Franchise Law

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I. INTRODUCTION

The year 2020 was eventful for Texas franchise law. Relevant opinions this year featured nuanced and technical jurisdictional analysis, a range of unique but recurring procedural issues, cases probing the limits of the franchise relationship, disputes involving the enforceability of intellectual property, and common remedies for common law and statutory claims. While not all of these judgments yield novel holdings—with many reciting precedents and applying doctrines familiar to franchise law practitioners in this state—they collectively provide a timely and salient update on the state of franchise law in Texas.

II. PROCEDURE

A. JURISDICTION

1. Subject Matter Jurisdiction

In Hegar v. Mahindra USA, Inc., Mahindra USA, Inc. (Mahindra), a distributor of farm tractors and accessories, had a franchise tax dispute with the Texas Comptroller (Comptroller) and Texas Attorney General (collectively, the State). Following an audit by the Comptroller, the State sought $569,380.06 in additional franchise taxes, penalties, and interest for tax years 2008–2011. Mahindra sought administrative review challenging the tax deficiency on two fronts: (1) whether Mahindra qualified as a wholesaler entitled to a lower 0.5% tax rate, and (2) whether Mahindra’s “Sales Incentives” should be added to the cost of goods sold for purposes of calculating the tax. On December 19, 2016, prior to the administrative law judge’s (ALJ) decision, Mahindra also sought to apply for reapportionment of its sales apportioned to Texas as opposed to other jurisdictions. On March 1, 2017, the ALJ issued its proposed decision, finding in favor of the Comptroller on the first two issues and further concluding that the reapportionment claim “was submitted more than four years after the franchise tax was due for the latest report year” and was therefore untimely. The Comptroller adopted the ALJ’s decision on May 5, 2017, and denied Mahindra’s motion for rehearing on June 2, 2017. “Mahindra submitted $654,060.31 as payment of the tax, penalties,
and interest,” and then sued the State on June 30, 2017, seeking “[r]efund of [t]ax [p]aid under [p]rotest.”6 The State responded to the lawsuit by filing a plea to the jurisdiction, arguing that Mahindra’s claim for a refund was untimely.7 The trial court disagreed, denying the State’s plea to the jurisdiction.8 The State appealed the denial.9

As the Third Austin Court of Appeals explained, a plea to the jurisdiction is a fundamental challenge to the trial court’s subject matter jurisdiction and is reviewed de novo—with no deference to the trial court’s findings, reasoning, or judgment.10 The procedural facts in this case were not disputed; the decisive issue on appeal was whether—under § 112.052 of the Texas Tax Code—Mahindra’s apportionment claim was a refund made in protest or whether it was a claim in a separate tax suit.11 The court of appeals agreed with the State that Mahindra’s claim for a refund was an independent suit and therefore untimely.

The court reached this conclusion for two reasons. First, the court noted that “a prerequisite to bringing a protest payment suit” is that the protesting party “must submit with the payment a protest.”12 Mahindra submitted a protest with its payment following the Comptroller’s adoption of the ALJ’s proposed decision in June 2017 but had not raised the allocation issue as a protest in its initial payment of the disputed franchise tax in 2013. Second, § 112.051 permits a protest payment where the protesting party “is required to pay a tax or fee imposed by this title or collected by the comptroller under any law . . . .”13 In this case, Mahindra’s stated basis for the allocation payment was its own erroneous federal income tax filings. While erroneously paid taxes are recoverable as a conventional tax refund claim, they are not recoverable “as a refund request in a protest payment suit.”14

Because Mahindra failed to meet the statutory prerequisites for a protest payment suit, the only remaining basis for subject matter jurisdiction was a tax refund suit governed by another section of the Texas Tax Code, § 112.151, which is, in turn, governed by a six-month limitations period under § 111.104(c).15 Mahindra waited until December 2016, three years after the Comptroller completed its audit—and well after the limitations period had expired for its tax refund claim—to raise the apportionment issue during the ALJ proceeding.16 Therefore, the trial court lacked juris-

6. Id. at *3–4.
7. Id. at *4.
8. Id.
9. Id.
10. Id.
11. Id. at *5.
12. Id. at *6 (citing Tex. Tax Code Ann. § 112.051(a)).
13. Id. (quoting Tex. Tax Code § 112.051(a)).
14. Id.
15. Id. at *6–7 (citing Tex. Tax Code § 112.151(a)) (“A claim for refund must: . . . be filed before the expiration of the applicable limitation period as provided by this code or before the expiration of six months after a jeopardy or deficiency determination becomes final, whichever period expires later.” (quoting Tex. Tax Code § 111.104(c)(3))).
16. Id. at *8.
diction over Mahindra’s claim—either as “a protest payment suit or a tax refund suit”—and the court of appeals reversed the trial court’s denial of the State’s plea to the jurisdiction, dismissing Mahindra’s apportionment claim for want of jurisdiction.17

Whereas Hegar addressed subject matter jurisdiction in the context of statutory claims under state law, Arruda v. Curves International, Inc. involved federal subject matter jurisdiction over both state and federal claims.18 Multiple franchisees (Plaintiffs) entered into franchise agreements with defendants Curves International and Curves NA (collectively, Curves) and later sued Curves, alleging that Curves concealed relevant information about the franchise system from current and prospective franchisees and also breached its franchise agreements with Plaintiffs.19 Following an initial motion to dismiss Plaintiffs’ complaint by Curves, Plaintiffs filed an amended complaint.20 Curves moved to dismiss the amended complaint, arguing that Plaintiffs’ claims were inadequately pled.21 The decisive issue in the U.S. District Court for the Western District of Texas’s review of Curves’ motion to dismiss was whether Plaintiffs had standing to bring a civil Racketeer Influenced and Corrupt Organizations Act (RICO) claim. That RICO claim served as the jurisdictional foothold for the district court’s subject matter jurisdiction, without which the district court would not have been able to exercise jurisdiction over Plaintiffs’ remaining state-law claims.22 In other words, if the RICO claim was dismissed, the district court might not have been able to reach the merits of any of Plaintiffs’ remaining claims.

As the district court noted at the outset of its analysis, the RICO statute creates a private cause of action to recover damages from an enterprise whose conduct demonstrates “a pattern of racketeering activity.”23 In order to sufficiently allege racketeering activity, Plaintiffs were required to allege two or more predicate criminal acts that are related and evince a threatened or continued pattern of criminal activity.24 The Arruda Plaintiffs alleged that Curves violated the Federal Trade Commission Act (FTCA) by failing to notify current and prospective franchisees of an “Operating Blueprint.” This document was an internal document based on a marketing study in which Curves and its co-defendants planned to “prune 1,000+ unsustainable locations” from its franchise system in an effort to prevent widespread closures of existing Curves franchises at an annual rate of over 15%.25 While Plaintiffs conceded that

17. Id.
19. Id. at *1.
20. Id. at *2.
21. Id.
22. Id. at *8.
23. Id. at *3.
24. Id. (citing Abraham v. Singh, 480 F.3d 351, 355 (5th Cir. 2007)).
25. Id. at *1, *4.
the FTCA’s disclosure requirements did not provide a private cause of action, they argued that Curves’ violations of the FTCA’s disclosure rules could support a RICO action for mail or wire fraud.\(^{26}\)

The district court disagreed, concluding that: (1) federal courts agree that there is no private cause of action under the FTCA; (2) “Plaintiffs could not rely on alleged violations of the FTCA to give rise to a common law state-law claim for fraud because under Texas law franchise relationships do not give rise to confidential or fiduciary duties”; (3) even if the FTCA rule provided a basis for a RICO action, Plaintiffs failed to allege the “predicate crimes of mail and wire fraud . . . with the adequate particularity”; and (4) notwithstanding the foregoing deficiencies common to all Plaintiffs, Plaintiffs who signed their franchise agreements prior to the completion of the “Operating Blueprint” lacked standing to bring a RICO action because they could not show prejudice from the lack of disclosure by Curves.\(^{27}\)

After dispatching the viability of Plaintiffs’ RICO claim for fraud, the district court turned to the issue of whether it could exercise jurisdiction over the remaining state-law claims.\(^{28}\) Because Curves and at least two of the plaintiffs were domiciled in Texas, diversity jurisdiction was unavailing, and the district court needed to weigh whether supplemental jurisdiction over the state-law claims was appropriate after dismissing the sole federal RICO claim.\(^{29}\) While the U.S. Supreme Court has held that a federal district court’s decision to exercise supplemental jurisdiction over state-law claims after dismissing all federal-law claims “is purely discretionary,” the Fifth Circuit Court of Appeals has expressly held that a “district court abuse[s] [this] discretion [by] retaining jurisdiction over . . . state law claims after . . . dismiss[ing] [a] federal RICO claim.”\(^{30}\) Specifically, the Fifth Circuit’s holding reflected concern that federal judicial economy is uniquely susceptible to “widespread abuse of civil RICO [actions],” and that it “does not seem unreasonable to require that a party risk losing its state claims if it insists upon bringing a groundless RICO claim.”\(^{31}\) In accord with the Fifth Circuit’s ruling in \textit{Parker}, the district court

\(^{26}\) Id. at *4.

\(^{27}\) Id. at *3–8. The district court’s holding that FTCA disclosure requirements did not create a confidential or fiduciary relationship is consistent with broader trends in Texas and federal case law discouraging private rights of action under the FTCA. See, e.g., Crim Truck & Tractor Co. v. Navistar Int’l Transp. Corp., 823 S.W.2d 591, 594 (Tex. 1992); Morrison v. Back Yard Burgers, Inc., 91 F.3d 1184, 1187 (8th Cir. 1996).

\(^{28}\) Arruda, 2020 WL 4289380, at *8.

\(^{29}\) Id.

\(^{30}\) Id. at *8–9. \textit{Compare Carlsbad Tech., Inc. v. HIF Bio, Inc.}, 556 U.S. 635, 639 (2009) (“A district court’s decision whether to exercise [supplemental jurisdiction over state law claims] after dismissing every claim over which it had original jurisdiction is purely discretionary.”), with \textit{Parker & Parsley Petroleum Co. v. Dresser Indus.}, 972 F.2d 580, 590 (5th Cir. 1992) (“After considering and weighing all the factors present in this case, we thus conclude that the district court, with the admirable intention of moving its docket, abused its discretion in retaining jurisdiction over the state law claims after it had dismissed the federal RICO claims.”).

\(^{31}\) Arruda, 2020 WL 4289380, at *9 (quoting \textit{Parker & Parsley Petroleum Co.}, 927 F.2d at 588).
court in *Arruda* dismissed Plaintiffs’ remaining state-law claims without prejudice after ruling that Plaintiffs failed to state a viable RICO claim for mail or wire fraud. 32

While the facts in *Hegar* and *Arruda* are distinct, both cases demonstrate the importance of subject matter jurisdiction as an essential prerequisite for adjudicating the merits of the parties’ claims and defenses. *Hegar* concerned statutory causes of action in which the state court’s subject matter jurisdiction was wholly dependent on the plaintiff following specific procedures for bringing claims under the Texas Tax Code. *Arruda* demonstrated more general statutory limits on the ability of federal courts—as courts of limited jurisdiction—to exercise supplemental jurisdiction over state-law claims in the absence of complete diversity. Without a viable RICO claim to sustain federal question jurisdiction and attendant supplemental jurisdiction over Plaintiffs’ state-law claims, the federal court was required to dismiss all claims. These cases illustrate the importance of subject matter jurisdiction as a dispositive threshold issue in any lawsuit. Subject matter jurisdiction cannot be waived by the parties or by the courts—it is fundamental to a court’s authority to adjudicate a dispute—and a dismissal for want of subject matter jurisdiction could permanently prejudice the parties’ abilities to refile claims at a later date.

