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Basics Track: Trademarks & IP

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IP Basics

Intellectual property is among the areas of law most closely intertwined with franchise law, given that franchisors must protect the brand and business system that they license to franchisees. Trademarks represent the category of intellectual property most central to franchising, and accordingly, trademarks constitute the primary focus of this paper. Following an overview of trademark law and the processes for registering and protecting trademarks in the United States, this paper examines the critical role that trademarks play in franchise systems—including their treatment in franchise disclosure documents (“FDDs”) and franchise agreements. The paper then surveys recent developments in trademark litigation and provides a brief overview of international trademark law before turning to other categories of intellectual property that are relevant to franchising.

I. Trademark Basics

Trademarks remain one of the most important and accessible forms of intellectual property, both in the United States and internationally. Typical consumers encounter countless trademarks, in a variety of forms, on a daily basis. Business owners who fail to protect their brands through the trademark system forego the innumerable benefits that such system can provide.

Under the Lanham Act, trademarks are defined as words, names, symbols, or devices used to identify and distinguish goods or services. Trademarks serve a variety of functions beyond merely indicating a good’s or service’s source of origin; they also protect a brand’s reputation, goodwill, and the intrinsic value generated by the products or services themselves. Importantly, trademarks are not limited to logos or wordmarks—they may also encompass the overall appearance, packaging, and design of a product (known as “trade dress”).¹

In franchising, a system’s trademark is unquestionably its most valuable asset. Franchisees who join the system benefit in a multitude of ways, ranging from the franchisor’s corporate structure to established supplier relationships. Above all, though, franchisees benefit from the trademarks they are licensed to use. The ability to leverage an established brand distinguishes franchising from other business models, and the goodwill associated with a well-known brand confers significant business advantages. Trademark law provides the legal framework through which this goodwill can be protected and further cultivated.

A. Overview of Trademarks, Generally

Colloquially, “trademark” is used in two distinct ways. Most commonly, it serves as an umbrella term encompassing any type of mark, including trademarks for goods, service marks for services, and trade dress. In its narrower sense, “trademark” refers specifically to a brand’s mark under which a good is sold. Although the distinctions among trademarks, service marks, and trade dress may appear subtle, they carry important legal and practical implications.

Service marks differ from trademarks in that they distinguish the source of services rather than goods.² Some recognizable examples of service marks include the FEDEX logo, the SHELL

¹ [IF12456 \(congress.gov\)](#).

² [IF12456 \(congress.gov\)](#).

symbol, and the AT&T sphere. Beyond branding, service marks can identify the source of an intangible service offering, such as insurance coverage or tax preparation. Notably, a single mark can function as both a trademark and a service mark when its owner provides both goods and services.³ For instance, a NIKE-branded store selling NIKE-branded shoes or a STARBUCKS-branded coffee shop selling STARBUCKS-branded coffee exemplify this dual function.

Trade dress constitutes a distinct category of intellectual property that encompasses a product's total image and overall appearance. This may include elements such as size, shape, color, texture, packaging, or sales techniques—individually or in combination.⁴ A readily identifiable example of trade dress is the distinctive shape of the COCA-COLA bottle.

Trademarks should not be confused with trade names. A trade name identifies a company, partnership or business entity itself, rather than the goods or services the entity provides. The key distinction is that trade names cannot be registered under the Lanham Act unless they function to identify the source of a particular good or service, rather than merely the entity itself.⁵ Whether a trade name may also operate as a trademark depends on how it is used in commerce and whether consumers can identify a good's or service's source from that use.⁶

Ensuring that a mark serves as a source indicator to consumers represents one of the principal benefits that trademark law provides to the marketplace. Companies also derive a separate but equally important form of value from protecting their marks. By safeguarding consumers from confusion regarding the source of goods and services, businesses are able to capitalize on their earned reputation in the marketplace. This accumulated reputational value is known as “goodwill.”

Goodwill is an intangible business asset that reflects consumers' inclination to continue doing business with a vendor whose goods and services effectively meet consumers' needs.⁷ The United States Supreme Court has defined goodwill as the “expectancy of continued patronage.”⁸ The value derived from goodwill is not merely speculative. While intangible, goodwill has a tangible impact on business operations and constitutes a valuable asset worthy of protection through trademark registration. Indeed, goodwill is often the most valuable asset a brand possesses. In a business model that relies so heavily on licensing a brand name, goodwill may be the most critical component of a franchise system.

B. Trademark Protection

1. Trademark Distinctiveness

Being distinguishable from other marks is the minimum standard for trademark protection. Courts have long recognized this prerequisite and have established a spectrum of classifications

³ 15 U.S.C.A. § 1127 (West).

⁴ *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 764 n. 1 (1992); *Leviton Mfg. Co., Inc. v. Universal Sec. Instruments, Inc.*, 304 F. Supp. 2d 726, 735 (D. Md. 2004).

⁵ Trade name (no date), Legal Information Institute. Available at: https://www.law.cornell.edu/wex/trade_name (Accessed: 4 March 2026).

⁶ See Trademark Manual of Examining Procedure (“TMPE”), USPTO, TMPE 1202.01 Refusal of Matter Used Solely as a Trade Name.

⁷ § 2:17. Good will—Judicial definitions of good will, 1 McCarthy on Trademarks and Unfair Competition § 2:17 (5th ed.).

⁸ *Newark Morning Ledger Co. v. U.S.*, 507 U.S. 546, 555, 113 S. Ct. 1670, 123 L. Ed. 2d 288, 21 Media L. Rep. (BNA) 1289, 26 U.S.P.Q.2d 1427, 93-1 U.S. Tax Cas. (CCH) P 50228, 71 A.F.T.R.2d 93-1380 (1993).

for the level of distinction a mark possesses. The “Abercrombie Spectrum” provides the framework by which all trademark applications are evaluated for the requisite level of distinctiveness.⁹ The five categories of the Abercrombie Spectrum, in ascending order of distinctiveness, are as follows:

- **Generic**: A generic word literally refers to the “genus of which a particular product is a species.”¹⁰ In practice, a generic term simply states what the source of the product of service *is*. (e.g., SHOE for a shoe).¹¹ No amount of effort invested in a generic term will render it protectable under trademark law. Because trademark law is rooted in public identification of the source of goods or services, the most generic description of a product cannot receive protection. Protecting a generic term would deprive competitors of the right to call a product by its name.
- **Descriptive**: A merely descriptive term stands on slightly—but not substantially—more stable ground for protection than a generic term. Descriptive terms describe a quality, ingredient, characteristic, or function of a product or service.¹² As such, they provide little to no assistance in helping consumers discern the source or quality of the product or service. This does not, however, preclude a descriptive term from acquiring distinctive properties over time in the minds of consumers, warranting analysis of whether the term has attained “secondary meaning.” Examples of descriptive terms that have acquired secondary meaning include KENTUCKY FRIED CHICKEN for fried chicken; COLD STONE CREAMERY for cold stone prepared ice cream; and AMERICAN AIRLINES for an aviation company. Generally, a mark must be in use for at least five years before it can officially acquire this level of distinction through notoriety, usage, and acceptance into the public consciousness.
- **Suggestive**: Suggestive terms require imagination, thought, and perception to reach a conclusion about the nature of a good or service. Unlike descriptive marks, suggestive marks require no secondary meaning to be entitled to registration.¹³ Examples of suggestive marks include NETFLIX for online movie streaming, BURGER KING for a burger restaurant, and UNDER ARMOUR for temperature regulating undergarments. The hallmark of a suggestive mark is the consumer’s ability to understand what the product or service is while still being able to identify its source without confusion.
- **Arbitrary**: An arbitrary trademark applies a common word in an unfamiliar way to a product or service with which that word had no prior association.¹⁴ Examples of arbitrary trademarks include TIDE for laundry detergent, DOVE for chocolate, and

⁹ *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 10.

¹³ *Id.* at 11.

¹⁴ *Id.*

SHELL for gasoline. Arbitrary marks possess inherent distinctiveness, such that they are automatically protectable.¹⁵

- **Fanciful:** Fanciful trademarks are words coined solely for their use as trademarks. These constitute the strongest class of trademark and inherently possess a level of distinction that warrants registration. Examples of fanciful marks include EXXON for gasoline, KODAK for film and cameras, and UNIQLO for clothing.¹⁶

2. Rights and Protections Through Registration

Securing federal trademark protection in a distinctive mark depends on its use in interstate commerce. United States trademark law rewards owners who use a mark first in commerce, even if that first user is not the first to file a trademark registration application. Nevertheless, registration provides its own unique protections. For instance, federal registration creates trademark rights that cannot be replicated, including enhanced avenues of recourse for infringement. Above all, however, use remains the prerequisite to trademark protection.

Common Law Protections

United States common law does not require registration for trademark rights. Common law rights arise from actual use of a distinctive mark in United States commerce in connection with a specific good or service.¹⁷

Trademark rights under common law must stem from use that is deliberate and continuous, rather than sporadic or casual.¹⁸ Courts have denied trademark protection where use is too minimal or infrequent, such as periodic distribution of samples¹⁹ or minimal use over a multi-year period.²⁰ Common law protections are limited to the geographic area of use, which must be proven within a specific territory where the owner seeks to assert its rights.²¹ This area may expand, however, based on a natural zone of expansion of the mark.²²

State-Level Registration

Although unnecessary where a federally registered mark exists, owners may register their marks on a state-by-state basis. State registration offers a less expensive—and in some states, less time consuming—path to registration while putting competitors on notice of the mark’s existence and use in commerce.

Federal Trademark Registration

A federal registration, like common law protection, begins with use of the mark. A trademark owner must be using the mark in *interstate* commerce to be eligible for registration with

¹⁵ *Id.* at n. 12.

¹⁶ *Id.* at 11.

¹⁷ *Investacorp, Inc. v. Arabian Inv. Banking Corp. (Investcorp) E.C.*, 931 F.2d 1519, 1522 (11th Cir. 1991).

¹⁸ *Larsen v. Terk Techs. Corp.*, 151 F.3d 140, 146 (4th Cir. 1998); *Allard Enters., Inc. v. Advanced Programming Res., Inc.*, 146 F.3d 350, 358-59 (6th Cir. 1998).

¹⁹ *Harod v. Sage Prod., Inc.*, 188 F. Supp. 2d 1369, 1376 (S.D. Ga. 2002).

²⁰ *Int'l Healthcare Exch., Inc. v. Glob. Healthcare Exch., LLC*, 470 F. Supp. 2d 365, 371 (S.D.N.Y. 2007).

²¹ *See Emergency One, Inc. v. Am. Fire Eagle Engine Co.*, 332 F.3d 264, 268 (4th Cir. 2003).

²² *See Tally-Ho, Inv. v. Coast Cmty. Coll. Dist.*, 889 F.2d 1018, 1027-28 (11th Cir. 1989).

the United States Patent and Trademark Office (the “USPTO”). This differs slightly from the common law standard of use in United States commerce; for federal registration purposes, transactions must take place across state lines. Once achieved, federal registration provides significant advantages for the trademark owner, including:

- Presumed ownership of the mark, including nationwide trademark rights and priority as of the registration date;
- Prima facie evidence of validity;
- Right to use the ® symbol, deterring potential adopters of similar marks for similar goods and services;
- Presumption the mark has not been “abandoned” despite periods of non-use;
- Enhanced remedies for infringement, which may include treble damages and criminal penalties of counterfeiting; and
- Incontestability, which vests after five years of unopposed registration. Rights in an incontestable mark cannot be challenged by a third party in federal court or before the Trademark Trial and Appeal Board (the “TTAB”) absent demonstrable evidence of fraud, genericness, or other statutory grounds for contest.

Importantly, registering a trademark exempts a franchisor from the business opportunity statutes in Connecticut, Georgia, Louisiana, Maine, North Carolina and South Carolina. Once a franchisor has secured a federal trademark, it may immediately begin offering franchises in these states with a compliant FDD without submitting a filing under the relevant business opportunity statutes.

Principal vs. Supplemental Register

When a trademark is merely descriptive and cannot be registered on the Principal Register, the trademark owner may still protect the mark beyond what common law provides through use of the Supplemental Register. The Supplemental Register is the secondary register maintained by the USPTO, on which trademarks are afforded some level of protection despite being non-distinctive and lacking secondary meaning. Descriptive marks, surnames, and trademarks containing geographic terms are most commonly found on the Supplemental Register.²³

Registration on the Supplemental Register provides certain tangible benefits for trademark owners. When compared to the Principal Register, the benefits are as follows:

²³ Supplemental Register (no date), Legal Information Institute. Available at: https://www.law.cornell.edu/wex/supplemental_register (Accessed: 4 March 2026).

Comparison of USPTO Trademark Registers²⁴

Advantages	Principal	Supplemental
Right to use the ® Symbol	✓	✓
Appearance on USPTO databases	✓	✓
Right to use federal court system	✓	✓
Bars subsequent applications of similar marks	✓	✓
Use of trademark as basis for foreign registration	✓	✓
Presumption of ownership	✓	✗
US Customs protection from infringing goods	✓	✗
Incontestability	✓	✗

C. Trademark Application

To obtain the full protection of the USPTO for a trademark, owners must secure a federal trademark registration on the Principal Register. This is accomplished through the application process with the USPTO. Applications must be filed based on: (a) the use of the mark; (b) a bona fide intention to use the mark; (c) a foreign application; or (d) a combination of methods (a) through (c).²⁵

The USPTO has made concerted efforts to standardize the application process across all variables. Applications begin at the USPTO website: <https://www.uspto.gov>. The website provides guidance on how to prepare an application effectively. The USPTO encourages prospective applicants to consider, before filing, whether the mark they seek to register is registerable and how difficult it will be to protect the mark based on its strength. The USPTO provides resources and links to help applicants reach their own conclusions on these questions.²⁶ Applicants should:

- Identify the mark format;
- Identify the precise goods and/or services the mark will cover;
- Search for potentially confusingly similar marks;
- Understand the basis for filing; and
- Consider hiring a trademark attorney if domiciled in the United States (foreign-domiciled applicants are required to do so).

1. Searching for Similar Marks

Arguably the most important preliminary step is searching for any pre-existing confusingly similar mark. One of the most common reasons an application is rejected is similarity of the applied-for mark to already registered marks that the USPTO deems will create a likelihood of

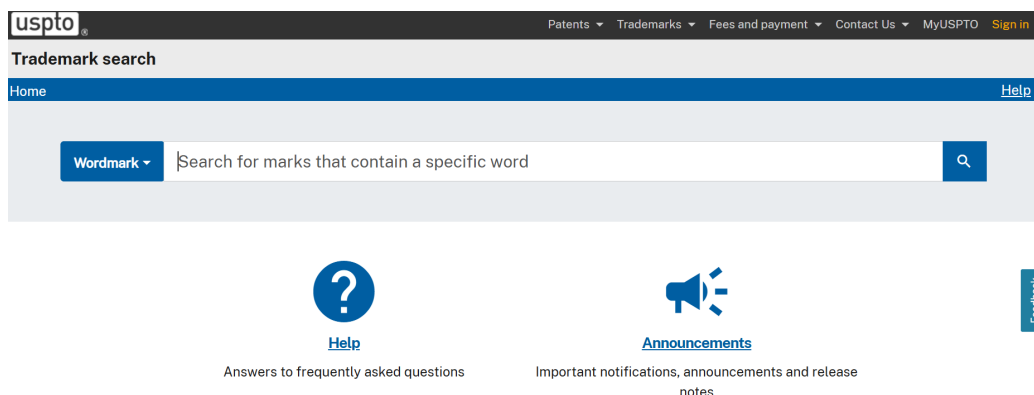
²⁴ *Id.*

²⁵ 15 U.S. Code § 1051.

²⁶ Trademark process (2026) United States Patent and Trademark Office - An Agency of the Department of Commerce. Available at: <https://www.uspto.gov/trademarks/basics/trademark-process#step2> (Accessed: 4 March 2026).

confusion. Applicants should therefore spend considerable time ensuring their mark does not face this obstacle and does not infringe another party’s mark. The USPTO recommends that potential applicants search the USPTO database as well as the internet for third-party references to their marks, or similar marks, that may share goods and services.²⁷ Because the USPTO database does not include unregistered common law marks, it is important to search resources beyond the USPTO.

