

BLOGS

Post-Termination Injunctions: Noncompetes

Court Grants Injunction Requiring Franchisees to Stop Violating Covenant Not to Compete

A North Carolina federal court recently held that a franchise is a legitimate interest that warrants protection by a covenant not to compete. *Econo-Lube N' Tune, Inc. v. Orange Racing, LLC*, 2012 U.S. Dist. LEXIS 129219 (W.D.N.C. Sept. 10, 2012). The franchisees operated an Econo-Lube franchise and had agreed not to compete or have an interest in any similar business. When the franchisor learned the franchisees had an interest in a competing business, the franchisor served them with a notice of default. The franchisees then abandoned the franchise but began operating the same business within a mile of their former location. The franchisor sued and moved for an injunction, which the court granted after the franchisees and their attorneys failed to appear at the hearing. In its opinion, the court decided that the franchisor was likely to prevail. According to the court, the franchisor would be irreparably harmed if its former franchisees are allowed to continue operating. It would also deprive the franchisor of the customers that were established during the franchise relationship and make it harder to place a reputable franchisee in the area.

Related People

Maisha Frank

Partner

Washington, D.C.

202.295.2209

maisha.frank@lathropgpm.com