipulating in the terms of use that all content, works and information displayed are subject to copyright, and that any kind of reproduction, editing, distribution, storage or exploitation requires prior written consent. In addition, it can also be helpful to use technical means to mark one's copyright (for example, by digital watermarking or encrypting).

If one's own content is nonetheless found on another website, the removal of such content can be demanded, even if the third-party operator did not upload the content. The operator of a website, once they have been informed of the infringement, is obliged to remove the material, in their capacity as either:

- the content provider (if the operator uploaded the content themselves); or
- the service provider (if the content was uploaded by a third party such as a seller operating their website via the service provider's platform).

Otherwise, the third-party operator can be held liable.

Avoiding violation of third-party copyrights – what about hyperlinking, framing and inline-linking?

A website usually also contains content that is owned by third parties (eg, images of influencers promoting foreign products or content from price comparison companies or rating portals). From a copyright point of view, the display of third-party copyright-protected content on a website without permission is prohibited unless a fair-use exception is applicable. Violations can trigger various claims, most critically injunctive relief and claims for money. It is therefore of paramount importance to display only foreign content for which permission to reproduce and make available to the public has been obtained (eg, through licence agreements) or that can be used (royalty-)free.

In contrast, the mere linking to third-party content is not considered a "reproduction" of that content or "making it available to the public". According to case law, there is no "duplication" and no "new audience" as a hyperlink refers to an existing work already made available on the internet – hyperlinking merely facilitates access. This case law applies to any form of linking, that is:

- linking – the placement of a mere hyperlink, which, when clicked, links the user to the external website;
- framing – the display of linked content on one's own website as a preview in a "frame" and that is surrounded by other content of the website;
- embedding or inline linking – the integration of linked content into one's own website without any division into different frames, making the linked content appear as an integral part of one's own website.

The rules on admissible linking apply pursuant to European Court of Justice case law, only if the linked content was originally put online with the permission of the rights holder. This is not the case if the linked content was originally protected by technical protection measures that allowed access to a limited group of persons only (eg, subscribers). If someone knew or ought to have known that the content was unlawfully reproduced or made available to the public, copyright is infringed upon.

In view of the above, it can be summarised that good legal advice in the run-up to setting up a website is money well spent, as many problems that only become apparent in the future can be avoided.

For further information on this topic please contact Claudia Csáky or Sarah Kasslatter at GRAF ISOLA Rechtsanwälte GmbH by telephone (+43 1 401 17 0) or email (c.csaky@grafisola.at or s.kasslatter@grafisola.at). The GRAF ISOLA Rechtsanwälte GmbH website can be accessed at www.grafisola.at.

Endnotes

(1) For other articles in this series, please see:

- "Impact of digitalisation and legal tech on IP law: part one – blockchain and smart contracts"; and
- "Impact of digitalisation and legal tech on IP law: part two – cloud computing and SaaS".