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BLOGS

Post-Termination Injunctions: Noncompetes

Court Holds Franchisee in Contempt for Violation of Injunction

A Pennsylvania district court judge held a former franchisee in contempt for “blatantly violating” the court’s injunction order and continuing to operate a competing business after termination of a franchise agreement. In *Marblelife, Inc. v. Stone Resources, Inc.*, 2012 U.S. Dist. LEXIS 68223 (E.D. Pa. May 16, 2012), Stone Resources was a Marblelife franchisee in the business of restoring and repairing granite surfaces until the agreement expired in April 2010. The franchisee and its principal agreed that, upon expiration, they would not operate a competing business for two years, would transfer the store’s telephone numbers, and would transfer other business and customer information to the franchisor. When the defendants failed to comply with those obligations, Marblelife obtained an injunction enforcing them.

The defendants did not comply with the injunction and instead participated in a scheme to divert customers to another shell entity operated by family members and to conceal it from the franchisor. They continued to use the same phone numbers and email addresses and failed to turn over all customer information to the franchisor. In the meantime, the franchisee’s principal continued to provide the same services using the customer lists, changing only the name on the invoice. All the while, that principal repeatedly represented to the court that he was not involved in the operation of a competing business. The court found those actions to be in blatant violation of its injunction order and held the franchisee and its principal in contempt. The contempt order required the defendants to produce all of the business and computer records within 48 hours and awarded costs to Marblelife.