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BLOGS

Post-Termination Injunctions: Noncompetes

Federal Court Declines to Enter Preliminary Injunction to Enforce Covenant Against Competition

The United States District Court for the District of New Jersey also recently refused to grant injunctive relief to enforce a covenant against competition contained in a franchise agreement. In *Lawn Doctor, Inc. v. Rizzo*, 2012 U.S. Dist. LEXIS 89678 (D.N.J. June 27, 2012), the franchisor sought a preliminary injunction requiring the defendant franchisees to comply with their post-termination obligations. The parties agreed to all the relief sought by Lawn Doctor, except enforcement of the covenant that required the franchisees to refrain from operating a competing business in their territory or any other franchisee's territory for a period of eighteen months after termination.

The court considered whether Lawn Doctor was likely to succeed on the merits of its claim by analyzing whether the covenant was likely to be enforced under New Jersey law. Citing a case involving a restrictive covenant in an employment agreement, the court held that a covenant could be enforced if it protects the legitimate interests of the employer, imposes no undue hardship on the employee, and is not injurious to the public. A covenant also must be reasonably tailored in time, geographic limits, and scope of activities restricted. The court determined that Lawn Doctor had a legitimate interest in protecting its trade secrets, confidential information, customer information, and goodwill. However, it found the geographic scope of the covenant to be unreasonable and not tailored to protect Lawn Doctor's legitimate interests because it would prevent the franchisees from operating a competing lawn care business in 38 states. The court also declined to blue pencil the covenant to reduce its geographic scope because the parties did not present any evidence on that issue.