

case study

What's in a Name? A Case Study of McDonald's Trademark Protection Overseas

By Mahmood Khan and Maryam Khan

Brands and trademarks are symbols that reflect the images of a business which can be registered for legal protection. If the mark is similar to a preexisting one, as well as the products and services offered are also similar, then it is a case of infringement. However, trademark protection depends on circumstances and court decisions.

McDonald's Dilemma

With rapidly expanding global markets, McDonald's has to decide which countries to enter in order to serve growing world markets as well as to ensure the protection of its brand name. In franchising, trademarks comprise the benefits that are provided by franchisors to franchisees. The principal functions of trademarks are to lower consumer confusion as well as to communicate with the potential customers. Protecting these trademarks becomes an important legal issue, particularly when franchises go overseas or when dealing with tough competition. Over the years, McDonald's Corporation (McDonald's) has vigilantly sought protection worldwide for its brand naming system. In that effort, it has been successful in some legal proceedings opposing third parties' applications to register marks involving the "Mac/Mc" prefix, but it has failed in others (Leong and Lwin, 2006).

One such classic case deals with a legal tangle in Malaysia. Experts who study trademark cases in Malaysia and other Southeast Asian countries know that global companies often pursue a "zero tolerance" policy to perceived trademark infringements. Corporation executives worry that rivals using similar brand names or logos could confuse customers and undermine confidence in global brands. The important implication in this case is that the ruling against McDonald's in Malaysia could unsettle other global companies operating in the region (Hookway, 2009).

Objectives

Considering the large number of countries in which McDonald's is located and the prevalent differences, this case study highlights some of the problems associated with the infringement and protection rights as evidenced by legal cases. The discussion is slanted towards the use of trademarks in situations related to (a) literary use; (b) business type; (c) trademark design; (d) business reputation; and (e) political envi-

ronment. The points of learning and discussions are (a) to realize the importance of trademarks and their protection particularly when entering foreign markets, (b) to understand the complex nature of factors that can impact the use of trademarks, (c) to appreciate the importance of making the trademark unique, and (d) to realize the consequences of trademark infringement. All these aspects lead to discussions that can broaden the scope of learners to understand the need for brand protection considering the rapid growth of globalization.

Literary Use

Merriam Webster's dictionary (2012) defines "McJob" as a low-paying job that requires little skill and provides little opportunity for advancement. This term is in use since 1986, and as expected, McDonald's did not like the use of 'Mc' prefix for jobs they considered very professional and rewarding. However in many publications fast-food jobs are presented as offering few employee advantages. The disparaging term 'McJob' has come to describe low-skill, low-pay, dead-end, routine service industry employment in general. In contrast, there is employer-oriented literature that portrays fast-food jobs more positively and even presents them as beneficial for the workforce. A survey was conducted using Australian McDonald's outlets to determine employee and employer experiences and attitudes towards these so-called *McJobs*. Findings indicate that employees view their jobs as consisting of repeatedly doing a limited range of non-complex tasks whereas managers perceive aspects of the job more positively. Evidence was presented to show that fast-food jobs offer human resource advantages, potential career opportunities and, for some, desirable forms of work organization. These findings suggest that the dominant portrayal of *McJobs* is inaccurate (Gould, 2010). McDonald's unease over the McJob label was real and heartfelt. McDonald's in UK ran an advertising campaign with featured slogans such as McProspects, highlighting its many "good employer" awards and the career opportunities it offers (Stern, 2007).

Business Type

Trademark should also reflect the type of business for which it is used. The defensibility of the trademark also depends on how it relates to the type of business. For example, a Singapore court judgment in November 2004 denied McDonald's exclusive rights over the use and registration of its "Mac/Mc" prefix marks. A small Singaporean

Mahmood Khan is affiliated with Virginia Polytechnic Institute and State University. Maryam Khan is affiliated with Howard University.

company, Future Enterprises Private Ltd., applied to register “Mac-Chocolate,” “MacTea,” and “MacNoodles” as trademarks for their instant cocoa mix, instant tea, and instant noodles products. McDonald’s opposed the use of “Mac” mark. The highest court ruled unanimously against McDonald’s finding that no deception or confusion would arise between McDonald’s use of prefix marks and Future Enterprises Private Ltd. marks by consumers. The “business type” was taken into consideration since Future Enterprises Private Ltd. was in the packaged food business with products sold through supermarkets, whereas McDonald’s was in the fast food restaurant business. The courts concluded that supermarket shoppers were unlikely to get confused by the use of the prefix or that the products were in some way related to McDonald’s (Anonymous, 2004a). In other cases McDonald’s have successfully contested when words “McBagel” (Anonymous, 1986) and “McPretzel” (Anonymous, 1991) were used since the use of prefix marks by third party were likely to cause confusion since they were in restaurant business or selling these products at wholesale level.

