

**BLOGS**

Contracts

Illinois Federal Court Grants Franchisor's Motion to Dismiss Terminated Franchisee's Fraudulent Misrepresentation and Breach of Contract Claims

A federal court in Illinois recently dismissed a former franchisee's counterclaims for alleged fraudulent misrepresentation, breach of contract regarding the franchisor's advertising fund, and breach of contract and implied contract for failure to certify a franchisee's SBA loan. *Chicago Franchise Sys., Inc. v. Dominique*, 2024 WL 756806 (N.D. Ill. Feb. 23, 2024).

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The court dismissed each of the counterclaims. First, it ruled that Dominique waived his argument for fraudulent misrepresentation by failing to respond to Chicago Franchise's assertion that the promise of future revenue is not a basis for false misrepresentation, and instead arguing that the omission of information may be a basis for misrepresentation. The court further ruled that Dominique failed to show a special or fiduciary relationship exists, which is necessary to provide fraud by omission of material fact. Second, the court concluded Dominique failed to establish Chicago Franchise's breach of its advertising obligations on the basis of the implied covenant of good faith and fair dealing, since Dominique did not establish that Chicago Franchise was given discretion by the agreement and had acted in bad faith in exercising such discretion. Finally, the court determined that the claims regarding Chicago Franchise's failure to certify Dominique's SBA Loan must fail, because he did not identify a contractual provision in the contract to support the claim.

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