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BLOGS

Trademarks

Federal Court Dismisses Trademark Infringement Claim Based Upon Franchisee's Sale of Genuine Products at a Competing Store

In a recent case a federal court in New Jersey granted a franchisee's motion to dismiss trademark infringement claims brought by the franchisor, but granted the franchisor leave to amend its claim. *7 Eleven, Inc. v. Maia Inv. Co.*, 2015 U.S. Dist. LEXIS 50753 (D.N.J. Apr. 17, 2015). 7-Eleven brought suit against its franchisee, Maia, after discovering that it had sold 7-Eleven branded products at a competing convenience store. Specifically, 7-Eleven alleged that Maia had sold various 7-Eleven proprietary products, such as Cheeseburger Bites and BIG BITE hot dogs, at its own store that it called "24-7 Foodmart."

The court dismissed 7-Eleven's trademark infringement claim by applying the "first sale doctrine." That doctrine provides that the mere resale of trademarked goods purchased from the trademark owner, as occurred in this case, does not constitute infringement. The court noted, however, that 7-Eleven may have other viable theories of trademark infringement, and granted 7-Eleven leave to amend its complaint. It declined to dismiss 7-Eleven's claim that the franchisee breached the franchise agreement by independently selling 7-Eleven products and by failing to accurately report sales of those products. The court dismissed 7-Eleven's fraud claim by applying the "economic loss rule," reasoning that the claim was based on the same conduct as the breach of contract claim, and it dismissed 7-Eleven's conspiracy claim because it was based upon the same alleged fraud.

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