

A solid yellow right-angled triangle pointing towards the top-left corner.

## BLOGS

Operation of Multiple Systems

# Licensors Did Not Breach Agreement by Competing in Franchisees' Territory with Another Brand

A federal court in Texas has granted summary judgment in favor of Budget Rent-A-Car Corp., finding that Budget did not breach its license agreements with the plaintiff franchisees when Budget's sister company, Avis Rent A Car Systems, LLC, began operating Avis rental car locations in the franchisees' exclusive territory. *Sirrah Co., Inc. v. Budget Rent-A-Car Corp.*, 2009 WL 563654 (W.D. Tex. March 4, 2009). Budget became a subsidiary of Avis Budget Car Rental, LLC in an acquisition by Avis. That company is also the parent company of Avis.

The franchisees in this case executed two license agreements with Budget that granted them the exclusive right to be the only Budget licensees in their designated territories. The agreements pre-dated the acquisition of Budget by Avis. In suing, the franchisees alleged that they had an exclusive license to operate a rental car business in their designated territories and that the operation of the Avis rental car locations breached the exclusivity provisions of their license agreements with Budget. On Budget's motion for summary judgment, the court rejected the franchisees' argument, finding that the intent of the license agreements was not to make the franchisees the only rental car business in their territories but to make them the only licensees in their territories that could operate a rental car business using the Budget trademark and business system.