



BLOGS
RICO

Northern District of Georgia Dismisses Claims That Franchisor, Franchisees, and Contractors Comprised an “Enterprise” Under Rico

The U.S. District Court for the Northern District of Georgia has dismissed claims that a franchisor and its franchisees violated the Racketeer Influenced and Corrupt Organizations Act (RICO) through an alleged companywide policy of buying sick puppies, certifying their health for sale, and then covering up the source of their illness after they grew sick. *Cisneros v. Petland, Inc.*, Bus. Franchise Guide (CCH) ¶ 16,177 (N.D. Ga. Apr. 17, 2018). The plaintiff bought a Shih Tzu puppy from a Petland franchisee that was certified as healthy but died of parvovirus soon after she brought him home. The plaintiff alleged that Petland had a policy requiring its franchisees to purchase animals at a heavily discounted price from pet “mills” where animals were bred as quickly as possible, without care for their health, and that veterinarians paid by Petland then misrepresented the animals’ health in order to encourage their sale. The plaintiff further alleged that Pawsitive, a consultant that had contracted with Petland and its franchisees, directed customers to veterinarians who were affiliated with Petland, allegedly to help conceal the fact that the puppies were already sick when they were sold.

In granting motions to dismiss filed by the defendants, the court concluded that the plaintiff had failed to plead adequately that Petland, its franchisees, the veterinarians, and Pawsitive comprised an enterprise for the purposes of RICO. Where businesses are alleged to form a RICO enterprise, a plaintiff must plead facts showing that the individual members took action beyond the scope of their normal, self-interested business objectives. According to the court, the legitimate business of Petland and the other defendants was to sell or provide medical care for animals, and it was not unusual for a franchisor such as Petland to mandate uniformity among its franchisees. The plaintiff did not allege that any of the defendants acted outside of those normal business roles, even if the alleged conduct would establish state law fraud and breach of contract claims. Such claims were not alleged, and the court declined to exercise supplemental jurisdiction over a related state RICO claim and dismissed the case.

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