



RAISING THE BAR

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Basics Track: Franchisor's Intellectual Property and How to Protect It

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Famous “Coca-Cola Bottle” Example



Four Primary Types of Intellectual Property

- 1) Trademarks
- 2) Copyrights
- 3) Trade Secrets
- 4) Patents

Trademarks

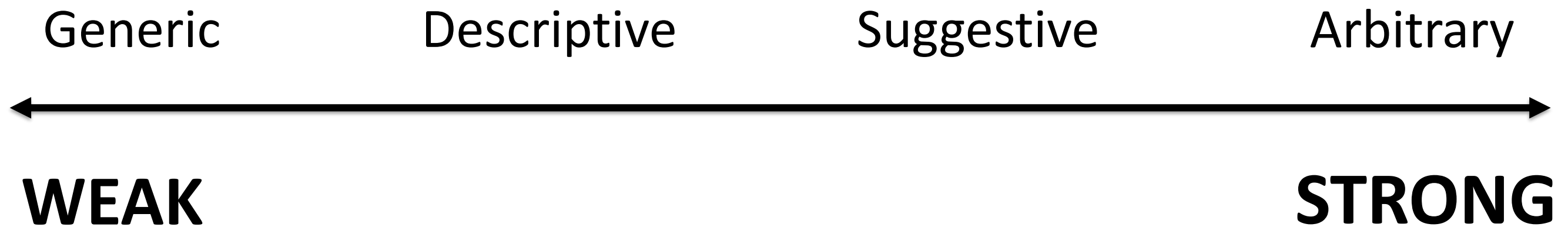
- What are they?
 - Any word, name, symbol, design, slogan, packaging, sound, or smell (or some combination of these elements) that: (1) are distinctive; (2) identify a product or service coming from a single source

Trademarks

- Examples in the Franchise World:
 - Brands
 - Logos
 - Marketing campaigns

Trademarks

- How do you protect them?
 - Evaluate the mark's strength



Types of Trademark Rights

- 1) Common Law Rights
- 2) Federal Registration
- 3) State Registration

How to Properly Use Trademarks

- Use as adjectives – not nouns or verbs
- Display mark consistently for uniform consumer recognition
- Make mark stand out from surrounding text
- Do not make mark plural by adding “s”
- Avoid the addition of ending or punctuation to mark (such as “ing” or “ed”)
- Use “TM” symbol prior to registration
 - Use ® symbol only after registration

Copyrights

- What are they?
 - Federal statutory rights for:
 - i. Original works of authorship
 - ii. Fixed in any tangible medium of expression
- Exclusive Rights Include:
 - Reproduction
 - Preparing derivative works
 - Distribution
 - Performance
 - Display

Copyrights

Works of Authorship

- 1) Musical works
- 2) Dramatic works
- 3) Pantomimes and choreographic works
- 4) Pictorial, graphic and sculptural works
- 5) Motion picture and other audiovisual works
- 6) Sound recordings
- 7) Architectural works

Tangible Medium of Expression

- 1) Writing on piece of paper
- 2) Paint on canvas
- 3) Audio or visual recording
- 4) Online publication
- 5) Any other work that can be perceived and reproduced

Copyrights

- Duration of Copyright
 - Life of the author *plus 70 years*
 - If multiple authors, 70 years after death of last surviving author
 - Works made for hire (or author is an entity), 95 years from the year of the work's first publication or 120 years from date of creation, whichever expires first

Copyrights

- Examples in the Franchise World:
 - Menus
 - Operating Manuals
 - Proprietary software
 - Advertising content (photos, videos, commercials)
 - Websites

Trade Secrets

- What are they?
 - Information, including a formula, pattern, compilation, program, device, method, technique, or process, that:
 - i. Derives independent economic value, actual or potential, 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
 - ii. Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy

Uniform Trade Secrets Act § 1(4)

Trade Secrets

- How to Protect Them:
 - 1) Injunctive relief under the UTSA for any actual or threatened misappropriation of trade secrets
 - 2) Private right of action under Defend Trade Secrets Act
 - 3) Proper confidentiality, non-compete and other non-disclosure agreements

Uniform Trade Secrets Act § 1(4)

