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Bert A. Collison

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TRADEMARKS — THE CORNERSTONE OF A FRANCHISE SYSTEM

by

Bert A. Collison*

FRANCHISING as a means of doing business has had a phenomenal growth. It has been hailed as a tremendous benefit for the small businessman and a boon to the economy of the nation. It has been estimated that seventy to ninety-one billion dollars worth of goods and services are sold annually through franchise arrangements. Franchising accounts for ten per cent of the gross national product and twenty-five per cent of all retail sales. 400,000 business men are franchisees.1

Arrangements which fit into the broad category of franchising can be classified into three types: (1) those primarily concerned with distributing the franchisor's product; (2) those that establish manufacturing or processing plants; and (3) those that establish retail outlets where the franchisor is selling a name or format of doing business such as is generally found in restaurant and motel operations, service organizations, employment, and retail sales to the public.

In each instance, however, the success of the franchise will depend upon the mark or name chosen for the enterprise. As Mr. Justice Frankfurter said in Mishawaka Mfg. Co. v. Kresge Co.:2

A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants . . . . Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value.3

This Article will outline the means available to a prospective franchisor for protection of this valuable asset, the reasons for securing such protection, and will discuss some of the usual trademark problems encountered by the franchisor in connection with territorial expansion and maintaining the proper control over the quality of the goods and services.

I. SECURING REGISTRATION OF THE TRADEMARK

Some franchises operate under names which have acquired familiarity across the country as the result of an individual's reputation in the sports and entertainment fields. Many franchises, however, do not start with this advantage and may not be known outside the area in which they have their beginning. In either circumstance, it is important for the franchisor to secure the protection and advantages afforded a trademark or service mark

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2 316 U.S. 203 (1942).

3 Id. at 205.
owner under the provisions of the Federal Trademark Act. It should be understood, however, that trademark rights in this country are acquired by use of the mark and not by registration. Registration of the mark, either under the federal trademark statute or under any of the state trademark statutes, does not create rights nor increase the scope of such substantive rights. The trademark owner who does not wish to register his mark may still rely upon the common law for protection of his rights. However, most trademark owners who are engaged in interstate commerce have found it desirable to obtain the advantages of the federal trademark statute.

One of the principal benefits of a federal registration is its deterrent effect upon subsequent users, for anyone interested in adopting a new mark for use throughout the country is well advised to search the existing federal registrations and pending applications. A registration of either the identical or similar mark should warn the subsequent user to adopt a different mark from those registered to avoid litigation.

There are specific provisions of the Trademark Act itself which are helpful to a franchise operation, particularly when an expansion program is started. For example, section 22 of the Act provides that a registration on the Principal Register is constructive notice of the registrant's claim of ownership. Thus, anyone who adopts a mark confusingly similar to one registered after the issuance date of the registration is held to have adopted with knowledge of the prior registrant's claim of ownership. In addition, under section 33(a) the registration is prima facie evidence of the exclusive right to use the mark, and section 33(b) provides that after five years of consecutive use, the mark becomes incontestable and is conclusive evidence of the registrant's right to use, subject to certain defenses. The importance of these sections will be discussed further in connection with expansion problems.

Assuming that the mark selected by the franchisor is not in conflict with a prior registration, the primary requirement to be met in order to file the application to register a mark is that it be "used in commerce." For the purposes of the Trademark Act, a mark is deemed used in commerce when it is affixed to goods, containers, or displays associated therewith, and the goods are sold or transported in interstate commerce. A trade name may be registered under the federal act only if it is used in a trademark sense.

Marks so registered are not entitled to many of the important benefits of a principal registration, such as constructive notice. The Act also provides for registration on the Supplemental Register for marks which, because of descriptiveness, cannot qualify for registration on the Principal Register. Marks so registered are not entitled to many of the important benefits of a principal registration, such as constructive notice.
which are rendered in interstate commerce. However, it has also been held that services which merely affect interstate commerce may meet the necessary requirement. For example, in *In re Gastown, Inc.* the Court of Customs and Patent Appeals held that automotive or truck maintenance performed by a chain of service stations, some of which were located on an interstate highway, affected interstate commerce and thus qualified for registration. For franchisors engaged in restaurant and related services, it is not now necessary to show that such services affect interstate commerce. In *In re Smith Oil Corp.* an application was filed for registration of a service mark used in connection with a restaurant. The Examiner refused registration on the grounds that there was no interstate commerce, but the Trademark Trial and Appeal Board held that the Civil Rights Act of 1964 made it clear that restaurants serving food to interstate travelers were engaged in commerce which may be lawfully regulated by Congress. On this basis, registration was permitted.

