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## BLOGS

Personal Liability

# Illinois Federal Court Dismisses Claims Against Individual Investor in a Franchisor

In *Free Green Can, LLC v. Green Recycling Enterprises, LLC*, 2011 U.S. Dist. LEXIS 65132 (N.D. Ill. June 20, 2011), the federal district court for the Northern District of Illinois dismissed claims against an individual investor in the franchisor, refusing to pierce the corporate veil and find an individual personally liable as an alter ego. In 2009, Free Green Can (FGC), an Illinois-based franchisor of a recycling concept, entered into a franchise agreement with Green Recycling Enterprises (GRE), a Nebraska-based limited liability company. The parties' relationship was troubled from the start, and in 2010 FGC filed suit against GRE for breach of the franchise agreement. GRE filed counterclaims against FGC and against Michael Menas, a recent individual investor in FGC. GRE alleged that Menas had become the alter ego of FGC and brought counterclaims. Menas moved to dismiss all claims against him, arguing that the misconduct alleged in the counterclaims was attributed to FGC and not to him.

In granting Menas' motion, the court found that GRE failed to establish a unity of interest between Menas and FGC, which the court stated is required to pierce the corporate veil and hold Menas individually liable. Further, the court found that GRE failed to allege any facts to support its claim that Menas engaged in conduct that violated the Nebraska Seller-Assisted Marketing Plan Act, the Nebraska Consumer Protection Act, or the Nebraska Deceptive Trade Practices Act, or that Menas breached a warranty. The court found that GRE was trying to hold Menas accountable for acts that were undertaken prior to his involvement with FGC.