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BLOGS

Damages

Ohio Federal Court Awards Damages to Matco for Breach of Contract, Trademark Infringement, and Misappropriation of Trade Secrets

A federal court in Ohio has granted a franchisor's unopposed motion for summary judgment against a former franchisee, awarding damages for the franchisee's attempt to continue to use Matco's marks and trade secrets after termination. *Matco Tools Corp. v. Urquhart*, 2020 WL 364242 (N.D. Ohio Jan. 22, 2020). In July 2014, Urquhart entered into a distributorship agreement with Matco. In March 2019, Urquhart effectively stopped buying tools from Matco, even though his truck still bore the trademarked Matco logos, and he was still servicing the "List of Calls and Potential Customers" provided to him by Matco. Given Urquhart's purported abandonment of his Matco distributorship, Matco terminated the distributorship. In contravention of the post-termination restrictions contained in the agreement, Urquhart continued to sell non-Matco tools to the customers on the List of Calls provided to him by Matco, and to use Matco's marks in the operation of his competing business.

Matco filed suit for breach of the post-termination obligations, federal trademark infringement, and misappropriation of trade secrets. The court found that Matco was entitled to judgment as a matter of law on all three counts. The court held that there was no genuine issue of material fact as to whether Urquhart breached the nonsolicitation covenant in the agreement by continuing to call on Matco customers after the agreement was terminated. The court also found that Urquhart's continued, posttermination use of the Matco marks while operating his competing business caused customer confusion and constituted trademark infringement. Finally, the court found that Matco's List of Calls contained trade secrets entitled to protection under Ohio law. Because the record demonstrated that Urquhart relied on these trade secrets when he continued to call on Matco customers without Matco's permission, Matco was also entitled to judgment as a matter of law on that count. The court granted Matco's summary judgment motion in all respects with leave for Matco to file a petition for costs and attorney's fees under the contract. Lathrop GPM served as counsel for Matco in this action.

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