

**TRADEMARK VIOLATIONS:
CAUSES OF ACTION AND REMEDIES**

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FEDERAL TRADEMARK INFRINGEMENT

I. Statutory Authority

- A. The Trademark Act of 1946 (commonly known as the “Lanham Act”).
 - i. 15 U.S.C. 1114 (See Exhibit 1).

II. Elements of a cause of action

- A. The franchisor has developed a protectable trademark right in a trademark;
- B. The franchisor’s trademark is inherently distinctive or has acquired secondary meaning;
- C. Consumers are likely to confuse defendant's mark with the trademark holder's mark. In determining “likelihood of confusion”, courts consider several factors to be important, including:
 - i. The degree of similarity between the marks in appearance and suggestion;
 - ii. The similarity of the products in which the marks and trade dresses are used;
 - iii. The area and manner of concurrent use;
 - iv. The degree of care likely to be exercised by consumers;
 - v. The strength of the complainant's trademark or trade dress;
 - vi. Any evidence of actual confusion; and
 - vii. Intent on the part of the alleged infringer to "palm off" its product and packaging as the complainant’s.

- D. Defendant's continued use of the franchisor's mark has caused, and will continue to cause, irreparable harm and injury to the franchisor and to the franchisor's reputation and goodwill, for which the franchisor has no adequate remedy at law.
- E. The threat of future injury to the general public and to the franchisor's business, identity, goodwill and reputation necessitates the award of injunctive relief to prevent the defendant's continued wrongful and false acts and/or the use and infringement of the franchisor's registered name and marks.

III. Remedies

- A. Injunction against further infringement.
 - i. If the infringed mark was federally registered, attorneys' fees would also be recoverable by a successful plaintiff.
- B. Monetary damages are also available under 15 U.S.C. 1114, but such relief is rarely awarded in trademark suits.

DILUTION

I. Statutory Authority

- A. The Lanham Act
 - i. 15 U.S.C. 1125(c) (See Exhibit 2).

II. Elements of a Federal cause of action

- A. Franchisor's mark is "famous". In deciding whether a mark is famous, courts will look to the following factors:
 - i. The duration, extent, and the geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties;
 - ii. The amount, volume, and geographic extent of sales of goods or services offered under the mark; and
 - iii. The extent of actual recognition of the mark.
- B. Blurring- The plaintiff's mark has lost, and will continue to lose, its ability to serve as a unique identifier of the plaintiff's product;

- C. Tarnishing- An infringing mark's similarity to a famous mark has caused, and will continue to cause, consumers to mistakenly associate the famous mark with the infringer's inferior or offensive product;
- D. The defendant's continued use of its mark has caused, and will continue to cause, irreparable harm and injury to the franchisor and to the franchisor's reputation and goodwill, for which the franchisor has no adequate remedy at law;
- E. The threat of future injury to the general public and to the franchisor's business, identity, goodwill and reputation necessitates the award of injunctive relief to prevent the defendant's continued wrongful and false acts and/or the use and infringement of the franchisor's registered name and marks;

*****Note: There is no need to prove a likelihood of confusion, nor is there any need to show competition between the goods of the plaintiff and defendant.

III. Remedies

- A. Injunction against further dilution.
- B. Costs of the action, attorneys' fees, monetary damages, and even treble damages are available in the event the franchisor can establish that the defendant willfully sought to trade on the owner's reputation or to cause dilution of the mark.

FALSE ADVERTISING

I. Statutory authority

- A. The Lanham Act
 - i. 15 U.S.C. 1125(a) (See Exhibit 2).

II. Elements of a cause of action

- A. The franchisor has developed a protectable trademark right in a trademark;
- B. The franchisor's trademark is inherently distinctive or has acquired secondary meaning;
- C. The defendant franchisee's misuse of the franchisor's names and marks constitutes a use in commerce of a false designation of origin and/or a misleading description or representation intended to misrepresent the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities;

- D. Such acts, practices and conduct by the defendant has caused, and will continue to cause, a likelihood of confusion among the franchisor's customers, suppliers and franchisees, and the general public;
- E. As a direct and proximate result of the above-mentioned acts, practices and conduct, the franchisor has been, and/or is likely to be, substantially damaged in its business reputation and goodwill.

