

INTERNATIONAL FRANCHISING

Second Edition

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CHAPTER XV

TRADE MARKS IN INTERNATIONAL FRANCHISING

I. PROTECTION OF TRADE MARKS INTERNATIONALLY

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

The prudent franchisor will turn his attention to the protection of trade marks internationally long before a final decision is taken to export his franchise system. The issue of protection should certainly be addressed before the franchisor commences discussions with a third party to grant a franchise, master franchise, or development rights for a foreign country. This is particularly so in view of the fact that what would otherwise constitute piracy of a trade mark in some countries is merely viewed as sound business practice in others. Thus, the first experience in international franchising for many well-known franchisors is that they are forced to acquire the rights to their trade marks previously registered by third parties.¹

The length of time required before a registration may be obtained in many jurisdictions should influence a franchisor to initiate the registration process at the earliest possible stage. In Japan, Italy, Israel, and elsewhere, it is not unusual for one and one-half to two years or more to pass before a trade mark application is even examined. This makes it very difficult for a franchisor to introduce his products or services into the foreign marketplace with the assurance that he is the party entitled to use the trade mark in question. By delaying the extension of protection, a franchisor might find his entry into such countries jeopardized by previously applied for or registered trade marks in the name of third parties.

II. AVAILABILITY OF TRADE MARKS

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

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

1. The foregoing statement is based on private conversations between the author and many franchisors.

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

III. WEAK VERSUS STRONG TRADE MARKS

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

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

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

IV. INTERNATIONAL CLASSIFICATION OF GOODS AND SERVICES

It should be borne in mind that most countries adhere to the International Classification of Goods and Services,¹ which divides all products into thirty-four classes, with eight additional classes reserved for services. An applicant then selects the class(es) to be included in his application(s) and often must specify the goods or services of interest in each class. A franchisor whose trade mark is to be used in association with a long list of goods or services may find that they fall within more than one class, thus requiring the payment of additional class fees. Furthermore, if both goods and services are involved, this usually implies the need for filing of separate applications. Thus, the cost factor becomes important, and a franchisor may have to decide what his principal products and services of interest are in order to cut down on the number of classes to be included. On the other hand, it is advisable to claim as wide as possible a range of classes and goods and services within each specific class, as infringement in foreign jurisdictions is often determined only in respect of the classes, or goods or services claimed within a particular class and not similar ones.

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

There are still some countries which have their own classification system rather than adhere to the International Classification, although more and more countries are moving toward the adoption of the latter approach.

V. REGISTRATION PROCEDURES

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

Registration procedures vary greatly from country to country. In some cases, there is no examination to determine whether confusingly similar third-party marks might prove to be a barrier to registration. In other countries, there is no proceeding available to third-party trade mark owners to oppose applications for registration. Recourse in such cases typically may only be had through the courts. In Canada and the United States of America for example, a trade mark application is examined prior to being published for purposes of opposition, while in Spain, the substantive examination occurs after the opposition period has passed. Trade mark examiners in the Scandinavian countries have had a practice of citing against pending applications what are said to be confusingly similar trade marks registered or applied for in respect of what are only remotely related goods. Although it is possible to obtain consent from these third-party owners, it is obviously not a satisfactory situation.

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

VI. OTHER CONSIDERATIONS

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

Among other considerations, numbers and letters are deemed unregistrable subject matter in certain countries. There are exceptions where registration is permitted for a trade mark that has acquired considerable reputation and goodwill through use over the years. Also noteworthy is that registration of a trade mark is not permitted in some European countries on goods considered outside the franchisor's scope of business activity. Further, in such countries, a franchisor who proposes to franchise his trade mark but does not maintain a business enterprise concerned with either the production or sale of the product(s) may risk having his trade mark invalidated. Accordingly, trade marks in the name of holding companies are particularly at risk in such countries. The implementation of the European Community trade mark system would appear to oblige member countries to modify their practices in this respect.

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

A number of countries which did not permit registration of trade marks in respect of services have modified their laws in this respect. In particular, Switzerland, China, Japan, and others now afford such protection.

The view of what may constitute services in one country does not necessarily correspond with that found in other countries. For example, in Britain, an application to register a trade mark for "retail services" was rejected because it was held that such services were not provided for "money or money's worth."¹ In Germany, service marks may not be registered in respect of the operation of a distributorship. An alternative, often chosen in such situations, is to file an application in respect of any goods that might be related to the services of interest. The only other option is to determine what protection is available in each country to combat unfair practices involving the unauthorized use of a party's trade mark.

