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BLOGS

Jurisdiction and Procedure

Court Transfers Termination Action After Franchisee and Personal Guarantors Move to Dismiss on Jurisdiction and Venue Grounds

The United States District Court for the Western District of Kentucky this month transferred an action brought by franchisor KFC Corporation against a terminated corporate franchisee and its personal guarantors, finding that while the court had jurisdiction over the corporation, it did not have personal jurisdiction over its personal guarantors. Therefore, the court transferred the entire action to the United States District Court for the *Northern District of Texas*. *KFC Corp. v. Texas Petroplex, Inc.*, No. 3:11-cv-00479 (W.D. Ky. Oct. 5, 2012).

In determining that the franchisee was subject to personal jurisdiction in Kentucky, where KFC is headquartered, the court noted that the franchise agreements stated they were made and accepted in Kentucky, and that the franchisee's representatives had signed the agreements and returned them to KFC in Kentucky, where KFC's representatives signed them. It also determined that the franchisee knew it was entering into a long-term business with a Kentucky corporation and that it would be required to adhere to menu, advertising, and facility standards that emanated from KFC's Kentucky headquarters. To the court, it mattered not that the franchisee sent its royalties payments to states other than Kentucky, as it found that there was still "little doubt" that the payments were ultimately being made to the franchisor in Kentucky. However, the court also determined that the personal guarantors did not fall within Kentucky's long-arm statute because—unlike the corporate franchisee and the franchisor—the guarantors and KFC did not contemplate regular contact with each other when the guarantors executed the guarantees. Because the court determined that it was in the interest of justice to transfer the personal guarantors' cases to Texas, it decided to also transfer the case against the corporate franchisee for efficiency's sake due to the related nature of the claims against all defendants.

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