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STRATEGIC INTELLECTUAL PROPERTY PROTECTION IN FRANCHISE SYSTEMS: BEYOND TRADEMARK REGISTRATION

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STRATEGIC IP PROTECTION IN FRANCHISE SYSTEMS:
BEYOND TRADEMARK REGISTRATION

I. INTRODUCTION

A brand can be the most important asset of any franchise system. Branding experts have predicted that brands, to have a viable future, must have platforms that fully integrate all five of our senses, not just sight and sound, the senses targeted by traditional trademarks and other intellectual property.\(^1\) Why is this so? As branding guru Martin Lindstrom explains:

Our values, our feelings, our emotions, our memories – they’re all stored in our brains . . . . Human beings have at least five tracks – image, sound, smell, taste, and touch. These tracks contain more data than one can imagine and they have direct, immediate bearing on our emotional life. They can fast-forward or rewind at will, even linger on a precise spot. The more tracks on which you or I can record an experience, the better we remember it.\(^2\)

Lindstrom predicts that this multi-sensory approach will lead to “seismic shifts in the way we as consumers perceive brands.”\(^3\) At the epicenter of this shift is non-traditional intellectual property.

But not everyone is a believer. Some see the move toward using (and protecting) non-traditional intellectual property, led by the United States, as “a vacuous promise” and a major impediment to harmonizing U.S. intellectual property law with that of civil law countries.\(^4\) Thus, the theory goes, “by protecting ‘any’ symbol or device, the United States trademark jurisprudence is out of sync with the rest of the world.”\(^5\)

This paper examines recent uses of non-traditional intellectual property in franchise businesses and other businesses, as well as the different legal routes available for protecting this intellectual property, including trademarks, trade dress, copyrights, patents, and trade secrets. Non-traditional intellectual property rights are examined first from a U.S. perspective and then from an international perspective. Following this summary discussion are case studies of the current state of intellectual property protection in key countries around the world, including Brazil, Canada, China, the European Union, India, Mexico, Russia, and South Africa.

\(^1\) See Martin Lindstrom, BRAND SENSE: BUILD POWERFUL BRANDS THROUGH TOUCH, TASTE, SMELL, SIGHT, AND SOUND 3 (2005) [hereafter Lindstrom I].

\(^2\) Martin Lindstrom, BRAND SENSE: SENSORY SECRETS BEHIND THE STUFF WE BUY 8 (2010) [hereafter Lindstrom II].

\(^3\) Id.

\(^4\) Kenneth L. Port, On Nontraditional Trademarks, 38 N. KY. L. REV. 1, 2 (2011) (“[M]uch is made of nontraditional trademark protection but it is a vacuous promise. The world should not harmonize to the vacuous.”). See also Nick Pisarsky, Note, PotaYto-PoTAHto Let’s Call the Whole Thing Off: Trademark Protection of Product Sounds, 40 CONN. L. REV. 797, 800 (2008).

\(^5\) Port, supra note 4, at 8.
II. INTELLECTUAL PROPERTY & NON-TRADITIONAL RIGHTS IN FRANCHISING: A U.S. PERSPECTIVE

Most of the focus – and the fuss – about non-traditional intellectual property concerns trademarks. As the authors of a scholarly analysis of this subject noted, “[t]he great American marketing engine has generated a torrent of nontraditional trademarks” in recent years, but protecting those marks against infringement and dilution “is and will continue to be an enormous challenge.”

A. Trademarks

Enforcing rights in a brand is like managing an athletic team, in that it requires both a strong offense and a strong defense. The offensive side of brand strategy starts with choosing strong marks that will be hard for others to infringe or dilute. Instinctively, we gravitate toward marks that describe our products and services, but the more descriptive the mark, the weaker it is – and thus, the harder it is to protect.

At the weakest end of the spectrum are “generic” marks (“APPLE” for the sale of apples), which cannot be protected by trademark registration. Descriptive marks (“VISION CENTER” for a store selling eyeglasses) may be strong enough to register if, over time, consumers come to associate them with a specific source (known in trademark parlance as acquiring distinctiveness or “secondary meaning”), but the registration may offer little protection against competitors in a crowded field of descriptive marks. Suggestive marks (“COPPERTONE” for the sale of suntan lotion), are stronger, because they convey the unique nature of a product or service with a creative twist. “Fanciful” or “arbitrary” marks are the strongest of all. Fanciful marks (“KODAK” for the sale of cameras) are coined or made-up words. Arbitrary marks (“APPLE” for the sale of computers) are words used out of their ordinary context. Suggestive, fanciful, and arbitrary marks can be registered without any showing of secondary meaning.

Marks may also consist of letters, numbers, phrases, logos, and symbols, used alone or in combination: “7UP” for soft drinks, “3M” for post-it notes, “Snap! Crackle! Pop!” for the sale of breakfast cereal, and the Nike swoosh for the sale of footwear.

These words, letters, numbers, phrases, logos, and symbols are sometimes termed “traditional” marks. But looking at trademarks only in this “traditional” way leaves much of their brand-building potential untapped. Today, franchise companies, as well as other companies, are turning more and more to “non-traditional” marks to build and enhance their brands. They are using colors, sounds, scents, motions and gestures, textures, and tastes to distinguish and reinforce their brands, and to connect with consumers in more powerful and effective ways.

9 U.S. Reg. No. 3,222,184 (March 27, 2007), among others.
10 U.S. Reg. No. 1,323,343 (March 5, 1985).
How do these “non-traditional” marks fit into the legal scheme of things? The primary U.S. trademark law, the Lanham Act, defines a trademark as “any word, name, symbol, or device, or any combination thereof” that identifies and distinguishes the goods of a person from those of another and indicates their source. As the U.S. Supreme Court noted when it held that color could be registered as a mark, the Lanham Act describes the universe of things that can qualify as a trademark “in the broadest of terms.” The Court recognized that “[i]t is the source-distinguishing ability of a mark – not its ontological status as color, shape, fragrance, word, or sign – that permits it to serve” the basic purposes of a trademark.

Under the Lanham Act, no trademark that serves as a source-identifier will be refused registration because of its nature unless it “comprises any matter that, as a whole, is functional.” In determining whether a feature is functional, the U.S. Supreme Court has considered: whether the feature is essential to the use or purpose of the product, whether the feature affects the cost or quality of the product, and whether exclusive rights to use the feature “would put competitors at a significant non-reputation-related disadvantage.”

1. **Color Marks**

“What Can Brown Do For You?” For United Parcel Service, the answer is: “A lot.” UPS obtained trademark registration for the “Pullman brown” color that the company has used on its trucks since 1916 in connection with shipping services. Tiffany & Co. registered the robin’s egg blue used by the company in connection with the sale of jewelry since 1845, when Charles Lewis Tiffany chose that color for the company’s catalog.

The U.S. Court of Appeals for the Federal Circuit opened the door for trademark registration of a single color in 1985, when it held that Owens Corning Fiberglas Corp. was entitled to register the color pink in connection with insulation – even though the U.S. Supreme Court’s last word on the subject (in dicta, in a 1906 decision) had been that “you can not register a mark of which the only distinction is the use of a color.” The Federal Circuit in *In re Owens-Corning Fiberglas Corp.* acknowledged that “by their nature color marks carry a difficult burden in demonstrating distinctiveness and trademark character.” But Owens-Corning carried that

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12. Id. at § 1127.


14. Id. at 164.


16. *Qualitex*, 514 U.S. at 165 (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982)).


19. See *In re Owens-Corning Fiberglas Corp.*, 774 F.2d 1116, 1127-28 (Fed. Cir. 1985) (reversing the Trademark Trial and Appeal Board’s decision affirming refusal to register pink).


burden by investing more than $42 million in advertising over 30 years featuring the pink color of its home insulation, using the Pink Panther as part of its promotional campaign, and using taglines such as “Put your house in the pink,” “Pink power,” and “America’s favorite pink product.” (More recently, the company has also used “1-800-GET-PINK.”)

Other circuits took the opposite view from the Federal Circuit. The U.S. Court of Appeals for the Seventh Circuit, for example, held that color per se – in this case, the pastel blue of NutraSweet packets – could never be protected as a trademark.

The U.S. Supreme Court settled this issue in 1995, when it issued a unanimous opinion that a color could serve as a trademark, upholding the registration of a green-gold color used in pads for dry cleaning presses, sold by Qualitex Company since the 1950s. The Court reasoned that color per se could fulfill the Lanham Act’s broad definition of a trademark, because it could serve as a source identifier, help consumers make purchase decisions, and ensure that those who provide desirable products will reap the financial reputation-related rewards associated with them.

In Qualitex, the Court stated, in dicta, that a color could not be eligible for trademark protection unless it had acquired secondary meaning. (Five years later, in Wal-Mart Stores, Inc. v. Samara Bros., the Court removed any doubt on this point, stating (in the context of an opinion on trade dress protection for product designs) that color per se could never be inherently distinctive, which meant that a color mark could never be registered without proof that the color had acquired secondary meaning. The Court in Qualitex also recognized that if a color has a function in relation to a product – that is, if it is “essential to a product’s use or purpose” or “affect[s] cost or quality” – then competitors cannot be precluded from using that color.

The upshot of this is that securing trademark protection for a color can be difficult and costly. To register a color mark, the owner of the mark must show that consumers associate the color exclusively with its products or services. To make this determination, the U.S. Patent and Trademark Office (USPTO) considers factors such as: whether the use of the color is common in the relevant market segment; what the product’s sales volume is; whether publicity directly captures the consumer’s attention with respect to the product’s color; whether the color is also used in promotional materials; whether consumers associate the color with the nature of the product; and whether the color serves some utilitarian purpose.

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24 See Qualitex, 514 U.S. at 161.

25 See id. at 164.


27 Qualitex, 514 U.S. at 165.

28 See MIDGE M. HYMAN & HANNAH Y. CHENG, REGISTRABILITY AND ENFORCEABILITY OF NON-TRADITIONAL TRADEMARKS IN THE UNITED STATES, PRACTICING LAW INSTITUTE, PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK SERIES 6-9 (2005); Glenda Labadie-Jackson, Through the Looking Hole of the Multi-Sensory Trademark
The trademark owner also must show that the color mark is not functional. A color mark is considered functional if it conveys some utilitarian advantage, makes a product more economical to manufacture or use, or makes the product more saleable. For example, pink is deemed functional when used in connection with antacids, because it makes them more appealing (and thus more saleable), but pink is not deemed functional when used with insulation, where the only advantage it conveys is source identification.

UPS was able to register brown, at least in part, because its advertising strategy, with slogans such as “What Can Brown Do For You?,” ensured that the color would be a “source identifier.” But even if a company cannot yet show that its chosen color has this kind of secondary meaning, it may get a “supplemental registration” by showing that the color may be capable of distinguishing its product or service.29

With or without a registration, rights in a color mark may be difficult to enforce, as shown by the hard-fought legal battles between fashion designers over Christian Louboutin’s claim of trademark rights to the bright red used on the lacquered outsole of its high-end shoes. The U.S. Court of Appeals for the Second Circuit (reversing the U.S. District Court for the Southern District of New York) held that Louboutin’s signature red was distinctive and deserved trademark status.30

2. Sound Marks

The roar of the MGM lion,31 the giggle of the Pillsbury Doughboy,32 the deep “ho, ho, ho” of the Jolly Green Giant,33 and the quack of the AFLAC duck34 all have been protected with trademark registrations. In 1971, NBC successfully registered the musical notes G, E, C played on chimes in connection with its television broadcasts.35 Nearly 40 years later, Taco Bell registered its “bong” sound, which it described to the USPTO as “the ‘bong’ sound produced by striking a large bell once, with a fundamental pitch of approximately ‘e’ below middle ‘c’.”36

Sound marks, like word marks and color marks, may be registered only if they are distinctive and not functional. In 1994, Harley-Davidson applied to register the sound of its


29 The United States Trademark Register includes two sections: the Principal Register and the Supplemental Register. The Supplemental Register is reserved for trademarks that are not yet associated with a single source, but may, over time, become a source-indicator. Registration on the Supplemental Register conveys some, but not all, of the protections afforded by registration in the Principal Register.


motorcycle engine, which it described as “the exhaust sound . . . produced by V-twin, common crankpin motorcycle engines when the goods are in use.” 37 The company’s trademark counsel said that the “syncopated, uneven idle, simulated verbally, sounds like “poTAYto-poTAYto-poTAYto.” 38 A spokesperson for the company pronounced that “Harley-Davidson has been in existence since 1903, and the exhaust sound has become identified with our motorcycle. It’s a distinctive brand identifier all on its own.” 39 Harley-Davidson’s competitors disagreed. They opposed Harley-Davidson’s application to register the sound as a mark, arguing there was nothing unique or distinctive about that sound, as opposed to the sound of other engines. Harley-Davidson eventually abandoned its application to register the sound.

The sound of music (with apologies to Rodgers and Hammerstein) typically is protected by copyright, but short passages used as theme songs may be protected as trademarks. For example, trademark registration was granted for the theme music for the Lone Ranger radio, film, and television series, described as “resembling portions of the overture to the 1829 opera ‘William Tell’ composed by Gioaccino Rossini.” 40 Likewise, registration was granted for the 18 musical notes that comprise the Looney Tunes Theme Song. 41 Entire songs are not protectable as trademarks, however. As the Second Circuit has stated, protecting a song as a mark “would stretch the definition of trademark … too far and give trademark a role in protecting the very essence of the song, an unwarranted extension into an area already protected by copyright law.” 42

3. Scent Marks

Scent is “an incredibly powerful marketing tool.” 43 There are some 100,000 odors in the world, 1,000 of them classified as “primary odors,” and myriad combinations. Each has the potential to influence mood and behavior. A study has shown that our mood improves by as much as 40 percent when we are exposed to a pleasant fragrance, particularly one that taps into a happy memory. 44

Like sounds, scents may be entitled to trademark protection if they are distinctive and not functional. This means that perfume scents can never be registered, because the scent “must not result from the nature of the good itself.” 45

38 Id.
42 See EMI Catalogue P’ship v. Hill, Holliday, Connors, Cosmopulos Inc., 228 F.3d 56 (2d Cir. 2000).
43 Gilson, supra note 22, at 795.
44 LINDSTROM I, supra note 1, at 92.
One of the first scents accepted for registration in the United States was the “high impact, fresh, floral fragrance reminiscent of plumeria blossoms” used in connection with sewing thread and embroidery yarn, registered in 1991. The Trademark Trial and Appeal Board (TTAB) allowed Celia Clark to register the plumeria scent for thread and yarn after finding that the scent was not an inherent attribute of these products, but a feature added to them. Advertising for the thread and yarn treated the plumeria scent as a brand of the products, and consumers associated it with the products.

Among the registrations granted since then for scent marks are a cherry scent for synthetic lubricants for high performance racing and recreational vehicles, a strawberry scent for toothbrushes, a rose oil scent for advertising and marketing services, and a coconut scent for retail store services related to sandals, beach balls, and other items.

No one understands the power of scent better than auto makers. In 2003, General Motors introduced a special scent, called “Nuance,” described as the “ethereal scent of factory freshness,” that it worked into the leather seats of Cadillacs through a “retanning process.” Today, auto workers simply spritz their “eau de car” fragrances throughout a car’s interior as it leaves the production line. After Mitsubishi’s ad agency placed a fragrance ad in major newspapers simulating the “new car” smell, its sales increased by 16 percent.

