



BLOGS

Post-Termination Injunctions: Noncompetes

Arizona Federal Court Grants Temporary Restraining Order and Preliminary Injunction Against Former Franchisee for Violation of Noncompete

A federal court in Arizona recently granted franchisor LeTip World Franchise's motion to temporarily restrain and preliminarily enjoin a former franchisee from operating a competing business. *LeTip World Franchise, LLC v. Long Island Social Media Group LLC*, WL 380985 (D. Ariz. Feb. 1, 2024).

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The court granted the motion based upon the alleged breach of the noncompete provision. The court found that the post-termination restrictive covenants were reasonable in both time and geographic scope. The court reasoned that: (i) two years was a sufficiently narrow window of time to protect LeTip's goodwill and customer relations within LISMG's former territory without restraining LISMG from pursuing a new business venture; and (ii) the geographic restriction served to protect LeTip's established relationship with existing customers within the territory. However, the court found the noncompete was too broad to the extent that it purported to prohibit competition near *other* LeTip territories. The court further found that LeTip would suffer irreparable harm from LISMG's breach of the noncompete as a result of the loss of current and prospective customers and goodwill. This harm outweighed the loss of revenue that LISMG could suffer if enjoined. Finally, the court held that the public interest is served by enforcing the reasonable terms as written and agreed to by the parties and public policy weighs in favor of granting the motion.

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