D&G | Davis & Gilbert LLP
Attorneys at Law

PRACTICE GROUP
NEWSLETTER
FALL 2009

LITIGATION

1740 BROADWAY NEW YORK, NY 10019 | WWW.DGLAW.COM | P: 212.468.4800

IN THIS NEWSLETTER:

Summer's over, and it's back to business. It is also a good time to evaluate some of your important business practices. In this issue, we report on several interesting and important developments in intellectual property, employment and commercial law, and offer some practical advice in these areas.

Top-Level Domain Names Soon to Expand 1
Whistleblower Protections in Company Manual Limit an Employer's Ability to Terminate Employees 1
New York Courts May Make it Easier to Seal Confidential Business Documents that Turn Up in Lawsuits 2
Trademark Licenses and the Accidental Franchise 3
D&G Litigation Contacts 4

"Our tradition is based on unparalleled client service, individual attention, adding value and a strategic approach to every situation."

Previous Davis & Gilbert LLP newsletters can be found at www.dglaw.com/press-publications.cfm

INTELLECTUAL PROPERTY LAW:

TOP-LEVEL DOMAIN NAMES SOON TO EXPAND

The top-level domain name, or TLD, in a website address is the group of letters that follows the final dot, such as ".com." Currently there are 21 generic TLDs, most three to four letters long (e.g., *.org, .info*). There are also over 250 two-letter territorial TLDs, such as *.uk*.

The naming opportunities for new TLDs are about to expand significantly, as the Internet Corporation for Assigned Names and Numbers (ICANN), the governing body for Internet domain names, is planning to start selling customized TLDs in early 2010. The new TLDs can be up to 63 characters long, including non-English characters, and will be open to additional geographic names, brand names, such as *".coke,"* or *".pepsi,"* as well as to generic product categories, such as *".soda."* The marketing value of a good domain name is clear. For example, almost everyone knows Expedia's "Dot Com!" jingle, which includes reference to the *.com* TLD. For those willing to buy a TLD, the opportunities are far-reaching.

>> continued on page 4

EMPLOYMENT LAW:

WHISTLEBLOWER PROTECTIONS IN COMPANY MANUAL LIMIT AN EMPLOYER'S ABILITY TO TERMINATE EMPLOYEES

In New York, an employee who does not have a fixed-term employment agreement is an "at-will" employee, and can be fired at any time. Anti-discrimination laws create exceptions to the "at-will" doctrine, and union contracts may also place limits on the termination of employees.

In recent years, courts in New York have indicated that whistleblower language in a company's employee manual, which encourages employees to report violations of company policies and promises that employees will be protected from retaliation, is an additional limitation on a company's ability to discharge employees.

In *Brady v. Calyon Securities (USA),* a research analyst for Calyon brought a breach of contract claim against the broker-dealer, alleging that he was wrongfully discharged in violation of a whistleblower provision in the broker-dealer's compliance manual. The manual reaffirmed Calyon's adherence to securities laws and regulations and provided that employees who made good-faith complaints regarding the broker-dealer's compliance with these rules would be protected from retaliation. In denying summary judgment to Calyon on the analyst's claim, the court observed that the whistleblower language in Calyon's compliance manual created an implied contract with its employees, and expressly limited the broker-dealer's ability to discharge employees who reported violations of the securities rules. *>> continued on page 2*

COMMERCIAL LAW:

NEW YORK COURTS MAY MAKE IT EASIER TO SEAL CONFIDENTIAL BUSINESS DOCUMENTS THAT TURN UP IN LAWSUITS

Companies litigating in New York courts are often concerned that court filings will make public their confidential business documents. While court documents can be sealed, there is a strong presumption that they should be public. Courts typically apply a "good cause" standard for sealing documents. Litigants must show that the documents contain trade secrets or information that, if disclosed, would impair their economic competitiveness.