Cinnabon has taken the exploitation of the scent of its cinnamon rolls to a new level, partnering with Air Wick to license the “Cinnabon Classic Cinnamon Roll Freshmatic Ultra Automatic Spray Refill.” As the Internet ad for this product touts: “Come home to the warm, comforting aroma of world famous cinnamon rolls. It’s the irresistible smell of freshly baked dough, one-of-a-kind cinnamon and cream cheese frosting that make Cinnabon cinnamon rolls so unforgettable. Now you can enjoy that sweet scent whenever you want, every day.”

4. Motion and Gesture Marks

Moviegoers are familiar with the image of floodlights sweeping the sky, registered as a trademark by 20th Century Fox Film Corp. The Internet retailer Woot! has registered its orange flashing light, which signals a “Woot-Off” (that is, the launch of a new product immediately after the sellout of a previous deal). The Peabody Hotels have registered the

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47 Id. at 2.
49 LINDSTROM I, supra note 1, at 96.
50 LINDSTROM II, supra note 2, at 15, n.4.
motion of the daily march of ducks through their lobbies. This mark is described in the registration as including: “the red carpet being rolled out, the appearance of the ducks and uniformed Duckmaster at the elevator door, and the march of the ducks down the red carpet, up the steps, and into the fountain where they begin swimming.” Turning to a faster water sport, Yamaha Motor Co. has registered the “three-dimensional spray of water issuing from the rear of a jet propelled watercraft . . . generated during the operation of the watercraft.” And sports car maker Lamborghini has registered the “unique motion” in which the doors of its sports car open, “gradually raised above the vehicle to a parallel position.”

A variant of motion marks, gesture marks, drew attention because of a famous (legal) fight between a wrestler and a rapper. In 2005, professional wrestler Diamond Dallas Page applied to register his “diamond-shaped” hand gesture, described in the application as “two hands, coming together at the forefingers and thumbs to form the shape of a diamond,” claiming use of the mark in connection with wrestling performances since 1996. After learning that rap artist Jay-Z used the diamond-shaped hand gesture on an album, Diamond Dallas Page sued Jay-Z and his Roc-A-Fella Records in federal court in California. They eventually settled their dispute. But in the end, Diamond Dallas Page abandoned his attempt to get a trademark registration for the diamond-shaped hand gesture because the USPTO refused to find that the evidence of use he submitted – video clips of him and his fans making the gesture – showed any association between the gesture and the sale or advertising of his wrestling performances.

Since then, however, other gesture marks have been registered, including the gesture of “five fingers in the form of a Buddhist gesture (mudra) with the index finger and thumb touching each other,” registered to the Dharma Drum Mountain Buddhist Association in 2009.

Motion and gesture marks can be registered without a showing of acquired distinctiveness.

5. Texture Marks

Texture marks are still fairly rare. Registration requires proof of acquired distinctiveness. And, as with other non-traditional marks, the texture cannot be functional.

The flocked velvet texture of a label on a wine bottle was granted registration, given that the flocking did not serve a functional purpose but, instead, identified the source of the wine and

55 Id.
58 U.S. App. Serial No. 78,654,174 (filed June 20, 2005). Diamond Dallas Page did register a design mark featuring the diamond-shaped hand gesture for use in connection with clothing (U.S. Trademark Registration No. 3,418,802 (Apr. 29, 2009)).
distinguished it from its competitors. Likewise, the leather texture of wrapping around the middle of a bottle of wine has been registered.

Texture marks are addressed further in the discussion of Product Packaging, in Section II.D.2. below.

6. **Taste Marks**

Taste marks may be the most challenging of all to register. The TTAB upheld a trademark examiner’s refusal of the first application to register taste as a mark, rejecting N.V. Organon’s application to register the orange flavor used in connection with an antidepressant in quick-dissolving tablets or pills.

The TTAB was persuaded in large part because it found the orange flavor to be functional. Organon even advertised that its antidepressant tablets were superior to its competitors because their “pleasant orange taste” masked their natural bitter flavor, making the product work better by making it more palatable to consumers.

The TTAB has expressed skepticism that, as a practical matter, taste can ever function as a trademark. By definition, a trademark is used to identify and distinguish the mark owner’s goods from those of others, yet consumers generally have no access to a product’s flavor before making a purchase and thus cannot use the flavor to distinguish the product in that way. In addition, as one scholar observed, “It is difficult to see how flavor could ever be protected as a trademark if used in connection with products that are expected to have some sort of taste or flavor to them,” including, for example, medicines, foods, beverages, and spice mixtures.

Another recent example bears this out. A pharmaceutical company’s application to register “the distinctive flavor of peppermint in connection with nitroglycerin,” filed in 2010, was abandoned in 2013, after the TTAB upheld a refusal to register the mark, concluding that the flavor was “a functional feature” of the goods and not a source identifier.

7. **Defensive Strategy**

This discussion of trademarks began with a two-part offensive strategy: first, choosing strong marks that can be protected, and second, choosing marks that appeal to all five senses, not just the traditional sight and sound. But defensive strategy – actually protecting the marks --
is equally important. This requires policing others’ uses of marks that may result in infringement or dilution.\textsuperscript{69}

A trademark infringement case will turn on whether a “junior user’s” mark is so similar to a “senior user’s” mark that it is likely to confuse or deceive consumers about the source, affiliation, or sponsorship of their respective goods or services.\textsuperscript{70} Although courts across the country use different tests to assess likelihood of confusion, factors commonly considered include: similarity of the marks; similarity of marketing methods and channels of distribution; sophistication of consumers and degree of care taken in their purchasing decisions; distinctiveness of the senior user’s mark; likelihood that the senior user will expand into the junior user’s territory; recognition of the senior user’s mark in the junior user’s territory; intent of the junior user; and evidence of actual confusion.\textsuperscript{71}

A trademark dilution case does not require any showing of likelihood of confusion; instead, it will turn on whether the junior user’s mark will weaken or reduce the ability of the senior user’s mark to clearly and unmistakably distinguish one source.\textsuperscript{72} Dilution can occur by blurring, “when consumers see the plaintiff’s mark used on a plethora of different goods and services . . . raising the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff’s product.”\textsuperscript{73} Dilution can also occur by tarnishment, “when the plaintiff’s trademark is likened to products of low quality, or is portrayed in a negative context.”\textsuperscript{74}

Even though nontraditional marks are important from an “offensive” standpoint because of their multi-sensory appeal, they pose problems from a “defensive” standpoint because they are harder to protect against infringement and dilution. Indeed, skeptics of a multi-sensory marketing strategy are quick to claim that non-traditional marks are neither strong nor enforceable. “Nontraditional marks face colossal obstacles seldom encountered on the same scale by typical word and logo marks. Proving a product shape to be nonfunctional, for example, is a seriously uphill battle, and there are numerous nontraditionals that qualify for the ‘don’t even bother’ category.”\textsuperscript{75}

Non-traditional marks may be difficult to protect because it may be impossible to show that they are distinctive or serve as source-identifiers, and because they may be functional. In addition, protecting non-traditional marks can pose problems of proof: For example, in seeking

\textsuperscript{69} Keep in mind that, trademark rights under U.S. law are derived from use. Thus, even with a federal registration, you cannot enforce your rights in a mark in locations where you do not yet use the mark or have a present intention to use it. \textit{See, e.g.}, \textit{Armand Subway, Inc. v. Doctor’s Associates, Inc.}, 604 F.2d 849, 850 (4th Cir. 1979) (asserting that although the Lanham Act affords nationwide protection, that protection is only \textit{potential} in areas where the registrant does not do business; thus, a competing user can use the mark in an area until the registrant extends its business there).


\textsuperscript{72} \textit{See id.} § 24:67, at 24-164.

\textsuperscript{73} \textit{Eli Lilly & Co. v. Natural Answers, Inc.}, 223 F.3d 456, 466 (7th Cir. 2000).


\textsuperscript{75} \textit{LaLonde, supra} note 6, at 188.
to show likelihood of confusion in the context of an infringement claim, distinguishing one scent, sound, or texture from another may be difficult, particularly when different people perceive the scent, sound, or texture in different ways. In seeking to show blurring or tarnishment for a dilution claim, establishing fame or distinctiveness may “require a daredevil’s mindset.”

Concerns such as these may be compounded by the fact that non-traditional marks typically are not used alone and cannot be analyzed in a vacuum. For example, Owens-Corning’s pink mark for its insulation has been used in conjunction with a host of other marks and advertising techniques, from the Pink Panther character to slogans such as “Pink power,” “Put your house in the pink,” and “1-800-GET-PINK.” UPS’s brown color for its delivery services has been used in connection with a tagline, “What Can Brown Do For You?” and with a registration of “BROWN” as a word mark. Clearly, “[c]olor trademark infringement litigation is not likely to involve a simple comparison of two colors.”

8. Practice Pointers

Non-traditional marks, even with their drawbacks, are here to stay. And non-traditional strategies are required to effectively choose, use, and protect them. A few examples follow:

• Keep in mind that non-traditional marks typically take more time (and, thus, cost more money) to register. Applicants may encounter more back-and-forth with examining attorneys at the USPTO (as Diamond Dallas Page learned before ultimately abandoning his attempt to register his diamond-shaped hand gesture in connection with wrestling services). Applicants may also face a greater likelihood of drawing an opposition (as Harley-Davidson learned when trying, unsuccessfully, to register the sound of its engine).

• If it proves difficult to show that a mark is distinctive right off the bat, consider the alternative of the Supplemental Register, where an applicant need only show that a mark has the potential to acquire secondary meaning.

• Treat a non-traditional mark as a brand (as Cecelia Clarke treated the plumeria scent of her thread and yarn) and never as part of a product or service.

• The source-identifying capability of a non-traditional mark can be reinforced by using other traditional marks (as UPS did with slogans such as “What Can Brown Do For You?”).

• Before investing in a non-traditional mark, conduct a risk-benefit analysis that takes into account the difficulties of registration and enforcement and the uncertainties of being able to protect the mark in other countries that may be less receptive to non-traditional marks.

76 Id. at 192.

77 Gilson, supra note 22, at 786.


79 Gilson, supra note 22, at 781.
• Remember that former franchisees are likely to have a “thumb on the scale” against them when it comes to determining likelihood of confusion in a trademark infringement claim. Thus, it is particularly important for former franchisees to distinguish the marks they use in their businesses going forward from the marks they used as franchisees.

B. Trade Dress

Trade dress, a variant of trademarks, was originally confined to the overall appearance of labels, wrappers, and containers used in packaging a product. But, over the years, that definition has expanded to include “a combination of any elements in which a product or service is presented to the buyer.”80 The courts have defined this as “the total image of a product,” which “may include features such as size, shape, color, color combinations, texture, or graphics.”81 With respect to services, trade dress may include features such as retail décor, architectural elements, menus, and layouts.82

The powerful influence that trade dress exerts over consumers is well recognized. As one analyst noted, in “retail atmospherics,” color, lighting, store layout, and furnishings all play a role in retailers’ strategic goals, and “Buyers may choose vendors as much for their atmospherics as their goods. . . to the point where atmospheres may become the chief form of competition.”83

Any reasons for the historical distinctions between trademarks and trade dress “have largely disappeared,” because many types of designations protectable as “trade dress” are also registrable as trademarks, and unregistered trade dress is protected under the Lanham Act’s Section 43(a) just as trademarks are.84

Trade dress infringement is proven by showing that: the plaintiff owns a protectable trade dress that is distinctive or has acquired secondary meaning; the trade dress is not functional; and the junior user’s use of the trade dress creates a likelihood of confusion as to the source, affiliation, or sponsorship of the goods or services associated with the trade dress.85 The likelihood of confusion analysis for trade dress is essentially the same as that for trademarks, discussed in section II.A.7 above.

80 McCarthy, supra note 71, at § 8:1.
82 Gilson, supra note 22, at 808-09.
84 Id. See also Publications Int’l Ltd. v. Landoll, Inc., 164 F.3d 337, 49 U.S.P.Q.2d 1139 (7th Cir. 1998) (“Trade dress thus serves the same function as trademark and is treated the same way by the Lanham Act and the cases interpreting it.”); Restatement Third, Unfair Competition, § 16, comment a (1995) (“With the abandonment of the distinction between technical ‘trademarks’ and other indicia of source, the protection of distinctive packaging and product design has been incorporated into the general law of trademarks.”).
85 McCarthy, supra note 71, at § 8:1.
1. **Product Design or Shape**

To receive trade dress protection, a product design or shape must be non-functional. Functionality “has become the cornerstone of denying protection” for product design. And the evidence for denying trademark protection often comes from the owner of the product itself, in the form of advertising that touts the benefits of the feature for which trademark protection is sought.

Consider the cautionary tale of Clemens Franek, who obtained a trademark registration for what he pitched as “the most radical beach fashion item since the bikini” – a round beach towel. In advertising his round towel, Mr. Franek claimed: “The round shape eliminates the need to constantly get up and move your towel as the sun moves across the sky. Instead, merely reposition yourself.”

In 2006, Mr. Franek discovered that a competitor, Jay Franco Sons, was selling round beach towels and sued two of Franco Sons’ customers for the towels, Target and Walmart. Franco Sons, in turn, sued Mr. Franek to invalidate his trademark, claiming it is functional. The district court agreed, and the Seventh Circuit affirmed, holding that the round design is functional and the registration thus invalid. The court relied on two grounds for invalidating Mr. Franek’s trademark protection. The first was the existence of a utility patent for a round beach towel. Utility patents “serve as excellent cheat sheets” for determining whether a design is functional, the court stated, “because any design claimed in a patent is supposed to be useful,” and usefulness is key to functionality.

The second ground for finding the trademark design functional and thus invalid was Mr. Franek’s advertisements, which corroborated that the towel’s shape is functional. First, the court noted that the ads declared the towel’s shape “a fashion statement,” and concluded that “[f]ashion is a form of function.” In addition, the ads touted one of the same functional advantages cited in the patent: “that roundness enables heliotropic sunbathers . . . to remain on their towels as they rotate” in unison with the sun.

The body shape of a Gibson “Round Shoulder Jumbo” guitar suffered the same fate as the round beach towel, when the TTAB affirmed an examining attorney’s refusal to register the shape after finding it functional. Gibson had sown the seeds for this refusal in advertising which stated that, “This unique body shape creates a sound which is much more balanced and less ‘muddy’ than ordinary dreadnought acoustics.”

Some product designs have passed the test, however. For example, in 1991, Pepperidge Farm obtained a registration for the shape of its goldfish crackers, used in the

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86 LaLonde, supra note 6, at 197.


88 Id. at 857, citing 35 U.S.C. § 101; TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23, 29 (2001) (“expired utility patents provide ‘strong evidence that the features therein claimed are functional’”).

89 Id. at 857-61.

90 Id. at 858-59.

91 In re Gibson Guitar Corp., 61 USPQ2d 1948 (TTAB 2001).
market since at least 1976. The PF Brands’ registration is described simply as “the configuration of a goldfish.”

In 1997, Cinnabon obtained a registration for the "cylindrical configuration of a cinnamon roll having a height of about two and one-half inches and a width of about four inches; and having a spiral wrap of five and one-half to six and one-half layers of baked dough with a melted cinnamon/brown sugar/margarine layer between overlapping portions of the wrap, with the inner portion of the wrap being slightly elevated above the outer portions of the wrap, and with the top and portions of the side of the wrap being covered by melted frosting." This design of the cinnamon roll had been in the market since at least 1986.

Product design is harder to protect as trade dress than product packaging is because of the U.S. Supreme Court’s ruling in Wal-Mart Stores v. Samara Bros. that "in an action for infringement of unregistered trade dress under §43(a) of the Lanham Act, a product’s design is distinctive, and therefore protectable, only upon a showing of secondary meaning." Product packaging, on the other hand, has no such limitation.

