

A yellow triangle pointing downwards, located to the left of the 'BLOGS' header.

BLOGS

Breach of Contract

Court Grants in Part and Denies in Part Franchisor's Summary Judgment Motion

The United States District Court for the Southern District of New York recently partially granted and partially denied a franchisor's motion for summary judgment against its former franchisee. *Wyndham Hotel Grp. Int'l, Inc., v. Silver Entm't LLC*, 2018 WL 1585945 (S.D.N.Y. Mar. 28, 2018). Wyndham and its franchisee were parties to a franchise agreement for the operation of a hotel in Panama. After several years of operations, the hotel fell into financial difficulties and the franchisee became delinquent on contractually required fees, installments on a promissory note, and Panamanian gaming taxes. The Panamanian government seized the hotel and Wyndham terminated the franchise agreement and sued the franchisee seeking payment of outstanding fees, liquidated damages, and the outstanding balance due under the promissory note. The franchisee counterclaimed, alleging that Wyndham breached the franchise agreement by failing to provide a variety of support services including: (1) access to Wyndham's reservation and property management systems; (2) a Spanish-language reservation system; (3) training; and (4) marketing, group sales, and transient sales support.

Wyndham moved for summary judgment and the court granted it on the franchisee's claims related to a Spanish-language reservation system, and marketing, group sales, and transient sales support, because Wyndham had no obligation to provide these services under the plain language of the franchise agreement. However, the court held there were genuine disputes of material facts as to whether Wyndham breached an obligation to provide the franchisee with adequate access to its reservation and property management systems, and whether Wyndham owed and provided certain training to the franchisee. Wyndham further argued that the franchisee failed to identify recoverable damages arising from the alleged breaches, but the court held that the franchisee raised a genuine dispute as to the existence of damages, and the amount of damages is a question for the jury. Finally, the court granted Wyndham summary judgment as to liability on its claims, but denied it as to damages, because the amount of fees owed depend on a calculation of gross revenues, which was a jury question.

Related People

Maisa Frank

Partner

Washington, D.C.

202.295.2209

maisa.frank@lathropgpm.com