Once a federal registration is obtained, it may also be desirable, as additional protection, to consider registration in the states in which the mark is used. Ordinarily, if a federal registration can be obtained, state registrations are not necessary. However, many small businessmen do not check the federal register if they have an intrastate business and will generally apply only for registration at the state level. The Secretary of State's office should reject any application for registration of a mark which is similar to a prior registration; thus, a state registration also acts as a deterrent to the second comer. However, to secure a state registration without sufficient use in that state may not be sufficient. A recent decision in Florida, *Abner's Beef House Corp. v. Abner's International, Inc.*, is of interest on this subject. There, the plaintiff secured a state registration in Florida for the mark “Abner’s” for restaurant services in 1967 based on “use” established by mailing sandwiches to its organizers. Defendant, in 1968, opened a restaurant in Miami under the name “Abner’s” and at the time of the trial had executed twenty franchise agreements. Up to the time of trial, the plaintiff still had not operated any restaurants in Florida under the name “Abner’s.” The Florida supreme court found that under these circumstances neither party had acquired, as against the other, the exclusive right to the name “Abner’s” through usage sufficient to obtain ownership of a secondary meaning in the name. In arriving at this decision, the court said:

A mere paper application for registration of a service mark which is not in fact coupled with and supported by actual usage of the mark sufficient to vest in registant’s use a secondary meaning, will not defeat a similar use by a competitor where the latter has actually established and placed in operation businesses identified by such mark.  

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12 Id.
18 Id. at 869, 164 U.S.P.Q. at 160.
As a result of this decision, both parties are entitled to use the mark in Florida.

The value of a federal registration becomes more important when the franchisor expands into areas in which he has not previously done business and does not have an arbitrary mark or one which has acquired a secondary significance. Under such circumstances, if there is a conflict between a federal and state registration of the same mark and there is concurrent use within a state, the federal registration takes precedence over a state registration with respect to expansion of the mark within the state. This is true even when the state registration is secured prior to the federal registration. This was the rationale in the decision of the Court of Appeals for the Seventh Circuit in Burger King of Florida, Inc. v. Hoots. There, the plaintiff had opened several Burger King restaurants in Florida in 1953 and expanded through Florida, Georgia, and Tennessee. The defendants in 1957 had opened a "Burger King" restaurant in Matoon, Illinois, and secured a state registration in that state in 1959 without notice of plaintiff's prior use. In 1961, plaintiff opened its first restaurant in Skokie, Illinois. By that time, plaintiff had notice of defendant's prior registration in Illinois. On October 3, 1961, when a certificate of registration was issued by the United States Patent Office to plaintiff, there were more than fifty Burger King restaurants in Illinois. In 1962, defendants opened a second restaurant in Charleston, Illinois. The district court held that on the basis of plaintiff's federal registration, it was entitled to use the mark in Illinois except in the limited area where defendants actively used the same trademark prior to plaintiff's federal registration, notwithstanding plaintiff's notice of defendants' prior state registration.

In affirming, the court of appeals said that under the Act, plaintiff had the incontestable right to use the mark in commerce and that under the statute the certificate of registration was conclusive evidence of plaintiff's "exclusive right" to use the mark. The court went on to say:

Congress expanded the common law, however, by granting an exclusive right in commerce to federal registrants in areas where there has been no offsetting use of the mark. Congress intended the Lanham Act to afford nation-wide protection to federally-registered marks, and that once the certificate has issued, no person can acquire any additional rights superior to those obtained by the federal registrant.

On the other hand, the franchisor may find that the infringing use commenced after it secured its federal registration but before its mark had

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18 "Arbitrary" trademarks, also referred to as "fanciful" or "technical" trademarks, may be common words taken from everyday speech and used in an arbitrary sense as trademarks, or words newly invented. The doctrine of secondary meaning contemplates that a word originally geographically or otherwise descriptive with reference to an article on the market has been used so long and so exclusively by one producer that it has come to be to the trade and the public his trademark.

20 403 F.2d 904, 159 U.S.P.Q. 706 (7th Cir. 1968).

