UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Edwards and Anderson, Inc. v. Peninsula Petroleum, LLC

Edwards and Anderson · No. 25-cv-00882-MMC · Decided July 31, 2025

SUMMARY

The United States District Court for the Northern District of California grants in part and denies in part Peninsula Petroleum, LLC's motion to dismiss an action under the Petroleum Marketing Practices Act. The court holds that transferring two components of the franchise relationship did not constitute termination or nonrenewal, and that the claim concerning the future expiration of the Freedom station lease was not ripe. The court allows the claims concerning nonrenewal of the Salinas and Seaside station leases to proceed because the asserted statutory affirmative defense could not be established at the pleading stage.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	Maxine M. Chesney
JURISDICTION	United States District Court for the Northern District of California
DECIDED	July 31, 2025
DOCKET	25-cv-00882-MMC
DISPOSITION	other
PROCEDURAL POSTURE	Defendant moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss the Second Amended Complaint asserting a single claim under the Petroleum Marketing Practices Act. The court granted the motion in part and denied it in part.
STANDARD OF REVIEW	On a motion to dismiss for failure to state a claim, dismissal based on an affirmative defense is proper only when the defendant shows an obvious bar to relief on the face of the complaint. At the pleading stage, the court accepts well-pleaded allegations as true and does not require evidence to establish an affirmative defense.
PRECEDENTIAL VALUE	Unknown; unpublished district court order

TOPICS

commercial litigation · statutory interpretation · motions to dismiss · contracts · civil procedure

PRACTICE AREAS

commercial litigation · franchise law · civil procedure · statutory interpretation

QUESTIONS PRESENTED

1. Whether Peninsula's transfer of the fuel-supply and trademark components of the franchise, without transferring the leases, constituted an unlawful termination or nonrenewal under the Petroleum Marketing Practices Act.
2. Whether E&A's claim based on the anticipated nonrenewal of the Freedom station lease was ripe before that lease expired.
3. Whether the claims challenging nonrenewal of the Salinas and Seaside leases could be dismissed at the pleading stage based on Peninsula's asserted statutory defense that proposed changes were made in good faith and in the normal course of business.

HOLDINGS

1. A transfer of some, but not all, franchise elements does not constitute termination or nonrenewal when the franchisee continues to occupy the same premises, receive the same fuel, and retain the right to use the same trademark. E&A therefore failed to state a PMPA claim based on Peninsula's assignment of the fuel-supply and trademark components, and dismissal was granted without further leave to amend.
2. A PMPA nonrenewal claim concerning the Freedom station was not ripe because the lease had not yet expired and Peninsula had not yet failed to renew or continue the franchise agreement. The claim was dismissed without prejudice.
3. The Salinas and Seaside nonrenewal claims could not be dismissed at the pleading stage. Although Peninsula's stated grounds might constitute an affirmative defense if supported by evidence, Peninsula had not established on the face of the complaint that its proposed changes were made in good faith, in the normal course of business, and were not designed to convert the stations to direct operation.

KEY QUOTATIONS

> *“A "termination" of a franchise occurs only when such franchise is "put to an end or annulled or destroyed,"”* (at 3)

> *“the PMPA contemplates that franchisors can respond to market demands by proposing new and different terms at the expiration of a franchise agreement”* (at 6)

> *“dismissal for failure to state claim on basis of affirmative defense "is proper only if the defendant shows some obvious bar to securing relief on the face of the complaint"”* (at 7)

FACTUAL BACKGROUND

Edwards and Anderson, Inc. operated three California gasoline stations under franchise arrangements with Peninsula Petroleum, LLC that included fuel-supply agreements, permission to use the Shell trademark, and leases for the station premises. Effective March 19, 2024, Peninsula transferred the fuel-supply and trademark components to another company, H&S, but did not transfer the leases. Peninsula later sent a February 13, 2025 notice stating that it would not renew the Salinas and Seaside station leases because the parties had failed to agree on proposed renewal terms; the Freedom lease remained in effect until December 31, 2025.

PROCEDURAL HISTORY

The court previously dismissed plaintiff's First Amended Complaint for failure to state a claim under the Petroleum Marketing Practices Act and granted leave to amend. Plaintiff filed a Second Amended Complaint, and defendant again moved to dismiss. The court dismissed claims based on the partial assignment of franchise elements and the anticipated nonrenewal of the Freedom station lease, but allowed the claims concerning nonrenewal of the Salinas and Seaside leases to proceed.

DISPOSITION

other

CASES CITED

- Mac's Shell Service, Inc. v. Shell Oil Products Co., 559 U.S. 175, 177-184, 191-192 (2010)
- Fresher v. Shell Oil Co., 846 F.2d 45, 46-47 (9th Cir. 1988)
- Duncan Services, Inc. v. ExxonMobil Oil Corp., 722 F. Supp. 2d 640, 644-46 (D. Md. 2010)
- Poquez v. Suncor Holdings-COPII, LLC, 2011 WL 4351612, at *1, *4 (N.D. Cal. September 15, 2001)
- Svela v. Union Oil Co., 807 F.2d 1494, 1497 (9th Cir. 1987)
- ASARCO, LLC v. Union Pac. R.R. Co., 765 F.3d 999, 1004 (9th Cir. 2014)