



BLOGS

State Franchise Laws/Violations/Terminations

Illinois Federal Court Grants Franchisor Summary Judgment on Claim Under the Illinois Franchise Disclosure Act

A federal court in Illinois recently granted partial summary judgment to LMLC Franchising, LLC (LMLC-F), LMLC Management, LLC (LMLC-M), and Todd Barnhardt on claims brought by John Doe and Aylin & Ramtin, LLC (A&R) for breach of fiduciary duty and violating the Illinois Franchise Disclosure Act (IFDA), among others. *Aylin & Ramtin, LLC v. Barnhardt*, 2024 WL 325384 (N.D. Ill. Jan. 29, 2024).

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The court granted partial summary judgment rejecting Plaintiffs' claims for breach of fiduciary duty. The court concluded that LMLC-M and Barnhardt did not owe Doe any fiduciary duties because Doe only interacted with the businesses in his individual capacity as the sole member of A&R. The court concluded that Barnhardt, however, owed A&R fiduciary duties in light of the power of attorney he was granted over A&R's operating account. The court explained that Barnhardt's control over hundreds of thousands of dollars in the account constituted special circumstances that likely gives rise to a fiduciary duty in connection with handling such funds. As to Doe and A&R's claims alleging unlawful fraudulent practices under the IFDA, the court granted summary judgment to the defendants, concluding that opinions or statements relating to future or contingent events, such as future costs, sales, and profitability are not fraudulent practices. Additionally, the court recognized that any fraudulent misrepresentations made in the performance of the contracts, subsequent to the initial offering and sale, are not actionable under the IFDA. The claims for breach of fiduciary duty as to Barnhardt, breach of contract, and common law fraudulent misrepresentation in the context of contract performance, survived the motion for summary judgment.

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