

A yellow triangle pointing downwards, part of the blog header design.

BLOGS
Damages

Minnesota Federal Court Denies Franchisor Lost Future Royalties

In *Novus Franchising, Inc. v. AZ Glassworks, LLC et al.*, 2013 U.S. Dist. LEXIS 36830 (D. Minn. Mar. 18, 2013), a federal district court denied Novus Franchising's claim for lost future royalties stemming from the franchisees' abandonment of two windshield replacement franchises. Novus calculated its lost future royalties based on the minimum monthly royalty and maintenance fees that the franchisee would have had to pay during the last six years of the franchise agreements. The court recognized that Minnesota law allows a franchisor to recover lost future royalties as long as they can be proven to "a reasonable certainty." In this case, however, the court determined that the franchisor did not provide enough specific information to meet the reasonable-certainty standard. The proposed damages amount failed to take into account the costs that Novus would save as a result of the franchisee's abandonment of the franchises. In addition, the court found that six years' worth of future royalties were not justified because Novus had not shown that it would take that long to find a replacement franchisee. Since considering these factors eliminated or reduced the lost royalties at issue, the court concluded, "an award of future damages is not warranted."

Related People

Maisa Frank

Partner

Washington, D.C.

202.295.2209

maisa.frank@lathropgpm.com