2. Product Packaging

Product packaging is “a major selling point” for advertisers and marketers, because “the appearance of a product still has a potent influence in attracting consumer attention.” Coca-Cola is the poster child for this principle. As the company proclaims, its glass contour bottle is “one of the most recognized icons in the world – even in the dark!” Although Coca-Cola started as a soda fountain beverage in 1886, a Mississipi candy store owner began bottling the beverage in 1894, using “a common glass bottle called a Hutchinson.” To address concerns that this straight-sided bottle would be easily confused with imitators, the contour bottle, with bulging, ribbed sides, was introduced in 1916. Coca-Cola obtained a registration for the contour bottle in 1960. The registration is described as “the distinctively shaped contour, or confirmation, and design of the bottle as shown” in a drawing.

The maker of BAWLS soft drinks was able to register its three-dimensional bottle configuration, described as having “parallel columns of round bumps on the front and the back of the bottle, and parallel columns of bumps on the sides. The bumps on the sides are round, except for the center-most column of bumps which are ‘bow tie’ shaped. The bottle also features a beveled and tapered rim around its bottom.”

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94 Samara Bros, 529 U.S. at 216.
95 Lindstrom II, supra note 2, at 12.
97 Id.
Rights in product packaging trade dress have been enforced in the courts. For example, the Hershey Company successfully enjoined Michigan-based Art Van Furniture, Inc. from advertising a couch packaged as a candy bar, described as follows in the court’s order:

This “couch bar” is designed to bring to mind a candy or a chocolate bar, with its packaging torn open and mouth-watering contents exposed. Emblazoned across the wrapper are the words “ART VAN,” spelled in white, block lettering, and on the bottom left of the wrapper, in smaller type, “Since 1959.” On the right side of the image, where the sofa juts from the “candy bar,” the torn wrapper has the appearance of crackled and ripped tinfoil. On the left, the same silver-colored foil is visible, protruding beneath the red and white wrapper.

The court found that Hershey’s chocolate bar trade dress has acquired a secondary meaning that entitles it to trademark protection, and that “[t]he discrete characteristics of . . . the trade dress are not inherently essential to the use or purpose of a chocolate bar,” making the trade dress not functional. The court enjoined use of the “couch bar” advertising on both infringement and dilution grounds. 100

3. Interior & Exterior Design and Décor

The architectural design of buildings may be protected by trade dress as well as by copyright and even patent. (Copyright is addressed further in Section II.C. below and patent in Section II.D. below.) Courts began protecting businesses’ intellectual property rights in the exterior design and décor of their buildings even before “trade dress” became widely recognized. One of the earliest cases, in the 1930s, involved a battle between hamburger chains White Castle and White Tower. White Tower imitated White Castle’s building design (a white structure in the shape of a miniature castle), advertising, and methods of food preparation, with the aid of a former White Castle employee. Their battle came to a head when both entered the Detroit market. Although White Tower was first in that market and sued to enjoin White Castle’s use of its building design, name, and slogan, the court instead held that White Castle, as the senior user, was entitled to enjoin White Tower from using its design and décor. 101

Chipotle Mexican Grill has registered the appearance and design of the interior of its restaurants as a service mark. 102 This trade dress mark is described as: “evoking a neo-industrial feel through the use of unpainted galvanized or stainless steel metal finishes on table and bar tops, baseboards, wainscots, and trash surrounds; light-colored natural wood finishes as accents on table and/or chair edges, bench seating, wall finishes, and/or chairs; the use of industrial-look light fixtures with exposed electrical junction box fitting and porcelain keyless bulb sockets suspended from the end of electrical conduit pendants; ceilings exposed to the structure with exposed ventilation conduits and electrical; and exposed kitchen and grill area.” 103

Apple has drawn international attention with its efforts to protect the interior design and layout of its retail store. The company obtained a registration from the USPTO in 2013 for the

103 Id.
design and layout, with the following description: “The store features a clear glass storefront surrounded by a paneled, steel gray facade consisting of large, rectangular horizontal panels over the top of the glass front, and two narrower panels stacked on either side of the storefront. Within the store, rectangular recessed lighting units traverse the length of the store’s ceiling. There are light brown cantilevered shelves below recessed display spaces along the side walls, and light brown rectangular tables arranged in a line in the middle of the store parallel to the walls and extending from the storefront to the back of the store. There is multi-tiered shelving along the side walls, and a light brown oblong table with black stools located at the back of the store, set below video screens flush mounted on the back wall.”

But when Apple sought to extend its registration internationally, some jurisdictions, including Germany, refused registration. Apple appealed this refusal, and the European Court of Justice ruled in July 2014 that the interior design and layout could be registered. This case is discussed further in Section IV.D.1 below.

McDonald’s Corporation received trademark registration in 1964 for the design of its drive-in restaurant first used in 1953, and the franchisor continues to register the exterior designs of its restaurants as service marks. More recently, Fazoli trademarked the exterior of its restaurants, including the building’s shape, configuration, and color. The mark is described as “a rectangular shaped one-story building with a square tower with a pyramidal red canopy roof near the center of the longer side of the building. The entrance to the restaurant is located in the base of the tower. The building's exterior is a tan colored stucco finish with red, white and green awnings over the windows and doors, green shutters and metal lighting fixtures evenly spaced along the exterior of the building. The mark is lined for the colors red and green.”

4. Combinations of Elements

Combinations of elements are often protected as trade dress, even where each individual element on its own may be functional.

In *Fuddruckers, Inc. v. Doc’s B.R. Others, Inc.* – a case involving prospective franchisees who evaluated the Fuddruckers concept and decided to open their own restaurant instead – the U.S. Court of Appeals for the Ninth Circuit “expand[ed] the boundaries of trade dress infringement,” holding that “a restaurant's decor, menu, layout and style of service may acquire the source-distinguishing aspects of protectable trade dress such that their imitation is likely to cause consumer confusion.” Although a restaurateur cannot prevent others from using any particular color or feature, the court observed, it can protect “a combination of visual elements "that, taken together, . . . may create a distinctive visual impression," as long as this trade dress is not functional and has acquired secondary meaning.

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108 *Id.*
109 826 F.2d 837 (8th Cir, 1987).
110 *Fuddruckers*, 826 F.2d at 842.
Five years after the *Fuddruckers* decision, in a landmark trade dress ruling, *Two Pesos v. Taco Cabana*, the U.S. Supreme Court held that if trade dress is inherently distinctive, it can be protected against infringement even without a showing of secondary meaning.\(^{111}\) The trade dress at issue included:

a festive eating atmosphere having interior dining patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme.\(^{112}\)

On the other hand, when Hooters of America sued a Florida restaurant chain, Florida Winghouse, for trade dress infringement and dilution, a federal court in Florida reached a far different result. Florida Winghouse had styled its menu after Hooters’ menu, had copied Hooters’ wood weave plates, vertical paper towel spools, wooden tables, table tents, wood interior, sports memorabilia, and – most notably of all – had outfitted its waitresses in uniforms like those of the “Hooters Girl.” Despite this copying, the court rejected Hooters’ infringement claims.\(^{113}\) Although the “Hooters Girl” was distinctive and had acquired secondary meaning, the court held, her presence, “to provide vicarious sexual recreation, to titillate, entice, and arouse male customers’ fantasies,” was primarily functional and thus not protectable as trade dress.\(^{114}\) The other features Hooters had tried to protect were “far too typical of other restaurants, particularly the sports bar and grill genre,” to support a finding of infringement, even in combination, the court concluded.\(^{115}\)

Similarly, in *Prufrock v. Lasater*, the Eighth Circuit rejected a claim of trade dress protection for the Black-Eyed Pea and Dixie House restaurant chains for two reasons. First, the court held that the elements of the trade dress were functional, and second, but more important, the court held that the trade dress claimed included the “core concept” of a “down home country cooking” restaurant, and thus would impermissibly protect a method of doing business.\(^{116}\) This trade dress at issue featured “various antique and country appointments and décor items, including antique bars, exposed kitchens, large open dining areas with church pew booths along the perimeter and antique drop leaf tables in the middle, antique light fixtures, small print wallpaper, and small farm and kitchen tools in the walls.”\(^{117}\)


\(^{112}\) *Id.* at 766.


\(^{114}\) *Id.* at 1258.

\(^{115}\) *Id.* at 1259.

\(^{116}\) *Prufrock v. Lasater*, 781 F.2d 129, 131 (8th Cir. 1986).

\(^{117}\) *Id.* at 131.
Reversing the district court’s grant of injunctive relief in *Prufrock*, the Eighth Circuit reasoned that: “A franchisor does not have a business interest capable of protection in the mere method and style of doing business.”\(^{118}\) If a particular feature is “an important ingredient in the commercial success of the product,” the court concluded, the interest in free competition allows it to be imitated, absent protection by a patent or a copyright.\(^{119}\)

The Sixth Circuit, in *Abercrombie & Fitch v. American Eagle Outfitters*, rejected trade dress infringement claims – despite evidence of direct copying – on the grounds that the elements of trade dress were functional or were too general and thus impermissibly invoked trade dress protection for “an unprotectable style, theme or idea.”\(^{120}\)

The rule that can be derived from these holdings across the federal circuits seems to be that there is no rule. As one commentator noted, when it comes to functionality of trade dress, “case outcomes may turn on minor elements and results across federal circuit courts cannot be easily reconciled. . . . The bottom line is substantial unpredictability of outcome in trade dress cases and few clear guidelines for innovating or imitating businesses.”\(^{121}\)

### 5. Cuisine

The world of cuisine, like the world of fashion, is a “low-IP” environment in which there is much creativity but little formal legal protection. “Creative cuisine is often developed in a kind of ‘open source’ model. Training is achieved through apprenticeships, and cooks and sous chefs move between restaurants frequently, taking techniques and ideas they learned in previous restaurants with them.”\(^{122}\)

As addressed in Section II.C. below, elements of cuisine may be protected by copyright. But trademark and trade dress increasingly are seen as a more likely alternative, particularly given that signature dishes are important branding tools for chefs and restaurants.\(^{123}\)

Plating – the arrangement of the various elements of a dish on a plate – is also important to branding because it serves as a proxy for restaurant quality.\(^{124}\) Restaurant customers generally cannot taste food before purchasing it. Thus, plating has become “a way of distinguishing restaurants,” because a potential customer may evaluate a dish’s presentation through photos on websites, in magazines, or even in review sites before making a reservation to dine at the restaurant.\(^{125}\)

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\(^{118}\) *Id.* at 131-32.

\(^{119}\) *Id.* at 133.

\(^{120}\) *Abercrombie & Fitch v. American Eagle Outfitters*, 280 F.3d 619, 623 (6th Cir. 2002).

\(^{121}\) Koop, *supra* note 83, at 37.


\(^{123}\) *Id.* at 204-05; 247-253. A “signature dish” is representative of a particular chef or a particular restaurant’s style.

\(^{124}\) *Id.* at 206.

\(^{125}\) *Id.*
Under the Lanham Act, while the name of a signature dish could be protected as a trademark, the plating of the dish would be protected as trade dress. As courts begin to consider this issue, the way they categorize plating – whether as product design or product packaging – will make a difference in the ability to get trade dress protection. If the plating is treated as product design, it will be more difficult to protect as trade dress, because under the rule of *Wal-Mart Stores v. Samara Bros.* (discussed in Section II.A.1. above), a product design cannot be inherently distinctive. Thus, it cannot be protected as trade dress without proof that it has acquired secondary meaning. If, on the other hand, plating is treated as product packaging, it can be inherently distinctive. Thus, it can be protected as trade dress without proof that it has acquired secondary meaning.

Celebrity chefs are also applying to register their names in connection with restaurant services, food preparation, food demonstration, television broadcasts, cooking products, and other merchandise. Securing a license to a celebrity chef’s name is “vital to support the ability to brand a chef, and to anticipate and withstand due diligence by investors” in new restaurant concepts because it “signals to investors that the business could be still viable even if the chef parted ways from the restaurant.”

Lawsuits filed in this area of trade dress are few, and those few typically end in settlements, leaving no precedent. In a 2007 case, the chef of Manhattan’s Pearl Oyster Bar sued her former sous chef for copying the look of her restaurant, the style of service, and the arrangement and presentation of the dishes served when he left to open his own restaurant nearby. The lawsuit reportedly was settled in 2008, with an agreement that the former sous chef would change décor elements and the names of menu items, but without any agreement that he would change the dishes served or the way in which they were plated.

Likewise, franchisor Jimmy John’s sued the owners of House of Sandwich in Indiana for trade dress and copyright infringement. The lawsuit claimed that the House of Sandwich menu and menu boards infringed the franchisor’s copyrights, and that the overall selection and grouping of sandwiches and use of a unitary price for each group also infringed the franchisor’s copyrighted menus. In the settlement, House of Sandwich agreed to pay Jimmy John’s $50,000, acknowledged the validity of Jimmy John’s copyrights, agreed to destroy all past menus and menu boards, and agreed to refrain from copying any aspects of the menu to advertise or promote its services.

6. **Practice Pointers**

- If trade dress protection for a feature of a product will be sought, do not tout any functional benefits of that feature when advertising and promoting the product (as the owners of the trade dress for round beach towels and the Gibson guitar did).

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127 *Id.* at 218-19; *Complaint, Powerful Katinka, Inc. v. McFarland*, No. 07-cv-6036 (S.D.N.Y. June 26, 2007).

128 *Straus*, supra note 122, at 219.

129 *Id.* at 202, n. 105; *Complaint No. 05-cv-0220* (S.D. Ind. Oct. 5, 2005).
• Before applying for trade dress protection, commission a utility patent search to determine whether the feature to be claimed as trade dress has been protected by any patents, which would make the functionality hurdle much higher.

• When creating trade dress, make sure that it is distinctive. And, to help clear the functionality hurdle, include at least some elements that clearly serve no purpose other than ornamentation or source identification.

• Trade dress has the same spectrum of strength as trademarks do, and trade dress at the stronger end of the spectrum – that is, suggestive, fanciful, or arbitrary – is more likely to be protectable.

• As with trademarks, trade dress protection can be enhanced by a concerted campaign to promote distinctive elements.

• Define trade dress with specificity, so that the claim for protection is not rejected for being too general (as happened in the case of Abercrombie & Fitch).

• And do not overreach in a trade dress claim, lest it appear that the protection sought extends not only to the elements of trade dress but to an entire method or concept of doing business (as the owners of the Black-Eyed Pea and Dixie House Restaurants learned).

• Former franchisees may be especially vulnerable to trade dress infringement claims and thus may need to take additional precautions to avoid being perceived as copying the franchisor’s trade dress.

C. Copyrights

Copyright protection, like patent protection, can trace its roots to the U.S. Constitution. Among the enumerated powers of Congress in Article I, Section 8 – along with imposing taxes, providing for the common defense, declaring war, borrowing money, and regulating interstate commerce – is the power to promote progress “by securing for Limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

Copyright protects a broad spectrum of works, including: literary works; musical works; architectural works; dramatic works; pantomimes and choreography; pictorial, graphic, and sculptural works (including non-utilitarian design features of useful articles); audiovisual works; sound recordings; compilations of works; and derivative works. The owner of copyright has the right to control the display, publication, and reproduction of the work, as well as the creation of derivative works.

Copyright protects the expression of an idea, not the idea itself. A copyright exists from the time an original work of authorship is reduced to a tangible form of expression – once the

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130 U.S. CONST. art. I, § 8, cl. 8 (Patent and Copyright Clause).
132 Id. at § 106.
words are put to paper, for example. Copyright exists in a work whether or not it is registered with the U.S. Copyright Office. But registration conveys additional rights to the copyright holder. Without a registration, for example, the copyright holder cannot bring a lawsuit against an infringer or recover statutory damages or attorney fees.  

