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System Standards/Change

Court Will Not Dismiss Tortious Interference With Contract Claim Against Acquiring Parent of Re-Branding Franchisor

In *Hyatt Corp. v. Epoch-Florida Capital Hotel Partners, Ltd.*, 2008 WL 490121 (M.D. Fla. Feb. 20, 2008), the United States District Court for the Middle District of Florida refused to dismiss a franchisee's breach of contract claims against the franchisor's parent corporation, finding that the parent was a "stranger" to the contract at the time it purchased the subsidiary franchisor such that breach of contract and tortious interference with business relationship actions could proceed against the company.

Hyatt Corporation purchased the AmeriSuites hotel chain and decided that it would cease operating the AmeriSuites brand and instead rebrand qualifying AmeriSuites hotels to the "Hyatt Place" brand. Hyatt stopped advertising and promoting the AmeriSuites brand and diverted support and resources from AmeriSuites to Hyatt Place. The case was originally brought by Hyatt against a holdover AmeriSuites franchisee that it terminated for nonpayment of fees. The franchisee counterclaimed, alleging that Hyatt had tortiously interfered with its franchise agreement with AmeriSuites by refusing to allow the franchisee to rebrand as a Hyatt Place hotel and by ceasing its support of the AmeriSuites brand. Hyatt moved to dismiss, arguing that its status as parent corporation of the AmeriSuites subsidiary made it legally impossible to "interfere" with the contract because Hyatt was in effect a party (not a "stranger") to that contract. Hyatt was invoking the rule that a party cannot be held liable for interfering with its own contract. The court disagreed, finding that Hyatt was a stranger to the contract at the inception of the franchise relationship (i.e., when the franchisee purchased an AmeriSuites franchise), and that there was sufficient evidence that Hyatt had maliciously used its influence as the parent corporation of the new franchisor to breach the franchise agreement.