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BLOGS

Terminations

California Federal Court Denies Summary Judgment on Termination

A federal court in California has refused to summarily grant a declaratory judgment that a franchisor properly terminated an agreement with its franchisee. *Valvoline Instant Oil Change Franchising, Inc. v. RFG Oil, Inc.*, 2014 U.S. Dist. LEXIS 77382 (S.D. Cal. June 4, 2014). After franchisee RFG failed to make timely payments, Valvoline terminated its license agreement. But Valvoline agreed to forgo enforcement remedies and early termination fees if RFG released all claims and entered into a new “We Feature” Agreement by which RFG would continue to operate its various locations and would continue to sell exclusively Valvoline products, but would debrand the locations themselves and would no longer pay royalties to Valvoline. Under the new agreement, RFG agreed not to alter, adulterate, or commingle Valvoline’s products. Valvoline later learned that RFG breached the We Feature Agreement. In response, Valvoline filed suit for a declaratory judgment confirming the termination, and moved for summary judgment. RFG opposed the motion arguing that the agreement was not enforceable, and termination was improper, because there was not a meeting of the minds regarding the terms of the agreement.

The court held summary judgment inappropriate as to whether the We Feature Agreement and other agreements were properly terminated. As often occurs, the court found factual disputes precluded summary judgment. For example, the court viewed the record as unclear on whether communications between the parties demonstrated an agreement on all of the terms of the We Feature Agreement, particularly as to when certain payments would be made by RFG. Because of the various disputes on material factual issues, the court refused to grant summary judgment.

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