COMPANIES SHOULD BE AWARE OF THE POSSIBILITY THAT LITIGATION COULD LEAD TO DISCLOSURE OF CONFIDENTIAL DOCUMENTS

A recent decision in a case litigated by Davis & Gilbert, may offer a signal that the courts may be more willing to seal confidential documents that do not meet the narrow trade secret or competitive harm standard, particularly when there appears to be little legitimate public interest in the documents.

The employee, a former ad-agency executive, convicted of receiving kickbacks from vendors, sued his former employer, alleging that the firm had manipulated documents to portray him as the mastermind of a bid-rigging and kickback scheme and covered up the role of other employees in the scheme. The plaintiff submitted numerous confidential business documents with his opposition to the defendant's motion to dismiss the complaint. These included internal invoices and correspondence, confidential memoranda and a confidential employment agreement, which the defendant then moved to seal.

The court found that although the documents did not contain trade secrets or information that would harm the company competitively, the documents should be sealed. It noted that the documents were several years old and would be of little legitimate interest to the public. The court said that the firm's interest in not being "embarrassed" by disclosure of its confidential documents outweighed the public's "curiosity" in the documents. The court also gave weight to the fact that the plaintiff had improperly retained the documents after he was fired, specifically for use in litigation.

>> The Bottom Line

Companies should be aware of the possibility that litigation could lead to disclosure of confidential documents. They should make it clear to departing employees, especially if they foresee a dispute that might engender litigation, that the employee has no right to confidential documents belonging to the company. If such documents show up in court filings, companies should seek to enforce their rights accordingly, including moving to seal them.

By Peggy Chen, Associate, 212.468.4902/pchen@dglaw.com

WHISTLEBLOWER PROTECTIONS IN COMPANY MANUAL LIMIT AN EMPLOYER'S ABILITY TO TERMINATE EMPLOYEES *>> continued from page 1*

>> The Bottom Line

Company personnel manuals often contain whistleblower provisions that encourage employees to report illegal or unethical conduct, and provide that employees will be protected from discipline or discharge if they do so. However, in circumstances where an employer wishes to terminate an employee for performance deficiencies and the employee has previously made a good-faith complaint, the employee might sue claiming that the termination was a breach of the whistleblower provision. To mitigate potential liability, employers should investigate and address employee complaints in a timely manner. Employers should also conduct regular performance reviews and thoroughly document employee performance problems immediately after such problems are detected. In the event an employee later challenges his or her termination, the employer is in a better position to establish that the employee was discharged for legitimate reasons unrelated to the complaint.

By Shira Franco, Associate, 212.468.4839/sfranco@dglaw.com

INTELLECTUAL PROPERTY LAW:

TRADEMARK LICENSES AND THE ACCIDENTAL FRANCHISE

Thus, a trademark licensor in New York could find itself unintentionally being considered a franchisor, and being in violation of the Act's registration requirements, which could lead to fines and other penalties.

What might look like a simple trademark licensing deal could be considered a franchise agreement if the trademark owner is based in New York and is not mindful of the New York Franchise Act. This is because the "Act" contains one of the broadest definitions of "franchise" in the country.

Most state franchise laws only consider an agreement to be a franchise when there is: 1) both a marketing plan and system prescribed by the trademark owner for the use of a trademark and 2) the use of a trademark or other commercial symbol. However, New York only requires either of these, plus the payment of a "franchise fee." This could mean that an agreement intended as a simple trademark license could be deemed a franchise agreement under the Act. The Act also applies to all offers or sales of franchises originating in New York, even if the franchisees are located outside the state.

Why might this be a problem? A franchisor under the Act must apply for and secure registration from the New York Attorney General prior to offering or selling a franchise. Thus, a trademark licensor in New York could find itself unintentionally being considered a franchisor, and being in violation of the Act's registration requirements, which could lead to fines and other penalties.

Fortunately, there are several exemptions that trademark owners can use to avoid this problem. Entities with a net worth of at least $15 million are exempt from the Act. Also exempt are any agreements that involve adding a new product or service to a prospective licensee's existing business.

