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BLOGS

Fraud/Misrepresentation

Court Bars Evidence Related to Affirmative Defense of Inducement

A federal court in Pennsylvania recently barred a franchisee from introducing evidence at trial that a franchisor had fraudulently induced the franchisee to enter into a contract through extra-contractual assurances. In *G6 Hospitality v. HI Hotel Group, LLC*, 2015 U.S. Dist. LEXIS 5125 (M.D. Pa. Jan. 15, 2015), G6 Hospitality brought suit for breach of contract and infringement of G6's Motel 6 trademarks. As trial approached, G6 anticipated that HI would assert an affirmative defense to the contract claim by arguing that it entered into the franchise agreement only because of promises from G6 that a competing Motel 6 would close down and HI would have a right of first refusal to buy the competing motel.

G6 moved for a pretrial order barring evidence of this defense because the contract was governed by Texas law, which did not allow a fraudulent inducement claim when a contract included a disclaimer-of-reliance provision. HI tried to recast its defense as one based on G6's breach of the duty of good faith and fair dealing. The court noted that Texas does not recognize a duty of good faith in a franchise agreement because there is not a special relationship between the parties. Because HI could not provide any defense based on the alleged extra-contractual assurances, the court granted G6's motion and ruled that HI would be barred from introducing such evidence at trial.

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