

**BLOGS**

Personal Liability

New Jersey Federal Court Grants Summary Judgment Against Hotel Franchise Agreement Guarantor Enforcing Liquidated Damages Provision

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A federal court in New Jersey recently granted summary judgment against the guarantor of a hotel franchise agreement, requiring him to pay contractual post-termination damages. *Ramada Worldwide Inc. v. Keys Hosp., LLC*, 2024 WL 5252467 (D.N.J. Dec. 31, 2024).

Keys Hospitality entered into a franchise agreement and development agreement with Ramada under which Keys Hospitality was to operate a Ramada hotel for 15 years. Defendant Bruce Armstrong personally guaranteed Keys' obligations under the franchise agreement. Among those obligations was the obligation to pay Ramada \$500,000 in liquidated damages in the event of the early termination of the franchise agreement by Keys, as well as outstanding recurring fees and reasonable attorneys' fees and costs. After a fire at the hotel, Keys terminated the franchise agreement before the end of its term. After suing Keys and Armstrong, among others, for damages, Ramada sought summary judgment against Armstrong as a guarantor.

The court rejected Armstrong's argument that Ramada breached the franchise agreement first by cancelling payment on a development incentive to Keys. It held that the franchise agreement entitled Ramada to cancel payment of the development incentive when Keys filed for bankruptcy after the payment was issued. Armstrong argued that Keys did not have to pay liquidated damages because it terminated the franchise agreement within the window provided under the agreement for cancellation due to a casualty that prevents the hotel's operation, but the court rejected this argument because the record showed that Keys failed to provide timely notice of termination. As for damages, the court found that the franchise agreement's \$500,000 liquidated damages provision for premature termination was reasonable and enforceable. It also awarded Ramada outstanding recurring fees and reasonable attorneys' fees and costs, pending the provision of additional, acceptable supporting documentation.

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