CYA (Cover Your Apps!)

Mobile Apps and App Development Best Practices for Corporate Counsel

September 20, 2012

Agenda

- Speakers
- Our Firm
- App Development
- Privacy & Your Company's App
- Apps for In-House Lawyers

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Welcome

Christopher Hopkins
Shareholder
Litigation Practice Group

- Civil trial and appellate lawyer
- Focus: general civil litigation, commercial, construction, professional malpractice, and probate
- Handles social media, e-discovery, internet defamation, and reputation management issues
- Developed two law-related iPhone apps

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Welcome

Michael Marsh
Shareholder
Litigation Practice Group

- Extensive trial experience including various tribunals from administrative agencies to federal courts
- Focus: commercial lawsuits, including securities and other class action defense, accounting fraud, Ponzi schemes, D&O liability, professional liability, corporate transactions, corporate governance and compliance issues
- Admitted to practice in Florida & New York

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Welcome

Brian Miller
Shareholder & Chair,
Securities Litigation Practice

- Chair, Securities Litigation Practice
- Focus: securities class action defense, internal investigations, accounting fraud, and directors' fiduciary duties
- Began career at the U.S. Securities & Exchange Commission
- Defended over 20 shareholder class actions, collectively seeking damages of over $1 billion
- Defended numerous SEC investigations

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Our Firm

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Who We Are

- Leading national law firm, guiding clients swiftly through regulatory matters, transactions, and disputes
- Focused on our clients' critical challenges and opportunities unfolding across the U.S. and Latin America
- Known for our core strengths in middle market M&A, in the financial services and real estate industries, and for a diverse Latin America practice
- 500+ lawyers and government affairs professionals and a network of 19 offices

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Our Approach

- Intensely focused on innovating pragmatic, customized solutions to our clients' most complex legal challenges
- Provide clients with senior-level attention and strategizing
- Focused on getting business done swiftly
- Fully integrated teams with externally-focused thinking
- Well-being and success of our clients and their business is top-of-mind

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Corporate Practice Group

- Go-to law firm for middle market transactions, serving clients across the U.S. and Latin America from offices in New York, Washington, D.C., and Florida
- Nationally recognized, with a team that includes former SEC staff attorneys and former in-house corporate counsels
- Representing public and private companies, and private equity and other investment firms and their portfolio companies, in M&A, public and private securities offerings, financing, and other transactional matters, as well as corporate governance, securities compliance, and general corporate matters
- Akerman shareholders lead all engagements, with a track record of providing pragmatic, cost-effective solutions

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Litigation Practice Group

- Nationally recognized by *US News-Best Lawyers*, in the Commercial Litigation category and as a national tier one law firm for International Arbitration and Real Estate Litigation

- Integrated team of trial lawyers, known for their experience in complex litigation and appeals including the handling of high profile, nationwide class actions, appeals and Ponzi schemes

- Known for our experience in key industries, including financial services, insurance, healthcare and real estate

- Team of appellate experts, including former appellate judges, Board Certified appellate lawyers, and former appellate court law clerks

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How We Can Help

- Advice and counsel involving public and private securities transactions including:
  - technology transactions
  - IP transactions & due diligence
- Full range of corporate law matters including governance issues, securities and M&A
- Advising companies on computer software licensing and internet legal issues
- Litigation avoidance, best practices to avoid common pitfalls

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App Development Issues

App Development Issues

So You Want to Develop An App? Consider Your Audience:

- 50% of mobile phones are app-capable “smartphones” (Nielsen)
- 87% have “something to hide” on their phones (NQ Mobile)
- 53% use a phone password (NQ Mobile)
- 41 – average # of apps installed per phone (Nielsen)
- 54% of app users decided not to install an app due to privacy (Pew)
- 30% of users un-installed an app due to privacy (Pew)

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App Development Issues

App Development Legal Pitfalls

- Contract with Platform (Apple / Google)
- Contract with Developer
- Terms of Service (EULA)
- Privacy Policy
- State & Federal laws (advertising)

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App Development Issues

Three “levels” to an app:

- Operating system (platform) which operates the app
- Software developer kit / code which developer uses
- App icon

Your App’s Function?

- If it connects, contacts or interacts with someone or something, you need an agreement.
- What does it access on the phone or platform?

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App Development Issues

Contract with Platform

- Your Company may be the Publisher (e.g., “iPhone Developer Program License Agreement”)
- Platform may reject for any reason (what are the review guidelines?)
- Platform may restrict other platforms (if you use their development software)
- Limited liability
- Platform’s ToS and Privacy Policy (aligned w yours?)
- *If you have an outside developer, make sure you have access to your platform account and have someone other than the developer who can remove app if there is a problem.*

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App Development Issues

Contract with Developer

- Written specifications; timetables
- Your IP ownership
- Control of user data
- Acceptance testing – before it goes live
- Copyright / patent infringement (where is developer getting its code? Beware the “patent troll”)
- Free and Open Source Software or GNU General Public license terms met?
- Support / maintenance
- *What is outcome if/when there are bad reviews or failures?*

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App Development Issues

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App Development Issues

Contract with Developer

- Often developer will retain tools, methods, processes, and elements of the app code (licensed to publisher)
- General company policy = website policy = app policy?
- ***"e" and "i" rule: don't let the technology confuse your good judgment; same laws still apply regardless of paper or pixel.***
- ***Lawsuit may never make you whole (plan ahead) – risk of contracting with emerging tech companies***

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App Development Issues

App issues (more interactive, more considerations)

- Age verification
- Mobility and scalability – tolerate large traffic?
- Security testing to find/fix vulnerabilities?
- QA stress testing?
- Does app access contacts, GPS, photos, UDID?