In 1996, in the United Kingdom, McDonald’s succeeded in preventing registration of the trademark “McIndians,” where the third party registrant sold Indian food. However, on the menu they had fried chicken, french fries, and burgers, which resembled menu items sold by McDonald’s. On the other hand, McDonald’s failed in its attempts to gain exclusivity for another trade mark “McChina” where the restaurant sold only Chinese food which McDonald’s did not have on its menu (Anonymous, 2001). According to the reports, the judge stated that while McDonald’s held the rights to a number of “Mac” and “Mc” type names the company was “virtually seeking to monopolize” all names with those prefixes, at least in relation to food or restaurant services. The judge also pointed to the titles that McDonald’s is using such as Chicken McNugget Shanghai, Oriental McRib, and McFortune Cookie with an Oriental flavor. The owner of McChina, who opened his store in 1991, adopted the “Mc” prefix to signify the Scottish “son of,” which he felt will give more recognition and acceptance by the British public (Elan, 2001). McDonald’s countered this argument that the very same public would associate the prefix “Mc” with the burger chain. In order to illustrate their point, McDonald’s even showed the results of a survey commissioned by them that found that 30 percent of the respondents thought McChina was an offshoot of McDonald’s. The judge did not buy the argument and insisted that McChina’s customers would definitely be looking for Chinese foods.

In Australia, the Trade Mark office decided the trademarks “Mc-Salad” and “McFresh” were deceptively similar to McDonald’s prefixes. However, “McMint” for confectionary and “McVeg” for vegetable burgers were allowed since the chances of customers expecting them to be associated with McDonald’s to be remote and so the risks to trademark were negligible. It should be noted that at that time McDonald’s did not have a vegetarian burger (Anonymous, 2000a). In another case in Ma-

aysia, the Court of Appeal noted that there were distinguishing features between McCurry restaurant and McDonald’s in the conduct of their trade. McCurry’s scope of business was in selling Malaysian and Indian food, whereas McDonald’s sells items which are markedly different.

Trademark Design

The trademark design, the colors used, and fonts are also important considerations. In one of the earlier mentioned Singapore case, the judges also ruled that the way prefix’s design was on the package looked strikingly dissimilar and not substantially identical to McDonald’s prefix marks. Whereas in the case in Kuala Lumpur between McCurry and McDonald’s the judge noted that there are differences in the representation of the trade marks. Items sold in McDonald’s contain the prefix “Mc” whereas this prefix is not used on the items sold by McCurry restaurant.

In 1955, McDonald’s fought against trademark infringement by a South African entrepreneur who wanted to use the McDonald’s logo on his own “Chicken Licken” restaurant chain. At first the entrepreneur successfully defended the right to use the logo. However, McDonald’s who first registered its trademark in South Africa in 1968 prevailed and the appellate court decided that the golden “M” was, in fact, inherently associated with McDonald’s (Elan, 2001).

In 1999, McDonald’s sued Burger King for another trademark infringement. Burger King planned to use “Big Kid’s Meal” for its larger-sized portions, aimed at older children. McDonald’s used that name at one time to market burgers and fries to adolescents in the Detroit area. The 12-month legal battle between two large fast food operations was a point of attention by all businesses. McDonald’s convinced the judge that it had used the phrase “Big Kid’s Meal” before Burger King did; however, the judge was unimpressed, largely because McDonald’s had used it for just 17 days and only in the Detroit Metropolitan area. The court ruled that it could not bar Burger King from using the name since the judge was not convinced that the same name will mislead customers. The decision was based on the fact that both McDonald’s and Burger King have highly identifiable marks and it is difficult to conceive that any consumer will be misled. The Judge said that McDonald’s had not established common-law trade mark rights for the term “Big Kids Meal,” whereas Burger King had used it in national campaigns to describe sandwich combos intended for older children. McDonald’s unsuccessfully tried to get a federal trademark through U.S. Patent and Trademark office (Anonymous, 2000b).

