



BLOGS

Choice of Forum/Venue

California Federal Court Concludes California Franchise Relations Act Applies to Termination of Operator Agreement

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A federal court in California denied a subfranchisor's motion to transfer venue, holding that its Operator Agreement constituted a franchise agreement, thus making its forum-selection clause void under the California Franchise Relations Act (CFRA). *Singh v. Wireless Vision, LLC*, 2023 WL 2752584 (E.D. Cal. Mar. 31, 2023). Singh and Ameritel were parties to an Operator Agreement in which Singh was granted the right to sell exclusively T-Mobile services and products. At the time of the agreement, Singh paid Ameritel a \$10,000 "good faith deposit." Singh spent in excess of \$160,000 purchasing equipment and building a store. The Operator Agreement was subsequently assigned to Wireless Vision and terminated by Wireless Vision several months later. Singh sued Wireless Vision alleging breach of contract, violation of the CFRA, violations of the California Labor Code, and unfair business practices. Wireless Vision filed a motion to change venue pursuant to the Operator Agreement's forum selection clause. Singh opposed the motion, arguing that the forum-selection clause was void under the CFRA.

The court denied Wireless Vision's motion to change venue, agreeing that the forum-selection clause in the Operator Agreement was unenforceable. The CFRA voids any "provision in a franchise agreement restricting venue to a forum outside this state." The court held that the Operator Agreement satisfied the three elements of the definition of a franchise under California law. Specifically, Singh: (1) was granted the right to engage in the business of selling goods at a price determined by T-Mobile or Ameritel Management in accordance with T-Mobile standard procedures and was not allowed to engage in the sale of other cellular services; (2) was told he would have a branded T-Mobile store containing signs and displays listing the T-Mobile brand and trademarks; and (3) satisfied the franchise fee requirement by making a \$10,000 deposit. The court further concluded that, while Singh's payments may have gone to third parties, Wireless Vision ultimately benefited from the payments because they were used to improve the premises which remained in their possession after the Operator Agreement was terminated.

Related People

Kevin R. Graff

Associate

Chicago

312.920.3304

kevin.graff@lathropgpm.com

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