21 Id. at 908, 159 U.S.P.Q. at 709.

22 It must be remembered that under § 1115(b) (5) of the Trademark Act, a federal registration is constructive notice to a second user, but it is not constructive notice to anyone who adopted the mark prior to the date of registration, without knowledge. 15 U.S.C. § 1115(b) (1) (1964). Thus, in Hot Shoppe, Inc. v. The Hot Shoppe, Inc., 203 F. Supp. 777, 133 U.S.P.Q. 212 (M.D.N.C. 1962), the court held that the plaintiff, who had a federal registration, was not entitled to enjoin
acquired a secondary meaning in the new territory. Because of the constructive notice provision of the Lanham Act, the subsequent user has no defense based on a claim of lack of knowledge. However, while the courts have made statements to the effect that it is the intent of the Lanham Act to provide nation-wide protection for expanding business and nation-wide protection for registered marks regardless of geographical areas, the decisions have not gone so far as to give the registrant an injunction in such instances based solely upon the fact that the mark has been registered. Instead, where no secondary meaning has been established, the courts have taken the position that under the test of confusing similarity established by the Lanham Act, the second use may be enjoined only when it is likely to cause confusion. Therefore, as long as the registrant and the subsequent user operate in different areas, there can be no likelihood of confusion. But, because of the constructive notice provision of the Lanham Act, the subsequent use will be enjoined when the first user expands into that area. This is the rationale of such cases as *Dawn Donut Co. v. Hart's Food Stores, Inc.*, *American Foods, Inc. v. Golden Flake, Inc.*, *John R. Thompson Co. v. Holloway*, and *7-11 Minute Markets, Inc. v. The Southland Corp.* While such decisions may not be entirely satisfactory to the registrant of the mark, as the registrant does not get relief until it begins to do business in the contested area, such a decision does have a deterrent effect on the second user, since it must make a decision whether to change its mark immediately or to wait until the plaintiff shows an intent to use the mark in its area. It is not likely that, under these circumstances, the second user will decide to invest substantially in a mark it may be forced to discontinue whenever the plaintiff appears on the scene.

*Mister Donut of America, Inc. v. Mr. Donut, Inc.* is a recent decision where these principles are discussed. There, the plaintiff began to use the mark "Mister Donut" in 1955 for the promotion and franchising of retail doughnut shops in Massachusetts. In 1956, plaintiff secured an assignment of "Mr. Donut" from a previous registrant and recorded the assignment in the Patent Office. In 1957, defendant opened a California store under the same name. In 1958, plaintiff secured a registration of the mark "Mr. Donut" in the Patent Office. In 1966, plaintiff opened a shop in California, but plaintiff's proposed licensees refused to purchase franchises because of the existence of defendant's shops in Orange and Los Angeles Counties.

The district court held that the assignment in 1956 was in gross in that there was no pretense that the assignor's estate had transferred any customer lists, merchandise, equipment, recipes, decals, or other goods. Therefore, there was no constructive notice to the defendant from the assign-

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a local user who commenced use without knowledge of plaintiff's use prior to the date of registration. However, the use is limited to the area in which such continuous use is proved.

24 267 F.2d 358, 121 U.S.P.Q. 430 (2d Cir. 1959).
28 164 U.S.P.Q. 67 (9th Cir. 1969).
ment in 1956, although there was constructive notice from the 1958 registration. However, the lower court held that the defendant's use did not affect interstate commerce and, therefore, defendant's intrastate use was not an infringement. The lower court relied upon the decision in *Fairway Foods, Inc. v. Fairway Markets, Inc.* The court of appeals distinguished between the facts of the *Fairway* case and the *Mr. Donut* case, holding:

Fairway Foods thus stands for the rule that where the federal registrant and the intrastate user of conflictingly similar trade marks are using the respective marks in geographically separate and distinct market areas, with no real competition between them, and where there is no present likelihood that the federal registrant will expand his use into the area of use of the intrastate user, there is no cause shown for injunctive relief based on infringement. ... Plaintiff has firmly established its nationwide doughnut shop business in California and is now competing with the defendant for shop locations in the same market area, i.e., Orange County. Each party has plans to expand throughout southern California and thus increase the competitive situation.

We hold that where a federal registrant has expanded its business to the point that the use of the conflictingly similar marks by the registrant and the unauthorized user are no longer confined to separate and distinct market areas and there is established the likelihood of public confusion, the federal registrant is entitled under the authority of the Lanham Act to injunctive relief.

