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## BLOGS

State Franchise and Dealer Laws

# Court Enjoins Termination of Dealer Agreement, Finding New Jersey Franchise Practices Act Likely Will Apply

In *Engines, Inc. v. MAN Engines & Components, Inc.*, 2010 U.S. Dist. LEXIS 76541 (D.N.J., July 29, 2010), a New Jersey federal court granted a preliminary injunction prohibiting MAN Engines & Components, Inc. from terminating its dealer agreement with Engines, Inc. because the relationship is likely a franchise under the New Jersey Franchise Practices Act (NJFPA). Engines was an authorized provider of repair, conditioning, and replacement services for MAN for many years. During that time, Engines made certain investments in its business in connection with its activities under the dealer agreement, including purchasing tools and equipment and sending technicians to training. After becoming dissatisfied with the quality of Engines' repair work, MAN sought to terminate the dealer agreement pursuant to the agreement's termination "without cause" provision. In response, Engines sued to enjoin MAN from terminating, alleging that the NJFPA applied to the relationship and provided that an agreement cannot be terminated without cause.

The court granted Engines' request for injunctive relief, determining that the relationship constituted a "franchise" under the NJFPA. As part of its analysis, the court concluded that a "community of interest in the marketing of goods and services" existed between MAN and Engines because Engines was required "to make a substantial investment in goods or skills that will be of minimal utility outside the franchise." Engines had made significant franchise-related investments by purchasing MAN parts and specialty tools, promoting its relationship with MAN, and sending its employees to MAN training seminars. The court rejected MAN's argument that there was no community of interest because Engines' investments were made voluntarily and were not required under the terms of the dealer agreement. In doing so, the court looked beyond the terms of the dealer agreement and held that the nature of the relationship contemplated the investments by Engines.