

**BLOGS**

Preliminary Injunctions

Illinois Federal Court Awards Franchisor Preliminary Injunction and Compels Arbitration

An Illinois federal court recently granted a franchisor's motion for a preliminary injunction and two motions to compel arbitration against its former franchisee. *BrightStar Franchising, LLC v. Northern Nevada Care, Inc.*, 2018 WL 4224454 (N.D. Ill. Sept. 4, 2018). BrightStar, a franchisor of home-based health services, entered into a franchise agreement with Northern Nevada Care (NNC) pursuant to which NNC had the right to provide in-home medical care in the Carson City, Nevada area. After BrightStar learned that NNC was providing services to a customer living in another franchisees' territory, it informed NNC that it would have to turn the client over to the other franchisee and pay restitution. In response, NNC informed BrightStar that it was terminating the agreement. NNC then continued operating an in-home medical service company under a different name. BrightStar sued and sought injunctive relief to stop NNC's violation of the noncompete clause. NNC brought a counterclaim against BrightStar for fraud and, at the same time, filed a complaint alleging fraud against BrightStar in Nevada state court. BrightStar subsequently moved to compel arbitration of both claims pursuant to an arbitration provision in the franchise agreement.

The court granted BrightStar's motion for a preliminary injunction after NNC failed to contest the merits of BrightStar's noncompete claim. In addition, the court compelled the parties to arbitrate both the state court fraud claim and the fraud counterclaim. NNC did not contest the validity of the arbitration provision but, instead, contested the court's jurisdiction to compel arbitration because the amount in controversy did not exceed \$75,000. The court observed that NNC's alleged damages amounted to \$50,000, and that the value of the rescission relief requested in the complaint was greater than \$30,000. Therefore, the amount in controversy requirement was satisfied.

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