

## BLOGS

State Franchise and Dealer Laws

# Federal Court in Minnesota Dismisses Franchisee's Fraud Claim Under Minnesota Franchise Act

A Minnesota federal court has dismissed a franchisee's claim against The UPS Store, Inc. ("TUPSS") under the Minnesota Franchise Act (MFA) and has transferred the rest of the case to a California federal court in accordance with the forum selection clause contained in the parties' franchise agreement. *Moxie Venture L.L.C. v. The UPS Store, Inc.*, 2016 WL 128136 (D. Minn. Jan. 12, 2016). Moxie alleged that TUPSS had fraudulently induced it to enter into the franchise agreement by misrepresenting the best location for Moxie's UPS Store and the franchise's anticipated revenue, cash flow, and operating profits in violation of the MFA. TUPSS moved, first, to dismiss Moxie's MFA claim on the grounds that Moxie could not demonstrate that it reasonably relied on any alleged misrepresentations in light of the franchise agreement's express disclaimers, and, second, to transfer the remaining common law claims pursuant to the contract's forum selection clause.

The court granted both of TUPSS' motions, finding that the disclaimer provisions in the franchise agreement barred Moxie's MFA claim and that the forum selection clause was fully enforceable. In dismissing the MFA claim, the court observed that Moxie had expressly acknowledged through the disclaimer provisions that it had not relied on any representations regarding anticipated earnings before entering into the franchise agreement. Moxie argued that because the MFA voids any contractual provision that purports to waive a franchisee's rights under the statute (including the statute's prohibition against material false statements), the disclaimer provisions were invalid as a matter of law. The court held, however, that the disclaimers did not have the effect of waiving any of Moxie's statutory rights and merely served as an acknowledgment of Moxie's non-reliance. The court's conclusion on that point is contrary to an earlier decision by another judge in the District of Minnesota (*Randall v. Lady of America Franchise Corp.*, 532 F. Supp. 2d 1071 (D. Minn. 2007)), indicating a split in authority in the district regarding the validity of contractual disclaimers in defeating claims of unlawful pre-sale representations brought under the MFA.

## Related People

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