

Getting Real - Divisional Court Refuses Leave to Appeal of Injunction Restraining Operation of Competing Real Estate Brokerages

Colin Pendrith

October 8, 2026

In a significant franchising decision involving the enforceability of non-competition obligations, [Keller Williams Realty, LLC v. VIP Realty Inc.](#),¹ the Ontario Superior Court of Justice recently granted an interlocutory injunction requiring two Keller Williams franchisees to cease operating competing Royal LePage real estate brokerages during the remaining term of their Keller Williams franchise agreements. The Divisional Court subsequently refused leave to appeal the injunction, leaving the injunction order in place pending trial.

Background

Keller Williams Realty, LLC (KWR), an international real estate franchisor, commenced proceedings against two of its largest Ontario franchisees and their principals. The franchisees purported to terminate their relationships with KWR in June 2025 despite having years remaining on their licence agreements, rebranded immediately as Royal LePage brokerages, and redirected their former Keller Williams websites to their new operations.

KWR sought interlocutory relief enforcing various contractual restrictions, including in-term non-competition covenants prohibiting franchisees from operating competing brokerages during the term of the agreements. In addition to arguing that the restrictive covenants were overbroad or otherwise not enforceable, the defendants argued that KWR had fundamentally breached the agreements and that they were therefore entitled to exit the system and join a competing brand.

The Decision

The Court held that the requested relief was properly characterized as a mandatory injunction, rather than a prohibitory injunction, because granting the relief would require the defendants to take positive steps to dismantle and unwind their new Royal LePage operations and restore compliance with the franchise agreements. Applying the Supreme Court of Canada's framework, the Court therefore required Keller Williams to establish a strong prima facie case, rather than merely a serious issue to be tried.

Cassels

The Court concluded that KWR met that elevated standard, finding that there was a strong prima facie case that the in-term restrictive covenants were reasonable and enforceable and that the defendants were breaching those provisions by operating under a competing real estate franchise system before their contractual terms had expired.

On irreparable harm, the court accepted that the loss of two major franchise operations and approximately 600 agents to a direct competitor would cause significant damage to the franchisor and, perhaps more importantly, could undermine confidence among other franchisees in the enforceability of system-wide contractual protections. The Court found that damages would not adequately compensate for these harms.

Balancing the equities, the court granted the injunction and ordered compliance with their restrictive covenants pending trial. The Divisional Court dismissed the defendants' request for leave to appeal the injunction.

Why It Matters

The decision provides a powerful reminder that Ontario courts remain willing to grant strong interlocutory remedies where franchisees attempt to exit a system mid-term and immediately compete in breach of contractual obligations. The case is noteworthy for several reasons:

- It reinforces the distinction between in-term and post-term restrictive covenants, highlighting that courts generally showing greater willingness to enforce covenants that operate during the life of a franchise agreement.
- It illustrates that mandatory injunctions are available to franchisors where restoring the status quo requires positive action from a would-be departing franchisee.
- It demonstrates the difficulty franchisees may face when relying on allegations of franchisor misconduct (including fundamental breach) to justify an immediate departure from a franchise system before those allegations have been adjudicated.

For franchisors, the case underscores the continuing utility of carefully drafted in-term restrictive covenants and provides a recent example of a court enforcing those provisions through robust interlocutory relief. The Divisional Court's refusal of leave to appeal leaves the injunction intact and signals judicial reluctance to interfere with the motion judge's exercise of discretion in protecting the integrity of an ongoing franchise system.

[Colin Pendrith](#), [Kate Byers](#), and [Hardeep Sherwood](#) acted as counsel for the franchisor.

¹ Keller Williams Realty, LLC v. VIP Realty Inc. ([2025 ONSC 7152](#)); ([2026 ONSC 1736](#))

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.