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BLOGS

Terminations

Illinois Federal Court Enforces One-Year Contractual Limitations Period

In another case from the Northern District of Illinois involving Sears Home Appliances Showrooms, the court dismissed counterclaims brought by a group of franchisees on the grounds that the claims were barred by a one-year contractual limitations provision in their franchise agreements. *Sears Home Appliance Showrooms, LLC v. Charlotte Outlet Store, LLC*, 2018 WL 3068459 (N.D. Ill. June 21, 2018). The franchisees made a cursory argument that the limitations provision in their agreements was unenforceable as a matter of law because it shortened the 10-year statutory limitations period that would otherwise apply. But the court rejected that argument, finding that Illinois law allows parties to replace a statutory limitations period with a shorter contractual limitations period. The franchisees also argued that Sears should have been equitably estopped from raising the contractual limitations provision because it allegedly promised the franchisees that it would fix the inventory problems that were the subject of their counterclaims. But the court rejected that argument too, because (1) the alleged promise was made by a party other than Sears; and (2) pre-suit negotiations by themselves are insufficient to support the application of equitable estoppel. The court did, however, grant the franchisees leave to file a motion to amend their counterclaims.

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