

INTERNATIONAL FRANCHISING

Third Edition

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CHAPTER XV

TRADE MARKS IN INTERNATIONAL FRANCHISING¹

I. PROTECTION OF TRADE MARKS INTERNATIONALLY

One of the first realizations typically made by a franchisor attempting to expand his activities into other countries is that foreign laws are often derived from legal traditions and systems different from his own, frequently resulting in frustrating delays and seemingly incomprehensible restrictions on planned expansion. Certainly the area of trade marks is no exception to this observation. These differences including as they relate to trade marks merit as careful an assessment as financial and marketing considerations.

The prudent franchisor will turn his attention to the protection of trade marks internationally long before a final decision is taken to export his franchise system. The issue of protection should be addressed before the franchisor commences discussions with third parties to grant a franchise, master franchise, or development rights for a foreign country. This is particularly so as what would otherwise constitute piracy of a trade mark in one's home country is merely viewed as acceptable business practice in others. Thus, the first experience in international franchising for many well-known franchisors is that they are forced to acquire the rights to their trade marks previously registered by third parties.

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The length of time required before a registration may be obtained in many jurisdictions should influence a franchisor to initiate the registration process at the earliest possible stage. This makes it very difficult for a franchisor to introduce his products or services into the foreign marketplace with the assurance that he is the party entitled to use the trade mark in question. By delaying the extension of protection, a franchisor might also find his entry into such countries jeopardized by previously applied for or registered trade marks in the name of a third party.

II. AVAILABILITY OF TRADE MARKS

Searches are recommended before a franchisor proceeds to file for registration or commences use of his trade marks internationally. However, the cost of conducting searches will have to be taken into account in assessing the viability of international expansion. It may well be that potential franchisees will require a search opinion concerning a trade mark's availability as of the date negotiations are undertaken, if no registration has been obtained.

Assuming registration of a mark has not been obtained at the time of execution of a franchise agreement, the agreement should provide for the consequences associated with a franchisor's inability to obtain registration. A franchisor may consider passing onto the franchisee the risks associated with the possible rejection of an application. This can be accomplished by including provisions in the franchise agreement to the effect that no warranty is given against possible infringement of third party marks or that registration of the mark will issue. Furthermore, consideration should be given to matters such as who will pay the cost of changing over the franchisee's signs, stationery, and other materials bearing the trade mark if need be.

It should be noted that in most countries a franchisor's trade mark need not be registered before he can license its use and begin to franchise. However, in certain countries such as Taiwan, approval from the appropriate agency for the entering into of an international franchise agreement will not be forthcoming until registration of the trade mark has issued.

III. WEAK VERSUS STRONG TRADE MARKS

Generally speaking, the inherent distinctiveness or "strength" of a trade mark will be an important factor determining whether it is likely

to be accepted for registration in a particular foreign country. Inherently distinctive trade marks are the most easily cleared for use and registration. Such marks include "coined" terms created by or for a franchisor, which are words without a dictionary meaning and as such are generally attributed wider protection. Similarly, trade marks which have a dictionary meaning unrelated to the goods or services of interest will also be viewed as relatively "strong".

In order to obtain greater promotional impact, many franchisors prefer to select marks which suggest a characteristic or quality of the goods or services to be introduced. In brief, suggestive marks make registrability and enforceability more problematic. Steps may be taken, however, to strengthen somewhat descriptive marks by adding distinctive matter including design features or a fanciful script.

The weakest trade marks are those which, for example, clearly describe or deceptively misdescribe a characteristic, quality, function, or the origin of the goods or services. In some countries, an element which is viewed as clearly descriptive is not registrable as part of the trade mark. Other countries permit registration of the trade mark as a whole, provided the applicant disclaims his right to the exclusive use of the descriptive word. It should be remembered that "word" trade marks which possess little inherent distinctiveness may be registrable if they are combined with a distinctive design feature and a disclaimer is entered. Furthermore, if an unregistrable mark is used to a significant extent in a given country, it may acquire sufficient distinctiveness to ultimately become registrable.

IV. INTERNATIONAL CLASSIFICATION OF GOODS AND SERVICES

It should be borne in mind that most countries adhere to the International Classification of Goods and Services², which divides all products into thirty-four (34) classes, with eleven (11) additional classes reserved for services. An applicant then selects the class(es) to be included in his application(s) and often must specify the goods or services of interest in each class. A franchisor whose trade-mark is to be used in association with a long list of goods or services may find that they fall within more than one class, thus requiring the payment of

² World Intellectual Property Organization, Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of June 15, 1957, as amended.

additional class fees. Furthermore, if both goods and services are involved, this often necessitates the filing of separate applications. Thus, the cost factor becomes important, and a franchisor may have to decide what are his principal products and services of interest in order to cut down on the number of classes to be included. On the other hand, it is advisable to claim as wide as possible a range of classes and goods and services within each specific class, as infringement in foreign jurisdictions is often determined only in respect of the identical classes, or goods or services claimed within a particular class and not similar ones.

There are still some countries which have their own classification system, although most countries have moved toward the adoption of International Classification.

