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BLOGS
State Franchise and Dealer Laws

Illinois Court Finds No Franchise Relationship Between Supplier and Distributor Under Connecticut Law

In *Echo, Inc. v. Timberland Machines & Irrigation, Inc., et al.,* 2011 U.S. Dist. LEXIS 4574 (N.D. Ill. Jan. 18, 2011), the United States District Court for the Northern District of Illinois granted a supplier's motion for summary judgment against its former distributor, finding that the Connecticut Franchise Act did not offer the distributor its protections because the parties were not in a franchise relationship. Echo, an Illinois-based supplier of power equipment products, terminated its distributor agreement with Timberland, a Connecticut-based distributor, and filed suit against Timberland to recover past due fees. Timberland filed counterclaims, alleging, among other things, that Echo violated the CFA when it terminated the distributor agreement. Echo moved for summary judgment on Timberland's claim under the CFA, arguing that the statute did not apply because the parties were not in a franchise relationship.

In granting Echo's motion for summary judgment, the court found that the CFA's protections only apply to business relationships that fall within the statute's definition of a franchise, which requires that the plaintiff's business be substantially associated with the defendant's trademark. Specifically, the court noted that a plaintiff must derive at least one half of its total sales or gross profits from sales of the defendant's products in order for there to be a substantial association between the parties. In this case, the court found that such an association did not exist; sales of Echo products constituted 30% to 35% of Timberland's total sales from 2004 to 2008, and Echo products never accounted for 50% or more of Timberland's gross profits. Thus, the court held that the lack of a substantial association between the parties precluded Timberland from establishing the existence of a franchise relationship with Echo and from maintaining an action under the CFA.