III. Remedies

- A. Costs of the action.
- B. Defendant's profits.
- C. Any damages sustained by the plaintiff.

UNFAIR COMPETITION*

I. Statutory authority

- A. The Lanham Act
 - i. 15 U.S.C. 1125(a) (See Exhibit 2).

II. Elements of a cause of action

- A. The franchisor has developed a protectable trademark right in a trademark;
- B. The franchisor's trademark is inherently distinctive or has acquired secondary meaning;
- C. The defendant franchisee's misuse of the franchisor's names and marks constitutes a use in commerce of a false designation of origin and/or a misleading description or representation intended to misrepresent the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities;
- D. Defendant's acts, practices and conduct constitute unfair competition, false designation, false advertising, and/or unfair and deceptive trade practices in that they are likely to cause confusion and mistake by the franchisor's customers, suppliers and franchisees, and the general public;
- E. As a direct and proximate result of the above-mentioned acts, practices and conduct, the franchisor has been, and/or is likely to be, substantially damaged in

its business, including its reputation and good will, for which the franchisor has no adequate remedy at law;

- F. The threat of future injury to the general public and to the franchisor's business, identity, goodwill and reputation necessitates the award of injunctive relief to prevent the defendant's continued wrongful and false acts and/or the use and infringement of the franchisor's registered name and marks.

III. Remedies

- A. Injunctive relief against future unfair competition.
- B. Costs of the action.
- C. Defendant's profits.
- D. Any damages sustained by the plaintiff.

*This cause of action may be brought pursuant to applicable statutory authority or pursuant to the common law.

BREACH OF THE FRANCHISE AGREEMENT

I. Elements for a cause of action

- A. The parties entered into a franchise agreement;
- B. The franchise agreement is a valid contract;
- C. The defendant breached the franchise agreement by failing, *inter alia*, to fully comply with the terms of the agreement and to otherwise perform its obligations therein;
- D. The franchisor performed all its obligations under the franchise agreement and otherwise fulfilled all conditions precedent to the enforcement of the franchise agreement;
- E. As a direct and proximate result of the defendant's breaches of the franchise agreements, the franchisor has been, and will continue to be, irreparably injured through infringement, misuse, diminution and/or dilution of the goodwill and consumer recognition associated with the subject franchise.

II. Remedies

- A. Anything prescribed in the franchise agreement, which may include: injunctive relief, monetary damages and/or attorneys' fees and costs of the action.

BREACH OF THE NON-COMPETE PROVISION CONTAINED IN THE FRANCHISE AGREEMENT

I. Elements for a cause of action

- A. The parties entered into a franchise agreement;
- B. The franchise agreement is a valid contract;
- C. The franchisor owes a duty to its franchisees to protect them from any unauthorized use of its proprietary marks. The franchisees have signed similar franchise agreements and all will suffer if the franchisor is unable to protect its marks.
- D. The defendant franchisee agreed, pursuant to the relevant non-compete provision contained in the franchise agreement, that it would not compete with the franchisor upon termination of the franchise agreement.
- E. The covenant not to compete found in the applicable provision of the franchise agreement is ancillary to an otherwise enforceable contract and was executed on the same date on which the underlying franchise agreement was executed.
- F. The covenant not to compete sets forth reasonable limitations as to time, geographical area, and scope of activity, which items do not impose obligations upon the franchisee beyond those necessary to protect the goodwill and other valid business interests of the franchisor.
- G. The defendant breached the covenant not to compete by failing, *inter alia*, to fully comply with the terms of thereof and to otherwise perform its obligations contained in the franchise agreement;
- H. The franchisor performed all its obligations under the franchise agreement and otherwise fulfilled all conditions precedent to the enforcement of the franchise agreement;
- I. As a direct and proximate result of the defendant's breaches of the covenant not to compete in the franchise agreement, the franchisor has been, and will continue to be, irreparably injured through damage to its business, reputation and goodwill.

II. Remedies

- A. Anything prescribed in the franchise agreement, which may include: injunctive relief, monetary damages and attorneys' fees and costs.