V. REGISTRATION PROCEDURES

There are a number of countries which adhere to a "first to file" as opposed to a "first to use" system for protecting trade marks. Under a first to file regime, applications may be filed and registrations obtained before use has commenced, thus enabling protection in a timely fashion. While a number of countries do not require use at the time of application or registration, cancellation may be possible if use is not effected within a prescribed period of time following registration.

Registration procedures vary greatly from country to country. In some cases, there is no examination to determine whether confusingly similar third-party marks exist which might prove to be a barrier to registration. In other countries, there is no proceeding available to third-party trade mark owners to oppose applications for registration. Recourse in such cases typically may only be had through the courts. In Canada and the United States for example, a trade mark application is examined prior to being published for purposes of opposition, while in Spain, the substantive examination occurs after the opposition period has passed.

It should be remembered that national treatment of unethical practices, including trade marks piracy and counterfeiting, is often less than satisfactory in the absence of a validly registered trade mark.

VI. OTHER CONSIDERATIONS

It is important for a franchisor to enter into a dialogue with his counsel to explore what particular difficulties might be encountered in each foreign country of interest. A franchisor should consider whether it is suitable for the same trade mark to be used in all countries perhaps because the meaning of his trade mark, when translated, might offend potential foreign customers. A franchisor should also consider registration of the transliterated version of his trade mark to prevent third parties from infringing the foreign form by adopting the local equivalent. For example, foreign franchisors exporting their franchise systems to Japan will often apply to register their mark in the Japanese "Katakana" script for this reason.

Among other considerations, numbers and letters are deemed unregistrable subject matter in certain countries. There are exceptions where registration is permitted for a trade mark that has acquired considerable reputation and goodwill through use over the years.

The nature of the goods or services may dictate the specific countries for which registration is initially selected. In particular, for those goods particularly susceptible to counterfeiting, it may be advisable to obtain registration in those countries which play host to counterfeiters in order to help combat such practices. Many countries in Latin America are plagued by local enterprises adopting trade marks of third parties which are then "sold" back to the rightful owner. Only in cases where such marks are well known, and this fact is readily demonstrable, may the foreign franchisor successfully challenge the domestic owner's registration. This supports the argument for obtaining defensive registrations to protect the future introduction of a franchisor's system into a particular foreign jurisdiction.

A number of countries which did not permit registration of trade marks in respect of services have modified their laws. In particular, Switzerland, China, Japan, and others now afford such protection. An alternative often chosen in countries which do not allow service mark applications is to file an application in respect of any goods that might be related to the services of interest. The only other option is to determine what protection is available in each country to combat unfair practices involving the unauthorized use of a party's trade mark.

Many countries with a British heritage have adopted what is known as a registered user system for the recordal of franchisees making use of trade marks. In general terms, a registered user application is drafted which sets out the conditions that govern the relationship between the parties. In particular, it usually includes provisions whereby the owner sets standards as to the quality of the goods or services to be offered, provides for his right to inspect the production of such goods or the performance of such services, and indicates the duration of the so-called permitted use. Even in countries without a registered user system, there may be a requirement for franchise agreements to be registered with the appropriate authorities. For example, in the People's Republic of China, not only is recordal of franchise agreements required, but there are provisions requiring the marking of licensed products with the name of the licensee and the origin of goods. In Japan, an international franchise agreement granting a resident of Japan the right to use a trade mark is considered to be a technical assistance agreement. This requires compliance with the registration requirements under the Foreign Exchange and Foreign Trade Control Law³.

There are often quite significant use requirements in order to obtain renewal of trade mark registrations. Evidence in the form of menus, brochures, hangtags, or similar items of recent vintage featuring the trade mark in association with the goods or services might be required to establish that the mark is currently in use. This highlights the importance of ensuring any changes in the corporate identity of the registered owner, or any assignments to third parties be recorded as they take place. Otherwise, the documents evidencing use may point to a company different from the owner on the trade marks register resulting in the cancellation of the trade-mark registration.

In the remainder of this chapter, we will canvas some of the more important practices in the principal countries of interest to franchisors, highlighting warning signs to be considered before entering into such markets. In addition, international conventions designed to provide greater protection to trade mark owners are discussed. A chart outlining the registration particulars of various countries is attached at the end of the chapter.

³ Law no. 228, 1949, as amended.

The reader is again cautioned that the discussion below deals in generalities only and should not be relied upon as an authoritative statement of the law in any of the countries as noted. It is essential that proper trade mark counsel be consulted in each targeted country.

VII. CANADA

It is essential to one's understanding of Canadian trade mark law to recognize at the outset that rights arise from use of a mark. A trade mark which has come to distinguish a first user's goods or services may be enforced against any subsequent unauthorized third-party user in the same area of the country, regardless of whether the trade mark has been registered under the Trade Marks Act⁴. Registration, however, affords the owner of a trade mark greater ease in establishing and enforcing his rights against an infringer anywhere in Canada.

An interesting feature of Canadian trade marks law is the ability of an applicant to file an application relying on his proposed or intended use of a mark. A party can obtain priority against a subsequent user of a confusingly similar trade mark, provided that he had a *bona fide* intention to use his mark at the date of filing of the application. Before a certificate of registration will issue, a declaration or affidavit must be submitted to the Trade-marks Office stating that use of the mark has commenced in Canada.

