



AGENDA

LEGAL PROTECTIONS

- Corporate Structures;
- Contractual Agreements;
- Affiliate Compliance Reviews;
- Suppression Lists;
- Copyright and Trademark Infringements;
- Questions & Answers.

Corporate Structure

- Why have one?
- I like my partner, Partnerships are Good;
- Corporations;
 - S-corp v. C-corp;
- Limited Liability Company.



Acting Like A Corporation

- Consistent Message – You are a Corporation;
- Use Corporate Name and Title;
- Business Cards, Correspondence, Emails;
- Contracts & All Legal Documents;
- Invoices, checks, accounting records;
- Annual Meetings & keep your corporate records up to date;
- If in doubt, consult your general counsel.

Contractual Agreements

- One Size Does Not Fit All;
 - Advertising;
 - Affiliates;
 - Cross Publishing;
- Jurisdiction & Venue Provisions;
- Limitation of Liability Provisions;
- Indemnification.

Responsibility for Affiliates

- 100% Per FTC;
- Recent Enforcement Activities of the FTC;
 - CAN SPAM Violations;
 - Injunction shutting the company down;
 - Injunction freezing the company assets;
- How do you pay for a defense?

FTC Press Release

For Release: November 17, 2005

Spammers Barred from Violating Federal Law

Operators Required to Keep Closer Eye on Affiliated E-mail Programs

Spammers who sent millions of illegal e-mail messages – including sexually explicit messages -- have paid \$621,000 to settle Federal Trade Commission charges that their practices violated federal laws. The settlement will bar future violations and will require the marketers to monitor their affiliates to assure they are complying with federal laws, as well.

According to the FTC complaint filed in January 2005, the defendants sold access to sexually explicit Web sites through spam. Four defendants control a network of corporations that own and operate the Web sites, payment systems, and servers used to distribute and sell sexually explicit content. One defendant was an affiliate hired to market the content from the Web sites. While the affiliate sent many of the e-mails that allegedly violated federal law, under the CAN-SPAM Act all of the defendants are responsible for the e-mails, including the defendants who paid others to send the e-mails on their behalf.

The FTC charged that the e-mails violated the CAN-SPAM Act and the FTC's Adult Labeling Rule by failing to include the required label for sexually explicit content; displaying sexually explicit content in the e-mail itself; using misleading header information; using misleading subject lines; failing to include the required opt-out notice; failing to have a functioning opt-out mechanism; failing to identify e-mails as advertisements or solicitations; and failing to provide a valid physical postal address.

The court entered a default judgment against one defendant, requiring him to pay \$79,018. The remaining defendants settled the FTC charges. Both the settlement order and default judgment bar the defendants from violating the CAN-SPAM Act, the Adult Labeling Rule, and the FTC Act. The orders require that the defendants include in all commercial e-mail a working opt-out mechanism, notice that the e-mails are advertisements, and the physical postal address for the defendants. The defendants also must label any sexually explicit e-mail and keep sexually oriented material out of the subject line or the initially viewable area of any e-mail. The orders also bar them from sending, or paying others to send, false or misleading commercial emails, including e-mails with false header information, false e-mail addresses, or e-mails that misrepresent that any product, service, or web site is free.

The settlement contains an affiliate monitoring requirement. The defendants must collect certain required information about an e-mail campaign, as well as identification information about the affiliates, before they can begin the campaign. Once the e-mails are sent, the defendants are required to sample new subscribers to their Web site to make sure the affiliates are complying with the settlement order when sending out marketing e-mails. In addition, the defendants are required to establish a system to gather, review, and

The settling defendants are Global Net Solutions, Inc.; Global Net Ventures, Ltd.; Open Space Enterprises, Inc.; Southlake Group, Inc.; Wedlake, Ltd.; WTFRC, Inc., doing business as Reflected Networks, Inc.; Dustin Hamilton; Tobin Banks; Gregory Hamilton and Philip Doroff.

The district court judge entered the default judgment against defendant Paul Rose, an affiliate.

The Commission vote to authorize staff to file the stipulated order for permanent injunction and monetary judgment was 4-0. The stipulated order was entered in the U.S. District Court for the District of Nevada on August 5, 2005. The default judgment was entered September 8, 2005.

NOTE: This stipulated final order is for settlement purposes only and does not constitute an admission by the defendants of a law violation. A stipulated final order has the force of law when signed by the judge.

Copies of the stipulated final order are available from the FTC's Web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint in English or Spanish (bilingual counselors are available to take complaints), or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at <http://www.ftc.gov>. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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(<http://www.ftc.gov/opa/2005/11/globalnet.htm>)

Affiliate Compliance Review

- Vetting Process;
- Well Drafted Agreements;
- Due Diligence – Opt in information;
- Certified Compliance;
- Continuous Compliance Monitoring;
- Terminate for Non-Compliance.



Suppression lists

- License it to your affiliates;
- Seeding the affiliate list;
- Use of affiliate suppression list;
- Unsubscribe Requests.

Copyright/Trademark Infringement

- Cease & Desist Letters;
- DMCA Notice.

Sample Cease & Desist Letter

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*Via Electronic Mail [REDACTED] and
US Certified Mail, Return Receipt Requested*

[REDACTED]
[REDACTED]
[REDACTED]

Re: Notice of Infringement: [REDACTED]

Dear Sir:

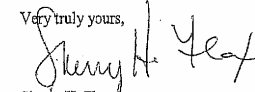
This office represents [REDACTED] (" [REDACTED]"), one of the nation's largest and most recognized mortgage lending companies. [REDACTED] provides a broad range of mortgage lending and related financial services under various service marks, including [REDACTED] and [REDACTED].

[REDACTED] (" [REDACTED]"), the parent of [REDACTED] Mortgage, owns the federal registration of the mark [REDACTED] U.S. Reg. No. 1,638,609, for comprehensive mortgage and home equity lending services. The [REDACTED] mark has been in continuous use in connection with these services since 1919. [REDACTED] owns the federal registration of the mark [REDACTED], U.S. Reg. No. 2,746,771, for real estate mortgage banking and lending services. [REDACTED] has been in continuous use since at least as early as September 1985. [REDACTED] has expended significant resources to advertise and market its service marks and to protect them from infringing uses by others. By virtue of their continuous use for many years, the [REDACTED] and [REDACTED] marks have become famous marks that are widely recognized by consumers.

We have recently learned that you have are using the term [REDACTED] as a search term for Internet searches via the Google and Yahoo search engines, and their affiliates. The similarity of this term to [REDACTED] is likely to cause consumer confusion regarding the source of the mortgage services you are providing. At a minimum, consumers are led to believe that [REDACTED] participates in your competitive mortgage quoting services.

[REDACTED] requests that you immediately discontinue any and all use of the term [REDACTED] or any other confusingly similar name, as a search term to identify your mortgage lending services.

Please contact this office by Monday, August 1, 2005, to notify us of your compliance with this request. We look forward to your anticipated cooperation in this matter.

Very truly yours,

Sherry H. Flax

cc: [REDACTED] (Via Electronic Mail)



QUESTIONS AND ANSWERS