2. Personal Jurisdiction

In *Gigi’s Cupcakes, LLC v. 4 Box LLC*, 33 the U.S. District Court for the Northern District of Texas dismissed all claims against co-defendants Gina Butler (Butler) and Alan Thompson (Thompson)—co-founders of the Gigi’s Cupcakes franchise—on the basis that the district court lacked personal jurisdiction over Butler and Thompson. 34 Butler and Thompson were sued in their individual capacities, along with the Gigi’s Cupcakes entity, by franchisees alleging that Butler and Thompson made fraudulent misrepresentations or omissions to franchisees in connection with a system-wide mandate to switch to a new food supplier. 35 Butler and Thompson moved to dismiss all claims against them for lack of personal jurisdiction, arguing that, as citizens of Tennessee, they lacked sufficient ties to Texas to warrant the exercise of personal jurisdiction. 36

The district court began its analysis by noting that there was no dispute that neither Butler’s nor Thompson’s contacts with Texas were “substantial, continuous, and systematic” enough to warrant the exercise of general personal jurisdiction. 37 Regarding the exercise of specific personal jurisdiction, the key factors to consider were: “(1) whether Butler and

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32. *Id.* at *8–9.
34. *Id.* at *8.
35. *Id.* at *1.
36. *Id.* at *2.
37. *Id.* at *3.*
Thompson have minimum contacts with Texas; (2) whether the franchisees’ causes of action arise out of or result from Butler and Thompson’s forum-related contacts; and (3) whether the exercise of personal jurisdiction is fair and reasonable.”\textsuperscript{38} If the plaintiff-franchisees satisfied their burden to show that the first two factors were satisfied, the burden would shift to Butler and Thompson “to show that exercising jurisdiction would be unfair or unreasonable.”\textsuperscript{39}

The plaintiff-franchisees alleged three specific groupings of contacts Butler and Thompson shared with Texas: (1) each had entered into multiple franchise agreements with Sugar On Top—a Texas-based franchisee—in 2011 and 2013, and each was personally involved in litigation with Sugar On Top in Texas state court; (2) Butler and Thompson executed agreements in their personal capacities in connection with the acquisition of the Gigi’s Cupcakes franchise system by KeyCorp, LLC—a Texas entity; and (3) Butler and Thompson continued to be employed as consultants by entities associated with the franchisor.\textsuperscript{40} As a preliminary matter, the district court agreed with Butler and Thompson that their connections to Sugar On Top—a nonparty franchisee—were insufficient to justify the exercise of personal jurisdiction by a Texas court.\textsuperscript{41} Regarding their involvement with the KeyCorp acquisition and their continued employment relationship with entities affiliated with the current franchisors, the district court further concluded that the plaintiff-franchisees failed to allege a nexus between those Texas connections and the specific claims of fraud at issue in this lawsuit.\textsuperscript{42} Because the plaintiff-franchisees failed to allege that the fraudulent misrepresentations by Butler and Thompson arose out of or related to any of the three specific categories of Texas-based contacts, and because plaintiff-franchisees failed to allege that further discovery would serve to establish personal jurisdiction, the district court dismissed all claims against Butler and Thompson for want of personal jurisdiction.\textsuperscript{43}

A similar issue arose in the Fourteenth Houston Court of Appeals in \textit{Kumon North America Inc. v. Ngoc Vinh Nguyen}.\textsuperscript{44} In that case, the plaintiff (Nguyen) alleged that she slipped and fell in a math and reading center, Kumon Math and Reading Center of Rosenberg (the Center), which was owned and operated by a franchisee, Paramount Investments LLC (Paramount).\textsuperscript{45} Rather than sue Paramount, Nguyen sued the franchisor, Kumon North America Inc. (Kumon), a Delaware corporation

\textsuperscript{38} \textit{Id.} (citing Seiferth v. Helicopteros Atuneros, Inc., 472 F.3d 266, 271 (5th Cir. 2006)).
\textsuperscript{39} \textit{Id.} (citing Monkton Ins. Servs., Ltd. v. Ritter, 768 F.3d 429, 433 (5th Cir. 2014)).
\textsuperscript{40} \textit{Id.} at *4.
\textsuperscript{41} \textit{Id.} at *5.
\textsuperscript{42} \textit{Id.} at *5–6.
\textsuperscript{43} \textit{Id.} at *7–8.
\textsuperscript{44} No. 14-18-00639-CV, 2020 WL 3527615, at *1 (Tex. App.—Houston [14th Dist.] June 30, 2020, no pet.) (mem. op.).
\textsuperscript{45} \textit{Id.}
with its principal place of business in New Jersey.\textsuperscript{46} Kumon made a special appearance challenging the Texas trial court’s personal jurisdiction and appealed the trial court’s denial of that special appearance.\textsuperscript{47} On appeal, Nguyen argued that the exercise of personal jurisdiction was constitutional because Kumon was doing business in Texas as an alter ego of Paramount—its Texas-based franchisee.\textsuperscript{48}

In order to comport with traditional notions of fair play and substantial justice—as required by constitutional due process—Nguyen had to show that Kumon established minimum contacts by “purposely avail[ing] itself of the privilege of conducting activities” in Texas.\textsuperscript{49} Specifically, with regard to an alter ego theory of jurisdiction, Nguyen had to show that Kumon exerts “such domination and control over its subsidiary that they do not in reality constitute separate and distinct corporate entities but are one and the same corporation for purposes of jurisdiction.”\textsuperscript{50} In support of jurisdiction, Nguyen argued that Paramount was an alter ego of Kumon because Kumon controlled “the name of the business, hours of operation, fee structure, corporate structure, location, advertising, certain operating procedures, and instructional measures of the Center” under the terms of its franchise agreement.\textsuperscript{51} Nguyen further argued that Kumon was amenable to jurisdiction because it “was doing business in Texas” and “had a registered agent for service of process” in the state.\textsuperscript{52} Kumon responded by arguing that it did not own the Center, and that Paramount had control over the “day-to-day operations” of the Center, including hiring, training, and supervising employees, and maintaining the Center in a safe condition.\textsuperscript{53}

The court of appeals ultimately agreed with Kumon, noting that “Nguyen has pointed to no authority showing that Kumon and Paramount had more than a typical franchisor and franchisee relationship[ ] in which the franchisor controls certain aspects of the franchise to maintain the quality of its brand and consistency among franchises.”\textsuperscript{54} Not only was there insufficient evidence that Kumon’s connections were substantial enough to confer general personal jurisdiction, but none of Nguyen’s claims related to her slip-and-fall injuries arose out of Kumon’s specific contacts with Texas or its franchisor-franchisee relationship with Paramount.\textsuperscript{55} Because Nguyen’s claims arose from “the unilateral activity of Paramount”—the entity “solely responsible for hiring, training, [and] supervising” employees and maintaining the Center in a safe condition—

\textsuperscript{46} Id.
\textsuperscript{47} Id.
\textsuperscript{48} Id. at *2.
\textsuperscript{49} Id. at *1.
\textsuperscript{50} Id. at *2 (quoting PHC-Minden, LP v. Kimberly-Clark Corp., 235 S.W.3d 163, 173 (Tex. 2007)).
\textsuperscript{51} Id.
\textsuperscript{52} Id. at *3.
\textsuperscript{53} Id. at *2–3.
\textsuperscript{54} Id. at *3.
\textsuperscript{55} Id. at *3–4.
the court of appeals concluded that it lacked personal jurisdiction over Kumon, reversing the trial court and rendering judgment against Nguyen for want of jurisdiction.56

*JTH Tax, LLC v. Butschek*57 involved a more straightforward application of personal jurisdiction analysis involving one of multiple defendants in a franchise dispute. The plaintiff in this case (JTH) was a franchisor that terminated its relationship with defendants Kenneth and Theresa Butschek (the Butscheks), the owners of six franchised tax preparation businesses.58 While a separate suit for breach of the franchise agreements was proceeding in federal court in Virginia, JTH also sued the Butscheks and their daughter, Katherine Osterhus (Osterhus), in the U.S. District Court for the Southern District of Texas for trademark infringement under the Lanham Act and the Texas Deceptive Trade Practices Act.59 While there was no dispute that the district court had personal jurisdiction over the Butscheks as owners and operators of the Texas-based tax preparation businesses at the center of the lawsuit, Osterhus moved to dismiss the claims against her for want of personal jurisdiction, arguing that she was a citizen of Colorado and had insufficient ties with Texas to satisfy the minimum contacts standard for specific personal jurisdiction.60

In support of the exercise of jurisdiction, JTH pointed to the undisputed fact that Osterhus had applied for and received six Electronic Filer’s Identification Numbers (EFINs) from the Internal Revenue Service (IRS) for each of her parents’ tax businesses.61 JTH argued that by filing for and maintaining those EFINs, “Osterhus represented to the IRS that she was the sole proprietor of the businesses and had responsibility for ensuring that the businesses complied with IRS provisions” and was therefore “availing herself of the benefits and protections of Texas.”62 In response, the Butscheks maintained that Osterhus had not worked or received wages or profits from the tax businesses since 2006, and that Osterhus merely applied for the EFINs for her parents’ businesses to avoid a $5,000.00 fee to change the registration.63 While the Butscheks contemplated transferring ownership of their businesses to Osterhus when they eventually retired, they argued that she had no present interest in the ownership or operation of any of the Texas-based tax businesses.64 The district court ultimately agreed with Osterhus and the Butscheks, concluding that Osterhus’s EFIN filings were “even less availing of the State of Texas than contracting with a Texas resident, which does not es-

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56. Id. at *4–5.
58. Id.
59. Id.
60. Id. at *2.
61. Id. at *3.
62. Id.
63. Id. at *1.
64. See id.
Because Osterhus received no benefits from the state of Texas in filing the EFINs with the federal government, and because Osterhus had no further interaction with or control over her parents’ businesses during the relevant time period, the district court lacked personal jurisdiction over Osterhus and dismissed all claims against her.66

Like subject matter jurisdiction, personal jurisdiction is often a threshold issue affecting a court’s ability to reach the merits of a dispute. Particularly, in complex litigation involving multiple parties with operations spread across several states, defendants will frequently dispute specific personal jurisdiction in a motion to dismiss, thereby requiring judges to engage in “minimum contacts” analyses similar to those employed by the courts in the Gigi’s Cupcakes, Kumon, and Butschek opinions. While personal jurisdiction can be waived by parties and is not fundamental to a court’s authority to hear a case, it is a critically important and ever-evolving component of a modern litigation practice, and practitioners on both sides of the “v.” are well advised to never take personal jurisdiction for granted. For defense counsel, an early motion to dismiss for want of personal jurisdiction can provide relatively quick and inexpensive relief for a client. For plaintiffs’ counsel, a failure to establish personal jurisdiction over a defendant at the outset of a lawsuit can lead to an embarrassing early dismissal, or worse, protracted and costly motion practice on issues completely unrelated to the merits of plaintiffs’ substantive claims.

B. Choice of Law

In JTH Tax LLC v. White,67 another former tax business franchisee (White) was sued by its franchisor (JTH)—doing business as “Liberty Tax Service”—for breach of contract and trademark infringement and dilution. The parties had previously executed a Mutual Termination Agreement, which terminated White’s franchise license and purported to absolve all parties of their obligations under the franchise agreement, with the exception of post-termination obligations, which were expressly memorialized in the Mutual Termination Agreement.68 Prior to reaching the merits of JTH’s claims, the U.S. District Court for the Western District of Texas noted that Virginia law would apply to JTH’s breach of contract claims, while Texas law—as the law of the forum—applied to the remaining trademark claims.69 As the district court explained, the original franchise agreement contained a choice-of-law provision specifying

65. Id. at *4 (“It is clearly established that ‘merely contracting with a resident of the forum state does not establish minimum contacts.’” (citing McFadin v. Gerber, 587 F.3d 753, 760 (5th Cir. 2009))).
66. Id.
68. Id.
69. Id. at *2 n.1, *5.
that “Virginia law governs all claims that in any way relate to or arise out of this Agreement or any of the parties hereto.” 70 Despite the fact that the Mutual Termination Agreement effectively terminated all provisions of the original franchise agreement—including the choice-of-law provision—without expressly reiterating that the Mutual Termination Agreement was also subject to Virginia law, the district court concluded that the choice-of-law provision in the original franchise agreement still governed JTH’s contract claims. 71

C. Forum Selection

In FranLink, Inc. v. BACE Services, Inc., 72 a franchisor (FranLink) sued former franchisees (BACE Services) and additional parties (the Non-Signatory Defendants) for trademark infringement and breach of non-compete and non-solicitation provisions in the parties’ franchise agreement. The Non-Signatory Defendants moved to dismiss FranLink’s complaint for lack of personal jurisdiction and improper venue. The Non-Signatory Defendants argued that they did not sign the franchise agreement between FranLink and BACE Services and were, therefore, not bound to the agreement’s forum selection clause. FranLink argued in response that the Non-Signatory Defendants were closely involved with BACE Services and “availed themselves of the benefits of the Franchise Agreement.” 73

As the U.S. District Court for the Southern District of Texas explained in its opinion, “[a] non-signatory to a contract containing a forum selection or jurisdiction waiver clause may be bound by the clause if that non-signatory is ‘closely related to the dispute such that it becomes foreseeable that it will be bound.’” 74 Furthermore, both the U.S. Court of Appeals for the Fifth Circuit and several district courts in Texas have recognized a range of circumstances in which a non-signatory can be bound by arbitration clauses and other forum selection clauses. 75 Taking FranLink’s allegations as true—as the district court must when assessing a motion to dismiss—the district court concluded that the Non-Signatory Defendants’ conduct was closely related to BACE Services and “inextricably intertwined with the dispute.” 76 Specifically, the district court was persuaded by FranLink’s allegations that: “(1) prior to the termination

70. Id. at *2 n.1.
71. Id.
73. Id. at *2.
76. Id.
[of] the Franchise Agreement,” one of the Non-Signatory Defendants had offered services to a client of FranLink’s; (2) BACE Services’s former franchised business and the Non-Signatory Defendants’ business were “one and the same[,]” and both were invoicing FranLink’s clients for staffing services using time sheets bearing FranLink’s trademarks; (3) one of the Non-Signatory Defendants was an employee of another one of the Non-Signatory Defendants; and (4) that all of the Non-Signatory Defendants were “aware of the Franchise Agreement and its terms.”