The Canadian Trade-marks Act abolished the registered user regime a number of years ago, thereby rescinding the requirement to record franchisees as registered users of trade-marks. In its place, if a third party is licensed by or with the authority of a trade-mark owner, and the owner has, under the license, direct or indirect control of the character or quality of the goods or services, then the third party's use of the trade-mark is deemed to have the same effect as use by the owner. This provision is expressly extended to include use of a trade-mark as part of a trade-name. A further critical feature results in a franchisee's use being deemed to have always had the same effect as use by the owner, assuming proper control was in place as aforementioned.

⁴ R.S.C. 1985, c. T-13, as amended.

VIII. CHINA

China is a member of the Paris Convention and Madrid Agreement described below and has adopted the International Classification of Goods and Services. Foreign applicants for registration of a trade mark normally employ the services of officially recognized trade mark agents, who are appointed by the government for this purpose. The existing trade mark legislation provides for examination of an application as to its form and registrability, including whether confusingly similar trade marks have been registered or approved on a preliminary basis. An application passing this hurdle is then published in the Trademark Gazette for purposes of opposition. It takes an average of one (1) year for an application to issue to registration.

A trade mark registration is valid for a period of ten (10) years and may be renewed. A registration is also subject to cancellation should it not be used for a period of three (3) consecutive years. The translated/transliterated version of foreign marks should be registered, and all franchise agreements recorded.

If a trade mark is infringed, the Administration for Industry and Commerce may be asked to contact the infringer on behalf of the registered owner and request that the acts complained of be discontinued. The administrative authority's decision is now appealable, and if satisfaction is not obtained, the owner may institute proceedings in the People's Court.

It is important that owners use their trade marks exactly in the form as registered or arrange for fresh applications to be filed.

A number of important amendments have been effected to China's trade mark law. It is now possible to register service trade marks. Further, more than one class of goods and/or services may be included in a single application.

As China is a "first-to-file" country, rights accrue to the first applicant rather than the first user of a trade mark. It is therefore very important for trade mark owners to place applications on file as quickly as possible, particularly in the case of services. The law permits cancellation of registrations wrongfully obtained including due to deception or fraud. There is, however, a deadline of one (1) year from the date of registration in which such cancellation proceedings must be instituted.

A stricter attitude has been taken regarding the requirement to record licenses. A deadline exists to apply for recordal within three (3) months from execution. There is also a requirement for marking the name of a licensee and the origin of goods on licensed products. In the case of a license under a mark for pharmaceuticals, for human use, for baby food, for medical nutriment or for tobacco products, a licensee must furnish a certificate. Criminal penalties have also been increased in the case of counterfeit goods. Finally, a disclaimer system is now available to assist trade mark applicants where parts of their trade marks consist of descriptive matter.

The Trade Mark Law has been further amended substantially with effect from December 1, 2001⁵. The 2001 amendments expanded the subject matter of what is registrable as a mark and extended the provisions on what cannot be registered. It also introduced provisions dealing with well-known marks and the possibility of obtaining interlocutory relief in case of infringement. These revisions have brought the trade-mark law of China basically into line with the provisions of the TRIPS Agreement.

Under the amended law, the Administration for Industry and Commerce has the authority to confiscate and/or destroy infringing goods. However, the AIC cannot order the infringing party to pay damages to the trademark owner. The People's Court has the discretion to impose damages and an amount not exceeding RMB500,000 (approximately US\$60,000) can be awarded against the infringing party if the actual loss suffered by the trademark owner cannot be calculated.

IX. FRANCE

It is now possible for trade mark owners or their exclusive licensees to file oppositions against third party trade mark applications. The opposition period extends for a period of two (2) months from the date of publication of the application, and decisions will issue within six (6) months of the filing of the opposition.

Infringement actions must be instituted within three (3) years from the date of the infringement. Further, exclusive licensees may also

⁵ Trade Mark Law of the People's Republic of China, of August 23, 1992 (effective as from March 1, 1983), amended on February 22, 1993, and further amended on October 27, 2001 (amendments effective as from December 1, 2001)

institute infringement actions if the owner does not elect to proceed. Note that license agreements with third parties are only effective if registered. Greater protection is afforded to famous trade marks than in the past, extending their protection beyond the specific goods or services for which the marks are registered.

A third party may request cancellation of a trade mark that has not been used within five (5) years from registration or for any period of five (5) or more continuous years. Trade mark rights may also lapse if an owner permits the trade mark to be used generically, or if the mark is likely to mislead consumers.

X. GERMANY

Registered trade marks must be used within five (5) years from the date of registration, and for each subsequent five (5) year period, failing which they are open to cancellation. However, if a trade mark owner can justify the absence of use, the registration will normally be maintained. Acquiescence to the use of a confusingly similar trade mark for five (5) or more consecutive years will constitute a bar to seeking injunctive relief.

