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BLOGS

Preliminary Injunctions

California Federal Court Grants Dealer's Motion for Preliminary Injunction Under PMPA

The U.S. District Court for the Northern District of California granted a dealer's motion for a preliminary injunction to halt the termination of its franchise in *S.A. Mission Corp. v. BP West Coast Products LLC*, 2019 WL 99042 (N.D. Cal. Jan. 3, 2019). S.A. Mission owned and operated a gas station as part of its franchise agreements with BP. The franchise agreements contained an "image standards" provision, under which S.A. Mission would need to conform to certain standards and its station would be subject to periodic inspections. S.A. Mission failed six consecutive inspections, after which BP provided notice of termination. In response, S.A. Mission filed a motion to enjoin the termination of its franchise.

The court issued a preliminary injunction under the Petroleum Marketing Practices Act, which permits injunctive relief to prevent the termination or nonrenewal of a gas station franchise if there are serious questions going to the merits of the claim and if, on balance, the hardships faced by termination outweigh the hardships caused by the issuance of the injunction. The court found that BP's inspectors acted in an arbitrary manner, by creating standards that did not exist in policy manuals provided to S.A. Mission, unfairly deducting points, moving the target for S.A. Mission, establishing arbitrary point allocations, and scoring questions differently without providing a reasonable summary of the inspection and scores. The court then found that the balance of hardships tilted in favor of S.A. Mission, reasoning that although S.A. Mission's shortcomings with regard to the inspections could negatively impact BP's brand image, the owner of S.A. Mission and her family relied on the business to earn a living. Finally, the court found that irreparable harm would fall on S.A. Mission and that the public interest favored enjoining the termination.

The court, however, dismissed S.A. Mission's action to quiet title in which it challenged a restrictive covenant requiring exclusive use of BP's fuel, convenience store, and fast food restaurant for 20 years at the gas station property. Although S.A. Mission alleged that the restrictive covenant was unconscionable, the court held that similar restrictions had been upheld previously and that the covenant was not commercially unreasonable.

Related People

Maissa Frank

Partner

Washington, D.C.

202.295.2209

maissa.frank@lathropgpm.com