The legal cases can prolong for years in many countries which not only affects the reputation of the companies involved but also the business operations. McDonald’s registered the trademark in the United States in 1979 and in the Philippines in 1985. It won a key ruling from the Philippine Supreme Court after a 16 year court battle to protect its “Big Mac” trademark from infringement. A local food

company L.C. Big Mak Burger Inc. sold its hamburgers under the name “Big Mak,” a label the Philippines Company sought to register in 1988. The infringement case was filed by a McDonald’s franchisee in 1990 (Anonymous, 2004b).

Business Reputation

The standing and reputation of a business also has a marked influence on the protection capability of any trademark. Internationally well established brands have more visibility and their reputation becomes a strong defensive point. However, in the Singapore case, the courts ruled that reputation alone in the absence of confusion or deception was not enough to confer protection. Ironically, while the court acknowledged the ubiquitous nature of McDonald’s brand, their widespread reputation was ruled as a reason that the confusion or deception is unlikely to arise (Leong and Lwin, 2006). Moreover, it is not easy to prove international reputation as seen in the infringement case in South Africa which is described later on in this case study.

Irrespective of the franchisee owner of the restaurants, the trade mark becomes a symbol associated with the country of origin. During times of political disagreement it becomes a target for verbal and/or non-verbal attack. In some countries even when McDonald’s are owned hundred percent by natives, the notion of it being from the country of origin, always have a dominant impact. Several incidences have occurred in Middle East and Far East where McDonald’s became

a target owing to it being an American company. To help overcome animosity toward American McDonald’s trademark, the local restaurants in Serbia named an item “McCountry,” a domestic style pork burger with paprika garnish. In order to evoke Serbian identity and pride, they produced posters and lapel buttons showing the golden arches topped with a traditional Serbian cap called the Sajakca. The restaurants also handed out free cheeseburgers at anti-NATO rallies. The basement of one restaurant also served as a bomb shelter in the Serbian capital (Block, 1999). A sign was also placed on the restaurant saying “McDonald’s is sharing the destiny of all people here.” The campaign was designed to show that McDonald’s is a local company or sympathizes with the local population. This campaign was the idea of the local franchisee and not the Corporate Headquarters, and was designed to save the business. As soon as the war ended, the golden arches appeared again on the restaurant.

In Canada, Coffee Hut Stores Ltd. in 1994 sought to register the mark “McBeans” for their gourmet and coffee tea products. The Canadian Federal Court held that despite McDonald’s reputation in the fast food business, there was nothing inherently distinctive about the McDonald’s marks once they were viewed outside of the McDonald’s business model. Based on this consideration, McDonald’s was not allowed to claim exclusivity over the use of the “Mac/Mc” prefix (Anonymous, 1996).

Table 1

Summary of the Major Cases Discussed in this Case Study

Country	Litigation Details	Decision
Singapore	Future Enterprises Private Ltd., applied to register “MacChocolate,” “MacTea,” and “MacNoodles” as trademarks for their instant cocoa mix, instant tea, and instant noodles products.	Court ruled unanimously against McDonald’s finding that no deception or confusion would arise between McDonald’s use of prefix marks since the products were not related to the type of business.
United Kingdom	“McIndians” sold by Indian Foods restaurant	McDonald’s succeeded in preventing registration of the trademark “McIndians,” since the menu offered by the restaurant included fried chicken, french fries, and burgers, which resembled menu items sold by McDonald’s.
United Kingdom	The use of “McChina” by a restaurant serving Chinese menu items	McDonald’s failed in its attempts to gain exclusivity since the restaurant sold only Chinese foods which McDonald’s did not have on its menu.
Australia	The use of “McSalad” and “McFresh” used by a restaurant	Trade mark office decided that the trademarks were deceptively similar to McDonald’s prefixes. However, “McMint” for confectionary and “McVeg” for vegetable burgers were allowed since the chances of customers expecting them to be associated with McDonald’s to be remote.
Malaysia	The use of name “McCurry” by a restaurant	The judge denied the request by McDonalds since the items sold in McDonald’s contain the prefix “Mc” whereas this prefix is not used for the items sold by “McCurry” restaurant.
South Africa	A restaurant wanted to use the McDonald’s logo on his own “Chicken Licken” restaurant chain.	The request was denied since McDonalds has registered the trade name earlier.

