

BLOGS

Post-Termination Injunctions: Noncompetes

South Carolina Federal Court Vacates Partial Summary Judgment Citing Abusive Litigation

A federal court in South Carolina recently sua sponte vacated its own grant of partial summary judgment due to the abusive nature of the ongoing litigation. *YGM Franchise, LLC v. Wong*, 2025 WL 1549606 (D.S.C. May 30, 2025).

YGM's franchise agreement permitted franchisees to terminate the franchise with 90 days' notice and execution of a general release. A number of franchisees, including the defendants, provided notice of termination of their franchised businesses. YGM Franchise, LLC sued seven franchisees, including defendants Moylan Wong, Raul Wong, and M & R Wong, LLC ("the Wongs"), alleging violation of the franchise agreement's non-compete provision. Joint counsel for the defendants withdrew shortly after YGM filed an amended complaint. The Wongs failed to hire new counsel. Rather than seek default judgment, YGM continued to litigate against the Wongs for two years and obtained partial summary judgment granting injunctive relief. YGM's subsequent motion for attorneys' fees prompted the court to reconsider its prior order.

Under Fed R. Civ. P. 60(b), the court found it proper to vacate the partial summary judgment ruling because (1) its sua sponte action was timely, taken within one year of the prior judgment and while the case was still open; (2) the Wongs had a meritorious defense as they quit operating a competing business more than a year before YGM moved for partial summary judgment; (3) the court could identify no unfair prejudice or injury YGM would suffer should it vacate the prior judgment; and (4) the court found that the injustice caused by the judgment constituted exceptional circumstances. Citing the abusive nature of the litigation by YGM, the court drew upon Rule 60(b)(6)—the "catch-all" clause—to authorize relief. Despite the ability to seek default judgment and an admitted lack of injury, YGM continued to litigate against the Wongs incurring extensive attorneys' fees. The court suspected this was to make an example of the Wongs and deter other franchisees from terminating their franchise agreements. Among other unreasonable costs, YGM's fee petition included a request for time handling the motion for partial summary judgment when the same relief could have been more efficiently obtained by moving for default judgment. Overall, the court found YGM's conduct to be unjust and vacated its own judgment, denied YGM's motion for partial summary judgment upon reconsideration, and dismissed the action.

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