Legislation was passed effective January 1, 1995, to modify the existing trade mark law in keeping with the EEC Harmonization Directive⁶. Among the amendments was the relaxation of the strict examination standards in respect of descriptiveness, deceptiveness, and treatment of number and letter trade marks. The definition of registrable marks has been expanded to include any signs that are capable of being represented graphically and capable of distinguishing the goods or services of one person from another. This definition includes words, names, devices, certain three-dimensional shapes, colors, sounds and smells. Further, the requirement that a mark must be used exactly as registered is no longer strictly enforced.

The requirement that owners of trade marks themselves maintain the corresponding business operation has been discontinued. It is thus possible for such owners to license use of their trade marks without themselves effecting use. This permits a holding company to own trade-marks and license them to a subsidiary company. Licenses may be granted for the whole or any part of the territory of Germany and

⁶ The Law on the Protection of Trademarks and other Signs of October 25, 1994 (German Trademark Act with effect from January 1, 1995).

licensees may only institute an infringement action with the consent of the trademark owner. Licenses under a mark cannot be recorded. It is also possible to assign trade mark applications and registrations without the business and the associated goodwill.

The Act extends the prohibition against use of trade-marks which are identical or similar to pending or registered marks, where the senior mark has gained a reputation in Germany and even extends the prohibition to dissimilar goods or services. The only caveat is that the use must be such as would unfairly take advantage, or be detrimental to, the distinctive character of the prior mark. Third parties are able to file oppositions seeking rejection of applications once they have been published. It is also possible to provide security interests in trade marks.

XI. ITALY

Trade mark Legislation effective December 31, 1992 amended the term of registration to ten (10) years from the filing date. Registered trade marks must be used within five (5) years of the registration date. Further, use must not be discontinued for any period of five (5) or more consecutive years.

Unregistered trade marks in use will be considered to have priority, and likelihood of confusion will be determined in the same fashion as with registered trade marks. Trade marks which enjoy a reputation in Italy will serve to prevent unauthorized third party use of the same mark on dissimilar goods or services. This provision at a minimum applies to famous or well known trade marks in Italy. Trade mark applications are also enforceable before registration. The owner of a registered trade mark may no longer use his registration to prevent "intra-community" parallel importation of his goods.

The law permits exclusive and non-exclusive licenses for all or part of the goods or services associated with the trade mark. However, a trade mark owner must ensure proper controls are in place to protect the distinctiveness of the mark. Territorial licenses are also now permitted. Licensors should restipulate license agreements entered into before December 31, 1992 to benefit from the new law. Further, they should ensure that their license agreements provide adequate controls to prevent improper or misleading use by the licensee as to the character or quality of the goods and services. The recordal of the

license is not mandatory, but if the license is not recorded, a subsequent recorded license may have priority.

There is no longer a requirement that the applicant itself maintain a business activity associated with the goods or services. Thus holding companies may now register trade marks which in fact are used by licensees or companies in the same group. Trade marks may now be assigned with or without the goodwill of the business attached thereto. Further, assignments may apply to the whole or any part of the goods or services covered by the trade mark and be made with or without the goodwill of the business.

New types of trade marks such as colors and sounds are registrable, provided they can be reproduced in printed or written form. Further, the generic names of products are registrable as trade marks if they have acquired sufficient distinctiveness by reason of use.

Italian Trademark Law was amended and an opposition procedure introduced⁷. Under the amendment, the owner of an Italian registration or prior application may file an opposition against a third party's application covering an identical or similar mark for identical or similar goods or services. If the opposition is rejected, the opposer may appeal to the Board of Appeals. There is no provision for a third party opposition proceeding, but third parties may intervene in the examination procedure to lodge objections.

XII. JAPAN

A number of issues arise when considering trade mark protection in Japan. First and foremost, trade mark rights arise upon registration. Further, an applicant need not have used his trade mark before applying for registration. As stated earlier, a third party prior user cannot successfully oppose an application unless it can be established that his mark was sufficiently known prior to the date of application. In fact, it is noteworthy that once a trade mark is registered in Japan, a prior user may be prohibited from continuing his use. A trade mark owner's only resort in the absence of a registration is to rely on Japanese unfair competition law, an alternative that does not provide as satisfactory a system of protection. In particular, an unregistered

⁷ Legislative Decree No. 447 of October 8, 1999, published in OJ No. 282 of December 1, 1999.

trade mark must be shown to be widely known in Japan in order to restrain a third party's use, a fact which is often difficult to establish.

The Japanese Trademark Law was amended on May 14, 1999, with effect from January 1, 2000. Trademark applications will be published for non-opposition purposes before examination. The previous system did not permit compensation to be awarded against a third party for use of a conflicting mark during the time a plaintiff's mark was still subject to a pending application. Under the amended law, after a mark proceeds to registration, a plaintiff may seek damages against a third party's infringing use of a mark during the pendency of the application. The amount of the monetary claim would be equivalent to the commercial loss caused by the other party's use of the mark from the date of filing of the plaintiff's application.

