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BLOGS

Fraud/Misrepresentation

Illinois Appellate Court Affirms Dismissal of Franchisee's Fraud Claims

Franchisor Ace Hardware Corporation recently prevailed on appeal—as it had in the lower court—against claims that it had committed fraud in selling two franchises. *Avon Hardware Co. v. Ace Hardware Corp.*, 2013 Ill. App. LEXIS 743 (Ill. App. Oct. 28, 2013). The circuit court had dismissed both franchisees' claims because cautionary language in Ace's pro forma and UFOC documents rendered reliance on the franchisor's alleged statements immaterial as a matter of law. The Illinois Court of Appeals affirmed.

The appellate court held that Ace Hardware's documents did not contain false statements of material fact; thus, any alleged reliance on the information provided by Ace during the sale process was unreasonable. Ace Hardware had provided data regarding the financial performance of some stores in the chain, but it had clearly warned that the data was not comprehensive and had not been independently verified. Based on these and other warnings, Ace was found not to have concealed any material information from the franchisees.

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