

**BLOGS**

Indemnification

Appellate Court in Pennsylvania Affirms Ruling on Gas Station Franchisor's Indemnification Claims

A state appellate court in Pennsylvania recently affirmed a trial court's summary judgment ruling addressing a franchisor's claims for indemnification in a personal injury dispute. *Sunoco (R&M), LLC v. Pa. Nat'l Mut. Cas. Ins. Co.*, — A.3d —, 2024 WL 3688402 (Pa. Super. Ct. Aug. 7, 2024). The underlying dispute between the parties arose from Sunoco (R&M), LLC's and Sunoco LLC's pursuit of indemnification from its franchisee, Greyhound Aramingo Petroleum Company, Inc., after the settlement of a personal injury claim that arose at Greyhound's Sunoco® branded gas station. Sunoco also sought indemnification from Sergey Gorlov, the owner Greyhound, as well as Pennsylvania National Mutual Casualty Insurance Company, the insurer for SG II Group, LLC (a provider of administrative services to Greyhound). While the court affirmed the trial court's award of indemnity and summary judgment to Sunoco against Greyhound, it dismissed the indemnification claims against the other defendants.

On appeal, Sunoco argued that Gorlov personally guaranteed the debts of Greyhound, including liabilities for the personal injury settlement. The trial court found that the guarantee functioned as a surety agreement because in exchange for Sunoco extending credit to Greyhound, Gorlov provided additional security for Sunoco's reimbursement rights in the event Greyhound defaulted. The appellate court concurred and found that Gorlov's suretyship obligations only extended to liabilities in connection with the purchase of products and services, not the car accident at Greyhound's gas station at issue in the personal injury action. Sunoco also argued that SG II should be liable because the personal injury complaint alleged that SG II operated the Greyhound's gas station as a franchisee and defined "Greyhound" to include SG II. Sunoco asserted that SG II's provision of administrative services on behalf of Greyhound resulted in SG II's "*de facto* franchisee" status. However, because Sunoco was the grantor of a franchise to Greyhound, and not SG II, the policy did not provide Sunoco with additional insured status. The appellate court agreed with the trial court in that the record failed to demonstrate a franchisor-franchisee relationship existed between Sunoco and SG II. However, the court's opinion did not address whether Greyhound had insurance that named Sunoco as additional insured.

On cross-appeal, Greyhound challenged the trial court's order granting summary judgment in favor of Sunoco against Greyhound. Greyhound asserted that its indemnification clause did not meet the requirements of the "Perry-Ruzzi rule"—requiring that provisions indemnifying another party's negligence be narrowly

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construed. The appellate court concurred with the trial court that the Perry-Ruzzi rule was satisfied because the clause carved out indemnification for damages *solely* caused by Sunoco's negligence. However, because the record supported a finding that Sunoco was only *partially* liable for the underlying personal injury claims, the appellate court concurred that Sunoco was entitled to indemnification by Greyhound of a reasonable settlement amount and reimbursement of reasonable attorneys' fees. Accordingly, the appellate court affirmed the order granting summary judgment in favor of Sunoco against