

*This opinion is nonprecedential except as provided by
Minn. R. Civ. App. P. 136.01, subd. 1(c).*

**STATE OF MINNESOTA
IN COURT OF APPEALS
A25-1515
A25-1517**

Ellie Fam LLC,
Respondent,

vs.

Felipe Coelho, et al.,
Appellants (A25-1515),

Ellie Fam LLC,
Respondent,

vs.

Jim Baffone, et al.,
Appellants (A25-1517),

ForThree, LLC,
Defendant.

**Filed April 13, 2026
Affirmed
Wheelock, Judge**

Ramsey County District Court
File Nos. 62-CV-25-4187, 62-CV-25-4239

James M. Susag, Sarah D. Greening, Paige K. Clark, Silas J. Petersen, Larkin Hoffman
Daly & Lindgren Ltd., Minneapolis, Minnesota (for respondent)

Kyle R. Kroll, Mallory P. Nordberg, Winthrop & Weinstine, P.A., Minneapolis,
Minnesota; and

Serena Chiquoine, Alejandra Martinez, Dady & Gardner, P.A., Minneapolis, Minnesota
(for appellants)

Considered and decided by Connolly, Presiding Judge; Smith, Tracy M., Judge; and Wheelock, Judge.

NONPRECEDENTIAL OPINION

WHEELOCK, Judge

In this appeal from an order granting a temporary injunction, appellants argue that the district court erred in its analysis of the *Dahlberg*¹ factors and abused its discretion. We affirm.

FACTS

Appellants are franchisees of respondent Ellie Fam LLC and are located in Nevada and Arizona. Ellie is a Minnesota limited liability company and franchisor of mental-health clinics that provide outpatient counseling and therapy services. As of May 2025, 240 franchise clinics were operating in 37 states. Appellants entered into franchise agreements with Ellie to operate mental-health clinics under Ellie's franchise system.

In May 2025, Ellie filed complaints against appellants. First, on May 21, 2025, Ellie filed a complaint in district court against appellant Felipe Coelho and his company, FKL Enterprises LLC, and appellants Allyson and Justin Fernstrom and their company, AJ Southwest Ventures Inc. The Fernstroms and Coelho operated Ellie clinics in the State of Arizona (the Arizona franchisees). In June 2024, the Arizona franchisees sent written notices to Ellie alleging that Ellie breached their franchise agreements and demanded that

¹ *Dahlberg Bros. v. Ford Motor Co.*, 137 N.W.2d 314, 323 (Minn. 1965).

Ellie cure the alleged defaults. Negotiations about the alleged breach occurred over the subsequent six months but were unsuccessful, and on February 7, 2025, the Arizona franchisees sent written notice to Ellie that they were rescinding or terminating their franchise agreements due to Ellie's breach. The Arizona franchisees then began operating their clinics independently under names not associated with Ellie.

Second, on May 23, 2025, Ellie filed a complaint in district court against appellant Jim Baffone and his company, Fredco LLC, which operated Ellie clinics in the State of Nevada (the Nevada franchisee). On February 14, 2025, Baffone sent Ellie a notice of intent to rescind or terminate the franchise agreement due to Ellie's purported breach. The Nevada franchisee then began operating its clinics independently under a name not associated with Ellie.²

Ellie's franchise system works generally as follows. After entering into a franchise agreement that has a term of ten years, franchisees attend Ellie trainings, and Ellie assists franchisees with finding prospective clinic locations, negotiating contracts with insurance companies, and providing marketing services. Ellie then provides the clinics with its confidential operations manual and client database and manages certain operational aspects of the clinics on an ongoing basis, such as credentialing of providers, insurance verification, scheduling, and billing. Ellie also promises franchisees on-call administrative support.

² This opinion refers to the Arizona and Nevada franchisees collectively as "franchisees" except when necessary to distinguish between those parties. The franchise agreements are substantially similar, and this opinion refers to them as "the franchise agreements" or "the agreements."

Franchisees assert that their experiences with Ellie leading up to the filing of Ellie’s complaints were consistently problematic and fell far short of their expectations. They claim that Ellie frequently scheduled patients who were out-of-network and scheduled multiple patients at the same time and that there were substantial issues with Ellie’s billing services. The clinics reported seeing patients for numerous sessions only to find out later that the patient’s insurance had denied the resulting claims. In one instance, over \$90,000 of claims were denied before the clinic was informed. Franchisees further claimed that Ellie repeatedly failed to bill insurance, billed the wrong insurance, or failed to collect payments from insurance companies, and that each of these operational problems was compounded by a lack of on-call support that Ellie was obligated to provide under the agreements.