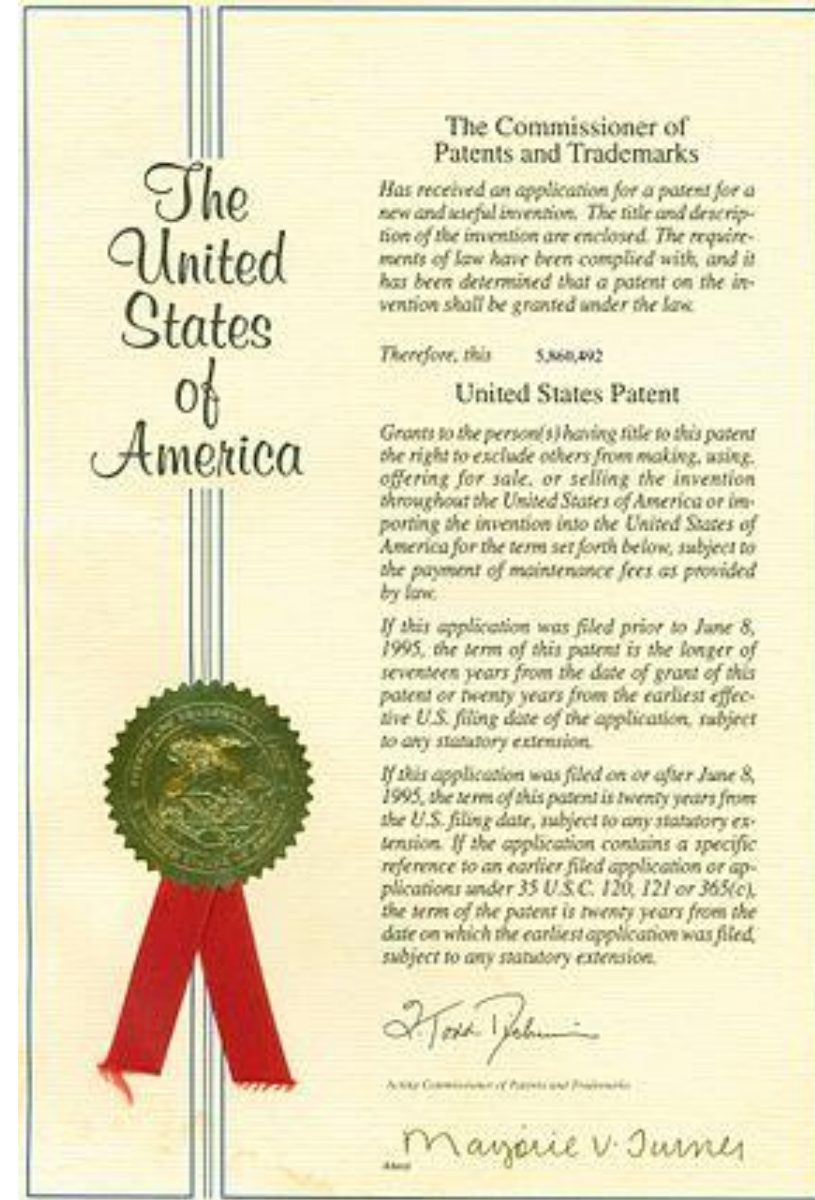
Trade Secrets

- Examples in the Franchise World:
 - Recipes
 - Business methods
 - “Know-How”

Patents

Requirements:

- 1) New
- 2) Non-Obvious
- 3) Useful



Types of Patents

1. Utility Patent – new process, method, machine, manufacture, or compositions of matter
2. Design Patent – new, original and ornamental designs for an article of manufacture (e.g., appearance)
3. Plant Patent – distinct and new varieties of plants

Patents

- Examples in the Franchise World:
 - Machinery used in operations
 - Unique product offerings
 - Trending: automated machinery used in restaurants

