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BLOGS

Preliminary Injunctions

Ohio Federal Court Preliminarily Enjoins Franchisee's Breach of Post-Termination Covenant Against Competition

The U.S. District Court for the Southern District of Ohio had no trouble preliminarily enjoining a franchisee and its principals ("Pivotal") from violating a one-year covenant against competition, when Pivotal's principals formed a competing company, hired Pivotal's employees for the same roles in the new business, sent notices to industry contacts that Pivotal was "rebranding," and declared the franchise agreement terminated. *Relo Franchise Servs., Inc. v. Gilman*, 2019 WL 324215 (S.D. Ohio Jan. 25, 2019). Pivotal attempted to avoid the injunction by arguing that its franchise agreement with Relo was unenforceable under the Ohio Business Opportunity Act and common law because Relo had fraudulently induced Pivotal to enter into the agreement with improper financial performance representations. However, the court found that any financial performance representations were made only *after* Pivotal had executed the franchise agreement and thus could not have induced Pivotal to enter into the relationship.

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