Ellie asserts that it upheld its end of the franchise agreements. It filed the complaints in district court, requesting that the court issue a temporary injunction³ to enforce the noncompete clauses in the franchise agreements and enjoin franchisees from operating independently in the same locations in which they operated under the franchise agreements. On June 18, 2025, the district court held a motion hearing, and on August 18, 2025, the district court granted Ellie’s motion for a temporary injunction against franchisees and stayed the order until December 30, 2025, to prevent disruption in patient care and allow for mediation.

Franchisees appeal from the order granting the temporary injunction.

³ The district court’s order referred to the temporary injunction as a “temporary restraining order.” We use the term “temporary injunction” in this opinion.

DECISION

“We review the district court’s decision to grant a temporary injunction for an abuse of discretion.” *DSCC v. Simon*, 950 N.W.2d 280, 286 (Minn. 2020). “A decision on whether to grant a temporary injunction is left to the discretion of the [district] court and will not be overturned on review absent a clear abuse of that discretion.” *Carl Bolander & Sons Co. v. City of Minneapolis*, 502 N.W.2d 203, 209 (Minn. 1993). “A district court abuses its discretion by making findings of fact that are unsupported by the evidence, misapplying the law, or delivering a decision that is against logic and the facts on record.” *Woolsey v. Woolsey*, 975 N.W.2d 502, 506 (Minn. 2022) (quotation omitted).

“Because a temporary injunction is granted before a trial on the merits, a showing of irreparable harm is required to prevent undue hardship to the party against whom the injunction is issued, whose liability has not yet been determined.” *DSCC*, 950 N.W.2d at 286 (quotation omitted). Appellate courts consider five factors, known as the “*Dahlberg* factors,” in reviewing the district court’s irreparable-harm determination. *Id.* These factors are as follows:

- (1) The nature and background of the relationship between the parties preexisting the dispute giving rise to the request for relief.

- (2) The harm to be suffered by plaintiff if the temporary restraint is denied as compared to that inflicted on defendant if the injunction issues pending trial.

- (3) The likelihood that one party or the other will prevail on the merits when the fact situation is viewed in light of established precedents fixing the limits of equitable relief.

- (4) The aspects of the fact situation, if any, which permit or require consideration of public policy expressed in the statutes, State and Federal.

(5) The administrative burdens involved in judicial supervision and enforcement of the temporary decree.

Dahlberg, 137 N.W.2d at 321-22. Of these factors, the most important is the third factor—a party’s likelihood of prevailing on the merits. *Softchoice, Inc. v. Schmidt*, 763 N.W.2d 660, 666 (Minn. App. 2009).

Franchisees challenge the district court’s determinations on each of the five factors. We address each factor in turn.

A. Nature of the Parties’ Relationship

The first *Dahlberg* factor requires looking to the “nature and background of the relationship between the parties preexisting the dispute giving rise to the request for relief.” *Dahlberg*, 137 N.W.2d at 321. The purpose of a temporary injunction is “to preserve the status quo until adjudication of the case on its merits.” *Miller v. Foley*, 317 N.W.2d 710, 712 (Minn. 1982). The status quo is the “last actual, peaceable, noncontested status which preceded the pending controversy.” *Bellows v. Ericson*, 46 N.W.2d 654, 659 n.9 (Minn. 1951).

This factor generally favors injunctive relief when the parties had a formalized or longstanding relationship prior to the dispute. *See Dahlberg*, 137 N.W.2d at 322 (discussing a 40-year history between the parties and its impact on the parties’ expectations about doing business together); *see also Softchoice*, 763 N.W.2d at 667-68 (addressing that the parties’ relationship favored an injunction because the nonmovant disturbed the parties’ contractual noncompete relationship by competing); *Metro. Sports Facilities Comm’n v.*

Minn. Twins P'ship, 638 N.W.2d 214, 221 (Minn. App. 2002) (concluding that an existing contractual relationship favored an injunction), *rev. denied* (Minn. Feb. 4, 2002).

