

BLOGS

Trademarks

## Eighth Circuit Overturns Damages Award for Trademark Infringement

The Eighth Circuit Court of Appeals recently overturned an award of monetary damages for trademark infringement under the Lanham Act and violations of the Minnesota Deceptive Trade Practices Act. *Martinizing Int'l, LLC v. BC Cleaners LLC*, 855 F.3d 847 (8th Cir. Apr. 28, 2017). Martinizing International entered into two franchise agreements with KM Cleaners authorizing the use of Martinizing's trademarks and system in KM Cleaners' two dry cleaning stores. The agreements prohibited KM Cleaners from selling the franchise locations or assigning the franchise agreements without Martinizing's prior written consent. KM Cleaners subsequently entered into an asset purchase agreement with BC Cleaners, and thereafter BC Cleaners continued to display the Martinizing trademark without Martinizing's consent.

Martinizing filed suit against BC Cleaners and two of its member managers. The defendants failed to appear and the lower court granted default judgment against BC Cleaners on all claims and imposed a permanent injunction and monetary damages. Despite the favorable ruling, Martinizing appealed the trial court's denial of default judgment against the member-managers, and its 20% reduction of Martinizing's attorneys' fees.

On appeal, the Eighth Circuit affirmed the injunction but reversed the award of monetary damages. It held that because BC Cleaners used the Martinizing trademark without permission (but agreed to stop when Martinizing issued a cease and desist letter), a permanent injunction enjoining BC Cleaners from further use of the trademark was appropriate. However, the court reasoned that the record established only that BC Cleaners (i) entered into an agreement to acquire the store assets and obtain a valid assignment of the franchise agreements, (ii) operated the stores during the period when KM Cleaners had promised to obtain Martinizing's consent to the assignments, and then (iii) vacated the stores when the uncompleted deal fell through. Accordingly, the Eighth Circuit held that Martinizing failed to prove that BC Cleaners' conduct was of the exceptional kind that would entitle Martinizing to monetary damages in addition to injunctive relief.

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