



## Legal Considerations of Naming a Franchise Business

### 特许经营业务命名的法律考虑因素

The name, appearance and identity of a brand represent the company's public face and have the power to attract or repel customers. Names play an important role in branding because they function as a business' badge of origin. A good business name which is unique and portrays the right image enhances the value of a franchise.

As trade mark lawyers will advise, a good brand name ought to be distinctive and, while it should not be descriptive, it may skilfully allude to the products or services offered. When naming a franchise business, these considerations should be borne in mind.

#### Investigate Before Naming Your Franchise

What may seem to be a unique, trouble-free name in one country may in fact not be so in another country. The recent experience of the American sandwich chain **Subway** highlights the importance of thoroughly investigating a name to be used in the country where the franchisor intends to enter.

In 1989, 7 years before even opening its first outlet, Subway registered its trade mark in Singapore. There was, however, a Singaporean chain selling nonya kueh and other local dishes under the name "Subway Niche" which had been operating since 1987, 2 years before Subway registered its trade mark. The "Subway Niche" mark has not been registered as a trade mark in Singapore. Today, the two entities are embroiled in an on-going legal dispute with Subway alleging trade mark infringement against Subway Niche, even though Subway Niche was the first to use their mark.

While having the foresight to register a trade mark before entering a new market is to be applauded, franchisors should also investigate to see if there are similar or identical marks which may already be in use by other parties in that country. Identifying such similar or identical marks at an early stage sometimes allows the franchisor to negotiate with the proprietor of the other mark to arrive at a win-win co-existence arrangement, which would help minimise confusion caused to consumers and potentially costly litigation down the road.

#### What to do if the name is already taken

If your investigation reveals an identical or similar mark already in use or registered in relation to the same or similar products and services, yet it is not possible to arrive at a co-existence arrangement, the franchisor may wish to

consider an alternative name rather than run the risk of future litigation.

While using an alternative name, it is possible to devise the name such that the same "look and feel" and unique identity of the business is maintained. In this way, the local franchisee would still be able to enjoy the benefits of the franchised business while using a different name. Employing such a strategy, the Japanese 100-yen store **Daiso** is able to enjoy the same success it does in the Philippines under the mark "**Saizen**" (or "Saizen by Daiso") although it was unable to register and use the "Daiso" name in Philippines due to prior registration by another party.

#### Peaceful Co-Existence is Possible

In some situations, a trade mark search may reveal that an identical or similar mark is used or registered by another party on *different* products or services. In another recent case, the sandwich chain Subway attempted to block a Singapore clothing retailer, selling women's apparel under the mark "SUBWAY", from registering the following mark:

• SUBWAY

In this case, the clothing retailer had actually registered the word mark "SUBWAY" since 1988 (8 years before Subway opened its first outlet in Singapore) but allowed the registration to lapse in 2005. When the retailer applied to register its new mark (above) in 2007, Subway immediately opposed the application.

A mark only enjoys protection in respect of the classes of goods and services it is registered in unless it falls within the category of well-known marks. The Intellectual Property Office of Singapore held that, since the restaurant and clothing industries are obviously different, Subway's opposition failed because it could not establish a damaging connection between the clothing retailer's use of its "SUBWAY" mark and Subway's business.

Hence, if identical or similar brand names are found to be registered or in use during initial investigations, as long as such names are used in relation to different and unrelated goods and services, it would still be possible for the franchised business to use the same or a similar name on its products.

#### Prevention is Better Than Cure

Whether the intention is to expand the business by adopting the franchise model or by other means, the prudent business owner should always carry out proper due diligence and conduct trade mark searches in the relevant countries before deciding on the name to use. Taking such preventive steps will help to pre-empt potential legal issues and will prove to be much more cost-effective in the long run.

