Franchise Reorganization & Bankruptcy

Bankruptcy, regardless of where it may arise in connection with a franchise system, often presents challenging legal, practical, and strategic issues for a franchisor's business. What rights, responsibilities, obligations, and prohibitions does a franchisor have when an entity connected to its system files for bankruptcy protection? Whether it is franchisees, critical suppliers, distributors, or key business partners on the verge of bankruptcy or in bankruptcy, a franchisor must understand the implications of what that bankruptcy will mean for its franchise system. Our team of bankruptcy experts can guide franchisors in the unique and technical intersection of bankruptcy law and franchise law to answer these and other questions.

Because default and termination issues are often at the center of litigation with franchisees, franchisee bankruptcy matters often turn on the issue of whether franchise agreements have been properly and effectively terminated prior to a bankruptcy filing. Protecting a franchisor's rights under the bankruptcy code is vital to keeping its franchise system healthy and under the franchisor's control. We have represented franchisors throughout the country in bankruptcy court in protecting their interests when bankruptcy policies and the bankruptcy code can be hostile or directly opposed to a franchisors' interests.

Our national franchise practice gives us a unique perspective to help our clients navigate the common problems experienced by all franchisors in bankruptcy matters. Our franchise attorneys work closely with our bankruptcy team to stay current on the latest bankruptcy developments and how that may impact our franchisor clients. We also work with a network of outstanding local attorneys when retaining local counsel makes sense. We also work closely with in-house counsel and business leadership to reduce exposure should bankruptcy become a threat to a franchisor's business.

Our attorneys:

- Represent franchisors in connection with multi-unit franchisee bankruptcies
- Litigate in bankruptcy courts to protect franchisors' rights under franchise agreements and the bankruptcy code
- Obtain relief from the automatic stay in bankruptcy court
- Protect a franchisor's rights to be paid franchise fees and rent obligations during pending Chapter 11 cases
- Advise franchisors about the overrides of contractual provisions contained in the bankruptcy code and the impact of the bankruptcy policy on a franchisor's objectives
- Negotiate with debtors, trustees, lenders, landlords, and other interested parties in maximizing a franchisor's legal and practical objectives
- Represent franchisors in acquiring other franchisors through bankruptcy sales

Representative Experience

- Obtained preliminary injunctions in bankruptcy court
- Obtained declaratory judgments that franchise agreements were properly terminated prior to bankruptcy
- Negotiated sale of franchises with debtors and lenders
- Obtained relief from the automatic stay to allow franchisors to continue termination litigation in courts of their own choosing
- Worked with trustees to close down debtors that infringe upon franchisors' trademarks
- Enforced termination of franchise agreements in bankruptcy court
- Enforced non-compete obligations against debtors