Many countries with a British heritage have adopted what is known as a registered user system for the recordal of franchisees making use of trade marks. In general terms, a registered user application is drafted which sets out the conditions that govern the relationship between the parties. In particular, it usually includes provisions whereby the owner sets standards as to the quality of the goods or services to be offered, provides for his right to inspect the production of such goods or the performance of such services, and indicates the duration of the so-called permitted use. Even in countries without a registered user system, there may be a requirement for franchise agreements to be registered with the appropriate authorities. For example, in the People's Republic of China, amendments have been passed establishing a deadline for recordal of franchise agreements. Further, there are new provisions requiring the marking of licensed products with the name of the licensee and the origin of goods. Similarly, in Japan, since an international franchise agreement that grants a resident of Japan the right to use a trade mark is considered to be a technical assistance agreement, the franchisor must comply with the registration requirements under the Foreign Exchange and Foreign Trade Control Law (Law no. 228, 1949, as amended).

There are often quite significant requirements regarding evidence of use in order to obtain renewal of trade mark registrations. Evidence in the form of menus, brochures, hangtags, or similar items of recent vintage featuring the trade mark in association with the goods or services might be required to establish that the mark is currently in use. This highlights the importance of ensuring any changes in the corporate identity of the registered owner, or any assignments to third parties be recorded as they take place. Otherwise, the documents evidencing use may point to a company that does not correspond to that on the trade marks register.

1. *Re Dee Corp. plc and others* [1989], 3 A11 E.R. 948 (C.A.).

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

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

VII. THE UNITED STATES OF AMERICA

Amendments to the U.S. Trademark Act effective in 1988 are of significant importance to franchisors seeking to do business in that country. On November 16, 1988, the "Trademark Law Revision Act of 1988" was signed into law and came into effect on November 16, 1989. In general, the amendments are meant to reflect commercial realities and assist traders in introducing their products into the marketplace in an orderly fashion.

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

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

Finally, the provisions of the Act relating to unfair competition law have been expanded to make it more difficult for a person to defame a competitor's product in its advertising.

The United States may well accede to the Madrid Protocol, discussed below, which is designed to make the Madrid Agreement more palatable to non-member countries.

VIII. CANADA

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

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

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

IX. JAPAN

A number of issues arise when considering trade mark protection in Japan. First and foremost, trade mark rights arise upon registration. Further, an applicant need not have used his trade mark before applying for registration. As stated earlier, a third party prior user cannot successfully oppose an application unless it can be established that his mark was sufficiently known prior to the date of application. In fact, it is noteworthy that once a trade mark is registered in Japan, a prior user may be prohibited from continuing his use. A trade mark owner's only resort in the absence of a registration is to rely on Japanese unfair competition law, an alternative that does not provide as satisfactory a system of protection. In particular, an unregistered trade mark must be shown to be widely known in Japan in order to restrain a third party's use, a fact which is often difficult to establish.¹

Japanese examiners often dissect marks when determining whether confusion with other marks might be likely. In addition, descriptive components are often disregarded in this comparison. The particular local pronunciation of foreign words may result in their being held confusing with visually different marks.

The prosecution of a trade mark registration in Japan may take an average of three years following the filing of an application. A registration of a trade mark is valid for ten years from the date of registration and may be renewed. Failure to use a registered trade mark within three years following the date of registration provides sufficient grounds for its cancellation.

Service marks have been registrable effective since April 1, 1992. Japan has also adopted the International Classification of Goods and Services as of that date.

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

1. For a further elaboration of these issues see the article entitled "International Intellectual Property and Franchising: Japan" by Tsuneo Sato (1989), Vol. 3, No. 3, JIFDL., p. 111.

It is quite possible that Japan will further amend its trade mark law to implement the provisions of the Trademark Law Treaty, which aims to harmonize world trade mark systems. The amendments will also serve to meet demands for reform from the private sector. Under the new regime, a single application may be filed covering more than one class of goods or services. It will no longer be necessary to file evidence of use to obtain renewal of a registered trade mark, nor will an application for renewal be subject to substantive examination. New types of trade marks will be registrable if in conformity with other provisions of the Act. This will permit registration of three dimensional marks covering the shapes of goods or their containers, and the like. Collective and certification marks will be registrable. It will also no longer be necessary to advertise the assignment of a trade mark to obtain recordal thereof.