The USPTO trademark search system provides several methods of searching for marks prior to or after the application process. Applicants can search for a mark based on the mark itself, goods and services, the owner of the mark, or the identifying registration or serial numbers.²⁸ The search interface is displayed below:



If an applicant finds a mark that may be confusingly similar, the applicant can navigate to the “Documents” section of that mark and review the documents submitted to the USPTO. Some of the most pertinent information may be found in Office Actions presented by the assigned examiner, which sometimes provide information on how to clarify the unique nature of the mark. These concepts are explained more thoroughly below but should not be overlooked by first-time applicants.

2. Application Examination

In the months following the filing of an application, the filing will be assigned a USPTO examining attorney who will determine whether the mark is statutorily sound enough to be registered and whether the application formalities have been completed. As of early 2026, the USPTO is currently experiencing review times of approximately seven months for a new application.

Questions about the viability of registration of a mark and other identified issues come in the form of an Office Action from the examiner. Office Actions are official letters sent by the

²⁷ Comprehensive clearance search for similar trademarks (2026) United States Patent and Trademark Office - An Agency of the Department of Commerce. Available at: <https://www.uspto.gov/trademarks/search/comprehensive-clearance-search-similar-trademarks> (Accessed: 4 March 2026).

²⁸ Trademark search. Available at: <https://tmsearch.uspto.gov/search/search-information> (Accessed: 4 March 2026).

USPTO listing any legal issues with the chosen mark or application.²⁹ Applicants can respond to Office Actions within three months of the date of issuance. An additional three-month period will be provided to the applicant upon payment of an extension fee. Any issue brought to the applicant's attention must be resolved before the application will be approved to move to the next step in the registration process. Certain issues raised in an Office Action may be resolved by making simple amendments to the application; other issues involve more extensive submissions to the USPTO.³⁰ Some of the most common reasons for simple amendments include required clarifications to the description of goods or services or disclaimers for a portion of the mark. Common substantive legal refusals requiring more extensive submissions are likelihood of confusion with another registered mark and descriptiveness of the applied-for mark. Substantive legal rejections and refusals by examiners may be especially difficult to overcome and must be carefully addressed.

Disclaiming a Portion of the Mark

Where a trademark contains a word or phrase that describes some aspect of the good, service, or business, applicants must provide a disclaimer – a statement in which the applicant does not claim exclusive rights to the specific term. Examples of such terms include SHOPPE, STORE, or BAR. Exclusive rights to these terms cannot be given by the USPTO because other services and businesses of the same type use these words to describe their businesses as well.

Likelihood of Confusion

Under Section 2(d) of the Lanham Act, a likelihood of confusion refusal is issued when an examiner finds one or more registered trademarks that are similar to the applicant's mark, so much so that the examiner believes consumers are likely to be confused by the similarity. This refusal makes it paramount for applicants to utilize search tools to research similar marks prior to applying for their trademark. Although this type of Non-Final Office Action can be fairly common, the USPTO has ways in which applicants can try to differentiate their trademark while making minimal changes to the application itself.

The USPTO provides the following guidance on responding to a “likelihood of confusion” refusal³¹:

- Provide the examiner with fact-based arguments explaining why the trademark is not similar to other registered trademarks in meaning, sound, appearance, or commercial impression;
- Explain how the goods and services provided under the applied-for trademark are different or unrelated from those already registered;
- Amend the goods and services provided under the applied-for trademark to be narrower to decrease the likelihood of overlap;

²⁹ Responding to Office Actions (2026) United States Patent and Trademark Office - An Agency of the Department of Commerce. Available at: <https://www.uspto.gov/trademarks/maintain/responding-office-actions#:~:text=What%20is%20an%20office%20action,we%20can%20register%20your%20trademark.> (Accessed: 4 March 2026).

³⁰ *Id.*

³¹ *Id.*

- Provide a consent agreement from the owners of other registered trademarks that the examiner deemed confusingly similar; and/or
- Verify that none of the trademarks the examiner deemed confusingly similar are “dead” from non-use.

Descriptiveness

Under Section 2(e)(1), a refusal may be issued where an examiner finds evidence that the text or design of a trademark merely describes some aspect of the goods and services related to the mark. Examiners will often refuse words such as “bold” for coffee or “creamy” for ice cream.

The USPTO provides guidance on responding to a “descriptiveness” refusal³²:

- Argue against the examiner’s evidence by making fact-based, specific points as to why the mark is not merely descriptive;
- Amend the application to indicate the trademark has acquired distinctiveness, with supporting evidence;
- Apply for the Supplemental Register instead; and/or
- Narrow the listed goods and services, where appropriate.

3. Publication and Registration

Upon timely response to an Office Action, or if no Office Action is issued, and subsequent acceptance by the examiner, the trademark will be approved. Following approval, the examiner will publish the mark in the “Official Gazette.” This does not mean the mark is registered, however. Third parties who believe they may be damaged by registration of the trademark have 30 days from the publication date to file an opposition to the registration or request an extension of time to oppose.³³ If no opposition is filed, or the registration survives an opposition, the registration process will continue to its next phase, which depends on the basis of application.

The final steps of the application process depend on whether the application is based on *use or intent to use*. If no opposition is filed, or the application survives an opposition, a notice of allowance will be issued by the examiner. If the application is based on use, and the mark is not contested or survives contest, the approval is final because the mark is already in use. A certificate of registration will be issued shortly after this final approval. When the application is based on intent to use, as many new marks are, the applicant has six months from the date of notice of allowance to either (i) use the mark in interstate commerce and submit a statement of use to the USPTO; or (ii) request a six-month extension of time to file the statement of use.

The statement of use must be approved by the examiner before the mark can become registered. Further Office Actions may result from the statement of use, so applicants must be diligent in monitoring their application and ensuring any changes or updates required by the examiner are made.

³² *Id.*

³³ *Id.*

It is only after the certificate of registration is issued that the applicant may use the ® symbol with the mark.

4. Maintenance of a Registered Mark

Procedurally, a trademark owner must take specific steps following registration to maintain its protected status. Trademark owners must keep the following filing deadlines in mind³⁴:

- After continuous use of the trademark in commerce for five consecutive years after the date of registration, trademark owners may file a declaration for incontestability;
- Between the 5th and 6th year after registration, trademark owners must file a Section 8 declaration, specimen of use, and fee, as failure to do so will result in cancellation of the registration; and
- Every 10 years following registration, trademark owners must file a Section 8 declaration, specimen of use, and fee, along with a Section 9 renewal application. These filings can be made simultaneously with a combined form, and failure to do so will result in cancellation of the registration.

Maintenance of a trademark, however, is not limited to filings with the USPTO—it requires ensuring the mark is properly noticed, continuously used, and does not fall into obscurity.

When a mark is registered with the USPTO, designating the mark with the ® symbol informs the public of the source of the goods and services and warns potential competitors against using similar or infringing trademarks. Neglecting to use the ® mark may bar trademark owners from being awarded damages or lost profits when pursuing infringing marks, because actual notice is required for these damages.³⁵ Owners of unregistered marks protected by common law should still distinguish their mark with the “TM” symbol. Using the “TM” designation puts others on notice of the owner's claim to the mark, helps establish a record of intent to protect the mark, and may deter potential infringers—all of which can strengthen the owner's position if common law trademark rights are later contested.

Beyond putting others on notice, trademark owners must be careful how the trademark is used in commerce. Trademarks should be used in a manner consistent with the registration. Using the colors, fonts, and exact lettering of a trademark as registered prevents the mark from falling into obscurity or being perceived incorrectly.

It is important to keep the product name separate from the type of product itself to avoid it becoming genericized by the public at large. Famous examples of products losing their identifying source include “googling,” “airfrying,” or putting on a “band-aid.” These words have become verbs and nouns describing the action or object rather than the source of a search, appliance, or bandage, respectively. Trademarks that have fallen into the public lexicon and rendered generic include Aspirin, Kerosene, Trampoline, Videotape, and Escalator.

³⁴ Registration maintenance/renewal/correction forms (2026) United States Patent and Trademark Office - An Agency of the Department of Commerce. Available at: <https://www.uspto.gov/trademarks/maintain> (Accessed: 4 March 2026).

³⁵ 15 U.S.C. § 1117(a).

Trademark owners should take heed and ensure, both internally and externally, that the brand is not gradually becoming genericized. This can be accomplished by placing the good or service directly after the mark (*e.g.*, ZIPLOC bag) or placing the word “brand” after the mark (*e.g.*, NIKE brand shoes). This concern is especially relevant for franchisors, who are in the business of licensing their brand to multiple parties at once. Allowing third parties to use a mark in commerce as a part of a franchised business creates the potential to lose control of how the mark itself is used. Franchisors must take special care to control their mark despite it being licensed to franchisees. Setting rigid standards with zero-tolerance policies for misuse is one of the few ways to maintain control of the mark once it is licensed to franchisees within the system. Later sections of this paper discuss how the important trademark rights and protections described above are licensed to franchisees and included in FDDs and franchise agreements.

Certain aspects of the trademark application process described in this section, as well as the ability to challenge some of the rights afforded by this process, were recently altered by the Trademark Modernization Act (as described in further detail below).

D. Trademark Modernization Act

As a part of the Consolidated Appropriations Act of 2021, the Trademark Modernization Act (the “TMA”) was signed into law on December 27, 2020. Most of the TMA’s regulations were implemented by the USPTO on November 17, 2021; however, many of the actual changes did not take effect until December 2021.

The major changes include:

- The Lanham Act now authorizes *ex parte* expungement and *ex parte* re-examination proceedings to challenge marks that have never been used in commerce or have not been used since registration;
- The TTAB will permit petitions to cancel the registration of marks that have never been used in commerce;
- A shortened response period for Office Actions;
- Codification of the Letter of Protest procedure against pending applications;
- Codification of the presumption of irreparable harm under the Lanham Act; and
- Confirmation of the constitutionality of appointments of administrative judges to the TTAB.

1. *Ex Parte* Expungement and *Ex Parte* Re-Examination Proceedings

In an effort to address stagnant and unused trademarks, the TMA enacted *ex parte* re-examination and expungement proceedings to provide an avenue of challenge for those seeking the rights to marks that are dormant or abandoned. Owners of registered marks are required to submit proof of use only after the first six years of registration, and then every ten years thereafter. This staggered timeline can result in marks being put to use only around the time proof must be submitted, remaining inert otherwise. Third-party petitioners, or the Director of the USPTO, may

now initiate proceedings to re-examine, remove or limit trademark registrations for marks that were improperly registered or currently not in use.

The new *ex parte* expungement proceedings provide a basis for cancellation of a mark's registration where the mark has never been used in commerce for some or all the goods and services categories in which it is registered. Such proceedings may only be initiated between three and ten years following the date of registration.

The *ex parte* re-examination proceedings may be initiated in instances where the registered mark was never used in commerce on or before the relevant date for any of the goods or services categories in which it is registered. For use-based applications, the relevant date is the filing date of the application. For intent-to-use applications, the relevant date is the deadline for filing a statement of use.

To institute an expungement or re-examination proceeding, the petitioner must pay a \$400 filing fee per class of goods or services, submit a verified statement establishing that the petitioner reasonably investigated whether the mark was actually used in commerce, and submit evidence supporting a prima facie case for non-use as of the respective relevant date, if applicable.

A successfully filed petition will be recorded and viewable on the USPTO website. If the Director institutes the proceedings, the USPTO will issue an Office Action to the registrant providing a three-month period to respond. An additional one-month extension may be obtained for a \$125 fee. If the registrant fails to respond or insufficiently demonstrates use, a Final Office Action will be issued recommending the registration be cancelled.

2. TTAB Cancellation Proceedings

The TMA also permits *inter partes* cancellation proceedings based on non-use. The TTAB previously permitted cancellation of registered marks for non-use only if a petitioner established abandonment. The TMA now permits Petitions to Cancel for non-use where the mark has never been used in United States commerce for all or some of the goods and/or services after the mark has been registered for three years. Because these proceedings are *inter partes* (*i.e.*, between parties), responsive filings, discovery, and evidence must be filed in support of each side's case.

3. Shorter Office Action Response Time

Under the TMA, Office Actions will be issued by the USPTO with a three-month response deadline, cutting the previous six-month deadline in half. For a \$125 fee, the deadline may be extended an additional three months at any point prior to expiration of the initial three-month deadline. To be timely, a response must be received on or before the response deadline.

4. Codification of Letter of Protest Procedure

The previously informal procedure of filing letters of protest during the examination of a mark has been codified by the TMA. Third party letters of protest submitted during the trademark examination process that provide evidence bearing on a mark's registrability are now officially recognized by the USPTO. The filing fee for letters of protest is \$150, and filers will receive notification within 60 days regarding the acceptance or rejection of a letter of protest.

5. Restoration and Confirmation of the Presumption of Irreparable Harm in Trademark Litigation

The Lanham Act provides trademark owners with a powerful tool to secure preliminary and permanent injunctive relief to address trademark infringement. To obtain injunctive relief, trademark owners typically must demonstrate: (1) a likelihood of success on the merits; (2) irreparable injury; (3) that the threatened injury to the movant outweighs the harm the requested relief would inflict on the opposing party; and (4) that the injunction would not be adverse to the public interest.

Prior to 2006, courts routinely held that a movant was entitled to injunctive relief merely by demonstrating a likelihood of success on the merits of a trademark infringement claim, based on judicial recognition of a “presumption” of irreparable harm arising from the infringement. However, this changed in 2006 following the United States Supreme Court’s decisions in *eBay Inc. v. MercExchange, L.L.C.*³⁶ and *Winter v. Natural Resources Defense Counsel, Inc.*,³⁷ which eliminated similar presumptions in litigation brought under patent and environmental law.

After *eBay* and *Winter*, substantial debate arose over whether those holdings should be limited to their respective subject matters or applied more broadly to other areas of the law, including trademark infringement and other Lanham Act matters. Over the following 15 years, court decisions were decidedly mixed on whether a presumption of irreparable harm continued to apply in trademark infringement matters.³⁸ The Third, Ninth, and Eleventh Circuits held that it did not.³⁹ The First and Second Circuits questioned the ongoing viability of the presumption without expressly resolving the issue.⁴⁰ To add to the confusion, the Fifth and Eighth Circuits, as well as numerous district courts, affirmed findings of irreparable harm in trademark cases after *eBay* without clearly addressing *eBay* or the presumption.⁴¹ As a practical matter, the circuit split meant that a trademark owner’s chances of success in obtaining injunctive relief varied significantly depending on whether the circuit maintained or dispensed with the presumption of irreparable harm, thereby encouraging forum shopping.⁴²

The TMA resolved these ambiguities and inconsistencies by codifying in Section 34(a) of the Lanham Act⁴³ that a trademark owner seeking an injunction in an infringement case is entitled

³⁶ 547 U.S. 388 (2006).

³⁷ 555 U.S. 7 (2008).

³⁸ The extent of the split of authority in such matters has been well documented in two excellent Franchise Law Journal articles, which discussed the evolution of this authority five and ten years post *eBay* and *Winter*. See Ronald T. Coleman, Jr., Trishanda Treadwell, & Elizabeth A. Loyd, Applicability of the Presumption of Irreparable Harm After eBay, 32 Franchise L. J. 3 (2012); Scott McIntosh & Jonathan Labakus, To Presume Or Not To Presume, Irreparable Injury in Trademark Disputes Involving Franchisees Following eBay and Winter, 36 Franchise L. J. 43 (2016).

³⁹ See *Ferring Pharmaceuticals, Inc. v. Watson Pharms., Inc.*, 765 F.3d 205 (3d Cir. 2014); *Herb Reed Enters. v. Fla. Ent. Mgmt., Inc.*, 736 F.3d 1239, 1249-50 (9th Cir. 2013); *Commodores Entm’t Corp. v. McLary*, 648 F. App’x 771 (11th Cir. 2016) (per curiam).

⁴⁰ See *Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.*, 645 F.3d 26, 33 (1st Cir. 2011); *U.S. Polo Ass’n v. PRL USA Holdings, Inc.*, 511 F. App’x 81, 85 (2d Cir. 2013).