Thus, the district court held that the Non-Signatory Defendants were bound by the forum selection clause in the franchise agreement; despite the fact that they were not parties to the agreement, their close business relationship with the franchisee while the agreement was in effect meant that they “effectively consented to jurisdiction” in the Houston Division of the Southern District of Texas.

D. Statute of Limitations

In E.S. v. Best Western International, Inc., the plaintiff (E.S.) was a sex trafficking victim that alleged that she was trafficked for commercial sex between 2006 and 2011 at hotels throughout Dallas and Fort Worth, Texas. E.S. sued both the franchise owners and franchisors of the hotels where she was trafficked under the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 (TVPRA). Regarding her claims against the franchisors—specifically Best Western and Wyndham—E.S. alleged that they were liable under § 1595 of the TVPRA, which requires a claimant to allege that a defendant “(1) ‘knowingly benefit[ted] financially or by receiving anything of value,’ (2) from participation in a venture, (3) they ‘knew or should have known has engaged in’ sex trafficking under § 1591.”

Best Western and Wyndham moved to dismiss some of E.S.’s claims under the Act on the basis that they were barred by the statute of limitations, arguing specifically that § 1595 did not apply retroactively to claims arising prior to December 23, 2008—the effective date for that section of the TVPRA. The U.S. District Court for the Northern District of Texas noted at the outset of its analysis that several district courts—including one in Texas—have ruled that the TVPRA does not apply retroactively. The district court agreed with the reasoning that there is no explicit evidence that Congress intended the “financial beneficiary prong of [the TVPRA] to apply retroactively,” and absent such evidence, there is a “presumption against retroactive legislation [that] is deeply rooted in our

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77. Id.
78. Id.
80. Id.
81. Id. at *2–3 (quoting 18 U.S.C. § 1595(a)).
82. Id. at *7.
E. Default Judgment

In *Liquid Capital of America Corp. v. Effective Business Solutions Inc.*, a plaintiff-franchisor (Liquid) sued defendant-franchisee (EBS) for breach of contract and indemnification and sued individual defendant-guarantor Alfredo Machado (Machado) for fraud, negligent misrepresentation, and breach of a guaranty in connection with a franchise agreement signed between the parties on May 8, 2006. Liquid and EBS renewed the agreement for another ten-year term on May 8, 2016, with Machado contemporaneously executing a guaranty agreement to be held personally liable for debts and obligations owed under the 2006 and 2016 franchise agreements. Beginning in 2018, Liquid realized that Machado and EBS were borrowing funds from individual investors and failing to disclose the existence of those investments to Liquid in annual financial statements—both of which were breaches of the franchise agreements. Liquid was ultimately sued by one of these individual investors and terminated EBS’s franchise on October 31, 2018. Liquid properly served EBS and Machado (collectively, Defendants) through the Texas secretary of state on November 28, 2018, and moved for substituted service on May 29, 2019, after Defendants failed to appear. Liquid moved for and obtained an entry of default on October 3, 2019; and, thereafter, sought to reduce the default to a judgment awarding Liquid compensatory damages due to the force and coercion Plaintiff underwent by her trafficker.”

While the district court ruled in favor of Best Western and Wyndham on the retroactivity issue, it concluded that Best Western’s defense based on the ten-year limitations period was “better resolved at summary judgment” due to factual issues involved with the tolling analysis.

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84. *Id.* (quoting *Landgraf v. USI Film Prods.*, 511 U.S. 244, 265 (1994)).
85. *Id.*
86. *Id.* at *8.
87. *Id.*
88. *Id.* at *7–8.
90. *Id.*
91. *Id.*
92. *Id.*
93. *Id.*
94. *Id.* at *2.*
against Defendants; indemnification for its losses, costs, and legal fees under the franchise agreement; and recovery of “pre-judgment and post-judgment interest at the maximum rates permitted by law.”

While noting at the outset of its analysis that “[d]efault judgments are a drastic remedy, not favored by the Federal Rules and resorted to by courts only in extreme situations,” and that the entry of a default judgment is discretionary, the U.S. District Court for the Northern District of Texas recited a number of factors to consider when deciding whether to grant a motion for default judgment, including:

(1) the amount of money involved; (2) whether there are material issues of fact or issues of substantial public importance at stake; (3) whether the default is technical in nature; (4) the extent of prejudice to the plaintiff due to the delay; (5) whether the grounds for default are clearly established; (6) the harsh effect of a default judgment; (7) whether the default resulted from a good faith mistake or excusable neglect on the defendant’s part; (8) whether the plaintiff’s actions contributed to delay; and (9) whether the court would be obligated to set aside the default on motion by the defendant.

The district court concluded that the weight of the factors favored entry of judgment for Liquid because Defendants were properly served, Liquid did not contribute to any delay in seeking to resolve the lawsuit, and Liquid was undoubtedly prejudiced by the unexcused delay by Defendants.

While the burden for granting a motion for default judgment is relatively high, once that threshold is reached the court will grant relief based primarily on the allegations in the complaint—which the court takes as true. While the factual allegations must consist of more than legally conclusory allegations, “‘detailed factual allegations’ are not required,” rendering the standard for granting relief even “less rigorous than that under Rule 12(b)(6).” The district court then analyzed the pleaded allegations and the legal standards for claims against EBS for breach of contract and indemnification, as well as claims against Machado for fraud, negligent misrepresentation, and breach of the guaranty. The district court’s analysis was strikingly similar in form to assessment of a Rule 12 motion to dismiss, with all allegations construed in favor of the plaintiff and the allegations of fraud against Machado held to a heightened pleading standard under Rule 9(b). The district court ultimately held that Liquid satisfied the pleading standards for each of its claims, with the exception of the indemnification claim against EBS. With respect to

95. Id.
96. Id. at *2–3 (citing Lindsey v. Prive Corp., 161 F.3d 886, 893 (5th Cir. 1998)).
97. Id. at *3–4.
98. Id. at *4 (citing Pathway Senior Living LLC v. Pathways Senior Living LLC, No. 3:15-CV-02607-M, 2016 WL 1059536, at *2 (N.D. Tex. Mar. 17, 2016)).
99. Id. (quoting Wooten v. McDonald Transit Assocs., Inc., 788 F.3d 490, 498 (5th Cir. 2015)).
100. Id. at *4–8.
101. Id. at *5–8.
102. Id.
the indemnification claim, the district court cited the U.S. Court of Appeals for the Fifth Circuit in holding that “[b]ecause [Liquid’s] indemnity claim directly implicates the same type of recovery as its breach of contract claim, it is duplicative of the breach of contract claim and should be rejected.”  

Having concluded that Liquid satisfied all requirements for a grant of its motion for default judgment, the district court granted the motion and awarded the following damages, recoverable jointly and severally from EBS and Machado:

[(1)] compensatory damages in the amount of $69,383.29; [(2)] attorney’s fees and costs in the amount of $33,851.78; [(3)] pre-judgment interest at the rate of 18% per annum from November 21, 2018[,] until the date that final judgment is entered; and [(4)] post-judgment interest at the applicable federal rate from the date of final judgment until paid in full.  

F. SUMMARY JUDGMENT

In Janai v. Sanford Rose Associates International, Inc., 105 individual franchisees (Janai-Nebo) appealed the trial court’s grant of summary judgment in favor of Sanford Rose Associates International, Inc. (Sanford) regarding Sanford’s claims against Janai-Nebo for breach of the parties’ franchise agreement and personal guaranty. 106 Janai-Nebo executed the franchise agreement on August 22, 2016, and paid 10% of the $88,000.00 franchise fee to Sanford at the signing. 107 Janai-Nebo attended Phase I training in Dallas in late September 2016, but did not make any additional payments toward the franchise fee. 108 Then, on November 7, 2016, Janai-Nebo informed Sanford’s CEO that it wished to terminate its franchise agreement. 109 Sanford’s CEO informed Janai-Nebo that it was still responsible for paying the remainder of the $88,000.00 franchise fee and minimum royalty fees under the franchise agreement. 110 Sanford sent formal notice of default on November 11, 2016, providing Janai-Nebo with “ten days to cure the default by paying the remainder of the franchise fee.” 111 Janai-Nebo did not pay the fee and Sanford sent a letter of termination on November 28, 2016. 112 Sanford filed suit on December 28, 2016, seeking outstanding amounts of franchise fee payments and roy-

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104. Id. at *11.
106. Id.
107. Id.
108. Id.
109. Id.
110. Id.
111. Id. at *2.
112. Id.
alties allegedly owed by Janai-Nebo.113 The trial court ultimately awarded Sanford “$125,308.46 in actual damages, $216,797.81 in attorney’s fees, $895[.00] in paralegal fees, $4,951.65 in litigation expenses, and $46,600.00 in appellate attorney’s fees” in the event that Janai-Nebo appeal unsuccessfully.114

On appeal, Janai-Nebo raised nine points of error, arguing that the trial court erred in granting summary judgment in “sustaining Sanford’s objections to Janai-Nebo’s summary judgment evidence, and [in] awarding damages and attorney’s fees” to Sanford.115 At the outset of its analysis, the Fifth Dallas Court of Appeals held that four of these issues were waived by Janai-Nebo because “[t]he argument following each of these issues does not direct the court to the trial court’s order at issue, cite supporting legal authority, or explain how the cited facts support the argument.”116 Where Janai-Nebo’s brief asserted legal conclusions without citations to the record on appeal or merely by general reference to other issues on appeal, the court of appeals concluded that “these issues present nothing for our review.”117

The court of appeals did reach the merits of Janai-Nebo’s challenge to the trial court’s grant of Sanford’s partial no-evidence summary judgment motion but concluded: (1) the trial court did not abuse its discretion in ruling on the summary judgment motion despite Janai-Nebo claiming that inadequate time for discovery had passed; (2) the trial court did not abuse its discretion in striking portions of Janai-Nebo’s affidavit which merely recited the elements of Janai-Nebo’s counterclaims or made other conclusory legal statements; and (3) Janai-Nebo failed to offer even a scintilla of evidence in support of its counterclaim for breach of contract because it relied exclusively on the language of the franchise agreement itself to allege that Sanford prematurely terminated the agreement.118 Because Janai-Nebo failed to support any of its counterarguments with sufficient evidence, the court of appeals affirmed the trial court’s grant of Sanford’s no-evidence summary judgment motion and, therefore, did not need to reach Janai-Nebo’s additional challenges to Sanford’s traditional summary judgment motion as an alternative basis for dismissing its counterclaims.119

Regarding Janai-Nebo’s challenges to the trial court’s grant of summary judgment in favor of Sanford on its claims for anticipatory breach and breach of contract, the court of appeals concluded that Sanford provided sufficient evidence to support its claims—including its correspondence with Janai-Nebo and Janai-Nebo’s deposition testimony affirming that it wished to terminate its franchise agreement and did not intend to

113. Id.
114. Id.
115. Id. at *1.
116. Id. at *3.
117. Id.
118. Id. at *5–8.
119. Id. at *9.
make further payments to Sanford—and likewise concluded that “Janai-Nebo failed to present evidence raising a fact issue.”\footnote{120} Specifically, the court of appeals found it significant that Janai-Nebo failed to offer any evidence contesting Sanford’s claims that it had ceased efforts to fund its franchise payments months before it informed Sanford of its intention to terminate the agreement; Janai-Nebo’s premature repudiation of the franchise agreement was a key element of Sanford’s claim for anticipatory breach, and Janai-Nebo failed to offer any evidence in rebuttal.\footnote{121} Thus, the court of appeals overruled Janai-Nebo’s two issues with the trial court’s grant of summary judgment on Sanford’s breach of contract claims.\footnote{122}

Janai-Nebo’s final issue was with the trial court’s award of damages to Sanford. Specifically, it objected to the award on the grounds that (1) Sanford’s CEO was not an expert on damages; (2) future royalty payments were not yet due because the franchise agreement lacked an acceleration clause; and (3) the attorney’s fees awarded were unreasonable.\footnote{123} The court of appeals rejected Janai-Nebo’s argument that the lack of an acceleration clause in the agreement precluded an award of future royalty payments.\footnote{124} The court of appeals noted that, under Texas law:

