

**BLOGS**

Defamation

## Arizona Federal Court Dismisses Franchisee's Defamation Counterclaims Against Franchisor

A federal court in Arizona recently dismissed a franchisee's counterclaims for breach of contract, defamation, and injunctive relief against its former franchisor. *LeTip World Franchise LLC v. Long Island Soc. Media Grp. LLC*, 2025 WL 1447234 (D. Ariz. May 20, 2025).

LeTip World Franchise, a professional networking franchisor, sued a former New York-based franchisee, Long Island Social Media Group, and an affiliated entity and individuals (the LISMG Parties), alleging that the LISMG Parties breached the franchise agreement when LISMG's owner (a) affixed a sexually suggestive modified LeTip logo on his boat and failed to remove the modified logo upon LeTip's request and (b) started a competing networking business following the termination of the franchise agreement. (The Franchise Memorandum previously wrote about that claim [here](#).) The LISMG Parties counterclaimed, alleging that (i) LeTip, and an entity and individuals affiliated with LeTip (the LeTip Parties), breached the franchise agreement by starting a company-owned location in New York near LISMG's franchised location and terminating the franchise agreement without cause and (ii) LeTip's owner defamed LISMG by calling the modified LeTip logo "sexually suggestive" and "vulgar." Additionally, the LISMG Parties sought to enjoin enforcement of the franchise agreement's noncompete clause.

The LeTip Parties moved to dismiss LISMG's counterclaims and the court granted the motion. As for LISMG's breach of contract claim, the court dismissed the claim against the non-franchisor parties, reasoning that those parties could not be liable because only LeTip, as the franchisor entity, was a party to the franchise agreement and LISMG did not sufficiently allege that a privity relationship existed between LeTip and the non-franchisor parties. The court also dismissed the breach of contract claim against LeTip itself, finding that the franchise agreement did not prohibit LeTip from competing directly with LISMG and that LeTip justifiably terminated the agreement when LISMG's owner failed to timely remove the improperly modified logo. As for the defamation claim, the court determined that LISMG failed to allege facts indicating that the LeTip Parties' statement about the sexually suggestive logo alteration was false or damaging. Lastly, the court declined to enjoin the LeTip Parties from enforcing the noncompete clause because injunctive relief is not a standalone claim under Arizona law and, in any event, LISMG's delay in seeking a permanent injunction undermined the need for the remedy.

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