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State Franchise and Dealer Laws

Distributor's California Unfair Competition Law Claim Allowed Despite No Distribution in California

A federal court in California has allowed various claims by a distributor against its supplier to go to trial, including a California Unfair Competition Law ("UCL") claim alleging the supplier should have provided a Franchise Disclosure Document. *G.P.P., Inc. v. Guardian Protection Prods., Inc.*, 2017 WL 220305 (E.D. Cal. Jan. 18, 2017). The Pennsylvania-based plaintiff was the exclusive distributor of defendant Guardian's products in several different territories, which did not include California. But the distributor had originally entered into distribution agreements that included a California choice-of-law provision. A dispute arose out of the distributor's alleged failure to meet certain quotas. Despite notices of potential termination sent by the supplier, the parties continued their distribution relationship while seeking a declaration of whether termination would be proper. Both parties moved for summary judgment. The supplier argued that the distributor could not base its UCL claim on alleged violations of the federal Franchise Rule because the Federal Trade Commission Act does not provide a private cause of action.

The court ultimately denied summary judgment on the UCL claim, finding that the Franchise Rule would not preclude a UCL claim based on a failure to provide a FDD. The court refused to follow an unpublished Ninth Circuit case cited by the supplier, and further found that state franchise laws provided an independent basis for the UCL claim.

Related People

Maissa Frank

Partner

Washington, D.C.

202.295.2209

maissa.frank@lathropgpm.com