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Post-Termination Injunctions: Trademarks

Preliminary Injunctions to Enforce Termination and Enjoin Use of Trademarks Deemed Prohibitory, Not Mandatory

In *Dunkin' Donuts Franchised Restaurants, LLC, et al. v. Fatima & Ali, Inc., et al.*, Case No. 09-60793-WPD (S.D. Fla. Aug. 14, 2009), a Florida federal court last month entered a preliminary injunction prohibiting the franchisees from infringing on Dunkin' Donuts' trademarks after termination for failure to pay franchise and advertising fees.

The court found that Dunkin' Donuts demonstrated a likelihood of success on the merits of its claims. The franchisees had argued that because Dunkin' Donuts sought a preliminary injunction to cease use of its trademarks, the injunction was "mandatory" in nature and, therefore, disfavored because it disrupted the "status quo" and required the franchisees to drastically alter the appearance of their shops. The court disagreed, finding that the injunction was merely "prohibitory" under Eleventh Circuit caselaw because it was intended to restrain the franchisees from operating the franchise and using the marks. As a result, the court evaluated the merits of the case under the usual "likelihood of success" standard rather than requiring Dunkin' Donuts to meet the higher burden of showing a "clear likelihood of success." The franchisees also argued that Dunkin' Donuts waived its right to terminate the franchise agreements because the franchisees continued to use the trademarks after receiving a notice of termination. In rejecting this argument, the court held that Dunkin' Donuts' policy of allowing a franchisee to remain in a shop until a court orders otherwise does not constitute a waiver. Further pointing to the anti-waiver language in the franchise agreements, the court found no clear and unequivocal waiver. Although the case involved monetary damages, the court found irreparable injury from unlicensed use of the marks.