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BLOGS

Damages

Court Awards Franchisor \$3.1 Million in Attorneys' Fees Based on Contractual Fee-Shifting Provision in Franchise Agreement

A federal court in Missouri recently granted a significant award of attorneys' fees to a franchisor based on the contractual fee-shifting provision contained in the franchise agreement between itself and the franchisee. In *Coral Group, Inc. v. Shell Oil Co.*, 2013 U.S. Dist. LEXIS 113219 (W.D. Mo. Aug. 12, 2013), the court agreed to award over \$3.1 million in attorneys' fees and expenses incurred over an eight-year period defending against claims related to Coral Group's operation of Shell gasoline stations and convenience stores. In a previous ruling that had been upheld by the Eighth Circuit, the court had dismissed Coral Group's complaint as a sanction for spoliation of evidence. The court concluded that the dismissal of the complaint qualified Shell as the "prevailing party" under the contract's terms, even though it did not allege that Coral Group had violated any contractual obligations. Although Shell had not specifically asked for attorneys' fees in their answer to the complaint, the court concluded it could properly seek an award based on the contractual attorneys' fees provision by motion at the conclusion of trial.

After considering the amount of fees and the large number of hours that had been billed by defense counsel, the court concluded that the amount sought by Shell was reasonable. The court noted that Shell was a sophisticated consumer of legal services who would carefully review its bills and dispute excessive fees. The court found that defense counsel's practice of regularly invoicing its fees over the course of the eight years of litigation—as well as the fact Shell paid each of those invoices in full—suggested that the amount was reasonable. The amount was also reasonable in light of the nature of the case, which was a complicated business dispute that initially involved a claim for \$65 million in damages, according to the court. Coral Group had itself litigated the case tenaciously as a "bet the company" lawsuit, so the court stated that Coral Group could not complain about the amount of time spent on defense. Finally, the court noted that the outcome of the case—dismissal with prejudice based on Coral Group's bad faith conduct—was itself a result that justified the size of Shell's large bill.

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