UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA

Fiesta Ventures of Bevercreek, LLC v. Qdoba Restaurant Corporation

Fiesta Ventures · No. 24-CV-2218 JLS (BLM) · Decided August 21, 2025

SUMMARY

The United States District Court for the Southern District of California denied the counterdefendants' amended motion to dismiss Qdoba Franchisor, LLC's second and fourth counterclaims for lost future royalties. The court held that the allegations plausibly supported a total breach of the franchise agreements and that lost future royalties could be available under the circumstances. The court also rejected the counterdefendants' public-policy arguments under California franchise statutes and denied Qdoba's request for judicial notice as moot.

CASE DETAILS

COURT	United States District Court for the Southern District of California
WRITING FOR THE COURT	Janis L. Sammartino
JURISDICTION	United States District Court for the Southern District of California
DECIDED	August 21, 2025
DOCKET	24-CV-2218 JLS (BLM)
DISPOSITION	other
PROCEDURAL POSTURE	Counterdefendants moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss the second and fourth counts of Qdoba Franchisor, LLC's second amended counterclaim, which sought lost future royalties. The court denied the amended motion to dismiss.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded facts as true, draws reasonable inferences in favor of the claimant, and determines whether the pleading states a legally cognizable theory supported by sufficient factual matter to make relief plausible on its face.
PRECEDENTIAL VALUE	unpublished district court order; persuasive only

TOPICS

contracts · commercial litigation · damages · motions to dismiss · civil procedure

PRACTICE AREAS

contract law · franchise law · commercial litigation · civil procedure · damages

QUESTIONS PRESENTED

1. Whether the counterclaims plausibly alleged a breach of the franchise agreements sufficient to support a claim for lost future royalties under California law.
2. Whether Postal Instant Press, Inc. v. Sealy categorically bars a franchisor from seeking lost future royalties after terminating a franchise agreement.
3. Whether California's Franchise Relations Act or Franchise Investment Law makes lost future royalties unavailable or otherwise bars Qdoba's counterclaims in this dispute.

HOLDINGS

1. The counterclaims plausibly alleged that Fiesta Ventures committed a total breach of the franchise agreements and that Qdoba may seek lost future royalties as damages.
2. Sealy does not categorically foreclose a franchisor from seeking lost future royalties as a matter of law; the availability of that remedy depends on the nature of the breach and whether the breach itself prevented the franchisor from earning the royalties.
3. The California Franchise Relations Act and California Franchise Investment Law do not apply to the out-of-state franchise agreements at issue and therefore do not provide a basis for dismissing the lost-future-royalties counterclaims.

KEY QUOTATIONS

> *"To the extent Fiesta Ventures argues that Sealy categorically forecloses lost future royalties as a matter of law, the Court is unpersuaded."* (at 7)

> *"At the dismissal stage, the Court must accept the facts alleged by Qdoba in its Counterclaim as true."* (at 10)

> *"Accordingly, although this Court doubts that Sealy establishes the correct rule of law as the California Supreme Court would see it, under Coughlin, the Court concludes that the allegations against Fiesta Ventures plausibly constitute a total breach."* (at 12)

> *"For the foregoing reasons, the Court DENIES Counterdefendant Fiesta Ventures's Motion to Dismiss the Second and Fourth Counts in Counterclaimant Qdoba's Counterclaim."* (at 14)

FACTUAL BACKGROUND

Fiesta Ventures Dayton operated a Qdoba restaurant, and its owners later formed Fiesta Ventures Bevercreek to develop and operate a Qdoba restaurant in Ohio. After delays and extensions, Qdoba and FVB entered a workout agreement requiring the Bevercreek restaurant to open by a specified deadline and making FVB's affiliates, including FVD and the owners, liable for future defaults. The restaurant allegedly failed to open, Qdoba terminated FVB's franchise agreement and then terminated FVD's agreement under the affiliate-liability provision. Qdoba counterclaimed for lost future royalties, and the court held that the pleaded facts plausibly alleged a total breach supporting that form of damages.

PROCEDURAL HISTORY

Fiesta Ventures Bevercreek, LLC and Fiesta Ventures DM, LLC filed an action alleging that Qdoba breached franchise-related contracts and committed unfair business practices. Qdoba Franchisor, LLC answered and asserted counterclaims, including claims for declaratory relief and lost future royalties. Counterdefendants moved to dismiss the second and fourth counterclaims for failure to state a claim; the court denied the motion and ordered an answer to the counterclaim within fourteen days after electronic docketing.

DISPOSITION

other

CASES CITED

- Ashcroft v. Iqbal, 556 U.S. 662, 677-678 (2009)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 557, 570 (2007)
- Papasan v. Allain, 478 U.S. 265, 286 (1986)
- Wi-LAN Inc. v. LG Elecs., Inc., 382 F. Supp. 3d 1012, 1020 (S.D. Cal. 2019)
- Retail Prop. Tr. v. United Bhd. of Carpenters & Joiners of Am., 768 F.3d 938, 945 (9th Cir. 2014)
- DeSoto v. Yellow Freight Sys., Inc., 957 F.2d 655, 658 (9th Cir. 1992)
- Schreiber Distrib. Co. v. Serv-Well Furniture Co., 806 F.2d 1393, 1401 (9th Cir. 1986)
- Postal Instant Press, Inc. v. Sealy, 51 Cal. Rptr. 2d 365 (Ct. App. 1996)
- Hollywood Cleaning & Pressing Co. v. Hollywood Laundry Serv., 17 P.2d 712, 713 (Cal. 1932)
- Radisson Hotels Int'l v. Majestic Towers, Inc., 488 F. Supp. 2d 953, 963 n.10 (C.D. Cal. 2007)
- Coburn v. Cal. Portland Cement Co., 77 P. 771, 772-773 (Cal. 1904)
- Brandon & Tibbs v. George Kevorkian Acct. Corp., 227 Cal. Rptr. 40, 48 (Ct. App. 1986)
- US Ecology, Inc. v. State, 28 Cal. Rptr. 3d 894, 916-917 (Ct. App. 2005)
- Oasis W. Realty, LLC v. Goldman, 250 P.3d 1115, 1121 (Cal. 2011)
- Reichert v. General Ins. Co., 442 P.2d 377, 377 (Cal. 1968)
- Coughlin v. Blair, 262 P.2d 305, 308-312 (Cal. 1953)
- Abbott v. 76 Land & Water Co., 118 P. 425, 427-428 (Cal. 1911)
- Gravquick A/S v. Trimble Navigation Int'l Ltd., 323 F.3d 1219, 1223 (9th Cir. 2003)
- Taylor v. 1-800-GOT-JUNK?, LLC, 387 F. App'x 727, 729 (9th Cir. 2010)