

STATE OF MICHIGAN
IN THE 17th CIRCUIT COURT FOR KENT COUNTY

C.D. MOMBER SALES, LLC, d/b/a
SPARTA TOWING & RECOVERY,
a Michigan limited liability company,

Plaintiff,

vs.

SPARTAN TOWING, INC., a
Michigan corporation,

Defendant.

Case No. 14-02568-CZB

HON. CHRISTOPHER P. YATES

OPINION AND ORDER GRANTING PRELIMINARY INJUNCTION

Although this dispute does not rise to the level of the Wars of the Roses, the cousins' war in this case over the names of towing companies in Sparta, Michigan, has reached a pitch reminiscent of the struggle between the houses of Lancaster and York for the throne of England. In 2009, Chad Momber filed articles of organization for Sparta Towing and Recovery LLC ("Sparta Towing"). See Hearing Exhibit 2. Despite a merger in 2013 combining Sparta Towing and another entity to form Plaintiff C.D. Momber Sales, LLC ("CDM"), see Hearing Exhibit 3, for years Momber has operated Sparta Towing at 100 Loomis Street in the Village of Sparta. On January 19, 2011, Momber's first cousin, Russell Kutzli, filed a certificate of assumed name claiming Spartan Towing Inc ("Spartan Towing") as an operating moniker for Kutzli Enterprises Inc. See Hearing Exhibit 8. When Spartan Towing trucks hit the roads in competition with Sparta Towing, CDM filed this lawsuit and moved for injunctive relief to prevent Spartan Towing from operating under its assumed name. Thus, the Court must resolve the cousins' competing claims.

I. Factual Background

The Village of Sparta is a small, charming community located on the northern edge of Kent County. The 4,140 residents of Sparta have two choices in local towing services – Sparta Towing and Spartan Towing – that not only bear strikingly similar names, but also conduct business within a few blocks of each other. The distinctive red trucks of Sparta Towing carry the name of the Village of Sparta; the blue trucks of Spartan Towing bear the likeness of the local high school’s mascot, the Sparta Spartan. Compare Hearing Exhibit B (Sparta Towing truck) with Hearing Exhibit D (Spartan Towing trucks). Consequently, each competitor can lay claim to a share of Sparta’s local heritage, but the evidence presented at the hearing on April 9, 2014, leaves no doubt that the two names have engendered substantial confusion among the local populace.

On March 24, 2014, Plaintiff CDM filed this action and requested injunctive relief barring use of the name “Spartan Towing.” Proceeding on a common-law unfair-competition theory, CDM contends that Defendant Spartan Towing’s use of its name irreparably dilutes the value of the “Sparta Towing” name selected years ago by CDM. On April 9, 2014, the Court held a hearing on CDM’s request for a temporary injunction. After the hearing, Spartan Towing filed supplemental documents and CDM responded with an objection to those submissions. Based upon the record developed at the hearing, the Court must address CDM’s request for injunctive relief.

II. Legal Analysis

In resolving the motion by Plaintiff CDM for a preliminary injunction preventing Defendant Spartan Towing from using a name similar to “Sparta Towing,” the Court must bear in mind that an injunction “represents an extraordinary and drastic use of judicial power that should be employed

sparingly and only with full conviction of its urgent necessity.” Davis v Detroit Financial Review Team, 296 Mich App 568, 613 (2012). CDM bears “the burden of establishing that a preliminary injunction should be issued.” MCR 3.310(A)(4). Our Court of Appeals “has identified four factors to consider in determining whether to grant a preliminary injunction.” Davis, 296 Mich App at 613.

Those four factors are as follows:

(1) the likelihood that the party seeking the injunction will prevail on the merits, (2) the danger that the party seeking the injunction will suffer irreparable harm if the injunction is not issued, (3) the risk that the party seeking the injunction would be harmed more by the absence of an injunction than the opposing party would be by the granting of the relief, and (4) the harm to the public interest if the injunction is issued.

Id. Injunctive relief is only appropriate if “there is no adequate remedy at law, and there exists a real and imminent danger of irreparable injury.” Id. at 614 (internal quotation marks omitted).

A. Likelihood of Success on the Merits.

Michigan recognizes common-law trademark protection.¹ See Lewis v Trinklein, 304 Mich 542, 552-553 (1943). Under such a theory, an injunction is “appropriate when a business competitor has adopted a name that is confusingly similar to one already being used by another business and the similarity likely or probably results in confusion among consumers who are using ordinary care.” Fall v Loudon, No 275519, slip op at 10 (Mich App Feb 12, 2008) (unpublished decision), citing Boron Oil Co v Callanan, 50 Mich App 580, 584 (1974). “Actual confusion of customers, clients, or the public at large does not need to be shown; it is sufficient if the acts of the defendant indicate

¹ Michigan also “has a trademark registration statute, Mich Comp Laws §§ 429.33, .34, .35, .42, and it is not preempted by the Lanham Act because it does not limit federal rights.” Guaranty Bank v Chubb, 538 F3d 587, 593 (7th Cir 2008). Presumably, then, Michigan common-law claims for trademark infringement likewise are not preempted by any federal statutory scheme such as the Lanham Act.

that probable confusion will occur.” Boron Oil, 50 Mich App at 584. Here, the record developed at the evidentiary hearing establishes a significant level of actual confusion.² In addition, the record indicates that the two businesses operate within a few blocks of each other. Finally, Spartan Towing has chosen the website “www.towingspartami.com,” which does not even contain the word “spartan” and seems remarkably similar to CDM’s website, “www.spartatowing.com.” See Hearing Exhibit 4. Thus, the evidence demonstrates that Defendant Spartan Towing has chosen both a name and a website strikingly similar to the name and website of its nearby competitor. This showing gives rise to a strong likelihood that CDM will succeed on the merits of its unfair-competition claim.