A registration of a trade mark is valid for ten (10) years from the date of registration and may be renewed. It is no longer necessary to submit evidence of use to support renewal of a trade-mark registration. Failure to use a registered trade mark within three (3) years following the date of registration provides sufficient grounds for its cancellation. Use of a registered trademark by the owner or licensee within three (3) months prior to the date of filing of a cancellation action will not be considered legitimate use, provided that the petitioner in the cancellation action can prove that the trade-mark owner or licensee commenced such use upon becoming aware of the prospective cancellation action. If a final cancellation decision issues, the registration is deemed to have been cancelled retroactively, that is from the recorded filing date of the cancellation action.

Japanese examiners often dissect marks when determining whether confusion with other marks might be likely. In addition, descriptive components are often disregarded in this comparison. The particular local pronunciation of foreign words may result in their being held confusing with visually different marks. Under the previous practice, it was not possible to amend the goods/services after a decision on registration of the mark had been issued. The amended law permits the number of classes in a trade-mark application to be reduced at the time of payment of the registration fee.

Service marks have been registrable effective since April 1, 1992. Under the new trademark law, the goods covered by those registered trademarks that were filed on or before March 31, 1992 in accordance with the four (4) versions of the earlier Japanese classifications (of

1899, 1909, 1921 and 1959) have been reclassified in accordance with the International Classification System upon renewal. The reclassification commenced with trademark registrations that expired on or after October 1, 1998. Japan has also adopted the International Classification of Goods and Services as of that date. Collective trademarks may be registered since April 1, 1997. Three-dimensional trademarks consisting of the shape of goods or their packaging may be registered, provided they are distinguishable and are not indispensable to secure the function of the goods or their packaging.

Franchisees will often insist upon the recordal of franchise agreements in order that they themselves may assert rights against unauthorized third party users.

XIII. MEXICO

The Mexican Law of Industrial Property came into effect on June 1991 and brought a number of important changes to Mexican trademark law.

The term of protection and renewal of registered trade marks is ten (10) years dating from the filing of a trade mark application or the registration date. Mexico also adheres to the International Classification of Goods and Services. Trade-mark licenses, franchise agreements and assignments require recordal at the Ministry of Commerce and Industrial Development to be effective against third parties. If a trade mark is not used for a period of three (3) consecutive years or more, it is open to cancellation.

Provisions exist which should assist foreign trade mark owners whose marks have been pirated in Mexico. The Mexican office may now reject an application for a trade mark previously used and registered in a foreign country which affords a similar protection to Mexican citizens.

The letter R in a circle must be used to indicate that a trade mark is registered. However the failure to employ this or similar marking will not subject the trade mark owner to sanction or prevent it from relying on its registration against a third party infringer.

Major amendments to Mexican Trademark Law were introduced by the Mexican Congress, effective October 1, 1994. Protection of unregistered trade marks was enhanced, provided such marks were used prior to the filing date or declared date of first use of an identical

or confusingly similar registered mark. It is not possible to obtain registration of a trade mark for a complete international class as the goods or services must be specified for each class. An applicant must also indicate the date of first use of its trade mark in Mexico, if any. In the event a trade mark is registered by an unauthorized party, a foreign owner has the right to bring a cancellation application at any time within three (3) years of the date of publication of the mark. The law governing parallel importation of goods was modified to clarify which goods may be freely imported without sanction. The Mexican authorities were delegated the power to prevent and punish acts of unfair competition including the power to order cessation of acts and seizure of products which infringe upon industrial property rights. Specifically, the Mexican authorities were delegated the power to order a distributor to cease selling goods that bear an infringing trademark. Damages resulting from infringement must at least equal 40% of the retail price of each product or service that infringes.

XIV. THE UNITED KINGDOM

Applications in the United Kingdom cover Great Britain, Northern Ireland, and the Isle of Man.

The Trade Marks Act 1994 entered into force on October 31, 1994 in order to modify the U.K.'s trade mark law to comply with the European Economic Community Trade Mark Harmonization Directive discussed below, and to generally update the law⁸. Under the Trade Marks Act, a separate trade mark application is no longer required for each class of goods or services. Division of the Register into Parts A and B has been abolished. A more liberal approach to registrability is adopted, so that marks which are capable of distinguishing the goods or services of a particular trader from those of others will now be registrable, whether by virtue of inherent distinctiveness or acquired distinctiveness resulting from use. The definition of trade mark has been expanded to encompass and provide protection to shapes of product containers and packaging. Even sounds, smells and slogans are registrable provided that they are distinctive. It will no longer be possible to amend an inherently unregistrable mark during the course of the application procedure, so as to render the mark acceptable for registration. The opposition term has been prolonged from one (1) month to three (3) months, but is not extendable. Registrations are

⁸ *United Kingdom Trademark Act 1994* (Chapter 26).

now in effect for a period of ten years and it will not be necessary to file evidence of use to effect renewal.

Protection of trade marks now extends beyond the specific goods and services covered by a registration. Further, the protection of "famous trade marks" is enhanced, even if such marks have not been used in the United Kingdom. Specific amendments permit action against the unauthorized registration of foreign owners' trade-marks by local agents, distributors and the like. Counterfeit and certain types of trade-mark infringement may be punishable by imprisonment up to ten (10) years. Comparative advertising will not constitute an infringement, provided it is honest and not misleading.

