

A yellow right-angled triangle pointing towards the top-left corner.

## BLOGS

Preliminary Injunctions

# Ohio Federal Court Grants Preliminary Injunction Enforcing Noncompete and Post-Term Transfer of Telephone Numbers

A federal court in Ohio recently enjoined a former franchisee from violating the post-term obligations of its franchise agreement, including the post-term covenant not to compete. *H.H. Fran. Sys., Inc. v. CareSmart Sols., Inc.*, 2022 WL 4274278 (S.D. Ohio Sept. 15, 2022).

A federal court in Ohio recently enjoined a former franchisee from violating the post-term obligations of its franchise agreement, including the post-term covenant not to compete. *H.H. Fran. Sys., Inc. v. CareSmart Sols., Inc.*, 2022 WL 4274278 (S.D. Ohio Sept. 15, 2022). CareSmart’s agreement to operate an in-home care franchise expired in 2021. Although CareSmart elected not to renew the agreement, it continued to operate as an HHFS franchise. HHFS sued for declaratory judgment shortly before the agreement expired, and amended its complaint afterwards to allege that CareSmart’s violations of the post-term obligations was a breach of the franchise agreement. HHFS then moved for a preliminary injunction. The court granted the motion, enjoining CareSmart from continued operation and ordering it to transfer to HHFS all telephone numbers associated with the franchised business.

Applying the standard for a preliminary injunction, the court held that HHFS was likely to succeed on the merits claim that CareSmart’s continued operation breached the franchise agreement. The covenant not to compete was enforceable under Ohio law because protecting its reputation, trade secrets, and goodwill were legitimate business interests. Its two-year duration and fifteen-mile geographical extent were also reasonable. The court also held that HHFS was likely to succeed on the merits of its claim that CareSmart’s failure to transfer telephone numbers associated with the former franchise was an additional breach. The court next held that HHFS faced irreparable harm in the form of the loss of customers, the inability to rebrand the territory, and the loss of goodwill. The court then held that no one except for the defendants – whose harm was self-inflicted – would be injured by the issuance of an injunction. CareSmart’s customers would be able to obtain in-home care from other businesses in the area or from CareSmart employees, who are not bound by the covenant. Finally, the court held that the issuance of an injunction would serve the public interest of enforcing valid restrictive covenants contained in lawful contracts.

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