B. Irreparable Harm.

Federal courts have held that, in “cases involving trademark infringement, a presumption of irreparable injury is generally applied once the plaintiff has demonstrated a likelihood of confusion, the key element in an infringement case.” Scotts Co v United Industries, Corp, 315 F3d 264, 273 (4th Cir 2002). Although Michigan courts have yet to acknowledge that irreparable harm may be presumed when there exists a likelihood of confusion between trade names, the Court embraces the reasoning of the federal decisions in that regard. The common-law claim for unfair-competition in Michigan rests upon the seemingly self-evident proposition that use of a confusingly similar trade name dilutes the strength of the original name. That proposition seems especially applicable when, as in this case, the confusingly similar name has been adopted by a competitor of the original name’s user. See Boron Oil, 50 Mich App at 584. Thus, the Court finds that CDM has shown a significant danger of irreparable harm if Spartan Towing is allowed to continue using its name.

² Even counsel for Defendant Spartan Towing has conceded that “there might be confusion between “Spartan Towing” and “Sparta Towing[.]” See Letter Brief (April 15, 2014).

C. Balance of Harms to the Opposing Parties.

Defendant Spartan Towing's most compelling argument concerns the balance of harms. If the Court orders Spartan Towing to discontinue using its name, Spartan Towing will have to incur costs in repainting its fleet of trucks and replacing advertising materials such as restaurant place mats and magnets that bear its name. The significance of these expenses cannot be gainsaid, see Answer, Exhibit (Affidavit of Russell Kutzli), but courts have regularly ordered such measures to prevent the dilution of original trade names. Indeed, the one-time expenditure imposed upon Spartan Towing pales in comparison to the long-term harm visited upon Plaintiff CDM's valuable trade name in the absence of injunctive relief. But Spartan Towing insists that its harm includes a temporary loss of the ability to operate because it obtained a Michigan motor carrier certificate under the name "Kutzli Enterprises Incorporated, d/b/a Spartan Towing, Inc." See Hearing Exhibit G. To be sure, towing for commercial purposes in Michigan requires a state-issued certificate. But Michigan law permits the issuance of a temporary authorization during the pendency of an application for a certificate, e.g., Hearing Exhibit H, and Spartan Towing will not be enjoined from operating under the name "Kutzli Enterprises Incorporated" that appears on its current certificate. See Hearing Exhibit G. Therefore, the Court cannot conclude that the balance of harms tilts in favor of Spartan Towing.³

³ Defendant Spartan Towing makes much of Plaintiff CDM's delay in asserting its right to protection of its trade name, but the length of delay has no bearing upon the propriety of injunctive relief. The United States Court of Appeals for the Seventh Circuit noted in its famous "Sign of the Beefeater" ruling that, "[b]y reason of laches, a plaintiff in a trademark infringement action may lose the right to recover damages or wrongfully derived profits during the period prior to the filing of suit," but "the plaintiff may still be entitled to injunctive relief" because trademark infringement "is a continuous wrong and, as such, gives rise to a claim for relief as long as the infringement persists." James Burrough Ltd v Sign of the Beefeater, Inc., 572 F2d 574, 578 (7th Cir 1978). Therefore, any delay by CDM in asserting its right to protection comes into play in assessing damages, but not in determining whether to issue injunctive relief. So long as Spartan Towing uses its chosen name, CDM has the right to seek an injunctive order prohibiting the use of that name.

D. Potential Harm to the Public Interest.

The prospect of harm to the public interest takes only one form in this case: confusion among consumers of towing services in the Sparta area. Consumers should be able to ascertain which of the competing towing services they are engaging. Under current circumstances, even sophisticated consumers encounter substantial confusion. That situation simply cannot persist. Consequently, the Court concludes that the public interest requires some form of injunctive relief that distinguishes the two towing competitors in the Village of Sparta from one another.

III. Conclusion

For all of the reasons set forth in this opinion, **IT IS ORDERED that Defendant Spartan Towing, Inc., shall not hold itself out to the public, advertise, or conduct any business under the name “Spartan Towing” until the Court formally lifts this injunctive order.** To enable the defendant to comply with this order by making all necessary changes to its equipment, advertising, and perhaps its state motor-carrier authorization, **IT IS FURTHER ORDERED that the terms of this injunction shall not go into effect until 5:00 P.M. on Monday, June 9, 2014.** The case shall be set for a pretrial conference on the earliest available date, and a trial on the merits shall take place within 6 months of the entry of this order. See MCR 3.310(A)(5).

IT IS SO ORDERED.

Dated: May 22, 2014



HON. CHRISTOPHER P. YATES (P41017)
Kent County Circuit Court Judge