

BUSINESS NOTES

WINTER 2005



OBTAINING INTERNATIONAL TRADEMARK PROTECTION

In November 2003, the United States joined many other countries in signing a treaty called the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (the "Madrid Protocol"). The United States Patent and Trademark Office ("PTO") has just recently created forms and procedures to implement the Protocol in the USA. The Madrid Protocol is designed to provide a more efficient method for an owner of a trademark to register its trademark in a number of foreign countries. At present, 66 countries are signatories to the Madrid Protocol, and the procedures outlined below can be used to obtain the registration of trademarks in each of these countries.

While the changes brought about by the Madrid Protocol are largely procedural, the Protocol does eliminate some of the expenses and difficulties typically encountered in attempting to obtain trademark registration under prior methods. Prior to the Madrid Protocol, if a USA based company desired to register its trademarks in different countries, it would be required to obtain local counsel in each of the countries, prepare an application to be filed in each nation's trademark office, and pay fees for such actions in the local currency of each of the various countries. If a trademark was registered, it would then be necessary to track the status of that registration in each country to determine when renewals or other actions needed to be taken, which time periods could vary nation-by-nation.

The Madrid Protocol allows a USA based company to submit, for international registration, the same information it used in a prior trademark application that was presented to the PTO for a registration in the USA. The applicant may also base its international application on a prior trademark registration issued by the PTO. The information must be submitted electronically on a special International Application form. After receipt, the PTO confirms that the information in the International Application is identical to the previously filed US application (or registration), then "certifies" and transmits the International Application to the International Bureau of the World Intellectual Property Organization. The International Bureau, located in Geneva, Switzerland, acts as the centralized agency for the administration of the Madrid Protocol.

Upon receipt, the International Bureau confirms that the International Application is in proper form. At this time, the applicant must also pay a fee to the International Bureau, which amount varies depending on how many countries, and in which countries, the applicant seeks to register their trademark. The fee must be paid in Swiss Francs, but this is the only foreign currency that is required in the application process. The International Bureau then transmits a copy of the International Application to the various countries where registration is sought. Each country then has a maximum of 18 months to approve or deny the trademark. If no response is received by the International Bureau in that time, the International Application is approved for the country that has not responded.

If a country denies an application, then the applicant deals directly with that country in any continued administrative process. If this occurs, it may be necessary for the applicant to obtain local counsel to pursue the application.

However, if the application is granted by a country, a record is made in the office of the International Bureau. The registration so obtained must be honored by the courts of the granting country the same as any other trademark registration issued in that country. Accordingly, even though an applicant files one International Application, the various member nations to the Madrid Protocol may approve or deny registration of the trademark for their particular country. However, once registration is allowed in one or more countries, the renewal of the trademark, and other administrative actions that may arise such as transfers of the mark, are treated as being related to one "international registration." The international registration is effective for 10 years, and may be renewed for successive 10 year periods if so desired.

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Overall, the Madrid Protocol allows the trademark applicant to simplify the process of obtaining trademark registrations in foreign countries, and makes it much easier to track the applications through the review process and upon registration. A company's trademarks can be its most valuable assets, and utilization of the procedures provided by the Madrid Protocol can make the process of protecting trademarks in foreign countries less cumbersome and expensive.

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MR. MIRLITON'S – A RECIPE FOR A DANGEROUS MIX OF TRADEMARKS AND COPYRIGHTS

It is a situation we see repeated all too often. A successful small business owner is considering a major expansion – either by franchising or by opening more company-owned offices. The business has many of the key ingredients for success. However, as we investigate the trademarks of the business, we learn of potential problems.

For example, suppose the business is a theme restaurant with three locations, all company- owned and local. All locations use the same trademark – MR. MIRLITON'S. The phrase MR. MIRLITON'S is accompanied by a drawing of a man in the shape of a mirliton. For those of you who are not familiar with the mirliton, it is a vegetable with a taste similar to a zucchini. It is also called a mango squash or vegetable pear. Our little mirliton character is stirring a pot of food and has a chef's hat. The face on our "Mirliton Man" bears a strong resemblance to the restaurant's founder and owner. The Mirliton Man and the trademark MR. MIRLITON'S are prominently featured in the signage, menus, and advertisements for the restaurants.

We ask the client how he came up with the name and the Mirliton Man design. He tells us that when he started the restaurant his son's girlfriend offered to help. She was a college student at the time, majoring in marketing and advertising, and she also did some graphic design work. She drew the mirliton character. The idea for the name MR. MIRLITON'S was a joint idea of the founder, his son, and the girlfriend. A mirliton recipe was one of the signature dishes and they all thought it would be neat to have a name that included the word "mirliton." The girlfriend did the character for free; nothing was ever put in writing. The founder says he would always let her and her friends eat for free at the restaurant. She and the son broke up about two years after the third location opened and our clients are not sure where she is.

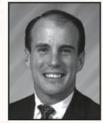
Does our client have a problem going forward with his ambitious plan to expand through franchising? He very well might. Trademark rights are acquired by use. Because the girlfriend never used MR. MIRLI-TON'S or the Mirliton Man character as a trademark, she cannot have any rights in the name or design based on trademark law. The problem is the copyright. There is no copyright protection in single words or short phrases. Therefore, the girlfriend cannot claim to own the restaurant name - MR. MIRLITON'S - even if she was the only person to think of it. However, original designs, such as the Mirliton Man character, are protected by copyright. The girlfriend, as author, owned the design of the creator. Even if the client had paid her, unless the ownership was transferred in writing, the ownership remains with her. So what kind of rights did the client get? The client has a license to the design. Copyright licenses do not have to be in writing, they can even be implied from conduct. And there is the problem. It is probably reasonable for us to assume that the implied license allowed the client to use the design for the three current locations. However, if the franchising plan goes forward the girlfriend may claim the increased use is beyond the scope of the implied license.

What is the best way to address this problem? The prudent course of action is to find the girlfriend and have her execute an assignment that clearly transfers the copyright ownership in the Mirliton Man design to the client. Even if she demands money, a reasonable amount paid now will probably be less than the attorney's fees or damages that could be incurred in litigation. If we ignore the potential problem and press on, and the girlfriend sees the franchise have wild success, she may demand a higher amount. If she cannot be found, we can send a letter to her last known address. The letter would state we believe that the license granted long ago includes the right to use the design on an unlimited number of locations, and the right to sub-license franchises to use the mark. Such a well-documented letter would show that the client acted prudently in case the girlfriend later appears and files suit.

The lesson learned here is an obvious one. Even

with a small business, make sure you have the necessary rights to the intellectual property that is a key part of your business.

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