

Have your cake and own it too

Benjamin West Janke and Susan A Russell
draw out the trademark and branding best
practices from a dispute between a king cake
baker and its brand developer

King cakes are a staple of Carnival season and when the season kicks off on Twelfth Night in New Orleans, there is hardly a day that goes by without at least one king cake being found in the kitchen of every office, school and home until Mardi Gras Day.

Traditional styles of king cakes have evolved over the years to borrow from a wide variety of local cultural influences, including most recently the soaring popularity of Vietnamese-style cakes in New Orleans, which have been buoyed by Dong Phuong Restaurant & Bakery (Dong Phuong).

In addition to serving as a new sensation for Mardi Gras king cakes, Dong Phuong also now serves as a precautionary tale for intellectual property owners, following *Dong Phuong Bakery, Inc v Gemini Society, LLC*.¹

Background

Dong Phuong began operating its bakery and restaurant in 1988 and has since built a reputation around its renowned king cake with unique branding that is instantly recognisable.

Between mid-2017 and early 2021, Dong Phuong retained and paid Gemini Society, which provides graphic design and website operation and maintenance services, close to \$300,000 to create Dong Phuong's marketing and branding material (including its new king cake box design, packaging items and website design), as well as operate and maintain Dong Phuong's website. In 2017, Dong Phuong registered the DP BAKESHOP & design mark with the Louisiana secretary of state.

Dispute

Considering that Dong Phuong engaged, paid for, uses and developed the goodwill associated with the marketing and branding material, most (including Dong Phuong) would expect that Dong Phuong should also be the owner of the same. However, Gemini Society claims to have exclusive rights in certain trademarks, branding and marketing items, bakery menu terms and other trade dress that it created for Dong Phuong.

In late 2020, Gemini Society filed an application with the US Patent and Trademark Office (USPTO), seeking federal registration

for the DP BAKESHOP EAST NOLA & design mark.

In April 2021, when Dong Phuong notified Gemini Society that it was terminating the relationship, Gemini Society responded by sending Dong Phuong a 'notice to discontinue use of IP'. Gemini Society asserted its ownership of the brand logomarks and logoscripts, brand and product naming, packaging and brand colours, brand copy and positioning, brand artwork and characters, claiming it was Gemini Society IP.

Dong Phuong was said to be licensing Gemini Society IP and Gemini Society was terminating the licence agreement with Dong Phuong. It asserted that Dong Phuong must accordingly discontinue use and remove the Gemini IP from "the retail location, products, packaging, labels, vehicles, marketing, menus, stationery, any digital properties and other undisclosed instances". Gemini Society also disabled Dong Phuong's website, which Dong Phuong claims immediately eliminated its "online sale abilities".

Unsurprisingly, Dong Phuong disagreed with Gemini Society's assertions and responded by "outlining specifically why Gemini Society's claims to exclusive ownership of all intellectual property rights in the items listed in its demand email lacked merit", including that it never assigned, transferred, licensed or authorised the licensure of any trademark or intellectual property rights to Gemini Society.

Dong Phuong argued that Gemini Society's federal trademark application was "void" because Gemini Society never used the DP BAKESHOP EAST NOLA & design mark in commerce and that "intellectual property rights and other rights it acquired in the items at issue and identified generic and descriptive items in which Gemini Society had no exclusive rights".

In order to resolve the dispute with Gemini Society, which Dong Phuong says is stifling its "ability to operate, compete and grow its business" and to "seek protection against an ongoing threat of litigation" by Gemini Society.

Best practices and takeaways

While it is too early to comment on the particulars of this specific case, the issues identified at this stage allow for some healthy reflection for intellectual property owners on "best practices" when engaging with

brand developers, including graphic designers, and website operation and maintenance service providers.

Best practice 1: own your intellectual property!

Not all third-party brand developers assign intellectual property rights to the companies that engage and pay for their branding services. While “branding” primarily concerns trademark law, there are often also copyrightable elements in graphical designs and stylisations that are owned by the original author of such works, unless assigned to the party that has engaged and paid for the work (either through a contemporaneous assignment or under the “work for hire” doctrine, if applicable).