> When a party who is obligated to make future payments of money to another absolutely repudiates the obligation without just excuse, the obligee is entitled to maintain his action for damages at once for the entire breach, and is entitled in one suit to receive in damages the present value of the future payments payable to him by virtue of the contract.\footnote{125}

The court of appeals was likewise unimpressed with Janai-Nebo’s challenge that Sanford’s CEO was not a competent witness to testify about contract damages; in fact, the court of appeals noted that the accounting used by Sanford’s CEO “accrued to [Janai-Nebo’s] benefit by understating the actual present value of all payments due before the end of the term.”\footnote{126} Finally, the court of appeals concluded that contemporaneous billing records and affidavits by Sanford’s counsel were “more than sufficient” evidence to support the trial court’s award of attorney’s fees.\footnote{127} Thus, Janai-Nebo’s final issue was overruled, and the court of appeals affirmed the trial court’s judgment in its entirety.\footnote{128}

In contrast to the Janai appeal, the appeal in Dulce Restaurants, LLC v.
Texas Workforce Commission\textsuperscript{129} did not involve a dispute between a franchisee and a franchisor but rather a dispute between a franchisee and the State of Texas regarding unemployment taxes. The franchisee (Dulce) had purchased four Krispy Kreme doughnut stores in the Dallas metroplex from the prior franchisee (North Texas Donuts) and the franchisor, Krispy Kreme Doughnut Corporation (KKDC).\textsuperscript{130} Following the sale, the Texas Workforce Commission (TWC) transferred the prior owners’ unemployment compensation experience rating to Dulce, causing Dulce to incur higher unemployment taxes for the years 2013–2015.\textsuperscript{131} Dulce paid the taxes under protest, sought a refund of $286,889.56 through an administrative hearing, and sought review of that ruling after its refund was denied.\textsuperscript{132}

In the trial court, both Dulce and TWC submitted cross-motions for summary judgment.\textsuperscript{133} Dulce argued that “there was no substantially common management or control” with the prior owners “to justify the transfer of compensation experience” to Dulce after it assumed ownership of the Krispy Kreme stores.\textsuperscript{134} In contrast, TWC argued that KKDC and North Texas Donuts controlled “virtually every facet of Dulce’s internal operations.”\textsuperscript{135} The trial court granted summary judgment in favor of TWC but relied on a novel theory of “continuity of control”—a theory which was “not raised by either party in their respective motions for summary judgment, nor authorized by statute.”\textsuperscript{136} Furthermore, the trial court’s written order granting TWC’s motion for summary judgment did not expressly state the legal grounds for its ruling.\textsuperscript{137} Dulce appealed.

On appeal from the trial court’s grant of summary judgment, the Seventh Amarillo Court of Appeals began its analysis by noting that “[w]hen the trial court’s order does not specify the grounds relied on for entry of summary judgment, we must affirm the judgment if any of the theories presented to the trial court and preserved for appellate review are meritorious.”\textsuperscript{138} The court of appeals agreed with Dulce that a “continuity of control” theory was not raised by either party in their summary judgment briefing and did not have any basis in the relevant statutory scheme and thus could not serve as the basis of the trial court’s judgment.\textsuperscript{139} Therefore, the court of appeals reasoned that the only remaining ground for affirming the grant of summary judgment in favor of TWC was TWC’s original argument that Dulce’s predecessors retained “substantially com-

\textsuperscript{129} No. 07-19-00213-CV, 2020 WL 5755016, at *1 (Tex. App.—Amarillo Sept. 25, 2020, no pet.) (mem. op.) (discussed infra Section VLB regarding unemployment tax claims).
\textsuperscript{130} Id.
\textsuperscript{131} Id.
\textsuperscript{132} Id.
\textsuperscript{133} Id. at *2.
\textsuperscript{134} Id.
\textsuperscript{135} Id.
\textsuperscript{136} Id.
\textsuperscript{137} Id. at *2–3.
\textsuperscript{138} Id. at *3.
\textsuperscript{139} Id. at *3–4.
mon management or control” after Dulce purchased the four Krispy Kreme locations.140

In response to TWC’s argument that either North Texas Donuts, KKDC, or both retained control over Dulce’s day-to-day operations following the sale, Dulce countered that both entities ceased to exercise “any control over the operation and management of the stores” after the sales closed.141 Regarding Dulce’s relationship with KKDC following the sale, the court of appeals agreed that it was a typical franchisor–franchisee relationship, and that, absent clear facts to the contrary, a franchisee is typically an independent contractor and “[a] franchisor does not control a franchisee beyond what is necessary to protect and maintain its trademark, trade name, and good will.”142 Likewise, the court of appeals rejected TWC’s argument that North Texas Donuts retained control over Dulce’s operations through the asset purchase agreements for each location.143 As the court reasoned, not only did North Texas Donut’s relationship with KKDC terminate upon the sale of each location to Dulce, but evidence submitted by Dulce indicated that it had no significant relationship or dealings with North Texas Donuts following the sales.144

Not only did the court of appeals find Dulce’s interpretation of “predecessor employing unit” more persuasive than TWC’s expansive construction of that term, but the court also found that Dulce’s summary judgment evidence was sufficient, as a matter of law, to establish that TWC improperly transferred unemployment compensation experience from North Texas Donuts to Dulce following the sale of each Krispy Kreme location.145 Thus, the trial court not only erred in granting TWC’s motion for summary judgment but also erred in denying Dulce’s cross-motion.146 The court of appeals, therefore, reversed the trial court’s ruling and remanded the case with instructions for the trial court to award Dulce a refund of $286,889.56 in unemployment taxes, as well as interest and court costs.147

The Janai and Dulce opinions each emphasize the importance of developing a strong evidentiary record in anticipation of summary judgment—and well in advance of an appeal. In both cases, the losing parties on appeal failed to adduce sufficient evidence to support their claims as a matter of law, let alone sufficient evidence to create a fact issue precluding grants of summary judgment for their opponents. While a court of appeals will apply a de novo standard of review to a trial court’s legal

140. Id. at *4.
141. Id.
142. Id. at *5 (citing Smith v. Foodmaker, Inc., 928 S.W.2d 683, 688 (Tex. App.—Fort Worth 1996, no writ)).
143. Id.
144. Id.
145. Id. at *6.
146. Id.
147. Id.
findings on summary judgment, an appellate court will typically defer to a trial court's factual findings based on the evidence presented in the parties' summary judgment briefing. As in Janai, an appeal from a denial of summary judgment is not the proper time nor place to introduce evidence which should have been presented at the trial court level. Similarly, while TWC in Dulce may not have had any choice but to rely on “substantially common management or control” as the sole legal theory in support of its summary judgment motion, its complete reliance on the language of the agreements between Dulce and the prior owners allowed the court of appeals to rule in favor of Dulce as a matter of law. Had TWC offered witness testimony concerning the degree of control exercised over Dulce’s stores by KKDC or the prior franchisee, such as the testimony of employees or store managers regarding KKDC’s employee training policies, the court may have concluded that genuine issues of material fact precluded summary judgment and remanded the case for trial.

III. THE FRANCHISE RELATIONSHIP, TERMINATION, AND NON-RENEWAL

A. Termination

In Fire Protection Service, Inc. v. Survitec Survival Products, Inc., the U.S. District Court for the Southern District of Texas was tasked with determining whether a dealer was required to repurchase inventory from another dealer upon termination pursuant to the Texas Fair Practices of Equipment Manufacturers, Distributors, Wholesalers, and Dealers Act (the Act). Survitec Survival Products, Inc. (Survitec) manufactured marine safety and survival equipment, including life rafts, and entered into a dealer arrangement with Fire Protection Services, Inc. (FPS). Survitec terminated the arrangement in December 2017, and FPS filed suit after Survitec refused to repurchase FPS’s life raft inventory.

Upon Survitec’s motion for partial summary judgment, the district court had to interpret the Act to determine whether life rafts were encompassed in the Act’s definition of “equipment”—and, thus, were required to be repurchased upon termination of the dealer arrangement. Because neither the district court nor the parties could find any Texas decisions that addressed whether life rafts were encompassed in the Act’s definition, the district court endeavored to make an “Erie guess” as to how the Texas Supreme Court would decide the issue.

The district court recognized that the Act’s protections clearly favored dealers, and that the definition of “equipment” was broad, namely because it was defined to include equipment “in connection with” a variety of purposes identified in the Act—including mining. Texas courts had

149. Id. at *2.
150. Id. at *3.
151. Id.
previously recognized that mining included offshore mining activities. In
an attempt to argue life rafts were only used in connection with lifesaving
activities, rather than mining activity, Survitec offered uncontested evi-
dence that life rafts were required on vessels under domestic and interna-
tional law.\footnote{Id.} The district court rejected Survitec’s limited
characterization and concluded that the life rafts constituted “equip-
ment” under the Act, which required it to deny Survitec’s motion to
dismiss.\footnote{Id.}

Franchise and distribution suits can occur even after termination of an
agreement where one party continues to violate contractual prohibitions.
In \textit{Vonocom, Inc. v. AdvoCare International, LP}, AdvoCare filed suit
against a former distributor for illegally selling AdvoCare products on
Amazon, which was prohibited by the Distributor Agreement in place
prior to the distributor’s termination.\footnote{Id. at *2–3.} AdvoCare also alleged the for-
mer distributor was tortiously interfering with existing contracts by induc-
ing AdvoCare representatives to sell the distributor the products it was
illegally selling.\footnote{Id. at *2.}

After receiving a cease and desist letter from AdvoCare in which it
threatened to file suit, counsel for the former distributor discussed a po-
tential settlement, but no resolution was reached.\footnote{Id. at *2.} AdvoCare filed suit
in a Texas trial court and moved for no-evidence and traditional summary
judgment on the former distributor’s two counterclaims of breach of con-
tract and economic coercion/duress, which the trial court granted and dis-
missed the counterclaims with prejudice.\footnote{Id. at *3.} AdvoCare then gave notice
of nonsuit of its remaining claims, and the former distributor appealed
the dismissal of its counterclaims.\footnote{Id. at *3.}

The Fifth Dallas Court of Appeals first noted that the trial court did
not specify the grounds relied upon in its order granting summary judg-
ment, and thus, the former distributor was required to challenge every
ground it could have been granted to obtain reversal.\footnote{Id. at *4–5.} The former dis-
tributor first argued that the communications between counsel constitu-
ted a settlement agreement, which was breached when the lawsuit was
filed, but the court of appeals found there was no evidence of a meeting
of the minds and thus, no contract.\footnote{Id. at *4.} The court likewise found there was
no evidence of economic duress because, even if it was an independent
cause of action as opposed to a defense to enforcement of a contract,
AdvoCare had only threatened civil lawsuits (which it had a legal right to

\begin{footnotes}
\footnotetext{152. \textit{Id.}}
\footnotetext{153. \textit{Id.}}
\footnotetext{154. \textit{Vonocom, Inc. v. AdvoCare Int'l, LP}, No. 05-19-00610-CV, 2020 WL 1528496, at
*1 (Tex. App.—Dallas Mar. 31, 2020, no pet.) (mem. op.).}
\footnotetext{155. \textit{Id. at *2–3.}}
\footnotetext{156. \textit{Id. at *2.}}
\footnotetext{157. \textit{Id. at *3.}}
\footnotetext{158. \textit{Id.}}
\footnotetext{159. \textit{Id. at *4.}}
\footnotetext{160. \textit{Id. at *4–5.}}
\end{footnotes}
do) as opposed to criminal prosecution.161

B. NON-RENEWAL

Texas generally requires a person with a renewal option to strictly comply with the terms of an option agreement. 162 In Pizza Inn, Inc. v. Clairday, the U.S. Court of Appeals for the Fifth Circuit examined whether the equitable intervention exception to strict compliance excused Clairday’s untimely notice to exercise an option to renew an Area Development Agreement (the Agreement).163

In 1992, Clairday paid $1.25 million to enter into the Agreement with Pizza Inn, Inc. (Pizza Inn), which had an initial twenty-year term followed by two five-year renewal options.164 The Agreement provided that Clairday was required to provide Pizza Inn with written notice at least six months prior to expiration of the current term if he wanted to exercise a renewal option.165 After providing timely notice for the first renewal, Clairday only notified Pizza Inn of the second renewal four months prior to the end of the first renewal period—two months after the contractual deadline.166

Pizza Inn decided not to renew the Agreement and filed suit in the U.S. District Court for the Western District of Texas seeking declaratory judgment, and Clairday filed counterclaims, including breach of contract.167 At trial, the parties submitted the issue of whether Clairday’s notice was sufficiently timely to the district court while the jury decided all other questions of fact.168 Applying the doctrine of equitable intervention, the district court excused Clairday’s failure to provide timely notice, and Clairday was awarded $250,000.00 in lost-profits damages, plus attorney’s fees.169 Pizza Inn appealed to the Fifth Circuit and argued the district court erred in applying the equitable intervention doctrine.170

