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## BLOGS

### Preliminary Injunctions

# California Court of Appeal Upholds Order Dissolving Preliminary Injunctive Relief in Favor of Franchisee

A California Court of Appeal recently affirmed a trial court's ruling that subsequent evidence of franchisee misconduct warranted the dissolution of a preliminary injunction. *Husain v. McDonald's Corp.*, 2013 Cal. App. Unpub. LEXIS 9072 (Cal. Ct. App. Dec. 17, 2013). Early in the litigation, in which the franchisees were seeking to prevent the termination of three of their franchises, both parties moved for preliminary injunctions. The trial court granted the franchisees' motion, concluding that there was a reasonable likelihood that the franchisees would prevail on the merits and that, given the financial burden that the loss of income would impose, the balance of harms weighed in the franchisees' favor. Later, evidence uncovered during discovery strongly suggested that the franchisees had falsified records and testified untruthfully. Upon a motion by McDonald's, the trial court dissolved its grant of preliminary injunctive relief in the franchisees' favor, granted McDonald's a preliminary injunction, and ordered sanctions dismissing the franchisees' complaint with prejudice.

In two separate opinions, the California Court of Appeal affirmed the trial court's preliminary injunction reversal, but vacated the sanctions and ordered a new trial. The Court of Appeal held that the trial court had not abused its discretion when, after reassessing the franchisees' credibility, it determined that the franchisees were no longer likely to succeed on the merits. Nor did the trial court abuse its discretion by concluding that discovery revelations concerning the franchisees' financial stability undercut the court's original balance of harms analysis. In vacating the sanctions, however, the Court of Appeal held that the ability of McDonald's to bring the franchisees' misconduct to the jury's attention through cross-examination adequately preserved the trial's fairness.

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