

BLOGS

Preliminary Injunctions

Franchisor Obtains Injunction Against Former Franchisee

In another case involving Little Caesar, a federal district court in Michigan granted the franchisor a preliminary injunction against a former multi-unit franchisee. *Little Caesar Enters., Inc. v. Miramar Quick Serv. Rest. Corp.*, 2019 WL 3219844 (E.D. Mich. July 16, 2019). Gray Plant Mooty also represented Little Caesar in this case. Miramar was a franchisee of four Little Caesars franchises in Connecticut and Massachusetts. The franchise agreements required Miramar to purchase all products and supplies from Little Caesar's affiliate, Blue Line Foodservice Distribution, and provided that if Miramar failed to make payments to Blue Line, then Little Caesar and Blue Line could suspend or refuse shipments until payments were made in full or require Miramar to pay cash-on-delivery. After five payments to Blue Line for two of Miramar's restaurants were returned for insufficient funds, Blue Line instructed the restaurants to pay cash-on-delivery. Later, in January 2018, the other two locations were moved to prepayment terms after all four stores had 18 instances of insufficient funds in 18 months. At the same time, throughout 2017, Miramar had committed critical operational defaults at the restaurants. This led Little Caesar to terminate the franchise agreements in February 2018. Little Caesar sent supplemental notices of termination in January 2019 stemming from Miramar's failure to report gross sales and pay the required royalty and advertising fees.

Following termination, Little Caesar filed a motion for preliminary injunction to enjoin Miramar from (1) continuing to operate the restaurants, (2) infringing on Little Caesar's trademarks and engaging in unfair competition, and (3) violating the post-termination obligations in the franchise agreements. Miramar did not dispute the bulk of Little Caesar's allegations, but instead took the position that Little Caesar "created the conditions" that resulted in Miramar's default by allowing Blue Line to allegedly overcharge or create artificial late charges, and alleged discrimination and retaliation by Little Caesar. Miramar sought its own injunction to prevent Little Caesar from enforcing the terminations and to prevent Blue Line from overcharging or imposing artificial late charges. The court held that Little Caesar satisfied each requirement for a preliminary injunction and granted its motion. Importantly, the court held that Little Caesar was likely to prevail on its breach of contract claims because it sufficiently documented numerous instances of Miramar's serious violations of the franchise agreements that permitted termination. In contrast, the court denied Miramar's motion, finding that it had not demonstrated a likelihood of success on the merits of any of its claims.

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