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## BLOGS

Limitation of Actions

# Limitations Period Under California Franchise Investment Law Runs From Time of Disclosure

The California Court of Appeals recently affirmed dismissal of a franchisee's claims for violation of the California Franchise Investment Law (CFIL) and breach of contract, both of which were based on a franchisor's alleged oral promise to grant an additional franchise territory in the future. In *Celsi v. H&R Block Tax Services, LLC*, 2012 Cal. App. Unpub. LEXIS 5275 (July 17, 2012), an H&R Block franchisee entered into a franchise agreement that gave it the right to operate a business in a specific franchise territory. At the same time, the franchisee also executed an addendum giving it the exclusive right to operate an H&R Block business in a second territory in the future, on the same terms and conditions as the first agreement. The franchisee asserted, however, that H&R Block had also orally promised it the right to develop a third business in a third territory, although no written addendum was ever executed. When the franchisee later sought to enter into a franchise agreement for the third territory, H&R Block declined and granted the territory to a different franchisee.

Although neither party had briefed the issue, the court of appeals upheld dismissal of the franchisee's CFIL claims based on expiration of the statute of limitations. The CFIL's limitations period runs for two years from the date a violation occurs or one year from its discovery, whichever expires first. Here, the franchisee claimed that H&R Block violated the CFIL by making an untrue oral statement of fact (specifically, that it would grant the franchisee a third franchise territory) when it sold the original franchise. The franchisee's suit was brought 13 years after the time of the franchise sale and thus well outside the CFIL's "hard" two-year limitations period. The court was not persuaded by the franchisee's argument that the violation of the CFIL had not occurred until later when H&R Block decided not to honor its alleged prior promise. The court then proceeded to affirm dismissal of the franchisee's breach of contract claim, relying on the lack of any written evidence granting the third territory and the franchise agreement's unambiguous integration clause.