⁴¹ See, e.g., *Warner Bros. Ent., Inc. v. X One X Prods.*, 840 F.3d 971, 982 (8th Cir. 2016); *Abraham v. Alpha Chi Omega*, 708 F.3d 614, 627 (5th Cir. 2013); *Ent. One UK Ltd. v. 2012Shiliang*, 384 F. Supp. 3d 941, 955 (N.D. Ill. 2019).

⁴² For a more detailed treatment of this subject see Christopher P. Bussert, The Presumption of Irreparable Harm After the Trademark Modernization Act of 2020: Have All Issues Been Resolved? 42 Franchise L.J. 375 (2023); see also Christopher P. Bussert & Marisa Faunce, Significant Developments in Trademark Law and Their Impact on Franchising, ABA 45th ANN. FORUM ON FRANCHISING W-12 (2022).

⁴³ 15 U.S.C. § 1116(a) (Supp. III 2021).

to a rebuttable presumption of irreparable harm upon establishing infringement at the proof stage, or upon showing a likelihood of liability in the context of motions for temporary restraining orders or preliminary injunctions.⁴⁴ This abrogates court decisions that applied *eBay* to trademark cases and eliminated the presumption of irreparable harm.

However, since the passage of TMA, courts have disagreed regarding the strength of the presumption and, in particular, how easily it may be rebutted. On one end of the spectrum, several courts have described the presumption as “heavy”, while others have characterized it as “slight.”⁴⁵ Still others have recognized a variety of evidence that may rebut the presumption, including delay by the plaintiff in filing the underlying action or pursuing injunctive relief, a showing of purely pecuniary injuries, demonstration that the non-movant has or will soon cease the allegedly infringing activity, insufficient evidence of likelihood of confusion, or other evidence—including statements by the plaintiff’s witnesses—suggesting that the alleged harm is not irreparable.

Several recent decisions have also demonstrated the risks trademark owners face in relying solely on the presumption of irreparable harm to establish that factor in the preliminary injunction analysis. Not only do trademark owners risk having the presumption rebutted by the non-movant, but some courts have also found the presumption to be inadequate to gain the upper hand in the balancing of hardships analysis.⁴⁶ On the other hand, trademark owners who have paired reliance on the presumption of irreparable harm with affirmative evidence have materially improved their prospects of prevailing on both the irreparable harm and balancing of hardships factors, and ultimately in securing injunctive relief.

E. FDD Disclosure Items

Given the importance of trademarks to a franchisor’s system, it is unsurprising that information regarding trademarks appears throughout the FDD. While Item 13 is the primary section dedicated to trademarks, several other disclosures relate directly or indirectly to a franchisor’s trademark.

1. Item 13

Item 13 of the FDD focuses solely on the franchisor’s trademarks, with nine subsections requiring disclosures regarding registration status, relevant proceedings, contractual agreements concerning infringers and other users of the same or similar marks, and a summary of key franchise agreement provisions governing the franchisor’s and franchisee’s respective rights and obligations with respect to the franchisor’s trademarks.⁴⁷

Trademark Registration

The first disclosure in Item 13 is a list of each “principal trademark” licensed to the system’s franchisees. The term “principal trademark” is defined as “the primary trademarks,

⁴⁴ See *ReBath LLC v. Foothills Serv. Sols. Co.*, No. CV-21-00870-PHX-DWL, 2021 WL 2352426, at *11 (D. Ariz. June 9, 2021) (“[T]he recently enacted Trademark Modernization Act of 2020 (‘TMA’) amended [Section 35(a)] to provide a franchisor plaintiff seeking an injunction ‘a rebuttable presumption of irreparable harm upon a finding of a violation.’” (quoting Consolidated Appropriations Act, 2021, PUB. L. NO. 116-260, § 226, 134 STAT. 1182 (2020))).

⁴⁵ See, e.g., *Nichino Am., Inc. v. Valent U.S.A. LLC*, 44 F. 4th 180 (3rd Cir. 2022).

⁴⁶ *Concord Music Group, Inc. v. Stax Pty. Ltd.*, 2023 WL 2977495 (C.D. Cal. Apr. 6, 2023); *Kohler Co. v. Whistling Oak Apartments LLC*, 2021 WL 2977475 (C.D. Cal. June 14, 2021).

⁴⁷ 16 C.F.R. § 436.5(m).

service marks, names, logos, and commercial symbols the franchisee will use to identify the franchised business. *It may not include every trademark the franchisor owns.*” (emphasis added).⁴⁸ This last sentence is noteworthy because the Federal Trade Commission Franchise Rule, 16 CFR Parts 436 and 437 (the “FTC Rule”), makes clear that franchisors need not list every single one of their marks in Item 13. At a minimum, franchisors should list the principal mark displayed on the FTC Cover Page of the FDD, as well as a corresponding logo mark if the franchisor has secured or is pursuing a registration for both a word mark and logo mark.

Beyond that, franchisors may use their discretion to determine what else constitutes a primary mark used to identify the franchised business. Primary slogans, alternative versions of the franchisor’s logo, and marks for key products or services offered by the franchise are commonly included in Item 13. Some franchisors may choose to include a large number of registered marks to demonstrate to prospective franchisees that they hold federal trademark rights protecting their franchisees against infringement. For example, Burger King’s 2025 FDD includes 17 different trademarks, consisting of 5 word marks for “BK” or “Burger King,” 7 variations of their primary logo, and 5 additional marks containing their primary slogan or primary products.⁴⁹

The format for disclosure of the franchisor’s trademarks is prescribed in the second and third subsections of Item 13 disclosures. If one or more trademarks are registered, franchisors must disclose (1) the USPTO registration number, (2) the registration date, and (3) whether the trademark is registered on the Principal or Supplemental Register of the UPSTO.⁵⁰ If one or more trademarks are not registered but the franchisor is seeking registration (either on an actual use or intent to use basis), the franchisor must disclose (a) the USPTO application/serial number and (b) the application date.⁵¹ This information is generally presented in a table at or toward the beginning of Item 13.

Just before or after the table, franchisors should present the remaining required disclosures. For registered trademarks, this includes whether the franchisor has filed all required affidavits and whether the registrations have been renewed. These additional disclosures are generally presented as an affirmative statement, but they are mandated as a safeguard requiring franchisors to represent that they are taking the necessary procedural steps to ensure the continued registration of the listed marks.

The fourth subsection of Item 13 requires the following specific negative disclosure if the franchisor’s principal trademark is not registered on the Principal Register of the USPTO:

*We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.*⁵²

⁴⁸ 16 C.F.R. § 436.5(m)(1).

⁴⁹ See Burger King Corporation Franchise Disclosure Document, 2025, Item 13.

⁵⁰ 16 C.F.R. § 436.5(m)(2).

⁵¹ 16 C.F.R. § 436.5(m)(3).

⁵² 16 C.F.R. § 436.5(m)(4).

This disclosure underscores the importance of securing a federal trademark registration and is intended to alert franchisees to the possible risks of joining a system without the protection afforded by a registration.

Administrative Proceedings, Litigation, and Agreements

The fifth, sixth, seventh, and ninth subsections of Item 13 involve disclosures regarding third party actions that may impact the franchisor's trademarks and the resulting rights granted to franchisees.

First, franchisors must disclose any effective material decisions of the USPTO, TTAB, or any state trademark administrator or court regarding their marks.⁵³ This provision captures administrative determinations that may limit the strength or scope of protection of a franchisor's trademarks separately from the marks' current registration status. The required disclosure must include a description of how the decision affects the ownership, use, or licensing of the franchisor's marks.

In addition to concluded proceedings, franchisors must also disclose pending infringement, opposition, or cancellation proceedings, including both proceedings against the franchisor's marks and proceedings initiated by the franchisor against another party's marks. The FTC Rule specifically requires disclosure of any unsuccessful proceedings initiated by the franchisor to prevent registration of a third party's marks.

Next, franchisors must disclose any pending litigation regarding the franchisor's use or ownership of its marks, including case details, the types of claims asserted, and any effective rulings.⁵⁴ As with administrative actions, this includes both claims by others against the franchisor's marks and claims initiated by the franchisor opposing another's use of the same or a confusingly similar mark. If a franchisor believes that it has a strong likelihood of success in any pending matter, the FTC Rule allows franchisors to include an attorney's opinion regarding the merits, provided the attorney consents. Franchisors may summarize the opinion in Item 13 if their attorney consents to the summary and the full opinion is attached to the FDD.

Franchisors must also disclose any currently effective contractual agreements that materially limit franchisees' rights to use or license any of the trademarks listed in Item 13.⁵⁵ This captures the not-uncommon scenario where a growing franchise system encounters prior users of a franchisor's principal trademark who began operating before the franchisor's mark gained incontestable status and a higher level of public awareness. In such cases, franchisors often enter into agreements governing the common law user's future use of the mark, frequently by limiting the manner in which the mark is used or the trade area in which the common law user may operate.

Franchisors must disclose all material terms of any such agreements, as these contracts may impact a franchisee's ability to harness the power of the franchisor's brand in their territory. At a minimum, this includes a description of the parties and term length of the agreements, the specific rights granted or limited, how the agreement may impact franchisees, and any circumstances under which the agreement could be canceled or modified.

⁵³ 16 C.F.R. § 436.5(m)(5).

⁵⁴ 16 C.F.R. § 436.5(m)(6).

⁵⁵ 16 C.F.R. § 436.5(m)(7).

Finally, the ninth subsection of Item 13 addresses the franchisor’s knowledge of either superior prior rights or infringing uses of the franchisor’s marks, even if these have not yet resulted in an administrative proceeding, litigation, or binding agreement with a third party.⁵⁶ This requirement contains language limiting the disclosure to rights or uses that impact the franchisee’s use of the principal trademarks “in the state where the franchised business will be located,” meaning that franchisors using a state-specific FDD need not disclose infringers outside the state where the FDD is used (though they should still disclose third parties with superior prior rights if they could assert those rights on a nationwide basis). For any infringement that could materially impact a franchisee, the franchisor must disclose the location(s) and duration of the infringement as well as any actions that have or will be taken by the franchisor.

Franchisee’s Contractual Rights and Obligations

The eighth subsection of Item 13 addresses important contractual rights and obligations between the franchisor and franchisee concerning the franchisor’s marks. Because these disclosures are mandatory in the FDD, franchisors should include corresponding language in their franchise agreements to provide a clear contractual enforcement mechanism regarding their trademark rights.

First, franchisors must disclose whether they are required to protect the franchisee’s right to use the principal marks listed in Item 13 and whether they must protect the franchisee against claims of infringement or unfair competition stemming from the franchisee’s use of the franchisor’s marks.⁵⁷ Similarly, franchisors must disclose whether they are required to indemnify a franchisee that is a party to an administrative or judicial proceeding involving a licensed mark and whether the franchisor has the right to control any related administrative proceeding or litigation.⁵⁸

While franchisors have a vested interest in protecting their marks, they will generally limit their affirmative obligations while reserving the right to control any infringement claim or proceeding against a third party. On the other hand, many franchisors agree to indemnify a franchisee against third party claims brought against the franchisee that arise solely out of the franchisee’s authorized use of the franchisor’s marks, but only if the franchisee is using the marks in full compliance with the franchisor’s standards, provides prompt notice of the third-party claim, and cooperates with the franchisor in connection with the franchisor’s defense of the claim.

Franchisors must also disclose whether a franchisee is obligated to notify the franchisor regarding a third party’s use or claim of the right to use an identical or similar mark, and whether the franchisor must take affirmative action upon receiving such notice.⁵⁹ Generally, franchisors should require that franchisees provide notice but should not obligate themselves to take any specific action. This approach ensures that the franchisor is aware of all potential infringers while retaining discretion in determining how to manage each situation. Because franchisors are already incentivized to protect their marks, this structure provides the flexibility to choose a course of

⁵⁶ 16 C.F.R. § 436.5(m)(9).

⁵⁷ 16 C.F.R. § 436.5(m)(8)(i).

⁵⁸ 16 C.F.R. § 436.5(m)(8)(iv)-(v).

⁵⁹ 16 C.F.R. § 436.5(m)(8)(ii)-(iii).

action that accounts for the nature of the infringement and the franchisor’s business priorities and resources.

Finally, franchisors must disclose the parties’ respective rights and obligations under the franchise agreement if a franchisor elects to change trademarks or discontinue using a trademark licensed to a franchisee.⁶⁰ As franchise systems evolve, franchisors may consider rebranding as a means to refresh their public image or replace outdated marks, and changing signage and otherwise remodeling to accommodate a rebrand can be expensive. Therefore, while most franchisors require franchisees to bear these expenses and disclose such obligations in Item 13, it is important for franchisors to communicate the benefits of a rebrand, notwithstanding their contractual rights, to secure buy-in from their franchisees.

2. Other Relevant FDD Disclosures

While Item 13 is the primary area of the FDD that focuses on trademarks, several other areas contain important trademark-related disclosures.

FTC Cover Page

The first place that the franchisor’s trademark appears is, unsurprisingly, on the FTC Cover Page—the first thing a prospective franchisee sees when receiving the FDD. Specifically, the FTC Rule mandates that the franchisor include on the FTC Cover Page a sample of the primary business trademark that the franchisee will use in its business.⁶¹ In recent years, some registration state examiners have issued comments regarding franchisors using their logo on the FTC Cover Page when Item 13 shows a federal trademark registration for a word mark but not a logo mark. However, because the scope of the word mark’s registration generally encompasses a logo containing that mark, franchisors are encouraged to use their logo on the FTC Cover Page if that is the primary trademark that franchisees will be using in the operation of their business.

Item 1

Item 1 of the FDD includes a general disclosure about the type of business that a franchisee will conduct.⁶² Many franchisors meet this disclosure obligation by providing a brief description of the business itself (a gym, a fast casual restaurant, etc.), along with a general paragraph explaining that the business must offer the franchisor’s approved products and services and must otherwise operate in accordance with the franchisor’s system standards. Within this paragraph, franchisors often disclose that the business must be operated using the franchisor’s then-current proprietary marks (frequently defined as “Proprietary Marks” or “Marks” to facilitate usage throughout the remainder of the FDD).

In addition, franchisors must disclose their corporate structure in Item 1. Here, franchisors disclose any predecessor entities, all parent entities (up to and including the ultimate parent), and any affiliate entities that provide goods or services to their franchisees.⁶³ In many franchise systems, an affiliate of the franchisor is the registered owner of the trademarks used by franchisees. There are several reasons why a franchisor would choose to have an affiliate holding company

⁶⁰ 16 C.F.R. § 436.5(m)(8)(vi).

⁶¹ 16 C.F.R. § 436.3(c).

⁶² 16 C.F.R. § 436.5(a)(6)(iii).

⁶³ 16 C.F.R. § 436.5(a).

own its principal trademarks, namely to silo the trademarks—often the most valuable assets owned by the franchisor—into a non-operating entity in an attempt to limit risk exposure to those assets. The rationale is that if the franchisor entity incurs a liability, such as a lawsuit, then the trademarks owned by an affiliate holding company unrelated to the liability would be less likely to be impacted.

Items 6 and 11

Item 6 of the FDD contains a list of all fees that a franchisee may be required to pay to the franchisor or its affiliates, or that the franchisor or its affiliates impose or collect on behalf of a third party.⁶⁴ Three of the most commonly noted fees relate specifically to the franchisor's trademarks: a national brand or marketing fee that the franchisor collects to build the goodwill of the brand on a systemwide basis; the franchisee's requirement to spend a certain amount on advertising under the franchisor's marks in its local market; and the franchisor's reserved right to establish regional advertising collectives under its marks. More detail about each of these items can be found in Item 11.⁶⁵ Item 6 often will also include a note about the franchisee's indemnification obligations, which may be triggered by the franchisee's misuse of the franchisor's trademarks.