Implied assignments: More commonly, the assignment of the intellectual property rights to the business owner engaging a brand developer is implied. However, given the potential impact of conditions of the intellectual property that can shift at a moment’s notice without an express assignment – such as licensing fees – there is no reason for a business owner who is engaging a brand developer to leave such potentially detrimental consequences to chance. The business owner can easily address the ownership and use of the intellectual property with a straightforward express assignment agreement that confirms that the intellectual property created by the brand developer is assigned to, and is owned by, the business owner. That said, it is imperative for business owners to secure review of agreements and intellectual property assignments by a seasoned trademark attorney. In short, business owners should invest in their intellectual property now, or expect to potentially pay later.

Express assignments: In the absence of an assignment, the original author of the branding, including brand developers, may take the position that they own the trademarks and copyrightable elements that they were engaged and paid to create; and the business owner who has engaged and paid for the work in the first instance must continue to do so under a licence for as long as the business owner wants to use the intellectual property. Under such circumstances, the brand developers have superior bargaining power to dictate, demand, and change licensing fees and conditions.

Takeaway: Even if engagement of the brand developer under an original scope of work includes an irrevocable, royalty-free licence, failure to secure ownership may still compromise the business owner’s ownership and use of the intellectual property. For example, the brand developer may elect to license the same work to another company, or worse yet, to a business owner’s competitor, weakening the brand and diminishing the business owner’s intellectual property rights.

Additionally, consider that brand developers often offer services such as operating and maintaining a business owner’s website and facilitating e-commerce and online sales. Without express assignments and clear agreements in place that address ownership and use, the brand developers may tie in other related obligations that have the potential to compromise a business owner’s brand.

Best practice 2: beware of online brand bidding wars

While brand development does not have to be an expensive endeavor, there are perils in choosing to simply secure bargain basement deals, rather than seeking quality work from a reputable brand developer. It can lead to substantial expenditures as disputes with brand developers arise that jeopardise the foundation of a business or, even worse, prove to be fatal to their marks and brands, and leave the business inoperable.

A common practice is for brand owners to put branding concepts up “for bid”, leaving graphic designers to compete for a brand owners’ work. Business owners would be wise to keep their long-term objectives in mind, including the age-old adage of “you get what you pay for”. The “deal” that a business owner gets today is likely to have a

significant business impact on the ownership and use of the intellectual property that is the foundation of their businesses for the days and years that follow.

Takeaway: Brand development ought to be a deliberative process, but all too often it is a rushed afterthought. Verifying the availability and registrability (clearance) of intellectual property is an important and essential step in brand development, as is evaluating the various elements of a brand (eg, uniqueness, stylisation, logo) that can help ensure its strength to serve as the foundation for the business upon which it is built.

Best practice 3: involve YOUR trademark attorney

Even if a brand developer has a lawyer engaged to prepare and review agreements in use with business owners, the brand developers’ lawyer is not your lawyer, as the business owner. The brand developers’ lawyer’s role is to protect and defend the best interests of their client. A reputable brand developer should be willing and eager to collaborate with its business owner clients on all fronts, including with its business owner clients’ trademark attorneys, and ensuring early and often that agreements and assignments are clear to both parties about ownership and use.

Additionally, a trademark attorney engaged by and representing the business owner can help ensure that the intellectual property created during the engagement with the brand developer is properly cleared for availability of use and federal registration. Without a business owner engaging its own trademark attorney early on in the relationship with the brand developer, it is not uncommon for a business owner to find itself in the unfortunate position that it has spent, rather than invested, its entire branding budget on a word mark, logo or brand concept that its trademark counsel is then constrained to opine is unusable and unregistrable. The work product may be infringing a mark owned by a third-party, or otherwise unregistrable, in consideration of any number of objections that the business owner’s trademark counsel can foresee the mark will encounter during examination by the USPTO.

Takeaway: Working with a seasoned trademark attorney is a reasonable investment on the front-end that can save business owners significant expense on the back-end addressing issues that could have been easily avoided. Furthermore, attention to properly securing a business’ intellectual property rights is critical to protecting the business’ identity and also an expectation to virtually any potential investor, partner, merger or acquisition.

Footnote

1. Docket No 2:21-cv-01109 (ED La 8 Jun 2021).

Authors



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