



BLOGS

Statute of Limitations

North Carolina Federal Court Rules That Franchise Agreement's 1-Year Statute of Limitations Clause Barred Action Against Franchisor Hounds Town USA

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Hounds Town moved to dismiss all claims, arguing that the terms of the franchise agreement—and a one-year statute of limitations provision, in particular—barred each of Bigelow's claims. Bigelow responded that the one-year limitation clause was unenforceable because the agreement was fraudulently induced—an argument that the court rejected citing Bigelow's own allegation in the complaint that the agreement was a "valid and legally enforceable contract." As the court noted, "both cannot be true." Bigelow also argued that Hounds Town's statute of limitations argument was an affirmative defense that cannot be adjudicated on a motion to dismiss. The court rejected that argument, too, because facts sufficient to rule on Hounds Town's affirmative defense appeared on the face of the complaint. The court further held that the limitations clause in the franchise agreement was enforceable because the applicable statute did not prohibit shorter limitations periods, and because the one-year limitations period was reasonable under North Carolina law. As a result, because the complaint was filed more than a year after the actions that gave rise to the claims, the court dismissed six of the claims under the franchise agreement's limitations clause.

Related People

David Archer

Associate

Minneapolis

612.632.3304

david.archer@lathropgpm.com

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