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## BLOGS

State Franchise and Dealer Laws

# Massachusetts Federal Court Defines “Community of Interest” as It Relates to Massachusetts Franchise Law

The United States District Court for the District of Massachusetts recently explained the meaning of “community of interest” as it relates to Massachusetts franchise law. *C.N. Wood Co. v. Labrie Envtl. Grp.*, 2013 U.S. Dist. LEXIS 78977 (D. Mass. June 5, 2013). C.N. Wood Company entered into an exclusive distributorship agreement with Labrie Environmental Group, under which Wood served as Labrie’s exclusive distributor in Massachusetts and Rhode Island. The agreement had an initial term of one year, which automatically renewed unless a party gave notice of its intent to terminate. Labrie sent Wood a notice of nonrenewal under the agreement, and while Labrie secured a new distributor, Wood continued to sell the Labrie brand past the termination date. Three months after the termination date, Labrie sent Wood a notice of termination. Wood sued and alleged that the agreement, which Wood characterized as a franchise contract, was wrongfully terminated by Labrie. Labrie moved to dismiss on the basis of the agreement’s choice of law and forum selection provisions that designated Quebec and Massachusetts law as governing, and Quebec courts as the exclusive jurisdiction for any disputes that arose from the agreement. The Massachusetts federal court’s decision as to whether the agreement was a de facto franchise agreement focused on the agreement’s choice of law and choice of forum provisions. That dispute centered on what the term “community of interest” meant under the Massachusetts definition of franchise agreement.

The court joined other jurisdictions that have interpreted similar state franchise laws in focusing on the power dynamics between the franchisor and franchisee. The court explained the meaning of “community of interest” as reflecting the “potentially oppressive power” that a franchisor has over a franchisee “because of the substantial franchise-specific investment of the franchisee that is of minimal utility outside of the franchise.” This “potentially oppressive power,” the court explained, gives “the franchisor explicit or implicit control over the relationship such that he has the franchisee ‘over a barrel.’” The court then determined that Labrie and Wood did not share a community of interest, because among other things and most compellingly, Wood not only carried multiple product lines, but also sold and serviced products that directly competed with Labrie. Rather, the court explained Wood and Labrie had both benefitted from the vendor/vendee relationship while it endured. Accordingly, the agreement’s choice of law and choice of forum provisions were controlling, and the court granted Labrie’s motion to dismiss.

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