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Restaurants and Intellectual Property Rights: What Most Restaurant Owners Fail To Do

By Glenn S. Bacal

If you own or plan to own a restaurant, you need to read this. Intellectual property rights play a pivotal role in creating the commercial value of every successful restaurant. Yet, many restaurant owners, even sophisticated ones, commonly commit costly mistakes as to intellectual property rights in the course of opening and operating restaurants. These mistakes fall into four main categories.

1. *Timing Mistakes in Creating and Extending the Brand.*

In coming up with a brand for the restaurant, the selection process is often driven exclusively by marketing and advertising personnel. Those folks are concerned with consumer perception. IP lawyers are concerned about the perception of senior users of the same or similar marks, and whether or not a proposed mark will or will not find a protectable niche. It's critical to involve an IP lawyer in the process once the creative people have developed some proposed marks. Even where an IP lawyer is involved early on, many owners then fail to apply federally for registration of the restaurant's service marks early in the process of selection and adoption. This can have significant costs later, if and when a priority fight arises between the successful restaurant and an alleged copycat brand.

2. *Failure to Recognize Service Marks and Copyright Protected Designs.*

Restaurants often use slogans, and usually rely on a variety of designs to try to give consumers a further way of remembering their experience at the restaurant. Slogans are not always recognized for what they really are: service marks. Accordingly, many slogans are rolled out without doing a search, sometimes prompting a third-party challenge that especially hurts a new venture. Formal protection for slogans via a registration is seldom sought, even though many slogans properly should be protected by a registration. Designs used with trademarks are protectable by trademark and by copyright. Yet, even where restaurant owners are savvy enough to seek protection by a trademark registration for the word and design mark as a whole, they often fail to seek separately a copyright registration for the design as well. Copyright provides a different level of protection against copying rather than against likely confusion and the remedies available under copyright are very different. Copyright needs to be carefully considered by restaurant owners as part of an overall IP strategy.

3. *Failure to Recognize Trade Dress and to Take Early Steps to Protect It.*

Restaurant owners spend considerable time and money coming up with a distinctive look for their restaurant. The look is used in advertising to create a connection between the customers' recognition of the place and the sense that the services come from a single source. Such recognition is commonly referred to as trade dress. Few restaurant owners take the necessary steps to establish proprietary rights in trade dress. Where such trade dress exists, restaurant owners should (a) put onsite warnings that the look of the restaurant is distinctive and is protected by law, (b) use the look of the restaurant deliberately in advertising, and accompany the ad with a notice such as "TD—restaurant look protected by Trade Dress Law"; and (c) consider registering aspects of the trade dress as a trademark, where available.

4. *Failure to Reference Properly and With Specificity the Intellectual Property Associated with the Restaurant in Key Agreements with Others.*

If you don't care about your own property rights enough to catalog and mention them in agreements with others, don't complain when others attempt to freely use such rights. This omission is the source of a lot of revamping and retooling of earlier agreements once the omission becomes important, i.e., when the rights need to be protected against an infringement. For example, restaurants, even ordinary ones develop lots of valuable secrets such as expansion plans, customer and employee information, and proprietary recipes. Despite the fact that restaurant owners often recognize the fact that they don't want competitors to know such things, typically few steps are initially taken to protect such secrets.

Similarly, many restaurant owners commonly hire outside ad agencies without an understanding of who will own the underlying copyright in the things created by the ad agency. When the restaurant owner decides to switch agencies, the earlier failure to claim copyright in the ads can hinder the transfer of the files.

The reason behind many omissions is the failure to sit down at least annually with an intellectual property lawyer in order to inventory a restaurant's evolving intellectual property. Without such an inventory, owners will inadequately understand what their IP property is initially comprised of or what the portfolio later has become. This then will result in likely omissions in more and more agreements as the restaurant grows and the web of relationships with others become more complex. For example, if a restaurant turns to franchising and the franchise agreement fails to specify what the trade dress is, how successful will the owner of the trade dress later be in enforcing those rights against an ex-franchisee or a third party infringer?

Being adequately represented early on by experienced intellectual property counsel is a key to preservation and protection of important intellectual property rights. If the restaurant is successful, as every new owner hopes it will be, by thinking ahead, the owner will have made it more likely that it can protect valuable trademark, copyright, trade dress and trade secret rights. Furthermore, in the event there are additional intellectual property rights that are less common in the restaurant setting, such as patents, these will more likely be spotted and protected if there is a coherent approach to protection including an annual review.

Glenn Bacal has represented many of the most successful restaurants in Arizona in the course of his three decade career. He is the Founder of Bacal Andersen & Garrison Law Group.