INJUNCTIVE RELIEF

I. Elements of a cause of action

- A. The franchisor has developed a protectable trademark right in a trademark;
- B. The defendant franchisee has engaged in certain acts, practices and/or conduct that has resulted in the infringement, misuse, diminution and/or dilution of the goodwill and consumer recognition associated with the franchise;
- C. The defendant franchisee's actions are causing, and will continue to cause, irreparable harm and injury to the franchisor including the loss or potential loss of business, customers, reputation and good will, for which there is no adequate remedy at law;
- D. The issuance of injunctive relief is necessary and appropriate to avoid irreparable harm to the franchisor;
- E. Unless enjoined by the court, the defendant will continue to engage in the wrongful acts described above, to the franchisor's irreparable damage;
- F. The harm to the defendant of compelling the cessation of their activities is not sufficient to justify the corresponding damage to the franchisor such activities are allowed to continue;
- G. There is a strong likelihood that the franchisor will prevail on the merits of this issue;
- H. It would be impossible to ascertain the amount of compensation which would afford the franchisor adequate relief from the defendant's act.

II. Remedy

- A. Injunctive relief.

DECEPTIVE TRADE PRACTICES

I. State statutory authority

- A. The Illinois Deceptive Trade Practices Act
 - i. 815 ILCS 510/2 (Example: Illinois- many other states have enacted similar laws)

II. Elements of a cause of action

- A. The franchisor has developed a protectable trademark right in a trademark;
- B. The franchisor's trademark is inherently distinctive or has acquired secondary meaning;
- C. Defendant franchisee's misuse of the franchisor's names and marks (whether false designation of origin; misleading description or representation intended to misrepresent the nature, characteristics, qualities, or geographic origin of goods, services, or commercial activities; or the reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services) constitutes a violation of the Deceptive Trade Practices Act (Illinois);
- D. Defendant's acts, practices and conduct constitute unfair competition, false designation, false advertising, and/or unfair and deceptive trade practices in that they are likely to cause confusion and mistake by the franchisor's customers, suppliers and franchisees, and the general public;.
- E. As a direct and proximate result of the above-mentioned acts, practices and conduct, the franchisor has been, and/or is likely to be, substantially damaged in its business, including its reputation and good will, for which the franchisor has no adequate remedy at law.
- F. Unless enjoined by the court, the defendant franchisee will continue to engage in deceptive business practices to the franchisor's irreparable injury.
- G. The threat of future injury to the general public and to the franchisor's business, identity, goodwill and reputation necessitates the award of injunctive relief to prevent the defendant's continued wrongful and false acts and/or the use and infringement of the franchisor's registered name and marks.

III. Remedies

- A. Injunctive relief against future deceptive trade practices.

- B. In Illinois, a prevailing franchisor may recover costs of the action or attorneys' fees (or both), provided that the franchisor can establish a willful engagement in a deceptive trade practice by the defendant.

CONSUMER FRAUD

I. State statutory authority

- A. The Illinois Consumer Fraud and Deceptive Business Practices Act
 - i. 815 ILCS 505/1 (Example: Illinois)

II. Elements of a cause of action

- A. The franchisor has developed a protectable trademark right in a trademark;
- B. The franchisor's trademark is inherently distinctive or has acquired secondary meaning;
- C. Defendant franchisee's misuse of the franchisor's names and marks (whether false designation of origin; misleading description or representation intended to misrepresent the nature, characteristics, qualities, or geographic origin of goods, services, or commercial activities; or the reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services) constitutes a violation of the Consumer Fraud and Deceptive Business Practice Act (Illinois);
- D. As a direct and proximate result of the above-mentioned acts, practices and conduct, the franchisor has been, and/or is likely to be, substantially damaged in its business, including its reputation and good will, for which the franchisor has no adequate remedy at law.
- E. Unless enjoined by the court, the defendant franchisee will continue to engage in deceptive business practices to the franchisor's irreparable injury.
- F. The threat of future injury to the general public and to the franchisor's business, identity, goodwill and reputation necessitates the award of injunctive relief to prevent the defendant's continued wrongful and false acts and/or the use and infringement of the franchisor's registered name and marks.

III. Remedies

- A. Injunctive relief against future deceptive business practices.
- B. Actual economic damages and/or any other relief a court deems proper.