

A solid yellow right-angled triangle pointing towards the top-left corner.

BLOGS

Terminations

Federal Court Applies New Jersey Franchise Act to Stop Termination

Outside the auto industry, a New Jersey federal court recently issued a temporary restraining order prohibiting the termination of a Master Distributor Agreement, finding that the manufacturer likely violated the New Jersey Franchise Practices Act. *Emergency Accessories & Installation, Inc. v. Whelen Engineering Co., Inc.*, 2009 WL 1587888 (D.N.J. June 3, 2009).

Emergency Accessories & Installation (EAI) sells and installs emergency response vehicle equipment. Over 95 percent of its inventory comes from Whelen Engineering, Inc., a manufacturer of emergency lighting, and EAI claims that “[w]ithout Whelen products, EAI [would] have no business.” Whelen issued a notice to EAI terminating the Master Distributor Agreement asserting that EAI’s actions injured the goodwill associated with Whelen’s trademarks, but without describing the injuries. EAI applied to the court for temporary relief to stop the termination.

The court determined that the New Jersey Franchise Practice Act likely applied to the Master Distributor Agreement because EAI’s business was located in New Jersey, there was a community of interest between the parties, and Whelen licensed the use of its trademark to EAI. As a result, Whelen’s termination of the Master Distributor Agreement was likely in violation of the New Jersey Franchise Practice Act in that the termination letter failed to assert good cause for termination. The court issued a temporary restraining order to stop the termination.