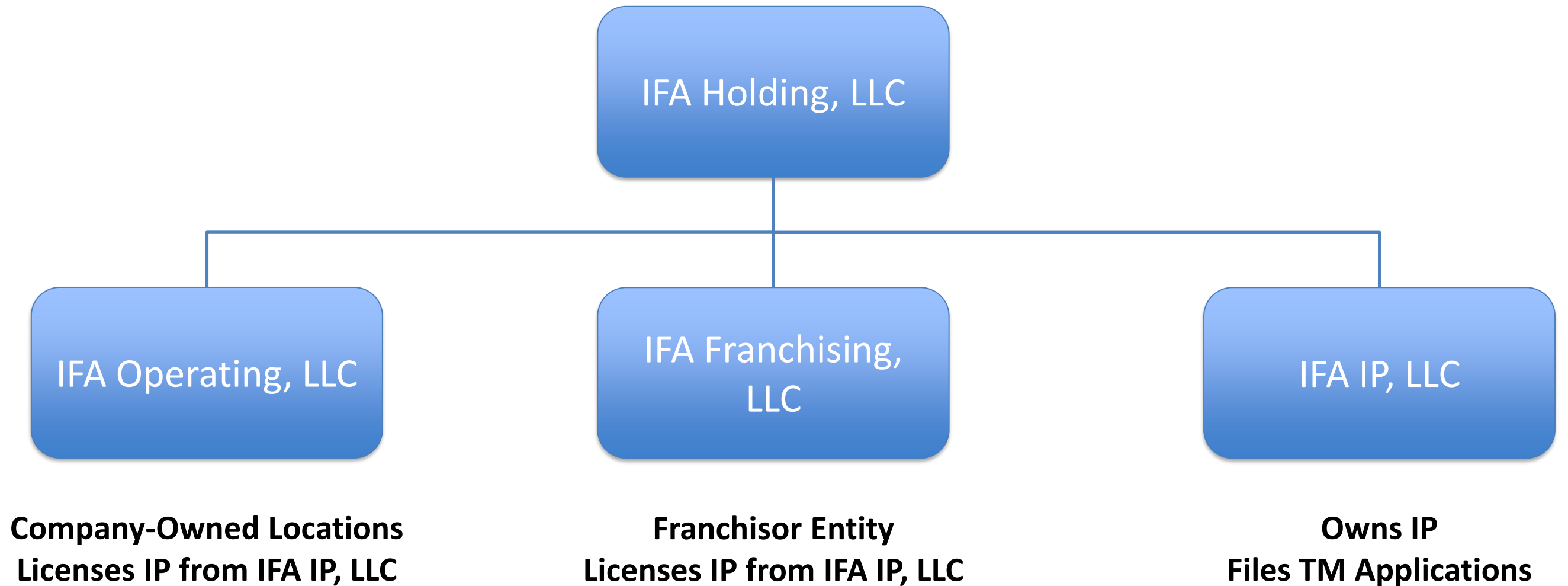
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Franchising and Intellectual Property

- Proper Ownership
- Key Provisions in Franchise Agreement
- Franchise Disclosure Document

Organizational Structure Example



Key Franchise Agreement Provisions

- Restrictive Covenants
- Use of IP
- Notification of Infringement/Claims
- Monitoring and Remedy