The licensed use of a trade mark with the owner's approval will result in the licensee's use enuring to the benefit of the owner. Thus, the need to record licensees as registered users has been eliminated. It is still recommended that licenses be recorded to be effective against third parties, and in order for a licensee to have the right to take an infringement action. Sub-licensing is specifically recognized. Procedures for the recordal of licenses and assignments have been substantially simplified.

XV. THE UNITED STATES OF AMERICA

On November 16, 1988, the "Trademark Law Revision Act of 1988"⁹ was signed into law and came into effect on November 16, 1989. In general, the amendments were meant to reflect commercial realities and assist traders in introducing their products into the marketplace in an orderly fashion.

The principal change created a Canadian-style "proposed use" basis for filing a trade mark application. This permits applicants to file applications to protect rights in their trade marks before use in commerce has commenced. An applicant in due course is required to file a verified statement that his trade mark is in use in commerce within six (6) months from the date the notice of allowance is issued. This period may be extended for good cause up to three (3) years from the date of the notice of allowance, thus permitting adequate time for traders to implement their marketing plans. Use by a licensee is

⁹ The *Trademark Law Revision Act of 1988*, Title 1 of Pub. L. 100-667, 102 Stat. 3935 (15 U.S.C. 1051).

expressly stated to enure to the benefit of an owner, assuming proper quality control is provided for.

The second important revision was the reduction of the duration of a trade mark registration from twenty (20) years to ten (10) years, which is resulting in the removal of considerable "deadwood" from the U.S. Trademark Register. The requirement for filing an affidavit of use between the fifth and sixth year after registration is maintained, with the additional requirement of an affidavit of use to obtain renewal specifying each product or service cited in the registration in association with which the mark is still in use.

The provisions of the Act relating to unfair competition law have been expanded to make it more difficult for a person to defame a competitor's product in its advertising. The United States has also joined the Madrid Protocol discussed below.

The Federal *Trade-Mark Dilution Act* of 1995¹⁰ came into effect on January 16, 1996. The Act creates a cause of action prohibiting use of trade-marks that dilute the distinctiveness of famous marks.

Also of interest is the introduction effective November 29, 1999 of legislation against "cybersquatting". These provisions enable the owner of a trade-mark to take infringement action against an entity who in bad faith intends to profit from that mark and registers, traffics in or uses a domain name that is identical or confusingly similar to the mark.

XVI. INTERNATIONAL CONVENTIONS

(a) *Paris Convention*

Most industrialized nations are members of the International Convention for the Protection of Industrial Property (the "Paris Convention") which provides for an applicant to receive so-called "national treatment" in each of the approximately ninety-five (95) member countries. Applicants are thereby entitled to receive treatment equal to that accorded by foreign countries to their own citizens. One of the most practical benefits of countries' membership in the Paris Convention is that their nationals may obtain the benefit of their home filing date in member countries assuming their foreign application(s) is/are filed within six (6) months of the original equivalent.

¹⁰ 15 U.S.C. S 1125(c) (FTDA)

(b) *The European Community Trade mark*

The European Community trade mark system is devised to provide a single registration covering all member countries and to harmonize the different trade mark procedures of the participating countries. A single trade mark office has been established in Alicante, Spain, and applicants in non-member countries are able to file as well. The process required that national laws be approximated to the new system which has by and large since been accomplished. Harmonization of the trade mark registration process has facilitated the entrance of franchisors wishing to export their franchise system into the European Community and serves to reduce barriers to trade between member states.

Member countries have established a procedure whereby third parties may oppose trade mark applications or at least be permitted to file submissions for consideration by the local trade mark offices. The definition of trade mark is expanded to include new types of marks such as the shape of product containers. There is greater protection provided for famous trade marks, and protection of all registered marks will generally be extended beyond the actual goods or services covered by the registration.

The current member countries of the European Community trade-mark system are France, Germany, United Kingdom, Belgium, Netherlands, Luxembourg, Portugal, Spain, Greece, Austria, Denmark, Finland, Ireland and Sweden. Note that as of May 1, 2004, the following countries will join: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

(c) *Madrid Agreement*

Where an applicant is domiciled in or is a national of a member country, or has a "real and effective establishment" in a member country, it may obtain the benefits of the Madrid Agreement. The agreement provides that an application which is filed in a member nation, may also be filed at the International Bureau of the World Intellectual Property Organization in Geneva, Switzerland. The application is then circulated to the other designated member states whose local trade mark offices have twelve (12) months in which to review and accept or reject the application based on local requirements. Accordingly, an applicant may obtain trade mark registration in several countries through a single application. There is a

separate fee for each country designated which may not exceed the filing fee of a national trade-mark in each designated country.

If an application is made with the International Bureau within six (6) months from the initial home application filing, the applicant is covered in each designated country from the initial home application filing date. If not, it is still possible to designate other member countries after the six (6) month period without claiming such priority.

Countries which adhere to the agreement include Austria, Belgium, China, The Czech Republic, South Korea, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Japan, Liechtenstein, Lithuania, Luxembourg, Monaco, Morocco, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom and Vietnam. Since 1891, it appears that over 700,000 international registrations have been issued, about half of which are still in force. On average, each international registration is extended to more than ten (10) countries, thereby accounting for nearly four (4) million trade-mark registrations under the system.

