

## TRADESECRETS AND DIGITAL SIGNATURES

*Richard L. Ravin, Esq.*

Thank you very much. I want to thank Mike Macmanus of the Constitutional Law Journal staff for inviting me here and putting on this presentation. I think it's a very important one. And I'm glad to be a part of it.

Well, we go from the abstract to the concrete this afternoon. Dan has already told you the areas that I'm going to be talking about. From my perspective, the Internet really is the confluence of many different areas of law. You have, I like to think of it as IP over here, you have trademark copyright patents, trade secret and you have constitutional law issues around the top, which is First Amendment, and I think defamation fits in there and of course privacy issues. You have criminal over here and jurisdictional issues over here and you also have criminal issues and contract law including digital signatures and encryption. So when I think of Internet law, and I do believe it's an emerging body of law, I think of all of these areas tied in to the particular circumstances that give rise to cases concerning the Internet.

Now, the list that Dan read off could comprise its own half-day seminar. I'm just going to breeze through some of these topics, but I think they're important topics for you to know that they exist and perhaps give some practical suggestions.

The first is trademark and domain name registration. They're connected very closely. Trademark registration is important because it preserves the right of the business to have and use its trademarks and its service marks. It also is protection from infringing on existing trademarks that may belong to other companies. And the other aspect of it with respect to Internet law and domain names is that you need a trademark registration to have the best possible protection against losing your domain name. I'll get into that later.

Basically, trademark is a mark that distinguishes your product or service from somebody else's. It has as its roots the public policy concern that a consumer can distinguish one brand of detergent from another or one car from another. If you have two cars that are made by Ferrari, how are you going to know which one is the car or the manufacturer that you really want. A trademark can be a logo, a name, it can be text, it can be words, it can be symbols, devices, it can be sounds, it can be video which distinguishes one product or service from another.

The important thing to know about trademark is that it must be used in con-

nection with the goods or the services. You cannot just have a trademark in the abstract. You can't open up a company and call it ABC Company and say I want to trademark that name. You can't do it. You have to sell a product or sell a service, and if it's a product, the mark has to appear on the product or the packaging. If it's a service, then it must appear in connection with the offer of sale of that service. It's important to make that distinction because you think of companies like Coca Cola, the reason why Coca Cola is a trademark is not because of the company name but because it sells the product Coca Cola. Since it's selling a product Coca Cola, it can register and has registered its trademark.

Now, why is that important in today's Internet world? Well, traditional boundaries, traditional notions of territorial boundaries have evaporated or just don't exist in Internet law, and trademark law is a law that depends very heavily on geographic area, if it's not a registered trademark.

In other words, let's say I have a company called Acme Sales of California and they've been doing business since 1970 in California and their market is just California. And then let's say last year a company springs up in New Jersey as Acme Software Sales in New Jersey. Now, both of those companies can use that mark. Again, neither of these marks is registered at this point. They can both use those marks simultaneously because they're in different geographical areas, even though they're the same product, that is software.

But what happens when one of those companies goes on the web. Now, let's say the California company has been in existence for twenty-five years and decides to go on the Web. It's now using that name nationally, including in New Jersey. So the argument is that since it's using it nationally, it has the exclusive right to use that mark nationally except in New Jersey because there was a preexisting mark in use in New Jersey at the time that the California company expanded its territorial use of the mark.

The importance of registration of a trademark is that it immediately gives you national exclusive right to use that mark, whether or not you're actually going to use it nationally. So even if the California company, when it was created, immediately registered its mark, then the minute that the New Jersey company started using Acme Software Sales, it would be infringing because having a federal trademark issued from the Federal U.S. Patent and Trademark Office would give the Acme in California the exclusive right to use that mark.

So the importance is that today it's so easy to make a national presence or have a national presence just by going on the Web, whereas before the World Wide Web one would have to be spending money to pay for advertising, whether it be print ads, TV, radio, in all of those territories, in all states in order for a company to claim that it is using the mark nationally.

So the problem that you have is suppose you have this company in California that's been using this mark for twenty-five years and let's say it did not register it and you have this startup company in New Jersey using the same

mark and it's smart enough to go and register. What has it done? It has boxed in this twenty-five year-old company in California from ever using its mark outside of California. And it's not dependent on state borders. It's dependent on where the business presence is.

So I'm just assuming for this hypothetical that the business presence was in all of California. So for a few dollars, a little company in New Jersey can disrupt perhaps the marketing plans of a company out in California, that it thought had the right to use its mark and expand its mark whenever and wherever it wanted to.

The other thing that's important to know about trademarks is it's dependent not only on geographical area but class. That's why you can have Apple Records and you can have Apple Computers. Both are using the words "apple," but Apple Records is in a different product classification than Apple Computers. Why? There's no confusion. You're not going to be confused by when you go to buy a record thinking that Apple Records was actually manufactured by the Apple Computer Company. So the key to the inquiry is will the consumer, is there a likelihood of confusion by these marks.

And I don't have time to get into anymore detail, but I, and I know I went very quickly over some very substantive law, but the thing I wanted you to remember and take back from this presentation is that it's very important for businesses to register their trademarks. And by and large the big companies are doing it. They have corporate departments, they have personnel devoted to that. But the smaller companies are not doing it, and that's going to be unfortunate for those companies because one day they're going to wake up and they're going to find out that somebody has registered their trademark or there's going to be a letter from a trademark owner saying stop using that mark, we have a federal registration for that mark, you're infringing. And think about all the time and effort and money that's going into the name of a product, the advertising, the development, the logo, the design. It can be disastrous for a company.

