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## BLOGS

### Terminations

# Court Holds Franchise Agreement Not a Personal Services Contract

In *Husain, et al. v. McDonald's Corp., et al.*, 2012 Cal. App. LEXIS 515 (Cal. Ct. App. Apr. 30, 2012), a California appellate court upheld the trial court's grant of a preliminary injunction allowing McDonald's franchisees to continue operating their franchises during the pendency of a lawsuit against the franchisor. The plaintiffs owned and operated multiple McDonald's franchises in Northern California. They brought suit and asked the trial court to force McDonald's to allow them to continue operating their franchises during the pendency of the litigation, which the court granted. McDonald's appealed, arguing that the trial court erred because the franchise agreements were personal service contracts which, as a matter of law, could not be specifically enforced.

In upholding the trial court's grant of a preliminary injunction, the appellate court held that the "close personal working relationship" between a franchisor and its franchisee does not automatically convert a franchise agreement into a personal services contract. The court found that the plaintiffs were not providing services to McDonald's; rather, they were providing a flow of income to the company. Thus, the appellate court rejected McDonald's argument that the injunction violated California law regarding the availability of specific performance of a personal services contract.