

PROTECTING YOUR TRADEMARKS: WHY AND HOW?

*What's in a name? That which we call a rose,
by any other name would smell as sweet*

(Shakespeare, Romeo and Juliet, Act II, Sc. 2)

A good name is rather to be chosen than great riches

(Proverbs, XXII, I)

WHY PROTECT ?

A memorable trade-mark is the cornerstone of a robust franchise system. Arguably, it is the single most important element in the formula for continued success in a difficult retail environment. Instant awareness and name recognition unleash a profusion of emotional and physiological reactions in the average consumer. These are powerful forces which, when properly managed and buttressed by the virtuous quartet of "quality, value, service and cleanliness", bring customers in - and, once they firmly associate "the name" with a satisfying experience - keep them coming back.

Consequently, this is the asset that prospective franchisees should find of greatest value in assessing whether to "buy-into" a particular franchise system. It is essential, therefore, that a trade-mark portfolio be carefully assembled, maintained and legally protected from the free-riders who would prefer to "piggy-back" on a savvy entrepreneur's success rather than invest "sweat equity" in original thought. Protection from disgruntled or "breakaway" franchisees - not merely competitors - is also vital.

HOW TO PROTECT ?

International trade-mark protection, while important, is beyond the scope of this article. What follows deals only with a suggested process for the selection and protection of a single trade-mark in Canada. Of course, a franchisor may register as many trade-marks as scope of imagination and depth of bank account may permit.

Also, in the space available, it is not possible to cover all of the "ins and outs" that apply to full trade-mark protection: always consult your legal advisor before proceeding further.

SELECTING THE MARK

The first step, then, is to select one or more possible trade-marks for your business that are both (1) distinctive and (2) original. The first will help you stand out in a crowd and avoid confusion in the minds of consumers; the second will keep competitors from successfully suing you for "infringing" upon their marks.

You are well advised to retain a knowledgeable retail marketing expert and graphic designer to assist you in devising and selecting your principal marks. Such experts will generally have a well-developed sense of what's original and what "sells", and will likely keep you from making mistakes that might later require your entire corporate identity to be changed, sometimes at monumental expense. A proposed mark consisting of words, designs, symbols or combinations of the above, along with one or two alternates, will then be ready to test for legal acceptability.

THE SEARCH

As original and distinctive as your initial selection may appear to be, there is a chance that someone else has - quite independently - been the first to arrive at the same or confusingly similar notion. In order to avoid additional wasted time and money, therefore, it is prudent to have appropriate searches undertaken to ensure, so far as is possible, that your chosen mark and any alternates meet the legal tests of distinctiveness and registrability.

Intellectual property lawyers and independent search houses are usually well-equipped to undertake such searches. Searches run from the preliminary and cursory - telephone directories, trade journals and basic on-line searches through databases set up for the purpose - to the intense and full-blown, often necessitating someone's personal attendance at the Trade-Marks Office ("TMO") in Ottawa/Hull to review the register of trade-marks and examine individual files to reveal any confusingly similar marks or symbols.

THE APPLICATION

If the threshold legal requirements are met, your legal advisor should be instructed to prepare and file an application for registration in accordance with the *Trade-Marks Act* (Canada). The completed application is sent to the TMO, along with the requisite filing fee. The application may be based on actual use of the trade-mark in association with goods or services in a business that you have already commenced, or on the basis of proposed use.

We'll here consider only a mark that is actually in use. While full registration may take as much as eighteen months to complete, this should not deter you from licensing your franchisees to use the mark once application for registration has been filed, so long as certain precautions mentioned below are taken.

REGISTRATION

When the TMO has completed its examination of your application and is satisfied that all registrability criteria have been met and no objections have been received, a notification will advise that on payment of the applicable registration fee, a certificate of registration will issue. A registration is currently good for 15 years, and may be renewed perpetually upon payment of the requisite fee. The essence of continuous trade-mark protection, however, lies in its continual "use" - in a technical trade-mark sense - by or on behalf of the owner and in a proper commercial context. Care must be taken to actually keep using the trade-mark to avoid allegations of **abandonment**, and - for the same reason - to actually use, portray and advertise the trade-mark in the precise form in which it was first registered.

The logo for Sotos, featuring the word "Sotos" in white serif font on a dark blue rectangular background that is slightly tilted.

Why? Because even unintentional or accidental abandonment of a trade-mark can lead to **expungement** of its registration.

Continued registration is critical because it gives the registered owner cross-Canada rights to exclusive use of the mark even if the owner's business is not yet represented across the country. If I am a registered owner in Toronto, I can stop an infringer in Vancouver even if I do not yet operate anywhere west of Ontario. Non-registration, on the other hand, allows the trade-mark owner to stop only those competitors who "pass off" their services or goods for those of the owner in the particular market area where the owner already operates and not elsewhere. This can be an impenetrable barrier to rapid national expansion of a successful system that is bursting at the seams of its local market.

LICENSING

Your trade-mark is too important and valuable to risk being lost by default. Because consumers associate your trade-mark with a particular quality or standard, the law requires you, the owner, to effectively control the sustained delivery of such quality or standard to ensure that the public is not duped or deceived into buying goods or services that are substandard.

To prevent your trade-mark from being attacked because someone other than the owner is using it - namely, your franchisee - he or she must be properly **licensed** to use the mark. Until June 9, 1993, it was also necessary to register a licensee in the TMO. He or she then became a "registered user". That requirement was abolished by the *Intellectual Property Law Improvement Act* which substituted a regime that intellectual property lawyers call "controlled

The logo for Sotos, featuring the word "Sotos" in white serif font on a dark blue rectangular background that is tilted slightly to the right.

licensing". This is similar to the approach adopted by the federal trade-mark law in the United States.

It is also no longer necessary for a franchisor itself to make any use of the mark in order to establish and maintain exclusive rights since all use by its properly-licensed franchisees is considered to be use by and for the benefit of the franchisor. However, the franchisor can only enjoy this protection so long as it adequately controls the quality of the goods or services being sold by franchisees in association with the mark.

CONCLUSION

As implicitly revealed in the Book of Proverbs, quoted at the outset, a good name can lead to great riches. To protect your good name, seek competent professional advice and then ... follow it.

Disclaimer : This document is intended to provide general information and should not be relied upon as legal advice. If you require legal advice we would be pleased to assist you. This document is subject to copyright. © Sotos LLP 2009

The logo for Sotos, featuring the word "Sotos" in white serif font on a dark blue rectangular background that is slightly tilted.

ABOUT SOTOS LLP

Sotos LLP has been a successful part of our clients' business affairs for more than 25 years. We act as counsellors in every aspect of business law by offering strategic advice and innovative solutions.

For more information, please contact:

Louis Alexopoulos	416.977.5333 xt 317	lalexo@sotosllp.com
Allan Dick	416.977.5333 xt 309	adjdick@sotosllp.com
David Gray	416.977.5333 xt 311	dgray@sotosllp.com
Sam Hall	416.977.5333 xt 305	shall@sotosllp.com
Rachel Loizos	416.977.5333 xt 333	rloizos@sotosllp.com
Joseph Mucci	416.977.5333 xt 304	jmucci@sotosllp.com
Andy Seretis	416.977.5333 xt 306	aseretis@sotosllp.com
John Sotos	416.977.5333 xt 303	jsotos@sotosllp.com
David Sterns	416.977.5333 xt 313	dsterns@sotosllp.com
Arthur Trebilcock	416.977.5333 xt 315	atrebilcock@sotosllp.com
John Yiokaris	416.977.5333 xt 323	jyiokaris@sotosllp.com

