

iFA INTERNATIONAL
FRANCHISE
ASSOCIATION

IFA 26

LEGAL

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WASHINGTON, DC | MAY 17-19

Trademarks and IP Basics

WHAT IS FRANCHISOR IP?

- Franchisor IP is more than just trademarks—it is a bundle of assets that together enable a concept to scale consistently across locations.
- It includes the brand, goodwill, system, know-how, and content.
- While trademark licensing is the legal foundation of franchising, the system and know-how are what create the economic value.

THE FRANCHISE IP STACK

- Brand/Goodwill
 - Trademarks, trade dress, reputation
- System
 - Operations, standards, procedures
- Know-How & Content
 - Trade secrets, recipes, training materials, software, digital platforms

WHAT MAKES A BUSINESS ARRANGEMENT A FRANCHISE?

Franchisor grants franchisee right to operate business using franchisor's IP stack

Franchisor provides significant assistance or imposes significant controls on operations

Franchisee pays a "franchise fee" to franchisor



WINGSTOP EXAMPLE

- Customers expect more than a name.
- They want familiar flavors and recipes (e.g., Lemon Pepper, Original Hot), same service model, and same digital experience.
- This consistency is driven by a combination of trade secrets, operational systems, and most importantly, trademarks (the legal anchor of the franchise relationship).

TRADEMARKS



- Trademark license - foundation of most franchises
- Trademark law – the legal backbone that enables brand consistency across a franchise network
 - Duty to assure “nature and quality”
- Trademark - brand identification of product/service
 - Trademark vs. Service Mark
 - Trademark (goods/services) vs. Trade Name (name of entity)
- Digital Identifiers (e.g., social media handles, domain names) are modern extensions of brand identity

TRADEMARK FUNCTIONS:

- Designates a unique source
- Represents uniform level of quality
- Embodies “goodwill” of a business
- Can be licensed to others
- In franchising, serves as a consumer protection mechanism by signaling to the public a consistent experience regardless of location



TRADEMARK SELECTION FACTORS:

Can it be a trademark?

How distinctive is the trademark?

Can I use it?

Can I register it?

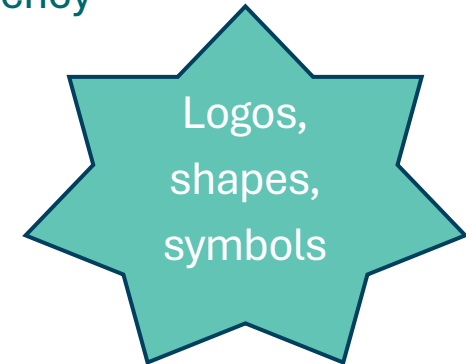
Can I exclude others from using it and similar marks?



CAN IT BE A TRADEMARK?

CAN IT BE A TRADEMARK?

- Must be distinctive
- Trade Dress: trademark-like protection for “signature” appearance of product, packaging or premises
 - ✓ Challenge for franchisors – specificity and consistency



HOW DISTINCTIVE IS THE TRADEMARK?



COINED – VALVOLINE INSTANT OIL CHANGE®, KUMON®



ARBITRARY – ORANGETHEORY FITNESS®, DOUBLETREE BY HILTON®

SUGGESTIVE – TWO MEN AND A TRUCK®, SUPERCUTS®



DESCRIPTIVE – GREAT CLIPS®, PREMIER POOLS & SPAS®

GENERIC – Hamburger, Smoothie

KUMON

TEST YOURSELF: SUGGESTIVE OR DESCRIPTIVE?

Can you tell the difference?

- WINGSTOP®
- BUDGET BLINDS®
- PET SUPPLIES PLUS®
- MASSAGE ENVY®
- JERSEY MIKE'S SUBS®
- CINNABON®

CAN I USE THE TRADEMARK?

- ✓ First to adopt
(and intent to use)
- ✓ Trade areas
- ✓ Trade categories
- ✓ Clearance searching
- ✓ Anticipated growth



CAN I REGISTER IT? CAN I EXCLUDE OTHERS FROM USING IT?