Without the constructive notice provision of the Federal Trademark Act, the owners of the non-distinctive marks would not have secured even the delayed relief granted in the *Dawn Donut, Golden Flake,* and *Holloway* decisions. However, where secondary meaning can be shown, the courts will grant an injunction without such delay. In *Holiday Inns of America, Inc. v. Mullen's Holiday Inn, Inc.* the defendant had begun operations in 1947 as Holiday Auto Court and in 1963 put up signs reading "Mullen's Holiday Inn." The court held that plaintiff had acquired a secondary meaning across the country and that defendant's use resulted in confusion of the public, posed a threat to the established good will and reputation of plaintiff's motels, and, therefore, enjoined defendant's use of "Holiday Inn."

When defendant's use is an intentional appropriation, there is no requirement for the establishment of secondary meaning. Under such circumstances, in *Travelodge Corp. v. Siragusa,* the court granted an injunction against the use of an infringing mark by defendant on a motel in Alabama, a state into which plaintiff had not yet expanded. However, the court also concluded that even if defendant's use had been innocent, the plaintiff had established secondary significance in Alabama by the following means:

1. Advertising its motels by listings in auto club tour books, and directories.

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2. Distributing postcards, stationery, matches, and other advertising material.

3. Proof of expenditures for advertising in excess of $3,500,000 which included:
   (a) 3,450,000 TraveLodge directories distributed throughout the country, including Alabama;
   (b) 1,900 highway billboard signs;
   (c) national advertisements in Newsweek, Business Week, Time, U.S. News & World Report, and Holiday.  

II. CONTROLLING THE TRADEMARK

Once the franchisor commences to expand the franchise, care must be taken that the franchisee maintains the quality-control standards associated with the product or service. This can be a very difficult problem. Insufficient control may result in loss of the mark, and excessive control may give rise to a claim of antitrust violation.

The concept of an owner allowing others to use its mark is a relatively recent development in the common law of trademarks and was first recognized by the courts in Keebler Weyl Baking Co. v. J. S. Ivins' Son. The court there held that the license agreements under consideration did not destroy the trademark rights and said:

The use of a trade-mark does not any longer necessarily import that the articles on which it is used are manufactured by the user but it may be enough that they are manufactured for him, that he controls their production or even that they pass through his hands in the course of trade and that he gives to them the benefit of his reputation and name or business style.

The Lanham Act recognized the development of licensing of trademarks by providing in section 5 that use of a trademark by a "related company" inures to the benefit of the registrant or applicant, provided such mark is not used in such a manner as to deceive the public. In section 45 of the Act a "related company" is defined as "any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used."

The franchisor or licensor not only must exercise control to protect its interests, but more than that, the courts have placed the burden on an owner and licensor to maintain the nature and quality of the goods and services produced by the licensee. Thus, in discussing the related company concept under the provisions of the Lanham Act, the court in Huntington National Mattress Co. v. Celanese Corp. said:

Even if the affiliated companies are so controlled by Huntington as to be

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25 Id. at 244, 141 U.S.P.Q. at 724.
26 Id. at 241, 141 U.S.P.Q. 21 (E.D. Pa. 1934).
27 Id. at 214, 23 U.S.P.Q. at 23-24.
29 Id. § 1127.
'related companies' within the meaning of the statute, there is a duty on Huntington, as the owner and licensor of the registered mark Cloud, to take reasonable means to detect and prevent misleading uses of its mark by the affiliated companies. The only effective way to protect the public, where a trademark is used by licensees, is to place on the owner the affirmative duty of policing in a reasonable manner the activities of his licensees to assure that the licensee will apply the mark to a product of substantially the same quality that the public has in the past associated with it.

Similarly, in Franchised Stores of New York, Inc. v. Winter the plaintiffs alleged infringement of the Carvel name and trademarks, unfair competition, and violation of the franchise agreement when the defendant sold non-Carvel ice cream and frozen dairy products as Carvel ice cream and frozen dairy products in packages bearing the Carvel name and trademarks. The defendant alleged that a franchised dealer cannot be guilty of a trademark infringement. The court enjoined the defendant, saying that a franchised dealer had a greater duty not to infringe a trademark license than a non-dealer. Again, in Carvel Farms Corp. v. Nathan the Federal District Court for the Southern District of New York found trademark infringement existed when the franchised dealer used the licensed trademarks on products which were diluted beneath the minimum standards prescribed by the license and passed off other products as licensed products.

