

BLOGS

Preliminary Injunctions

Illinois Federal Court Denies Temporary Restraining Order Seeking to Prevent Termination While Litigation Was Pending

A federal court in Illinois denied a motion to temporarily restrain franchisor Seva Beauty from terminating franchise agreements based on the franchisee's failure to pay weekly royalty payments while a dispute with the franchisor was pending.

A federal court in Illinois denied a motion to temporarily restrain franchisor Seva Beauty from terminating franchise agreements based on the franchisee's failure to pay weekly royalty payments while a dispute with the franchisor was pending. *Sashital v. Seva Beauty, LLC*, 2021 WL 1222895 (N.D. Ill. Mar. 31, 2021). The plaintiffs, who were current and former Seva franchisees, filed a class action lawsuit alleging that the franchisor fraudulently induced them to purchase franchises by withholding financial information and misrepresenting aspects of the business. Because the franchisees were struggling to pay the minimum royalty payments required under their franchise agreements, they asked the district court for an injunction preventing Seva from terminating the franchisees based on nonpayment of royalties during the litigation.

The court denied the motion, concluding that the franchisees failed to show that they would suffer irreparable harm absent an injunction — if the franchise agreements were terminated, it was not clear that money damages would be an insufficient to remedy. The franchisees argued that without an injunction, they were at risk of losing their businesses while pursuing litigation. The court, however, rejected this argument, noting that it was inconsistent with the franchisees' claim that their franchises were destined to fail from the start due to Seva's misrepresentations. The court reasoned that the franchisees didn't provide evidence that keeping the franchises open offered some intangible value that could not be remedied by money damages, and because money damages could remedy the alleged harm, injunctive relief was unnecessary. Additionally, the court determined that one franchisee lacked standing to pursue the motion because the franchisor had previously terminated this franchisee's franchise agreement, therefore, that franchisee would not receive any relief from the injunction.

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