In Malaysia, the Court of Appeal unanimously upheld an appeal by McCurry Restaurant in Kuala Lumpur, allowing McCurry to use the prefix "Mc" in the name of its restaurant. In overturning the earlier decision of the High Court, the Court of Appeal disagreed with the finding that McDonald's owns the goodwill and reputation in the prefix "Mc." Established in 1999, McCurry adopted a Western-style fast food restaurant to serve traditional Indian and Malaysian dishes, including a fish-head curry. McDonald's considered "Mc" prefix as a breach of its trademark. The first case of trademark infringement was filed in 2001, and a high court ruled in favor of McDonald's in 2006. McCurry appealed and the Court ruled in favor of the Malaysian restaurant. McDonald's then appealed the matter in Malaysia's Federal Court; the country's highest, which ruled that McDonald's cannot appeal against the lower court verdict. It should be noted that McCurry restaurant conceded that McDonald's had ownership, reputation and goodwill to the prefix "Mc," gained from its extensive and constant use in promoting products as well as a source identifier of the company's products in Malaysia and worldwide. The judge took this aspect also in formulating the final decision (Hookway, 2009).

Political Situation

Political situations also play a prominent role in the defensibility of trademarks and other legal jurisdictional disputes. Since 1968 McDonald's registered its trademarks, including "McDonald's," "Big Mac," and the "Golden Arches" in South Africa. Again the portfolio of marks was re-registered several times in 1974, 1979, 1980 and 1985. However, McDonald's did not use the marks till 1993. The reason for non-use of these marks by McDonald's was due to the sanctions imposed against South Africa by the United States government during the apartheid era. McDonald's stated that it was at all times its intention to use the trade marks in South Africa as soon as political circumstances made it possible. The case in South Africa, took on racial overtones when it was claimed by the authorities that the company neglected to re-register the international name when anti-apartheid sanctions were in force. The officials therefore struck it from the official registry. This case actually was very complicated and a synopsis is described below based on a summary by Owen Dean (1996).

A South African company, Joburgers Drive-In Restaurant (Pvt) Ltd., was controlled by a franchisor of a successful chicken chain in South Africa known as "Chicken Licken." In 1993 Joburgers filed to register McDonald's trademarks as its own and asked for cancellation of McDonald's rights on the grounds of non-use of the trademark in the country. It also gave notice through newspaper articles of its intention to use McDonald's trade marks in South Africa. McDonald's counter claimed in the courts against Joburgers. An interim injunction restraining the use of trademarks by Joburgers was placed. At this juncture, Joburgers purchased a small business in Durban which

has been trading under the name "Asian Dawn/McDonald's" since 1978. This prompted McDonald's to seek restraining orders and the contempt of court injunction against Joburgers for use of its trademarks. The contempt of court injunction was granted. In order to avert its situation of being in contempt of court, Joburgers sold the "Asian Dawn/McDonald's" business to Dax Prop Corporation, which held several "Chicken Licken" franchises and thus had association with Joburgers. Joburgers also retained the right to repurchase the business from Dax Prop in the future. At this point Dax Prop filed its own applications to register McDonald's trademarks as its own and again requested to cancel McDonald's registration of the trade marks. McDonald's counter-claimed for an injunction restraining Dax Prop from using its trade marks.

All three abovementioned pending cases went before the courts and the courts upheld both Joburgers' and Dax's claims on the grounds of non-use of trade marks by McDonald's. The judge also remarked that McDonald's did not use the trade marks in South Africa because the country was not on their list of priorities for market entry. At this juncture, legislation came to the rescue of McDonald's case. The Trade Marks Act, 1993, provided provision for the owner of a well known foreign trademark which is unregistered in South Africa to institute infringement proceedings against someone who copies trade mark and uses in identical or similar goods or services, where such use causes deception or confusion. This was a good reason for McDonald's to appeal. However, the crucial issue was to show if its trademarks qualify as a well known foreign trade mark as stipulated in the Trade Marks Act. This was not clear for two different courts and they gave contradictory explanations. The problem was the non-use of the trade marks in South Africa and whether the trademark enjoys a reputation as well as has goodwill in South Africa. In the absence of this, the court did not consider McDonald's has a strong case. This was the next challenge for McDonald's to show that substantial number of people would have an interest in the goods and services provided by them. McDonald's conducted two market surveys to establish the notoriety of their trade marks. The surveys were conducted in Johannesburg/Pretoria and in Durban among groups of persons who most likely have travelled overseas and were exposed to McDonald's name and trademark. The survey showed that 80% of the participants were familiar with the trademarks as being from a foreign company. This was partially accepted by the courts. The acceptance of this market survey evidence was a landmark decision in South Africa. In addition to the market survey evidence, McDonald's provided evidence from the Vice-Chairman of the South African Franchise Association, who witnessed that they have received numerous requests from prospective franchisees seeking McDonald's restaurant business. In addition, evidence was provided about interest from prominent companies to own McDonald's franchises. McDonald's had to show the evidence of being the largest

