



BLOGS
Arbitration

Arbitration Panel Finds Entirely in Favor of Del Taco in Case Involving Alleged Misrepresentations

Former Florida franchisees brought a complaint for \$14 million in damages against Del Taco, a Mexican and American food quick service restaurant franchisor headquartered in California. Following a five-day arbitration in Los Angeles, a panel of three arbitrators found in Del Taco's favor on all counts. *Floridel, LLC v. Del Taco, LLC*, AAA No. 01-14-0001-9403 (June 15, 2016). Gray Plant Mooty represented Del Taco in the arbitration. The claimants, a corporation and its principals who had developed three Del Taco restaurants in Florida, brought claims in late 2014, alleging that Del Taco had engaged in fraud, misrepresentation, negligence, breach of contract, and violations of the franchise laws of California and Florida. They alleged, among other things, that Del Taco had provided them with false information concerning the cost of constructing their stores and the earnings they could achieve for each store, had failed to adequately investigate the Florida market before deciding to locate franchises there, and had provided inadequate training, marketing support, and supervision.

Del Taco prevailed on summary judgment on the fraud, misrepresentation, and franchise law claims, leaving the breach of contract and negligence claims for trial. Eleven witnesses testified at the trial, including four experts. Several weeks after the trial, in a lengthy opinion, the arbitration panel found for Del Taco on all of the remaining counts. It held that Del Taco adequately investigated the Florida market before deciding to locate franchises there; that the market was not materially different from other markets in which Del Taco had an established presence; that Del Taco had no contractual obligation to change its system for the Florida market; that Del Taco had provided adequate training, marketing support, and supervision to the franchisees; that Del Taco had no obligation to perform expanded marketing services; and that the franchisees had no evidence of damages consistent with their theory of liability. As a result, the panel awarded Del Taco its attorneys' fees and costs under the prevailing party provisions in the relevant contracts.

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