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BLOGS

Damages

New Jersey Federal Court Allows Franchisor to Seek Damages Following Entry of Declaratory Judgment

A federal court in New Jersey found that 7-Eleven could seek damages following the court's grant of a declaratory judgment determining that 7-Eleven had properly terminated the parties' franchise agreements. *7-Eleven, Inc. v. Sodhi*, 2018 WL 2289876 (D.N.J. May 18, 2018). Sodhi appealed the district court's order granting the declaratory judgment, but his motion to stay execution of the judgment was denied. 7-Eleven then filed an emergency motion for supplemental relief pursuant to 28 U.S.C. § 2202, alleging that Sodhi had stolen some \$180,000 in proceeds before surrendering possession of his stores, but the district court declined to consider 7-Eleven's motion during the pendency of the appeal. Once the appeal was resolved in its favor, 7-Eleven renewed the motion, and by that time its claims had grown to include the theft of more than \$560,000 in money and property.

7-Eleven argued that recovery of the stolen amounts was permitted under 28 U.S.C. § 2202 because the purpose of the statute was to "make an original declaratory judgment effective" and that Sodhi's thefts had deprived 7-Eleven of the original declaratory judgment's full benefit. Sodhi countered that 7-Eleven could not obtain damages based on a declaratory judgment and would need to pursue a new cause of action. The court sided with 7-Eleven but determined that Sodhi should be given the opportunity to challenge the damages that 7-Eleven claimed through an evidentiary hearing. The court further held that a bond Sodhi had previously posted could be used in total or partial satisfaction of any damages awarded to 7-Eleven because the bond was originally put in place to protect 7-Eleven's funds and property.

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