

A solid yellow right-angled triangle pointing towards the top-left corner.

**BLOGS**  
Damages

## Fourth Circuit Holds Franchisors Can Recover Future Damages for Breach of Franchise Agreement

In *Meineke Car Care Ctrs., Inc. v. RLB Holdings, LLC*, 2011 U.S. App. LEXIS 7809 (4th Cir. Apr. 14, 2011), the U.S. Court of Appeals for the Fourth Circuit reversed the judgment of the federal district court in the Western District of North Carolina, which had held that future damages could not be recovered by the franchisor. Meineke, a franchisor of automotive car care centers, terminated RLB Holdings' franchise agreements based upon its abandonment of its shops. Meineke brought suit against RLB in North Carolina state court, alleging that RLB breached the franchise agreements and caused Meineke to lose future royalties and advertising fees. The case was removed to federal court, which granted RLB's motion for summary judgment, finding that Meineke was not entitled to lost future damages for prospective royalties and advertising fund contributions for the period after the termination of the franchise agreements. Meineke appealed that decision.

In reversing the district court's ruling, the Fourth Circuit considered whether Meineke was entitled to future damages under the franchise agreements as well as under North Carolina law. The court found that while the franchise agreements did not specifically provide for the recovery of future damages in the event of a breach of contract, such damages were "reasonably supposed to have been" within the contemplation of the parties, so an express written agreement was not required.

The Fourth Circuit went on to explain that the recovery of future damages was not an unduly conjectural, remote, or speculative claim under North Carolina law, even if RLB claimed it was unprofitable. The court found that the franchisee's payment obligations were based on its sales and not on its profits. By basing its claim for future damages on the franchisee's historical performance, Meineke properly used what the Fourth Circuit found to be the widely accepted methodology of using past profits as a basis for calculating future lost profits.