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BLOGS

Terminations

Court Grants Summary Judgment Enforcing Termination of Franchise Agreements and Rejecting Counterclaims

A Georgia federal court issued its opinion last month in *Dunkin' Donuts Restaurants LLC v. Sandip, Inc.*, 2010 LEXIS 43484 (N.D. Ga. May 3, 2010), granting franchisor Dunkin' summary judgment. (Gray Plant Mooty represented Dunkin' in the case.) In the decision, the court held that defendants had breached their two franchise agreements by failing to remodel their shops, participate in mandatory programs, attend required training, and prepare immigration forms for new employees. While the court found that defendants had alleged that they attended all required training, they failed to contest any of the other breaches, warranting summary judgment and enforcement of the termination of the franchise agreements.

The court also granted Dunkin' summary judgment on defendants' counterclaims. The defendants had alleged that Dunkin' breached a settlement agreement between the parties, which required Dunkin' not to unreasonably reject a proposed buyer. The court held that Dunkin' acted reasonably in rejecting the proposed transfer because the transaction did not break even, *i.e.*, the proposed debt exceeded established sales. Dunkin' also acted reasonably in using regional data instead of store specific data to project future profits and liabilities. The defendants failed to show how the regional data would have changed the analysis. Further, the court granted summary judgment on the defendants' racial discrimination claims relating to the proposed transfer. The court held that an alleged discriminatory statement made, after the buyer was rejected, by a Dunkin' field level employee with no involvement in the rejection decision was not direct evidence of discrimination. Defendants provided no other direct evidence of discrimination other than the alleged statement. Finally, even if the defendants could establish a *prima facie* case of discrimination, the court found that Dunkin' had a legitimate, nondiscriminatory reason for rejecting the proposed transfer.