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BLOGS

Preliminary Injunctions

Maine Federal Court Denies Franchisor's Motion For TRO

The U.S. District Court for the District of Maine recently denied a franchisor's motion for a temporary restraining order to stop its former franchisee from operating a new business following the expiration of the parties' franchise agreement. *Toddle Inn Franchising, LLC v. KPJ Assocs. LLC*, 2018 WL 3676826 (D. Me. Aug. 2, 2018). The parties had entered into a franchise agreement that permitted KPJ to open and operate a Toddle Inn childcare center. When the franchise agreement expired in July 2016, the parties did not renew the contract. Nonetheless, KPJ continued to operate as a Toddle Inn location, paid royalties, and abided by some of the other terms of the franchise agreement until July 2018, when KPJ told Toddle Inn that it planned to close and reopen as Kennebunk Children's Academy. Toddle Inn then sued KPJ and sought a TRO to enforce the agreement's two-year post-termination noncompete provision.

The court determined that Toddle Inn failed to establish a likelihood of success on the merits because it could not prove that the franchise agreement remained in effect after July 2016 and that the parties had implicitly agreed to extend the noncompete provision. Among other things, statements made by Toddle Inn's CEO indicated that KPJ was operating "at will" and was "not eligible to renew" the franchise agreement until it complied with the agreement's terms. The court also held that Toddle Inn failed to identify a hardship comparable to the hardship KPJ would suffer if Kennebunk Children's Academy were forced to close. Further, because families who brought their children to Kennebunk's Children Academy would suffer as a result of any TRO, the public interest weighed against granting the motion.

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