Unlike trademarks, copyrights exist for a finite term. That term varies, depending on whether federal statutory copyright protection was secured before or on or after January 1, 1978, the date when the current law, the Copyright Act of 1976, took effect. Amendments to the 1976 Act since January 1, 1978, also affect duration. Works no longer protected by copyright are in the public domain, which means that they can be used without permission of the owner of the former copyright.

Materials that include trade secrets or other confidential and proprietary information typically are not protected by copyright, because registration would mean that their contents could be made available to the public by the Copyright Office. (An exception exists for software programs, which can be registered as literary works, with the portions claimed to be trade secrets omitted.)

Copyrights can protect many types of intellectual property important to a franchise system beyond software. To cite but a few examples: menus, recipes, advertisements, and a variety of other written materials may be protected as literary works. Music used in stores, in advertising, or on the Internet may be protected as musical works or sound recordings. Characters created for branding may be copyrighted if they are especially distinctive or the essence of the story being told. Artwork used within the system, on social media, or in other forms of advertising and promotion may be protected as pictorial, graphic, or sculptural works. The architectural designs of stores may be protected as architectural works.

Trade dress protection (discussed in Section II.B.3 above) and patent protection (discussed in Section II.D below) are also available for architectural designs. Trade dress protection lasts indefinitely, while copyright and patent protection are of limited duration.

Although, as discussed above, menus may be protected as trade dress, copyright offers another form of protection. Individual menu items are not protected by copyright, which does not cover names given to food or drinks, titles, short phrases, or ideas. But the particular arrangement or compilation of menu items may be protected.

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133 \textit{id.} at § 412.


135 See, e.g., \textit{Rice v. Fox Broadcasting Co.}, 330 F.3d 1170, 1176 (9th Cir. 2003).

136 The 1990 Architectural Works Copyright Protection Act created architectural works as a new category of copyrightable works.


It is critical to think of copyright defensively as well as offensively. That is, franchisors and franchisees must take care that any materials they use do not infringe the copyrights of others. For example, if a third party’s music or artwork is used in advertising and promotional materials for a franchise system, then the system must ensure that this use does not violate any copyrights. If outside vendors are tasked with creating materials for the system, then “work made for hire” arrangements need to be in place, so that the party commissioning the work has the copyrights in it.

Copyright infringement is proven by showing that the plaintiff has a valid copyright and that the defendant copied the original work protected by that copyright.\textsuperscript{139} Copying is shown by evidence that the defendant had access to the protected work and that there is a substantial similarity between the protected work and the defendant’s work.\textsuperscript{140}

The most common defense to a copyright infringement claim is fair use – that is, that third parties may use a copyrighted work even without the copyright owner’s permission for certain purposes, in certain circumstances. Determining fair use is a fact-specific inquiry that considers four factors: the purpose of the use, including whether it was commercial or non-commercial; the nature of the copyrighted work; the amount and substantiality of the copying; and the effect that the copying will have on the market for, or value of, the copyrighted work.\textsuperscript{141}

The Digital Millennium Copyright Act (“DMCA”) extends the reach of digital copyright protection and provides those who maintain websites and social media platforms with a safe harbor against liability for copyright infringement from content posted by users on these sites and platforms (“user generated content”).\textsuperscript{142} To take advantage of this safe harbor provision, the website and platform hosts must provide a “takedown” mechanism that allows a copyright owner to request removal of material that the owner believes infringes its copyright.

After receiving a proper notice from the copyright owner, the host must take down the allegedly infringing materials and notify the user who posted them. The poster then has 10 days to provide a counter-notification explaining why the materials are non-infringing. The host must promptly provide the copyright owner with a copy of the counter-notification. The host may restore the removed material unless it receives notice from the copyright owner that it has filed litigation to enjoin the infringement.

To benefit from the DMCA safe harbor provisions, the host also must designate an agent to receive notices of claimed copyright infringement, provide notice of the agent and its contact information to the public (usually in its terms of use), and notify the U.S. Copyright Office of its agent and contact information. In addition, the host must inform account holders that their service may be terminated if they are repeat infringers.

1. **Practice Pointers**

   - Copyrights are far quicker, easier, and less expensive to register than trademarks.

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\textsuperscript{141} 17 U.S.C. § 107.

\textsuperscript{142} 17 U.S.C. § 512.
• Copyrights protect the expressions of an idea, not the idea itself. Others may develop the same expression or express the same idea in a minimally-different way, yielding narrow protection.

• Former franchisees have access to franchisors’ copyrighted materials, and they need to be especially careful that they do not – even unintentionally – copy them.

• Do not assume that material is fair game for copying simply because it is on the Internet!

• Make sure to complete all steps needed to take advantage of the DMCA’s safe harbor provision.

• Make sure website terms of use require those posting content to the site to represent and warrant that they have the right to post the content, that the content does not infringe any copyrights of others, and that they grant the website owner a perpetual, royalty-free license to use the content for any purpose.

D. Patents

Patents, like copyrights, can trace their origin to the U.S. Constitution. Not every invention can be patented. To be eligible for this protection, inventions must be useful, novel, and not obvious compared to ideas already known. If an examination by the USPTO shows that the requirements for a patent are met, the patent will be granted, giving the owner – either the inventor or an assignee – exclusive rights for 20 years from the date the application was first filed. The patent conveys the right to exclude others from making, using, selling, offering for sale, and importing products according to the invention as claimed in the patent. These exclusive rights do not begin until the patent is granted. It is important to understand that a patent does not give its owner the right to make, use, sell, offer for sale, or import products – only the right to exclude others from doing so.

There are different types of patents: Utility patents cover useful machines, articles of manufacture, and compositions of matter, as well as methods for making or using them and improvements in them. A utility patent usually permits its owner to exclude others from making, using, or selling the invention for up to 20 years from the date when the patent application was filed, subject to the payment of maintenance fees.

Design patents cover the ornamental designs of articles of manufacture. Soon, industrial design patents will be available in the U.S. for good industrial designs, without regard to ornamentation or obviousness in view of the prior art. A design patent permits its owner to exclude others from making, using, or selling the design for up to 14 years from the date when the patent is granted (although that period is subject to change in the near future). Design patents are not subject to the payment of maintenance fees.\(^\text{143}\)

Although trade dress and copyright are the primary methods for protecting architectural works, design patents also have been used for this purpose. For example, design patents have

\(^{143}\) See [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/patdesc.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/patdesc.htm).
been used to protect a “spaceship-shaped” restaurant building design\textsuperscript{144} and a service station design.\textsuperscript{145}

Patent law, unlike trademark law, protects functional features. The Court of Customs and Patent Appeals established a four-factor test for determining whether a product design is functional: whether the utilitarian advantages of the design are disclosed in a utility patent; whether these advantages are touted through advertising; whether any alternative designs are available; and whether the design makes it comparatively simpler or less expensive to make the product.\textsuperscript{146}

Because it protects functionality, patent law is an important backstop for protecting non-traditional intellectual property. This is so because non-traditional intellectual property is often denied trademark protection because it is deemed functional. The U.S. Supreme Court explained this distinction in \textit{Qualitex}:

It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, . . . after which competitors are free to use the innovation. If a product’s functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity).\textsuperscript{147}

Based on this rationale, even if a functional product feature causes consumers to identify the product with a single source, that feature could not be protected by trademark registration under the Lanham Act, because that statute bars registration of functional features. As a leading trademark authority said, “when trade dress is claimed for the design of a product itself . . . the courts are especially skeptical, wary of creating ‘back-door patents’,” which could deter competition.\textsuperscript{148}

In \textit{TrafFix Devices, Inc. v. Marketing Displays, Inc.}, the U.S. Supreme Court addressed this intersection of patent and trademark protection in the context of a plaintiff who wanted to “have it both ways.” After the expiration of his patents rights covering a dual-spring device designed to keep outdoor signs standing even in heavy winds, the patent owner tried to assert trade dress rights. The Court rejected this strategy, stating that: “The Lanham Act does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity.”\textsuperscript{149}

\textsuperscript{145} Pure Oil Co. v. Ruthsatz, 27 F. Supp. 688 (D. Mich. 1939) (enjoining infringement of design patent for service station design).
\textsuperscript{146} In re Morton-Norwich Prods., Inc., 671 F.2d 1332 (C.C.P.A. 1982).
\textsuperscript{147} Qualitex, 514 U.S. at 164.
\textsuperscript{148} McCarthy, supra note 71, at § 7:64.
1. **Practice Pointers**

- Patents, generally, are the most expensive form of protection for intellectual property, both in terms of the cost of registering patents and the cost of litigating patent claims.

- Choosing patent protection excludes trademark protection, so the choice must be made carefully, with that in mind.

- Unlike trademarks, patents cannot be applied for more than one year following the first public disclosure of the invention sought to be patented.

- The Patent Cooperation Treaty (PCT) procedure allows U.S. applications to be transformed into an international filing.

E. **Trade Secrets**

Two quintessential trade secrets in U.S. commerce are the formula for Coca-Cola and the formula of the 11 herbs and spices that Colonel Sanders uses in KFC fried chicken. Trade secrets are valuable to a franchise system, without a doubt. They range from business methods and plans, to software code, to recipes and formulas, to customer information (in some circumstances), to competitive analyses, to advertising campaigns. But their value is often overlooked.

While patents and copyrights are granted for a finite time, trade secret protection, like trademark protection, can last indefinitely – at least, as long as the secret remains secret and the mark remains in use. As one scholar noted, trademark protection has an advantage over trade secret protection, in that it does not require maintaining secrecy. Trade secret law protects the proprietary interest of the owner of the trade secret only so long as the secret is not discovered. “[I]f the owner of the trade secret is relaxed in its processes for protecting the secret, then it will fall into the public domain to be used by all. Similarly, if a competitor figures out the formula on its own, then that competitor is free to use the formula without fear of the originator stopping it.”\(^{150}\) Thus, the best candidates for trade secret protection are inventions that cannot be patented or easily reverse-engineered.

Trade secrets, unlike other forms of intellectual property, are protected primarily by state law. That said, however, almost every state has adopted the Uniform Trade Secrets Act (“UTSA”). The UTSA defines a trade secret as:

> Information, including a formula, pattern, compilation, program, device, method, technique or process that:

(1) derives independent value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and

(2) is the subject of reasonable efforts under the circumstances to maintain its secrecy.\(^{151}\)

\(^{150}\) Compton, *supra* note 65, at n.68.

\(^{151}\) UTSA § 1(4)
To enlist a court’s help in enforcing trade secret protection, parties must be able to show that they have taken steps to protect the information they deem a trade secret. In *Hertz v. The Luzenac Group*, for example, the court was persuaded by the fact that plaintiff Hertz had maintained the secrecy of its production process by: posting signs warning employees to keep the process confidential; requiring employees and contractors to sign nondisclosure agreements; preventing visitors from seeing the process; and labeling key documents “confidential.”

In a case illustrating the opposite end of the spectrum of protection, *Vasquez v. Ybarra*, the court rejected a trade secret claim by a restaurant owner against two cooks who were former employees, noting that the employer had no noncompetition or confidentiality agreements with the employees, and had made nothing more than an “after-the-fact” attempt to inform them that nearly everything they learned through their employment was a trade secret.

Likewise, in a well known case involving the Arthur Treacher’s franchise system, the court rejected the franchisor’s claim for trade secret protection of its food preparation process, not only because the franchisor had failed to protect the confidentiality of the information, which could be discovered by “anyone with a modicum of intelligence,” but also because nothing about the process was unique or even different from the process used by competitors.

Threats to the security of trade secrets have grown exponentially in the digital age. The amount of information has mushroomed, the technology that allows access to the information is evolving daily, and new ways of profiting from the information – some above board and some not – are developing at an equally fast clip.

1. **Practice Pointers**

   • Before choosing trade secret protection, make sure the information to be protected can be guarded effectively against disclosure and is not likely to be patented or reverse engineered.

   • Make sure that all trade secrets are clearly identified in key documents such as franchise agreements.

   • Require those who will have access to trade secrets to execute nondisclosure agreements.

   • Create a “culture of security” from the top down.

   • Understand which laws apply to trade secrets, and ensure compliance with them.

   • Restrict access to sensitive information as much as possible, and keep areas where such information is stored secure.

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152 576 F.3d 1103, 1112 (10th Cir. 2009).
• Assess the security of paper and digital records alike, to understand how these records are collected, stored, used, and shared.

• Train employees and contractors about safe practices.

• Implement firewalls, strong passwords, and antivirus software.

• Use extra caution with laptops and mobile devices.

• Review contracts with vendors for indemnification provisions.

• Develop a contingency plan to address the theft of a trade secret.

III. INTELLECTUAL PROPERTY & NON-TRADITIONAL RIGHTS IN FRANCHISING: AN INTERNATIONAL PERSPECTIVE

A. Introduction – Different Court Systems

One of the keys to developing strategies for the use of intellectual protection strategies internationally is to understand how enforcement will take place in the target jurisdiction. To do that it is necessary to take a little time to understand the differences between legal systems and between court systems.

There are two major systems of law in the world, known as common law and civil law. The common law system was developed in England and common law systems are found only in English speaking countries or former parts of the British Empire. Nonetheless one third of the world's population lives in common law jurisdictions, or in systems mixed with civil law, such as the Province of Québec in Canada or in South Africa.

Most countries in the world have a civil law legal system that can usually be traced to either the French Code Napoléon of 1804 or the German Bürgerliches Gesetzbuch of 1900. The fundamental difference between the two systems is in how legal principles are determined, although this leads to a number of other differences in the way trials are held and contracts are drafted. Civil law uses a deductive process where laws are derived from broad first principles. In contrast to civil law deduction, common law systems use inductive logic to develop legal principles. Principles are developed by judges as they decide individual cases. To order the

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155 Code civil des Français, promulgué le 21 mars 1804 (30 ventôse an XII), par Napoléon Bonaparte.


decisions of the many courts, common law uses the hierarchy of the courts and the doctrine of precedent.

While many civil law jurisdictions have adopted civil codes based on France’s Napoleonic Code of 1804, a civil code is not a prerequisite to having a civil law system. Some jurisdictions have chosen instead to have their general principles expressed in broad laws such as a law of contracts or a law of property, instead of having all the principles combined in a civil code. Examples are Bulgaria and the People’s Republic of China.

It is not correct to say that civil law systems do not use precedent, that is, the past decisions of courts, to develop legal principles. Consistency, or having like cases treated alike, is a concern of all legal systems. Whereas in a common law system the decision of one court in a matter may have a precedential effect, many civil law systems have a method whereby after several courts have individually developed a new understanding of a particular legal principle, the new understanding is expressed in academic writings (known as “doctrine”) or in some form of announcement by the supreme court. Some academics have said that common law uses “hard” precedent and that civil law uses “soft” precedent.  

For franchise systems expanding internationally, there are two areas where the differences between the common law system and the civil law system need to be considered. One is in the drafting of contracts, and the other is in how the courts work and how evidence should be prepared for presentation in court.

Common law contracts reflect the way in which common law judges decide cases. They are long and very detailed, because if a detail is missed in the application of a clause the common law judge may be reluctant to infer the detail from general principles. In contrast civil law contracts tend to be shorter and have a more general expression of the legal principles that will govern the relationship between the parties. If a detail is not included the parties are generally willing to have the judge apply the general principles of the civil law to resolve any dispute.

Using a civil law form of contract in a common law jurisdiction may lead to many misunderstandings. The common law parties may consider the absence of details as license to take actions more clearly in their own interest, as common law jurisdictions often do not have an over-riding principle of good faith to be used in the interpretation of the contract.