The district court found that the contractual relationship between Ellie and franchisees weighed in favor of the injunction. The district court evaluated the contentious relationship between the parties and observed that, as to franchisees' allegations that Ellie failed to perform under the contract, "[w]ithout findings confirming the contrary, the parties remain in contract." Franchisees argue that the district court erred because the franchise agreements were terminated when franchisees provided notice of their termination to Ellie, and thus, no contractual relationship exists. This argument goes to the merits of the underlying dispute, not the parties' relationship preceding the dispute, and the district court did not abuse its discretion by determining that, for the purpose of this factor in deciding whether to grant a temporary injunction, the parties remained bound by the contract.

Franchisees also argue that the district court's finding that the contractual relationship between Ellie and franchisees was the "status quo" was error because it disregarded the "on-the-ground reality" and that the "status quo" was that franchisees had been operating independently for several months prior to the hearing. But franchisees' independent operation is not the last noncontested status preceding this controversy. *See Bellows*, 46 N.W.2d at 659 n.9. While the record reflects, and the district court agreed, that franchisees and Ellie never had a "peaceable" relationship, the last noncontested status was when franchisees were operating under their agreements with Ellie rather than competing with Ellie. *See Softchoice*, 763 N.W.2d at 668 (holding that the first factor

weighed in favor of an injunction when the nonmovant disturbed the relationship by competing). The district court did not abuse its discretion in determining this factor weighed in favor of Ellie.

B. Balance of Harms

Under the second *Dahlberg* factor, a district court looks to “[t]he harm to be suffered by plaintiff if the temporary restraint is denied as compared to that inflicted on defendant if the injunction issues pending trial.” *Dahlberg*, 137 N.W.2d at 321. Our review of the district court’s decision on this factor is deferential. *St. Jude Med., Inc. v. Carter*, 913 N.W.2d 678, 684 (Minn. 2018). “We give deference to a district court’s equitable determinations because the court acts like a fact-finder, weighing all relevant factors and considering the unique facts of each case.” *Id.* (quoting *Melrose Gates, LLC v. Chor Moua*, 875 N.W.2d 814, 819 (Minn. 2016)). As such, “[t]he district court is in the best position to analyze the facts and balance the relevant factors.” *Id.* (quotation omitted). The burden of proof is on the party seeking an injunction to “establish that [the] legal remedy is not adequate and that the injunction is necessary to prevent great and irreparable injury.” *Cherne Indus., Inc. v. Grounds & Assocs., Inc.*, 278 N.W.2d 81, 92 (Minn. 1979) (citation omitted). “[T]he [movant] must show that irreparable injury is *likely*, not just possible.” *Carter*, 913 N.W.2d at 684.

In its order, the district court included substantial discussion of the harms to each party. It determined that Ellie met its burden of showing that the injunction is necessary to prevent irreparable harm based on Ellie’s showing that franchisees “are engaging in continuing harm and exploitation as they are able to use . . . confidential information,

training and assistance, trademarks, and customer goodwill to compete with [Ellie's] franchisees.”

The district court also found that franchisees established substantial harm based on their assertions of extreme difficulty in their working relationships with Ellie and that a lack of corporate support caused significant disruptions to the clinics. The district court found that Ellie “does not appear to meaningfully dispute any of the [franchisees’] broad concerns at this stage.” The district court also found that it would be harmful for franchisees’ patients and therapists to require franchisees to work within the system as Ellie currently operates it and that uncertainty and administrative chaos may risk harming those seeking support for their mental-health needs. The district court determined that, overall, this factor weighed in favor of franchisees.

Despite the district court finding in their favor on this factor, franchisees contend that the district court’s finding that franchisees demonstrated substantial harm should have barred the injunction on its own without regard to the other *Dahlberg* factors. To support this argument, franchisees rely on a sentence in *Pacific Equipment & Irrigation, Inc. v. Toro Co.*, that states, “[The moving party] must show irreparable harm to trigger an injunction, while [the nonmovant] need only show substantial harm to bar it.” 519 N.W.2d 911, 915 (Minn. App. 1994), *rev. denied* (Minn. Sept. 16, 1994). Franchisees’ reliance on *Pacific Equipment* is misplaced.

In *Pacific Equipment*, this court explained that the district court found that it was “arguable” that the movant would suffer irreparable harm if the injunction was denied, but that irreparable harm would be suffered by the nonmovant if the injunction was granted.