The "isolated transaction" is another exemption which was applied by a court in a recent case handled by Davis & Gilbert. In that case, the court found that our client was exempt from the Act because the trademark license was an offer directed to no more than two persons, there were no subfranchising rights in the agreement, no commission was paid and the trademark owner was domiciled in New York.

>> The Bottom Line

Given the broad scope of the Act, trademark owners in New York should be cautious when entering into trademark licenses. To avoid becoming an accidental franchisor, New York-based trademark owners should know about the exemptions built into this law, and seek counsel before entering into any license agreements.

By Marc Rachman, Partner, 212.468.4890/mrachman@dglaw.com
and Allie Lin, Associate, 212.468.4868/alin@dglaw.com

CALENDAR OF EVENTS

American Conference Institute's Premier Forum on Preventing, Defending, and Managing Employment Discrimination Litigation

February 25 - 26, 2010

Moderator: Michael C. Lasky, Co-Chair, Litigation Practice Group

Topic: In-House Management Think Tank on Containing Costs and Optimizing Internal Policies, Practices and Documentation to Set Up, Control and Strengthen the Defense if Litigation Arises

Location: Millennium UN Plaza Hotel, New York, NY

Register: http://www.americanconference.com/dynamic/Page543.aspx

TOP-LEVEL DOMAIN NAMES SOON TO EXPAND

>> continued from page 1

There are, however, numerous concerns about this prospective expansion. First, the new TLDs will be expensive – at least $185,000 in registration and evaluation fees, and anywhere from $25,000 to $75,000 in annual fees. The application process is fairly complicated because the purchaser of a TLD must act as the registrar for sub-domain names – e.g., the owner of the ".soda" top-level domain name could theoretically sell to Coca-Cola the right to use www.cocacola.soda – and requires a showing of financial and technical resources to do so.

In addition, there is a lengthy process for awarding the TLD, including an objection period, followed by steps for dispute resolution. For example, there may be disputes between similar brand name owners in different industries over who can own the top-level domain name (e.g., Delta for airlines versus Delta for faucets). ICANN is still considering how some of these issues will be resolved.

Finally, whether or not a company applies for a TLD, the expansion will greatly increase the cost of monitoring trademarks, including the vigilance required to file timely objections to applications that may infringe on the company's rights or interests.

Recently, a group of trademark owners raised these concerns at a hearing before the House Committee on the Judiciary's Subcommittee on Courts and Competition Policy, and submitted five recommendations of needed protections and safeguards. Currently, ICANN intends to adopt only two of the recommendations – a more detailed database of registrants and an improved dispute resolution system. The latest draft of ICANN's guidebook was released in October.

>> The Bottom Line

It is uncertain whether investing in a custom TLD is worth the expense. What is clear, however, is that this expansion will require trademark owners to be even more vigilant in monitoring the use of their trademarks online, as the increase in the availability of new TLDs increases the possibility of disputes and misuse over them.

By Marc Rachman, Partner, 212.468.4890/mrachman@dglaw.com
and Shirin Keen, Associate, 212.468.4934/skeen@dglaw.com

CONTACT US

Davis & Gilbert
Litigation Partners

Michael C. Lasky
Co-Chair
212.468.4849
mlasky@dglaw.com

Howard J. Rubin
Co-Chair
212.468.4822
hrubin@dglaw.com

Jennifer Tafet Klausner
Editor
212.468.4827
jklausner@dglaw.com

Miles A. Baum
212.468.4821
mbaum@dglaw.com

Guy R. Cohen
212.468.4853
gcohen@dglaw.com

Paul F. Corcoran
212.468.4825
pcorcoran@dglaw.com

Sara L. Edelman
212.468.4897
sedelman@dglaw.com

Bruce M. Ginsberg
212.468.4820
bginsberg@dglaw.com

Neal H. Klausner
212.468.4992
nklausner@dglaw.com

Maureen McLoughlin
212.468.4910
mmcloughlin@dglaw.com

Marc J. Rachman
212.468.4890
mrachman@dglaw.com

Ina B. Scher
212.468.4937
ischer@dglaw.com