The Fifth Circuit first explained that equitable intervention applied when: (1) the delay was slight; (2) the loss to the lessor was small; and (3) strictly enforcing a condition precedent would result in unconscionable hardship to the party with the renewal option.171 Before analyzing the facts of the case, the Fifth Circuit emphasized that the doctrine was a “narrow equitable exception to the rule of strict enforcement.”172 The Fifth Circuit assumed the first two factors were met and focused its inquiry on whether strict compliance resulted in unconscionable hardship

161. Id. at *6–8.
162. See Zeidman v. Davis, 342 S.W.2d 555, 558 (Tex. 1961).
164. Id. at 1066.
165. Id.
166. Id.
167. Id.
168. Id.
169. Id.
170. Id.
171. Id. at 1067 (citing Jones v. Gibbs, 130 S.W.2d 265, 272 (Tex. [Comm’n Op.] 1939)).
172. Id. (quoting In re Eldercare Props. Ltd., 568 F.3d 506, 522 (5th Cir. 2009)).
Clairday argued that strict compliance would cause a partial forfeiture of his purchase price, forfeiture of future profits, and a franchise store to be closed.\footnote{173}{Id.} The Fifth Circuit dismissed the argument of partial forfeiture because Clairday had received the full bargain of his contract upon the expiration of the second option period, and thus, he lost nothing more than the power to exercise the option.\footnote{175}{Id. at 1068–69.} Clairday’s argument for lost profits was likewise dismissed because the Fifth Circuit concluded that if lost profits alone were an unconscionable hardship, then the third factor would be present in every case—unless a plaintiff sued to enforce an unprofitable contract.\footnote{176}{Id. at 1069.} Finally, the Fifth Circuit noted that the franchise store was not associated with the Agreement but subject to separate contracts not at issue.\footnote{177}{Id.} Finding that the equitable intervention doctrine did not apply, the Fifth Circuit reversed and rendered judgment in favor of Pizza Inn.\footnote{178}{Id.}

IV. INTELLECTUAL PROPERTY

A. TRADEMARKS

1. Unauthorized Use

In ProTradeNet, LLC v. Predictive Profiles, Inc.,\footnote{179}{No. 6:18-CV-38-ADA, 2020 WL 5510732, at *1 (W.D. Tex. Mar. 10, 2020).} a purveyor of various franchise-related services to franchisee clients, ProTradeNet, LLC (PTN), contracted with Predictive Profiles, Inc. (Predictive), a vendor specializing in recruiting and hiring services, to allow Predictive to “market and promote” its products to PTN’s clients.\footnote{180}{Id. at *1–2.} PTN acted as a resource to its client franchisees by recommending Preferred Vendors for a wide range of services—product suppliers, technology support, employment services, etc.—which the franchisees were free to use or ignore.\footnote{181}{Id. at *2.} As acknowledged by Predictive’s CEO, Predictive understood that its agreement with PTN was nonexclusive, meaning that PTN and its franchisee clients were welcome to do business with other Preferred Vendors offering services that competed with Predictive.\footnote{182}{Id. at *1–2.} The CEO also acknowledged that the agreement with PTN contained no guarantees, quotas, or other assurances that the relationship would benefit Predictive financially.\footnote{183}{Id.} In inking the deal, Predictive was primarily interested in gaining exposure to PTN’s client base of franchisees, gaining the ability to display PTN’s trademarks on Predictive’s website, and hoping to leverage

\begin{thebibliography}{99}
\bibitem{173} Id.
\bibitem{174} Id. at 1068.
\bibitem{175} Id. at 1068–69.
\bibitem{176} Id. at 1069.
\bibitem{177} Id.
\bibitem{178} Id. at 1069–70.
\bibitem{180} Id. at *1–2.
\bibitem{181} Id.
\bibitem{182} Id. at *2.
\bibitem{183} Id.
\end{thebibliography}
PTN’s connections to other Preferred Vendors to grow Predictive’s business.184

Shortly after signing the agreement, Predictive began using PTN’s platform to market its services to franchisees but experienced lackluster interest from franchisees.185 The primary reason was that Predictive did not previously have a relationship with Indeed.com—a national recruiting website—and Predictive’s attempts to better integrate with Indeed.com after becoming a Preferred Vendor with PTN was causing disruptions in Predictive’s job postings. This, in turn, caused Predictive’s customers to be inundated with unwanted job applications.186 Following a spate of complaints by its franchisee clients and additional concerns about Predictive’s business model, PTN attempted to solicit additional vendors to improve the usability and reliability of Predictive’s recruiting services—with specific emphasis on its applicant tracking system.187 While both parties initially signaled a willingness to collaborate in resolving the issues with Predictive’s software and maintaining Predictive’s status as a Preferred Vendor, the relationship eventually soured, and Predictive stopped returning phone calls and emails to PTN and related vendors.188 At one point, Predictive threatened to pull out of the deal entirely and remove job offerings for PTN’s clients and accused PTN of breaching the parties’ agreement by marketing CareerPlug—one of Predictive’s competitors—as an alternative Preferred Vendor.189

PTN eventually terminated its agreement with Predictive and informed Predictive that it was no longer authorized to use PTN’s trademarks or domain names utilizing those marks.190 At the time, Predictive was using each of PTN’s eleven protected marks in URLs for its online services. Rather than take down these URLs following PTN’s termination of the agreement, Predictive simply registered new URLs and automatically redirected traffic from the offending URLs to the new ones.191 Predictive also continued utilizing PTN’s trademarks on the redirected web pages.192 PTN sued Predictive on a range of theories, including breach of contract, trademark infringement under the Lanham Act, and cybersquatting under the Anti-Cybersquatting Consumer Protection Act (ACCPA), seeking damages, injunctive relief, and corrective advertising.193 Predictive counterclaimed for breach of contract and tortious interference with existing and prospective contracts.194

184. Id. at *3.
185. Id.
186. Id.
187. Id. at *3–4.
188. Id. at *5.
189. Id.
190. Id. at *8.
191. Id.
192. Id.
194. Id. at *12–14.
Following a bench trial, the U.S. District Court for the Western District of Texas rejected Predictive’s claim for breach of the agreement, noting that “the [agreement expressly provide[d] that PTN’s sole obligation [was] to let its franchisees ‘know of [Predictive’s platform] and nothing else,’” and concluding that Predictive failed to offer any evidence that it was entitled to expect any profits under the agreement. Furthermore, the district court observed that Predictive also failed to provide any “objective facts, figures, or data supporting Predictive’s damage model.”

Likewise, Predictive’s claims for tortious interference with existing and prospective contracts were doomed by its own CEO’s testimony that “any interference with any agreements was inadvertent, not intentional” and the sworn statements that Predictive never had any independent contracts with PTN’s franchisees.

In contrast, the district court found in favor of PTN on all of its claims. Regarding breach of contract, the district court held that Predictive breached its agreement with PTN by (1) continuing to utilize trademarks after termination, and (2) posting nonexistent jobs for franchisees utilizing PTN’s system. The district court awarded approximately $21,015.00 in damages for breach of contract to compensate PTN and related vendors for time spent trying to fix Predictive’s service, responding to franchisee complaints, and rectifying confusions caused by the unauthorized use of PTN’s marks by Predictive.

Regarding PTN’s Lanham Act claim, the district court found that PTN successfully proved each element of its claim, namely that (1) PTN owned the disputed marks, and (2) Predictive’s use of infringing marks posed a likelihood of confusion. In assessing likelihood of confusion, the district court applied the Fifth Circuit’s non-exhaustive eight-factor test: “(1) strength of the mark; (2) mark similarity; (3) product or service similarity; (4) outlet and purchaser identity; (5) advertising media identity; (6) defendant’s intent; (7) actual confusion; and (8) care exercised by potential purchasers.” The district court not only found that Predictive’s unauthorized use of PTN’s marks posed a likelihood of confusion but also held that Predictive’s acts were “both willful and malicious.”

In calculating appropriate damages to award PTN, the district court noted that multiple approaches were available under the Lanham Act: “(1) the trademark owner’s damages, which can include lost profits, price erosion damages, damage to the mark, and corrective advertising; (2) reasonabl[e] royalty; (3) disgorgement of the infringer’s profits; and (4)
statutory damages, in the case of trademark counterfeiting.” As applied to the facts of the case, the district court found a reasonable royalty to be $100,000.00 per year or $150,000.00 total, which included amounts PTN was likely to incur for corrective advertising aimed at reversing confusion caused by Predictive’s infringement. The district court also issued a permanent injunction prohibiting Predictive from engaging in infringing acts in the future. Lastly, the district court concluded that “this [is] an exceptional case” justifying the award of attorney’s fees to PTN.

The district court likewise found that PTN carried its burden of proof on its ACCPA claim, requiring PTN to show that “(1) its mark ‘is a distinctive or famous mark entitled to protection’; (2) Predictive’s ‘domain names are “identical or confusingly similar to” [PTN’s marks]; and (3) Predictive registered, trafficked, or used the domain names with the bad faith intent to profit from them.” After concluding that PTN suffered damages as a result of Predictive’s cybersquatting, the district court awarded $550,000.00 in statutory damages—$50,000.00 per infringing domain. The district court also issued a permanent injunction prohibiting future ACCPA violations by Predictive. As with PTN’s Lanham Act claims, the district court concluded that “this [was] an exceptional case” and awarded PTN its attorney’s fees related to the ACCPA claim.

The U.S. District Court for the Eastern District of Texas in Pizza Inn, Inc. v. Odetallah also involved a claim for infringement under the Lanham Act. In that case, a franchisor (Pizza Inn) sued its franchisee (Odetallah) for breach of the franchise agreement and trademark infringement, alleging that Odetallah continued to use Pizza Inn’s marks without authorization following the alleged expiration of the franchise agreement. Pizza Inn requested that the district court grant a preliminary injunction prohibiting Odetallah from continuing to operate the franchise and from displaying Pizza Inn’s trademarks.

Despite the fact that “Odetallah failed to appear at the preliminary injunction hearing” or otherwise “oppose Pizza Inn’s requested relief,” the district court held that “Pizza Inn’s motion for preliminary injunction fails at the outset because there has been no clear showing of a substan-

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204. Id. at *16–18.
205. Id. at *18.
206. Id.
207. Id. at *19 (quoting 15 U.S.C. § 1125(d)(1)(A)).
208. Id. at *20.
209. Id.
210. Id.
212. Id.
213. Id.
tial likelihood of success on its breach-of-contract claim.” 214 While the validity of the original franchise agreement seemed clear, the district court noted that “Pizza Inn’s evidence raises more questions than it answers about the state of the parties’ contractual relations, including whether the original franchise agreement executed in 2007 remains in effect, and whether the renewal agreement was ever formed.” 215 Critically, the renewal agreement was intended to be a temporary extension of the original franchise agreement but was conditioned on the parties entering into a new franchise agreement with a ten-year term—a condition which never occurred. 216 Because Pizza Inn could not show that any agreement was effective between the parties, it could not satisfy its burden of showing a probability of success, as required for the issuance of a preliminary injunction. 217

Because it was not clear which—if any—agreements between the parties were valid and enforceable against Odetallah, the district court concluded that Pizza Inn likewise failed to demonstrate a substantial likelihood of success on its claim for trademark infringement, thereby precluding any award of injunctive relief. 218 In this case, “[t]he parties’ original franchise agreement provided Odetallah a license” to use Pizza Inn’s marks until 2027. 219 Thus, Pizza Inn’s contention that Odetallah’s license expired on June 30, 2019, was completely dependent on the aforementioned issues of (1) whether the temporary renewal agreement was validly formed, and (2) if it was not formed, whether the original franchise agreement was still enforceable against either party. Because a valid license would preclude Odetallah’s liability for infringement altogether, Pizza Inn’s failure to adduce sufficient evidence of a binding agreement between the parties was fatal to its request for a preliminary injunction of Odetallah’s use of its marks. 220

The franchisor in JTH Tax LLC v. White 221 fared slightly better than the franchisor in Odetallah, securing a partial grant of its motion for a temporary restraining order and request for preliminary injunction. 222 To reiterate the background of this case, discussed previously, the franchisor (JTH, doing business as Liberty Tax Service) sued its franchisee (White) for breach of contract and trademark infringement and dilution following the parties’ execution of the Mutual Termination Agreement, which purported to terminate White’s franchised tax preparation business. 223 As

214. Id. at *2.
215. Id. at *3.
216. Id. at *2–3.
217. Id.
218. Id. at *4.
219. Id.
220. Id. (citing J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 25:30 (5th ed. 2021)).
222. Id. at *7.
223. Id. at *1.
alleged by JTH, White made only marginal efforts to comply with the Mutual Termination Agreement and continued using “confusingly similar images of the Statue of Liberty” on its signs, as well as slogans and marketing materials, which mimicked JTH’s protected marks. JTH also provided photos showing that White continued to use JTH’s marks in signs outside and within White’s business, including posters and other marketing materials provided to White by JTH during the course of their franchise relationship.