In civil law jurisdictions the detailed common law contracts are sometimes greeted with outright hostility. Civil law parties sometimes wonder why the common law party does not trust them to be reasonable and may consider the detailed provisions to contain a trap. This is particularly true in civil law jurisdictions in Asia.

In addition common law and civil law have developed different concepts and principles for the implementation of the law, and references to injunctive remedies, trusts, equity and common law principles in a common law agreement would simply create confusion when placed in front of a civil law judge. Thus franchisors may wish to consider using different forms of franchise agreements in common law and civil law jurisdictions.

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The second area where the common and civil law jurisdictions are significantly different is in their court systems. Judges do not have the same roles and proceedings are markedly different.

In common law systems the judge is usually a senior lawyer appointed to the bench after years of outstanding service. After all, they are entrusted with the development and making of the law as they decide each case. Judges are expected to remain impartial and to decide the case only on what the parties present to them. Further common law systems often use some form of pre-trial disclosure of evidence between the parties (commonly called “discovery”) and rely heavily on oral testimony, including for the introduction of documentary evidence, in front of the judge so that the judge may test the reliability of the evidence by observing the conduct of the witness.

In civil law systems judges play a much lesser role. In some ways they are seen as civil servants implementing the broad legal principles that are in the general law or civil code. Often in civil law systems one may become a judge directly after law school by attending additional courses and passing a special exam. Civil law judges do not have the same responsibility for developing the law as common law judges. The vast differences in the role of a civil law judge can be illustrated by the fact that some civil law judges in Europe are often unionized in different unions reflecting different political leanings. This is unthinkable in a common law system.

Judges in civil law jurisdictions are expected to actively participate in determining the law and the facts of the case. It is usually they who conduct the cross examination of a witness rather than the lawyer for the opposite party. Civil law judges also rely much more on documentary evidence than on oral testimony. And they prefer to have the written evidence independently verified by a third party, such as a notary, as the documentary evidence is simply submitted by the counsel for the party and not submitted through the testimony of a witness in front of the judge. In civil law systems there is no general discovery of evidence, and each party is responsible for collecting their own evidence without any assistance from the other party.

In summary in civil law systems cases are said to be won through a correct strategy based on the better interpretation of the legal principles, and the written evidence that the party can collect. In contrast in common law systems the ability of the individual lawyer in the courtroom can have a much greater effect.

For common law franchisors entering a civil law system it is important to realize that they will need to develop good record keeping systems and methods of third party verification of the records over the length of their long relationship with the franchisee. These are to offset the lack of discovery and the limited use of oral testimony and cross-examination. Discovery and cross-examination are items that common law parties have usually unconsciously relied upon for trials in their home jurisdictions.

A common solution to this dilemma may be to make all contracts subject to the law and the courts of the franchisor’s home jurisdiction. However this solution is often not very effective internationally. There are few treaties on the international recognition of court judgments and in practice such provisions may leave a franchisor without sufficient recourse in the other country.

B. Trademarks: An International Perspective

When is Facebook not Facebook? When is an iPad not an iPad? The answer is, unfortunately, when a third party registers your mark before you do. Given the ease of
communication worldwide and an increasing global economy, international brand protection has become an instrumental part of a brand owners’ IP protection strategy. Of course, it is easy to justify registration of trademarks in countries where products or services are offered, whether through local or online presence. However, it may be just as critical to defensively file applications in other countries to preclude others from obtaining rights to your brand. A sound defensive strategy is especially prudent given that many countries are first to file jurisdictions, i.e., priority of trademark rights are based on the filing date rather than use, and use of the mark may not be required. Exacerbating the matter, many countries offer little or no protection for unregistered marks.

Generally, almost all countries define a trademark as a sign that is capable of distinguishing the goods and services of one person from those of another. Notably, although many countries have recognized services, some only allow protection for goods. Often, however, in these countries, protection can be sought for goods such as advertising materials and such that cover services to cover services. Although trademark protection still remains somewhat of a patchwork system, developments in multinational procedural and rights harmonization now allow for implementation of more efficient and cost-effective strategies. Thankfully, some principles, such as distinctiveness of the mark, are universal.

As previously discussed, it is advisable to select distinctive marks rather than descriptive or generic ones. However, selection of international or potentially international marks be carefully evaluated from a practical perspective. For example, it is critical to evaluate whether the marks translation or transliteration has a negative or offensive meaning. Additionally, it is important to ask whether the mark is even register able in countries of interest. For example, some countries explicitly forbid registration of single letters or numbers while others make it impossible to register common words without evidence of prolonged use, significant advertising and proof of consumer recognition. The law becomes even more elusive when discussing registrability of non-traditional marks such as sounds, scents, tastes, motions/gestures, colors and designs. While some countries allow registration of certain types of marks, others are either silent on the issue or expressly prohibit such registrations. Even those countries that allow all types of non-traditional marks, they may make require strong evidence of acquired distinctiveness or limit its registrability in some other way. A more thorough discussion about these and other issues are set forth in the representative case studies below. All is not hopeless, however, as franchisors can utilize agreements and treaties to coordinate filings and reduce costs. While various other procedures exist, this discussion provides brief descriptions of the most often utilized agreements and treaties.

1. **One Mark Covering Multiple Countries**

A simple and effective method to protect your brand is to register your mark (s) in each country. Of course, since this is cost prohibitive, advantage can be taken of numerous international agreements that coordinate the procedure of filing and grant protection covering multiple countries. Specifically, for example, trademark registration with the Benelux Office of Intellectual Property grants rights in Belgium, Luxembourg, and the Netherlands. Community Trade Marks registered with the Office For Harmonization in the Internal Market grants protection for all EU member states via a single registration. In International Registration under the Madrid System, below discussed in more detail, covers multiple member countries. Registration with the African Intellectual Property Organization allows the mark to cover all its member countries in Africa. Even further regionalized, the African Regional Industrial Property Organization protects a trademark registration in member states in South Africa.
2. Treaties Conferring Rights in Other Countries

In addition, trademark owners can and should also take advantage of international treaties that afford similar rights, protections and harmonize various laws. The oldest such treaty, the Paris Convention For the Protection of Industrial Property (Paris Convention) allows nationals of any signatory country to enjoy the advantage that their national law grants in all other signatory countries. Further, significantly, the Paris Convention allows an applicant in one signatory country to obtain the filing data in his, her, its, home country (for priority) for applications filed within 6 months in other signatory countries. Finally, the Paris Convention allows for protection of well-known marks, protection of trade names and claims of unfair competition.

The Madrid System comprises of the Madrid Agreement and the Madrid Protocol which provide for a mechanism of registration of trademarks. Briefly, the Madrid Agreement allows any trademark applicant of a signatory country to file an application for an International Registration, discussed previously, either directly with his, her, its, national or regional trademark office or the International Bureau of the World Intellectual Property Organization. The Madrid Protocol enhances aspects of the Madrid Agreement by, for example, allowing an IR application to be based on a pending application filed in an applicant’s home country as well as allowing an applicant to covert the IR application into national application in industrial countries without losing the original filing data / priority date of the original national application (the basis of the IR application) is referred cancelled or withdrawn.

The Agreement or Trade-Related aspects of Intellectual Property Rights and the TRIPS Agreement provides for some common intellectual property rules, including standards covering availability, scope and use of not just trademarks but also copyrights, patents, industrial designs, undisclosed information and anti-competitive practices. For our purposes, the TRIPS Agreement defines what types of marks are eligible for protection, including service marks, additional protections for well-known marks and specifies certain enforcement procedures.

C. Trade Dress: An International Perspective

As in the United States, countries that recognize trade dress define it as the overall look and feel of a product, including non-functional size, shape, color, product design or combination thereof that distinguishes one source from another. Notably, however, various countries either do not recognize trade dress per se or limit protection to product packaging and product design (typically identifying them as the combined concept “Get-Up”) as a subset of trademark rights. Significantly, while some countries require similar evidentiary proof for registration of trade dress/get-up as other types of marks, various others utilize an extremely high threshold to register overall design (décor, size, layout, style, etc.) in connection with services, such as restaurants. Specifically, for example, many Asian and European countries, other than common law countries, identify only specific elements that can be protected. Furthermore, almost all countries prohibit registration of elements, including shapes, colors, designs, etc., that are either functional or give substantial value to the product. However, franchisors can avail themselves of a combination of trademark, copyright and design rights protection to adequately cover their concepts.

In addition, numerous countries provide various causes of actions that can also be utilized by franchisors. For example, franchisors should avail themselves of actions of passing off, unfair competition and parasitism to adequately protect trade dress rights. Additionally, a franchisor can protect its trade dress by utilizing a combination of industrial design, copyright
and trademark laws. Analysis of trade dress rights in various studies are set forth below in the
individual case studies.

D. Copyrights: An International Perspective

Copyrights generally have international protection almost automatically through the
participation of many countries in treaties. This can be a significant advantage for businesses
expanding internationally, as in theory no registration is required and the coverage spreads
more quickly than the business’s reputation on the internet. Many franchisors think that reliance
on the treaties is sufficient copyright protection.

But such reliance may be misplaced. The protection that the franchisor will receive will
be according to the national law. Firstly, to prove ownership of copyright in court, especially in
foreign jurisdictions, requires clear written evidence of the chain of title from the creator of the
copyrighted work to the current owner. This evidence can be voluminous, and in civil law
jurisdictions it will often be necessary to have the evidence notarized and legalized. Further U.S.
concepts such as “work-for-hire” can be difficult to explain in a foreign court. When a franchisor
wishes to have copyright infringing material removed from the internet proving the chain of title
is not the fast or cost effective way to achieve a result. It is usually easiest to present the local
internet service provider with a copyright registration in the relevant jurisdiction.

The two original treaties that extended copyright protection to most countries
internationally are the Berne Convention for the Protection of Literary and Artistic Works, 159 (the
Berne Convention”) first signed in 1886; and the Universal Copyright Convention, 160 (the “UCC”)
adopted in 1952.

The Berne Convention was the first treaty to provide for reciprocal national protection for
copyrighted works and it also set minimum standards for the recognition of copyright. With
respect to the ownership of copyright, it forbade jurisdictions from requiring registration as a pre-
condition to ownership of copyright. The minimum term for copyright protection was set at 50
years after first showing, or 50 years after creation if it has not been shown (published).

The UCC was developed later by the United Nations Educational, Scientific and Cultural
Organization (“UNESCO”) as an alternative to the Berne Convention. Some jurisdictions, such
as the United States, disagreed with the ban on registration as an indication of ownership, and
others felt that the strong copyright protections in the Berne convention disproportionately
benefitted the copyright exporting states, that were then mostly in Europe.

The United States changed its copyright law substantially in 1989 and became a party to
the Berne Convention as well as the UCC. While these treaties are still relevant in technical
applications for recognitions in foreign courts, the general provisions have since been replaced
by the Agreement on Trade-Related Aspects of Intellectual Property (“TRIPS”) 161 that is a
requirement for membership in the World Trade Organization (“WTO”).


160 Administered by WIPO. Copy available online at:

161 Administered by the WTO. Copy available online at: http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm.
Franchisors wishing to avail themselves of the international protection for their copyrights should consider seeking advice on national variations in the way in which their copyrights will be protected in each jurisdiction that they formally enter. The treaties serve as a sort of a placeholder, something not available for trademarks, but the actual protection depends on conformity to local requirements.

The two main items that franchisors usually wish to protect are the artistic work in their logos and other designs and the operating manual. The general requirement is that works to be protected by copyright must be original to the creator, in the sense that the author was the one who created the protected work, but some jurisdictions also require that the work demonstrate a minimum level of creativity. For example in the United States, the U.S. Copyright Office declines to register the copyright in logos. It is considered that there is not enough creativity in them. However there are U.S. cases where there was held to be sufficient copyright in a logo to protect. In Canada the case law is clear that there is copyright in logos and that it is protectable.

There is little doubt that an operations manual contains sufficient creativity to be protected. However the problem there is one of transfer of ownership. To satisfy the requirements of some foreign courts or registrars the franchisor will be required to identify each person who worked on the manual and their relationship to the franchisor. Franchisors rarely keep such detailed records. Further different jurisdictions have different ways of categorizing the employment and commissioned works relationships, and the transfer agreement that satisfies a U.S. court may not be appropriately worded for the registrar in the People’s Republic of China.

E. Design Patents: An International Perspective

Why is the world of international design patents evolving as a new way to protect products? We only have to look to our smart phones and Apple. On January 5, 2007, four days before the iPhone was introduced to the world, Apple filed four design patents covering the basic shape of the iPhone. Steve Jobs was a listed inventor on three of the Apple U.S. design patents. These were followed up in June of that year with a massive filing of a color design patent covering 193 screen shots of various iPhone graphical user interfaces.

Apple sued Samsung in 2011 in the smartphone patent wars including on the four design patents. The war expanded to 19 cases in nine countries by August 2011. As we know, Apple won the U.S. battle on this. But now Apple is jamming hundreds of design patents through China’s Patent Office, including 37 design patents that were granted to Apple in China in addition to a peek at a few architectural styled figurative design graphics showcasing Apple’s beautiful Shanghai Store.

In addition, the European Patent Office published a series of three Apple patent designs pertaining to, of all things, their In-Store iPad Stand. One can say that Apple really loves design

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patents for its products and retail devices. That's what makes Apple great in the eyes of its fans: Apple's fanatical attention to detail. So we see that at least one company takes design patents very seriously. Now let's take a look at design patents, both in the United States and on an international scale.

A U.S. design patent covers the ornamental design for an object having practical utility. An object with a design that is substantially similar to the design claimed in a design patent cannot be made, used, copied or imported into the United States. The copy does not have to be exact for the patent to be infringed. It only has to be substantially similar. Design patents with line drawings cover only the features shown as solid lines. Items shown as dotted lines are not covered. This is one of the reasons Apple was awarded a jury verdict in the U.S. case of Apple v. Samsung. Apple's patent showed much of its iPhone design as broken lines. It did not matter if Samsung was different in those areas. The fact that the solid lines of the patent were the same as Samsung's design meant that Samsung infringed the Apple design patent.

U.S. design patents last 14 years from the date of grant and cover the ornamental aspects of utilitarian objects. Objects that lack a use beyond that conferred by their appearance or the information they convey may be covered by copyright—a form of protection of much longer duration that exists as soon as a qualifying work is created. In some circumstances, rights may also be acquired in trade dress, but trade dress protection is akin to trademark rights and requires that the design have source significance or "secondary meaning." It is useful only to prevent source misrepresentations; trade dress protection.

We can look at design patents on the international sight starting with groups such as the World Intellectual Property Organization ("WIPO") and the European Patent Office ("EPO") and then some individual countries. For the member states of WIPO, cover is afforded by registration at WIPO and examination by the designated member states in accordance with the Geneva Act of the Hague Agreement.

For Europe, registered and unregistered Community designs are available that provide a unitary right covering the European Community. Protection for a registered Community design is for up to 25 years, subject to the payment of renewal fees every five years. The unregistered Community design lasts for three years after a design is made available to the public, and infringement only occurs if the protected design has been copied.

In addition to the design protection available under Community designs, UK law provides its own national registered design right and an unregistered design right. The unregistered right, which exists automatically if the requirements are met, can last for up to 15 years. The registered design right can last for up to 25 years, subject to the payment of maintenance fees.

Canadian law affords 10 years of protection to industrial designs that are registered; there is no protection for unregistered designs. The Industrial Design Act defines "design" or "industrial design" to mean "features of shape, configuration, pattern or ornament and any combination of those features that, in a finished article, appeal to and are judged solely by the eye."