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App Development Issues

Contract with Developer – look for these sections

- Term & Termination
- Development Services
- Compensation for Services
- Obligations of Developer
- Proprietary Rights
- Warranties
- Indemnification
- Confidentiality
- Insurance

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Privacy & Your Company's App

Privacy

Protecting Kids' Privacy Online

The COPPA Rule

Updating COPPA to Protect Kids
FTC Seeks Comments on Proposed Changes

MARKETING YOUR MOBILE APP

GET IT RIGHT FROM THE START

FEDERAL TRADE COMMISSION | business.ftc.gov

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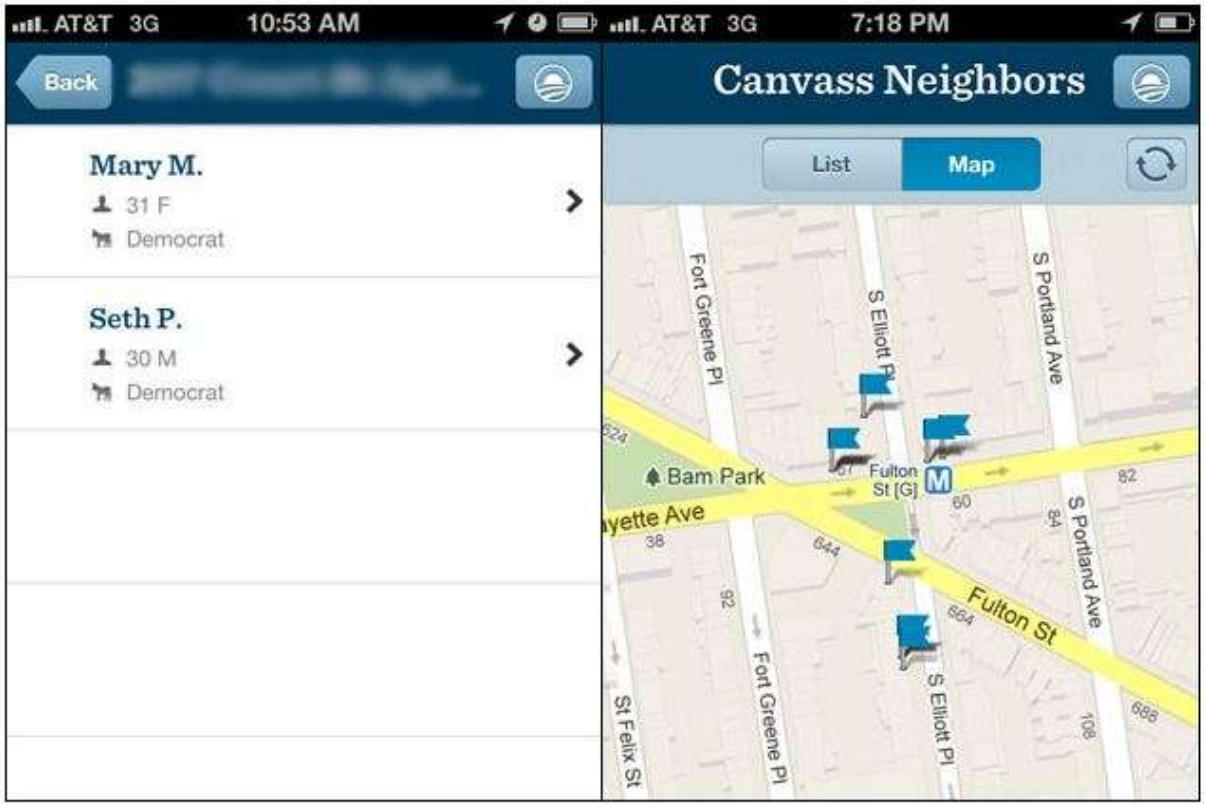
Privacy

Is Your Neighbor a Democrat? Obama Has an App for That



Truthful Advertising

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Truthful Advertising

Federal Trade Commission

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Protecting America's Consumers

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For Release: 09/08/2011

"Acne Cure" Mobile App Marketers Will Drop Baseless Claims Under FTC Settlements

Marketers who advertised that their smartphone applications could treat acne have agreed to stop making baseless claims in order to settle FTC charges. The mobile applications, commonly referred to as "apps," were sold in Apple's iTunes Store and Google's Android Marketplace. The settlements in two separate cases would bar the marketers from making certain health-related claims without scientific evidence.

