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BLOGS

Post-Termination Injunctions: Trademarks

Federal District Court Follows *eBay v. Mercexchange* In Not Applying Presumption of Irreparable Harm in Trademark Cases

The United States District Court for the Eastern District of California granted a franchisor’s motion for a preliminary injunction on its trademark infringement claim against a holdover franchisee after finding that it demonstrated all of the elements required for injunctive relief. *7-Eleven, Inc. v. TSC Lending Grp., Inc.*, 2012 U.S. Dist. LEXIS 166691 (E.D. Cal. Nov. 20, 2012). The franchisee was terminated for failing to maintain a net worth of \$15,000, but it continued operating under 7-Eleven’s marks. The court held that 7-Eleven had demonstrated a likelihood of success on its breach of franchise agreement and trademark infringement claims. Significantly, however, the court noted that a presumption of irreparable harm would not apply after 7-Eleven demonstrated a likelihood of success on the merits; rather, 7-Eleven would have to provide evidence of such harm. It did so by arguing that it had lost control over its trademarks.

The Supreme Court, in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 394 (2006), overturned a longstanding rule in patent cases that irreparable harm could be presumed from a showing of a likelihood of success on the merits. Lower courts have struggled with the question of whether to apply *eBay* to trademark and copyright cases. The Ninth Circuit has offered mixed signals on this question, first upholding the use of the presumption in a trademark case, *Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co.*, 571 F.3d 873 (9th Cir. 2009), but subsequently ruling the opposite way in a copyright infringement decision, in which the court expressly sought to limit the effects of the *Marlyn Nutraceuticals* decision. *Flexible Lifeline Sys., Inc. v. Precision Lift, Inc.*, 654 F.3d 989,998 (9th Cir. 2011). In the instant decision, the district court stated that the logic used in the *Flexible Lifeline* decision would likely apply to this trademark infringement case and, thus, analyzed the preliminary injunction factors without presuming irreparable harm from likelihood of success on the merits. This case is significant because it provides useful guidance in an area of the law that is continuing to develop nationwide.

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