Items 9 and 17

Items 9 and 17, which provide information about various sections of the franchise agreement, include references to contractual provisions that relate to the franchisor's trademark (including line item "h" in Item 9, which specifically discloses the sections in the franchise agreement related to trademarks and proprietary information).⁶⁶

Item 12

With the exception of Item 13, Item 12 probably contains the most significant disclosures relating to the franchisee's (and perhaps more notably, the franchisor's) use of trademarks within the franchisee's territory. Specifically, franchisors are required to disclose whether they grant franchisees an exclusive territory, and franchise registration states have developed very specific parameters defining what exclusivity means. This is important because a franchisor that does not grant an "exclusive" territory is required to include a negative disclosure that notifies franchisees that they may face competition from other franchisees, franchisor-owned locations, as well as other channels of distribution or competing brands owned by the franchisor⁶⁷, *even if the franchisor actually protects the franchisee from some of these types of competition.*

Many franchisors offer contractual protection to their franchisees against the franchisor or another franchisee operating a substantially similar franchised business under the same trademarks within a franchisee's territory. However, franchisors often reserve the right to operate under the same trademark from non-traditional sites or through alternative channels of distribution in the franchisee's territory. Common examples of non-traditional sites include pop-up locations or businesses operated at airports, hospitals, educational facilities, or stadiums. If a franchisor

⁶⁴ 16 C.F.R. § 436.5(f).

⁶⁵ See 16 C.F.R. § 436.5(k)(4).

⁶⁶ 16 C.F.R. § 436.5(i),(q).

⁶⁷ 16 C.F.R. § 436.5(l)(5).

reserves this right, registration state examiners have determined that the franchisor does not offer a truly exclusive territory and therefore must include the negative disclosure described above.

Finally, if a franchisor or its affiliates operate another franchise system under a *different* trademark that sells similar goods or services to those offered under the FDD, the franchisor must disclose general information about that system, as well as whether users of the other trademark may advertise or conduct business in the franchisee's territory and how the franchisor will resolve conflicts between the two systems.⁶⁸

Item 20

In Item 20, franchisors are required to disclose contact and other basic information about any trademark-specific franchisee organizations that have been created or endorsed by the franchisor, or that were organized by franchisees and requested inclusion in the FDD.⁶⁹

F. Franchise Agreement Provisions

Ensuring brand uniformity across the system and controlling how the franchisor's brand is presented to customers and the general public are critical to the successful operation of any franchise system. The goodwill generated by the franchisor's brand is often a major component of what attracts franchisees to purchase a franchise in the first place. It is therefore critical that the franchise agreement incorporate appropriate safeguards and protections to provide franchisors with legally binding rights related to their marks.

To accomplish this, franchisors will often create a defined term in the beginning of the franchise agreement that includes their then-current and proprietary marks, as well as certain other trade names, trademarks, service marks and trade dress, all of which the franchisor may modify, update, supplement or substitute in the future. Throughout the agreement, this defined term will be used to encompass the intellectual property that franchisors reference in various contractual provisions.

As described in the previous section, franchisors are required to include a number of disclosures in their FDD describing the franchisor's and franchisee's respective rights and obligations as they relate to the franchisor's marks. Specifically, Items 12 and 13 require disclosures regarding the franchisor's reserved rights to use its trademarks in a franchisee's territory, the parties' relative rights concerning trademark infringement and indemnification for third-party claims related to the marks, and the franchisor's right to modify or discontinue using certain marks.

While a franchise agreement does not contain mandatory disclosure items like its FDD counterpart, each franchise agreement should carry over any provisions that its corresponding FDD has disclosed to maintain uniformity and consistency between the two documents. In addition, each franchise agreement should make explicitly clear that while the franchisor is providing a non-exclusive license of its marks and business system to its franchisees in return for a royalty fee, the franchisor retains full ownership of its marks. Correspondingly, the franchisee should have the right to use the franchisor's trademarks only in connection with the operation of the franchised business and only in the specific manners authorized by the franchisor. These rights may be limited

⁶⁸ 16 C.F.R. § 436.5(l)(6)(iii).

⁶⁹ 16 C.F.R. § 436.5(t)(8).

in terms of geography (*e.g.*, only within the franchisee’s territory), how the marks are presented to the public (*e.g.*, only permitting certain color schemes), and the channels through which the marks are displayed (*e.g.*, only using the marks in certain advertising media).

Generally, franchisees should not be permitted to use a franchisor’s principal mark in their entity names, as doing so could be construed as providing the franchisee with additional rights in the mark beyond those of a licensee. Instead, many franchisors will permit franchisees to use their mark in a “doing business as” (DBA) name to reflect that the franchisee is conducting business using the trademark, often with a geographic modifier such that multiple franchisees in a state can register a unique DBA name.

Most franchise agreements will also contain an entire section dedicated to advertising and marketing under the franchisor’s trademarks. This section will cover not only the fees and required expenditures related to national, local, and regional advertising, but also the administration and organization of the national marketing fund, the franchisor’s advertising guidelines and approval process for advertising materials, and provisions regarding website and social media advertising.

Finally, every franchise agreement should contain trademark-specific language in the post-term obligations section. As soon as a franchisee exits the franchise system—whether due to termination, transfer, or expiration and non-renewal of the franchise agreement—that franchisee should immediately cease all use of the franchisor’s marks and de-identify its franchised location (unless the location is being transferred to a new operator). All materials containing the franchisor’s marks should either be returned to the franchisor or destroyed, and any listings, websites, or social media profiles containing the franchisor’s marks should be assigned to the franchisor or deleted.

G. Recent Developments in Trademark Litigation

After decades of expressing little interest in trademark related matters, the Supreme Court has issued a surprising number of substantive trademark and unfair competitive decisions over the past several years.

Dewberry Group, Inc. v. Dewberry Engineers Inc.: “Defendant’s Profits” in the Lanham Act Only Encompass Profits Ascribable to the “Defendant” Itself.

The Lanham Act’s remedies section allows a successful plaintiff in a trademark infringement lawsuit to recover the defendant’s profits attributable to the violation.⁷⁰ When profit-based damages are inadequate or excessive, courts may apply equitable principles and instead award “such sum as the court shall find to be just.”⁷¹

Under the principle of corporate separateness, separately incorporated organizations are independent legal entities with distinct rights and obligations, regardless of common ownership.⁷² However, plaintiffs may petition to pierce the corporate veil where corporate formalities potentially shield assets from the consequences of fraudulent misconduct.⁷³

⁷⁰ 15 U.S.C. § 1117(a).

⁷¹ *Id.*

⁷² *Agency for Int’l Development v. Alliance for Open Society Int’l Inc.*, 591 U. S. 430, 435 (2020); *see also Dole Food Co. v. Patrickson*, 538 U. S. 468, 474–475 (2003).

⁷³ *United States v. Bestfoods*, 524 U.S. 51, 62 (1998); *Dole Food*, 538 U. S., at 475.

In February 2025, the Supreme Court in *Dewberry Group, Inc. v. Dewberry Engineers Inc.* addressed whether courts could treat affiliated companies as a single entity when determining a “defendant’s profits” under the Lanham Act’s remedies section.⁷⁴

Dewberry Engineers and Dewberry Group are longtime rivals in the southeastern United States real estate market. Dewberry Engineers provides real estate development services and owns a federal trademark registration for DEWBERRY. Dewberry Group provides below-market administrative services to affiliated real estate entities owned by John Dewberry, operating at a loss while its affiliates profit substantially. In 2020, Dewberry Engineers sued Dewberry Group and prevailed on trademark infringement, unfair competition, and breach of contract claims.⁷⁵ Notably, Dewberry Engineers named only Dewberry Group as the defendant—not its affiliated companies—and made no attempt to pierce the corporate veil.

The District Court awarded nearly \$43 million in damages, treating Dewberry Group and its affiliates as a single entity to reflect the “economic reality” that profits from the willful infringement appeared on the affiliate’s books.⁷⁶ The Court of Appeals, though divided, affirmed the award and the determination of profits by “treat[ing] Dewberry Group and its affiliates as a single corporate entity.”⁷⁷

In an opinion by Justice Kagan, the Supreme Court unanimously vacated and remanded, holding that “defendant’s profits” encompasses only profits attributable to the actual named defendant. Because “defendant” is undefined in the statute, it bears its usual legal meaning, and the bedrock principle that separately incorporated organizations are separate legal units means “defendant’s profits” cannot include an affiliate’s profits. The Court declined to address when courts may examine a defendant’s financial records to determine the “economic realities” or whether corporate veil-piercing remained available on remand.

Justice Sotomayor’s concurrence suggested ways courts could examine accounting arrangements while preserving corporate separateness, such as considering anticipatory assignment of earnings or cash infusions to cover losses—methods applying the equitable principles of 15 U.S.C. § 1117(a).⁷⁸

The decision’s full impact remains to be seen, but plaintiffs will likely name multiple defendants when they are uncertain where infringement profits may flow.

Vidal v. Elster: Restrictions on Registering Trademarks Using Another Living Person’s Name Trump First Amendment.

In 2018, Steve Elster, a labor attorney and political activist, applied for a federal trademark registration of the mark “TRUMP TOO SMALL” —a phrase derived from an exchange between then-Senator Marco Rubio and then-presidential candidate Donald Trump during the 2016 presidential campaign. The USPTO refused registration based on the “names clause” of the Lanham Act (15 U.S.C. §1052(c)), which prohibits registration of a mark that “[c]onsists of or

⁷⁴ *Dewberry Grp., Inc. v. Dewberry Eng’rs Inc.*, 145 S. Ct. 681 (2025).

⁷⁵ *Dewberry Grp., Inc. v. Dewberry Eng’rs Inc.*, 2022 WL 1439826, *1 (E.D. Virginia, Mar. 2, 2022).

⁷⁶ *Id.* at *14.

⁷⁷ *Dewberry Grp.*, 145 S. Ct. at 686.

⁷⁸ *Id.* at 689-690.

comprises a name ... identifying a particular living individual except by his written consent[.]”.⁷⁹ After the TTAB affirmed the USPTO’s decision, Elster appealed to the Federal Circuit.⁸⁰

The central issue was whether First Amendment protections applied to Elster’s inability to register a trademark constituting political speech.⁸¹ The Federal Circuit, treating the rejection as a “content-based” restriction on speech, applied heightened scrutiny and reversed, holding that the names clause unconstitutionally restricted Elster’s free speech.⁸²

The Supreme Court granted *certiorari* on June 5, 2023,⁸³ and on June 13, 2024, issued a unanimous 9-0 decision reversing the Federal Circuit and holding that the names clause does not violate the First Amendment.⁸⁴ Justice Thomas’s majority opinion relied on historical analysis, concluding that viewpoint-neutral restrictions on content-based trademark laws do not warrant heightened scrutiny given the long-standing tradition of such restrictions co-existing with First Amendment protections.⁸⁵

While the outcome was unanimous, the reasoning was not. Concurring opinions emphasized judicial restraint and the reasonableness of viewpoint neutral restrictions but diverged on methodology, with some Justices expressing hesitancy toward relying on history and tradition.⁸⁶ This raises the question of whether future constitutional challenges to trademark laws might prompt a more proactive approach from the Court.

Romag Fasteners, Inc. v. Fossil, Inc.: The Role of Willfulness in the Assessment of an Accounting of Profits.

Franchisors frequently must initiate litigation to enforce their trademark rights, whether against holdover franchisees who continue using the franchisor’s marks after expiration or termination of a franchise agreement, or against third parties who adopt confusingly similar marks.⁸⁷ Once infringement is established, the Lanham Act provides trademark owners with robust

⁷⁹ 15 U.S.C. § 1052(a).

⁸⁰ *In re Elster*, No. 87312152, 2020 TTAB LEXIS 373 (T.T.A.B. Apr. 9, 2020).

⁸¹ See, e.g., *Citizens United v. FEC*, 558 U.S. 310 (2010) (holding that the government may not suppress political speech on the basis of the speaker’s corporate identity); U.S. Const. amend. I.

⁸² *In re Elster*, 26 F.4th 1328, 1339 (Fed. Cir. 2022).

⁸³ *Vidal v. Elster*, 143 S. Ct. 2579 (2023).

⁸⁴ *Vidal v. Elster*, 144 S. Ct. 1507, 1523 (2024).

⁸⁵ *Id.* at 1518.

⁸⁶ See, e.g., *id.* at 1529 (Barret, J., concurring in part) (reasoning that a trademark that includes another living person’s name can undoubtedly create consumer confusion and decrease a trademark ability to identify a good or service, the names clause is a reasonable restriction on Free Speech); See, *id.* at 1533 (Sotomayor, J.) (noting the lack of precedent, the “Court has never applied ... [the] history-and-tradition test to a free speech challenge.”); See also, *id.* at 1524 (Kavanaugh, J.) (stating, “a viewpoint-neutral, content-based trademark restriction might well be constitutional even absent such a historical pedigree.”).

⁸⁷ See Christopher P. Bussert & William M. Bryner, *A Practical Approach to Addressing Holdover Ex-Franchisee Trademark Issues*, 27 FRANCHISE L.J. 30 (2007); See, e.g., *Burger King Corp. v. Mason*, 710 F.2d 1480, 1492 (11th Cir. 1983) (“Common sense compels the conclusion that a strong risk of consumer confusion arises when a terminated franchisee continues to use the former franchisor’s trademarks.”); see also *Tim Horton’s USA, Inc. v. Tims Milner LLC.*, Bus. Franchise Guide (CCH) ¶ 16,442, No. 18-cv-24152-GAYLES/MCALILEY, 2019 WL 2515006 (S.D. Fla. June 17, 2019); *New Horizons Educ. Corp. v. Krolak Tech. Mgmt. of Syracuse, LLC*, Bus. Franchise Guide (CCH) ¶ 16,291, No. 5:18-cv-01223 (BKS/DEP), 2018 WL 5253070 (N.D.N.Y. Oct. 22, 2018); *Mitsubishi Motors N. Am., Inc. v. Grand Auto., Inc.*, Bus. Franchise Guide (CCH) ¶ 16,181, No. CV 18-814 (SJF) (SIL), 2018 WL 2012875 (E.D.N.Y. Apr. 30, 2018); *Peterbrooke Franchising of Am., LLC v. Mia. Chocolates, LLC*, 312 F. Supp. 3d 1325 (S.D. Fla. 2018).

monetary remedies, including the possible recovery of the defendant's profits attributable to the infringement.

Although Section 35(a) of the Lanham Act expressly contemplates the recovery of a defendant's profits, courts have struggled to balance the factors in the profits analysis, resulting in divergent tests among circuits. Until 2020, the greatest point of disagreement was whether trademark owners must demonstrate willful or intentional infringement as a prerequisite for an accounting of profits.⁸⁸

The Supreme Court addressed this issue in *Romag Fasteners, Inc. v. Fossil, Inc.* Romag had entered into an agreement permitting Fossil to use Romag's fasteners on Fossil's leather goods. After discovering that Fossil was manufacturing products in China bearing imitations of Romag's fasteners, Romag sued Fossil for trademark infringement. The jury found in Romag's favor and determined that Fossil had acted in "callous disregard" of Romag's rights, but declined to find willfulness as defined by the trial court. The Federal Circuit affirmed, holding that Romag's failure to prove willful infringement was fatal to its claim for profits.

In an opinion authored by Justice Gorsuch, the Supreme Court reversed, holding that Section 35(a) of the Lanham Act does not impose a "willfulness" requirement for accountings of profits in trademark infringement actions. The Court found that a showing of willfulness was expressly required only for trademark dilution claims under Section 35(a), and declined to "read into the statute words that aren't there." The Court also rejected Fossil's argument that the "principles of equity" language in Section 35(a) contemplated a willfulness requirement, finding this reading inconsistent with express "mens rea" language elsewhere in the Lanham Act and noting that past precedent had not consistently required a showing of willfulness. Ultimately, the Court concluded that the defendant's mental state should be considered in determining the propriety of an accounting of profits, but should not be an inflexible precondition.

The practical implication of *Romag* varies by circuit. For circuits already employing multi-factor tests that include the defendant's mental state, little will change. For circuits that previously required willfulness as a prerequisite, that precedent is no longer good law, and they will likely formulate their own multi-factor tests. For circuits that identified willfulness as an alternative basis for an accounting, any justification not predicated solely on willfulness remains valid.