Id. Because there would be irreparable harm in either situation, the balance of the harms essentially cancelled each other out, rendering this factor not determinative. This is reflected in this court’s observation that the district court’s findings resulted in a conclusion that “the balance of harms factor is not determinative in this case.” *Id.* We do not read *Pacific Equipment* to stand for the proposition that a finding of substantial harm for both the movant and nonmovant requires that the district court deny the injunction. *See id.* at 918 (stating that the district court properly balanced the five *Dahlberg* factors). A district court must analyze each factor. *First & First, LLC v. Chadco of Duluth, LLC*, 999 N.W.2d 553, 558-59 (Minn. App. 2023) (stating that a district court commits error when it fails to analyze the *Dahlberg* factors); *State by Ulland v. Int’l Ass’n of Entrepreneurs of Am.*, 527 N.W.2d 133, 135 (Minn. App. 1995) (same), *rev. denied* (Minn. Apr. 18, 1995).

Franchisees also argue that the district court abused its discretion in its analysis of this factor because it weighed franchisees’ substantial harm against Ellie’s mere “risk” of irreparable harm. But the district court did not merely address Ellie’s “risk.” It made several findings regarding Ellie’s past and continuing risk of irreparable harm and, after weighing the harms as to the movant and nonmovants here, determined that this factor weighed in favor of franchisees. The district court did not abuse its discretion in its determination of this factor.

C. Likelihood of Success on the Merits

A plaintiff’s likelihood of success on the merits at trial is the “key factor.” *Softchoice*, 763 N.W.2d at 669. “If a plaintiff makes even a doubtful showing as to the likelihood of prevailing on the merits,” a district court may issue a temporary injunction to

preserve the status quo. *Metro. Sports*, 638 N.W.2d at 226; *see also Dahlberg*, 137 N.W.2d at 323 (upholding a temporary injunction even though the plaintiff had “serious obstacles to overcome” to establish a legal claim).

The district court analyzed the noncompete provision in the franchise agreements and found that Ellie met its burden because franchisees are operating the same clinics in the same locations with most of the same providers as when they operated under Ellie. It determined that Ellie was therefore “highly likely to succeed.”

The district court also explained that franchisees had “colorable affirmative defenses” to Ellie’s claims, and franchisees argue that the district court abused its discretion when it did not consider their defenses in its analysis of this factor. Franchisees, however, do not point this court to any Minnesota caselaw that requires the district court to make factual findings comparing their affirmative defenses to Ellie’s likelihood of success on its claims. Even if the district court was obligated to, but did not, we are not convinced this would be prejudicial error because the district court found that Ellie was “highly likely to succeed” on the merits and even a “doubtful showing” supports the grant of a temporary injunction. *Metro. Sports*, 638 N.W.2d at 226.

Franchisees also assert that the arbitration clause in the franchise agreements precluded the district court from granting injunctive relief. Franchisees argue that we should apply the qualifying-language approach adopted by the Eighth Circuit to conclude that the district court lacked authority to grant Ellie injunctive relief. *See Manion v. Nagin*,

255 F.3d 535, 538-39 (8th Cir. 2001).⁴ Under this approach, an arbitration clause must contain specific language that allows a district court to grant injunctive relief without addressing the underlying merits of the dispute. *Id.* at 539. Minnesota courts have not adopted this approach, however, and we decline to consider it here because franchisees forfeited this argument by failing to timely assert it in district court. *See Thiele v. Stich*, 425 N.W.2d 580, 582 (Minn. 1988).

The parties first raised any argument regarding arbitration at the motion hearing. Two weeks after written closing arguments were filed and the record closed, franchisees submitted a letter to the district court regarding the qualifying-language approach. The district court included a footnote in its order granting the injunction that stated that it did not have “the benefit of full briefing and legal argument and [had a] limited record before it in the motion for a preliminary injunction.” It further explained that it was not “intending to foreclose further argument on the arbitration clause should the parties wish to raise it.” Franchisees did not raise the issue in further argument before the district court, and we therefore conclude that franchisees have forfeited this argument for purposes of appeal of the temporary-injunction order. *See Torchwood Props., LLC v. McKinnon*, 784 N.W.2d 416, 419-20 (Minn. App. 2010) (“On appeal, a party cannot complain about a district court’s failure to rule in her favor when one of the reasons it did not do so is because that party failed to provide [it] with the evidence that would allow the district court to fully address the question.” (Quoting *Eisenschenk v. Eisenschenk*, 668 N.W.2d 235, 243 (Minn.

