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NEWS BRIEFS

PROSPECTIVE QUIZNO'S FRANCHISEES SUE FOR DECEPTIVE PRACTICES

At least 24 prospective New Jersey Quizno's franchisees have filed a lawsuit in Superior Court of New Jersey, Middlesex County, alleging "deceptive recruitment practices" and "failure to deal in good faith." The franchisees charge that Quizno's accepted their franchise fees as long ago as 3 years, but have not provided locations for them to open restaurants. According to their attorney, Justin M. Klein, Marks & Associates, Esqs. (Red Bank, NJ), Quizno's has refused to return any portion of the franchise fees, and the company is now threatening those franchisees with termination.

"Quizno's rode the high tide of franchising ... and is using people who were looking to get ahead in life and own their own business," Klein told *FBLA*. "My perspective is that Quizno's wanted to be able to promote itself as a fast-growing franchise, so it sold franchises without regard to whether a franchisee actually could open a site in the territory it was given." Klein speculated that Quizno's difficulties have arisen from a misjudgment of its ability to compete with popular fast-casual restaurants like Panera Bread Bakery,

rather than quick-service restaurants like Subway and Blimpie's.

In an e-mail interview with *FBLA*, Quizno's Vice President of Public Relations Stacie Lange challenged the notion that Quizno's is taking advantage of prospective franchisees. "Quizno's and the franchise owners' interests are completely aligned when choosing a site. We only succeed when they succeed," she wrote.

Klein stated that Quizno's documents that he obtained indicate that the company has sold more than 300 franchises in specific "trade areas" in New Jersey in the past 3 years. He further stated that only about 80 locations have opened.

Franchisees paid deposits of \$25,000 for one location or \$45,000 for two locations. Under the UFOCs they signed, they must have an approved site within 12 months, or they potentially default and forfeit their investment. Not only does Quizno's have ultimate authority to approve a site, but according to Klein, Quizno's specifically instructed prospective franchisees not to seek locations on their own. "I have letters and e-mails in which Quizno's tells people that it will find them a location, and that they should not contact any landlord or negotiate a lease," said Klein. "They're telling people to sit tight and

wait, but then not delivering."

Quizno's has real estate teams in every market that utilize "specific site selection criteria and evaluation tools that help the owner assess the viability of a prospective site," said Lange. But she added that the UFOC "makes clear that the ultimate responsibility for finding a location rests on the franchise owner, as one would expect of any independent business owner."

Furthermore, Quizno's has extended the 12-month deadline at no additional cost for many franchisees, Lange wrote, if the franchisee is working "diligently" to open a store.

Plaintiffs' attorney Klein agreed that Quizno's has extended deadlines and also allowed some franchisees who complained about delays in site selection to trade for a different area. But he said that then Quizno's would resell the original area to another prospect. "Some of the plaintiffs have invested in the same location that Quizno's sold twice," said Klein.

In addition to compensatory damages, the franchisees are seeking punitive damages from Quizno's for violation of the New Jersey Consumer Fraud Act. The original complaint covered 17 franchisees, but that number continues to increase and reached 24 by Monday, June 13. Klein predicted that more franchisees will either join the lawsuit or will be parties in a separate complaint.

