

**BLOGS**

Post-Termination Injunctions: Noncompetes

Franchisor Fails to Secure Trade Dress and Noncompete Injunction Against Ex-Franchisee

The U.S. District Court for the Western District of Wisconsin has denied a franchisor's renewed motion for a preliminary injunction against its former franchisee, holding that the franchisor failed to show that its trade dress was entitled to protection or that the ex-franchisee's potential violation of the noncompete provision in its franchise agreement posed a threat of irreparable harm to the franchisor. *E&G Fran. Sys., Inc. v. Janik*, 2018 WL 5630589 (W.D. Wis. Oct. 31, 2018). E&G Franchise Systems operates and licenses others to operate Erbert and Gerbert's Sandwich Shop restaurants. The Janik Group previously operated an Erbert and Gerbert's in Plano, Texas. E&G terminated Janik's franchise agreement and sued Janik when it failed to close its restaurant. After E&G filed a motion for a preliminary injunction, Janik removed E&G's marks from its restaurant but opened a new restaurant serving sandwiches, salads, and soup at the same location. In response, E&G filed a renewed motion for a preliminary injunction based on Janik's continued use of E&G's trade dress and violation of the noncompete provision of the franchise agreement.

The court found that E&G failed to demonstrate that it was likely to succeed on the merits of its trade dress claim. The court noted that, while E&G had registered a number of its trademarks, it had not registered its trade dress. Further, E&G had failed to actually describe specific elements of its trade dress in its court filings, referring instead to a "combination of interior lighting fixtures," "the layout of the counter space," and "the color scheme of the location." E&G further failed to show that its trade dress was not functional, and Janik submitted evidence showing inconsistencies in trade dress between different Erbert and Gerbert's locations. With respect to E&G's noncompete claim, the court found that the lack of other Erbert and Gerbert's restaurants near Plano meant that Janik's operation of a new restaurant could not divert customers from or compete with any existing Erbert and Gerbert's restaurants. The court discounted E&G's suggestion that it would have difficulty attracting another franchisee to an area where a competitor was already operating by pointing to the recent closure of E&G's other two Texas restaurants. E&G also made no representation that it was attempting to attract another franchisee to the area. As a result, the court found that E&G had either failed to show a protectable business interest justifying the noncompete provision or failed to demonstrate irreparable harm resulting from Janik's business. Therefore, E&G failed to establish an adequate basis for a preliminary injunction.

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based on either the appearance of Janik's new restaurant or Janik's potential violation of the noncompete provision of the franchise agreement.