

Post-Termination Internet Violations: Who Fixes and How?

Is the public being misled?

By Bethany Appleby and Frank Duffin



Times have changed. Ten years ago or so, when franchise companies wanted to make sure that terminated franchisees had stopped using the system’s trademarks and other intellectual property, known as “de-identification,” the standard process was fairly quick and simple. The increasing use of the Internet has complicated the process, and some franchise companies have been slow to adapt to the changing times. As a result, some franchise systems are unknowingly allowing Internet Web sites to mislead the public into thinking that terminated franchisees are still affiliated with the system. This article suggests ways that franchise companies can alleviate the problem without incurring undue legal or other expenses.

Post-termination Inspections in the “Good Old Days”

Most franchise agreements have detailed provisions forbidding continued use of the brand’s trademarks and other proprietary materials after termination. In addition, franchise systems can use intellectual property laws, such as the Lanham Act (the federal statute that protects trademark rights), to prevent former franchisees from holding themselves out as current franchisees or otherwise leading the public to think that they remain affiliated with the franchise.

Before business Internet use was wide-spread, post-termination de-identification inspections were relatively straightforward and mechanical. The franchise company would generally send a field consultant or investigator to the former business location to visually inspect the premises for signage and other materials bearing the franchise system’s

logo. If the former franchisee had an enforceable agreement not to compete after termination, the inspector would also confirm, by visual inspection, that the former franchisee was not running the terminated unit as a competing business. If the franchise agreement obligated the former franchisee to stop using the telephone number it used when operating the franchise (or required the former franchisee to assign the telephone number to the franchise system), the inspector or another individual at the system’s home office would call the appropriate telephone information number or telephone company to confirm that the former franchisee had complied with those obligations.

Fixing third-party sites can be a headache-producing process.

If any of these inspection activities revealed contract or other violations, the franchise company or its legal counsel would send a cease and desist

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letter and, if necessary, file a lawsuit seeking damages and an injunction to stop the violations.

Post-termination Inspections in the “Brave New World”

With increasing use of the Internet, the list of de-identification tasks continues to expand. Tech-savvy franchise systems now include provisions in their franchise agreements preventing franchisees from using any of the brand’s trademarks, or derivatives of those trademarks, in their Web addresses or uniform resource locators known as URLs. Most franchise companies now also check the Web sites of terminated franchisees to make sure that these sites were deactivated or, at a minimum, no longer reference the franchise company or any of its trademarks or bear any of the system’s logos.

In some circumstances, fighting can lead to diminishing returns.

Internet violations on a former franchisee’s Web site are analytically-similar to old-fashioned signage violations, as are violations on third-party Web sites where the former franchisee signed up, and perhaps paid a fee to be listed. In those cases, since a former franchisee caused the problem, he continues to be responsible and must correct it. If a former franchisee refuses to correct the problem, a court will probably compel him to do so. But what if a former franchisee is less-directly involved in creating the problem?

Third-party Web sites are popping up at an ever-increasing rate that provide information about businesses when no one asked them to do so. Many Web sites gather information (sometimes from questionable sources) and then display it as a purportedly helpful guide to particular types of businesses or geographic areas. Operators of these Web sites often hope that they can convince these businesses or others to pay to advertise on the sites in the future. Some use information gathered from the DMOZ Open Directory Project (see dmoz.org), whose home page is a directory on the Web. It is constructed and maintained by

a vast, global community of volunteer editors.”

These third-party Web sites (including dmoz.org) can take information from, for example, an Internet Yellow Page listing or franchisee Web site that was perfectly appropriate before the franchisee was terminated, and spread it out over the Web in unpredictable ways that can be hard to fix.

Fixing problems on third-party Web sites begins with finding them. The most common way for franchise companies to find them is through Google or other search engines. There is no magic formula for the queries and, as in many circumstances, common sense rules. A franchise system might, for example, type in its most recognizable trademark and the name of the town where the former franchisee operated. The franchise company might also type in the name of the former franchisee entity or “dba” (if any) along with one or more of the franchise system’s trademarks. Finding all, or at least most, of the offending third-party Web sites will often take several different search formulations. In addition to franchise companies conducting their own searches, there are a number of companies that offer brand-monitoring services aimed at curtailing online brand abuse. These monitoring services include automated review of such things as Internet Web sites, domain name registrations, search engines, message boards and blogs.