"Smartphones make our lives easier in countless ways, but unfortunately when it comes to curing acne, there's no app for that," said FTC Chairman, Jon Leibowitz.

The cases involving mobile apps "AcneApp" and "Acne Pwner" are the first the FTC has brought targeting health claims in the mobile application marketplace.

E-mail this News Release
If you send this link to someone else, the FTC will not collect any personal information about you or the recipient.

Related Items:

In the Matter of Koby Brown, individually, and doing business as Dermapps, and Gregory W. Pearson, individually, and doing business as Dermapps
FTC File No. 102-3205

In the Matter of Andrew N. Finkel, Individually
FTC File No. 102-3206

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Truthful Advertising

Tell the Truth About What Your App Can Do

- Website, App Store, App itself---MUST TELL TRUTH
- Once you DISTRIBUTE an app, you become an ADVERTISER
- Under the law, an ad is anything a company tells a prospective buyer or user – ***expressly or by implication*** – about what a product can do
- Avoid ***false or misleading*** claims, as well as the omission of certain important information
- One rule of thumb: Look at your product and your advertising from the perspective of ***average users***, not just software engineers or app experts

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Truthful Advertising

You need solid proof to back up your app claims before you start selling

- The law calls that "***competent and reliable evidence***." If you say your app provides benefits related to health, safety, or performance, you may need competent and reliable *scientific* evidence
- For example, the FTC recently took action against developers who said their apps could treat acne, but who didn't have scientific evidence to back up their claims
- FTC Chairman, **Jon Leibowitz**, stated the obvious: While SmartPhones make our lives easier in countless ways, they unfortunately do not when it comes to curing **acne. THERE IS NO APP FOR THAT.**
- May seem silly to believe, but not when dealing with ***desperate teenagers***

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Truthful Advertising

Disclose Key Information Clearly and Conspicuously

- If you need to disclose information to make what you say accurate, your disclosures have to be "***clear and conspicuous***"
- What does that mean?
- That they're big enough and clear enough that users actually notice them and understand what they say
- Generally, the law doesn't dictate a specific font or type size, but the FTC has taken action against companies that have buried important terms and conditions in ***long licensing agreements***, in ***dense blocks of legal mumbo jumbo***, or behind ***vague hyperlinks***
- Clear and conspicuous disclosures make good business sense

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Litigation

False Advertising

- More communication necessarily means more opportunity for miscommunication and for misstatement about your app.
- This risk is exacerbated by breadth and speed of distribution in the social media marketing and sales channels.
- As a result, we may see a significant increase in False or Misleading advertising claims.

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Litigation
False Advertising

Laws Relating to False Advertising Claims

- There is a well established body of law that governs false advertising claims
- Section 5 of the Federal Trade Commission Act
  - prohibits "unfair and deceptive acts or practices": exists if there is a material representation, omission or practice that is likely to mislead an otherwise "***reasonable consumer***."
  - no actual harm or intent required.
  - FTC is free to make determinations based on its experience and judgment, rather than actual evidence in the marketplace.
  - advertiser generally bears the burden of substantiating the advertising claim.
  - permits monetary and injunctive relief
  - no private right of action at the FTC or in federal court under the FTC Act

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Litigation
False Advertising (cont'd)

- National Advertising Division ("NAD")
  - self-regulatory body that resolves deceptive and misleading advertising claims
  - Indirect way for consumers and competitors to obtain a private right of action under the FTC Act
  - parties volunteer to proceed with the NAD to avoid potentially more consequential action of the FTC

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Litigation

False Advertising (cont'd)

- Section 43(a) of the Lanham Act
  - protects competitors against deceptive practices
  - relief is **NOT** available to consumers; for competitors
  - Some Circuits limit to "direct competition" (7th, 9th and 10th Circuits)
  - Others have a broader standing threshold that includes indirect competitors
  - civil actions by competitors for false or misleading statements made in advertising
  - covers failure to disclose only if such failure makes a statement "affirmatively misleading, partially incorrect, or untrue as a result of a failure to disclose a material fact."
  - brought in state or federal court (removal)
  - injunctive relief and monetary damages
  - not necessary to show actual harm or intent to deceive for injunction
  - must show deception and harm to recover damages

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Litigation

False Advertising (cont'd)

- State Deceptive Practices Acts (*e.g.*, FUDTPA)
- Common law unfair competition claims

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Truthful *Advertising*

- Emerging Area, but you can avoid trouble by following a few simple rules:
- Truth – Do not Stretch
- Even Implicitly
- Average User – Not Expert
- Competent & Reliable Evidence to Back-up Claims about your app
- For Health, Safety or performance – Reliable Scientific Evidence
- Clear & Conspicuous