Design patent applications in China offer a fast, low-cost way to obtain protection and make up 35 percent of all patent filings in China. The term of the design patents in China is 10 years from the filing date.

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Article 1 of the Japanese Design Law states: "This law was designed to protect and utilize designs and to encourage creation of designs in order to contribute to industrial development". The protection period in Japan is 20 years from the day of registration.

What does the Apple examples tell us about design patents? Design patents around the world are important international protection of unique product designs. Product design holds tremendous monetary value. This leads some successful designs to fall victim to knock-offs that can result in damage to brand loyalty and loss of revenue. Design patents are an effective tool in combating those who attempt to profit from the success of others. Design patents can help protect unique product designs and eliminate knock-offs in the marketplace.

F. Trade Secrets: An International Perspective

Trade secrets and confidential information are perhaps the most difficult form of intellectual property to protect internationally. The common practice of using non-competition covenants to protect them is often counter to local policies on the use of such covenants.

Unlike the United States, many jurisdictions do not distinguish between trade secrets, which are sometimes more focused on technical information, and confidential information such as customer lists. The People’s Republic of China is one such jurisdiction. Accordingly trade secrets and confidential information will simply be called “trade secrets” in this section.

The first signed document in many transactions may be a non-disclosure agreement (“NDA”). And because the viability of the transaction is usually not well known at such an early stage, parties tend to use a standard form prepared for transactions in their home jurisdiction. Internationally this often makes the NDA unenforceable.

Although trade secret protection is now part of the TRIPs Agreement,166 internationally the effectiveness of the concept of trade secret protection varies primarily with the nature of the legal system in each country.167 There are many more civil law jurisdictions in the world than common law jurisdictions, and almost uniformly civil law jurisdictions do not have pre-trial discovery or depositions, rendering the protection of trade secrets and confidential information more difficult.

In civil law jurisdictions, the onus is on the plaintiff to submit evidence to prove the information had the basic elements necessary for protection, namely being unknown to the public, commercial value and maintained as secret, as well as to prove what was taken, how it was taken, by whom, and what has been done with it. The plaintiff also has to prove the quantum of the damages claimed. The defendant has no obligation whatsoever to produce documents, and may simply deny the plaintiff’s claims.

Generally speaking civil law jurisdictions require better written records that are carefully recorded and verified from the start of the transaction. Franchisors from common law jurisdictions are thus at a disadvantage, as they have not always experienced these requirements.

166 See Article 39. This is the first international agreement to require trade secret protection.

It does not help that there is no uniform legal theory internationally as to the basis for trade secret law. In some jurisdictions, such as Canada, trade secrets are based on relational obligations such as contract, employment status or fiduciary duty. In the United States however the concept of a trade secret is based on property rights. Other bases for trade secret protection are fairness and equity, unfair competition law, or tort.\(^{168}\)

There are other areas where policy differences between jurisdictions lead to variations in the enforcement of the protection of trade secrets. Many jurisdictions, but not all, have made it clear that there is an implied duty of confidentiality on the part of employees during the term of employment. In civil law jurisdictions all parties are often required to conduct themselves in “good faith” in their civil obligations in general. Sometimes the courts have drawn the implied duty of confidentiality from such obligations, but not always.

The contrasting position is that society needs a workforce capable of using the skills and judgment learned on one job in the next job. Non-competition covenants are often included in provisions for the protection of trade secrets and confidential information because of the difficulty of proving disclosure. So the policies on the enforceability of post-term non-competition covenants vary considerably. For example, in Canada the Supreme Court has ruled that non-competition covenants that are vague as to the restrictions are void.\(^{169}\)

Similarly some jurisdictions take the position that NDAs should specify clearly the nature of the information that is being protected so that the employee knows the boundaries of the restrictions. NDAs run the risk of being void for vagueness if they simply list every conceivable type of business information that the franchisor has. Such clauses also increase the nature of the evidence that is required to prove that there is a valid trade secret that has been illegally disclosed.

In the United States these evidentiary problems have led to the development of the doctrine of “inevitable disclosure.” The doctrine proposes that an employee “may be enjoined by demonstrating that the employee’s new job duties will inevitably cause the employee to rely upon knowledge of the former employee’s trade secrets.”\(^{170}\) Some have proposed that the international adoption of this doctrine should be a goal of U.S. trade policy.

However the doctrine has not yet been accepted in all U.S. states, and has been rejected in Canada.\(^{171}\) The better solution for protecting trade secrets and confidential information internationally may well be to start with NDAs that are narrower and more tailored to the target jurisdiction.

\(^{168}\) For example in the People’s Republic of China both fairness and equity and unfair competition law are used.


\(^{171}\) See, for example, Longyear Canada, ULC v. 897173 Ontario Inc.,(J.N. Precise), [2008] CanLII 20332 (ON S.C.) and Éditions CEC inc. v. Hough, 2008 Q.C.C.S. 4526.
1. **Practice Pointers**

- Before entering a jurisdiction, investigate how trade secrets and confidential information are protected there.

- Tailor the method of protection to the jurisdiction.

- Consider clearly identifying the most important trade secrets to be protected.

- Keep good records of each disclosure of the trade secrets or confidential information.

IV. **CASE STUDIES**

A. **Brazil**

Brazil is one of the “BRICs” countries, using the term coined by Jim O’Neil and others at Goldman Sachs,\(^{172}\) that are supposed to overtake the economies of the developed countries in the near, or not-so-near, future. As such it may be of special importance to businesses planning international expansion.

However, unlike fellow BRICs Russia and China, Brazil has not had to change from a planned economy to a market economy, and rebuild its legal system to match to new order. Brazil has a civil law legal system based primarily on that of France, Spain and Portugal. A new constitution was adopted in 1988,\(^{173}\) but one of the major concerns for foreign entrants to the Brazilian market is the legal system.

Generally the Brazilian legal system is slow and intrusive. For example, it can take up to five years to register a trademark in Brazil. A further example is the registration of franchise agreements. Although the Brazilian Franchise Law\(^{174}\) does not require the registration of franchise disclosure documents and prescribes that franchise agreements are valid and enforceable irrespective of whether they are registered, the registration of the franchise agreement is a practical necessity in order to make the agreement effective against third parties, to permit outgoing payments, and to qualify the franchisee for tax deductions.

The registration is made with Instituto Nacional da Propriedade Industrial (INPI)\(^{175}\) and they will conduct a substantive review of the franchise agreement. However they only challenge specific clauses rather than reject the entire agreement. There are two types of replies from examiners. An office action may either demand the elimination of a specific clause or simply


\(^{175}\) Website (in Portuguese): http://www.inpi.gov.br/portal/.
provide a comment regarding the possible negative effect of a specific clause. If no action is taken by the franchisor to remedy the latter, then the comment regarding the negative effect will be issued with the Recordation Certificate.

Brazil is a first-to-file jurisdiction for trademarks, but few franchisors plan to register their trademarks five years in advance of their first sale. It is not yet a member of the Madrid Protocol, although it is anticipated that it will accede to the Protocol in the next few years, so any applications will have to be on a national basis. Brazil does have an exception from this rule for trademarks that are well-known in Brazil, even if they have not been applied for or registered in Brazil. Such claims are comparatively well-accepted in Brazil, both by the courts and in administrative matters, but if the claim is made an application for registration by the owner must be made within 60 days.

Article 124 of the Industrial Property Law contains restrictions on what may be registered as a trademark. The restrictions include “signs or expressions employed only as a means of advertising.” They also include works protected by copyright. Some non-traditional marks such as colors are also restricted, and others such as smells and three dimensional marks face practical difficulties.

Brazil is a party to the Berne Convention on Copyrights and the Universal Copyright Convention, as well as TRIPS. Copyright protection commences when the work is introduced into the market. Registration is available but not mandatory.

One of the more interesting developments in Brazil this year has been the coming into force of the Marco Civil da Internet, also known as the “Civil Rights Framework for the Internet.” Although it primarily addresses civil liberties and privacy in the use of the internet, there are some provisions that franchisors intending to franchise in Brazil should be monitoring. Article 2 sets out the basic purposes of the law, which include the promotion of “free enterprise, free competition and consumer protection.” Section III provides a safe harbor for internet service providers with respect to third party content. There are also requirements for maintaining records.

Probably the most important strategic considerations for franchisors entering Brazil are to apply for registration of the trademarks at a very early stage and to maintain good written records regarding the ownership of copyright and all forms of intellectual property.

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176 Lei da Propriedade Industrial nº 9.279 de 14 de Maio de 1996, Article 126.
177 Id., Article 124(VII).
178 Id., Article 124(XVII) prohibits the registration of “obra literária, artística ou científica, assim como os títulos que estejam protegidos pelo direito autoral e sejam suscetíveis de causar confusão ou associação, salvo com consentimento do autor ou titular;”
179 Id., Article 124(VIII).
180 Lei no. 12.965 adopted by the Camara dos Deputados on March 25, 2014; by the Senato Federal on April 22, 2014, and sanctioned by the President on April 23, 2014.
181 Id., Article 2(V).
1. **Practice Pointers**

- Register trademarks very early in Brazil as they take a long time to prosecute to registration.
- Have franchise agreements vetted by a Brazilian franchise lawyer well before they are signed.
- Monitor developments regarding the use of the internet in Brazil.

B. **Canada**

Canada is a federal state with 10 provinces and two territories. The federal government and nine of the ten provinces use a common law legal system similar to that in the United States or in England and Wales. The Province of Québec has a mixed common law and civil law system, with contractual relations being governed largely by its Civil Code.\(^1\) However Québec’s courts function much like common law courts; and the Code of Civil Procedure in Québec provides for common law style discovery and depositions.\(^2\)

Unlike the United States, the Canadian Constitution requires that powers be allocated to either the federal or provincial governments, but they cannot be shared. As a result patents, copyrights, industrial designs and trademarks are a federal responsibility, but trade secrets and confidential information, which are contractual matters in Canada, are governed by provincial legislation. Franchising is also strictly a provincial matter.

It should be noted that Canadian trademark law is in the process of undergoing a transition. The changes are in order to harmonize the Canadian trademark and registration process with the *Singapore Treaty* and the *Nice Agreement*, and to prepare for implementation of the *Madrid Protocol* in Canada.\(^3\) While the bill was given Royal Assent on June 19, 2014, it may take another year or two before the changes are implemented in the Canadian Intellectual Property Office.

One of the more relevant amendments affecting the strategic use of intellectual property is the change in the definition of a trademark to include non-traditional marks such as colors, holograms, three dimensional shapes, moving images, sounds, scents, tastes, textures, a mode of packaging and the positioning of a sign.\(^4\) Progress had been made in registering some of these marks already, but now progress is expected to accelerate.

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\(^3\) Constitution Act, 1867, 30 & 31 Victoria, c. 3 (U.K.), as amended.


\(^5\) Id. at Division 25, Section 318.
Still these will not be sufficient barriers to parallel imports as they are trademarks, and so long as the goods sold in association with the trademark are those of the owner of the trademark registration, there has been no breach of the Trade-marks Act.

A fight between two Canadian distributors of TOBLERONE and COTE D’OR chocolate bars illustrates the advantages of copyright in logos in stopping parallel imports. Euro-Excellence Inc. had been the exclusive Canadian distributor for COTE D’OR chocolate bars prior to 2000, but after that its distribution agreement was not renewed, and Kraft Canada Inc. became the exclusive distributor. Kraft Foods Belgium SA then registered in Canada the copyrights in three COTE D’OR logos and two TOBLERONE logos, and entered into an agreement with Kraft Canada as the exclusive licensee for the production and reproduction of the logos.

Kraft Canada sued Euro-Excellence for copyright infringement, and the case eventually made its way to the Supreme Court of Canada.\textsuperscript{187} At trial the Federal Court found that the logos were the proper subject of copyright, despite the fact that the original design in one of the COTE D’OR logos was only updated from a logo that was over 100 years old.\textsuperscript{188} In other words the test for originality in copyright in Canada has a fairly low threshold.

The decision in the Supreme Court of Canada was quite complicated, and in a way both sides could claim victory. However Kraft Canada corrected what some of the court had perceived as a weakness and filed suit again. This time the grey marketer, Euro-Excellence, chose to settle and become a distributor again.

The key lesson here is the low standard for originality in Canadian copyright law allows for the protection of even updated logos. There are other issues to pay attention to in Canada. One is the use of the French language in Québec and elsewhere.

There is considerable concern in Québec that the use of the French language is being eroded by the predominance of English in North American business. In response the Province has adopted legislation requiring the use of French in several areas, including the workplace.\textsuperscript{189} Essentially employees must be able to work in French. For franchisors from the United States this may necessitate the translation of the operations manual or other materials into French.

Accordingly when entering into a franchise agreement for operation in Québec it is necessary to specify that the franchisor will retain ownership of any translations that are made. But as the franchise agreement almost always is entered into prior to any actual translation, the actual copyright is not transferred by such a provision. This provision provides only a beneficial interest in the copyright at best. In order to complete the chain of title necessary to establish a good copyright claim in court it is necessary to have the translator and often the franchisee enter into an assignment agreement after the translation has been completed.

Another issue arising out of Canada’s bilingual nature is the use of French versions of trademarks. Trademarks are a federal matter in Canada, and thus the provinces have very limited authority over how they are used. Accordingly the regulations under the Charter of the


\textsuperscript{189} La charte de la langue français-The Charter of the French Language, CQLR c C-11, http://canlii.ca/t/526jl.
French Language provide an exception where English language registered trademarks are used, as long as French language mark has not been registered.

Recently L’Office québécois de la langue française, the administrator of the Charter of the French Language, took the position that if a trademark is used as the name of a business, then it is being used as a trade-name and must be in French also. A group of retailers challenged this position in court and were successful.\textsuperscript{190}

However there are still a number of problems. Firstly the Government of Québec has appealed the decision. Secondly the test for marks that are confusingly similar is generally that of the average bilingual consumer.\textsuperscript{191} Thus the mark “FIRST CHOICE” would be confusingly similar to the mark “PREMIERE CHOIX.” On the other hand there are marks that may have many possible translations in French, depending upon the nuances desired.

Thus, there are strategic choices to be made in applying to register the French-language equivalent of the English mark. On one hand, a French version ensures fuller protection in Canada. On the other hand, if a French version is registered, it must be used in Québec.

\textbf{1. Practice Pointers}

- Trademark protection in Canada is changing and non-traditional marks are becoming easier to register.

- Canada has a comparatively low threshold of originality for copyright protection, and thus there is copyright in most logos that can be protected in Canada.

- What would the French-language version of the franchisor’s mark be? Does it need separate protection? Does the franchisor wish to use a French-language version of the mark?

\textbf{C. People’s Republic of China}

The People’s Republic of China (“PRC”) is a jurisdiction that has a legal system that is significantly different from that found in the United States, and where the threats to intellectual property rights (“IPRs”) make adaptations of a franchisor’s strategy for IPRs very likely to be valuable. The PRC is a civil law jurisdiction that has largely borrowed the concepts for its legal system from Germany.

The Chinese language is the only language in the world that does not use an alphabetic or syllabic writing system. One of the consequences of the distinctive linguistic system is the fact that trademarks written in the Latin alphabet cannot usually be expressed in Chinese with any accuracy as to sound or meaning. Chinese speakers will almost invariably develop a Chinese nickname for the brand, using syllables common to Chinese. In this age of the internet they will usually go further and choose characters\textsuperscript{192} to represent this “nick-name.” As they have

\textsuperscript{190} \textit{Magasins Best Buy ltée c. Québec (Procureur général), 2014 QCCS 1427 (CanLII)}.