X. THE UNITED KINGDOM

Applications in the United Kingdom cover Great Britain, Northern Ireland, and the Isle of Man. The Trade Marks Act has been amended to provide for the registration of service marks. However, as mentioned earlier, the Court of Appeal has upheld the refusal to register applications for "retail services." It was held that such services were not provided for "money or money's worth" and, accordingly, were not entitled to protection.¹

The U.K. parliament has modified the trade mark law to comply with the European Economic Community Trade Mark Harmonization Directive discussed below, and generally update the law. Under the new Trade Marks Act which came into force on October 31, 1994, a separate trade mark application is no longer required for each class of goods or services. Division of the Register into Parts A and B has been abolished. The definition of trade mark has been expanded to encompass and provide protection to shapes of product containers and packaging. Even sounds, smells and slogans are registrable provided that they are distinctive. In particular, the first 3D registration has been awarded to the Coca-Cola company for the shape of its bottle. It is also possible to file applications covering more than one class of goods or services. Registrations are now in effect for a period of ten years and it will not be necessary to file evidence of use to effect renewal.

Protection of trade marks now extends beyond the specific goods and services covered by a registration. Further, the protection of "famous trade marks" is enhanced, even if such marks have not been used in the United Kingdom. Specific amendments permit action against the unauthorized registration of foreign owners' trade marks by local agents, distributors and the like. The licensed use of a trade mark with the owner's approval will result in the licensee's use enuring to the benefit of the owner. Thus, the need to record licensees as registered users has been eliminated. It is still recommended that licenses be recorded to be effective against third parties, and in order for a licensee to have the right to take an infringement action.

XI. GERMANY

The German Democratic Republic acceded to the Federal Republic of Germany effective October 3, 1990. Accordingly, trade mark applications filed after that date apply to the entire territory of the newly unified country. Further, trade marks which were registered or pending in either of the two territories were automatically deemed extended to the other territory.

1. *Re Dee Corp. p/c and others. supra*, Chapter XV, Section VI, note 1.

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

Legislation has been passed effective January 1, 1995, to modify the existing trade mark law in keeping with the EEC Harmonization Directive. Among the amendments are a relaxation of the strict examination standards in respect of descriptiveness, deceptiveness, and treatment of number and letter trade marks. Further, the requirement that a mark must be used exactly as registered will no longer be strictly enforced. Currently, use of a trade mark which varies from the form of the mark as registered will generally prevent the owner from relying on its registration. Unregistered trade marks and trade-dress will be protected if registrable and distinctive through use.

The requirement that owners of trade marks themselves maintain the corresponding business operation has been discontinued. It will thus be possible for such owners to license use of their trade marks without themselves effecting use. This permits a holding company to own trade-marks and license them to a subsidiary company. It will also be possible to assign trade mark applications and registrations without the business and the associated goodwill.

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

XII. ITALY

A new trade mark law came into effect December 31, 1992 again to implement the EEC Harmonization Directive. The effective term of a trade mark registration was amended to ten years from the filing date. Registered trade marks must be used within five years of the registration date. Further, use must not be discontinued for any period of five or more consecutive years.

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

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

agreement provides adequate controls to prevent improper or misleading use by the licensee as to the character or quality of the goods and services.

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

There is no provision for an opposition proceeding, but third parties may intervene in the examination procedure to lodge objections. New types of trade marks such as colors and sounds are now registrable, provided they can be produced in printed or written form. Further, the generic names of products are registrable as trade marks if they have acquired sufficient distinctiveness by reason of use.

XIII. FRANCE

France introduced a new Trade marks Act which came into force on December 28, 1991 in compliance with the EEC Harmonization Directive. A number of substantive reforms have been introduced as outlined below.

It will now be possible for trade mark owners or their exclusive licensees to file oppositions to third party trade mark applications. The opposition period will extend for a period of two (2) months from the date of publication of the application, and decisions will issue within six (6) months of the filing of the opposition. The opposition proceedings are being introduced at a gradual rate, initially extending to only certain international classes of goods.

Infringement actions must be instituted within three (3) years of the date of the infringement. Further, exclusive licensees may also institute infringement actions if the owner does not elect to proceed. Note that license agreements with third parties are only effective if registered. Greater protection is afforded to famous trade marks extending their protection beyond the specific goods or services for which the marks are registered.

A third party may request cancellation of a trade mark that has not been used within five years from registration or for a period of five or more continuous years. The new law however provides that a trade mark owner cannot preserve its rights if use only commences within three months of learning of the cancellation application. Trade marks rights may also lapse if an owner permits the trade mark to be used generically, or if the mark is likely to mislead consumers.

