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BLOGS

State Franchise and Dealer Laws

Minnesota Federal Court Holds Assignment of Franchise Does Not Constitute a Sale Under the Minnesota Franchise Act

A federal court in Minnesota has dismissed a claim under the Minnesota Franchise Act (MFA), holding that a franchisor's consent to the assignment of a franchise does not constitute a sale or an offer to sell under the Act. *LG2, LLC, v. Am. Dairy Queen Corp.*, 2023 WL 171792 (D. Minn. Jan. 12, 2023).

A federal court in Minnesota has dismissed a claim under the Minnesota Franchise Act (MFA), holding that a franchisor's consent to the assignment of a franchise does not constitute a sale or an offer to sell under the Act. *LG2, LLC, v. Am. Dairy Queen Corp.*, 2023 WL 171792 (D. Minn. Jan. 12, 2023). LG2, the franchise assignee, sued franchisor Dairy Queen, alleging breach of contract and MFA violations. Dairy Queen originally entered into the franchise agreement back in 1961 for a franchise in Oklahoma. The agreement was assigned several times, including to LG2 in 2019. LG2 intended to move the franchise to a new property it had purchased, but Dairy Queen responded that it would require a new franchise agreement for relocation.

LG2 alleged that the new agreement requirement was a breach of the existing franchise agreement and a violation of the MFA. LG2 argued that the MFA applied to the Oklahoma franchise because the sale and/or offer to sell the franchise was made at Dairy Queen's Minnesota location, the locus of the drafting, acceptance, and execution of the agreement. The court disagreed, distinguishing a franchisor's consent to the assignment of an agreement from a sale made directly to a franchisee. Because Dairy Queen was not directly involved in the sale of the franchise to LG2, the court concluded that no sale occurred in Minnesota and the MFA did not apply to the relationship.

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