For franchisors, *Romag* may strengthen their ability to recover monetary damages in trademark enforcement actions against holdover franchisees and third-party infringers. By eliminating the willfulness prerequisite in circuits that previously required it, franchisors now have a potentially clearer path to seeking an accounting of the infringer's profits, even in cases where intentional misconduct is difficult to prove. This expanded availability of the profits remedy may serve as a stronger deterrent against post-termination trademark use by former franchisees and could enhance the overall value of franchisors' trademark enforcement efforts.

⁸⁸ See generally Christopher P. Bussert, *Trademark Law and Franchising: Five of the Most Significant Developments*, 40 FRANCHISE L.J. 127, 143-47 (2020).

United States Patent and Trademark Office v. Booking.com B.V.: Adding “.com” to a Generic Word May, in Some Cases, Result in a Protectable Mark

A foundational principle of trademark law is that generic terms—the names of classes of products or services—are ineligible for trademark protection. But what happens when two admittedly generic elements are combined? According to the United States Supreme Court in *United States Patent & Trademark Office v. Booking.com B.V.*, at least in the case of a mark consisting of a generic term combined with the top-level domain “.com,” the answer is “it depends.”⁸⁹

Booking.com involved a years-long dispute between Booking.com and the USPTO regarding the registrability of the BOOKING.COM mark. Both the examining attorney and the TTAB concluded that BOOKING.COM was generic for travel reservation-related services and accordingly refused the registration.⁹⁰ Booking.com appealed to the United States District Court for the Eastern District of Virginia,⁹¹ where it introduced new evidence including a “Teflon” survey showing that 74.8% of respondents identified BOOKING.COM as a brand name.⁹² Relying significantly on this survey evidence, the district court concluded that BOOKING.COM was not generic.⁹³ The Fourth Circuit affirmed, and the Supreme Court granted *certiorari*.⁹⁴

In an opinion authored by Justice Ginsburg,⁹⁵ the Supreme Court declined to hold as a matter of law that “generic.com” marks such as BOOKING.COM were generic and therefore ineligible for federal registration. The Court articulated the following standard: whether BOOKING.COM is generic turns on whether that term, taken as a whole, signifies to consumers the class of online hotel-reservation services. If BOOKING.COM were generic, the Court reasoned, consumers might expect Travelocity – another such service – to be a “Booking.com.”⁹⁶

⁸⁹ 140 S. Ct. 2298 (2020).

⁹⁰ *Id.* at 2303.

⁹¹ *Id.*

⁹² *Booking.com B.V. v. Matal*, 278 F. Supp. 3d 891 (E.D. Va. 2017), *order amended*, No. 1:16-cv-425 (LMB/IDD), 2017 WL 4853755 (E.D. Va. Oct. 26, 2017), *vacated*, 141 S. Ct. 187 (2020), *and on remand*, No. 1:16-cv-425 (LMB/IDD), 2021 WL 2277331 (E.D. Va. June 3, 2021).

⁹³ *Id.* at 915-916. *Teflon* surveys have become the predominate survey format to resolve a genericness challenge and are recognized as having arisen from the survey introduced in *E.I. DuPont de Nemours & Co. v. Yoshida International, Inc.*, 393 F. Supp. 502 (E.D.N.Y. 1975). A *Teflon* survey begins by providing respondents with an explanation of the distinction between generic and common names and trademark or brand names and then presents respondents with a series of names, which they are asked to classify as common or brand names. See *Booking.com*, 278 F. Supp. 3d at 915. In this case, the list of terms shown to respondents were:

- The term at issue:
 - “BOOKING.COM”
- Three brand names:
 - “ETRADE.COM”
 - “PEPSI”
 - “SHUTTERFLY”
- Three common names:
 - “SPORTINGGOODS”
 - “WASHINGMACHINE.COM”
 - “SUPERMARKET”

⁹⁴ *Id.* at 918.

⁹⁵ *Booking.com* was Justice Ginsburg’s final opinion as a Supreme Court Justice.

⁹⁶ *Id.* at 2304-05.

The evidence established that consumers did not perceive BOOKING.COM as generic but instead viewed it as a brand.

The USPTO had advanced a nearly *per se* rule that when a generic term is combined with “.com,” the resulting combination is generic.⁹⁷ The Supreme Court rejected this rule for several reasons. First, the USPTO’s past practice was inconsistent, having previously allowed registration of ART.COM and DATING.COM.⁹⁸ Second, the USPTO’s reliance on *Goodyear’s India Rubber Glove Manufacturing Co. v. Goodyear Rubber Co.*⁹⁹—which held that adding a generic corporate designation like “Company” to a generic term does not confer trademark eligibility¹⁰⁰—was misplaced. Unlike company designations, a “generic.com” term might convey a “source-identifying characteristic” because only one entity can occupy a particular Internet domain name at a time.¹⁰¹ Third, and more fundamentally, because a decision on whether a term is generic depends on its meaning to consumers, an unyielding legal rule entirely disregarding consumer perception is incompatible with the Lanham Act.¹⁰²

The Supreme Court also rejected the USPTO’s policy arguments. The Court found concerns about hindering competition to be largely overstated, noting that existing trademark doctrines guard against anticompetitive effects. Descriptive marks generally receive far narrower protection than their non-descriptive counterparts, and competitors may use descriptive components fairly to describe their own goods and services. Booking.com had conceded at oral argument that the BOOKING.COM mark would be weak and that federal registration would not prevent competitors from using the term “booking” descriptively.¹⁰³ The Court also rejected the argument that “generic.com” brands need no protection because they enjoy competitive advantages like being easy for consumers to find.¹⁰⁴ The Court observed that the exclusive connection between a domain name and its owner makes trademark protection more appropriate, not less.¹⁰⁵

In sum, the Court declined to adopt an inflexible bright-line rule that a “generic.com” term must be generic, instead advocating for a flexible standard governed by evidence of consumer perception.

The *Booking.com* decision carries potential implications for franchising. Franchisors operating under “generic.com” marks now have a clearer path to federal trademark registration, provided they can demonstrate that consumers perceive the mark as a brand rather than a generic term. This may increase the value of such marks as licensable intellectual property assets and strengthen franchisors’ ability to enforce quality control and brand consistency across franchise networks. However, because these marks are likely to be deemed descriptive and therefore weak, franchisors should anticipate narrower protection and greater difficulty establishing likelihood of confusion against competitors using similar terms.

⁹⁷ *Id.* at 2305.

⁹⁸ *Id.*

⁹⁹ 128 U.S. 598 (1888).

¹⁰⁰ *Id.* at 602-03.

¹⁰¹ *Id.* at 2306.

¹⁰² *Id.* at 2307.

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

Lucky Brand: An Update on the Circumstances under which Claim and Issue Preclusion Apply

Trademark and franchising disputes regularly result in multiple rounds of litigation between the same parties. *Lucky Brand Dungarees, Inc. v. Marcel Fashions Group, Inc.*¹⁰⁶ raised the question of whether a party's failure to litigate a defense in an earlier lawsuit prevented that party from asserting the defense in a subsequent, related lawsuit. The Court held that, although claim preclusion *could* prevent a party from relying on a previously un-litigated defense in appropriate circumstances, the case at hand did not require that outcome.

The case involved three rounds of litigation. In 2001, Marcel Fashions Group, Inc. ("Marcel") sued Lucky Brand Dungarees, Inc. ("Lucky Brand"), alleging that Lucky Brand's use of the phrase "Get Lucky" in clothing advertisements infringed Marcel's federally registered GET LUCKY mark. In 2003, the parties signed a settlement agreement, pursuant to which Lucky Brand agreed to cease using "Get Lucky" and Marcel released Lucky Brand from claims regarding Lucky Brand's *other* trademarks that incorporated the word "Lucky."¹⁰⁷

In 2005, Lucky Brand sued Marcel for trademark infringement. Marcel counterclaimed, alleging Lucky Brand had breached the 2003 settlement agreement by continuing to use "Get Lucky" and that Lucky Brand's combined use of "Get Lucky" and "Lucky Brands" infringed Marcel's GET LUCKY mark. Lucky Brand initially raised the release defense but never pursued it further.¹⁰⁸ Ultimately, Lucky Brand lost—the district court permanently enjoined Lucky Brand from copying Marcel's GET LUCKY mark, though the injunction did not address Lucky Brand's use of other marks containing "Lucky."

In 2011, Marcel sued Lucky Brand again, this time alleging that Lucky Brand's post-2010 use of Lucky Brand's own marks containing the word "Lucky" infringed Marcel's GET LUCKY mark.¹⁰⁹ Lucky Brand moved to dismiss based on the 2003 release but Marcel argued that Lucky Brand was precluded from raising that defense because it failed to pursue it in 2005. The district court agreed with Lucky Brand, but the Second Circuit reversed, holding that "defense preclusion" barred the release defense. The Supreme Court granted *certiorari* to resolve a circuit split on when claim preclusion applies to defenses.¹¹⁰

In a unanimous opinion by Justice Sotomayor, the Court held that Lucky Brand was entitled to assert the 2003 release defense. The Court established that "any . . . preclusion of defenses must, at a minimum, satisfy the strictures of issue preclusion or claim preclusion."¹¹¹ Since issue preclusion was inapplicable, the analysis focused on claim preclusion.¹¹²

¹⁰⁶ 140 S. Ct. 1589 (2020).

¹⁰⁷ *Id.* at 1592.

¹⁰⁸ *Id.* at 1592-93.

¹⁰⁹ *Id.* at 1593-94.

¹¹⁰ *Id.* at 1594.

¹¹¹ *Id.* at 1595.

¹¹² *Id.*

Claim preclusion applies only “if the ‘causes of action are the same’ in the two suits – that is, where they share a ‘common nucleus of operative fact[s].’”¹¹³ The Court found that the 2005 and 2011 suits “were grounded on different conduct, involving different marks, occurring at different times.”¹¹⁴ Unlike the earlier actions, the 2011 suit did not involve Lucky Brand’s use of the “Get Lucky” phrase, which had been central to the prior litigation.¹¹⁵ Moreover, the alleged conduct commenced after the 2005 litigation concluded.¹¹⁶ The Court found that the cases were simply too different for claim preclusion to apply.¹¹⁷

Although *Lucky Brand* applied generally applicable preclusion doctrines rather than interpreting specific trademark law provisions, the trademark context influenced the Court’s reasoning. The Court noted, “[t]his principle [that later conduct often gives rise to new material facts and, therefore, to a new ‘claim’] takes on particular force in the trademark context, where the enforceability of a mark and likelihood of confusion between marks often turns on extrinsic facts that change over time.”¹¹⁸ Indeed, “liability for trademark infringement turns on marketplace realities that can change dramatically from year to year.”¹¹⁹

Trademark law incorporates numerous affirmative defenses that, pursuant to *Lucky Brand*, may be susceptible to defense preclusion principles in appropriate circumstances. Section 33(b) of the Lanham Act¹²⁰ enumerates nine “defenses or defects” to claims of trademark infringement, including fraud,¹²¹ abandonment,¹²² classic fair use,¹²³ functionality,¹²⁴ and other equitable defenses.¹²⁵ Case law recognizes additional defenses, such as nominative fair use.¹²⁶ Each of these defenses could theoretically be subject to defense preclusion if arising from a previously litigated “common nucleus of operative facts.”

The *Lucky Brand* decision has been frequently cited by courts evaluating preclusion across various subject matters,¹²⁷ including trademark proceedings. A particularly active area has been

¹¹³ *Id.* (alteration in original) (citation omitted).

¹¹⁴ *Id.*

¹¹⁵ *Id.* at 1596.

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.*

¹¹⁹ *Id.*

¹²⁰ 15 U.S.C. § 1115(b).

¹²¹ *Id.* § 1115(b)(1).

¹²² *Id.* § 1115(b)(2).

¹²³ *Id.* § 1115(b)(4).

¹²⁴ *Id.* § 1115(b)(8).

¹²⁵ *Id.* § 1115(b)(9).

¹²⁶ See, e.g., *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302 (9th Cir. 1992). For a deeper discussion of the nominative fair use defense, see J. David Mayberry, *Nominative Fair Use: Affirmative or Negative Defense to Infringement*, *Landslide* Vol. 14 No. 3 (2022).

¹²⁷ See, e.g., *Johnson v. Caliber Homes Loans, Inc.*, Case No. CV 19-01387 P.A. (GJSx), 2021 WL4814986 (C.D. Cal. Feb. 3, 2021) (foreclosure of property); *In re McDaniel*, 973 F.3d 1083 (10th Cir. 2020) (dischargeability of student loan); *Lenk v. Monolithic Power Sys.*, Case No. 20-cv-08094-CLF, 2021 WL 5233078 (N.D. Cal. Nov. 10, 2021) (termination of employment); *Candler v. Palko*, No. 2:19-CV-0394-MCE-DMC-P, 2021 WL 859060 (E.D. Cal. Mar. 8, 2021) (civil rights under 42 U.S.C. § 1983); *Dana-Farber Cancer Institute, Inc. v. Bristol-Myers Squibb Co.*, Civil Action No. 19-cv-11380-PBS, 2021 WL3604809 (D. Mass. Aug. 13, 2021) (patent inventorship).

the extent to which preclusion applies where the earlier litigation was an administrative proceeding before the TTAB.

The *Lucky Brand* decision also carries significant implications for franchising. Franchise relationships frequently generate multiple rounds of litigation between the same parties—often involving trademark disputes, territorial encroachment claims, or alleged breaches of franchise agreements. Under *Lucky Brand*, franchisors and franchisees should be aware that defenses not raised in earlier litigation may still be available in subsequent proceedings if the later suit involves different conduct, different marks, or different timeframes. This is particularly relevant given that franchise relationships evolve over time, with changing market conditions, new product lines, and modified business practices, potentially giving rise to distinct claims that do not share a "common nucleus of operative facts" with earlier disputes. Parties to franchise litigation should carefully evaluate whether prior proceedings foreclose—or leave open—potential defenses in any subsequent action.

VIP Products, LLC v. Jack Daniel's Properties, Inc.: The Impact of Parody on Trademark Infringement Analysis

*VIP Products, LLC v. Jack Daniel's Properties, Inc.*¹²⁸ arose from a dog toy manufacturer's "Bad Spaniels" chew toy that resembled the iconic Jack Daniel's Old No. 7 Tennessee Whiskey bottle as shown below:



After VIP introduced the Bad Spaniels product, Jack Daniel's demanded that VIP stop selling it. VIP responded by seeking a declaratory judgment that the toy did not infringe or dilute Jack Daniel's trademark or trade dress rights and Jack Daniel's counterclaimed for trademark infringement and dilution.

At the bench trial, Jack Daniel's presented expert testimony and survey evidence supporting its infringement and dilution claims. For its dilution-by-tarnishment claim, Jack Daniel's offered empirical marketing research showing that the Bad Spaniels product would likely tarnish its marks by creating negative associations. For the infringement claim, the court applied

¹²⁸ No. 22-148, 2023 WL 3872519 (U.S. June 8, 2023). See also Christopher P. Bussert, *What Franchising Can Learn from Trademark Disputes Over Dog Toys*, 26 *FRANCHISE LAW* 3 (2024).

the Ninth Circuit’s eight-factor likelihood-of-confusion test (the *Sleekcraft* factors).¹²⁹ Jack Daniel’s survey evidence showed that 29% of respondents were likely to be confused into believing that Jack Daniel’s manufactured, authorized, or approved the toy—nearly double the threshold typically required by the Ninth Circuit to establish trademark infringement.

VIP relied on the parody defense and a disclaimer on its packaging. The district court rejected both arguments, ruling that defendants cannot invoke parody while capitalizing on a famous mark’s popularity for commercial purposes. The court also noted the evidence of copying and discounted the disclaimer because it appeared in tiny font on the reverse side of the packaging. After finding all remaining *Sleekcraft* factors favored Jack Daniel’s, the court ruled for Jack Daniel’s on both claims and granted a permanent injunction. VIP appealed to the Ninth Circuit.

The Ninth Circuit vacated the district court’s findings, reasoning that the district court failed to account for the fact that the Bad Spaniels toy constituted an “expressive work” designed to communicate a humorous message.¹³⁰ The court concluded that Jack Daniel’s should have first demonstrated the toy was either (1) not at all artistically relevant to the underlying work or (2) expressly misleading to consumers regarding the source or contents.¹³¹ Only then would the *Sleekcraft* factors apply. The court held that the toy’s commercial nature did not render it non-expressive.

