

A solid yellow right-angled triangle pointing towards the top-left corner.

## BLOGS

### Trademarks

# Court Rules Holdover Franchisee's Continued Unauthorized Use of Franchisor's Trademark Constitutes "Counterfeit" Use of the Mark and Entitles Franchisor to Enhanced Damages

In *Century 21 Real Estate, LLC v. Destiny Real Estate Properties, et al.*, 2011 U.S. Dist. LEXIS 147075 (N.D. Ind. Dec. 19, 2011), the United States District Court for the Northern District of Indiana held that a holdover franchisee's continued unauthorized use of a franchisor's trademark constitutes use of a counterfeit mark, which allows the franchisor to seek additional damages and attorneys' fees and costs under the Lanham Act. To establish counterfeiting, a plaintiff must prove that the mark is identical with or substantially indistinguishable from a registered mark, that the mark is registered with the USPTO, that the defendant is not authorized to use the mark, and that the defendant acted with knowledge and intent.

Century 21 terminated the franchisee for nonpayment of fees and brought suit for trademark infringement after the franchisee continued using the mark following termination. The court noted a circuit split regarding whether holdover use constitutes counterfeiting, including the Sixth Circuit's express finding that such conduct is not counterfeit use and the Ninth Circuit's ruling that it is. Relying on the Seventh Circuit's guidance in a case involving deceptive packaging, the court found that a holdover franchisee is committing counterfeit use of a franchisor's trademark when it uses the mark after termination. It noted, "The Court can conceive of no reason why an ex-franchisee should escape liability for counterfeiting simply because that person had access to a franchisor's original marks because of the former relationship and therefore did not need to reproduce an identical or substantially similar mark."