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## BLOGS

### Transfers

# District Court Finds Plaintiff Had No Right to Become a Franchisee

A federal district court granted the motion of franchisor H&R Block Tax Services LLC ("Block") for summary judgment, finding that the plaintiff had no right to become an H&R BLOCK franchisee under either contract or detrimental reliance theories. *CG & JS Enters., LLC v. H&R Block, Inc.*, 2017 WL 5483763 (E.D. La. Nov. 15, 2017). *CG & JS Enterprises, LLC* is owned by Christopher Gibbens and Johnny Shaw, two former employees of Block. Gibbens left Block in January 2013 under amicable circumstances. In April 2013, an existing H&R BLOCK franchisee expressed interest in transferring his franchise to Shaw. At the time, Shaw was still an employee of Block. In May 2013, Shaw received an unfavorable performance review and, as a result, filed a charge of racial discrimination and harassment against his supervisor and Block.

As part of the franchise transfer process, a Block representative reminded Shaw that he could not be both a franchise owner and an employee of Block, and that he would need to coordinate a transition plan with his field leader if he was approved. In August 2013, while the transfer was still being processed, Shaw left Block pursuant to a Confidential Separation and Release Agreement under which Shaw settled his EEOC claim in exchange for a lump sum payment. In September 2013, Block notified Gibbens that the transfer had been approved and the necessary contract documents would be prepared and mailed to CG & JS Enterprises. However, before Shaw or Gibbens received the closing documents in the mail, Block withdrew its approval of the transfer and indicated that it would not sign a franchise agreement with CG & JS Enterprises. CG & JS Enterprises then sued Block and its parent company based on various legal theories, including breach of contract and detrimental reliance.

In its consideration of CG & JS Enterprises' breach of contract theory, the court found the communications between the parties during the summer of 2013 clearly indicated that neither party would be bound until the final contract was executed by the parties. The franchise agreement itself specifically provided that it would not be binding on Block or the franchisee unless and until it had been executed by both parties. The court also disagreed with CG & JS Enterprises' argument that Block intended to create an irrevocable offer once it had mailed the documents for review and signature. In its consideration of the detrimental reliance theory, the court observed that CG & JS Enterprises had to show that Block made a representation by conduct or word, and that the plaintiff justifiably relied on that representation to change its position to its detriment. Shaw argued that he

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resigned his position with Block based on its promise of a franchise. However, the court found that no such promise had been made. Further, the release agreement executed by Shaw clearly identified the consideration he would receive in exchange for his resignation, and it did not include the transfer of the franchise. As a result, the court granted Block's motion for summary judgment.