For the dilution claim, the Ninth Circuit similarly found that because the toy contained protected expression, VIP’s use was non-commercial despite being sold as a product. The Ninth Circuit vacated both judgments and remanded.

The Supreme Court subsequently granted *certiorari* on two questions: (1) whether humorous trademark use on a commercial product must satisfy traditional likelihood-of-confusion analysis or whether it instead receives heightened First Amendment protection; and (2) whether humorous use of another’s mark on a commercial product can be non-commercial, thus barring dilution-by-tarnishment claims. The Court vacated the Ninth Circuit’s opinion, holding that when an alleged infringer uses a trademark as a designation of source for its own goods or services, the claim rises or falls on the traditional multifactor likelihood-of-confusion test.¹³² The Court clarified that the Ninth Circuit’s expressive work test applies most appropriately to non-trademark uses where the defendant uses the mark in a non-source-identifying way.¹³³

Regarding parody’s impact on the likelihood-of-confusion analysis, the Supreme Court explained that a parody must conjure up “enough of an original to make the object of its critical wit recognizable,”¹³⁴ while simultaneously contrasting with the plaintiff’s mark so “that its

¹²⁹ See *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979).

¹³⁰ 2023 WL 3872519, at *9.

¹³¹ *Id.* at *8.

¹³² *Id.* at *1, 7.

¹³³ *Id.* at *8.

¹³⁴ *Id.* at *10.

message of ridicule or pointed humor comes clear without resulting in likely confusion.”¹³⁵ Courts may consider parody within the standard trademark infringement analysis.¹³⁶

On the second question, the Supreme Court disagreed with the Ninth Circuit’s conclusion that humorous use could be non-commercial. The Court held the Ninth Circuit erred in ignoring the Lanham Act’s express exception to the fair use exclusion—namely, that the exclusion does not apply where a party uses a mark “as a designation of source for a person’s own goods and services.”¹³⁷ (citing 15 U.S.C. §1125(c)(3)(A)(2018)). The Court explained that the Ninth Circuit’s approach would effectively nullify Congress’s express limit on the fair use exclusion for parody, noting: “Given the fair-use provision’s carve-out, parody (and criticism and commentary, humorous or otherwise) is exempt from liability only if not used to designate source. Whereas on the Ninth Circuit’s view, parody (and so forth) is exempt always – regardless whether it designates source.”¹³⁸ The Supreme Court vacated the Ninth Circuit’s judgment and remanded.

On remand, an Arizona federal judge held on January 21, 2025 that VIP’s “Bad Spaniels” products did not create a likelihood of confusion about the source of the product.¹³⁹ However, the judge found that Jack Daniel’s proved the elements for dilution-by-tarnishment: (1) Jack Daniel’s marks were famous prior to VIP’s use of “Bad Spaniels,” (2) the marks are substantially similar, and (3) Jack Daniel’s is likely to suffer reputational harm from a product associated with dog feces. The judge concluded VIP’s “Bad Spaniels” products “create unsavory associations that denigrate Jack Daniel’s marks and undermine the positive associate that Jack Daniel’s has taken considerable expense to create.”¹⁴⁰

This decision carries potential implications for franchising. Franchisors invest substantial resources in developing and protecting their trademarks and trade dress, which serve as the foundation of their brand identity and the basis for consumer recognition across franchise systems. The Supreme Court’s ruling reinforces that trademark owners retain strong protections against parodic uses that function as source identifiers, even when those uses contain humorous or expressive elements. For franchisors, this case underscores the continued viability of dilution-by-tarnishment claims as a tool to protect brand reputation from third-party products that create negative associations, particularly where the franchisor can demonstrate its marks are famous and that the allegedly infringing use is substantially similar. Franchisors should continue to monitor the marketplace for unauthorized uses of their marks and be prepared to present robust survey evidence and expert testimony when pursuing infringement and/or dilution claims.

¹³⁵ *Id.*

¹³⁶ *Id.*

¹³⁷ *Id.*

¹³⁸ *Id.* at *11.

¹³⁹ *VIP Products LLC v. Jack Daniel’s Properties, Inc.*, CV-14-020257-PHX-SMM, Slip Copy 2025 WL 275909 (U.S. Dist. Ariz. Jan. 21, 2025).

¹⁴⁰ *Id.* at *19,

Abitron Austria GmbH v. Hetronic Int'l, Inc.: Significant Limitations on Extraterritorial Enforcement of the Lanham Act

In *Abitron Austria GmbH v. Hetronic Int'l, Inc.*,¹⁴¹ the Supreme Court adopted a restrictive rule governing extraterritorial applications of the federal Lanham Act. The Court rejected the prevailing view among the circuit courts that the Act's text rebuts the general presumption against extraterritorial application of federal law, instead applying a two-step test to hold that: (1) Congress did not affirmatively and unmistakably provide that the Act applies to foreign conduct; and (2) the focus of at least some of the alleged infringement in the case may not have been in the United States. Going forward, the Lanham Act's private causes of action will apply only to claims with a domestic focus, meaning a defendant outside the United States must have used its mark in commerce domestically for liability to attach.

Abitron arose from litigation in which a plaintiff secured an accounting of profits arising from the defendants' European sales of goods bearing infringing marks and trade dress.¹⁴² The decision resolved matters left unfinished after *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), in which the Court recognized a general presumption against extraterritorial application of United States law while affirming liability against a United States citizen operating a business in Mexico selling watches bearing spurious copies of the plaintiff's BULOVA Mark.¹⁴³

The Court's failure to articulate a doctrinal test in *Steele* led to a circuit split. Most circuits adopted variations of the so-called *Vanity Fair* standard, which considered whether the defendant's conduct had a substantial effect on United States commerce, whether the defendant was a United States citizen, and whether there was a conflict with foreign trademark rights.¹⁴⁴ The circuits varied on the degree of effect required,¹⁴⁵ with some applying modified tests emphasizing different factors.¹⁴⁶

In the decision that ultimately prompted Supreme Court review, the Tenth Circuit adopted a three-factor test considering: (1) whether the defendant is a United States citizen; (2) whether the defendant's conduct had a substantial effect on United States commerce; and (3) whether extraterritorial application would conflict with foreign trademark rights.¹⁴⁷ The defendants, none of which were United States citizens, had manufactured radio remote controls bearing the plaintiff's marks and trade dress, examples of which appear below:

¹⁴¹ 600 U.S. 412 (2023).

¹⁴² See *Hetronic Int'l, Inc. v. Hetronic Germany GmbH*, 10 F.4th 1016 (10th Cir. 2021), *vacated and remanded sub nom. Abitron Austria GmbH v. Hetronic Int'l, Inc.*, 600 U.S. 412 (2023).

¹⁴³ See *id.* at 285 ("This Court has often stated that the legislation of Congress will not extend beyond the boundaries of the United States unless a contrary legislative intent appears.").

¹⁴⁴ See *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956); see also *Int'l Cafe, S.A.L. v. Hard Rock Cafe Int'l, (U.S.A.), Inc.*, 252 F.3d 1274, 1278 (11th Cir. 2001); *Aerogroup Int'l, Inc. v. Marlboro Footworks, Ltd.*, 152 F.3d 948, 1998 WL 169251, at *2 (Fed. Cir. 1998) (per curiam) (unpublished).

¹⁴⁵ See *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 (4th Cir. 1994); See *Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass'n*, 701 F.2d 408, 414 n.8 (5th Cir. 1983).

¹⁴⁶ *Trader Joe's Co. v. Hallatt*, 835 F.3d 960, 969 (9th Cir. 2016) (alteration in original); *McBee v. Delica Co.*, 417 F.3d 107, 111 (1st Cir. 2005).

¹⁴⁷ *Hetronic*, 10 F.4th at 1030-1038.



The parties' relationship abruptly ended when the defendants claimed ownership of the marks based on an old R&D agreement.¹⁴⁸ They continued to manufacture and sell goods bearing the marks outside the United States, with notable similarity to the plaintiff's goods, some of which entered United States markets and caused documented consumer confusion:



The Tenth Circuit found a substantial effect on United States commerce and affirmed an accounting of profits on all of the defendants' sales – despite evidence that 97% of those sales were to European customers.¹⁴⁹

The Supreme Court granted *certiorari* on the question of whether the Lanham Act applied to “purely foreign sales that never reached the United States or confused U.S. consumers.”¹⁵⁰ Drawing on its decisions in *Morrison v. National Australia Bank Ltd.*, 561 U.S. 247 (2010), *RJR Nabisco, Inc. v. European Community*, 579 U.S. 325 (2016), *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018), and *Nestlé USA, Inc. v. Doe*, 141 S. Ct. 1931 (2021), the Court articulated a two-step test: first, whether Congress affirmatively instructed that a provision applies to foreign conduct; and second, if not, whether the suit seeks a permissible domestic or impermissible foreign application by identifying the “focus of Congressional concern” and determining whether conduct relevant to that focus occurred in the United States.¹⁵¹

Applying step one, the Court held that neither Section 32(1) nor Section 43(a) provides an express statement of extraterritorial application.¹⁵² The Court rejected the argument that the Act's unique definition of “commerce”— “all commerce which may be lawfully regulated by Congress”

¹⁴⁸ *Id.* at 1023.

¹⁴⁹ *Id.* at 1045–46.

¹⁵⁰ Petition for Writ of Certiorari at (I), *Abitron Austria GmbH v. Hetricon Int'l, Inc.*, 600 U.S. 412 (2023) (No. 21-1043), 2022 WL 253018, at *(I).

¹⁵¹ *Abitron*, 600 U.S. at 417–18 (quoting *RJR Nabisco*, 579 U.S. at 335, 337).

¹⁵² *Abitron*, 600 U.S. at 420 (quoting 15 U.S.C. §§ 1115(1)(a), 1125(a)).

—required a different result, noting that it had previously restricted extraterritorial application even for statutes expressly referencing foreign commerce.¹⁵³

On the second step, the Court remanded but offered guidance: the conduct relevant to the Act’s focus is “infringing use in commerce,” meaning the “bona fide use of a mark in the ordinary course of trade” to “identify and distinguish [the mark user’s] goods . . . and to indicate the source of the goods.”¹⁵⁴ Plaintiffs challenging extraterritorial defendants must therefore establish that the locus of the violation lies within the United States, rather than merely relying on domestic effects.

The opinion’s significance to the circuit split on whether Section 45’s “use in commerce” definition applies to defendants’ conduct (as the Sixth Circuit holds¹⁵⁵) or only to plaintiffs’ rights (as most courts hold) remains unclear.¹⁵⁶

Abitron carries significant implications for franchising. Franchisors have long relied on the Lanham Act to enforce trademark rights against former franchisees or third parties who continue using marks abroad after termination of the franchise relationship. Under *Abitron*, franchisors must now demonstrate that the infringing use in commerce occurred domestically, rather than simply showing substantial effects on United States commerce—a higher burden that may reduce the deterrent effect of Lanham Act enforcement against international bad actors. As a result, franchisors operating internationally may need to place greater reliance on foreign trademark registrations and local enforcement mechanisms in each jurisdiction where they do business. Additionally, franchise agreements may need to be revised to strengthen contractual remedies—such as liquidated damages, expanded indemnification clauses, and consent-to-jurisdiction provisions—that do not depend on establishing a domestic locus of infringement under the Lanham Act.

Deckers Outdoor Corp. v. Last Brand, Inc.: The Limits of Trade Dress Protection for Widely Used Product Designs

In October 2025, the United States District Court for the Northern District of California issued a significant ruling in *Deckers Outdoor Corp. v. Last Brand, Inc.*¹⁵⁷ addressing the scope of trade dress protection for footwear designs in the context of the growing “dupe” market. Deckers Outdoor Corporation, owner of the UGG brand, sued Last Brand, Inc. (d/b/a Quince), a direct-to-consumer retailer known for selling affordable alternatives to luxury goods,

¹⁵³ *Abitron*, 600 U.S. at 421 (first citing *Morrison*, 561 U.S., at 262–263; then citing *RJR Nabisco*, 579 U.S. at 344).

¹⁵⁴ *Id.* at 428 (quoting 15 U.S.C. § 1127).

¹⁵⁵ See, e.g., *Sazerac Brands, LLC v. Peristyle, LLC*, 892 F.3d 853, 859 (6th Cir. 2018) (“In our circuit, plaintiffs carry a threshold burden to show that the defendant is using a mark ‘in a “[] trademark” way’ that ‘identifies the source of their goods.’” (alteration in original) (quoting *Interactive Prods. Corp. v. a2z Mobile Office Sols., Inc.*, 326 F.3d 687, 695 (6th Cir. 2003))).

¹⁵⁶ See, e.g., *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 133 (2d Cir. 2009) (“When one considers the entire definition of ‘use in commerce’ set forth in [Section 45], it becomes plainly apparent that this definition was intended to apply to the Act’s use of that term in defining favored conduct, which qualifies to receive the protection of the Act.”); *Playboy Enters. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1024 n.11 (9th Cir. 2004) (holding that Section 45’s definition “applies to the required use a plaintiff must make in order to have rights in a mark”); *BTG Patent Holdings, LLC v. Bag2Go, GmbH*, 193 F. Supp. 3d 1310, 1322 (S.D. Fla. 2016) (“[Section 45’s] definition of ‘use in commerce’ applies only in the trademark qualification context and not in the trademark infringement context.”).

¹⁵⁷ *Deckers Outdoor Corp. v. Last Brand, Inc.*, No. 23-CV-04850-AMO, 2025 WL 2822685 (N.D. Cal. Oct. 2, 2025).

alleging that Quince's shearling-lined footwear products infringed UGG's unregistered trade dress rights.

Deckers asserted trade dress protection for three of its popular UGG styles: the Classic Ultra Mini boot, the Bailey Button boot, and the Tasman slipper.¹⁵⁸ Quince moved for partial summary judgment, arguing that the asserted trade dresses for the Classic Ultra Mini boot and the Tasman slipper were generic and therefore unprotectable.¹⁵⁹ Deckers cross-moved for summary judgment on its trade dress infringement claims, contending that its trade dresses were nonfunctional and that Quince's products were likely to cause consumer confusion.¹⁶⁰

Judge Araceli Martínez-Olguín granted Quince's motion on the genericness issue for two of UGG's designs.¹⁶¹ The court found that the design elements of the Classic Ultra Mini—including its low ankle height, exposed sheepskin lining, and seam placements—and the Tasman slipper—including its moccasin and clog slipper silhouette and decorative collar stitching—were “so common in the industry that [they] cannot be said to identify a particular source.”¹⁶² Quince presented evidence of at least 14 competitors offering similar ankle-height sheepskin boots and nine others selling comparable clog-style slippers, demonstrating the widespread use of these design features in the marketplace.¹⁶³

The court rejected Deckers's argument that no similar products existed prior to the introduction of UGG's designs, holding that Deckers “pointed to no authority...requiring that the competitor product must have been sold prior to its products.”¹⁶⁴ Accordingly, the court concluded that “Deckers has not carried its burden of proving non-genericness” and granted summary judgment in Quince's favor on the genericness defense against the Classic Ultra Mini and Tasman trade dress infringement claims.¹⁶⁵

The court also denied Deckers's motion for summary judgment, finding that Deckers failed to carry its burden of establishing aesthetic nonfunctionality.¹⁶⁶ Although Deckers had asserted the existence of alternative designs and supporting design patents, Quince presented expert testimony that certain design features affected cost and performance, and pointed to UGG's own marketing highlighting comfort and durability rather than purely ornamental attributes.

The decision reinforces a foundational principle of trade dress law: that widely adopted product features cannot be monopolized through trade dress claims, regardless of a brand's commercial success or consumer recognition. While Deckers's Bailey Button trade dress claim survived, the ruling significantly limits the scope of what UGG can assert going forward and serves

¹⁵⁸ *Id.* at *1.

¹⁵⁹ *Id.* at *3.

¹⁶⁰ *Id.* at *2.

¹⁶¹ *Id.* at *6.

