

BLOGS

Trademarks

Franchisee's Adoption and Use of Trademark Inures to Franchisor

In *Pinnacle Pizza Co., Inc. v. Little Caesar Enterprises, Inc.*, 2008 WL 2381678 (D.S.D. June 5, 2008), a Little Caesar's® pizza franchisee sued the franchisor for claims related to the franchise system's use and federal registration of the trademark HOT N' READY. The franchisee began using the mark HOT N' READY in 1997 to advertise promotional offers for ready-to-takeaway pizza. Based on the success of the promotion, the franchisee shared the promotional concept with other franchisees. In 2000, the franchisor began distributing an implementation guide for the promotion and, in 2002, it filed an application for federal registration of the mark, claiming a date of first use of 1997. The franchisee filed this lawsuit, asserting that the wider adoption of the mark in the system, and the federal registration of the mark by the franchisor, constituted breach of contract, breach of fiduciary duty and violation of South Dakota trademark law.

The federal district court in South Dakota granted the franchisor's motion for summary judgment on each of the franchisee's claims. The court noted that the franchise agreement defined trademarks to include all marks "presently existing or to be acquired in the future" and that use of trademarks by the franchisee inures to the benefit of the franchisor. As such, the court held that the franchisor's use of the mark HOT N' READY throughout the franchise system and its application for registration based on the franchisee's use in 1997 were permissible under the franchise agreement.