As in ProTradeNet, the U.S. District Court for the Western District of Texas undertook the Fifth Circuit-approved multi-factor balancing test in assessing the likelihood of confusion, noting that “[t]o recover on a claim of trademark infringement, a plaintiff must show ‘that the mark is legally protectable and must then establish infringement by showing a likelihood of confusion.’” As the district court explained, “[l]ikelihood of confusion is synonymous with a probability of confusion, which is more than a mere possibility of confusion.” As applied to the evidence adduced by JTH, the district court concluded that there was a sufficient showing of likelihood of success regarding White’s unauthorized use of materials bearing “a three-dimensional sculpture in the shape of the Statue of Liberty,” as well as White’s use of the exact materials provided to him by JTH while their franchise agreement was in effect. While White contested the likelihood of confusion regarding depictions of the Statue of Liberty on marketing materials and artwork within his tax business, White did not dispute JTH’s assertion that he continued using the exact materials provided by JTH.

Moving on to its analysis of the probability of irreparable harm, the district court ultimately concluded that—despite JTH’s showing of likelihood of success on the merits of its trademark claim—JTH failed to meet the remaining prerequisites for a preliminary injunction. Concerning the requirement that JTH face a substantial threat of irreparable harm, the district court was persuaded by White’s statements that the storefront sign at issue was “covered completely by a new sign not bearing any JTH marks,” and that “all employees were not to present themselves or the office as JTH affiliates, and that all signs and cards have no mention of JTH or JTH marks on them.” Based on this showing by White, the district court concluded that JTH failed to clearly show that any injury posed by White’s alleged ongoing infringement could not be adequately

224. Id. at *3.
225. Id.
226. Id. (quoting Am. Rice, Inc. v. Producers Rice Mill, Inc., 518 F.3d 321, 329 (5th Cir. 2008)).
227. Id. at *4 (quoting Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 543 (5th Cir. 1998)), abrogated on other grounds by TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 32–33 (2001)).
228. Id. at *3–4.
229. Id. at *4, *6.
230. Id. at *4, *7.
231. Id. at *6.
measured in monetary damages. Because JTH failed to carry its burden to show a substantial threat of irreparable harm, the remaining factors—balancing of hardships and weighing of public interest—were insufficient to grant a preliminary injunction against White for the use of JTH’s marks on White’s marketing materials. However, although the bulk of JTH’s requested injunctive relief was denied, the district court did order White to return JTH’s operations manual and copies of any documents or media received from JTH and to refrain from using any JTH marks for any purpose.

In *Buttermilk Sky of TN LLC v. Bake Moore, LLC*, the U.S. District Court for the Eastern District of Texas was also faced with a request for preliminary injunction, arising from alleged trademark infringement by competing pie shops. In *Buttermilk*, the plaintiff-franchisor, Buttermilk Sky of TN, LLC, and its related franchising corporation (collectively, Buttermilk) sued a former affiliate, Bake Moore, LLC (Bake Moore) for violating “franchise rules and [Buttermilk] employment agreements.” The entities had previously had an amicable relationship. Bake Moore’s owner (Craig Moore) served as CEO, board member, and preferred shareholder of Buttermilk before branching out to open two Bake Moore shops in Texas under a “spoken agreement between the parties” that Bake Moore would follow Buttermilk’s corporate rules “in lieu of signing any agreement.” Buttermilk would later fire Craig Moore and send a letter revoking the oral license granted to Bake Moore after Craig Moore and his co-founder (Donnie Robertson) refused to sign a franchise agreement with Buttermilk.

After Bake Moore continued to operate following Buttermilk’s revocation of its license, Buttermilk filed a lawsuit and a motion for preliminary injunction on the same day, seeking to enjoin Bake Moore from continuing to utilize Buttermilk’s trademarks in alleged violation of the Lanham Act. The district court noted that a party seeking a preliminary injunction must “clearly carr[y] the burden of persuasion on all four” of the following elements: “(1) a substantial likelihood of success on the merits; (2) a substantial threat that plaintiffs will suffer irreparable harm if the injunction is not granted; (3) that the threatened injury outweighs any damage that the injunction might cause the defendant; and (4) that the injunction will not disserve the public interest.”

Regarding the first element, the district court held that Buttermilk failed to carry its burden to prove a substantial likelihood of success on

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232. *Id.*
233. *Id.* at *7.
234. *Id.* at *8.
236. *Id.* at *2–3.
237. *Id.*
238. *Id.* at *1.
239. *Id.* at *2.
240. *Id.* at *2–3.
241. *Id.* at *2 (quoting Nichols v. Alcatel USA, Inc., 532 F.3d 364, 372 (5th Cir. 2008)).
the merits of its claims that Bake Moore infringed its trademarks and trade dress. While the district court agreed with Buttermilk that its trademarks and trade dress were likely to be sufficiently distinctive to be protectable, the district court disagreed with Buttermilk on the likelihood of confusion. Employing the aforementioned eight-factor test endorsed by the Fifth Circuit, the district court concluded that Buttermilk might be able to establish confusion in later proceedings, but “right now, [Buttermilk] just make[s] conclusory allegations with no case law or evidence to substantiate [its] claims.” At root, the district court took issue with Buttermilk’s analysis of confusion, finding that it was conflating two acts—the unauthorized use of Buttermilk’s trademarks and trade dress with the similarity of the underlying confections.

While Buttermilk’s failure to show a likelihood of confusion doomed its request for a preliminary injunction, the district court also noted that Buttermilk failed to show that it would suffer irreparable harm if a preliminary injunction was denied. The court was particularly critical of Buttermilk’s argument that Bake Moore’s products would be confused with Buttermilk’s trademarks and trade dress, with Judge Mazzant noting he was “not convinced” by the relatively weak evidence put forth in favor of that argument. Buttermilk’s claims were further condemned by the photographs of Bake Moore’s shops before and after its rebranding process. Those photos, according to the court, evidenced that Bake Moore was “no longer using” Buttermilk’s trademarks or trade dress and therefore doomed Buttermilk’s claim that it would “suffer irreparable harm without an injunction.”

While these cases illustrate the significant flexibility that courts have to remedy trademark and trade dress infringement and cybersquatting, they also demonstrate the high standards for parties seeking preliminary injunctive relief—“an extraordinary remedy [that] should only be granted if the [movant] ha[s] clearly carried the burden of persuasion on all four requirements.” While a successful claimant under the Lanham Act or ACCPA may be entitled to significant sums of damages for royalties, corrective advertising, attorney’s fees, and compensation for any diminished value of its protected marks, courts are loath to grant injunctive relief

242. Id. at *9.
243. Id. at *9.
244. Id. at *8 (citing Springboards to Educ., Inc. v. Hous. Indep. Sch. Dist., 912 F.3d 805, 812 (5th Cir. 2019), as revised (Jan. 29, 2019), as revised (Feb. 14, 2019)).
245. Id.
246. Id. at *10–11.
247. Id. at *11.
248. Id.
249. Id.
250. Id. at *2 (citing Nichols v. Alcatel USA, Inc., 532 F.3d 364, 372 (5th Cir. 2008)).
without the benefit of a full evidentiary record. This is especially true for
determinations of likelihood of confusion, which often turn on nuanced
and subjective factual findings.

B. TRADE SECRETS

As part of its analysis of Buttermilk’s request for injunctive relief, the
district court in Buttermilk also considered Buttermilk’s likelihood of suc-
cess on its claims for trade secret misappropriation. Specifically, But-
termilk alleged that Bake Moore violated the Defend Trade Secrets Act
(DTSA) and the Texas Uniform Trade Secrets Act (TUTSA) because
Bake Moore continued to use Buttermilk’s pie recipes after Buttermilk
revoked Bake Moore’s oral license agreement. However, the district
court’s analysis in this case was very brief because Buttermilk offered
little evidence in support of its claim aside from the relatively unremark-
able facts that (1) Bake Moore’s pies look similar to Buttermilk’s pies—
in that they “are decorated in a similar manner,”—and (2) Bake Moore’s
pies “contain some of the same ingredients as the Buttermilk Sky
pies.” Not only are these facts problematic because Buttermilk never
alleged that its pie design was a trade secret, but also Buttermilk’s cross-
examination of one of Bake Moore’s witnesses revealed that Bake Moore
“uses a different brand of pre-cooked apples” in its pies, as well as “a
different type of flour in its pie crust.” Because Buttermilk provided no
explanation for how it could succeed in proving a likelihood of success on
the merits without addressing differences in the ingredients used in Bake
Moore’s pies, the district court held that Buttermilk was also not entitled
to a preliminary injunction on its claims for misappropriation of trade
secrets.

V. COMMON LAW CLAIMS

A. CONTRACT ISSUES: CONTRACT FORMATION AND INTERPRETATION

When a franchise relationship breaks down, a claim for breach of con-
tact is both parties’ most obvious claim because franchise agreements
are, of course, contracts. Recent case law serves as a reminder that, like
all contracts, the rules of formation—consideration and mutual assent—
must be observed in the making of franchise agreements.

One case from the U.S. District Court for the Eastern District of Texas
serves as a stark reminder that missing a step on the path to contract
formation can have drastic consequences. In Pizza Inn, Inc. v. Odetal-

251. Id. at *9.
252. Id.
253. Id.
254. Id.
255. Id. at *9–10.
256. See Pizza Inn, Inc. v. Odetallah, No. 4:19-CV-856, 2020 WL 4677685, at *1 (E.D.
Tex. May 14, 2020) (discussed supra Section IV.A.1 regarding the unauthorized use of trademarks).
lah, the district court refused to grant preliminary injunctive relief to Pizza Inn despite the fact that Odetallah failed to appear.257

Pizza Inn and Odetallah first entered into a franchise agreement on July 2, 2007. The agreement was for operation of a Pizza Inn restaurant for a period of twenty years. On July 1, 2009, Pizza Inn and Odetallah entered into a “renewal agreement” which stated that the original franchise agreement expired June 30, 2009, the parties would enter into a new franchise agreement, and “purported to extend the franchise relationship to June 30, 2019.”258 In other words, the renewal agreement purported to terminate the franchise relationship in 2019 but stated a new franchise agreement would be executed on those terms. The new franchise agreement was never actually executed.259

After June 30, 2019, Odetallah continued to operate the Pizza Inn restaurant, so Pizza Inn sued and moved for preliminary injunctive relief. Odetallah did not appear. Nevertheless, the district court held that Pizza Inn had not shown a substantial likelihood of success on the merits.260 The parties never entered into the new franchise agreement, and, in the district court’s view, it was not clear whether the renewal agreement was binding because entering the new franchise agreement was a condition of the renewal agreement that had failed.261 The district court hedged its holding, stating that it only found Pizza Inn had not met its burden under the preliminary injunction standard.262 It noted the first franchise agreement, with a term running until 2027, had clearly been formed, but it was not clear that the new franchise agreement had been formed.263 The renewal agreement contemplated execution of a new franchise agreement; the renewal agreement was not a contract in and of itself because, by its own terms, the execution of a new franchise agreement was a condition to formation.264

Odetallah shows that the mechanics of formation matter. Parties that use temporary instruments, such as renewal agreements or letters of intent, must be certain whether those instruments are binding or nonbinding and proceed accordingly.