XIV. MEXICO

Mexican industrial property law was amended effective June 28, 1991 and several important improvements were introduced relating to trade marks. Of note is the increase in the term of protection and renewal of registered trade marks from five to ten years dating from the filing of a trade mark application or the registration date. Mexico also now adheres to the International Classification of Goods and Services. Further, trade mark licenses, franchise agreements and assignments no longer need be recorded and the recordal agency The National Registry for Transfer of Technology has been abolished. Such agreements do,

however, require recordal at the Ministry of Commerce and Industrial Development to be effective against third parties.

The reforms have done away with the previous requirement to file affidavits of use establishing use of a mark within three (3) years from the date of registration. However, if a trade mark is not used for a period of three (3) consecutive years or more, it is open to cancellation, unless a reasonable explanation is provided for the failure to use. A sworn statement that use has not been discontinued for any period of three (3) consecutive years during the previous term is still required to effect renewal of a trade mark.

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

The 1991 reforms relax the requirement to use a trade mark exactly in the form as it is registered. Further, the letter R in a circle may now be used to indicate that a trade mark is registered, and the failure to employ this or similar marking will not subject the trademark owner to sanction or prevent it from relying on its registration against a third party infringer.

Major amendments to Mexican Trademark Law were introduced by the Mexican Congress effective October 1, 1994. The first major amendment was to provide a definition of famous trade marks. Protection of unregistered trade marks was also enhanced, provided such marks were used prior to the filing date or declared date of first use of an identical or confusingly similar registered mark. It is no longer possible to obtain registration of a trade mark for a complete international class of goods or services. An applicant must also indicate the date of first use of its trade mark in Mexico, if any. In the event a trade mark is registered by unauthorized parties, foreign owners have a right to bring cancellation applications at any time within three years of the date of publication of the mark. The law governing parallel importation of goods has been modified to clarify what goods may be freely imported without sanction. Finally, comparative advertising is now expressly permitted in the new legislation.

XV. CHINA

The trade mark law of the People's Republic of China came into force on March 1, 1983, and was amended in July, 1993. China has also become a member of the Paris Convention and Madrid Agreement described below and has adopted the International Classification of Goods and Services. Foreign applicants for registration of a trade mark normally employ the services of an officially recognized trade mark agent, who are appointed by the government for this purpose. The existing trade mark legislation provides for examination of an application as to its form and registrability, including whether confusingly similar trade marks have been registered or preliminarily approved. An application passing this hurdle is then published in the Trademark Gazette for purposes of opposition. It takes an average of one year for an application to issue to registration. Further, trade mark searches may be obtained as of December 1, 1989.

A trade mark registration is valid for a period of ten years and may be renewed. A registration is also subject to cancellation should it not be used for a period of three consecutive years. Registration is strongly recommended in order for a franchisor to obtain exclusive rights to the use of a trade mark. In some instances, registration is considered mandatory, such as with tobacco products and pharmaceutical products destined for human consumption. The

translated/transliterated version of foreign marks should be registered, and all franchise agreements recorded.

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

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

A number of important amendments have recently been effected to China's trade mark law. Effective July 1, 1993, it is now possible to register service trade marks. Further, more than one class of goods and/or services may be included in a single application, although it is unclear as to the amount of additional official fees which must be paid per class. As China is a "first-to-file" country, rights accrue to the first applicant rather than the first user of a trade mark. It is therefore very important for trade mark owners to place applications on file as quickly as possible, particularly in the case of services.

Various amendments have also been made to the law dealing with the cancellation of registrations. In particular, amendments permit cancellation of registrations wrongfully obtained including due to deception or fraud. There is, however, a deadline of one year from the date of registration in which such cancellation proceedings must be instituted.

A stricter attitude has been taken in regards the requirement to record licenses. A deadline has been introduced to apply for records within three months from execution. There is also a requirement for marking the name of a licensee and the origin of goods on licensed products. Criminal penalties have also been increased in the case of counterfeit goods. Finally, a disclaimer system is now available to assist trade mark applicants where parts of their trade marks consist of descriptive matter.

XVI. INTERNATIONAL CONVENTIONS

(a) Paris Convention

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

(b) The European Community Trade mark

The European Community trade mark system is devised to provide a single registration covering all member countries and to harmonize the different trade mark procedures of the participating countries. A single trade mark office has been established in Alicante, Spain, and applicants in non-member countries will be able to file applications with the office as of January 1, 1996. The process requires that national laws be approximated to the new system,

and almost all members have introduced new trade mark legislation to achieve this purpose. Harmonization of the trade mark registration process will obviously facilitate the entrance of franchisors wishing to export their franchise system into the European Community and will serve to reduce barriers to trade between member states.

