

# Intellectual Property Law and E-Commerce: A Practical Perspective

Jeffrey D. Harty, Esquire  
McKee, Voorhees, & Sease, PLC  
801 Grand Avenue, Suite 3200  
Des Moines, Iowa 50309  
(515) 288-3667  
harty@ipmvs.com

## I. INTRODUCTION

More and more people are using the Internet to run their small business. Web sites can be set up quickly, for little cost, providing the small business person with the opportunity to access a worldwide customer base. Other, pre-existing, brick and mortar businesses have also flocked to the web to establish their own online presence, take online orders, or otherwise use the web to their business advantage.

These individual entrepreneurs and small businesses often run on collision courses with the intellectual property rights of others. Small businesses or individuals that may have unknowingly infringed copyrights or trademark rights before, generally went undetected, off the radar of intellectual property owners. When small businesses and individuals move their activity online, without knowing the potential for infringement, they are taking a risk, particularly when the costs of resolving the disputes that arise are significant, and often larger than the amount of revenue produced by the e-commerce venture.

This outline examines real-life scenarios where individuals in the furtherance of making money from the Internet created or walked into infringement problems that were costly to remedy and can include criminal as well as civil penalties.

## **II. HOW E-COMMERCE IS DIFFERENT**

### **A. INFRINGEMENT EASIER TO COMMIT**

Information transmitted or stored in digital format is easier to copy. This is a well-known principle in the copyright infringement context that has been the impetus for the Digital Millennium Copyright Act, amongst other laws. This principle has a corollary with respect to trademark infringement, as it is easier for someone to associate their good or service with the mark. A web site that does exactly that can be quickly developed at minimal cost quickly. Similarly, with respect to patent infringement, the widespread grant of patents on Internet technologies and so-called business methods also makes it far easier to infringe than it would be in the traditional context.

### **B. INTELLECTUAL PROPERTY OWNER'S ABILITY TO MONITOR IS ENHANCED**

It has long been recognized that the Internet makes it more difficult for intellectual property owners to enforce their rights because the Internet can lead to widespread infringement. Nevertheless, one advantage of the Internet is that it, in some instances, it improves an intellectual property owner's ability to police the world for violations of its intellectual property rights. For example, a trademark owner, previously, might not have had any simple, inexpensive way to learn how its trademark was being used by others in an infringing manner in local markets. Such use could easily go unnoticed. With the advent of the Internet, even a small business catering to a local market may have a web site showing its adoption of the same mark in an infringing manner. Similarly, an owner of a copyright in a poem, could, through a simple web search, determine others who are using that poem on the Internet without their permission. The ability to monitor intellectual property rights is also enhanced through various digital rights management systems that allow the tracking of digital images.

Before widespread use of the Internet, it was too costly for intellectual property owners to identify each small incident of infringement, and thus such infringement went unnoticed. That is no longer the case: A simple web search can identify potential infringers.

### **C. ELECTRONIC COMMERCE CREATES BUSINESS OPPORTUNITIES FOR THE SMALL AND THE UNSOPHISTICATED**

The Internet and electronic commerce has also created numerous opportunities for individuals and small businesses to conduct business

in the same manner as big business. Unfortunately, there is a potential for liability that attaches to that and individuals and small business may not have the sophistication of larger business, a knowledge of the existence of the intellectual property rights of others, an appreciation of law regarding those rights, and the advice of counsel regarding the potential for liability.

### III. SCENARIO: THE ONLINE AUCTION

E-BAY ([www.ebay.com](http://www.ebay.com)), UBID ([www.uaction.com](http://www.uaction.com)), and numerous other web sites allow individuals and small businesses to sell new or used items. The posting of auction items can also increase interest in a web site for the selling party's business. One of the problems that is not infrequently encountered is that individuals/small businesses will attempt to auction off items that are blatantly infringing without giving a second thought to the intellectual property rights involved.

**Practical advice:** Think first. If it is a copy, evaluate for infringement before selling.

### IV. SCENARIO: DEVELOPING A WEB SITE

Individuals, small businesses, and even web developers, often put insufficient thought into the potential infringement issues that arise in the context of developing a web site. Copyright protected images are used that are pirated from elsewhere on the Internet. People use "royalty free" clip art, but the license agreements do not allow for use on the web, only on internal publications, or other restrictions.

**Practical advice:**

- Review for copyright infringement and get permissions.
- If you engage a web developer, have a written contract that indemnifies for copyright infringement.
- If you engage a web developer get an assignment of copyright for the work they do.

### V. SCENARIO: THE TURNKEY PRODUCT

Another growing type of online business is the turnkey product. Internet users design products online and then create stores online to sell these

products. For example [www.cafepress.com](http://www.cafepress.com) allows users to design their own posters, coffee mugs, or other products online by adding their own artwork. These products are then sold online at the users "shop" and the user can charge whatever they want above and beyond [cafepress.com](http://cafepress.com)'s production prices. Visitors to the shop order the product, [cafepress.com](http://cafepress.com) receives the payment, makes and ships the product to the visitor, and then pays the user the portion of the price that is above [cafepress.com](http://cafepress.com)'s production prices.

Thus, it has become unbelievably simple for an individual to create a new product—including one that might be infringing. There seems to be a temptation to put the trademarks of others on t-shirts, or other merchandise, or to use an image acquired elsewhere that may be copyrighted. Just because something is easy, does not mean there is a right to do it.

**Practical advice:**

- Ask, "Where did the idea for this product come from?" If the answer is that it came from someone else's product, beware.
- Review for trademark, copyright infringement, trade dress infringement, and even patent infringement.

## **VI. SCENARIO: SMALL BUSINESS AS A TARGET FOR PATENT INFRINGEMENT ACTIONS**

Some small business owners that sponsor web sites may be alarmed to know of a new strategy involving patents on Internet business methods. The holder of a patent on an Internet business method brings suit against a collection of relatively small businesses who are infringing the patent, demanding a modest license fee from each. When faced with paying a license fee of \$20,000 or defending a patent infringement suit at a cost of 10 to 50 times that amount, small business owners will tend to license the patent. The small business owner is likely using what they consider ordinary technology that others are using as well, and have no reason to believe that infringement is occurring until suit is filed.