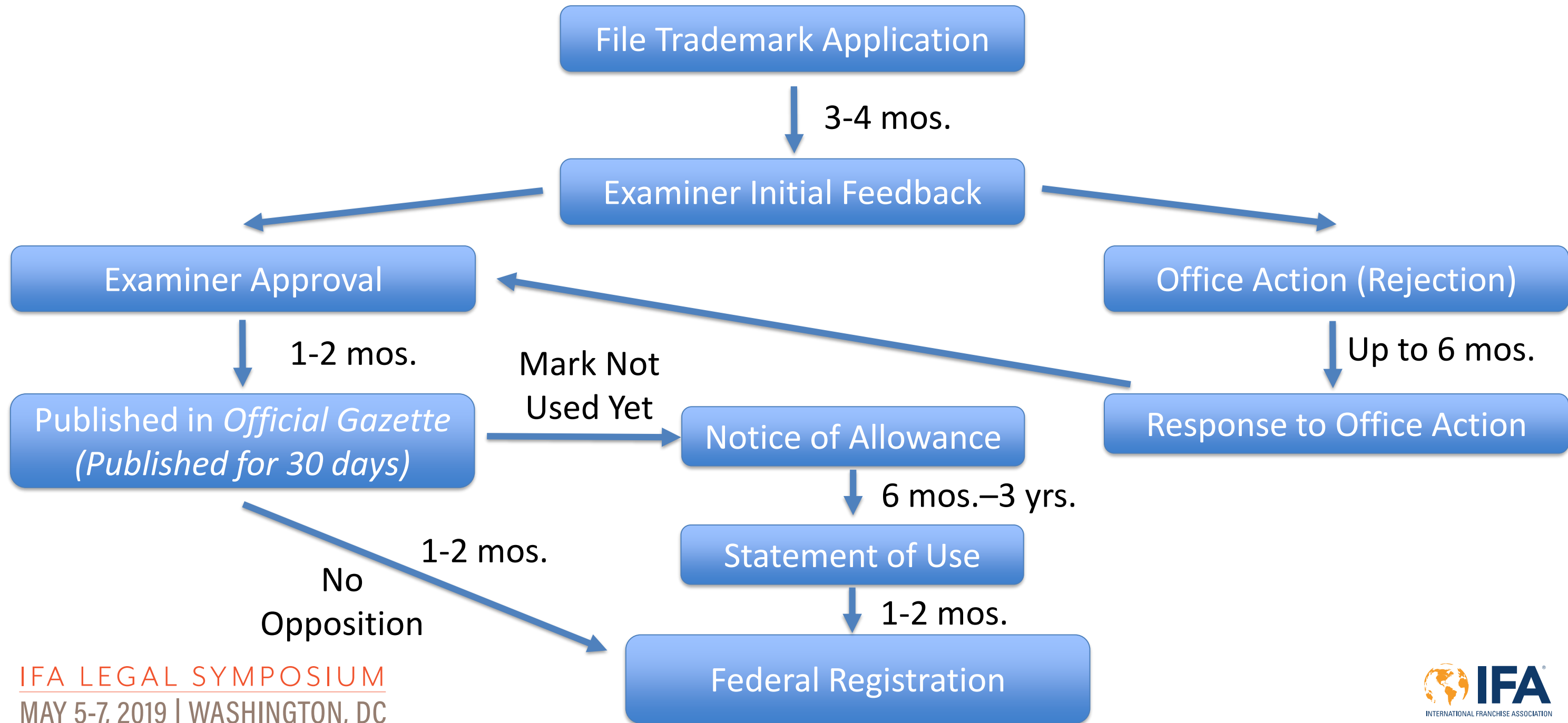
Franchise Disclosure Document

- Item 13 – Trademarks
- Item 14 – Patents, Copyrights and Proprietary Information
- Item 15 – Obligation to Participate in Actual Operation of Business
- Item 16 – Restrictions on What the Franchisee May Sell
- Item 18 – Public Figures

Trademark and other IP Registrations

- State, federal and international registrations
- Enforcement
 - Against franchisees
 - Against third parties
- IP Protection in the Internet Age

Federal Registration Process



International Trademarks

- European “Community Trademark”
 - Covers all EU Member States
- Andean Pact
 - Bolivia, Columbia, Ecuador and Peru
- African Intellectual Property Organization
 - Currently 19 Member States
- World Intellectual Property Organization
 - Allows for subsequent designation filings in over 100 Members
- Direct filings in foreign jurisdictions

International Trademark Considerations

- Prior use typically not required
 - If looking to franchise in international jurisdictions, evaluate whether to file TM application in that country prior to offering franchises
 - Most foreign systems have first-to-file priority
- Word mark vs. design mark
- Language considerations

Enforcement

- Against Franchisees:
 - Cease & Desist Letter
 - Injunctive Relief
 - Damages
 - Disclosure Obligations (Items 3 and 13)

Injunctive Relief

- Temporary Restraining Orders
 - 14 days
 - Preserves the *status quo*
- Preliminary Injunctions
 - Preserve parties until trial
 - Difficult to obtain but achievable in IP and unfair competition cases where harm or misappropriation is great
- Permanent Injunctions
 - Final, permanent ruling on the merits of the plaintiff's injunction claim

Preliminary Injunctions

- 1) Substantially likely to succeed on the merits;
- 2) Suffer irreparable harm if injunction not entered;
- 3) Balancing of the harms and equities favors issuance; and
- 4) Consistent with public interest

Permanent Injunctions have same factors, but plaintiff must have actually prevailed on the merits

Enforcement

- Against Third-Parties:
 - Same remedies available
 - Cease & Desist Letter is initial cost-effective step
 - Third-Party Seller Platforms

IP Protection in Internet Age

- Domain name acquisition
 - Main website
 - Trademarks
 - Redirections
- Top-Level Domains (.com, .net and .org)
 - Over 1,000 TLDs now (.food, .hotel and .retail)
- Social Media account/profile acquisition

Domain Name Enforcement

- Uniform Domain-Name Dispute-Resolution Policy (UDRP)
 - Admin proceeding under Internet Corporation for Assigned Names and Number (“ICANN”)
 - Rapid arbitration for infringing domain names used and registered in bad faith
 - No discovery and resolved quickly
 - Sole remedy is transfer of domain name
- The Anti Cybersquatting Consumer Protection Act (“ACPA”)
 - Filed in federal court (even for foreign infringers)
 - Provides discovery, injunctive relief and monetary damages
 - More expensive

Key Takeaways

- Identify and manage IP assets
- Develop a robust, but cost-efficient IP portfolio
- Pursue strong (i.e., arbitrary) trademarks and service marks
- Protect secrecy of trade secrets
- Use key IP-specific provisions in franchise agreements
- Evaluate needs for international protection
- Monitor and enforce against improper use of IP
- Evolve IP strategy as technology advances

Thank You

Questions?

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