

BLOGS

Post-Termination Injunctions: Noncompetes

Court Enjoins Franchisees' Post-Termination Trademark Infringement but Declines to Enforce Noncompete Agreement

The United States District Court for the District of Massachusetts granted a franchisor's motion for a preliminary injunction seeking to prevent a group of holdover franchisees from using its trademarks, but permitted the franchisees to continue operating their business as an unaffiliated convenience store until a full adjudication on the merits. *7-Eleven, Inc. v. Grewal*, 2014 U.S. Dist. LEXIS 163712 (D. Mass. Nov. 20, 2014). 7-Eleven terminated the parties' franchise relationship after an investigation revealed that Grewal had falsified its sales data by incorrectly ringing and failing to ring customer transactions. Grewal nevertheless continued to operate the store using 7-Eleven's trademarks. 7-Eleven sought a preliminary injunction to enjoin the infringement, and to enforce the one-year noncompete clause prohibiting Grewal from operating a convenience store at the site of the franchise.

The court first held that 7-Eleven satisfied the elements for injunctive relief with respect to its trademark infringement claim. 7-Eleven demonstrated through witness testimony and video surveillance footage that Grewal failed to accurately prepare and furnish its sales data and that termination of the franchise agreement was therefore warranted. The court also determined 7-Eleven would suffer irreparable harm from the infringement because it would be unable to protect the quality of its brand. However, the court denied the motion insofar as it sought to enforce the noncompete provision, finding that 7-Eleven had failed to establish that it would suffer irreparable harm if Grewal was permitted to operate a competing convenience store in the same location without using the 7-Eleven marks. The court further reasoned that the balance of hardships weighed in Grewal's favor because it would be forced out of business, whereas 7-Eleven's damages were measurable.

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