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BLOGS

Sales Representatives

Development Agent Not Covered by Alabama Sales Representative Commission Statute

The United States District Court for the Northern District of Alabama recently held that Alabama’s Sales Representative Commission Contract Act, which requires timely payment of commissions to terminated sales representatives, did not apply to a franchise development agent. The plaintiff in *Johnson v. Mossy Oak Properties, Inc.*, 2012 U.S. Dist. LEXIS 167605 (N.D. Ala. Nov. 27, 2012), was a terminated development agent for a real estate franchisor. As a development agent, Johnson was involved in the training and servicing of Mossy Oak franchisees in a specified territory. Johnson argued that the Sales Representative Commission Contract Act (the “Act”) applied to his relationship with Mossy Oak because he acted as a sales representative of Mossy Oak franchise rights. The court disagreed. The Act applies only to “principals” engaged in “manufacturing, producing, importing, or distributing a product or products” to customers. Although the Act does not define “product,” the court found that “product” refers only to tangible goods and not the intangible franchise rights at issue in the applicable development agent agreement. The court further found that its holding was consistent with authority from other jurisdictions whose sales representative statutes contain nearly identical language. As an alternative ground for its ruling, the court determined that even if the franchise rights at issue could be considered a “product” for purposes of the Act, the plaintiff did not sell these products at “wholesale,” as is also required under the Act’s provisions.

Related People

Maisa Frank

Partner

Washington, D.C.

202.295.2209

maisa.frank@lathropgpm.com