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BLOGS

Terminations

Court Dismisses Distributors' Counterclaims That Were Contradicted by Their Distributorship Agreements

After Coca-Cola North America terminated three distributors and filed suit to collect amounts due for products that had been delivered but not paid for, the distributors filed numerous counterclaims. In *Coca-Cola North America v. Crawley Juice, Inc. et al.*, 2011 U.S. Dist. LEXIS 52813 (E.D.N.Y. May 17, 2011), a federal court in New York dismissed each of those counterclaims. The defendants alleged that former Coca-Cola employees fraudulently induced them to purchase and invest in underdeveloped or vacant territories in exchange for oral promises of marketing and other support from Coca-Cola, as well as verbal assurances that the defendants would be able to extend their distributorship agreements beyond their one year terms and ultimately sell their routes once they were fully developed. The defendants contend that after they purchased and cultivated their routes in those territories, Coca-Cola threatened to terminate them if they refused to purchase unneeded inventory.

In dismissing the counterclaims, the court found that claims for improper termination and misappropriation of goodwill were precluded by the parties' distributorship agreements, which expressly provided that (1) Coca-Cola could terminate the agreements without cause on 30-days' notice, and (2) any goodwill accruing from the sale, promotion, or distribution of products would accrue to Coca-Cola. New York law did not allow the defendants' claim for breach of the covenant of good faith and fair dealing in at-will distribution contracts like those at issue. The court also noted that the defendants could not seek damages under a quasi contract claim when they alleged they had fully performed under a valid written agreement, the existence of which was undisputed, and the scope of which clearly covered the dispute between the parties.