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BLOGS

Trade Secrets

Utah Federal Court Denies Franchisor's Motion for Preliminary Injunction Against Competitor

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A federal court in Utah denied a requested injunction in a dispute between competitors in the gourmet cookie market. *Crumbl LLC v. Dirty Dough LLC*, (D. Utah Aug. 11, 2023). Crumbl and Dirty Dough compete as franchisors of gourmet cookie stores. While individual defendant Maxwell was employed by Crumbl, he had access to proprietary information such as recipes, process improvements, store specifications, and store operating information. During his last week of employment with Crumbl, Maxwell downloaded some of this information from Crumbl's password protected service to his personal cloud drive and then subsequently joined his brother as owners of Dirty Dough. Following discovery that Maxwell had uploaded this proprietary information onto Dirty Dough's computer system, Crumbl sought an injunction against the defendants to remedy misappropriation of trade secrets and breach of contract.

Following a preliminary evidentiary hearing, the parties stipulated to a forensic examination of Maxwell's and Dirty Dough's computer systems as well as to an order requiring Dirty Dough to return all confidential information to Crumbl and verify that it had not retained any such information in any form. The stipulated forensic examination and order mooted much of the relief Crumbl sought, but Crumbl requested that the court further order that Dirty Dough issue a corrective public statement about its acquisition of proprietary information and order that the opening of any further franchisee stores be delayed pending resolution of the dispute. At the subsequent preliminary injunction hearing, the court analyzed the factors applicable to injunctions and denied the motion, holding that Crumbl failed to satisfy the element of lingering or impending irreparable injury due to Dirty Dough's return and nonretention of Crumbl's proprietary information.

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