- PRIVACY

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Privacy

Build Privacy Considerations in from the Start

- The FTC calls this “privacy by design”
- What does it mean?
- Incorporating privacy protections into your practices, limiting the information you collect, securely storing what you hold on to, and safely disposing of what you no longer need
- Apply these principles in selecting the default settings for your app and make the default settings consistent with what people would expect based on the kind of app you’re selling
- For any collection or sharing of information that’s not apparent, get users’ express agreement - that way your customers aren’t unwittingly disclosing information they didn’t mean to share

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Privacy

Be Transparent About Your Data Practices

- Even if you need to collect or share data so your app can operate, be clear to users about your practices
- Explain what information your app collects from users or their devices and what you do with their data
- For example, if you share information with another company, tell your users and give them information about that company's data practices

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Privacy

Offer Choices That Are Easy to Find and Easy to Use

- Give your users tools that offer choices in how to use your app – like privacy settings, opt-outs, or other ways for users to control how their personal information is collected and shared
- It's good business to apply the "clear and conspicuous" standard to these choice mechanisms, too
- Make it easy for people to find the tools you offer, design them so they're simple to use, and follow through by honoring the choices users have made

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Privacy

Honor Your Privacy Promises

- “But we don’t make any promises” Think again and reread your privacy policy or what you say about your privacy settings
- Chances are you make assurances to users about the security standards you apply or what you do with their personal information
- At minimum, app developers – like all other marketers – have to live up to those promises

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Privacy

- What if you decide down the road to change your privacy practices?
- You'll need to get users' affirmative permission for material changes. Just editing the language in your privacy policy isn't enough in those circumstances
- While you're taking another look at your privacy promises, read them with users in mind. Is the language clear? Is it easy to read on a small screen? Are you using design elements – color, fonts, and the like – to call attention to important information?

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Privacy

Protect Kids' Privacy

- If your app is designed for children or if you know that you are collecting personal information from kids, you may have additional requirements under the Children's Online Privacy Protection Act (COPPA) and the FTC's COPPA Rule
- Specifically, under COPPA, any operator whose app is directed to kids under age 13 or who has actual knowledge that a user is under 13 must clearly explain its information practices and get parental consent before collecting personal information from children
- App operators also must keep personal information collected from children confidential and secure

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Privacy

Keep User Data Secure

- At minimum, you have to live up to the privacy promises you make
- But what if you don't say anything specific about what you do with users' information?
- Under the law, you still have to take reasonable steps to keep sensitive data secure
- One way to make that task easier: If you don't have a specific need for the information, don't collect it in the first place

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Privacy

Be Aware of These Privacy Laws

- Children's Online Privacy Protection Act (COPPA)
- CAN-SPAM Act
- State privacy laws
- Breach of Contract (do not violate your own ToS)
- Video Privacy Protection Act (VPPA)

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Privacy

Conclusion / Good Practices:

- Review FTC “Marketing Your Mobile App”
- Terms of Use and Privacy Policy (have one)
- Conspicuous (where in app? Consider screen size)
- “e” and “i” rule: don’t let the technology confuse your good judgment; same laws still apply regardless of paper or pixel

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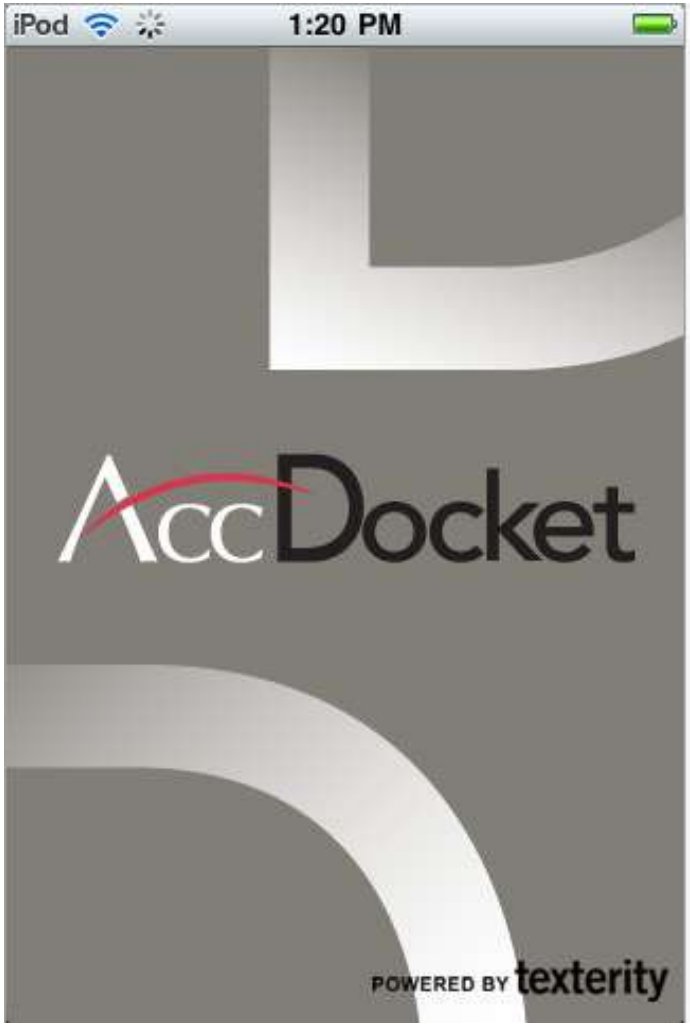
Apps for
In House Lawyers

