

BLOGS

Post-Termination Injunctions

Seventh Circuit Affirms Denial of Preliminary Injunction Finding PMPA Termination for Failure to Pay Was Proper

After remanding to the federal district court for the Northern District of Illinois, the United States Court of Appeals for the Seventh Circuit affirmed the district court's denial of a preliminary injunction motion under the Petroleum Marketing Practices Act ("PMPA"), finding that the franchisee's multiple insufficient funds transactions constituted "failures" under the PMPA, thus justifying termination of the relationship. *Joseph v. SasafraNet, LLC*, 2013 U.S. App. LEXIS 22395 (7th Cir. Nov. 4, 2013). In November 2010, SasafraNet, an authorized British Petroleum distributor, terminated Joseph's service station franchise after three failed attempts to debit Joseph's account for payment of fuel deliveries. Joseph filed for preliminary injunctive relief to enjoin SasafraNet's termination, and in May 2011, the district court denied Joseph's motion reasoning that Joseph failed to present any serious question going to the merits of the termination.

On appeal, the Seventh Circuit remanded the case back to the district court for a determination of whether Joseph's NSF transactions constituted "failures" under the PMPA. In its remand order, the Seventh Circuit noted that while the PMPA authorizes termination if an event occurs that is relevant to the franchise relationship, Joseph's NSFs might not constitute "failures" under the PMPA if they were technical or unimportant to the franchise relationship, or if they were outside Joseph's control. On remand, the district court concluded that two of Joseph's NSFs constituted "failures" under the PMPA, as they resulted from Joseph's decision to change banks and his failure to ensure a smooth transition between his accounts. Finding that the NSFs were entirely within Joseph's control, and given Joseph's history of making late payments, the district court concluded that these failures were not merely technical or unimportant to the parties' relationship. Finding no error in the district court's remanded decision, the Seventh Circuit affirmed.

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