Franchise organizations interested in fixing third-party Web site problems soon learn that finding problems is usually far easier than fixing them. The franchise company knows that the former franchisee can, and should, fix problems on its own Web site and on Web sites where it asked to be listed. But who runs the other sites, and how can anyone contact them?

Sometimes the answer is straightforward. Anyone involved in fixing third-party Web site problems breathes a sigh of relief when he or she sees a “contact us” link on the site. Often third-party sites will respond quickly and remove offending material if they receive notice that the former franchisee is no longer authorized to hold itself out as a franchisee. Often, however, there is no e-mail or snail mail address, phone

number or name of the responsible party. In other cases, the “contact us” link leads to a “page not found,” or no one responds to requests or demands to fix the problems identified.

In instances where no “contact us” information is provided, franchise systems can often find the pertinent information on the operator of a Web site by doing a “WHOIS” search for the domain name. A WHOIS database is an Internet database that contains information on the domain’s nameserver (a computer that has both software and data files necessary to resolve or convert domain names into corresponding Internet protocol numbers), the registrar through which the domain was registered, and in some cases, full contact information about a domain name. Each registrar must maintain a WHOIS database containing all contact information for the domains they host. A central registry WHOIS database is maintained by the Internet Network Information Center, the organization responsible for registering and maintaining established generic top level domains (i.e., .aero, .arpa, .biz, .cat, .com, .coop, .edu, .info, .int, .jobs, .mobi, .museum, .name, .net, .org, .pro, and .travel).

While the name and contact information for domain name registrants has traditionally been available through the WHOIS database, since 2002, some domain name registrars have been offering private or anonymous domain registration. With such anonymous registrations, the contact information of the registrar is listed in the WHOIS database. Registrars of such anonymous domain registrations are reluctant to disclose, and will often delay disclosing, the name and contact information of the actual registrant, making it more difficult for brand owners, including franchise companies, to police misuses of their brands on the Internet. In short, fixing third-party sites can be a headache-producing process, whoever tries to do it.

To the authors’ knowledge, no courts have addressed whether a terminated franchisee is liable for third-party Web site problems where the franchisee was not directly involved in putting the offending information on the Web site. Sometimes franchise systems will try to

deal with the problem on their own, but others have concluded that fixing the problem is more properly the former franchisee's obligation, particularly when the franchise system has broadly-worded post-termination obligation provisions.

One approach is for the franchise organization, assuming it can do so in good faith given the language of the parties' franchise agreement, to send a cease and desist letter to the former franchisee listing the offending Web sites and demanding that the former franchisee correct the problem as part of its post-termination obligations. In the authors' experience, former franchisees will often try to correct problems, but may lack the ability or tenacity necessary to do so fully.

If a former franchisee refuses to try to correct problems, or is unable to fix all of the violations identified, it may make most sense for the franchise company to do so on its own rather than file a lawsuit against the former franchisee, particularly in the absence of a developed body

of law allocating this responsibility to the former franchisee.

It is also possible, although there is little if any precedent for it, to try to sue the third-party Web site operators, if they can be identified and found, in an effort to force them to remove the offending information. However, in the authors' experience, third-party Web sites will often eventually update information on their own or simply abandon the Web site and fail to keep the domain name registration current, which can result in the offending information fading away on its own with time. In some circumstances, fighting can lead to diminishing returns, and the franchise system may want to be more patient and flexible with third-party sites than it would be with a former franchisee's own Web site.

Expect the Inspection Process to Change

As technology and business methods change, the post-termination inspection process will undoubtedly also change

and franchise organizations should not simply assume that an inspection process that worked 10 years ago still works today or that an inspection process that works today will work 10 or even five years down the road. Franchise companies should also work with their in-house or outside counsel to ensure that their franchise agreements have kept up with the times and specify what rights franchisees have with respect to using derivations of the franchise name in their Web site addresses and also specify who is responsible for "cleansing" third-party Internet sites after termination. Franchise systems should think creatively, and flexibly, about how to identify and address new post-termination challenges as they arise. ■

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