The provision in the franchise or license agreement covering the amount of control to be exercised by the trademark owner is the most essential element in the agreement. Generally, these provisions provide that the licensees shall meet certain specifications and standards of quality established by the licensor. The licensor also should have the right to inspect and sample the products to insure that the goods do come up to the standards of quality established. Each licensor has its own method for checking compliance. A good example of quality control and supervision by a franchisor was discussed by the court in Turner v. HMH Publishing Co., where the court enjoined defendant’s use of the name ‘Atlantic Playboy Club’ and held that plaintiff fully controlled its franchisees by requiring each to meet established standards relating to decor, design, quantity and quality of food, beverages, and entertainment in the clubs. Each club conformed to the standards already established for existing clubs. The franchisor hired and supervised personnel of all the clubs, and supervision was continuous. The clubs were policed by executives of the licensor and by two independent services which regularly and periodically visited the clubs and reported on the maintenance of standards for food, beverages, services, and decor. An operating manual was used in the clubs to ensure that all charges to members were handled from a central office.

Merely to include a provision providing for inspection and control over

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50 Id. at 945, 132 U.S.P.Q. at 401.
42 380 F.2d 224, 154 U.S.P.Q. 330 (5th Cir. 1967).
the goods and services is not sufficient. The control must be exercised." In *Alligator Co. v. Robert Bruce, Inc.* the court cautioned that the "mere fact that one company has the legal right to control the quality of the goods sold under the trademark is not finally and conclusively determinative of the question whether the companies are 'related.' . . . What the parties actually do in carrying out the agreement is necessarily a question of fact . . . ."

In the *Dawn Donut* case Judge Lumbard, in dissenting, questioned the validity of the license, and pointed out that the license failed to provide for any system of protection and control. While he agreed that the plaintiff may, in fact, have exercised control in spite of the absence of any expressed grant, he did not believe that the record established that plaintiff subjected its licensees to periodic and thorough inspection by trained personnel, but rather showed that plaintiff's policing consisted only of chance, cursory examinations of licensees' operations by technically untrained salesmen. He concluded that the latter system of inspection hardly constituted a sufficient program of supervision to satisfy the requirement of the Act.

The type of control required may, of course, vary depending on the circumstances. For example, in *Taffy Original Designs, Inc. v. Taffy's, Inc.* the plaintiff was a continuation of a business started by two sisters. One sister operated, manufactured, and designed clothes—the other operated the retail store. An oral license was entered into whereby the retail store was licensed to use the manufacturer's mark "Taffy's of California." The defendant, who did business in Chicago, moved for a summary judgment to cancel the trademark registration, claiming that the license agreement did not provide for the requisite supervision and control over the business activities and merchandise of the retail store. However, the record showed that one of the sisters, the president of the licensor, periodically visited the retail operation and was satisfied with the quality of the merchandise. The court denied cancellation on the grounds that the public was adequately protected against misuse of the mark and that under such circumstances informal control satisfied the requirements of the statute.

It should be kept in mind, however, that control by franchisors which restrains trade cannot be justified as a reasonable step taken to implement a trademark licensing system. In *Susser v. Carvel Corp.* both the district court and court of appeals agreed that the provision restraining dealers

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from selling non-Carvel products was clearly not a violation of the antitrust laws. The court of appeals stated: "The antitrust laws certainly do not require that the licensor of a trademark permit his licensees to associate with that trademark other products unrelated to those customarily sold under the mark. It is in the public interest that products sold under one particular trademark should be subject to the control of the trademark owner." The other Carvel provision, which required purchase from Carvel or Carvel-approved sources of not only the mix but other supplies which were a part of the end product, gave the court more difficulty, although the majority approved such arrangements. While Judge Lumbard agreed that "in compelling circumstances the protection of goodwill, as embodied for example in a valuable trademark, may justify an otherwise invalid tying arrangement," such as where the specifications for a substitute would be so detailed that they could not practicably be supplied, he did not believe there was sufficient evidence for the lower court's conclusion that such arrangements were necessary to establish quality control to protect the Carvel trademark. To illustrate his argument, Judge Lumbard compared the franchises under consideration in the Carvel case and those considered in Engbrecht v. Dairy Queen Co., where the agreements were similar to the Carvel franchises. The distinguishing factor was that Dairy Queen merely set the standards for the products sold and the franchisees were free to purchase the products from any source so long as they maintained the standards set by defendant. The franchisor inspected the premises to make certain that the standards were met.

