

A solid yellow right-angled triangle pointing towards the top-left corner.

BLOGS

Terminations

Connecticut Federal Court Allows State Franchise Act and Tortious Interference Claims Against Franchisor

In *Sherman Street Associates, LLC v. JTH Tax, Inc.*, 2009 WL 426469 (D. Conn. Feb. 20, 2009), a Connecticut federal court considered dueling summary judgment motions from the terminated former franchisee-plaintiff and franchisor-defendant, JTH Tax, Inc. (doing business as Liberty Tax Service). The case came about after the franchisor terminated the franchise agreement for underpayment of fees and failure to pay on a promissory note, among other alleged violations. The franchisee's lawsuit claimed wrongful termination in violation of the Connecticut Franchise Act (CFA) and the Connecticut Unfair Trade Practices Act (CUTPA), as well as tort claims.

The court granted the franchisor's motion on the CUTPA claim, finding that although Connecticut law governed the CFA claim, Virginia law, where the franchisor is headquartered, governed the CUTPA claim and barred it. The court also granted summary judgment in favor of the franchisor on the franchisee's breach of the covenant of good faith and fair dealing claim, finding that it could not succeed as a matter of law without a corresponding breach of contract claim. The CFA and tortious interference (Virginia law) claims were allowed to proceed, however, as the court determined there were sufficient factual issues, regarding whether the franchisor had good cause to terminate and provided proper notice, for each to survive summary judgment.