ACC Docket



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CardMunch

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ABBYY Business Card Reader

Recognizes 21 languages

Save contacts in the CardHolder

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PhotoSynth

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PhotoSynth

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SeatGuru

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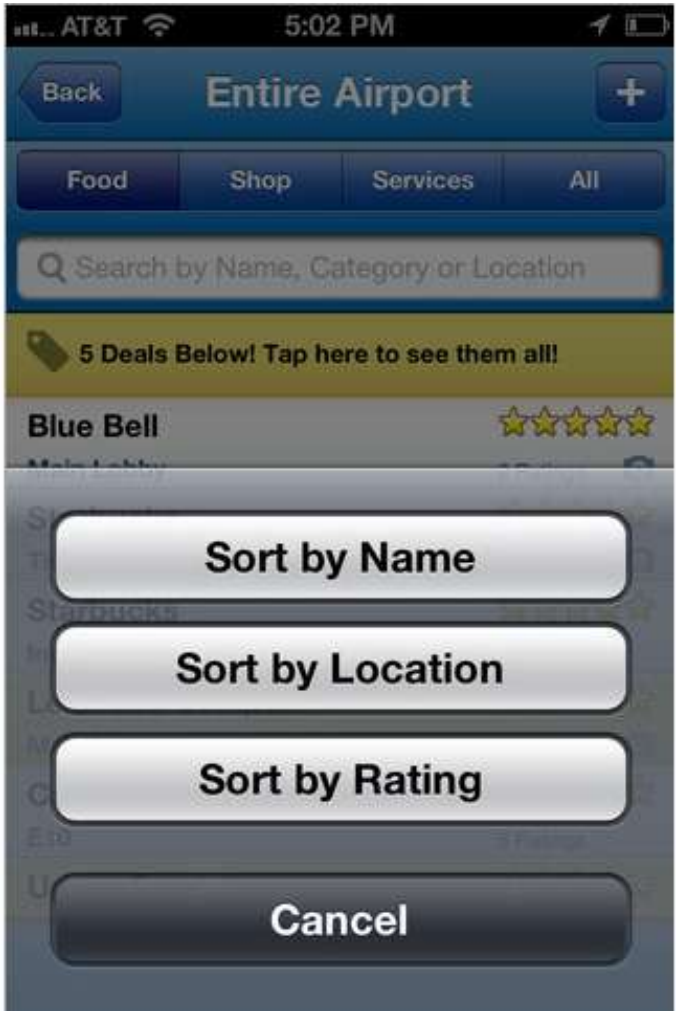
GateGuru



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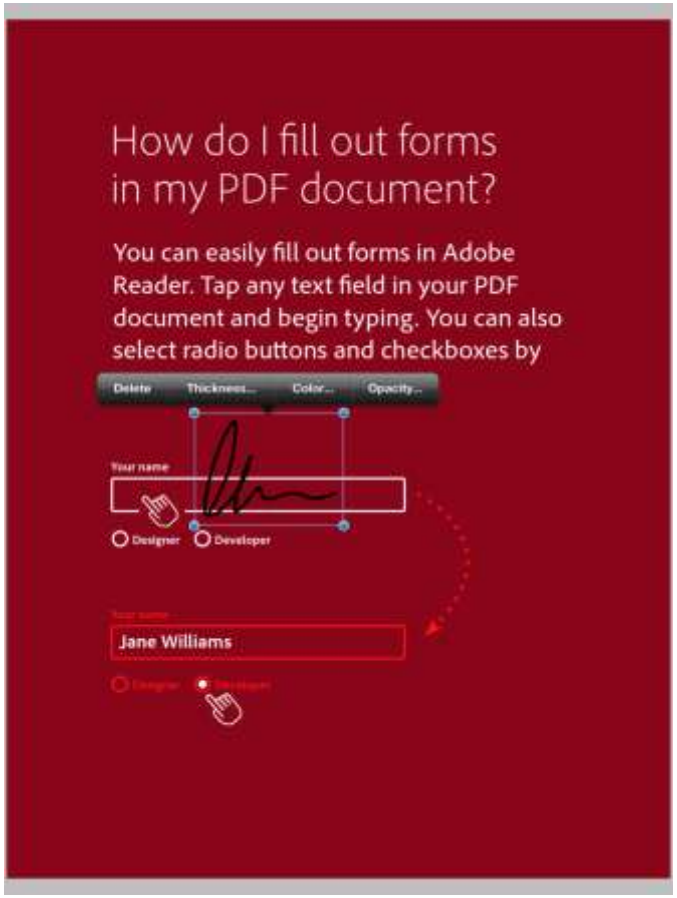
Adobe Reader



