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## BLOGS

Post-Termination Injunctions

# Bankruptcy Stay Prevents Injunctive Relief Against Franchisee's Corporate Operating Company

The United States District Court for the District of Maryland recently granted in part and denied in part a franchisor's motion for a preliminary injunction against a terminated individual franchisee, but declined to enjoin the franchisee's corporate operating company. *Ledo Pizza Sys., Inc. v. Singh*, 2013 U.S. Dist. LEXIS 153110 (D. Md. Oct. 24, 2013). After being terminated for failing to pay past due royalties and fees, Singh, a former franchisee of the Ledo Pizza chain, opened a competing pizza franchise at the same location as his former Ledo Pizza restaurant. Ledo filed a motion for preliminary injunction seeking to enjoin Singh's continued use of Ledo's trademarks and to enforce the franchise agreement's post-termination covenant against competition as well as other post-termination obligations.

The court first ruled in Ledo's favor by enjoining Singh from infringing on Ledo's trademarks and operating a competing pizza business. The court, however, also denied Ledo injunctive relief as to other post-termination obligations under the franchise agreement, such as returning copies of Ledo's operating manual and modifying the restaurant's interior. According to the court, the scope of the injunctive relief granted was sufficient to remedy Ledo's primary injuries. The court also reaffirmed its previous denial of injunctive relief against Singh's corporate operating company, which was in bankruptcy proceedings, due to the automatic stay of litigation triggered by such proceedings. It is unclear from the opinion whether the court's denial of relief against the corporate defendant would result in the competing business continuing its operations under the management of the corporate defendant.

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