

**BLOGS**

Post-Termination Injunctions: Noncompetes

Indiana Federal Court Enforces Noncompete Against Former Steak N Shake Franchisee

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A federal court in Indiana recently granted a motion by Steak N Shake to temporarily restrain a former franchisee from operating a competing business. *Steak N Shake Enters. v. iFood, Inc.*, 2021 WL 3772012 (S.D. Ind. Aug. 25, 2021). After its Steak N Shake franchise agreements and area development agreement were terminated, iFood and its principals converted their former franchises to “Sean’s Shack” restaurants (the anglicized version of one of the principal’s names), which allegedly offered similar menu items as Steak N Shake. Steak N Shake sued and moved for a temporary restraining order enjoining iFood from infringing on Steak N Shake’s trademarks and from violating the franchise agreements’ posttermination noncompete provision. While iFood initially failed to fully de-brand the restaurants, the court noted that the trademark issue was likely moot because iFood subsequently completed the de-branding process.

The court granted the motion based upon the alleged breach of the noncompete provision. In doing so, it rejected iFood’s argument that the noncompete was overbroad and unenforceable and concluded that Steak N Shake had a protectable interest in refranchising the territory, even though there were no Steak N Shake restaurants in the region at the time. The court further found that Steak N Shake would suffer irreparable harm from iFood’s breach of the noncompete as a result of the loss of customer goodwill, unfair competition, and the threat to the stability of the franchise system if the noncompete could not be enforced. This harm outweighed the loss of income that iFood stood to suffer from an injunction. Finally, the court held that the public’s interest in the enforcement of contractual commitments also weighed in favor of granting the motion.

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