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

(c) *Madrid Agreement*

Countries which adhere to this agreement include France, Germany, Italy, Belgium, the Netherlands, Luxemburg, Spain and Switzerland. Major countries which are not signators to the agreement include the United States, Canada and Japan.

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

The agreement has been criticized because it permits a third party to attack the initial "home" registration, which if successful results in the cancellation of the international registration even though the grounds of challenge may not apply in the other countries. Note this period of linkage endures for a period of five (5) years. The Madrid Protocol, adopted in June, 1989, is primarily designed to do away with this "central attack" drawback. This modification has attracted additional signators including the United Kingdom and possibly the United States in the near future. Under the protocol, local trade marks offices will have a period of eighteen (18) months in which to approve or reject an application based on domestic law.

XVII. COMPARATIVE CHART OF REGISTRATION PARTICULARS

Country	Duration of Registration	Renewal Periods	Use Required Before Registration	Use Required After Registration	Service Mark Registrations	Recordal of Licenses
U.S.A.	10 years (20 years, if issued before Nov. 16, 1989)	10 years (20 years, if renewed before Nov. 16, 1989)	Yes: no registration until a statement of use is filed for intent to use applications	Unless declaration of use filed between 5th and 6th year after registration, then mark is automatically cancelled. A third party can try to cancel mark if not used for 2 consecutive years. Declaration of use now required to renew	Available	May be recorded in the U.S. Patent and Trademark Office (optional)
Canada	15 years	15 years	Yes: unless application based on use and registration abroad or on "making known" of a mark	A third party may seek to annul the mark after registration on grounds of non-use	Available	Not required
Taiwan	10 years	10 years	None	Within 3 years preceding an application for renewal, and within 3 years from the date of registration or preceding an annulment request	Available	Yes: must have prior approval of the NBS (National Bureau of Standards); failure to record may a ground for cancellation of the registration
Japan	10 years	10 years	None	Within 3 years from the date of registration, and within three years preceding an application for renewal or a cancellation request	Available	Exclusive licenses must be recorded at the Patent Office to be relied on - must notify the relevant Minister if license between resident and non resident
Germany	10 years	10 years	None	Within 5 years from registration (or completion of any opposition proceeding) or within 5 years preceding an annulment request	Available	Not required

Country	Duration of Registration	Renewal Periods	Use Required Before Registration	Use Required After Registration	Service Mark Registrations	Recordal of Licenses
France	10 years	10 years	None	Within 5 years from registration or preceding an annulment request	Available	Should be recorded with the National Institute of Industrial Property (INPI) to be effective against third parties.
United Kingdom	10 years	10 years	None	Within 5 years of registration or preceding an annulment request	Available	Advisable to record a license to be effective against third parties and so that a licensee will be entitled to initiate infringement suits
Italy	10 years	10 years	None	Within 5 years from the date of registration, and preceding an application for renewal or an annulment request.	Available	Should register at the Italian patent and trade mark office to be effective against third parties.
Benelux (Belgium Netherlands & Luxembourg)	10 years	10 years	None	A third party may obtain annulment if mark is not used in the 3 years following the application or for 5 consecutive years	Available	Must be registered with the Benelux Trademark Office to be binding on third parties
Australia	7 years	14 years	Owner must usually file a declaration that he is using or intends to use	Within 3 years preceding an annulment request	Available	Not mandatory but significant benefits to recording licensees as registered users
Switzerland	10 years	10 years	No longer required	Within 5 years following registration or preceding an annulment request	Available	Not required but recommended in order to be effective against subsequently acquired rights in the mark
Sweden	10 years	10 years	Generally not required	Within 5 years preceding an annulment request	Available	Not required - may be registered on request
Spain	10 years	10 years	Generally not required	Within 5 years following registration or preceding an	Available	Must be registered with the Industrial

Country	Duration of Registration	Renewal Periods	Use Required Before Registration	Use Required After Registration	Service Mark Registrations	Recordal of Licenses
				annulment request. Renewal applications must include a declaration of use		Property Registry to be effective against third parties
China	10 years	10 years	None	Subject to cancellation if not used for three consecutive years	Available	Should be recorded at the Trade-mark Office
Mexico	10 years	10 years	None	Registration may be cancelled if not used for three consecutive years or more. Sworn statement of use required for renewal.	Available	Must be recorded to be relied on.