

**BLOGS**

## Preliminary Injunctions

## New York Federal Court Enjoins Former Subway Franchisee From Using Similar Marks After Termination

A federal court in New York granted Doctor's Associates LLC and Subway IP LLC (collectively, "Subway") a preliminary injunction prohibiting a former franchisee, Abdul Hai, from using Subway's marks and materials after Hai's franchise agreement had been terminated. *Doctor's Assocs. LLC v. Hai*, 2019 WL 2385597 (E.D.N.Y. June 4, 2019). Subway commenced an action in April 2019 after Hai's Subway franchise agreement was terminated, but Hai nonetheless continued operating a sandwich shop using marks and materials that Subway claimed were confusingly similar or identical to Subway's marks. Subway alleged that Hai's conduct violated the Lanham Act and the U.S. Copyright Act. Subway moved for both a temporary restraining order and an order preliminarily enjoining Hai from using any infringing marks or materials. The district court denied the motion for a temporary restraining order, and referred the motion for a preliminary injunction to a magistrate judge for a report and recommendation. The magistrate judge recommended Subway's motion for a preliminary injunction be granted, and that Subway be required to post a \$30,000 bond to cover Hai's potential damages should the preliminary injunction ultimately lack merit. Hai filed no objections to the report and recommendation, while Subway objected to the requirement to post bond. At some point after Subway brought the action against Hai, Hai ceased operating his sandwich shop and vacated the premises.

The district court adopted the report and recommendation in part and granted the preliminary injunction, but declined to require Subway to post a bond. Despite the fact that Hai ceased operations of his sandwich shop and abandoned the premises, the district court held that the case was not moot. Subway argued the preliminary injunction was still necessary to prevent Hai from opening another sandwich shop using the same infringing marks and materials. The court stated that a case is only mooted by a defendant's voluntary conduct if (1) there is not a reasonable expectation that the alleged violation will recur and (2) interim relief or events have completely eradicated the effects of the alleged violation. The court reasoned that Hai's voluntary change in conduct did not render the case moot in this instance because the alleged violation could still reasonably recur. The district court reasoned that a bond was unnecessary in this case because Subway would likely succeed on the merits, and therefore, it was unlikely that Hai would later be entitled to damages resulting from a wrongful preliminary injunction.

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