- First to use, and filed intent to use
- USPTO classification system

BENEFITS OF FEDERAL REGISTRATION ON PRINCIPAL REGISTER

- ✓ constructive use nationwide
- ✓ presumption of validity
- ✓ incontestability
- ✓ notice, by use of ®
- ✓ federal court jurisdiction
- ✓ block future applications

BENEFITS OF FEDERAL REGISTRATION ON SUPPLEMENTAL REGISTER

- ✓ notice, by use of ®
- ✓ federal court jurisdiction
- ✓ block future applications

FEDERAL REGISTRATION PROCESS

- Apply
- Examination
- Substantive refusals
 - Likelihood of confusion
 - Qualify as a trademark
 - ✓ Genericness
 - ✓ Descriptiveness
 - ✓ Failure to function
- Responding to substantive refusals
- Section 2(f) of the Lanham Act
 - Strategic slow down of prosecution?
- Publication for opposition



POST-REGISTRATION

Periodic Maintenance:

- ✓ filings
- ✓ current and continuous use

PROTECTING TRADEMARKS



- Use as an adjective – not as a noun/verb
- Use is Consistent/Uniform/Distinctive
- “Affixation” – goods (product/packaging), services (use in proximity to services)
- Notices: “®”, “trademark,” “TM”/”SM”
- Control use by licensees
- Careful licensing/transfer

Question: Transfer of
in-use and intent-to-
use applications?

TRADEMARK ENFORCEMENT

- Current Franchisees
- Rest of the World
 - ✓ former (holdover) franchisees
 - ✓ unrelated third parties



ENFORCEMENT AGAINST FRANCHISEES

- Contractual Obligations/Restrictions on Use of Marks
 - Franchisee Entity Name
 - Domain Name Registrations
 - Websites
 - Social Media Accounts
 - Merchandise
 - Unapproved Vendors
 - AI-Generated Content
 - Third-Party Delivery Platform Listings (e.g., DoorDash, Uber Eats)
- Gradual Enforcement Escalation



TRADEMARK ENFORCEMENT

- Police trademark registries
- Police the marketplace
- Police domain name registrations
- Infringement
 - Determine trademark priority
 - Likelihood of confusion (multi-factor tests)
- Counterfeiting
 - Imitation goods
- Dilution
 - Diluting the strength of the mark



ENFORCEMENT TOOLS

- Prevent Trademark Registration
 - Opposition proceedings
 - Cancellation proceedings
 - Letters of Protest
 - Re-examination / Expungement
 - Express abandonment
- Utilize Platform Takedown Procedures
 - Shopify, Etsy, Facebook, Instagram
- Cease and Desist Letters
- Lawsuits
 - Ripeness considerations
- Domain Name Dispute Proceedings



FRANCHISE AGREEMENT PROVISIONS

U.S. FDD Disclosure Issues

- Item 13
- Other disclosure issues
- International treatment

Question – Does the disclosure obligation apply to all trademarks?

TRADE SECRETS

WHAT IS A TRADE SECRET?

Information that:

- Is valuable because not readily known and not readily ascertainable subject to protection efforts
- Gives business owner advantage over competitors without it

EXAMPLES:

- Recipes
- Formulas
- Manuals
- Customer and supplier information
 - Financial information
 - Business methods
 - Algorithms
 - Training materials
- Proprietary technology

TRADE SECRETS

STATUTORY AUTHORITY

Federal – Defend Trade Secrets Act
State – Uniform Trade Secrets Act

PROTECTION

Effort to maintain secrecy
Physical
Contractual
Practice
Wrongful misappropriation

BENEFITS

Potentially unlimited duration
No government filing
Covers items/some materials
not otherwise protectable

Remedies

Defenses: inadequate measures, “reverse engineering”, failure to describe adequately

COPYRIGHTS



Protect original creative works fixed in a tangible medium

Examples:
Artistic works
Written works
Music
Images/Photographs
Software
Social media content
Mobile app interfaces

Concept of originality is different than in patent and is a relatively low bar

SUMMARY OF “BUNDLE” OF COPYRIGHT RIGHTS

- Reproduce the work
- Prepare derivative works
- Distribute copies of work
- Publicly display and publicly perform work

KEY ISSUES

Idea vs. Expression

Notice

Remedies

Defenses (independent creation, fair use)

Registration

✓ Danger of overclaiming

FDD Disclosure Issue – Item 14
Item



Ownership:

