

BLOGS

Terminations

Sixth Circuit Affirms Summary Judgment Enforcing Franchise Agreement Termination and Awarding Liquidated Damages

The Sixth Circuit Court of Appeals recently affirmed a Michigan federal court's grant of summary judgment enforcing Little Caesar's termination of franchise agreements for related multi-unit franchisees based on nonpayment and repeat defaults. *Little Caesar Enters., Inc. v. Little Caesars ASF Corp.*, 2021 WL 37544 (6th Cir. Jan. 5, 2021). Lathrop GPM represented Little Caesar in the case. Little Caesar terminated the franchise agreements after the franchisees accrued more than \$200,000 in debt for, among other things, unpaid royalties, and failed to cure their defaults. In an order granting summary judgment for Little Caesar, the district court enforced the franchise agreements' termination and, in addition to other relief, awarded Little Caesar liquidated damages equal to up to three years' worth of royalties and advertising fees, which amounted to \$2.6 million.

The Sixth Circuit affirmed the district court's decision. On appeal, the franchisees raised a host of arguments, including that Little Caesar had waived its right to terminate the agreements by allowing the franchisees to continue to operate their franchises after sending a notice of termination. The Sixth Circuit affirmed the district court's holding that there was no evidence of such a waiver because Little Caesar's termination notice contemplated that the parties could continue their relationship while any dispute over termination was litigated. The Sixth Circuit also had little trouble rejecting the franchisees' other assignments of error, finding that they had waived their arguments by failing to timely raise them before the district court and that there was no "exceptional" basis for overlooking that defect.

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