HOW TO PROTECT YOUR BRAND IN FOREIGN COUNTRIES

Dr. Mark Abell
Bird & Bird LLP
London, United Kingdom

Kendal Tyre
Nixon Peabody LLP
Washington, D.C.
INTRODUCTIONS

Dr. Mark Abell
Bird & Bird LLP
London, United Kingdom

Kendal Tyre
Nixon Peabody LLP
Washington, D.C.
Protecting your Brand Abroad

• Franchisors considering international expansion must understand the importance of trademark registrations in foreign nations, and the consequences associated with delaying or failing to protect its intellectual property.

• We will review the process of trademark registration, the protections afforded by registered trademark rights, issues related to the enforcement of these rights and the issues that can arise in a franchising context.

• To the extent applicable, we will also address enforcement and protection issues in a variety of regions, including Africa, Asia, the Americas and Europe.
Elements of a Franchise

There are three elements typically associated with the definition of a franchise:

• the license of trademarks;
• the payment of money; and
• a prescribed marketing plan.

Trademarks are arguably the most significant element. The intellectual property ("IP") rights of a franchisor are an essential part of any franchise operation.
What is a Trademark?
Definition - A trademark is a recognizable insignia, phrase or symbol that denotes a specific product or service and that legally differentiates it from all other products.
Other Brand Protections

• Design Rights
• Trade Dress
• Service Mark
National Rights

• Registered trademark rights are territorial.
• Regional trademark systems allow trademark protection to be gained in multiple countries by filing one application.
Trademark Registers

• Most countries of the world have a national trademark register.
• There are also multilateral arrangements for the registration of trademarks—one application for registration in multiple territories.
• There are exceptions. It is not possible to register trademarks in the following African jurisdictions: Comoro Islands, Eritrea, Reunion, Somalia and Somaliland.
Multilateral arrangements — European Union

The European Intellectual Property Office ("EUIPO")

• A franchisor’s single application and registration provides protection in all member states of the European Union.

• “Brexit” Implications – recommend also registering at Intellectual Property Office of the United Kingdom.
Multilateral arrangements — Africa

• The *Organisation Africaine de la Propriete Intellectuelle* ("OAPI") covers trademark registration in 17 African nations.

• The *African Regional Intellectual Property Organisation* ("ARIPO") covers the trademark registration in 19 African countries.
  – Including Botswana, Gambia, Ghana, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, São Tomé and Príncipe, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.
Multilateral arrangements — Madrid Protocol

One of the most popular options for protection of trademarks in multiple territories is the Madrid Protocol. There are currently over 100 countries that are signatories.

- More Affordable
- One Application
- Add additional countries/regions to an existing international trademark registration at a later date.

To be eligible to file an application under the Madrid Protocol, franchisors must have a connection with a contracting party to the Protocol.
Being Proactive – Run a Clearance Search

To determine whether third parties use or have rights to the trademark.

Clearance searches may involve reviewing common law trademarks, pending and abandoned trademark applications and existing and expired trademarks in the national trademark registries in the target countries.

Assessing the availability of a trademark may also involve searching and analyzing trademark use and registration data from a variety of other sources.
Being Proactive – Importance of Registering Trademarks

• Unregistered Trademark Rights - In some countries, it is possible to acquire enforceable rights in a name even in the absence of a trademark registration.

• Advantage of Registering Trademarks
Process of Registering a Trademark

• Identify specific goods and services; identify the appropriate classes.
  – Nice Classification System
  • Chinese Sub-classes
• Prepare and fill out the trademark application
• Grounds for rejecting a trademark application, generally:
  – Incapable of registration (not distinctive or descriptive)
  – Conflicts with Earlier Rights
  – Absolute Grounds vs. Relative Grounds
• If franchisor receives an objection, it must overcome the objection before its trademark is registered
Consequences of Failing to Register

Trademark Squatters

• Some of the most egregious trademark “squatting” happens in China.
  – First-to-file jurisdiction
  – Use of both English and Chinese trademarks
  – Desirable market for expanding businesses who may be eager to “pay off” a squatter
How to Combat Trademark Squatters

- Filing opposition/invalidation action against pirated trademark
- Establish prior trademark rights; prior copyright; prior use and reputation of goods/services; well-known trademark recognition (established goodwill); prior business dealings; bad faith
- File non-use cancellation action
- Purchase the trademark
- Negotiate a mutual use agreement
There have also been reports of a copycat IKEA store in Kunming, China, operated under the 11 Furniture brand ("11 Furniture"). The layout and trade dress of IKEA stores was replicated by 11 Furniture, although the name “IKEA” was not used.

To date, IKEA has not taken action against this “fake IKEA” and 11 Furniture is still operating using the same trade dress. One option available to IKEA to combat this problem may be to register trademarks for the layout of their stores.
A number of “fake” Apple stores have opened in China, selling genuine Apple products under the guise of “real” and authorized stores.

Following widespread publicity about the fake stores, Chinese authorities closed two stores on the grounds that they lacked a suitable business license. Many stores still remain in operation.
EGREGIOUS SQUATTING SERIES – Air Jordan

Michael Jordan vs. Qiaodan Sports

• Use of the Chinese language equivalent of Jordan’s name, Qiaodan, to sell footwear that mimicked the “Air Jordan” brand. Although Qiaodan Sports was ordered not to use the Chinese variation of Jordan “乔丹,” they could continue to use a Romanised version “Qiaodan” (pronounced “Chee-ow-dahn.”)

• Qiaodan was found to have acted with malicious intent in registering the mark knowing of the connection it had to Michael Jordan. The registration of the mark was cancelled.
Enforcing your Rights

Perform Takedowns on Websites

• Once a brand owner has registered its IP, it can perform takedowns of infringing products from Chinese websites.

• Takedown procedures generally involve first submitting to the website identification and proof of IP rights of the brand owner (e.g., a copy of the trademark) and then information on the infringing products (e.g., URLs for infringing product listings).

• Most of the major Chinese websites have established takedown procedures.
Enforcing your Rights

Register with Customs

• China will block the import into China of infringing products and the export of infringing goods.

Legal Recourse

• Legal framework continue to develop on the African continent. The Cameroon government amended its penal code to create a number of new criminal offenses related to the infringement of trademarks, patents, designs and copyright.
BEST PRACTICES!

• Hire local lawyers to help navigate the trademark registration process;
• Conduct clearance searches for its mark as soon as possible;
• File as soon as possible to secure the earliest possible filing date—especially important in first-to-file jurisdictions like China;
• Consider the best form of protection for its mark—word mark, device, slogan, shape, color, sound, scent, store layout can all be protected;
• Consider which territories the franchisor will file its trademark in and the most effective means of securing registration—whether by filing national applications or a Madrid Protocol application designating a number of territories;
BEST PRACTICES!

• Consider what enforcement mechanisms and legal remedies are available in the target country in the event of an infringement;

• Consider the engagement of third party brand monitoring services, to monitor the internet for infringing products. In some cases, a brand monitoring service can assist in takedowns; and

• Decide on the process for reporting infringing conduct and designate in the franchise contracts and agreements the individual who will be responsible for taking action to police against infringing use.
QUESTIONS?