

International

Doing business through social media: much to gain, but a lot to lose

Most companies, whether multinational corporations or smaller entities, now recognise the benefits of social media in doing business. By revolutionising the way in which companies communicate with existing and potential customers, and by offering a means of interacting with consumers who could not be reached by traditional means, social media has become an indispensable tool for modern marketing.

However, not all players have understood the challenge of properly managing their advertising messages through such media, while simultaneously protecting their intangible assets and reputation. These factors are even more important in light of:

- the increasing number of social media users (there are 800 million Facebook accounts, 200 million users on Twitter, more than 500 million on Qzone and more than 230 million on Weibo);
- the pace at which people use these tools; and
- the strong impact of newcomers (in September 2011 Google+, created in 2011, had 40 million accounts, while in the same month Foursquare, created in 2009, had more than 10 million accounts).

A key issue to have emerged is one of liability and exposure: the need to understand the full risks of using social media and to take precautions to protect players' rights and interests. Some of the risks related to social media are obvious, such as protection of the company's online reputation or the issues related to employee use of social networks, but other aspects are much less considered, as is often the case with IP issues.

Protecting your rights through preliminary steps

In order to limit most of the social media risks related to IP issues, several preliminary steps should be addressed before doing business using social media in order to ensure the protection of the company's IP rights. These prior steps mainly consist of ensuring that trademark rights have been registered, but also include verifying the protection of domain names, corporate names or trade names.

The most efficient title in relation to the protection of a name or sign on the Internet in general, and on social media in particular, is undoubtedly a trademark. Indeed, in the policies of most social networks, trademarks often benefit from the strongest protection and are the easiest right to enforce in comparison to copyright or other exclusive rights. Social media players are often quicker to react when facing a title emanating from a public office than when facing copyright.

However, not all trademarks have the same strength when it comes to social networks. First, the choice of what should be registered as a trademark is important – for example, a company should register not only its name or logo, but also the name of its flagship products or services. The second question to be addressed is where to register the trademark. The obvious answer is to designate the key territories of activity for the goods and services. However, being properly protected on social media networks also implies registering trademarks in the territories with the largest number of social network users (mainly the United States and Europe, but also Asia). In so doing, it is essential to register the right trademark for the right market. For example, a company operating on Chinese social networks, such as Renren or Weibo, should register its trademark locally in both Chinese and Roman characters. The terms of use of the targeted social networks may also influence the place where a trademark is registered. For example, Facebook's terms of use are governed by the law of California, and some social networks will be more likely to enforce a US federal trademark or will allow US federal trademark owners to make stronger demands in comparison to owners of trademarks from other countries.

The final issue to address when filing trademark registrations for operating business on social media is choosing the right goods and services to designate. The obvious choice is to designate the key goods and services exploited by the company. The selection must take into account the requirement of use and the risk of cancellation for non-use found in most trademark legislations. However,

the major question is whether it is necessary or even useful to register a specific trademark for social media services, such as those of Class 38 (telecommunications services), Class 41 (eg, online journals and blogs) or Class 42 (eg, providing online computer databases). This question is addressed differently by different countries and the answer can usually be found by analogy with the solutions used for domain names. However, the most common answer is that it is useful and sometimes necessary to register a trademark in one of these classes if the company actually acts as a provider of such services. That said, registering such a trademark for these classes of service will be insufficient to oppose any use of that trademark on social networks as a result of the principle of specialty.

User names are the names under which each user is identified and are also sometimes used to create specific URLs, such as 'www.targetedsocialnetwork.com/mytrademark'. Since they often work on a 'first come, first served' basis, the registration of a company's name, key trademarks and flagship product names as user names on popular social networks is a priority to avoid various forms of cybersquatting. Even though most social networks apply policies which enable rights holders to claim or report user names that infringe their rights, this is not always an easy process and the conditions for doing so may be very restrictive. For example, while some social networks will merely request evidence of ownership of a trademark corresponding to the misappropriated name, others will require evidence that the account is also used in a manner that creates no likelihood of confusion with the registered trademark. These differences are often a result of how much the social network values its own relationship with trademark owners.

