

Federal Court Holds That Franchisee's Owner Can Be Individually Bound by Franchise Agreement

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In *Alamo Intermediate II Holdings, LLC. v. Birmingham Alamo Movies*, the U.S. District Court for the Western District of Texas denied franchise owner Hunter Renfroe's motion to dismiss for lack of personal jurisdiction. The Court held that Renfroe, an individual defendant in the suit as well as a franchise owner, was bound in his individual capacity to a franchise agreement's forum selection clause despite having signed it on behalf of his franchise and not as a separately named party.

In January 2022, Alamo Intermediate Holdings ("Alamo") and Birmingham Alamo Movies ("BAM") entered into a franchise agreement under which Alamo, the franchisor, agreed to develop an Alamo Drafthouse venue in Birmingham, Alabama. BAM was the franchisee. The franchise agreement contained a forum selection clause specifying that the mandatory venue for any litigation would be the U.S. District Court for the Western District of Texas or a state court in Travis County, Texas. Additionally, the forum selection clause contained a waiver of any objections to jurisdiction or venue. In a separate corporate guaranty agreement, Orchestra Partners Development, LLC ("Orchestra") agreed to act as the project developer. Renfroe, the co-owner of BAM and Orchestra, signed the franchise agreement and the corporate guaranty agreement.

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courts interpret the contract under the “four corners” approach. The reviewing court looks first to the contract as a whole and considers the objective intent—not the subjective intent—of the parties as expressed by the contract terms.

In *Alamo*, the Court noted that the franchise agreement expressly names Renfroe as BAM’s operating and controlling principal and, importantly, states that the “Operating Principal . . . shall be *individually*, jointly and severally, bound by all obligations of the Franchisee, the Operating Principal and Controlling Principal hereunder and under the Corporate Guaranty.” The Court found that this provision, along with multiple other provisions explicitly binding the operating and controlling principal as well as the franchisee, sufficiently signified Renfroe’s intention to be bound by the terms of the franchise agreement.

Second, the Court noted that Renfroe was also bound by the forum selection clause under a separate principle of law known as the “closely related” doctrine. Under the “closely related” doctrine, non-signatories such as Renfroe who sign on behalf of franchisees may be bound to a forum selection clause if the individual is so “closely related to the dispute such that it becomes foreseeable that [he/she] will be bound.” Texas courts employ a flexible multi-factor test to determine foreseeability: “(1) common ownership between the signatory and the non-signatory, (2) direct benefits obtained from the contract at issue, (3) knowledge of the agreement generally[,] and (4) awareness of the forum selection clause particularly.”

Here, the Court found that it was foreseeable that the forum selection clause would bind Renfroe because he:

- was the co-owner of both BAM and Orchestra, as well as the named operating and controlling principal for each;
- was an intended beneficiary of the agreement;
- had agreed to take on individual responsibilities related to the development of the franchise venue; and

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