

BLOGS

Injunctive Relief

Minnesota Federal Court Grants Franchisor's Motion for Preliminary Injunction for Noncompete and Lanham Act Violations by Out-of-State Franchisee

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A federal court in Minnesota recently granted franchisor Snap Fitness Inc.'s motion for preliminary injunction against an out-of-state franchisee that announced its intentions to open a competing gym during the term of the parties' franchise agreement and violated the Lanham Act. *Snap Fitness, Inc. v. Scenic City Fitness, Inc.*, 2024 WL 4528877 (D. Minn. Oct. 18, 2024). In June 2024, with two years remaining under its franchise agreement, Scenic City Fitness, Inc. and owner Gary Blankenship, Jr. announced on their Snap Fitness franchise Facebook page that "over the next 30 days we're going to be de-branding from Snap Fitness and transferring over to our own independent gym Scenic City Fitness 24/7." The defendants also promoted a new logo featuring the name of the competing gym "break[ing] through" the Snap Fitness logo. After the defendants failed to comply with a cease-and-desist letter, Snap Fitness filed a complaint for breach of contract for violations of noncompete covenants and confidentiality obligations, and for violations of the Lanham Act for trademark infringement and unfair competition, and along with it, a motion for preliminary injunction.

The court granted the preliminary injunction, finding that Snap Fitness was likely to succeed on the merits of its claim for breach of both in-term and post-term noncompete covenants and confidentiality obligations. The franchise agreement prevents franchisees from diverting members to any other gym and operating "any other fitness club." "Yet Defendants did exactly that," the court ruled. The court also found that Snap Fitness was likely to succeed on the merits of its claim for trademark infringement under the Lanham Act, ruling that the competing gym's break through logo was likely to confuse consumers. The court also found irreparable harm, reasoning that the integrity of a franchise system requires both franchisor and franchisee to uphold their ends of the bargain. "If one disgruntled franchisee is allowed to brazenly break away from the franchisor, it would send irreparably damaging signals to other franchisees. Some might see it as a chance to reap the benefits of a franchise system, then jump ship, with no consequences." The court found that the balance of harms favored Snap Fitness because "Defendants' harm is self-inflicted." Finally, the court found that the public interest weighed in favor of granting the motion because it would "ensure that parties to franchise arrangements can contract on issues such as non-competition and then expect each other to abide by agreed

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upon terms." Snap Fitness later posted bond consistent with the requirements under Rule 65(c). Snap Fitness was represented in this matter by Lathrop GPM LLP.