\textsuperscript{191} \textit{Pierre Fabre Medicament v SmithKline Beecham Corp (2001), 11 CPR (4th) 1}.

\textsuperscript{192} There are about 10,000 Chinese characters in common use, but Chinese uses only about 400 syllables. Each character is a unit of meaning and is expresses verbally by one syllable.
many characters with the same sounds to choose from, they may well choose characters that have a meaning that the franchisor does not want associated with its system.

Thus an American franchisor with a well-known brand may encounter several problems in stopping others from using its brand in the PRC. Although it has registered its Latin alphabet mark in the PRC, the PRC courts are reluctant to designate the brand as well-known or famous unless the brand is also well known in the PRC. Being well-known in the U.S. is of little value. This will allow others to successfully use and register the mark in other classes.

1. Using Copyright to Protect Logos

One way to overcome the lack of well-known status in the PRC and the difficulties presented by squatters who have registered the mark in other classes ahead of the franchisor is to claim copyright protection in the logo. The copyright in the logo arises automatically on creation in the United States and the protection of the copyright is extended to the PRC by the operation of treaties. Those rights will thus invariably pre-date the squatter’s use and registration.

However, the copyright will only be afforded national protection according to PRC law, not the protection that it would receive in the U.S. PRC courts will insist on written evidence of the chain of title of the copyrighted work from creation to the date of the decision. And there is a tendency to insist on evidence that matches the concepts of creation that exist in the PRC Copyright Law.

Instead of a “work-for-hire” doctrine similar to the U.S., the PRC has three ways in which the artist or creator may transfer the copyright in his or her creation to the franchisor. They are as an employee by formal written assignment; as a person specifically commissioned by the franchisor to create the work, and by assignment. For registration of copyright in the PRC the examiners in the Copyright Office tend to insist that the contract contain the correct language. In other words a contract that talks about “assignment” will not be acceptable for a work that was commissioned.

Further will in some countries works created by “employees” are transferred to the employer by the operation of law, but in the PRC there needs to be a specific assignment from the employee.

2. Non-Disclosure Agreements

The negotiation of many transactions begins with the entry of the parties into a non-disclosure agreement (“NDA”). And in North America such agreements usually include a non-competition covenant because of the difficulty of proving that trade secrets or confidential

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193 The People’s Republic of China is a party to the Berne Convention and to TRIPS.


195 Id., Article 11(2).

196 Id., Article 16.
information have been disclosed. As the likely value of the proposed transaction is usually not
certain at that point, North American parties often choose not to seek advice on the specific
requirements of the PRC law with respect to trade secrets and confidential information, and
rather to simply use their standard form NDA. Unfortunately, this often means that part or all of
the NDA is un-enforceable in the PRC. Fortunately there is also a statutory cause of action for
use of trade secrets or confidential information under Article 10 of the Anti-Unfair Competition
Law.\textsuperscript{197}

There are a number of issues to be dealt with to prepare an enforceable NDA. Firstly,
document should have the name of the Chinese party in Chinese characters, as found on
its 营业执照 or business license. Secondly, the person signing the NDA must be the 法定代表人
or “legal representative.” A “legal representative” is not the lawyer for the company, but rather
usually the largest shareholder. Thirdly, such person should use the special corporate seal that
only he or she possesses. Contracts in China can be made by use of a seal alone.
Secondly PRC courts will need clear evidence as to the transfer of the confidential information
and as to its use. It will also be necessary to prove that the information was kept confidential by
the franchisor. Many North American NDAs list as many items as trade secrets as possible. In
the PRC the more prudent approach is to specifically describe a limited number of trade secrets.
The other party will thus be aware of what may not be disclosed or used, and the evidentiary
burden on the franchisor will be lessened.

Finally non-competition covenants between corporations are upheld in the PRC in a
manner similar to that in North America. But for employees and individuals it is a different
matter. The Labor Contract Law\textsuperscript{198} limits which employees may be asked to sign non-
competition covenants, and limits the duration to two years, even for the protection of
intellectual property. Further for employees the must be compensated for the term of the
covenant. The amount of the compensation can be agreed upon in advance, but there is a risk
that the amount will be held insufficient if it is less than 30% of the employees pay on
termination.

When seeking protection for trade secrets or confidential information in the PRC,
franchisors should seek specialized advice from the very beginning and carefully consider just
what information is of strategic importance.

3. Practice Pointers

- Register trademarks early in the PRC, and register in a broad range of classes.

- Monitor the franchisor's reputation in China and register Chinese names that are
  used for the franchisor’s business, or otherwise develop a Chinese-character mark.

- Ensure that the franchisor has a document from the creator of its logos assigning the
  copyright to it, and include a requirement that the creator will sign other such
documents if required.

\textsuperscript{197} Anti-Unfair Competition Law, 反不正当竞争法 (“Fan Bu Zhengdang Jingzheng Fa”) adopted at the 3rd Session of
the Standing Committee of the 8th National People’s Congress on September 2, 1993 and effective as of December 1, 1993.

\textsuperscript{198} 劳动合同法 (laodong hetong fa), adopted at the 28th Session of the Standing Committee of the Tenth National
• Keep a very good written record of the chain of title.

• Use only NDAs or confidentiality agreements specifically prepared for use in the PRC.

D. European Union

The European Union (‘EU”) is an economic and increasingly political union that arose out of the ashes of World War II. From the original six member states it has grown to the current 28 member countries\(^\text{199}\) that encompass almost all the major countries that are considered European.\(^\text{200}\) It is not a federation, but rather a group of sovereign states bound together by treaties. Altogether over half a billion people live in the EU.

The initial aim of the EU was to establish a uniform set of market conditions amongst its members. As such franchisors should give serious consideration to EU wide intellectual property protection even if they are planning to franchise initially in only one European country.

The EU has a weak parliament, and more power resides in a Commission that adopts directives and regulations that the member states are required by the treaties to enact and enforce. The development of the common market is an ongoing project. All members of the EU except Cyprus, Ireland, Malta\(^\text{201}\) and the United Kingdom are civil law jurisdictions, and EU law reflects the preponderance of civil law in its construction.

1. Trademarks and Designs

If the franchisor is considering expanding into a country that is a member of the European Union it would be a mistake to register its trademarks in that country only. Although community trademarks (known as “CTMs”) are usually more expensive to register than a national trademark, the difference is not usually large, and the resulting protection for the trademark extends to all 28 member countries.

The CTM system is implemented by the Office for the Harmonization of the Internal Market (Trade Marks and Designs) (“OHIM”) based in Valencia, Spain. The OHIM has considerable experience with non-traditional trade-marks, and color registrations are not uncommon. There are also sound mark registrations,\(^\text{202}\) but applications for scent marks have

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\(^{199}\) The members are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

\(^{200}\) The major non-members are: Switzerland, Norway, Iceland, Montenegro, Serbia, Macedonia, Turkey, Albania and Bosnia Herzegovina. Iceland, Montenegro, Serbia, Macedonia and Turkey are currently applying for membership.

\(^{201}\) Malta has a mixed civil law and common law legal system.

\(^{202}\) Shield Mark B.V. v. Joost Kist, 6th Senate of the European Court of Justice, case C-283/01.
encountered difficulty with the requirement that the mark have graphical representation of sufficient precision.\footnote{Sieckmann v. German Patent Office (case C-273/00) issued on December 12, 2002.}

The EU has a history of providing significant protection for designs. Article 3 of the Regulation on Community Designs defines a protectable design as “The appearance of the whole or a part of a product resulting from features of, in particular, the lines, contours, colors, shape, texture and/or materials of the product itself and/or its ornamentation.”\footnote{Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community designs. Available at: http://www.wipo.int/wipolex/en/details.jsp?id=6414.} Protected types of designs include packaging of products, products and sets of products, composite products, parts of products, logos, computer icons, typefaces, drawings and artwork, get-ups, ornamentation, web design and maps. Design registrations last five years, but can be renewed for a total of 25 years.

However some still prefer to use trademark protection for designs and logos. One of the leaders in retailing, Apple, Inc., applied for and received registration of its store design as a trademark in the United States in Class 35,\footnote{Registration No. 4,277,914 applied for May 10, 2010 and granted registration on January 23, 2013.} and then sought to extend the application through the Madrid Protocol system.

The application was refused by the German Trademark Office, “on the ground that the depiction of the space devoted to the sale of the undertaking’s products was nothing other than the representation of an essential aspect of that undertaking’s business.”\footnote{Apple Inc. v. Deutsches Patent- und Markenamt, Court of Justice for the European Union, Case C-421/13, July 10, 2014.} Apple appealed this decision to the Bundespatentgericht in Germany, which then sought advice from the European Court of Justice as to whether the protection to be afforded to packaging of goods could be extended to the presentation of the establishment in which a service is provided.

The court ruled that:

In the light of all the foregoing considerations, the answer to the first to third questions is that Articles 2 and 3 of Directive 2008/95 must be interpreted as meaning that the representation, by a design alone, without indicating the size or the proportions, of the layout of a retail store, may be registered as a trade mark for services consisting in services relating to those goods but which do not form an integral part of the offer for sale thereof, provided that the sign is capable of distinguishing the services of the applicant for registration from those of other undertakings and that registration is not precluded by any of the grounds for refusal set out in that directive.\footnote{Id., paragraph 27.}
The matter has now been remanded to the Bundespatentgericht for a final determination. It is expected that the ruling will be favorable to Apple, thus providing significant opportunities for the strategic protection of store trade dress in the EU for franchisors.

2. **Database Protection**

Another area in which the EU offers unique strategic protection opportunities is in the protection of databases. Generally it is difficult to protect databases under copyright law when the value of the database is in the completeness of its collection of public facts.

Examples are the compilation of data from sporting events, such as football and soccer results.

The EU has thus developed a unique or *sui generis* right in databases and issued the Directive on the legal protection of databases \(^{208}\) that has been transformed into the national laws of the various member states. The right is valid for 15 years beginning on January 1\(^{st}\) of the year after the year in which the database is created. While no registration is required, such protection is only available to EU legal entities. Thus a franchisor would need to incorporate a legal entity in the EU.

3. **Utility Model Patent**

One of the drawbacks of using patents in a franchise system is the cost of obtaining patent protection, particularly while trying to build a franchise system. Often a patent is only registered in the United States for cost reasons, and this may present problem when considering international expansion.

Many civil law jurisdictions, and some common law jurisdictions such as Australia, have developed protective concepts that are less expensive, but in return have shorter protection. These are often called “utility model” systems, and most countries in the EU have them. \(^{209}\)

Patent applications in the EU are governed by a separate treaty called the European Patent Convention. There are 38 parties, which is more than the members of the EU. Essentially the treaty allows for the granting of national patents after one harmonized examination by the European Patent office in Munich. U.S. franchisors should consider this when considering their selection of countries under the Patent Cooperation Treaty after the completion of the filing in the United States.

4. **Practice Pointers**

- Apply for Community Trademarks, even if the initial entry is only to one member country.

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\(^{209}\) Exceptions are Belgium, Ireland, Luxembourg, the Netherlands, Sweden and the United Kingdom.
• Consider applying for non-traditional trademarks.

• Consider design registrations for any distinctive packaging and ornamental designs on products.

• Consider registering a store design if it can be considered distinctive.

• Consider the use of less expensive utility model patents in the EU.

E. India

As a “first to use” country, registration of a trademark is not required in India. While prior use does establish rights, registration grants, among other advantages, significant enforcement benefits such as the ability to prevent others from using confusingly similar marks outside of the same geographic region as an unregistered mark’s use and the ability to file an infringement action in a court of law. Notably, given how broadly Section 2 of the Trade Marks Act (1999) of India defines a mark, it behooves brand owners to avail themselves of the protections through registration.

Specifically, a trademark is defined as “... a mark capable of being represented graphically and which is capable of distinguishing the goods and services of one person from those of others and may include shape of goods, their packaging and combination of colours.” Further, a “mark” includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of a good, packaging, combination of colors or any combination thereof. Significantly, the law has been extended to cover non-functional, non-traditional marks including three-dimensional shapes, sounds, scents, gestures, holograms and a combination of colors. Since a large population of India remains illiterate, brand owners should take note that Indian courts have sometimes viewed the source indicating function from the viewpoint of an illiterate, gullible and unwary consumer and thus, in theory, providing a lower threshold than the consumer viewpoint as in the United States and other countries. Nonetheless, depending on the type of non-traditional mark, a brand owner may still face an uphill battle in securing a registration.

1. Color

While the Trade Marks Act of India contemplates that colors may be registered as trademarks, it specifies that it is a combination of colors. Consequently, the Indian trademark office and the Indian courts have been reluctant to, if they have at all, grant single color registrations. Indeed, India, like many countries, theorizes that an individual color is often likely utilitarian and by its very nature unlikely to be sufficiently distinctive to perform a source function. Moreover, even applications for registration of combination of colors require that an applicant surpass a heavy burden to acquire registration. An applicant must file a clear representation of the color combination and provide strong evidence of acquired distinctiveness.

210 Sec. 2(zb) Trade Marks Act, 1999.

211 Id. at Sec. 2 (m).

Specifically, an applicant must show significant, often long term, use, submit significant sales and marketing information and at least some evidence that consumers’ associate the combination of colors with a source. Even if such evidence is produced, a registration will still be denied if consumers associate the colors with the nature of the product or the colors serve some utilitarian function.

2. **Sounds and Gestures**

Realizing the potential for sounds as a source indicator, India has recognized such marks as for the distinctive performing style of a rock music group and the Yahoo! Voice.\(^{213}\) The state of the law remains in its infancy.

3. **Trade Dress**

While trade dress, sometimes referred to as get-up, is not specifically defined in the Indian Trade Marks Act, Section 2(q) of the Act does define the term packaging to include any case, box, container, covering, folder, receptacle, vessel, casket, bottle, wrapper, label, band, ticket, reel, frame, capsule, cap, lid, stopper and cork. The Indian courts have expanded the concept and defined trade dress as “the overall impression that a consumer gets as to the source and origin of the goods from visual impression of colour combination, shape of the container, packaging, etc.”\(^{214}\) “To establish infringement, the ‘trade dress’ has to be seen as a whole and not in parts.”\(^{215}\) Trade dress law continues to develop in India. While the primary focus has been on product packaging it is quickly moving beyond to product design and overall decor.

4. **Product Packaging**

The initial focus on trade dress seems to surround product packaging. Realizing packaging’s significant recognition function, courts have noted “[i]f an illiterate, unwary and gullible customer gets confused as to the source and origin of goods which he has been using for longer period by way of getting the goods in a container having particular shape, colour combination and get-up, it amounts to passing off.”\(^{216}\) Nonetheless, while courts still place a significant prominence on traditional marks used in combination with potentially similar trade dress. In a case related to L’Oreal’s packaging, the court noted that because the marks of L’Oreal’s and Henkel’s products were clearly inscribed in their respective trade dresses, there was no chance of confusion among the mostly middle and upper class consumers.\(^{217}\)

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\(^{213}\) Reg. No. 1270406.

\(^{214}\) *Colgate Palmolive Co. v. Anchor Health and Beauty Care Pvt. Ltd.* 2003 (27) PTC 478.


\(^{216}\) *Colgate Palmolive Co. v. Anchor Health and Beauty Care Pvt. Ltd.* 2003 (27) PTC 478.

\(^{217}\) *L’Oreal India Pvt. Ltd. and Anr. v. Henkel Marketing India Ltd. and Anr.* 2005 (6) Bom. CR 77.
5. **Product Design / Configuration**

While case law continues to develop, India has allowed registration of numerous product designs. For example, the Grey Goose bottle, a lamp, bottle shape, and Twister have all been registered. Further, the design of a door knob, appearance of a water meter, and sports shoe design were also granted registrations by the Indian Trademark Office. It appears that so long as a product design is capable of being graphically represented, capable of distinguishing goods, visually represented (showing use in print or other media) and such use is in connection with indicating source, it is worthy of trade dress protection.

