

BLOGS

State Franchise and Dealer Laws

New Jersey Court Upholds Compliant Franchisee's Rights to Renew

The New Jersey Franchise Practices Act (NJFPA) makes it unlawful for a franchisor to terminate or fail to renew a franchise agreement without good cause. In *BP Prod. N. Am., Inc. v. Hillside Service, Inc.*, 2011 U.S. Dist. LEXIS 10473 (D.N.J. Sept. 14, 2011), a federal district court in New Jersey noted that the NJFPA was not limited to “those situations in which the franchisor seeks to arbitrarily and capriciously terminate the franchise agreement. . . .” It held that the NJFPA also requires the franchisor to renew franchise agreements with New Jersey franchisees regardless of whether the agreements contain an express right of renewal. In granting summary judgment for the franchisee, the court found that the franchisor could only terminate or non-renew an existing agreement where it could show the franchisee’s noncompliance with the franchise agreement, despite the franchisor’s valid desire to cease franchising in that location.