

4A's Patent Guidance Recommendation: Digital Functions, Patent Liability and the "Wayback Machine"



A Guidance Directive from the American Association of Advertising Agencies

Recently a marketer indicated to a 4A's member agency that the client believed that their agency should be responsible to indemnify the client for a patent assertion claim because the agency built the client's new website. The agency used a simple online tool* to show the client that its old website utilized the allegedly infringing functionality long before the agency began work on the new website. Based on the agency's ability to document the client's prior use of the function at issue, the client acknowledged that the agency was not responsible to indemnify the client.

4A's Patent Guidance Recommendations

Recent agency experiences with patent assertion matters have led the 4A's to a few patent guidance recommendations for agencies.

- 1) Agency responsibility for patent liability, if any, should require proportional and equitable sharing of costs, as well as time and use limitations.**

The 4A's recommends that agencies should not indemnify clients for patent claims. However, in light of the uncertainties of the current patent landscape and in very limited circumstances related to the breadth and nature of a unique client relationship, if an agency decides to contribute to settlement of a patent infringement claim the agency should limit its contribution to an equitable and proportional share of the reasonable settlement cost, and the agency should further limit its contribution to settle patent assertions arising solely from use, prior to the receipt of the claim, of work product developed and produced entirely by the agency for specific client properties, and then only for a specific period of time and with respect to specified uses.

Settlements with patent assertion entities (sometimes called "patent trolls") often entail payment of a license fee based on both past use of the allegedly patented function and future or ongoing use of the function (until expiration of the patent or cessation of use of the function). If the client controls the breadth and duration of usage of the alleged infringing material, it stands to reason that any agency obligation to the client should be limited to contributing an equitable and proportional allocation of reasonable settlement costs associated solely with uses that occur prior to the receipt of the claim for work developed and produced entirely by the agency for specific properties and then only for a specific period of time and with respect to specified uses.

If your agency makes a business decision to share a portion of risk associated with patents asserted against a client, the economic risk allocation should recognize the proportional economic benefits derived by the two parties related to the use of the alleged infringing material.

Many marketers work with multiple agencies and software developers. Your agency's agreement with the client should specify that the agency's obligation, if any, is limited to a proportional share of any patent assertion settlement that is based solely on work executed entirely by the agency for specific properties and uses. If and when the client modifies, extends, combines or reassigns agency work product any agency responsibility for patent settlement contribution should end.

2) Document client's pre-existing digital features and functions

The 4A's recommends that agencies document the digital features and functions that each client has been using prior to beginning work so that if/when a patent assertion occurs the agency can determine and document when the client initiated use of the allegedly infringing function.

Agencies should consider collecting and archiving information related to each client's pre-existing use of digital functions. Your agency's documentation could entail collecting screen shots, client records, public records and other information sources that pertain to the client's pre-existing digital footprint.

Your agency documentation might include: (i) technologies (original, contracted and commercial and open source code libraries, etc.); (ii) functionality (designs, functional specifications, interaction flow charts, etc.); and (iii) other software partner agreements that were in place before your work was started.

4A's Guidance Summary

The digital marketing landscape involves the development and use of software and software tools that may correlate or appear to correlate with patents that might be asserted by a patent holder.

Currently, the predominant industry operating model is for marketers to require control and rights to monetize agency developed work product; including digital, web and mobile functions. Given a client's ability to ubiquitously use, control and repurpose agency work product beyond the initial agency developed executions, it is not surprising that the vast majority of patent assertion "troll" activity is targeted to marketers.

Marketers recognize that their control and monetization of digital functions entails the risk of potential patent assertions. Most marketers recognize the need to fully indemnify the agency and assume patent risk. However, due to the unpredictable nature of patent assertion entity activities, the agency-marketer ecosystem is being forced into a debate over indemnification responsibilities related to patent assertions.

The 4A's recommends that agencies document client uses of digital functions before an engagement begins and structure any responsibility for patent-related costs (if any is to be assumed) based on equitable and proportional risk sharing that is based on the nature of the project in question with defined time and use limitations.

***Postcript: A word about ... The “Wayback Machine” Tool**

In the case example noted above, the agency used an online tool called the “Wayback Machine” to document the client’s historic website features. This tool is an example of one type of information-gathering that might be used when your agency documents a client’s pre-existing use of digital functions.

The "[Wayback Machine](#)" is a free online historical archive that can help you view how a website looked and operated at various points in the past. The "Wayback Machine" is a service provided by the Internet Archive.

The Internet Archive website notes:

- “The Internet Archive is a nonprofit organization dedicated to archiving the Internet and other digital materials, and providing public access to these records. We are not in the business of responding to requests for affidavits, or authenticating pages or other information from the Wayback Machine;”
- “The Wayback Machine tool was not designed for legal use.”
- “If you are determined to obtain an affidavit authenticating printouts from the Internet Archive’s Wayback Machine, we will do our best to help you in accordance with this policy.”

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