6. **Décor / Overall Appearance**

Under limited circumstances and after meeting a high burden, overall appearance of a structure such as a cafe or restaurant may be registrable. Significantly, however, an applicant must show a unique combination of features and that the combination has acquired distinctiveness through extensive evidence of use and publicity. Nonetheless, brand owners should note that exterior building design by itself may still be denied protection without a showing of unique combination of colors and interior features.

F. **Mexico**

The Law for the Promotion and Protection of Industrial Property (LPPIP) defines a trademark as "... every visible sign that distinguishes products or services from others of their same kind or class in the market." Under the LPPIP, three-dimensional shapes, color combinations and get-up may be registered. It appears that sounds, scents, taste, gesture and hologram marks may not be protectable in Mexico.

While Mexico is a first-to-file jurisdiction, Mexican law provides some flexibility based on a brand owner’s prior use. Specifically, a prior user may defend itself from an infringement allegation based on its prior use in Mexico. Furthermore, a prior user may even file a cancellation action against a subsequent registrant so long as the prior user can clearly prove prior use in Mexico. Significantly, brand owners should be aware that well known marks, i.e. “famous” marks, even those well known outside of Mexico, may be recognized in Mexico and at times afford greater scope of enforceability.

1. **Colors**

As in various other jurisdictions, registration of a singular color is prohibited. However, color combinations may be registered. Examples are the logo for the mark “COLORMIX” for

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218 Reg. No. 1678270.
219 Reg. No. 993844.
220 Reg. No. 1404385.
221 Reg. No. 1656287.
223 Art. 88 LPPIP.
224 Reg. No. 587,005.
use in association with coffee and tea; the logo “COLORISAS”\textsuperscript{225} for use in association with “PALETA DE MALAVISCO CON CUBIERTA SABOR A CHOCOLATE, CAFE, TE, CACAO, AZUCAR, ARROZ, TAPIOCA,” and other items; the logo for the mark “COLORETA”\textsuperscript{226} for use in association with candy; and for the logo for the mark “SABORE’S Y COLORE’S”\textsuperscript{227} for use in association with ice cream.

2. Trade Dress

Along with an amendment addressing franchising rights, the LPPIP was amended to include an administrative cause of action for using a combination of distinctive signs, operative or image elements to identify products or services identical or confusingly similar to others which cause or induce public confusion or error or make the public believe or assume there is a relationship between the rights holder and the alleged infringer. However, it noted that this results in unfair competition, leaving some confusion about whether there is a direct cause of action for trade dress infringement. Consequently, trade dress per se is not registrable under Mexican law. Nevertheless, creative counsel have utilized a combination of individually registered product labels, design elements and product packaging to enforce their client’s rights in overall appearance decor. Of course, a non-functional, three-dimensional product design may also be protected so long as evidence of its source-identifying behavior can be presented. The combination of such trademark and copyright rights has become the key to an otherwise straightforward trade dress claim.

G. Russia

The Russian Federation does not have a high reputation amongst U.S. franchisors, particularly now after the crisis in Ukraine. It is not uncommon to hear that businesses avoid Russia because they think that the Russian legal system does not work and that their intellectual property cannot be protected.

However, systematic observation of the courts and intellectual property protection in the Russian Federation tell a different story. Since the year 2000, there have been significant reforms in the Russian legal system and government aimed at improving the effectiveness of the courts, and the trust placed in the legal system.

The World Bank has maintained a survey of the ease of doing business in many countries for a number of years.\textsuperscript{228} One of the factors assessed in its regular surveys is the ease of enforcing contracts in the national courts, based on the time involved, the cost (including legal fees), and the complexity of the procedures involved.\textsuperscript{229} In Russia, commercial cases are enforced in the Арбитражные Суды or Arbitrazh Courts,\textsuperscript{230} a separate system from

\begin{itemize}
  \item \textsuperscript{225} Reg. No. 1037263.
  \item \textsuperscript{226} Reg. No. 568081.
  \item \textsuperscript{227} Reg. No. 1230385.
  \item \textsuperscript{228} Accessible online at: http://www.doingbusiness.org/rankings.
  \item \textsuperscript{229} For a detailed discussion of the methodology for assessing the enforcement of contracts see “Enforcing Contracts Methodology” online at: http://www.doingbusiness.org/methodology/enforcing-contracts.
  \item \textsuperscript{230} Despite the name, these are regular courts and not to be mistaken with “arbitration tribunals” or третейские суды.
\end{itemize}
the courts of general jurisdiction. In the World Bank rankings Russia currently ranks 10th for the enforcement of contracts, out of 189 jurisdictions. It is important to note that the United States ranks 11th, and Canada 58th.

This survey ranking alone does not establish that the Russian Arbitrazh courts are better than U.S. courts. Surveys are not that precise. But the high ranking is in part due to the reforms undertaken since 2005 to make the courts more open and transparent. And it does strongly suggest that Russian commercial courts are not as bad as popularly believed.

Historically, in civil law jurisdictions court decisions were not available to the general public or were available only with details identifying the parties removed. And certainly this was true in Russia prior to the reforms that were implemented in 2010.231 But now the cases are generally available online the day that they are issued, and are searchable.232 The goal of this reform was to make the legal system more transparent, more worthy of trust and to reduce corruption. For foreigners entering the Russian market the result has been to make strategic use of contracts and intellectual property rights more reliable.

Two other reforms that have been undertaken since 2000 will also affect the strategic use of intellectual property. In 2008, the intellectual property laws were moved into the Russian Civil Code.233 One of the advantages of having these laws as part of the Civil Code, rather than as separate statutes, is that the provisions of the Civil Code are considered more important than individual statutes.

Also in 2006, a revised and more comprehensive competition law was adopted.234 It has familiar prohibitions on abuse of dominant position, prohibitions on vertical and horizontal agreements restricting competition, and unfair competition. Other chapters deal with mergers, natural and administrative monopolies and procedural aspects. It is administered by the Federal Antimonopoly Service.235

For franchisors, the most important considerations are the provisions on agreements restricting competition in Article 11. Included in these prohibitions are price fixing and resale price maintenance,236 division of the market on territorial or certain other factors,237 and tied

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232 The database is available at: http://ras.arbitr.ru/.


235 Федеральная антимонопольная служба.

236 Article 11(1)(1).

237 Article 11(1)(3).
selling. Article 12 contains a blanket exemption for vertical agreements in writing that are agreements of commercial concession (franchising) as defined in the Civil Code.

Because of obligations imposed on franchisors in Chapter 54 of the Civil Code, some franchisors try to avoid fitting within the definition in Article 1027. However, if the franchise agreement also clearly licenses intellectual property, there are other exemptions available. Both Article 10 on the Prohibition of the Abuse of a Dominant Position and Article 11 on the Prohibition of Competition Restricting Agreements between Economic Entities contain absolute exclusions from the application of the Law on the Protection of Competition for Agreements or Actions that Have the Primary Purpose of Exploiting Intellectual Property Rights. In other words, Russian competition law, unlike competition law in Europe or antitrust law in the United States, does not have an exception for the application of the law where there has been an abuse of the intellectual property rights. This is one of the ways that it may be said that Russia over-protects intellectual property rights.

Another area where Russian protection for intellectual property rights is stronger than the international trends is with the exhaustion of rights by reason of the sale of the goods in which the rights are embodied, known as the “first sale doctrine.” This is important with respect to parallel importation or “gray market” goods, where someone other than the authorized distributor has imported goods that have been sold at possibly a lower price in another country.

In the U.S., the trend has been to apply the first sale doctrine to sales that happen outside the country, thus essentially legalizing parallel imports. In Russia, the first sale doctrine is decidedly domestic. In other words, when a franchisor grants exclusive rights for Russia to a particular entity, that entity has the right to ask Russian Customs to block the importation of goods containing the relevant intellectual property rights, notwithstanding the fact that they are genuine goods.

To sum up, the Russian courts are better than many franchisors may expect, intellectual property rights are respected and enforced in the Russian Federation, and at present, intellectual property rights can be used for strategic advantages under Russian antitrust law.

1. Practice Pointers

- Register trademarks in Russia early.

- Seek advice on the obligations of a franchisor under Chapter 54 of the Russian Civil Code.

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238 Article 11(1)(5).

239 See Article 10(4) and Article 11(9) respectively.


241 Article 1487 of the Russian Civil Code.

• Clearly include a license of intellectual property rights in agreements.

H. South Africa

South Africa recognizes rights from use of a trademark in the geographic region covered by such use. Of course, registration grants procedural benefits, including access to certain courts which would be otherwise denied. The South African Trademarks Act broadly defines a trademark as “A mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods or services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person.”\(^{243}\) While textures and tastes are not yet registrable in South Africa, non-traditional marks such as three-dimensional shapes, sounds, scents, gestures, and colors are registrable so long as they are not functional and capable of being represented graphically.

1. Colors

Unlike various other countries, South Africa’s trademark law allows registration of both a single color and a combination of colors. So long as a color is capable of distinguishing a source, is not necessary to achieve a technical result and does not result from the nature of the good itself, it is protectable.\(^{244}\) Similarly, a combination of colors can be protected by a trademark registration.\(^{245}\) Specifically, the color purple covering pet foods was afforded a registration given that purple was not pet food’s natural color and was not necessary.\(^{246}\) Additionally, Tiger Food Brands was granted an Aunt Caroline orange & white color combination registration covering rice.\(^{247}\) In South Africa, specifically, and elsewhere generally, brand owners must take care not to tout some functional benefit of the feature, lest they be denied protection.

2. Sounds and Gestures

Like other intellectual property offices, the South African Trademark Office has granted sound and motion/gesture mark registrations. For example, Deutsche Lufthansa was granted a registration for its Lufthansa Theme in connection with its services.\(^{248}\) Furthermore, Mars Inc. was granted a registration for the M&M Motion covering candy and confectionary.\(^{249}\) While the South African Trademarks Act does not create an additional evidentiary burden to register such non-traditional marks, evidence of use and advertising significantly helps with the process.

\(^{243}\) Part 1 Sec. 2(1) Trade Marks Act 194 (1993).

\(^{244}\) Cadbury v. Beacon Sweets & Chocolates, 2000 (2) SA 771 SCA.

\(^{245}\) Smith, Kline & French Laboratories Ltd. v. Sterling Winthrop Group Ltd. 1976 RPC 511.

\(^{246}\) Reg. No. 2000/04522.

\(^{247}\) Reg. No. 2001/02919.

\(^{248}\) Reg. No. 2006/30483-4.

More importantly, South African courts have been quick to relieve brand owners of their rights where non-traditional marks have lost distinctiveness.  

3. **Trade Dress**

While trade dress is not specifically defined under South African Trademarks Act, the definition of trademark itself was expanded in 1993 to include “any sign capable of being represented graphically, including ... Letter, numeral, shape, configuration, pattern, ornamentation, color or container of goods or any combination of the aforementioned.” Thus, the legislature at least contemplated that an overall impression based on a combination of individual elements, including configurations, patterns and ornamentation, may be registrable. It remains to be seen whether interior and exterior decor of a restaurant or cafe may be registrable and under what conditions. Nonetheless, similar to other jurisdictions, South Africa has more settled law related to product packaging and product design than decor.

4. **Product Packaging**

Requiring no further burden on a brand owner for product packaging than any traditional mark, the South African Trademark Office has registered packaging labels such as the Windhoek Label and Carling Black Label. South African courts have even adjudicated on the applicability of dilution, requiring different evidentiary support than pure infringement as well as the applicability of parody and freedom of speech issues in connection with product packaging. Clearly then, ample protection for product packaging is provided, and a more settled judicial process is available for their registrants. Enforcement in practice, however, remains a more difficult process.

5. **Product Design**

As in various other jurisdictions, brand owners can protect their product designs so long as the shape, configuration, color or pattern is both not necessary to obtain a technical result, i.e. non-functional, and not resulting from the nature of the good itself. Furthermore, the product design/configuration must be significantly different from the norm, i.e. highly ornamental. The Trademark Office allowed Bergkelder to register its bocksbeutel (“goats pouch”) wine bottle. However, the South African Supreme Court of Appeal later invalidated the registration, not on the ability to protect the shape, but based on the existence of other such shaped international wineries’ bottles and their long standing presence in South Africa.

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250 See, Bergkelder Bpk v. Vrendendal Koop Wynemakery 2006 SA 8 RSA.


252 Reg. Nos. 91/9236 and 91/9237 regarding the neck and body labels in color and black and white.

253 See Laugh It Off Promotions v. SAB Int’l, 2006 (1) SA 144 CC.

254 See Beecham Group PLC v. Triomed Pty Ltd. 2003 (3) SA 639 SCA (denying registrability of a pill’s bi-convex oval shape based on its functionality).

255 See Bergkelder Bpk v. Vrendendal Koop Wynemakery, 2006 SA 8 RSA.
V. CONCLUSION

The methods available to protect the brand and competitive edge of a franchise system are expanding, domestically and internationally. Franchisors and their counsel should assess the non-traditional trade-marks, trade dress, and less often used forms of intellectual property such as copyright, design patents, and trade secrets for new and better ways to preserve the value of the system. Using and protecting this intellectual property requires careful planning and attention from the start. Some forms of non-traditional intellectual property, such as trademarks and trade dress, need to be used for a significant time before registration in order to become distinctive, and thus protectable. Other forms of intellectual property, such as copyrights, trade secrets, and designs, need protection from the moment of creation. If the proper documentation is missing at inception, protection may be lost. These problems may not become evident until the franchisor attempts to enforce its rights in countries outside the United States, where written documentation is far more significant to protecting intellectual property rights.

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Prior to joining Starbucks, Naser was an associate at Schiff Hardin LLP and Holland & Knight LLP where he prosecuted and litigated patent, trademark, and copyright matters and worked on IP transactions.
Although based in Toronto, most of Paul’s practice is work related to intellectual property protection, franchising, licensing and distribution, and litigation in the People’s Republic of China, and to a lesser extent, the Russian Federation. He also does work related to Canada.

In March 2012 he was invited to present a seminar on “Trade Secret Protection in China” as part of an internal training program for senior U.S. government officials in Washington DC. He has also been an invited speaker at a U.S. Chamber of Commerce seminar on China’s National IP Strategy and is the expert on franchising in China for the International Distribution Institute based in Turin, Italy. Going the other way he has advised the PRC Ministry of Commerce on franchising and held IP seminars for the PRC Ministry of Science and Technology, China’s space agency and a couple of science parks.

He is the designated reporter on Anti-Monopoly Law Developments in China for the American Bar Association Antitrust Section. Together with Huang Yong, a law professor in Beijing who participated in the drafting of the PRC Anti-Monopoly Law, Paul wrote the Chapter on the PRC in the Antitrust Section’s “Handbook On Multijurisdictional Competition Law Investigations.”

With respect to Russia, he moderated a seminar for the American Bar Association on “Russian IP Laws and Commercialization” and has presented at seminars in Toronto for Technopol – Moscow and the Licensing Executives Society on IP commercialization in Russia. In June 2012 he participated in a Canadian Government Trade Mission to Russia, with a focus on aerospace and mining. In January, 2014 he was a panelist on distribution issues in Russia at the GCR Live 3rd Annual Antitrust Law Leaders Forum, and was a speaker and moderator in May in Moscow at the Annual Meeting of the Licensing Executives Society International on licensing in the BRICs.