¹⁶² *Id.* at *4.

¹⁶³ *Id.*

¹⁶⁴ *Id.*

¹⁶⁵ *Id.*

¹⁶⁶ *Id.* at *3.

as a cautionary example for brands seeking to protect product designs that incorporate commonly used elements.

This ruling carries notable implications for franchising relationships, where trade dress protection often serves as a cornerstone of brand value and competitive differentiation. Franchisors frequently rely on distinctive visual elements—including store layouts, product presentations, and packaging designs—to distinguish their systems from competitors and to assure franchisees of enforceable brand protections. Under the reasoning of *Deckers*, franchisors whose trade dress incorporates features that have become commonplace within their industry may find it difficult to prevent third parties from adopting similar aesthetics, potentially diminishing the exclusivity that franchisees expect when paying for brand affiliation. Franchise systems would be well advised to conduct periodic audits of their claimed trade dress elements, ensuring that assertions of distinctiveness are supported by evidence and that the protected features have not become so widely used as to render them generic.

H. International Trademark Protection

Like other intellectual property rights, trademark rights are territorial in nature—distinct in each country or jurisdiction where they are obtained. Each jurisdiction recognizes and protects trademark rights in accordance with its own policy objectives. Although the term “international trademark rights” may suggest a unified set of protections spanning multiple jurisdictions, these rights are in fact unique to each jurisdiction and are generally not interdependent in their existence or enforceability.

With over 200 countries and jurisdictions worldwide, each maintaining its own laws, regulations, and registration systems, there is no mechanism for obtaining blanket or automatic global trademark protection through use or registration in a single home country. Consequently, trademark rights must be acquired and protected on a jurisdiction-by-jurisdiction basis to support the expansion of a franchise system internationally, subject to certain important exceptions.

A successful United States trademark should never be assumed to be commercially, linguistically, or culturally suitable for use in other countries. A trademark’s meaning may change when used in or translated into a foreign language. For example, “Pizza Hut” literally means “Pizza Hat” in German. Trademark owners should therefore select, from the outset, a trademark suitable for use in all target countries.

Standards of registrability—and thus protectability—vary considerably. A trademark registrable in one’s home country may not be registrable elsewhere. Many trademarks first created in a United States franchise context incorporate surnames, geographic names, or other descriptive material. Although these are not optimal trademark choices, they can be protected in the United States once sufficient use and reputation are established. In many countries, however, such trademarks will not be protected, and proof of acquired distinctiveness (*i.e.*, secondary meaning) will not be accepted to support registration.

Proper trademark clearance searches should be conducted in each country in which a trademark owner is considering franchising or otherwise licensing its marks. Such searches are necessary to avoid inadvertent infringement of another party's prior rights, to discover possible piracy of one's own trademark, and to ensure that the trademark is available for licensing as part of a franchising relationship. Even in a multi-country arrangement such as the European Union¹⁶⁷, a unitary registration can be blocked by another party's prior rights in merely one member country.

In virtually every jurisdiction worldwide, the first party to file an application for trademark registration places itself in a highly advantageous position to obtain trademark rights. Often, by the time a franchisor decides to embark upon an international trademark registration program, it discovers that others—either coincidentally or intentionally—have established a presumptively valid claim to its trademark rights in certain jurisdictions. The speed and scope of information flow on the internet accelerate this risk.

In most countries outside of the United States, trademark protection is predicated on registration rather than use. Registration provides significant benefits, including the exclusive right to use a trademark. Use of a mark is not a prerequisite for filing an application in most jurisdictions, though some do impose use requirements. Unregistered trademarks may be protected in certain countries under a theory of unfair competition, but with far less predictable results. Registrations must be maintained through periodic renewal, and in most countries, registrations are vulnerable to cancellation if the mark is not used for a specified period of time—often three to five years.

Most developed countries have adopted a system of classification of goods and services that they generally apply more rigidly than the United States. In many countries, registration for an entire class of goods or services confers protection for all goods falling within that class, regardless of actual use. Conversely, protection is construed very narrowly with regard to goods or services that do not strictly fall within the registered class. Franchisors should therefore register their key trademarks in all classes that may directly or indirectly come within the scope of the franchise business. This is especially pertinent in countries where service mark protection is still unavailable. For instance, to protect a mark used for restaurant services, registration could be obtained for the food and beverage classes as well as the classes covering containers, paper goods, and printed matter.

In addition to the trademark actually used, trademark owners should consider registering the trademark's translations and transliterations (sound-alikes), as well as the trade dress. Trade dress will rarely be protected without registration outside of the United States.

Unlike United States law, the laws of many jurisdictions require recordation of a trademark license with a government entity to validate the license and to ensure that the franchisee's use inures to the franchisor's benefit. Failure to record could result in the loss of a trademark or preclude enforcement of trademark rights.

¹⁶⁷ It is possible for trademark owners to obtain registrations covering the entire European Community.

All countries provide civil remedies such as injunctive relief for trademark infringement. In some jurisdictions, however, preliminary relief on an expedited basis may be difficult to obtain. Monetary remedies are generally available but are not always applied as generously as in the United States. In some jurisdictions, infringement is treated as a criminal offense. In other countries, there is no opportunity to oppose third-party trademark applications; the only recourse is filing a cancellation action after a registration is issued. Developing a system of global surveillance of the marketplace—beginning with a comprehensive trademark and domain name search—is essential.

International trademark practice presents many challenges to United States trademark owners, as different legal systems, languages, and cultural values must all be considered. To minimize risk, expense and possible legal exposure, the following practices are recommended:

1. Trademark owners should select trademarks that are acceptable and protectable in potential future international target markets. Otherwise, they may be forced to operate under different trademarks in different countries.
2. Key trademarks should be searched and registered promptly in all relevant classes of goods and services in all countries of probable future international expansion. Even in the absence of immediate plans and with a limited budget, preemptive trademark and domain name filings for key trademarks may be warranted.
3. Legal counsel with experience in international trademark practice should be consulted to coordinate the searching and registration of marks, with the assistance of local counsel in each jurisdiction in which registration is sought.

II. OTHER INTELLECTUAL PROPERTY AFFECTING FRANCHISING¹⁶⁸

A. Trade Secrets

Much of the value inherent in a franchise system resides in its trade secret portfolio, the importance of which may rival that of the licensed trademarks. From proprietary recipes and customer lists to business methods and product development plans, trade secrets form an integral part of the effective business practices and revenue-generating products and services that attract franchisees and propel franchise systems forward.

Trade secrets have become an increasingly prominent focal point for businesses and policymakers worldwide. Their ubiquity in franchise systems makes a working knowledge of trade secret protections essential for franchise attorneys.

¹⁶⁸ Portions of the following sections have been adapted from an earlier version of this program. See Jess Dance, Marisa Faunce, Susan Meyer & Kathryn S. Thomas, *Basic Track: Trademark and Intellectual Property*, IFA 53rd Annual Legal Symposium (2021).

1. Basic Concepts

Elements of a Trade Secret

Trade secrets have been defined to encompass “all forms and types of...information,...whether tangible or intangible, and whether or how stored, compiled, or memorialized...” so long as: (1) its owner has taken reasonable measures of secrecy; and (2) the information derives actual or potential independent economic value from not being generally known.¹⁶⁹ In the franchise context, courts have recognized myriad types of trade secrets, including:

- Business methods¹⁷⁰
- Development strategies¹⁷¹
- Recipes¹⁷²
- Formulas¹⁷³
- Customer lists¹⁷⁴
- Supply chain information¹⁷⁵
- New product plans¹⁷⁶
- Software and technology¹⁷⁷
- Marketing plans¹⁷⁸
- Prospective franchisee lists¹⁷⁹

Unlike patents and copyrights, which have fixed terms, trade secrets are potentially entitled to perpetual protection so long as they remain secret.

Misappropriation of Trade Secrets

Trade secret misappropriation occurs when trade secrets are acquired, disclosed, or used by persons who knew or had reason to know that such acquisition, disclosure, or use involved “improper means.”¹⁸⁰ The scope of “improper means” extends beyond mere illegality to encompass theft, bribery, misrepresentation, breach or inducement of a breach to maintain secrecy, and espionage.¹⁸¹

¹⁶⁹ 18 U.S.C. § 1839(3).

¹⁷⁰ *Tan-Line Studios, Inc. v. Bradley*, No. 84–5925, 1986 WL 3764, at *7 (E.D. Pa. March 25, 1986) (holding that the franchisor’s “entire methodology for conducting a tanning studio” constituted a trade secret).

¹⁷¹ *Motor City Bagels, LLC v. The American Bagel Co.*, 50 F. Supp. 2d 460, 479 (D. Md. 1999).

¹⁷² *KFC Corp. v. Marion-Kay Co.*, 620 F. Supp. 1160, 1172 (S.D. Ind. 1985) (holding that KFC’s secret spice blend constituted a trade secret upon which the “desirability of the franchise itself” depended); *but see Buffets, Inc. v. Klinke*, 73 F. 3d 965, 968-69 (9th Cir. 1996) (finding that Buffets, Inc.’s recipes lacked “the requisite novelty and economic value for trade secret protection”).

¹⁷³ *Coca-Cola Bottling Co. v. Coca-Cola Co.*, 107 F.R.D. 288, 294 (D. Del. 1985).

¹⁷⁴ *Am. Express Fin. Advisors, Inc. v. Yantis*, 358 F. Supp. 2d 818 (N.D. Iowa 2005).

¹⁷⁵ *Proimos v. Fair Auto. Repair, Inc.*, 808 F.2d 1273, 1276 (7th Cir. 1987) (holding that even where supplier identities were publicly available, information on the reliability and dealing terms of those suppliers made supplier lists trade secrets).

¹⁷⁶ *See Static Control Components, Inc. v. Darkprint Imaging, Inc.*, 135 F. Supp. 2d 722, 727–28 (M.D.N.C. 2001).

¹⁷⁷ *See NaturaLawn of America, Inc. v. West Group, LLC*, 484 F. Supp. 2d 392, 399 (D. Md. 2007).

¹⁷⁸ *See H&R Block Eastern Tax Services, Inc. v. Enchura*, 122 F. Supp. 2d 1067, 1074 (W.D. Mo. 2000).

¹⁷⁹ *See Re/Max of Am. v. Viehweg*, 619 F.Supp. 621, 626 (E.D. Mo. 1985).

¹⁸⁰ 18 U.S.C.S. § 1839 (5)–(6).

¹⁸¹ *Id.*

Trade secret designation does not, however, preclude competitors from obtaining secret information through legitimate competitive practices that fall outside the bounds of misappropriation. Permissible methods include independent investigation, reverse-engineering (provided acquisition for such purpose is lawful), discovery under license, public observation, and review of published literature.¹⁸²

Misappropriation of trade secrets can be pursued in several forums, including as a private civil cause of action, a target for public civil enforcement, and a criminal offense under state, federal, and international law.

2. Trade Secret Protection in the United States

Federal Law

Prior to the passage of the federal Defend Trade Secrets Act (“DTSA”) in 2016,¹⁸³ trade secret protection was primarily a matter of state law. The DTSA amended the existing Economic Espionage Act of 1996 (“EEA”), which had provided only for criminal penalties.¹⁸⁴ Prosecutions under the EEA were infrequent, and the statute was broadly regarded as ineffective.¹⁸⁵ The DTSA, which became effective in May 2016, serves as an important additional tool for trade secret owners. It provides a federal private cause of action for trade secret misappropriation¹⁸⁶ and expressly establishes federal subject matter jurisdiction, permitting trade secret claims to be brought in federal court.¹⁸⁷ A franchisor’s confidential information that rises to the level of a trade secret can therefore be subject to heightened protection, regardless of whether a contractual non-disclosure provision exists. The key threshold issue is often whether the information at issue qualifies as a trade secret.

The DTSA defines “trade secret” as follows:

All forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, programs, devices, formulas, designs, prototypes, methods, techniques, processes, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if – (A) the owner thereof has taken reasonable measures to keep such information secret and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information.¹⁸⁸ There are three key components under the DTSA’s trade secret definition. First, it must be kept secret. Second, the

¹⁸² Uniform Trade Secrets Act § 1(1) cmt., Nat’l Conference of Comms. on Uniform State Laws (1985).

¹⁸³ 18 U.S.C. §§ 1831-1839, 1961.

¹⁸⁴ 104th Congress, P.L. 104-294 (Oct. 11, 1996).

¹⁸⁵ See John R. Thomas, Cong. Research Serv., R41391, *The Role Of Trade Secrets In Innovation Policy* (2014).

¹⁸⁶ 18 U.S.C. § 1836(b)(1).

¹⁸⁷ 18 U.S.C. § 1836(c).

¹⁸⁸ 18 U.S.C. § 1839(3).

information must derive independent economic value from not being generally known. Third, the information must not be readily ascertainable through proper means.

“Misappropriation” is defined as the “acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means” or “disclosure or use of a trade secret of another person” obtained through improper means.”¹⁸⁹ Under the DTSA, “improper means” includes “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means” but expressly excludes “reverse engineering, independent derivation, or any other lawful means of acquisition.”¹⁹⁰

The DTSA authorizes several forms of relief. It permits injunctive relief “to prevent any actual or threatened misappropriation.”¹⁹¹ It also authorizes monetary damages for the trade secret owner’s actual losses and, depending upon the circumstances, unjust enrichment and/or a reasonable royalty. Treble damages and attorneys’ fees are available based upon the defendant’s willful or bad faith conduct. In limited circumstances, the DTSA authorizes *ex parte* seizure to prevent improper disclosure of trade secrets. The statute also provides for civil enforcement by the United States Attorney General and includes an anti-retaliation provision to protect whistleblowers.

Franchisors seeking to enforce trade secret rights in litigation—whether under the federal DTSA or the state statutes discussed below—should consider several issues. First, franchisors must evaluate whether the information in question, even if confidential and proprietary, rises to the level of a trade secret. The existence of a trade secret is generally a question of fact. Although contractual acknowledgements in the franchise agreement regarding the existence and identification of the franchisor’s trade secrets and limiting the franchisee’s access to those trade secrets can be helpful, such provisions will generally not be dispositive. Information typically loses trade secret protection if it enters the public domain through lawful means.

To establish the existence of a trade secret, a franchisor must also be prepared to demonstrate that it has taken reasonable efforts to maintain the secrecy of the information and that the information derives independent value from that secrecy. Accordingly, franchisors seeking to preserve the trade secret status of certain information—such as operational materials, training manuals or recipes—should take proactive steps to protect its confidentiality. These steps should include requiring anyone with access to trade secrets to sign a non-disclosure agreement and may include pre-packing ingredients and other elements of recipes to limit access. Franchisors should also be diligent in requiring franchisees and their employees to return proprietary materials upon termination of the franchise relationship.

¹⁸⁹ 18 U.S.C. § 1839(5).

¹⁹⁰ 18 U.S.C. § 1839(6)(A), (B).

¹⁹¹ 18 U.S.C. § 1836(b)(3)(A)(i).

Another important issue for trade secret litigants is how to balance the need to specifically identify the trade secret and misappropriation at issue—in order to satisfy initial pleading standards and ultimately prove misappropriation—with the need to maintain the secrecy of the trade secret itself. This issue has been the subject of judicial debate, and a failure or refusal to adequately identify the trade secret may result in dismissal of the action.¹⁹² Finally, franchisors should consider whether they possess direct evidence of misappropriation or merely circumstantial evidence, and whether that distinction affects their ability to sustain a valid claim under the applicable law.¹⁹³

State Trade Secret Laws

State trade secret protection statutes are primarily modeled on the Uniform Trade Secrets Act (“UTSA”), a model statute created by the National Conference of Commissioners on Uniform State Laws and recommended for enactment by states in 1985.¹⁹⁴ Forty-eight of the 50 states have adopted the UTSA in some form. New York follows the state’s common law, while North Carolina has enacted its own statute, the North Carolina Trade Secrets Protection Act.