Whether a similar decision would be reached today is not certain. In April 1969, Federal Trade Commissioner James Nicholson warned that even if it can be shown that the importance of exclusivity is related to quality control, one of the questions still remaining is as follows:

[Are there alternatives to exclusivity which adequately protect the franchisor's legitimate interests. The mere fact that the Lanham Act seems to contemplate some measure of quality control by a trademark licensor does not determine, for antitrust purposes, the permissive boundaries of such control. . . .

As a general rule the franchisor must not attempt to impose, in the name of quality control, any restriction on buying which exceeds what is necessary to achieve an otherwise legitimate result. Moreover, there is some question as to whether even a justifiable minimum control may be set up as a perpetual restraint on the independent business judgment of franchisees. A restraint which may be necessary at the outset of a franchise operation because of the unreliability of either inexperienced franchisees or untried suppliers, should be re-examined once the reason for the restraint has been removed.]

50 322 F.2d at 517, 141 U.S.P.Q. at 616.
51 Id. at 512, 141 U.S.P.Q. at 613.
53 Speech before the Institute of Continuing Legal Education, Ann Arbor, Michigan, CCH TRADE REG. REP. § 30,238, at 31,478, 35,480-81 (1969). The Report of the Ad Hoc Committee on Franchising stated that the Commission's decision in Carvel should be narrowly interpreted. The Report further stated: "The case appears to be a precedent only for food industry franchising of
He suggested that any attempted control by franchisors over purchasing should be tested against certain standards, including:

(1) Where the purpose of exclusivity is simply to use captive dealers to exact non-competitive prices, or for any other purpose not reasonably connected with quality, the control is probably invalid.

(3) In the name of quality control a franchisor may not exceed that which is minimally necessary.\(^4\)

In many instances, the franchisors have attempted to restrict the territory in which their franchisees can sell, or to control the customers to whom they can sell. Such restraints have been recently considered by the Supreme Court in four cases.\(^5\) However, in commenting on these decisions, the Ad Hoc Committee on Franchising concluded that:

In laying down these principles, the Court was not directing its attention to arrangements involving the franchising of an entire business or service which is promoted nationally under a trademarked name and associated in the public mind with a highly distinctive external appearance or with a standardized uniform operation. There is no indication that the Court intended these decisions to apply across the board to trademark-licensing arrangements, also frequently subsumed under the term franchising, in which the licensor imposes restrictions on the licensees to ensure the identity of origin, quality and uniformity of the trademarked product and thus preserve his rights in the trademark. Nothing in any of the Court's four opinions would suggest that even in the case of outright sales of trademarked products the Court intended to modify established trademark law which requires the trademark owner to maintain sufficient control over his licensees to assure that his mark will not be deemed abandoned and that the licensee will apply the mark either to the same products or to products of substantially the same quality that the public in the past has associated with the mark.

It would seem clear that the issues with respect to the validity of various restrictive licensing provisions will continue to turn on whether the restraints are reasonably ancillary to the licensing of the mark and to the licensor's recognized obligation to ensure the identity or origin, uniformity, quality and to some extent the public image of his licensed product or service.\(^6\)

III. Conclusion

Despite all of the criticism leveled at franchising, it seems to be here to stay and will probably increase. The franchisor's trademark is a valuable asset which should be protected and used with great care. Judge Dawson

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\(^6\) 444 CCH TRADE REG. REPORTS 31-32 (Dec. 15, 1969).
made the following appropriate observation in Susser v. Carvel Corp., when he said: "[T]he cornerstone of a franchise system must be the trademark or trade name of a product. It is this uniformity of product and control of its quality and distribution which causes the public to turn to franchise stores for the product."

58 206 F. Supp. at 640. There has been a recent important decision affecting franchising operations by the district court, northern district of California, entitled Siegal v. Chicken Delight, 165 U.S.P.Q. 400 (N.D. Cal. 1970). It was held that a tie-in agreement was a violation of section 1 of the Sherman Act and cannot be justified as a convenient accounting device for compensation for license, as an assurance of initial equipment and continuing source of supply of essential items, or as quality control for protection of trademark goodwill.