



**BLOGS**  
Choice of Law

## New Jersey Federal Court Enforces Contractual Choice of Law in Franchise Agreements, but Not in Related Lease Agreements

A federal court in New Jersey has dismissed certain state-law claims against the franchisors of Circle K gas stations based upon choice-of-law provisions in the parties' franchise agreements, but ruled that related lease agreements had narrower choice-of-law language that did not apply to tort claims. *Universal Prop. Servs. Inc. v. Lehigh Gas Wholesale Servs., Inc.*, 2021 WL 118940 (D.N.J. Jan. 13, 2021). Plaintiffs acquired the rights to operate 17 Florida-located gas stations from Defendants Circle K Stores, Inc. and TMC Franchise Corp. Plaintiffs alleged that during negotiations, Circle K and TMC provided inaccurate financial information, misrepresented growth projections, and failed to disclose declining profit data. Plaintiffs brought claims under Florida's Deceptive and Unfair Trade Practices Act, the Florida Franchise Act, and asserted common law fraud and contract claims.

Circle K and TMC moved to dismiss the claims arising under Florida statutes and common law fraud. The defendants argued that the parties' leases and supply agreements (entered into by Circle K) and franchise agreements (entered into by TMC) contained choice-of-law provisions that designated Pennsylvania and Arizona, respectively, as the applicable law. Considering first the choice-of-law provision in the leases and supply agreements, the court concluded that provision was limited to contract claims arising from the agreements and did not apply to the tort-related claims rooted in franchisors' fraudulent conduct. The court nevertheless decided that Florida law did not have the most significant relationship to the allegations in the complaint, but determined that additional briefing was required before deciding whether the tort claims were governed by New Jersey or Pennsylvania law under New Jersey's most significant relationship test. With regard to the franchise agreements entered into by TMC, the court found that the choice-of-law provisions were broader than those in the leases and supply agreements, and that the provisions required the franchisee to plead its common law claims under Arizona law. Therefore, it dismissed the claims against TMC without prejudice.

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