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## BLOGS

Fraud/Misrepresentation

# Signed UFOC Receipt Triggers Statute of Limitation; Franchisee's Failure to Disclose Claim Defeats Own Fraud in the Inducement Claim

In *Guesthouse International Franchise Systems, Inc. v. British American Properties MacArthur Inn, LLC*, 2009 WL 278214 (M.D. Tenn. Feb. 5, 2009), a hotel franchisor terminated its defaulting franchisee and then sued to collect past due royalties, reservation fees, and liquidated damages due as a result of the early termination. In response, the franchisee asserted affirmative defenses (doubling as counterclaims) that Guesthouse violated the Tennessee Consumer Protection Act (TCPA) and fraudulently induced the franchisee to sign franchise agreement. The franchisee claimed that Guesthouse violated the TCPA by failing to provide a UFOC and by making deceptive oral statements during the negotiation process. These claims, however, were barred under the TCPA's one-year limitations period, the court held. The franchisee had admittedly signed a receipt for delivery of the UFOC before executing the franchise agreement and therefore, as a matter of law, should have discovered the lack of UFOC delivery within one year of the receipt date. The franchisee also should have discovered the falsity of Guesthouse's oral statements as soon as Guesthouse failed to deliver on the alleged promises when the hotel opened, the court found.

In support of its fraud claim, the franchisee had asserted that Guesthouse falsely promised to provide a high level of marketing and training support to the franchisee and that Guesthouse's UFOC disclosures were misleading as to the amount of litigation involving Guesthouse. The court held that the franchise agreement's clear and unambiguous integration clause (stating that no promises or representations existed outside of the written agreement) precluded the franchisee's fraud claim, particularly where, as here, the franchisee is a sophisticated and experienced hotelier who admitted to having read and understood the integration clause.

Moreover, the franchisee could not claim reasonable reliance on statements in the UFOC, since the franchisee did not assert that it had ever read the UFOC and even asserted that no UFOC was delivered.