Identifying and tackling infringement

Once these rights have been protected, it is also essential to set up monitoring programmes to detect unlawful or detrimental use on social networks of the signs protected as trademarks. Such monitoring, which can be done internally or through an external monitoring service, should cover at least trademark infringement, dilution and the sale of counterfeit goods. Some social networks such as Facebook have recently made the work of trademark owners harder by allowing Community Pages and by allowing users to 'tag' trademarks in their pictures, which are difficult for trademark owners to follow and control, thereby requiring intense monitoring.

Social networking websites are fertile ground for IP rights infringement, which may originate from competitors, past or current employees or customers.

Such unlawful use of a company's rights can take many forms: unauthorised use of a trademark or company name as a user name or profile name or in the name of a page or account; using a logo as a profile picture; or posting pictures of fake products in a page's content. These unauthorised uses can be extremely harmful and can result in both infringement and dilution, by which the trademark loses its distinctive quality or tarnishment, which in turn causes harm to the trademark's reputation.

However, not every unauthorised use of a name covered by a trademark registration constitutes trademark infringement. In order to be infringing, such use must:

- be for identical or similar goods or services;
- be considered as 'use as a trademark'; and
- harm the trademark's function of indicating the origin of the goods.

Dealing with trademark or other IP rights infringements on social networks also requires a certain degree of care and a different approach to that generally taken in other areas. Doing business on social networks, a brand owner must allow customers and users to quote the trademark and to make comments about the products or services. Being over-zealous about such use may lead to a severe backlash from genuine fans or followers. Indeed, it is not unusual for social network users who infringed IP rights innocently to receive strongly worded cease and desist letters and then to post such letters on their blogs or accounts, triggering negative comments from other users. As a result, trademark owners are often accused of bullying and are shamed in public by social network users. Therefore, it is necessary to adapt the answer to such use and to apply strong means only when the unlawful use was intentional or clearly intended to cause harm, and to take a softer approach in other circumstances.

Social media is not only fertile ground for IP violations; it is also an arena where companies can easily find themselves in the position of the infringer. Once a company has organised the protection of its essential assets, there remains the question of the content. Each social media website provides space for a company or a specific brand to interact with its customers. This interaction requires content, logos, photographs, background themes and articles. All this content is protected by copyright, which raises many questions, particularly in countries where the 'work for hire' principle is not followed as opposed to Japan, the United States or the United Kingdom. In France, for example, the mere existence of an employment agreement does

not affect the ownership of rights over the works created by the employees. Therefore, in such cases, it is necessary to ensure, in compliance with the applicable law, that the company has acquired all the rights necessary to use copyrighted content online and that it is infringing no rights by posting works or referencing webpages.

In addition, it is highly recommended to enforce a clear and strict internal policy on the use of the company's name, trademarks and any company material by all employees, not only by community managers (for whom the rules should be even more specific). Many employees have placed their companies in embarrassing or potentially liable situations by their posts or comments on social networking websites, sometimes even in cases when they honestly believed that they were acting in the company's best interests.

One key issue is how to deal with user-generated content (UGC), which is at the heart of the social media relationship between companies and customers. Most UGC consists of short comments or tweets which rarely reach the threshold of originality. However, the position may be different when dealing with several posts or with different materials, such as photographs. The use of UGC by a company to promote a product must be done with care. For example, asking customers to tell a story about their relationship with the brand or about their use of a product to be used to promote the brand or product, requires that such use be provided for in terms and conditions that users must accept before they post such content.

Comment

Social media presents many advantages for companies and offers many opportunities, which some players have grasped more quickly than others (thus explaining some of the differences between conventional brand rankings and the Facebook brand statistics). However, these possibilities entail great risks and constitute a major challenge to companies trying to protect their IP rights. The challenge can be tackled only through strong efforts both to ensure a strong presence on social networks, thereby preventing other players from taking advantage of a gap, and to limit potential damage to the company's rights. Such efforts are required at every stage:

- in the preliminary steps to protect rights and reserve names;
- in entering into and maintaining contact with social media players;
- in monitoring the rights of the company on the social network;
- in adapting to new players and their various policies and policy changes; and
- in finding the appropriate solution to the unlawful use of an IP right.

The scale of the required effort is often discouraging to rights holders, particularly when coupled with other issues raised by social media, such as privacy, data collection or labour law. However, such effort may seem very small in comparison to the opportunities provided by social media when it is properly used.



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