

Intellectual Property Issues for Franchisors

As a franchise depends considerably on duplication of a successful business, there are numerous intellectual property issues that a potential franchisor must consider before recruiting any franchisees.

The franchisor will licence the intellectual property rights to the franchisee as part of the business replication process. These include, for example, the right for the franchisee to use the trademarks of the business, limited copyright rights in relation to the operating manual, stationery and other company literature, as well as website content and training guides, and any registered designs or logos.

Trademarks

Surprisingly a large number of potential franchisors do not address matters of trademarks until very late in the day. Although not a legal requirement of franchising, it is highly advisable for a franchisor to have registered the trade mark(s) required for the business. It is well worth checking whether anyone has already registered the same or a similar trademark, as this will prevent you from being able to use it.

It takes approximately six months to register a trademark, so you should plan accordingly. If you do not register your trademarks, the only legal recourse you have is in relation to the action of 'passing off' which can be brought against someone who is using an unregistered trademark to confuse customers into buying from them, rather than from the owner of the unregistered trademark. This type of legal action is notoriously difficult and expensive to enforce.

Designs

If you have a logo that you wish to protect, i.e. a visual representation rather than just simply the words (which could be protected by a trademark), then you should register it as a design. Once registered, the design itself is protected - rather than the item bearing the design - which means that it cannot be used on any other products other than those sanctioned by you.

Copyright

In the UK there is no need to register ones ownership of copyright material: the existence of the work itself creates the copyright. However, it is important to protect the copyright in the materials owned by your franchisor business - perhaps most importantly the Operating Manual - from misuse or distribution by franchisees or former franchisees. If you commission third parties to create any of this documentation for you, make sure that they assign full copyright over to you. Although it can be difficult to detect copyright infringement by franchisees, and indeed how to penalise offending franchisees, provisions should be explicit in the Franchise Agreement to deal with such eventualities.

Licencing

If you are separating your original business from the business that operates the franchise, you will need a licence agreement that grants the subsidiary (franchisor) company the right to use the intellectual property for the franchise.

Franchisees will then also be granted limited rights of use for the purpose of their individual franchise businesses.

To speak to a specialist lawyer about your franchise business or intellectual property requirements, contact us today.

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