

A solid yellow right-angled triangle pointing downwards and to the right.

**BLOGS**

Terminations

## **New Jersey Court Affirms Termination for Nonpayment and Holds That Franchisee's Claim That Franchisor Breached Franchise Agreement Did Not Eliminate Obligation to Pay**

In *Ramada Worldwide, Inc. v. Hotel of Grayling, Inc.*, 2010 U.S. Dist. LEXIS 65186 (D.N.J. June 30, 2010), Ramada terminated and sued its franchisee for failing to pay over \$90,000 in royalties and defaulting on its guarantee. The franchisee counterclaimed, and alleged that because Ramada materially breached the agreement *before* the fees were due, by failing to provide it with proper signage, conduct training, and provide a working computer system, it was not liable for unpaid fees.

The court rejected that argument and awarded Ramada summary judgment on its claims. The court cited settled franchise law that “[u]nder no circumstances may the non-breaching party stop performance and continue to take advantage of the contract’s benefits.” The franchisor’s alleged defaults did not absolve the franchisee from continuing to pay royalties. The court also awarded summary judgment to Ramada on the franchisee’s claims, finding that the franchisee had put forth insufficient evidence of Ramada’s alleged material breaches of the license agreement.