In another case, Pizza Inn was the beneficiary of a district court’s strict adherence to contractual formalities.265 In Pizza Inn, Inc. v. Clairday, counter-plaintiff Clairday alleged that Pizza Inn breached an area development agreement by refusing to renew the agreement, even though Clairday was two months late giving notice of his intent to exercise his

257. Id.
258. Id.
259. Id.
260. Id. at *2.
261. Id.
262. Id. at *3 n.3.
263. Id. at *3.
264. Id. (citing Hohenberg Bros. v. George E. Gibbons & Co., 537 S.W.2d 1, 3 (Tex. 1976)).
265. See Pizza Inn, Inc. v. Clairday, 979 F.3d 1064 (5th Cir. 2020) (discussed supra Section III.B regarding franchise non-renewal).
renewal option. Clairday was a long-time franchisee who later became an area developer. His option agreement provided he had to give notice not less than six months before the expiration of the current term of the agreement. When he exercised his option two months late, Pizza Inn declined to renew the agreement and filed suit for a declaratory judgment. Clairday counterclaimed for breach of contract. The district court relied on the doctrine of equitable intervention to hold that the untimely notice was excused. Pizza Inn appealed, and the U.S. Court of Appeals for the Fifth Circuit reversed.266

Equitable intervention only excuses strict compliance from an optionee under Texas law when: (1) the delay is slight; (2) the loss to the optioner would be small; and (3) failure to “grant relief would result in such hardship . . . as to make it unconscionable to enforce literally the condition precedent.”267 In Texas, the doctrine has only been applied to lease options.268 Assuming without deciding that the two-month delay was slight and the loss to Pizza Inn would be small, the Fifth Circuit focused on the issue of unconscionable hardship.269 It found this was a high bar to clear and one that might only be applicable in cases involving lease options.270 Finding the alleged hardships from Pizza Inn’s denial of contract renewal too small or too disconnected to be unconscionable for Clairday, the Fifth Circuit reversed the district court’s application of the equitable intervention doctrine.271

On its face, Clairday stands for the proposition that equitable intervention will rarely, if ever, apply in franchise-related area developer agreements. More broadly, however, it is a cautionary tale about adherence to formal requirements in contract renewal. Especially when viewed side by side, Odetallah and Clairday demonstrate that courts will hold parties to the requirements they themselves agree upon for formation and renewal, regardless of whether the party asserting breach is a franchisor or franchisee.

In another case, the Fifth Dallas Court of Appeals relied on principles of consideration to interpret a franchise agreement and to find breach.272 In Janai v. Sanford Rose Associates International, Inc., Janai’s company, Nebo, entered into a franchise agreement with Sanford, an executive search firm. Janai entered a guarantee, and the court of appeals referred to Janai and Nebo collectively as Janai-Nebo given their close interconnection. The franchise agreement required Janai-Nebo to make a partial

266. Id. at 1065–66.
267. Id. at 1066–67 (quoting Jones v. Gibbs, 130 S.W.2d 265, 272 (Tex. [Comm’n Op.] 1939)).
268. Id. at 1067 n.2.
269. Id. at 1067.
270. Id. at 1067–68.
271. Id. at 1068–70.
down payment of the franchise fee and to pay the balance at the later of the first day of franchisee training or the completion of a self-funding process. It also required periodic royalty payments. At training, Janai-Nebo claimed the self-funding process was still ongoing and that the rest of the franchise fee was not due. Several weeks later, Janai emailed Sanford saying she did not want to go through with the franchise relationship and wanted to terminate the agreement. Sanford told her she still had fees and royalties due and that she should make a buyout offer. She refused to pay a fee. Around the same time, Janai told the self-funding service provider that she was putting the franchise on hold but did not inform Sanford she was stalling the self-funding process. Sanford sent a notice of default for nonpayment followed by a notice of termination.

Sanford sued for breach of the franchise agreement, breach of the personal guarantee, anticipatory breach, and quantum meruit and promissory estoppel. Janai-Nebo counterclaimed on various grounds. Sanford filed motions for summary judgment on the counterclaims, as well as its claims for breach, anticipatory breach, and damages. The district court granted all of Sanford’s motions, and Janai-Nebo appealed.

The court of appeals refused to consider many of Janai’s arguments on appeal because they were threadbare, offering little to no argument or factual support. It did consider the district court’s grant of summary judgment in favor of Sanford for breach of contract, anticipatory breach, and damages.

In assessing these claims, the court of appeals rested its finding for Sanford primarily on Janai’s failure to present any evidence that the self-funding process remained incomplete. Sanford, on the other hand, presented evidence “that Janai had a ‘fixed intention to abandon, renounce, and refuse to perform’ the Franchise Agreement.” Janai’s position was that the balance of the franchise fee was due at the later of the new franchisee training or the completion of the self-funding process, and the self-funding process had never been completed. Sanford’s position was that Janai had clearly given up on the self-funding process and repudiated the contract. The appellate court agreed with Sanford, affirming the grant of summary judgment on Sanford’s claim for anticipatory breach.

The court of appeals also agreed with Sanford on the breach of contract claim. The court looked to the first amendment to the franchise agreement, which stated that if the self-funding process “should fail to

273. Id.
274. Id. at *2.
275. Id.
276. See id. at *3–9.
278. See id. at *9.
279. Id. at *10 (citing Hunter v. PriceKubecka, PLLC, 339 S.W.3d 795, 802 (Tex. App.—Dallas 2011, no pet.)).
280. Id. at *10–11.
281. Id. at *12.
occur,” then the balance of the franchise fee becomes due.\textsuperscript{282} It read this to mean there were two possible scenarios: (1) the self-funding process becoming complete, or (2) the self-funding process failing and ending.\textsuperscript{283} It rejected Janai’s position that there was a third scenario where the self-funding process was “delayed indefinitely,” causing similar delay of the payment.\textsuperscript{284} While both readings may have been plausible, Janai’s position would render the first amendment to the franchise agreement void for an illusory promise (i.e., a failure of consideration), meaning that Sanford’s reading had to be the correct one.\textsuperscript{285}

While rudimentary elements of contract formation may get little attention compared to negotiation of terms such as franchise fees and royalty payments, these basic principles of contract law are essential building blocks that courts look to, and the absence of which will be dispositive to franchise-related lawsuits. Recent cases are a reminder, not just that counsel should double check these elements are met at the outset of a franchise relationship, but also that litigators should pay attention to these issues and raise them when appropriate because they can be dispositive to a case.

VI. STATUTORY CLAIMS

A. RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS (RICO)

In \textit{Arruda v. Curves International, Inc.}, the U.S. District Court for the Western District of Texas held that a franchisee could not use a civil RICO claim as a back door to a private right of action under the FTCA.\textsuperscript{286} Although franchisors must make certain disclosures under the FTCA, the FTCA does not provide a civil remedy to a franchisee who claims damages based on an alleged failure to meet those disclosure requirements.\textsuperscript{287} Despite the bar on a private right of action under the FTCA, franchisees have attempted various means of using the FTCA’s requirements to substantiate a cause of action, which courts have resoundingly rejected.\textsuperscript{288}

In \textit{Arruda}, the plaintiffs alleged they had been hoodwinked into entering franchise agreements with Curves because the value of the Curves brand was supposedly declining, and they claimed Curves hid that infor-

\textsuperscript{282}. \textit{Id.}
\textsuperscript{283}. \textit{Id.}
\textsuperscript{284}. \textit{Id.}
\textsuperscript{285}. \textit{Id.} at *11–12.
\textsuperscript{287}. \textit{Id.}
\textsuperscript{288}. See \textit{id.} (first citing Fulton v. Hecht, 580 F.2d 1243, 1248–49 (5th Cir. 1978); then citing Morrison v. Back Yard Burgers, Inc., 91 F.3d 1184, 1187 (8th Cir. 1996); then citing R.T. Vanderbilt Co. v. Occupational Safety and Health Rev. Comm'n, 708 F.2d 570, 574–75, 574 n.5 (11th Cir. 1983); then citing Holloway v. Bristol-Myers Corp., 485 F.2d 986, 988–89, 1001–02 (D.C. Cir. 1973); and then citing Carlson v. Coca-Cola Co., 483 F.2d 279, 280–81 (9th Cir. 1973)).
mation from them in its required disclosures. To that end, they asserted a civil RICO claim.\(^\text{289}\)

RICO provides a cause of action when, among other things, a defendant engages in “two or more predicate criminal acts.”\(^\text{290}\) The district court granted a motion to dismiss on the grounds that the federally-required disclosures did not “impose[ ] a duty upon [d]efendants that can be the basis for a cause of action in RICO.”\(^\text{291}\) The district court went on to state that the FTCA requirements could not provide the basis for state law claims, including an action under the Texas Deceptive Trade Practices Act and a claim of common law fraud.\(^\text{292}\)

The upshot of \textit{Arruda} is that courts draw a hard line around the FTCA’s lack of a private right of action. Here, the district court recognized the RICO claim for what it was: an attempted end-run around the fact that failure to comply with the FTCA empowers the FTC to take action but does not provide relief to a franchisee. \textit{Arruda} is currently on appeal, but reversal is unlikely because reversal would build a back door into the FTCA.

\section*{B. Unemployment Taxes}

In \textit{Dulce Restaurants, LLC v. Texas Workforce Commission}, Dulce acquired three Krispy Kreme Doughnut Corporation stores in the Dallas metroplex.\(^\text{293}\) The TWC transferred the unemployment compensation experience rating (which sets the rate of unemployment taxes levied on an employer) of franchisor Krispy Kreme, as seller, to franchisee Dulce, as buyer, resulting in higher unemployment taxes for Dulce than it would otherwise pay. Dulce paid the taxes under protest and sought a refund through an administrative hearing. The application for a refund was denied, and Dulce filed suit. The trial court granted TWC’s motion for summary judgment, and Dulce appealed.\(^\text{294}\)

The Seventh Amarillo Court of Appeals reversed.\(^\text{295}\) An old employer’s compensation experience rating will be applied to a new employer if the “predecessor employing unit transfers, through any means, all or part of the organization, trade, or business” and if there is “substantially common management or control or substantially common ownership of the entities.”\(^\text{296}\) The court of appeals decided that because Krispy Kreme “was merely a franchisor and did not have ‘substantially common management or control’ over Dulce’s day-to-day operations,” the unem-

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{289} Id. at *1–2.
\item \textsuperscript{290} Id. at *3.
\item \textsuperscript{291} Id. at *4.
\item \textsuperscript{292} Id. at *4–5 (citing \textit{Hidden Values, Inc. v. Wade}, No. 3:11-CV-1917-L, 2012 WL 1836087, at *7 (N.D. Tex. May 18, 2012)).
\item \textsuperscript{294} Id. at *1–2.
\item \textsuperscript{295} Id. at *6.
\item \textsuperscript{296} \textit{Tex. Lab. Code Ann.} § 204.083.
\end{itemize}
\end{footnotesize}
ployment compensation experience rating had been improperly transferred, and Dulce was entitled to a refund.\(^{297}\)

\textit{Dulce} demonstrates one of the practical consequences of a franchisor–franchisee relationship as distinguished from some other buyer–seller-type relationships. The fact that Dulce ultimately received a refund affirms a certain level of independence that franchisees enjoy. On a more literal level, \textit{Dulce} is simply good news for any franchisees who are charged higher-than-expected unemployment taxes and a reminder that franchisees should examine their unemployment tax liability to make sure they have not been erroneously charged higher taxes based on the franchisor’s unemployment compensation experience rating.

\section*{VII. REMEDIES: DAMAGES AND INJUNCTIVE RELIEF}

\subsection*{A. COMPENSATORY DAMAGES AND ATTORNEY’S FEES}

If a party absolutely repudiates a contractual obligation to make future payments without just excuse, Texas law entitles the other party to recover the present value of all future payments.\(^{298}\) In \textit{Janai v. Sanford Rose Associates International, Inc.}, the Fifth Dallas Court of Appeals examined the trial court’s award of future royalty payments upon the franchisee’s repudiation of a franchise agreement.\(^{299}\) Sanford, an executive search firm and franchisor, signed a franchise agreement with Anne Janai in August 2016.\(^{300}\) Janai subsequently assigned her interests to Nebo & Finch, Inc. (Nebo), a company she established to run the franchise—she was its only member; she also signed a personal guaranty.\(^{301}\) Nebo paid 10\% of the $88,000.00 franchise fee upon signing, and the remainder was due on the first day of franchisee training or when the franchisee’s self-funding process was complete—whichever occurred later.\(^{302}\) Nebo was also obligated to pay royalties to Sanford at a minimum amount of $2,500.00 per quarter commencing ninety days after operations began.\(^{303}\)

Janai attended training but claimed the self-funding process was incomplete and, thus, did not pay the balance of the franchise fee at that time. Less than two weeks later, Janai notified Sanford that she wanted to terminate the franchise agreement and then discontinued the self-funding


\(^{300}\). \textit{Id.} at *1.

\(^{301}\). \textit{Id.}

\(^{302}\). \textit{Id.}

\(^{303}\). \textit{Id.}
process. Sanford sent a notice of default for failure to pay the rest of the franchise fee and terminated the franchise agreement when Janai failed to cure the default. Sanford filed suit to recover the remaining franchise fee and future royalties, and Janai and Nebo (collectively, Janai-Nebo) filed numerous counterclaims, including fraud and violations under the Deceptive Trade Practices Act. The trial court granted five motions for partial summary judgment in favor of Sanford and awarded it more than $125,000.00 in actual damages for the franchise fee and future royalty payments, plus attorney’s fees and expenses.