The UTSA defines “trade secret” and “misappropriation” and provides civil remedies for misappropriation, including injunctive relief for any actual or threatened misappropriation, compensatory damages in the amount of the actual loss caused by the misappropriation and any unjust enrichment of the misappropriating party, double damages in cases of willful and malicious misappropriation, and potential attorneys’ fees.¹⁹⁵ If a court determines that the misappropriating party has obtained an economic windfall based upon misappropriated trade secrets, that party may be required to disgorge its profits.¹⁹⁶ Approximately half of the states also impose criminal penalties for misappropriation of trade secrets, generally equating such conduct with theft and conspiracy.¹⁹⁷

As written, the UTSA displaces conflicting tort law and certain other state civil law related to the protection of trade secrets but does not affect civil contract law, civil remedies unrelated to trade secrets, or any criminal law.¹⁹⁸ Despite its goal of standardizing state trade secrets law, the

¹⁹² See, e.g., *Derubeis v. Witten Techs, Inc.*, 244 F.R.D. 676 (N.D. Ga. 2007) (surveying different approaches); *TE Connectivity Networks Inc. v. All Sys. Broadband Inc.*, Civil No. 13-1356 ADM/FLN, 2013 WL 6827348 (D. Minn. Dec. 26, 2013).

¹⁹³ See, e.g., *Contract Furniture Refinishing & Maintenance Corp. v. Remanufacturing & Design Group, LLC*, 730 S.E.2d 708 (Ga. Ct. App. 2012) (circumstantial evidence from which a finding of trade secret misappropriation could be inferred was insufficient to survive summary judgment against defendant’s denial of misappropriation).

¹⁹⁴ Uniform Trade Secrets Act with 1985 Amendments (“UTSA”), Nat’l Conference of Comms. on Uniform State Laws (1985).

¹⁹⁵ UTSA §§ 1–3.

¹⁹⁶ See *id.* § 3(a).

¹⁹⁷ See, e.g., Ala. Code. § 13A-8-10.4 (Supp. 1984); Ark. Stat. Ann. §§ 41-2201, 41-2207 (1977); CAL. PENAL CODE § 499c (Deering 1983 & Supp. 1984); COL. REV. STAT. § 18-4-408 (1973); FLA. STAT. ANN. § 812.081 (West 1981); GA. CODE ANN. § 26-1809 (1983); ME. REV. STAT. ANN. tit. 17A, §§ 351, 352 (1982) (under theft statute); MASS. ANN. LAWS. ch. 226, § 30 (Michie/Law. Co-op. 1980) (under larceny statute); MINN. STAT. ANN. § 609.52 (West 1963); N.H. REV. STAT. ANN. §§ 637:1, 637:2 (1974); N.M. STAT. ANN. § 30-16-24 (1984); OHIO REV. CODE ANN. § 1333.51 (Baldwin 1978); OKLA. STAT. ANN. tit. 21, § 1732 (West 1983); TENN. CODE ANN. § 39-3-1126 (1982); TEX. PENAL CODE ANN. § 31.05 (Vernon 1974); WIS. STAT. ANN. § 943.205 (West 1982 & Supp. 1984-1985).

¹⁹⁸ See UTSA § 7.

UTSA is only a guideline for adopting states, which remain free to amend the statute.¹⁹⁹ Common law and the Restatements of Torts and Unfair Competition also continue to play a significant role in courts across the nation.

The Restatement of Torts sets forth a particularly widely cited six-factor test to aid in the definition of a trade secret: “(1) the extent to which the information is known outside of [the] business; (2) the extent to which it is known by employees and others involved in [the] business; (3) the extent of measures taken by [the owner] to guard the secrecy of the information; (4) the value of the information to [the business] and to [its] competitors; (5) the amount of effort or money expended by [the business] in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.”²⁰⁰

Under state statutes that follow the UTSA, trade secret owners can bring an action against anyone who misappropriates their trade secrets, including not only the party who originally took the trade secret but also any subsequent party who acquires the trade secret with knowledge that it was obtained by improper means. Trade secret protection can apply to both tangible and intangible information, although some states limit protection of certain categories of information, such as customer information.

Both injunctive relief and monetary damages are available as remedies for trade secret misappropriation under the UTSA. Courts may enjoin both actual and threatened misappropriation. Courts are authorized to enjoin parties that have misappropriated trade secrets for as long as the information remains a trade secret, and for an additional reasonable period of time if necessary to eliminate any commercial advantage that would have resulted from the misappropriation. In exceptional circumstances, courts also have authority to condition future use of the trade secret information upon payment of a reasonable royalty.

Damages recoverable for misappropriation include both the actual loss the aggrieved party can demonstrate was caused by the misappropriation and any unjust enrichment accrued by the misappropriating party that is not accounted for in computing the actual loss. Most states’ laws also permit courts to award enhanced damages (under the UTSA, up to twice the damages award) if the misappropriation is deemed willful and malicious. Trade secret owners may also be entitled to recover reasonable attorneys’ fees upon a showing of willful and malicious misappropriation, while a trade secret defendant may seek to recover its attorneys’ fees if it can establish that the claim of misappropriation was made in bad faith.

¹⁹⁹ See generally Sid Leach, *Anything but Uniform: A State-By-State Comparison of the Key Differences of the Uniform Trade Secrets Act*, Snell & Wilmer (2015).

²⁰⁰ RESTATEMENT (FIRST) OF TORTS § 757 cmt b (1939).

B. COPYRIGHTS

Copyrights protect the creative and original expression of ideas. In most franchise systems, copyrights play a smaller role than trademarks and trade secrets. This section provides an overview of basic copyright principles relevant to franchise systems.

1. Basic Concepts

A copyright is a form of protection provided by United States law to authors of “original works of authorship.” Copyright protection arises automatically when a work is created and fixed in a tangible form. Copyrightable works of authorship include written content (such as books, articles, promotional literature, and operations manuals), musical compositions, web pages, photographs, sound recordings, artwork and graphic designs, and computer software and code.

Copyright ownership confers several exclusive rights, including the following rights:

- reproduce the work in copies;
- prepare derivative works based upon the work;
- distribute copies of the work to the public by sale or other transfer of ownership;
- display the work publicly;
- perform the work publicly; and
- authorize others to exercise any of these exclusive rights

From an international standpoint, although copyright principles vary slightly across jurisdictions, the foregoing concepts are generally recognized in countries belonging to the Berne Convention, which is discussed in greater detail below.

Although registration is not mandatory in the United States or elsewhere, registration with the United States Copyright Office is necessary to enforce copyright through litigation in federal court. Early registration of works in the United States also helps preserve access to important remedies in litigation, such as attorney fee recovery and statutory damages. Generally speaking, if a work is infringed before it is registered, attorney fees and statutory damages are unavailable unless the work is registered within three months of its first publication. As noted in Section 5 below, registration is generally not required internationally.

2. Special Considerations for Independent Contractors

Certain works may be created by independent contractors, or alternatively may qualify as a “work made for hire.” In the case of “works made for hire,” the employer—rather than the individual who created the work—is considered the author.

A work may qualify as a work made for hire in two situations. First, a work qualifies when it is created by an employee as part of that employee's regular duties. Second, a work qualifies when an individual and the hiring party enter into an express written agreement designating the work as a “work made for hire,” provided the work is specially ordered or commissioned for use

as a compilation, a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, an instructional text, a test, answer material for a test, or an atlas.

When an independent contractor (as opposed to an employee) creates a work, that work may be considered a work made for hire only if it falls into one of the nine categories listed above and a written agreement between the parties specifies that the work is a work made for hire. Otherwise, the independent contractor owns the copyright. In such cases, a written assignment should be used to transfer ownership rights to the hiring party. It is important to keep in mind that, absent an employer-employee relationship, a written agreement is required to transfer copyright ownership.

3. Duration of Copyright

For works created on or after January 1, 1978, copyright protection generally extends for the life of the author plus 70 years after the author's death. For works made for hire, as well as anonymous or pseudonymous works, the duration is 95 years from publication or 120 years from creation, whichever is shorter.

4. Copyright Notice

A copyright notice is a statement placed on copies of a work to inform the public that a copyright owner is claiming ownership. The notice is *not* a substitute for registration, and its use does not require permission from or registration with the United States Copyright Office. A notice should be affixed to copies of a work in a manner that provides reasonable notice of the copyright claim. The typical format consists of either the word "Copyright" or the "©" symbol, followed by the year of publication and the name of the copyright owner.

Example of copyright notice for a presentation:



Copyright notices serve three principal functions: they put others on notice that the copyright is claimed on the work, they identify the copyright owner at the time of first publication, and they identify the year of first publication.

5. Copyright Internationally

The Berne Convention

Most countries around the globe participate in the Berne Convention, an international agreement that essentially provides a copyright framework substantially similar to that of the United States, although some countries differ in their specifics. Under the Berne Convention, participating countries must afford foreign works the same degree of protection available under their domestic laws. Most countries do not maintain a copyright registration system, and registration plays a less significant role internationally than in the United States. One notable exception is China, where copyright owners often register works and where registration requirements are more relaxed than in the United States.

Moral Rights

Moral rights are based on the principle that authors retain certain inherent rights in their works—such as the right of attribution and the right to preserve the “integrity” of the work—even if they no longer own the copyrights. Many civil law countries recognize moral rights, with France being a particularly prominent advocate of this doctrine. When contracting for rights to works created *outside* of the United States, parties should ensure they secure a waiver of moral rights from the authors involved.

C. PATENTS

Patents provide a comprehensive but time-limited monopoly over inventions in exchange for public disclosure. In this sense, patents are the polar opposite of trade secrets, which can be protected in perpetuity but cannot prevent competitors from “reverse-engineering” and subsequently using protected information through proper means. Franchisors choosing between formal patent protection and informal trade secret maintenance often opt for the latter, in part because enforcing trade secret rights is viewed by many as less burdensome than enforcing patent rights.²⁰¹ Nevertheless, patents can be an important component of franchisor intellectual property portfolios in certain industries.²⁰² Patent law is complex and frequently involves issues extending beyond legal expertise into highly technical and scientific areas. Specialized counsel is therefore essential when evaluating patent issues, as a failure to identify and promptly seek protection may result in the loss of patent rights.

²⁰¹ See Ivan Moreno, Trade Secret Cases Are Up As Clients Eye Patent Alternatives, Law360 (Mar. 15, 2024, 2:36 PM EDT).

²⁰² See, e.g., Automated Beverage System, U.S. Patent No. 6,053,359A (filed Dec. 22, 1997 by McDonalds Corp.).

1. Basic Concepts

The patent process is intricate, and patent laws are complex. Even the most sophisticated companies, inventors, and researchers have questions regarding what is patentable, what is required to obtain a patent, how the patent system works, and what rights a patent confers.

A patent gives its owner a temporary monopoly—the right to exclude others from making, using, offering for sale, selling, or importing the claimed invention for a limited time period.²⁰³

Almost any product, process, or ornamental design that is new, useful, and nonobvious is patentable. What is commonly referred to as a patent is known as a "utility" patent, because it covers the usefulness of a product—the way it operates, what it produces, what it does, etc. A utility patent protects the useful or functional aspects of a product, process, or method. Examples of products and processes that may be protectable by utility patents include medical devices, tools, machines, furniture components, automobile and machine parts, software, electrical circuits, microprocessors, computers, toys, pharmaceuticals, chemical compounds, methods of treatment, manufacturing processes, and certain methods of doing business.

Two other types of patents exist. Design patents protect the ornamental design or appearance of an article and do not protect functional aspects of a product.²⁰⁴ Examples of designs protectable by design patents include the ornamental aspects of furniture, packaging, shoes, game boards, and fonts. USPTO also provides protection for certain plants under the plant patent statute.²⁰⁵ Examples of inventions that are not patentable include: (1) printed matter;²⁰⁶ (2) naturally occurring articles;²⁰⁷ (3) scientific principles;²⁰⁸ (4) mental steps; and (5) aggregations

²⁰³ 35 U.S.C. § 154. Subject to limited exceptions, the term for a patent begins on the date of issue and ends 20 years from the date the application was filed. *See id.*

²⁰⁴ 35 U.S.C. §§ 171-73 (2000).

²⁰⁵ The plant patent statute states that:

[w]hoever invents or discovers and asexually reproduces any distinct and new variety of a plant, including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S.C. § 161 (2000).

²⁰⁶ Printed matter is unpatentable where the invention relates merely to the arrangement of the printed matter, or to the printed matter per se. However, where there is cooperation between the printed matter and a structure, as for example, in the case of a slide rule, the invention may be patentable. *See, e.g., In re Gulack*, 703 F.2d 1381 (Fed. Cir. 1983); *In re Miller*, 418 F.2d 1392 (C.C.P.A. 1969).

²⁰⁷ An article or composition that occurs naturally in nature is not patentable unless it is given a new form, quality, property, or combination. However, a DNA sequence may be patentable if it is claimed as an "isolated" nucleotide having a specific sequence. *See, e.g., Diamond v. Chakrabarty*, 447 U.S. 303 (1980) (holding that microorganisms produced by genetic engineering are not excluded from patent protection under 35 U.S.C. § 101).

²⁰⁸ For example, Einstein could not have patented his discovery that $E=mc^2$. One can, however, patent the application of a law of nature or a scientific principle to a practical purpose producing a new and useful result, as for example, making rubber. *See, e.g., Diamond v. Diehr*, 450 U.S. 175 (1981); *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (holding that a business method or process claim is patentable subject matter if it (1) is tied to a particular machine or apparatus or (2) transforms a particular article into a different state or thing). One cannot, however, patent process claims directed to "laws of nature, natural phenomena, and abstract ideas." *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, slip op. at 2 (2012). Similarly, the Supreme Court ruled (1) that isolated genomic DNA (gDNA) is not patentable, but (2) cDNA is. *Association for Molecular Pathology v. Myriad Genetics*, 569 U.S. 576 (2013).

of elements where the aggregation does not produce a synergistic or cooperative result—for example, a washing machine with a telephone mounted to it, where no interaction exists between the phone and the washing machine other than their physical connection.

An invention must be new and not obvious. It must also be “useful.”²⁰⁹ Examples of non-useful inventions include a chemical compound with no known function or a perpetual motion machine or other invention that violates the laws of mechanics or physics and therefore cannot function.

2. Patent Protection in the United States

Prior to March 2013, the United States was unique in issuing patents to the “first-to-invent.” The United States has since joined the rest of the world in following a “first inventor to file” policy pursuant to the 2011 America Invents Act.²¹⁰ To obtain patent protection, an inventor must submit a patent application to the USPTO before the claimed invention is described in any patent or patent application in the United States or abroad. The utility patent application consists of (1) a written specification with claims; (2) supplemental drawings as necessary; (3) an oath or declaration of inventorship; and (4) an application fee to cover the cost of filing, prior art search, and examination.²¹¹ The effective filing date, which is highly significant in the “first-to-file” determination, is the date the USPTO receives the specification.²¹² The USPTO examines the more than 500,000 applications it receives each year in sequential order, few of which are accepted as filed. Patent examiners issue Office Actions detailing reasons for rejection, and applicants may amend their submissions and/or submit explanations in response.²¹³ Aggrieved applicants may appeal to the Patent Trial and Appeal Board and subsequently to federal court.²¹⁴ Once the application has been approved and relevant fees paid, the USPTO will issue the patent. To retain patent protection for its full term, a patent holder must pay additional maintenance fees at 3.5, 7.5, and 11.5 years from the date of issue.²¹⁵

²⁰⁹ This requirement stems from 35 U.S.C. § 101, which states that to be patentable, a process, machine, manufacture, or composition of matter must be “useful.” This requirement may pose a problem for inventions claiming a new composition of matter of unknown function. For example, chemical compounds for which the mechanism of action is the subject of ongoing research may not be patentable under § 101. Also, a nucleotide sequence that is homologous to a gene may be found to be unpatentable under § 101 if the function of the gene is unknown. The lack of patentability of such sequences has significantly hindered efforts to patent small sequences of DNA known as expressed sequence tags (“ESTs”), which are short DNA sequences isolated from the human genome.

²¹⁰ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified throughout 35 U.S.C.).

²¹¹ 35 U.S.C. § 111.

²¹² *Id.*

²¹³ *See* 35 U.S.C. § 132.

²¹⁴ *See* 35 U.S.C. §§ 134, 141, 145.

²¹⁵ 35 U.S.C. § 41.