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BLOGS

Choice of Law

Despite Choice of Law Provision, Court Refuses California Franchisee's Request to Apply Washington Law to Dispute

In *Red Lion Hotels Franchising, Inc. v. MAK LLC*, 2010 U.S. Dist. LEXIS 23633 (E.D. Wash. Mar. 15, 2010), the court held that the Washington Franchise Investment Protection Act ("FIPA") did not apply to a Washington-based franchisor in its dispute with a California franchisee, even though the franchise agreement contained a Washington choice of law provision. Franchisor Red Lion sued the franchisee for breaching the franchise agreement by failing to comply with a mandatory property improvement plan. The franchisee argued that the termination was improper and violated FIPA. Red Lion countered that FIPA was inapplicable because the franchisee was operating outside Washington. Instead, Red Lion asserted, the California Franchise Relations Act applied. The court applied Washington choice of law rules and held that FIPA was inapplicable because the relevant statutory provision demonstrated "a clear intent to limit the territorial scope of the Act to specific conduct that can be said to occur 'in this state.'"