



BLOGS
Advertising

Court Upholds Prohibition on Advertising Halal Chicken, Affirming Franchisor’s Broad Control Over Ads

The United States District Court for the Northern District of Illinois granted franchisor KFC Corporation’s motion to dismiss, rejecting a franchisee’s claim that KFC had breached the parties’ franchise agreement by prohibiting him from telling customers that his KFC stores sold Halal chicken. *Lokhandwala v. KFC Corp.*, 2018 WL 509959 (N.D. Ill. Jan. 23, 2018). Lokhandwala alleged that in 2002 KFC expressly permitted him to sell Halal chicken at his KFC stores. Relying on KFC’s alleged approval, the franchisee chose the locations for his five franchised businesses in part due to their proximity to predominantly Muslim communities. In 2016 or 2017, KFC required Lokhandwala to stop marketing the businesses’ chicken as Halal-compliant, purportedly relying on a 2009 company policy that prohibited franchisees from making religious dietary claims about KFC products. Lokhandwala filed claims for breach of contract and promissory estoppel against franchisor KFC, alleging that the policy was not mentioned in the franchise agreement, claiming KFC’s conduct was unreasonable, and asserting that Illinois regulations required him to post signs regarding the origin of the chicken sold at his stores.

The court rejected all of Lokhandwala’s claims. It observed that the parties’ franchise agreement plainly granted KFC “the absolute right” to approve of all advertising. The court also noted express language in the agreement that required Lokhandwala to “strictly comply” with KFC’s requirements and instructions pertaining to the brand, and provisions stating that delay by KFC in enforcing its rights under the agreement would not constitute a waiver of those rights. The court further noted that—while the agreement required KFC to behave reasonably with regard to certain issues—the provision pertaining to advertising did not expressly require reasonableness by KFC, and that no such qualifier should be implied. Lastly, the court held that the Illinois regulations did not require Lokhandwala to engage in the advertising that KFC had prohibited. Hence, the court granted KFC’s motion to dismiss.

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