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PDF Expert

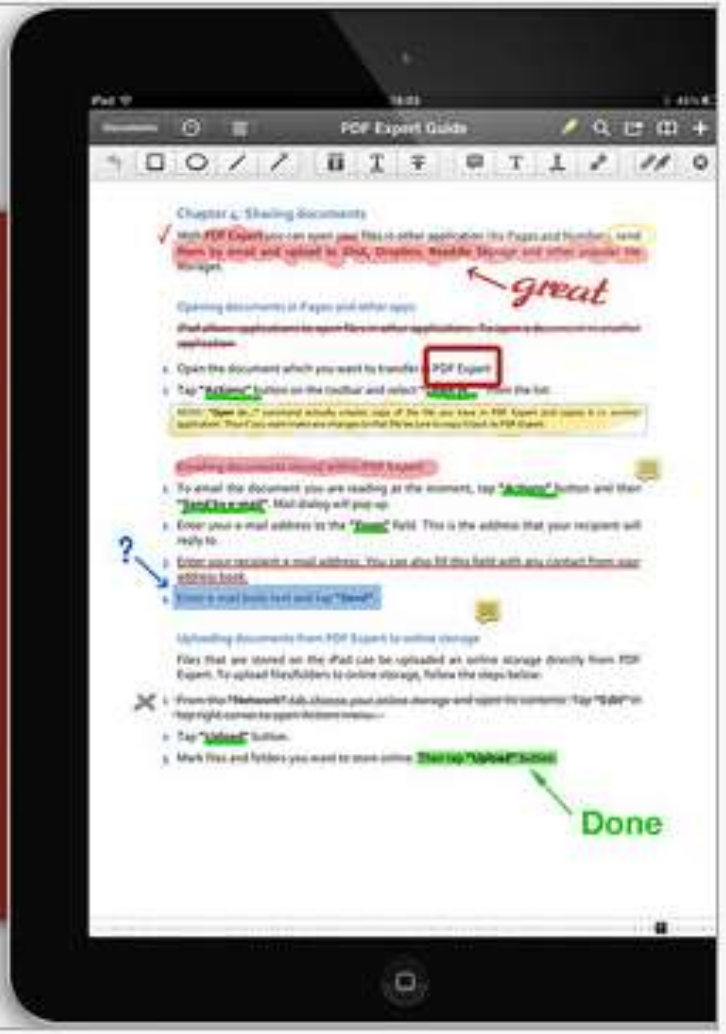
Annotate

Highlight important text or strike out errors

Add freehand drawings at any place at the document

Type text notes or add comments to the document

Call out text with arrows, lines, circles or other shapes



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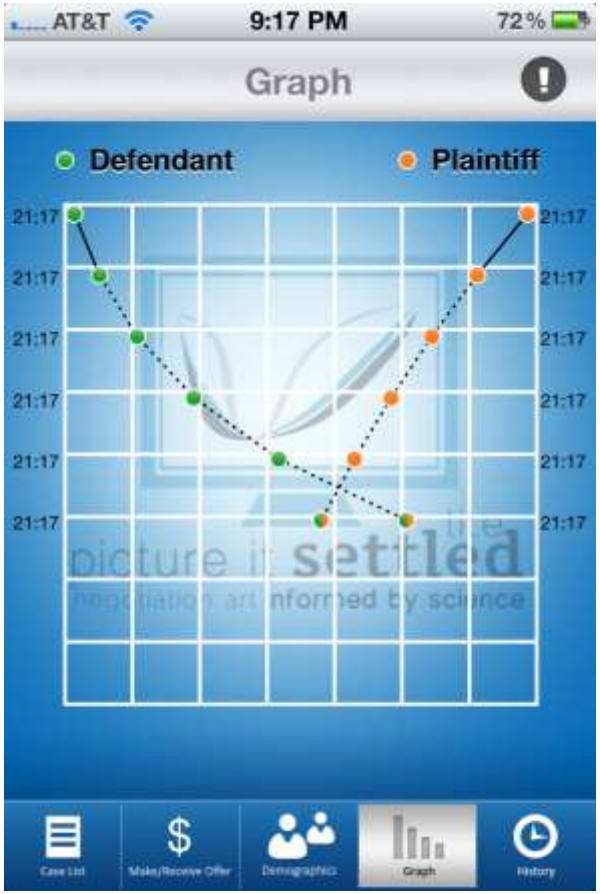
Picture It Settled