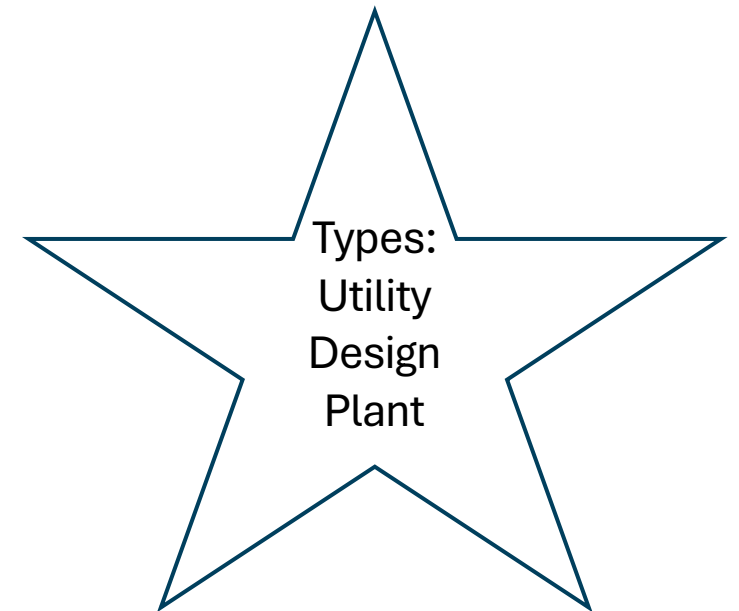
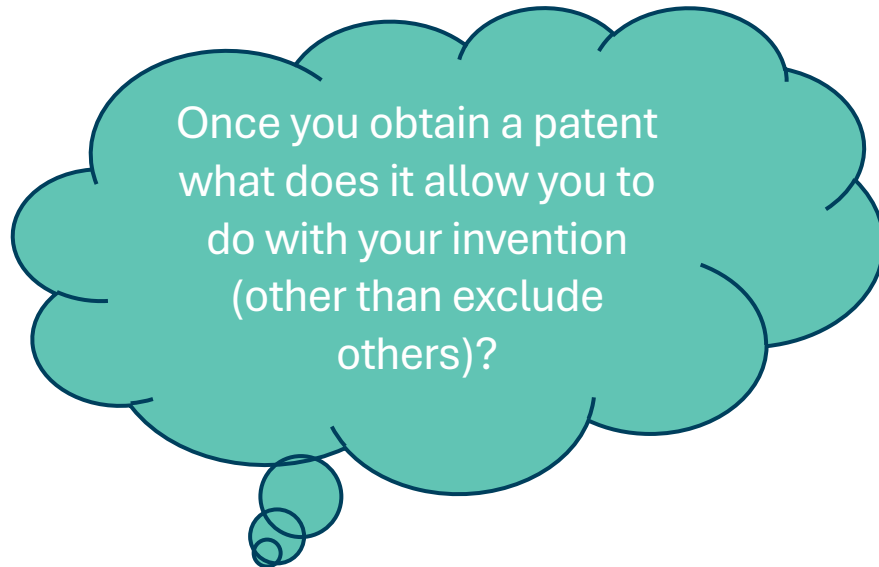
- ✓ Instant and automatic upon fixation
 - ✓ Works-made-for-hire
 - Employees within the scope of her/his employment
 - Specially Commissioned Works (independent contractors) – assignment alternative

Duration

- ✓ Steamboat Willy issue – beware of overlapping rights

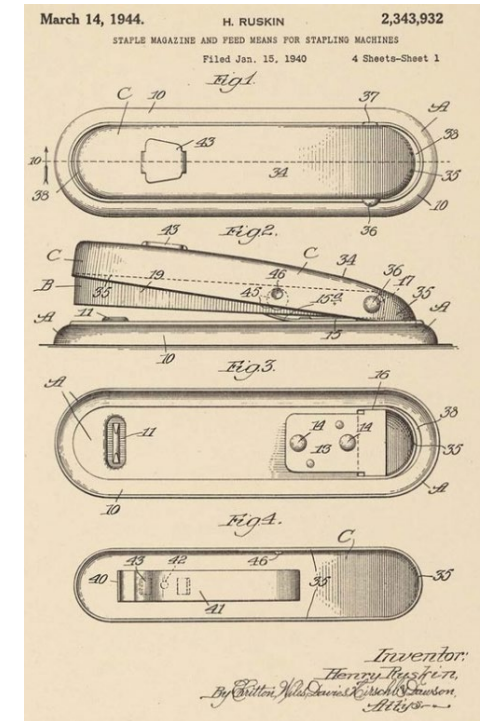
PATENTS

Temporary right to **exclude others** from making, using, offering for sale, selling, or importing the protected invention



KEY ISSUES

- Novel, useful, and non-obvious to one skilled in the art
(and ornamental for design patents)
- Must be disclosed to obtain protection (opposite of a trade secret)
 - Marking
 - Duration
 - Remedies
- Contrast with trade secret and “reverse engineering”
 - Patent vs. trade secret litigation considerations
 - FDD Disclosure issue – Item 14



HOT TOPICS IN FRANCHISE IP

- Recent Case Law Developments
- AI-Generated Content
- Practical Examples of Intersection Between Franchising and IP



INTERNATIONAL CONSIDERATIONS

- Trademark Registration Strategy
- Adapting the Brand
- Enforcement Challenges



