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BLOGS

Preliminary Injunctions

Court Denies Injunction After Franchisor Fails to Show Breach of Franchise Agreement

A federal court in Texas has denied a franchisor's motion for a preliminary injunction, finding that the franchisor failed to show a likelihood of success on the merits. *BL Rest. Franchises LLC v. 510 Park Inc.*, 2018 WL 2363606 (N.D. Tex. May 24, 2018). Restaurant franchisor Bar Louie filed suit against a group of franchisees and sought an injunction to require them to comply with the early termination procedures set forth in the parties' franchise agreement before closing one of their restaurants.

As an initial matter, the court held that the motion was still ripe for review, even though the franchisees had closed the restaurant prior to the injunction proceeding. The franchisees had notice of the proceeding, and thus the court could still restore the "status quo" through a mandatory injunction. Nevertheless, the court ultimately denied Bar Louie's request for injunctive relief, holding that it had failed to demonstrate a substantial likelihood of succeeding on the merits of its breach of contract claim. According to the court, Bar Louie did not carry its burden to show that it had performed under the franchise agreement and that the franchisees were obligated to comply with the early termination provision of the agreement. The franchisees alleged that Bar Louie had failed to provide adequate support and training, and they further argued that they did not need to comply with the early termination procedures because they had not intended to terminate the franchise agreement and only closed the restaurant because of financial difficulties. Bar Louie did not refute either of those arguments in response, leading the court to conclude that it was not entitled to injunctive relief.

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