franchisor of fast food restaurants in the world and their international recognition of their trademarks. The final decision was in favor of McDonald's. It is interesting to note that in deliberation of the case the length to which McDonald's went to preserve its trademark. In fact, their persistence was a factor in securing a favorable decision.

The judgments by different courts were also tinged by racial undertones where it was required to show that all ethnic populations should have recognized McDonald's trademarks in South Africa. The criticism was that the surveys were conducted using all "whites" whereas South Africa had a population that was 76% blacks. In this case, McDonald's had to show that their target market consists of the population that was included in the surveys. There were also political ramifications due to the denial of the use of trade marks by McDonald's during certain steps of legal proceedings. Although the direct financial effect of the earlier court decision was negligible, the case was a harbinger of the sort of trouble that McDonald's was to encounter in establishing its business in the country (Anonymous, 1997).

In some countries, due to the lack or weakness of the copyright protection laws, it will be hard to defend trademarks. Moreover, the length of time for reaching decisions by courts can stretch into decades in some countries. McDonald's golden arches and its name are being used freely in Turkish Cypriot Community, the northern part of Cyprus under the influence of Turkey. There is also a Burger King style restaurant. Both restaurants can very easily be mistaken for real brand restaurants, since they appear very similar in most of the physical attributes as well as menu offerings. Since this part of the country is not recognized internationally no legal action can be taken.

A summary of major cases discussed in this case study is presented in Table 1. The selected cases clearly indicate the strength as well as the vulnerability of trademarks in foreign markets. Many strategic points can be learned from McDonald's experience. Corporations, particularly franchisors should carefully design trademarks keeping in mind their strengths to withstand infringement and to protect them from becoming easy target for duplication and deceptive practices. A thorough understanding of the laws and legal protection capability are important before entering a foreign market.

Franchisees should also consider these aspects before acquiring any franchise business. Imitators are apt to copy trademarks of successful and well established enterprises. Also, it is very important to understand that courts look at different aspects in reaching decisions, which may vary from country to country. One of the drawbacks of long legal proceedings is that a trade mark suffers due to delayed entry into a country. In the case of South Africa when McDonald's opened their first restaurant in 1995, several homegrown brands have firmly established themselves catering to the South African tastes. Also, other foreign competitors such as KFC and Wimpy established themselves in the country with numerous franchises. Similarly, the delayed entry

of McDonald's in Vietnam had an impact on ready acceptability of its trade mark. In addition to the impact on reputation due to any legal proceedings, the corporations have to develop strategies, particularly in marketing, to survive under tense competition from the already well-established home grown and foreign companies.

Conclusion

This case study presented several examples of trademarks and their legal protection, particularly in foreign countries, under different circumstances. Although McDonald's trade mark using the word "Mc" is universally known its legal protection has to be considered in different situations. Its strength and vulnerability tested in international courts is used as examples as well as points for discussion. This case study should therefore provide an impetus for further discussion from different points of view.

Discussion Questions

- What are the pros and cons of using the term "McJobs" as defined by the Merriam Webster's dictionary?
- What other factors are important that should be considered by restaurants to protect their reputation when planning to enter foreign markets?
- Was the decision in the case of McChina justified? How can that be handled differently?
- How does the court's decision in Malaysia impact other businesses planning to enter foreign markets?
- Does McDonald's have a right to use the prefix 'Mc/Mac' worldwide? Discuss and support giving reasons.
- How can local business compete with rapidly well established trademarks?
- Highlight the most important points in the South African case and show how you would handle the case if you were legal representative of (a) McDonald's or (b) Local businesses.
- Discuss the importance of trademark in the success or failure of a business reputation, particularly in foreign countries.

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