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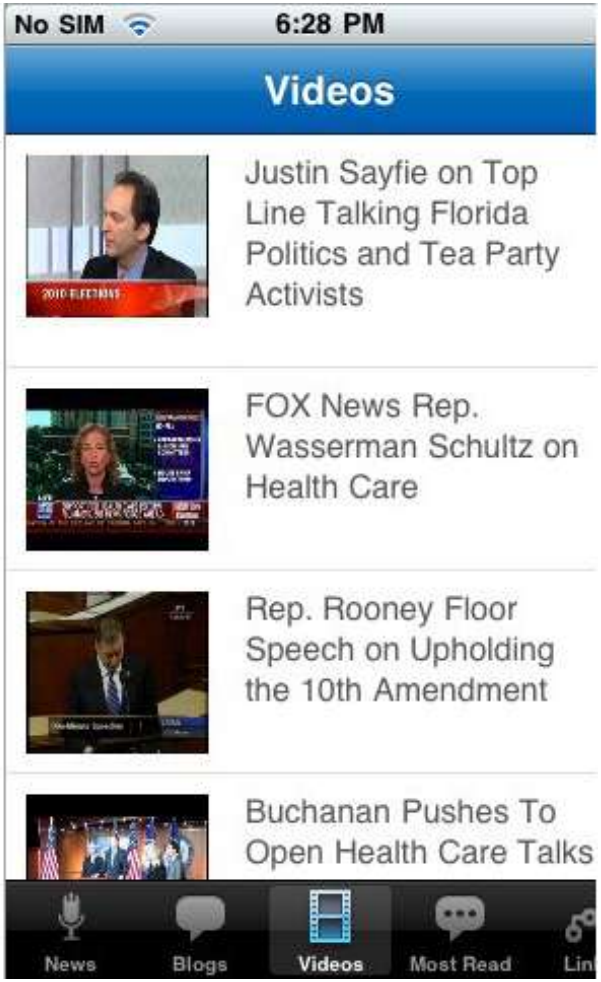

