

A yellow right-angled triangle pointing towards the top-left corner.

BLOGS

Terminations

Seventh Circuit Denies Franchisor Right to Terminate Franchisee for Failing to Follow New Pricing Policy

Affirming a preliminary injunction reported in Issue 144 of *The GPMemorandum*, the United States Court of Appeals for the Seventh Circuit has found that a five-unit Steak N Shake franchisee would suffer “irreparable harm” if terminated for failing to comply with new policies governing pricing. *Stuller, Inc. v. Steak N Shake Enterprises, Inc.*, 2012 U.S. App. LEXIS 17921 (7th Cir. August 24, 2012). The court based its ruling on evidence submitted by the franchisee that the pricing policy “would be a significant change to its business model and it would negatively affect its revenue, possibly even to a considerable extent.” Given that prospect, the court agreed with the district court that the franchisee’s failure to follow the new policy would not cause “self-inflicted” harm. The court noted that the franchisee’s subsequent victory on summary judgment on July 12, 2012, as summarized in our last issue of *The GPMemorandum*, also supported affirmance of the preliminary injunction, because that ruling increased the plaintiff’s ultimate likelihood of success on the merits of the case.