

Online Best Practices

Consumer survey results indicate that 97 percent of consumers investigate products and services over the Internet before buying. Many of these consumers rely on consumer reviews and social media for information. Approximately the same percentage of consumers place trust in the materials on brand websites and in other company-sponsored Internet content. Such impressive statistics highlight the importance of establishing brand Internet sites and social media pages. We asked franchise attorney Keith Klein to identify legal considerations associated with this. Klein is a partner at Bryan Cave LLP and is certified by the California Board of Legal Specialization as a specialist in franchise and distribution law.

From a legal perspective, are there best practices for registering domain names and establishing social media accounts?

Yes, particularly for businesses launching high-profile brands or products. Because trademark rights are honored by most Internet and social media administrators, best practices include securing trademark rights to the brand or product before publicly registering domain names or social media accounts. After filing a trademark application with the United States Patent and Trademark Office (USPTO), businesses should move quickly to secure domain names for the primary-used Top Level Domains (TLDs, e.g., .com, .biz, etc.) and social media accounts. Social media accounts that match up seamlessly with a brand can be an invaluable asset in averting protracted legal issues by promptly addressing dissatisfaction by consumers or grievances by other third parties.

What are some potential consequences of first registering domain names?

The most significant risk involves would-be competitors or others first filing an application for the trademark with the USPTO. To secure trademark rights, a business must either be the first to use the mark in commerce or file an “intent to use” application for the mark with the USPTO. The mere registration of a domain name has not been recognized to constitute a “use in commerce,” and the registration of social media accounts may be viewed in the same manner. As a result, first registering domain names or establishing social media accounts may allow others to be the first to file an “intent to use” application with the USPTO which, in turn, can establish senior rights to the mark. In today’s business environment, this risk is much more than a hypothetical. I have been asked to provide counsel on this exact issue on a number of occasions and, frankly, the costs associated with resolution are often not insignificant.

What are the best solutions when .com domain names or social media accounts are taken by others in the same or other industries?

The apparent limitless resources of the Internet quickly narrow under the demands for unique domains, and the same issue has quickly developed in the realm of social media sub-domains. In either event, quickly assess the current use to determine whether it is being overtly used by a competitor or other party for an improper purpose. If the purpose appears legitimate, investigate whether the registrant is a person with whom the business can team to enhance the brand experience. Alternatively, consider

alternate TLDs for domain names (i.e., .net, or .tv) and modify the social media account with a prefix such as My[brand] or Your[brand]); or with a suffix such as [brand]online or [brand]forum. If the purpose appears improper, ICANN’s Uniform Domain-Name Dispute Resolution Policy, or commencement of an anti-cybersquatting lawsuit can be suitable options to address disputes over domain names. For social media accounts, review the particular social media site’s terms of use, which typically establish procedures to address this issue.

Also, although not likely to be an option for new franchise systems, brands will likely be permitted to own and maintain a Top Level Domain incorporating its respective brand in the near future. On June 20, ICANN approved the creation of TLDs for brands and organizations. The process of rolling out the new TLDs, however, will be staggered over a number of years. ICANN will accept the first set of 500 applications for new TLDs between January 12 and April 12, 2012. After those applications are reviewed and processed, ICANN will set more windows for additional applications. Even after approval, significant work will be required before the TLD can be implemented. As a result, the first TLDs will not likely appear to the public until 2013. Owning and maintaining a TLD will not be inexpensive. The registration process itself is estimated to cost \$185,000 per TLD.

What about sites set up to complain about a brand?

Many online brands will find themselves the subjects of so-called “gripe sites.” For the most part, such websites are protected free speech under the First Amendment. However, if a brand can demonstrate that the gripe site has a commercial purpose (i.e., revenue generating), courts may apply First Amendment rights more narrowly, enabling the brand to shut down the website or take the domain name. The potential negative publicity of taking legal action to obtain the domain name for such a website, however, may be more detrimental than the existence of the gripe site itself. ■