



**BLOGS**  
Contracts

## Florida Federal Court Enforces Explicit Contract Terms in Finding for Franchisor on Area Development Agreement Breach Claims

A federal court in Florida looked to the explicit terms of the agreements when a franchisee alleged that a franchisor's failure to provide ongoing support and assistance was in breach of contract. *Show Me Hospitality, LLC v. Tim Hortons USA, Inc.*, 2022 WL 1182896 (S.D. Fla. Apr. 21, 2022).

A federal court in Florida looked to the explicit terms of the agreements when a franchisee alleged that a franchisor's failure to provide ongoing support and assistance was in breach of contract. *Show Me Hospitality, LLC v. Tim Hortons USA, Inc.*, 2022 WL 1182896 (S.D. Fla. Apr. 21, 2022). Show Me Hospitality entered into a forty-unit, five-year area development agreement with Tim Hortons, as well as six franchise agreements. Hortons ultimately approved fourteen locations, only seven of which were actually opened. Show Me's financial difficulties caused it to fall behind its development schedule and ultimately close some of its previously opened restaurants. It sought Hortons' permission to take on a partner for its business, but Hortons declined. After Hortons issued Show Me a default notice, Show Me sued Hortons alleging that Hortons had breached the development agreement or the covenant of good faith and fair dealing by rejecting Show Me's proposed partner, and committed an anticipatory breach of the agreement when Hortons conditioned its approval of management changes on Show Me entering into a new area representative agreement.

After a bench trial, the court found that Hortons did not act in bad faith because the express terms of the development agreement provided that Hortons had the authority to consent (or not) to any transfer of any ownership interest. The court also found that Hortons did not breach the franchise agreements by failing to provide sufficient support and assistance, because those agreements permitted the exercise of discretion by Hortons in providing such support. Finally, the court found against Show Me on its anticipatory breach claim because both parties continued to perform even after the anticipatory breach had supposedly occurred. Instead, the court awarded Hortons \$622,653 in damages for Show Me's breaches of the development and franchise agreements.

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