⁴ Although not binding, we may consider federal court opinions for their persuasive value. *Laliberte v. Dollar Tree, Inc.*, 987 N.W.2d 590, 594 n.4 (Minn. App. 2023).

App. 2003), *rev. denied* (Minn. Nov. 25, 2003)). The district court did not abuse its discretion in determining that this factor weighed in favor of Ellie.

D. Public-Policy Considerations

The fourth factor requires that the district court consider the public-policy associated with injunctive relief. *Dahlberg*, 137 N.W.2d at 321-22 (stating that a court should consider “[t]he aspects of the fact situation, if any, which permit or require consideration of public policy expressed in the statutes, State and Federal”). The district court has broad discretion to consider public policies that may provide guidance as to whether injunctive relief is appropriate. *First & First*, 999 N.W.2d at 560.

The district court stated that “there is no issue of greater public importance than ensuring the continuity of care for children experiencing a mental health crisis,” and it found that protecting access to appropriate mental-health services is a “moral and societal imperative.” The district court found this factor to be a close call but ultimately determined that it favored Ellie because enforcing the noncompete clauses did not require franchisees to cease all operations, and thus, the public-policy interests it identified were protected. In its order granting the temporary injunction, the district court established a 90-day time period for franchisees to transition their clinics back to operating as Ellie clinics, to allow for continuity of care. In addition, the district court stated that it was deeply troubled that franchisees asserted harm on behalf of their patients, notwithstanding the role franchisees had in creating the situation that affected continuity of care by attempting to unilaterally terminate the franchise agreements and then operate under new names only days later.

Franchisees argue that the district court abused its discretion because its findings on the importance of mental-health care for children alone should have precluded granting the injunction. Again, franchisees fail to cite any binding caselaw supporting the proposition that the district court's findings on this factor required it to deny the injunction. And it is within the district court's discretion, after analyzing the factors, to fashion a temporary-injunction order that best protects the identified public-policy concerns. The district court did not abuse its discretion in determining that, because Ellie was merely seeking to enforce its noncompete provision and not seeking to close franchisees' clinics entirely, this factor weighed in favor of Ellie.

E. Administrative Burden

The fifth *Dahlberg* factor focuses on the administrative burden involved in judicial supervision and enforcement of a temporary injunction. *Dahlberg*, 137 N.W.2d at 322. We must give "great deference" to the district court's factual findings because it is not our province "to reconcile conflicting evidence." *Fletcher v. St. Paul Pioneer Press*, 589 N.W.2d 96, 101 (Minn. 1999).

On this factor, the district court stated that, "assuming all parties participate in good faith, there is little to no administrative burden for this court." Franchisees argue the district court abused its discretion when it discounted the burdens associated with requiring "specific performance" of the 84-page franchise agreements.⁵ But the district court did not

⁵ Franchisees also argue that the district court's order violates constitutional protections against involuntary servitude. Because we conclude that the district court's order enforces a contractual noncompete provision, this argument is without merit. *See Andrews v. Riggs Nat'l Bank of Wash. (In re Andrews)*, 80 F.3d 906, 912 (4th Cir. 1996) ("Although the

order specific performance of the franchise agreements; the injunction enforced the noncompete provision of the agreements pending resolution of the underlying disputes. Franchisees are free to continue litigating their underlying disputes with Ellie. It is well within the district court's province to reconcile conflicting evidence and make an assessment of its own administrative burdens. *Fletcher*, 589 N.W.2d at 101. The district court therefore did not abuse its discretion in its determination of this factor.

In conclusion, the district court addressed each *Dahlberg* factor and did not clearly err in any of its findings. It determined that the balance-of-harms factor weighed in favor of franchisees but the remaining factors weighed in favor of granting the temporary injunction. We discern no abuse of discretion in the district court's final determination that the factors supported granting injunctive relief in favor of Ellie.

Affirmed.

Thirteenth Amendment prohibits a court from specifically enforcing a personal service contract, an agreement not to compete is specifically enforceable if it is reasonable."); *Cropper v. Davis*, 243 F. 310, 316 (8th Cir. 1917) (enforcing noncompete provision in employment contract does not violate the Thirteenth Amendment).