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Florida Bar News

The Florida Bar NEWS

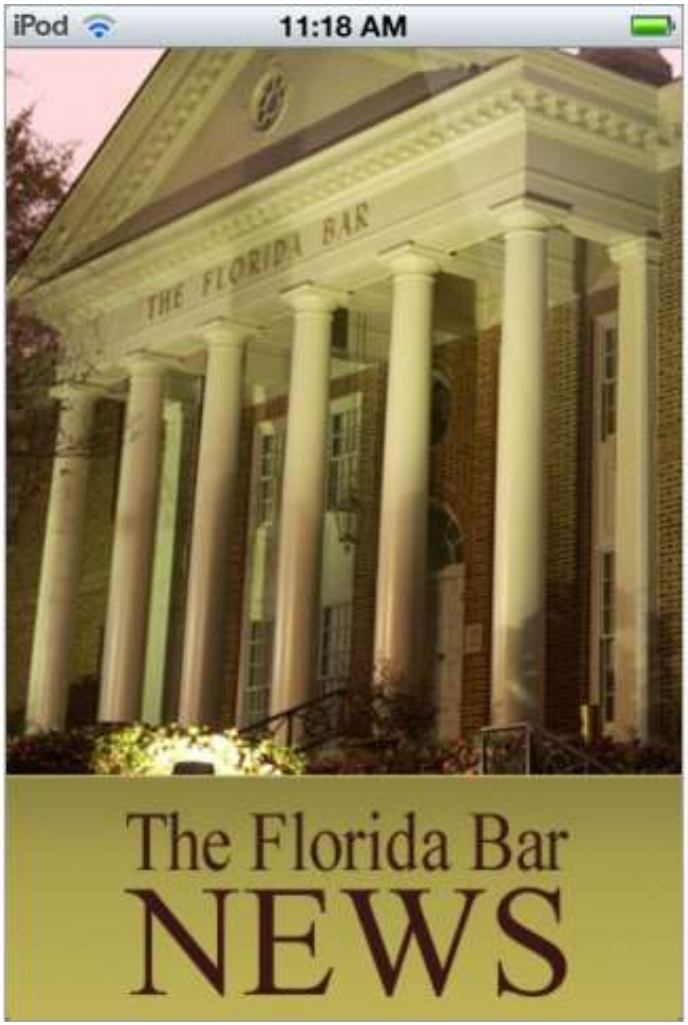

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Exhibit A

VIDEO
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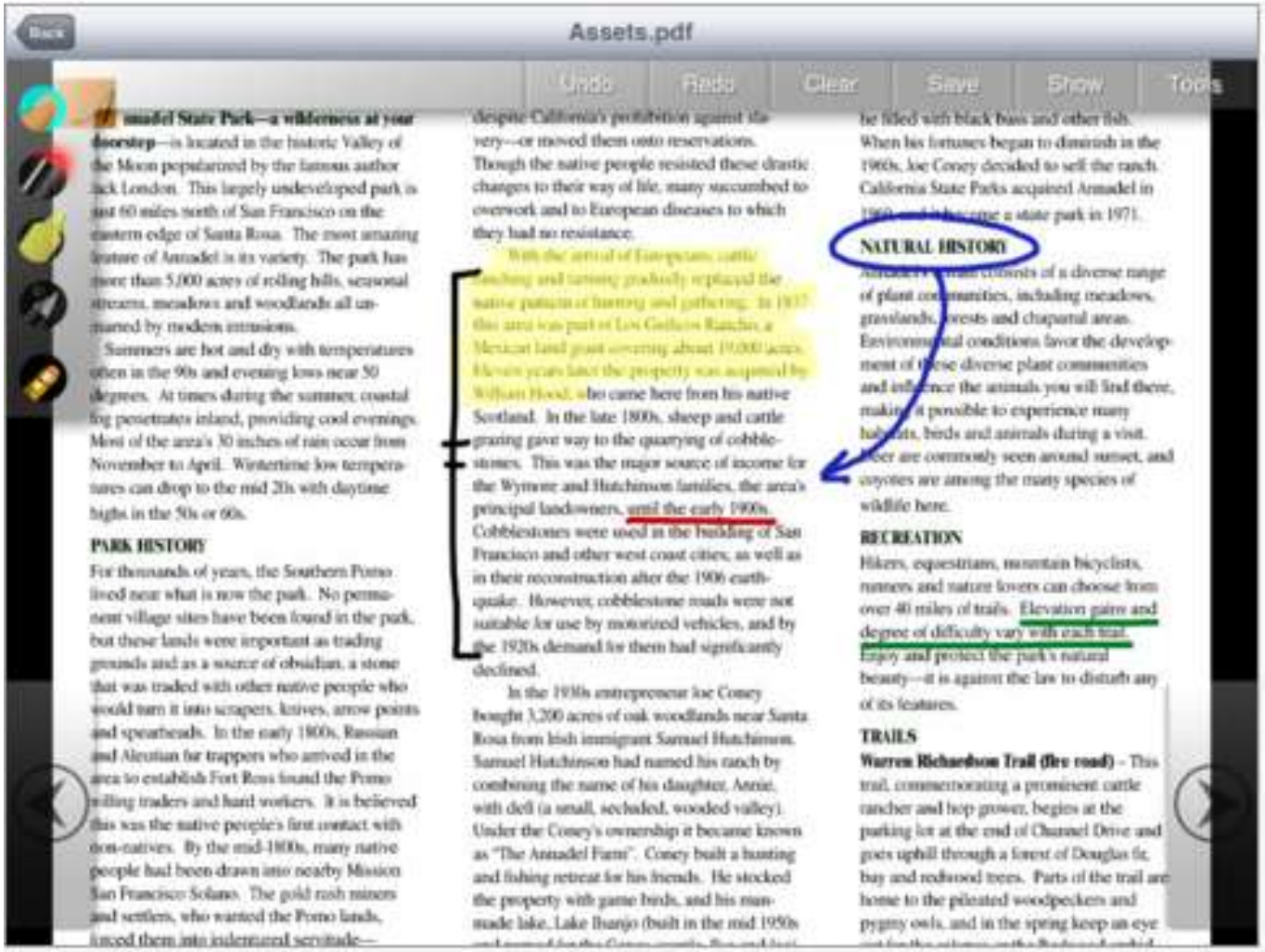
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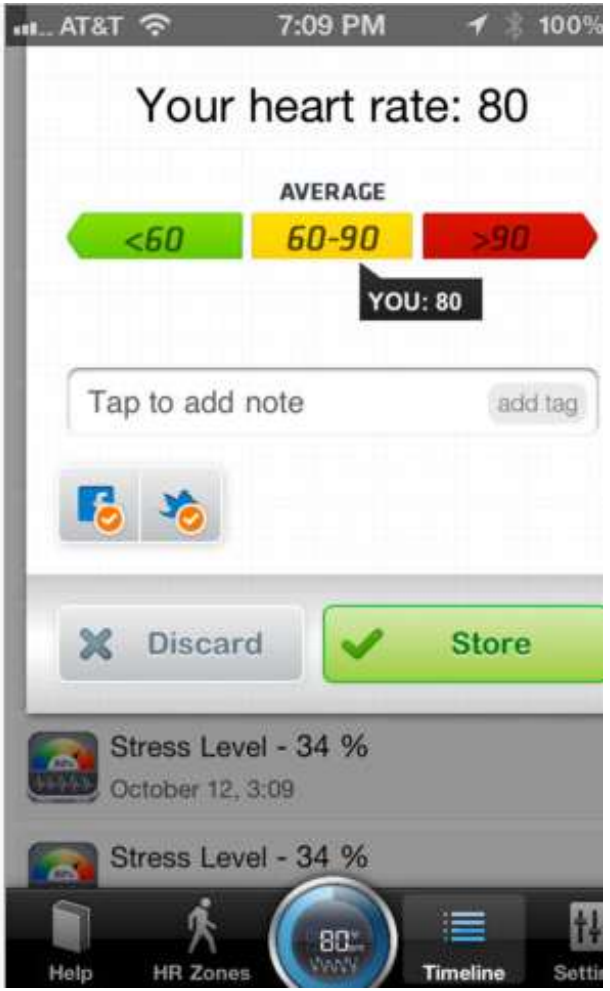

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Questions & Answers

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ACC Annual Meeting

- Akerman is a proud sponsor of the 2012 ACC Annual Meeting, September 30th through October 3rd, in Orlando
- Sending a contingency of lawyers representing several practice areas, including Corporate, Litigation, Real Estate, and Labor & Employment
- Look for us in the exhibit hall!

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