

BLOGS

Fraud/Misrepresentation

Minnesota Federal Court Rules that Fraud and Misrepresentation Claims Against Franchise Broker Fail Because Alleged Misrepresentations Were Puffery

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A federal court in Minnesota dismissed all claims against a franchise broker because the plaintiff failed to demonstrate that the broker made false statements about past or present facts or circumstances. *Mount Holly Kickboxing, LLC v. FranChoice, Inc.*, 2021 WL 117968 (D. Minn. Mar. 24, 2021). FranChoice was a franchise broker for the iLoveKickboxing.com (ILKB) franchise system and was involved in the sale of a franchise to the franchisee, Mount Holly. Mount Holly claimed that, during the sales process, FranChoice misrepresented whether the franchise was suitable for absentee or semi-absentee ownership, the estimated initial investment, the success of franchisees, and made financial performance representations that were not disclosed in ILKB's FDD. Mount Holly brought claims against FranChoice for fraud and misrepresentation and violations of statutory franchise sales and deceptive practices acts.

The court granted summary judgment for FranChoice and dismissed all claims with prejudice, holding that all but one of the alleged statements Mount Holly relied upon were based either upon puffery or on future events, which are not actionable fraud, and that it failed to present any evidence that those statements did not reflect past or present circumstances at the time the statements were made. The one alleged statement that was based upon a past fact was FranChoice's claim that no ILKB franchises had ever closed. However, because the statement was directly contradicted by the FDD that listed ILKB's closed franchises, the court concluded that Mount Holly could not demonstrate justifiable reliance on that statement.

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