Pennsylvania's Expanding Vicarious Liability Standard

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The Pennsylvania Superior Court's Jan. 31, 2025, ruling in *Coryell v. Morris* represents an expansion in the state's approach to vicarious liability for franchisors. In *Coryell*, the court upheld a jury verdict that found Domino's Pizza vicariously liable for the negligence of a franchisee's delivery driver. The case arose out of an auto accident involving the plaintiff and a delivery driver of the franchisee. Following the accident, the plaintiff filed a personal injury lawsuit against the delivery driver, the franchisee (Robizza, Inc.), and Domino's Pizza.

Central to the court's decision as to vicarious liability was its analysis of the degree of control that Domino's exercised over its franchisee, Robizza, Inc. Pennsylvania law dictates that a franchisor may be held vicariously liable if it exerts a sufficient level of day-to-day control over a franchisee's operations.

Domino's argued it was not subject to vicarious liability claims based on the actions of the franchisee's driver. Domino's specifically argued there was no evidence it had the right to control or exercised control over the day-to-day operations of the store. In support of this, Domino's asserted the Franchise Agreement identified Robizza, Inc. as an independent contractor. It further argued that Domino's personnel were only at the store three to five times per year, for an hour at a time. Domino's further stated Robizza, Inc. was responsible for:

- Employee hiring, training, and supervision;
- Overall store supervision;
- Payment of all bills, expenses, and taxes; and
- Setting of prices.

Despite these facts, the court found, based on the totality of the evidence, Domino's mandates extended far beyond brand protection and quality assurance, effectively controlling essential aspects of store operations and employee management. Among the factors influencing the court's decision were Domino's extensive operational mandates, which included:

- The intervals of store cleaning and acceptable location supplies;
- Payment methods, lease terms, and store hours;
- Computer processing speeds and financial record keeping;

- Detailed employee regulations, such as facial hair length, jewelry restrictions, and training topics;
- Specific requirements for safe usage, vehicle conditions, and handling of customer complaints;
- Strict control over promotional campaigns and discount offers; and
- Requirements for uniforms, nametags, and employee behavior.

The court emphasized that these and other mandates left the franchisee with "practically no discretion" in its day-to-day operations, thereby creating an agency relationship that justified imposing vicarious liability on Domino's. While Domino's did permit some level of autonomy to the franchisee, any such autonomy was required to be within the bounds of the specific mandates of Domino's.

The ruling represents a departure from the more traditional interpretation of franchisor-franchisee relationships, which generally held that franchisors could enforce brand standards without assuming liability for franchisee operations. While previous cases, such as *Myszkowski v. Penn Stroud Hotel*, found that brand protection measures alone do not establish an agency relationship, *Coryell* illustrates that operational control beyond product quality can result in vicarious liability.

The *Coryell* ruling puts franchisors on notice: operational control over franchisees must be carefully calibrated to avoid unintended liability. Franchisors must weigh the risk of liability against their desire to maintain consistency across locations. Some practical considerations for franchisors moving forward include:

- **Reevaluating Franchise Agreements**—Agreements should clearly define the franchisee's independence and limit the franchisor's control over daily operations. Contractual language should emphasize that the franchisee is responsible for employment decisions and day-to-day management.
- **Avoiding Excessive Operational Mandates**—While brand protection is critical, franchisors should avoid dictating non-essential aspects of store management that could suggest an employer-employee relationship. Ensuring that requirements focus on end-product quality, rather than process execution, is key.
- **Training and Compliance Audits**—Franchisors should train their compliance teams to ensure brand enforcement efforts do not cross into operational micromanagement. Compliance officers should be aware of the fine line between oversight and control.
- **Legal Review of Policies**—Periodic
- legal audits of franchise agreements and operational manuals can help ensure compliance with evolving case law. Having experienced franchise counsel review internal policies can prevent unintended liability exposure.
- **Assessing Insurance Coverage**—Given the shifting liability landscape, franchisors should review their insur-

ance policies to ensure they have adequate coverage for potential claims stemming from vicarious liability. Policies should specifically address scenarios where franchisee employees' actions lead to litigation.

- **Developing Risk Mitigation Strategies**—Franchisors may want to consider alternative strategies, such as advisory roles rather than direct mandates, to guide franchisee operations while reducing exposure. Providing guidance through best practices, rather than rigid rules, may offer a safer balance.

Given the increasing willingness of Pennsylvania courts to expand vicarious liability, franchisors must take proactive steps to mitigate their risk. Otherwise, they may find themselves facing costly litigation for actions taken by franchisee employees whom they do not directly employ or supervise.

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