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## BLOGS

State Franchise and Dealer Laws

# Ninth Circuit Affirms Summary Judgment Under CFIL

In *Samica Enterprises, LLC v. Mail Boxes Etc., Inc.*, 2011 U.S. App. LEXIS 25530 (9th Cir. Dec. 1, 2011), the court affirmed a district court's grant of summary judgment in favor of two franchisors who were sued by a large number of their franchisees under California law relating to their initial investment in the franchises and the franchisors' administration of the franchise system. More than 200 franchisees of The UPS Store and Mail Boxes Etc. franchise systems brought various claims under the California Franchise Investment Act (CFIL) and common law against UPS and MBE. The franchisees' main complaint was that the franchisors had "duped" them into purchasing franchises with unfavorable pricing structures by stating that the franchisees' success would depend on their "efforts" and "customer service." The district court granted the franchisors' motion for summary judgment on all counts.

The Ninth Circuit affirmed. It held first that the CFIL, which imposes liability for misrepresentations in connection with the offer and sale of a franchise, required a showing of reasonable reliance by the franchisees and damages caused by the misrepresentations. The franchisees' claims failed because the franchisees had "presented no evidence that they had reasonably relied on any alleged untrue or misleading statement . . . ." The court also found that the franchisees' claim under the CFIL that the franchisors had failed to register an amendment to the franchise agreements in connection with the conversion to a new franchise model was barred by the statute's one-year limitations period. In addition, the Ninth Circuit concluded that MBE had not breached its duty to use "best efforts" to obtain incentives from UPS merely because MBE had used only oral, rather than written, requests for such incentives. Finally, the court affirmed the finding that the California choice of law provision in the franchise agreements applied because the claims would have failed even if other states' laws had applied.