The agreement has been criticized because it permits a third party to attack the initial "home" registration, which if successful results in the cancellation of the international registration even though the grounds of challenge may not apply in the other countries.

The Madrid Protocol, adopted in June, 1989, is primarily designed to do away with this "central attack" drawback. Under the protocol, local trade marks offices will have a period of eighteen (18) months in which to approve or reject an application based on domestic law.

It normally takes approximately two (2) to three (3) months from the time the International Bureau receives the application from the applicant's national office to achieve registration. A registrant can then sue for infringement, bring oppositions and file cancellation actions against subsequent applicants in any of the countries which have been designated under the Madrid Protocol that permit such actions, provided the validity of the Protocol registration is maintained. Note that an international registration can be opposed or challenged in each member country on the basis of pre-existing rights and the Protocol registration will be cancelled if the home registration is expunged within five (5) years from the date of the international registration. In the event of cancellation, the international registration

may be converted to national applications in the remaining designated countries upon payment of prescribed fees. The United States has recently joined the Protocol¹¹.

XVII. FILING STRATEGIES

Trade-marks owners are often faced with critical decisions on which strategy to pursue for proper trade-mark protection. Choices involve one or more of obtaining national registrations on a country-by-country basis, taking advantage of the European Community Trade-Mark system, or employing the Madrid Agreement or Protocol if available.

The initial consideration is to adequately identify a company's existing and potential markets. Secondly, cost considerations will often be a determining factor, and in this context, applicants may well consider a program in which they "roll-out" trade-mark filings over a number of years commencing with their most critical markets.

The advantages and disadvantages of each system also must be properly evaluated. For instance, a home application employed for a Madrid Protocol filing that is amended or refused will result in refusal in the countries to which it has been extended. Further, international registrations under the Protocol cannot be amended after registration. In countries such as Canada and the United States, the Trade Marks Offices require that the identification of goods and services be quite specific. Because Protocol filings are dependent on the home country trade-mark that provides the basis for application, an applicant may prefer national applications in foreign countries as they will provide broader overall protection in terms of the specification of goods and services. The European Community Trade-Mark system has a disadvantage in that if a right fails in one member state, it will fail in all others as well. The obvious advantages include payment of an initial renewal fee and easier monitoring of renewal dates and the like.

This is all to say that the optimal route to follow may be different for each applicant, who is well advised to work closely with their legal counsel to assess the various determining factors.

¹¹ For a further elaboration on this issue, see the article entitled "The Madrid Protocol: impact of U.S. adherence on trademark law and practice by the International Trade Mark Association which is available at www.inta.org.

COMPARATIVE CHART OF REGISTRATION PARTICULARS

Country	Duration of Registration	Renewal Periods	Use Required Before Registration	Use Required After Registration	Service Mark Registration	Recordal of Licenses	Recordal of Assignments	International Classification System	Madrid Protocol	National Office Online
Australia	10 years	10 years	Owner must usually file a declaration that he is using or intends to use.	Within 3 years preceding an annulment request. An application for cancellation for non-use cannot be lodged until 5 years have elapsed since registration.	Available	Not mandatory but significant benefits to recording licensees as registered users.	Yes; recordal of an assignment is mandatory.	Yes	Yes	www.ipaustralia.gov.au
Benelux (Belgium, Netherlands & Luxembourg)	10 years	10 years	None	A third party may obtain annulment if mark is not used in the 5 years following the application or for 5 consecutive years.	Available	Should be recorded to be effective against third parties.	Recordal is not mandatory but an assignment should be recorded to be effective against third parties.	Yes	Yes	www.bmb-bbm.org
Canada	15 years	15 years	Yes; unless application based on use and registration abroad or on "making known" of a mark.	A third party may seek to annul the mark after at least 3 years from the registration date on grounds of non-use.	Available	Not required	Recordal is not mandatory but should be recorded to be effective against third parties.	No	No	www.strategis.ic.gc.ca

<i>Country</i>	<i>Duration of Registration</i>	<i>Renewal Periods</i>	<i>Use Required Before Registration</i>	<i>Use Required After Registration</i>	<i>Service Mark Registration</i>	<i>Recordal of Licenses</i>	<i>Recordal of Assignments</i>	<i>International Classification System</i>	<i>Madrid Protocol</i>	<i>National Office Online</i>
China	10 years	10 years	None	Subject to cancellation if not used for 3 consecutive years.	Available	Recordal of a license is mandatory within 3 months from its execution.	Yes; recordal is mandatory.	Yes	Yes	www.chinatrade-mark-dat-abase.com
France	10 years	10 years	None	Within 5 years from registration or preceding an annulment request.	Available	Should be recorded with the National Institute of Industrial Property (INPI) to be effective against third parties.	Recordal is not mandatory but an assignment should be recorded to be effective against third parties.	Yes	Yes	www.inpi.fr
Germany	10 years	10 years	None	Within 5 years from registration (or completion of any opposition proceeding) or within 5 years preceding an annulment request.	Available	Licences cannot be recorded.	Recordal is not mandatory but an assignment should be recorded.	Yes	Yes	www.dpma.de
Italy	10 years	10 years	None	Within 5 years from the date of registration and preceding an application for renewal or an annulment request.	Available	Should be recorded at the Italian patent and trade mark office to be effective against third parties, if not recorded, a subsequent recorded license may have priority.	Recordal is not mandatory but if not recorded, a subsequent recorded assignment may have priority.	Yes	Yes	www.mimindustrial.it/dgs/pe/uff_Brev/homepage.htm

