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## BLOGS

State Franchise and Dealer Laws

# Licensee Whose Business Plan Denied Franchisee Status Estopped From Claiming It Was a Franchisee

In *U-Bake Rochester, LLC v. Utecht*, 2014 U.S. Dist. LEXIS 7106 (D. Minn. Jan. 21, 2014), the United States District Court for the District of Minnesota recently held that a plaintiff's prior acknowledgement that it was not a franchisee barred the plaintiff from later asserting claims under Minnesota and Wisconsin state franchise statutes. U-Bake Rochester ("UBR") executed a trademark license agreement with Utecht Bakeries that allowed UBR to use the U-BAKE trademark in connection with a retail store located in Rochester, Minnesota. After revenues plummeted in its second year of operation, UBR sued Utecht. On Utecht's motion for summary judgment, the court dismissed, among other counts, UBR's claims for violation of the registration and disclosure requirements under the Minnesota and Wisconsin franchise statutes.

The court held that even assuming that the relationship between UBR and Utecht fell within the definition of a franchise under the Minnesota and Wisconsin statutes, UBR's prior conduct equitably estopped it from claiming violations of those statutes. UBR's counsel had contributed to the drafting of the license agreement and expressed his knowledge of the type of business arrangement that constitutes a franchise. His knowledge, the court held, is imputed to UBR. The license agreement expressly said that the parties were not in a franchise relationship. Moreover, the business plan UBR submitted to a third party for a loan acknowledged that UBR was not a franchise and even touted the benefits of a nonfranchise relationship. On those facts, the court found it would be inequitable to allow UBR to now assert claims under the franchise statutes.

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