Janai-Nebo raised nine issues on appeal, and the court of appeals overruled each issue because Janai-Nebo failed to cite supporting legal authority, offer any argument, or identify relevant portions of the appellate record. Notably, the court of appeals emphasized that there is only one method to calculate attorney’s fees—the “traditional” method—with the lodestar method merely being a shorthand version of the traditional method. It also noted there was “no rule that attorney’s fees cannot be more than actual damages.”

B. INJUNCTIVE RELIEF

Franchisors sometimes amend long-term franchise agreements during their term for the purpose of having the franchisee sign an updated version of the franchise agreement—however, franchisors must be sure to satisfy all conditions precedent to the new agreement, or they can find themselves stuck in a contract quandary. In *Pizza Inn, Inc. v. Odetallah*, the parties executed a franchise agreement in 2007 that provided a twenty-year term. Two years later, the parties signed a renewal agreement that purported to change the term to expire in 2019; the renewal required the parties to enter into Pizza Inn’s newest version of its franchise agreement.

However, the parties never executed the newer franchise agreement and instead continued their relationship under the original agreement. Pizza Inn filed suit seeking a preliminary injunction to prohibit Odetallah from continuing to operate his franchise past the 2019 expiration date in the renewal agreement. Odetallah did not file an answer or appear at

304. Id. at *1–2.
305. Id. at *2.
306. Id.
307. Id.
308. Id. at *3–13, *15.
309. Id. at *14.
310. Id. at *15.
312. Id.
313. Id.
314. Id. at *2.
the injunction hearing, but the district court, nevertheless, denied Pizza Inn’s request. 315

The U.S. District Court for the Eastern District of Texas concluded that Pizza Inn could not show a substantial likelihood of success on its claims for breach of contract and trademark infringement given the uncertainty on which contract was operative. 316 While Pizza Inn tried to argue the renewal agreement set forth the expiration date of the franchise agreement, the district court noted that at least one condition precedent to the effectiveness of the renewal agreement had not been met—i.e., execution of the new franchise agreement. 317 Since the original franchise agreement provided Odetallah a license to use Pizza Inn’s trademarks and it was not clear that agreement had expired, the district court held Pizza Inn could not show Odetallah’s license had expired and thus was not entitled to injunctive relief. 318

Franchisors who offer franchises in Texas should carefully consider using a different state law to govern their franchise agreements because it can change the standard by which remedies, such as injunctive relief, are measured. In JTH Tax LLC v. White, the U.S. District Court for the Western District of Texas examined a franchisor’s request for a preliminary injunction under Virginia law, as called for in the franchise agreements. 319

JTH operated two tax preparation companies and executed franchise agreements with White for operation of three separate locations. 320 The parties later executed a Mutual Termination Agreement for one of those locations that included post-termination covenants, including a non-compete and cessation of using the franchisor’s trademarks. 321 Thereafter, White opened a new tax preparation business in the same location covered by the termination, and JTH terminated the remaining franchise agreements due to White’s operation of a competing business and failure to pay past due fees. 322

JTH then sought a preliminary injunction to order White to comply with all of the post-termination covenants based on allegations that White had retained customer lists and files, retained an operations manual, operated a competing business, and used marks and advertising materials that were confusingly similar to JTH’s protected trademarks. 323 In examining the four elements for a preliminary injunction, the district court concluded that JTH had shown a substantial likelihood of success that

315. Id. at *1–2.
316. Id. at *2–4.
317. Id. at *3.
318. Id. at *4.
320. Id. at *1.
321. Id.
322. Id. at *2.
323. Id. at *2–3.
White had breached various post-termination obligations, and many of the marks and advertising materials met the “digits of confusion” test to constitute infringement.324

However, the district court declined to find that JTH had shown a substantial threat of irreparable injury because Virginia law, unlike Texas law, did not provide a statutory basis to enforce a non-competition agreement through injunctive relief.325 While many federal Texas cases have held that a breach of a non-compete was the “epitome of irreparable injury,”326 there is no equivalent Virginia case or statute, and JTH’s sole declaration from a regional manager that merely echoed speculative assertions from the pleadings about loss of customers and goodwill was insufficient.327

The district court went on to examine the element of balancing the hardships and noted that White would suffer more harm from an injunction than JTH would suffer without one.328 The district court reached this conclusion because White was disabled, had no prior work outside of tax preparation, and would be precluded from working in substantial portions of Texas.329 However, the district court noted that had JTH made a clear showing of loss of customers and goodwill, those harms would have been considered greater than White’s potential hardship.330

Irreparable harm is often the most difficult element to prove when seeking injunctive relief in Texas because a party must demonstrate harm by independent proof, rather than speculation, that cannot be remedied by money damages.331 In TIGI Linea Corp. v. Professional Products Group, LLC, the U.S. District Court for the Eastern District of Texas examined a motion for preliminary injunction that sought to enjoin the termination of a supply and distribution agreement.332 TIGI Linea Corp. (TIGI) manufactured hair care products and contracted with Professional Products Group (PPG) to distribute and sell those products directly to mass retailers and to distributors and wholesalers who supplied products to mass retailers.333

On the same day, TIGI notified PPG that it was terminating the agreement and filed suit against PPG for breach of contract based on its al-

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324. Id. at *2–4.
325. Id. at *5.
326. Id. (quoting Brink’s Inc. v. Patrick, No. 3:14-CV-775-B, 2014 WL 2931824, at *7 (N.D. Tex. June 27, 2014)).
327. Id. at *5.
328. Id. at *7.
329. Id.
333. Id.
leged failure to diligently develop and maintain distribution of the products. PPG then filed suit against TIGI in Florida state court and sought a preliminary injunction, which was ultimately removed to federal court and consolidated with TIGI’s lawsuit.

In reviewing PPG’s motion for a preliminary injunction, the district court focused exclusively on the element of irreparable harm. PPG filed a declaration in support of its motion three days before the hearing, but the district court granted TIGI’s motion to strike when the statements in the declaration were directly contradicted by witnesses at the injunction hearing. PPG argued it would be irreparably harmed without injunctive relief because TIGI had and would continue to harm PPG’s goodwill and business relationships. However, PPG was unable to identify any customer it lost or that planned to cancel its relationship with PPG since the agreement had been terminated. The district court went on to note that even if PPG had proven it had lost customers as a result, that injury could be remedied by monetary damages and thus would preclude injunctive relief.

Finally, the district court examined the procedural history at length to conclude that PPG substantially delayed seeking injunctive relief, which demonstrated “no apparent urgency” and rebutted the presumption of irreparable harm. Accordingly, the magistrate judge recommended that the request for injunctive relief be denied, and the district court adopted the recommendations in a subsequent order.

VIII. CONCLUSION

The 2020 Survey period included a healthy sampling of rulings on procedural issues, including judgments on the merits of franchise disputes, as well as dismissals for lack of jurisdictional prerequisites. In Hegar and Arruda, both courts ultimately concluded that they were duty-bound to dismiss claims for lack of subject matter jurisdiction under respective state and federal statutes. In Gigi’s Cupcakes, Kumon, and Butschek, the courts applied the familiar “minimum contacts” analysis in holding that each court lacked personal jurisdiction over some or all of the respective defendants involved in each case and dismissed all claims against

334. Id. at *2, *4.
335. Id. at *2–3.
336. Id. at *4.
337. Id. at *3–4.
338. Id. at *4.
339. Id. at *5.
340. Id.
342. Id. at *9; TIGI, 2020 WL 3130139, at *1.
those defendants.\textsuperscript{344} These cases serve as valuable reminders of the importance of complying with jurisdictional prerequisites in pursuing a claim, particularly in complex franchise disputes involving parties from multiple states, mixtures of state and federal claims, and appeals from administrative proceedings. While subject matter jurisdiction is indispensable, \textit{White} and \textit{FranLink} also demonstrate how franchisors can use franchise agreements as an opportunity to designate an appropriate forum and preferred choice of law at the inception of the franchise relationship, potentially avoiding inconvenient forums and unfavorable state laws in the event that a dispute arises.\textsuperscript{345}

The cases in this Survey period involving default judgment and summary judgment emphasize the importance of appearing, contesting disputed claims and defenses at an early stage in the litigation, and working diligently to create a factual record that can survive an opposing summary judgment motion. In \textit{Liquid Capital}, the defendants failed to appear in the lawsuit, raised no defenses to the franchisor’s claims, and had a six-figure default judgment entered against them with interest accruing until the date the judgment is satisfied.\textsuperscript{346} In \textit{Janai}, the appellant raised nine points of error on appeal and lost every single one; not only was the record on appeal too sparse to support the appellant’s own motion for summary judgment, but the conclusory allegations in the appellant’s briefing to the trial court and the Fifth Dallas Court of Appeals failed to create a fact issue sufficient to survive the appellee’s cross-motion, resulting in a substantial adverse judgment.\textsuperscript{347} By contrast, the appellant in \textit{Dulce} was able to utilize clever statutory interpretations and a well-developed factual record to persuade the Seventh Amarillo Court of Appeals to reverse a trial court ruling in favor of a state taxing authority and instead grant summary judgment in favor of the franchisor.\textsuperscript{348}

While there are only a few cases focused on the termination or non-renewal of a franchise relationship in this year’s Survey, they touch on issues that frequently arise in franchise litigation. In \textit{Fire Protection}, the U.S. District Court for the Southern District of Texas construed the Texas Fair Practices of Equipment Manufacturers, Distributors, Wholesalers, and Dealers Act to require a safety equipment manufacturer to repur-


chase inventory from a dealer following the manufacturer’s termination of the parties’ relationship. In *Vonocom*, the Fifth Dallas Court of Appeals enforced provisions of a distribution agreement to prohibit a former distributor from selling products on Amazon, despite the fact that the relationship between AdvoCare and its distributor had already been terminated. In *Clairday*, the U.S. Court of Appeals for the Fifth Circuit strictly construed a renewal provision in an option contract to enable the franchisor to decline to renew the agreement where the franchisee failed to give notice of the renewal within the required time frame; the Fifth Circuit specifically declined to relax the contract’s notice requirements under the doctrine of equitable intervention after concluding that Clairday would not suffer an unconscionable hardship from non-renewal.

The main takeaway from this year’s crop of franchise-related trademark disputes is that injunctive relief is an extreme remedy, and it is extremely difficult to convince a court to grant a preliminary injunction on the theory that a former franchisee is infringing a franchisor’s protected trademarks, trade dress, or trade secrets. As demonstrated in *ProTradeNet*, courts adjudicating intellectual property disputes have significant flexibility to assess damages and other remedies to correct any confusion caused by unlawful use of intellectual property, particularly after a dispositive ruling on the merits of the dispute. In contrast, the courts in *Odetallah*, *White*, and *Buttermilk* each declined to grant preliminary injunctions for trademark holders after concluding that unresolved factual disputes and the sufficiency of potential monetary damages weighed decisively against injunctive relief at the inception of each lawsuit.

This year’s cases involving common law claims demonstrate the importance of contract formation and interpretation for resolving franchise disputes. In *Odetallah*, the failure of the parties to sign a permanent franchise agreement after a temporary renewal agreement lapsed proved to be a decisive factor in whether the franchisor could recover on its trademark claims. In contrast, the specificity of the renewal term in the disputed development agreement in *Clairday* provided a clear basis for the U.S. Court of Appeals for the Fifth Circuit to rule in favor of the franchisor—where a contract is effectively formed and its terms are un-

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351. Pizza Inn, Inc. v. Clairday, 979 F.3d 1064, 1065–66 (5th Cir. 2020).
ambiguous, Texas courts are rarely receptive to excuses for breach. 355 Likewise, in Janai, the plain language of the franchise agreement provided sufficient evidentiary support for the Fifth Dallas Court of Appeals to reject the franchisee’s claims and defenses as a matter of law. 356 While the most substantive statutory claims in this year’s grouping involved trademark and trade secrets claims, Arruda and Dulce also demonstrate the potential for less common statutes to arise in franchise disputes. 357

While discussions of remedies are scattered throughout this year’s selected opinions, the final section of this Article features particularly noteworthy examples of courts considering claims for damages, injunctive relief, or attorney’s fees. In Janai, the Fifth Dallas Court of Appeals awarded a range of damages and trial and appellate attorney’s fees following the franchisee’s meritless appeal, specifically noting that there was no rule prohibiting an award of fees from surpassing a compensatory damages award. 358 As illustrated in Odetallah, White, and TIGI Linea, Texas courts are loath to grant preliminary injunctive relief in the early stages of litigation, particularly in a commercial dispute where the risk of irreparable harm to the movant is somewhat tempered by the availability of monetary damages. 359

Collectively, these cases provide a useful snapshot of franchise law in Texas over the past year while also elaborating upon the familiar judicial trends discussed in prior iterations of this Survey. While no single case portends a sea change, each contains valuable lessons and reminders for practitioners at all levels of experience.

355. Clairday, 979 F.3d at 1066.