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BLOGS

Contracts

Wyoming Supreme Court Upholds Termination of Franchise Executives for Pursuit of Another Franchise Opportunity

The Wyoming Supreme Court affirmed a lower-court decision approving the termination of two executives following their pursuit of a franchise opportunity with another system. *James v. Taco John's Int'l, Inc.*, 2018 WL 4011633 (Wyo. Aug. 22, 2018). In 2013, Taco John's International (TJI) hired a new Chief Development Officer and a Vice President of Operations at the behest of its recently hired President and CEO. The pair's employment agreements required them to "devote all of [their] time, attention, knowledge, and skills solely to the business and interest of Employer." In 2016, the three executives became interested in a franchise opportunity with another system and took several steps toward acquiring the franchise. When TJI's compensation committee found out about the venture, the board of directors terminated the CDO and VP of Operations.

The two terminated executives sued for breaches of their employment agreements. In affirming the lower court's grant of summary judgment against them, the Supreme Court first rejected the executives' argument that their employment agreements were ambiguous. The executives argued that they could not be required to devote "all" of their time to their jobs, as they were permitted to have private lives. The court found the term "all" clearly to refer to "all" of the executives' working time, by virtue of the word's location in a section of the contract labeled "Other Employment." The court next found immaterial the facts that the executives never acquired the franchise, that they did not neglect the duties of their employment, and that the President's contract permitted other business activities. Finally, the court rejected the executives' argument that TJI authorized their actions through the alleged apparent authority of the President.

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