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BLOGS

Limitation of Actions

Court Enforces Forum Selection Clauses and Statutes of Limitation in Mass Action Against Franchisor

Citing the applicable statutes of limitation and contractually agreed forum selection clauses, the United States District Court for the Eastern District of Missouri recently dismissed in part and transferred to Texas remaining claims brought by 111 franchisee plaintiffs against a franchisor. *Armstrong v. Curves Int'l*, 2014 WL 6085553 (E.D. Mo. Oct. 15, 2015). Gray Plant Mooty represents the franchisor in this case. The franchisees originally filed a 165- count complaint alleging that Curves made misrepresentations that induced them to buy their respective franchises, that Curves violated two Texas statutes in the process, and that Curves breached its contract with each franchisee at various points over the course of the franchise agreements. After Curves filed its motion to dismiss the claims, the franchisees voluntarily dropped 96 of the counts concerning the Texas statutes.

In its order on the motion to dismiss, the court noted that many of franchisees' remaining claims also were barred by the statute of limitations. Initially, almost all of the claims involving things that occurred at or before the time the parties entered into the respective agreements would have accrued when the contracts were signed, and therefore all such claims as to contracts signed more than four years before the complaint was filed were barred by statute. While other claims were based on events that allegedly occurred during the course of the various franchise agreements, the court held that any franchisor conduct or franchisee harm in 2010 or earlier also would be time barred. As for the remaining claims, the court concluded that they must be addressed by a court in the Western District of Texas, which was the exclusive forum chosen in the parties' franchise agreements. Rejecting the plaintiffs' arguments that the forum clause should not be enforced because of the alleged underlying fraudulent conduct, the court determined that such a clause would be ignored only if the inclusion of the clause itself was the product of fraud or coercion.

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