<i>Country</i>	<i>Duration of Registration</i>	<i>Renewal Periods</i>	<i>Use Required Before Registration</i>	<i>Use Required After Registration</i>	<i>Service Mark Registration</i>	<i>Recordal of Licenses</i>	<i>Recordal of Assignments</i>	<i>International Classification System</i>	<i>Madrid Protocol</i>	<i>National Office Online</i>
Japan	10 years	10 years	None	Within 3 years from the date of registration, and within three years preceding an application for renewal or a cancellation request.	Available	Yes; exclusive licenses must be recorded to be effective. Must notify the relevant Minister if license between resident and non-resident.	Yes; assignments must be recorded to be effective.	Yes	Yes	www.jpo.go.jp or www.ipdl.go.jp
Mexico	10 years	10 years	None	Registration may be cancelled if not used for 3 consecutive years. Sworn statement of use required for renewal.	Available	Must be recorded to be effective against third parties. A lack of license recordal for periods longer than 3 years after the license has been executed may expose registration to cancellation action for non-use.	Recordal is not mandatory but an assignment should be recorded to be effective against third parties.	Yes	No	www.impi.gob.mx
Spain	10 years	10 years	None	Within 5 years following registration or preceding an annulment request.	Available	Must be recorded to be effective against third parties.	Recordal is not mandatory but it does entitle the assignee to invoke the rights arising from registration.	Yes	Yes	www.oepm.es

<i>Country</i>	<i>Duration of Registration</i>	<i>Renewal Periods</i>	<i>Use Required Before Registration</i>	<i>Use Required After Registration</i>	<i>Service Mark Registration</i>	<i>Recordal of Licenses</i>	<i>Recordal of Assignments</i>	<i>International Classification System</i>	<i>Madrid Protocol</i>	<i>National Office Online</i>
Sweden	10 years	10 years	None	Within 5 years following registration or preceding registration an annulment request.	Available	Not required but should be recorded to be effective against third parties. Recordal may be requested by licensor or licensee. Licenses that will result from deceptive use of the mark will not be recorded.	Recordal is not mandatory but it does entitle the assignee to invoke the rights arising from registration.	Yes	Yes	www.prv.se
Switzerland	10 years	10 years	None	Within 5 years following registration or preceding an annulment request.	Available	Not required but recommended in order to be effective against subsequently acquired rights in the mark.	Recordal is not mandatory but an assignment should be recorded to be effective against third parties.	Yes	Yes	www.swissreg.ch
Taiwan	10 years	10 years	None	Within 3 years preceding an application for renewal, and within 3 years from the date of registration or preceding an annulment request.	Available	Yes; must have prior approval of NBS (National Bureau of Standards); failure to record may a ground for cancellation of the registration.	Yes; assignments must be officially recorded to be valid against third parties.	Yes; with variations according to local rules adopted by the Intellectual Property Office.	No	www.moeaiipo.gov.tw

<i>Country</i>	<i>Duration of Registration</i>	<i>Renewal Periods</i>	<i>Use Required Before Registration</i>	<i>Use Required After Registration</i>	<i>Service Mark Registration</i>	<i>Recordal of Licenses</i>	<i>Recordal of Assignments</i>	<i>International Classification System</i>	<i>Madrid Protocol</i>	<i>National Office Online</i>
U.S.A.	10 years, (20 years, if issued before Nov. 16, 1989)	10 years	Yes; no registration until a statement of use is filed for intent to use applications.	Unless declaration of use filed between 5th and 6th year after registration, then mark is automatically cancelled. A third party can try to cancel mark if not used for 3 consecutive years. Declaration of use now required to renew.	Available	Not required.	Recordal is not mandatory but should be recorded to be effective against third parties.	Yes	Yes	www.uspto.gov

<i>Country</i>	<i>Duration of Registration</i>	<i>Renewal Periods</i>	<i>Use Required Before Registration</i>	<i>Use Required After Registration</i>	<i>Service Mark Registration</i>	<i>Record of Licenses</i>	<i>Record of Assignments</i>	<i>International Classification System</i>	<i>Madrid Protocol</i>	<i>National Office Online</i>
United Kingdom	10 years	10 years	None	Within 5 years of registration or preceding an annulment request.	Available	Advisable to record a license to be effective against third parties and so that a licensee will be entitled to initiate infringement suits; if a license is not recorded, a later recorded license may have priority.	Not mandatory, but it an assignment is not recorded, a later recorded assignment may have priority and so that the assignee to be entitled to damages or an account of profits in respect of infringements committed after assignment and before registration thereof.	Yes	Yes	www.patent.gov.uk