Also, I think that today as the world gets, smaller, it's more important to have these intellectual property rights be perfected, like trademarks. I think if you take two companies that are doing basically the same thing and one has a federal trademark and perhaps even other trademarks in the European Community or around the world, if you evaluate the two companies, assuming they're doing the same thing, the same volume of business, the company that has the ability to expand its business simply by the fact that it has a registered trademark in this country and other countries is going to be more valuable. Especially with respect to domain names, it's going to be very important to register your trademark. Domain names are currently handled by Network Solutions, Inc. Network Solutions, Inc. is a private company which has been authorized by the government to issue domain names. It issues them on a first come, first served basis. Obviously, the most sought after names are those names which

are the names of companies, such as let's say apple.com. Now, the ".com" extension is called the top level domain name or the TDL. And presently now there are dot com, dot org, dot gov and some others. There are being proposed I think seven new top level domain names, including ".firm," ".store," ".lib," for library. And the thinking is that this is somehow going to alleviate the crunch for commercial names, but in fact I think, unless the trademark law is changed, which I don't see it changed, that in fact is not going to happen. So this is the problem—you have two companies that want to get the same domain name. Who's entitled to it? Network Solutions, Inc. says that if a challenger to a domain name has a registered trademark in any country that pre-dates the use or the creation of the domain name, then NSI will put the domain name on hold and they will allow the user of the domain name to pick another domain name and have a transition period of a few months. But after that time period, the original domain name, let's say it was "apple.com," is put on hold and Network Solutions will not let any party use that name until there's a court order saying so.

So what that means is if you have a domain name and you do not have a registered trademark for that domain name, and you have not done a search to see if there's a trademark registration, someone could come along, have a trademark registration, and all of a sudden you're thrown off the Web for all intents and purposes because you can no longer use your domain name (which is an address, as we all know). A domain name is simply an address for the location of the host computer.

Now, that is Network Solutions' dispute resolution policy, but it's really not a resolution of anything. You're still going to wind up in court, and that means that you're going to have to look to trademark law to determine whether or not you're entitled to use it.

I want to bring your attention to a recent case called Planned Parenthood. It was a preliminary injunction that was issued out of the Second Circuit, Seventh District of New York, Judge Wood, and she entered an injunction against Planned Parenthood dot com, which was a domain name which was registered to a Syracuse person in New York who had a radio station, and I think he had a religious bent against Planned Parenthood. Planned Parenthood dot org succeeded in having the judge issue a preliminary injunction against Planned Parenthood dot com. It went up to the Second Circuit and was affirmed for the reasons set forth mostly in Judge Wood's decision. There's a lot of problems with that decision, but I think it illustrates that just by having more top level domain names, dot com, dot org, it doesn't mean anything. You're still going to have to look to trademark law.

There's also a case pending involving the Jews for Jesus trademark. The case name is *Jews for Jesus v. Brodsky*. It's the same issue where the real Jews for Jesus, sued Jews for Jesus who set up that site and who had an opposing viewpoint from Jews for Jesus, and that's pending right now. But I

think it's a similar issue.

I just want to say a few things about contract law, contracting on the Internet.

We all know what the Statute of Fraud requires, both the common law and UCC, and the UCC requires a \$500 and over purchase of goods needs a contract. The problem is that the Statute of Fraud requires a signed writing. Well, you can't sign an electronic contract. It's never reduced to paper. Business people are not quick to enter into contracts that they don't have any certainty will be enforced in courts. There are some states that have passed digital signature laws. California, Utah and they have their own versions. But there won't be sufficient certainty if two business people say, well, let's have a master agreement. We'll agree that we will rely on digital signatures, we'll rely on e-mail back and forth. When push comes to shove and there's a dispute, the party that's coming into court is going to say, "Well, that contract should not be enforced against me because of the Statute of Frauds, it's not in writing." The other party will say, "Yes, but we have this agreement." And the other party will say, but the whole reason for the Statute of Fraud is to prevent a fraud being committed upon me, and I'm telling you, Judge, that this document is not the document that I thought I was agreeing to. It was changed in some way. Well, now you're back to square one. What is the written document? So until states pass more laws, you're not going to have the certainty.

There's a concept called cyber notary or electronic authentication or certification authority. That's a third party in which these documents that have been agreed to can be deposited and can be stored so that when there's a later dispute you can say, well, we'll go to the third party, whatever is on that computer, that's what the contract is. So if two people are e-mailing contracts back and forth, make sure you send it through the cyber notary, the notary stamps it, says that contract came from Richard Ravin and sends a certificate of authentication along with the contract. Recipient says, okay, I know it came from Richard Ravin. Copies of the documents will be kept under confidentiality agreements in the third party cyber notary so that if any dispute arises there will be a third party true and accurate copy of that agreement. So those are some of the concepts that are being discussed in terms of contracting.

Lastly, I'm almost out of time, I just want to touch on the Year 2000 problem. I'm not going to go into it much at all, except to say that businesses should be made aware that the directors and officers may be called upon one day to be asked why didn't you do a due diligence search or investigation of your own company to see whether it was Year 2000 compliant. The SEC has issued an advisory by its staff saying that all public companies should disclose—this is not regulation, but this is a staff bulletin which is a recommendation—that all public companies should disclose on their quarterly and annual filings, if they have a material Year 2000 problem. Materiality meaning anything that would substantially or significantly affect the value or the balance

sheet, the value of the company. I think even directors and officers of privately held companies, as well as their accountants and lawyers need to be advised that when they're showing these financials to banks, to prospective purchasers of businesses, they should think very hard about whether there needs to be a Year 2000 problem disclosure so that in the Year 2000 or , whenever, when it turns out that it was a real problem in this business, why wasn't it disclosed. So the watch word on the Year 2000 problem is "disclosure."

Thank you very much.