#### 特许经营业务命名的法律考虑因素

品牌的名称、设计和包装代表着公司的公众形象，具有吸引或者排斥顾客的能力。名称之所以在品牌的塑造过程中发挥举足轻重的作用，是因为名称是代表企业源头的标记。一个独特并能正确塑造企业形象的好名称，可以大大提高一个特许经营业务的商业价值。

商标律师一般建议，一个好的品牌名称应当是特殊的，必须能够巧妙地引述有关的产品及服务，但不应直接描述其所代表的产品及服务。当为特许经营业务命名时，这些考虑因素应当谨记在心。

#### 特许经营命名前的调查

一个名称，在一个国家可能是独一无二的，而在另一个国家并非如此。最近美国三明治连锁店Subway（赛百味）的例子，就充分显示了事先在拟进行特许经营的国家调查品牌名称是否已被第三方注册使用的重要性。

早在Subway第一家新加坡连锁店开业前七年，Subway已于1989年在新加坡注册了商标。然而，在Subway注册其商标前两年，一家新加坡人经营的卖娘惹糕点和当地小吃的糕饼店已以“Subway Niche”命名。虽然Subway Niche开始使用其名称在先，这家商店并没有在新加坡注册商标。如今，Subway声称其注册商标被Subway Niche侵权，有关法律诉讼正在进行中。

在特许经营企业首次进入有关市场之前先注册商标是值得鼓励的做法，但特许授权人也应当事先进行调查，在该国是否有第三方已经使用相似或相同的商标。尽先做这类商标调查，如发现有此情况，可让特许授权人有机会与第三方商标所有者进行磋商，以达成双赢、共存安排。这将有助于减少给公众或顾客造成混淆以及往后可能碰到侵权诉讼的局面。

#### 假如名称已被使用，该怎么办

如果调查显示，在相同的产品或服务行业内，已有相同或类似的商标被第三方注册使用，且没有办法争取到共存协议，与其冒着未来面对诉讼的风险，特许授权人不妨慎重考虑使用另外一个名称。

在选取替代名称时，尽可能使用一个具有相同设计和概念的名称，并且要能够维持独特的商业形象。这样，即使在使用新名称时，当地被授权人仍可享受到加盟该特许经营业务带来的好处。通过采取这种策略，日本Daiso“大创”平价连锁店尽管因为在菲律宾境内已有第三方事先注册“Daiso”商标，而无法在菲律宾注册使用该商标，却仍能以另外一个名称“Saizen”及“Saizen by Daiso”在菲律宾取得成功的业绩。

#### 和平共处是可行的

在某些情况下，商标调查会显示第三方已针对其他产品、服务注册或使用相同或类似的商标。另一个近期发生的例子也涉及三明治连锁店Subway。该公司试图阻止新加坡一家销售女装的服装零售商以“SUBWAY”为标记注册下列商标：

• SUBWAY

在这个例子中，该服装零售商已于1988年注册“SUBWAY”商标（比Subway在新加坡开第一家连锁店还早八年），但该注册商标于2005年期满并未进行续期。当服装零售商于2007年申请注册以上新商标时，Subway立即反对有关申请。

除非是驰名商标，注册商标一般只在所注册的产品、服务类别内受到保护。新加坡知识产权局对此案例所持的立场是Subway的反对不能成立，原因是餐饮和服装是两个完全不同的行业及类别，Subway无法证明该服装零售商使用的“SUBWAY”商标与其餐饮业务有任何利害关系。

因此，假如初步调查显示第三方已在有关国家使用相同或类似的商标，但只要该商标是用在不同和没有关联的产品、服务上，特许经营企业仍然可以使用相同或者类似的商标。

#### 预防胜于治疗

无论是通过特许经营模式还是其他方法来拓展业务，谨慎的业主总是应该在决定使用某商标或名称之前，在相关国家进行商标尽职调查。采取此类适当的措施将有助于预防法律问题的产生，长远来说对于业务的扩展有显著的影响。



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Margaret Law is a Singapore lawyer whose expertise lies in the area of intellectual property ("IP") law. She represents clients from various industries and advises on legal issues concerning franchising, licensing, branding and commercial exploitation of intellectual property. She is the founder and a director of Margaret Law Corporation, a boutique IP and Corporate law practice in Singapore.

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