New Jersey Federal Court Dismisses Challenge to Immediate Termination

A federal court in New Jersey has granted a motion to dismiss a challenge to the "immediate" termination of a distribution agreement because the distributor failed to plead adequately that the agreement contemplated its maintenance of a New Jersey place of business, as required for the New Jersey Franchise Practices Act (NJFPA) to apply. *Lawmen Supply Co. of N.J., Inc. v. Glock, Inc.*, 2018 WL 3201790 (D.N.J. June 29, 2018). The parties had entered into a distribution agreement for Lawmen Supply to distribute "Glock Only" pistols to the law enforcement market. Glock terminated the distribution agreement "effective immediately" when Lawmen Supply sold Glock products to the commercial market rather than the law enforcement market. Among other claims, Lawmen Supply challenged the notice period as too short under the NJFPA.

In granting in part Glock's motion to dismiss, the court held that Lawmen Supply had failed to plead that it was entitled to the protections of the NJFPA. An agreement is subject to the NJPFA if it requires the franchisee to maintain a place of business in New Jersey (and other factors). When it applies, the NJFPA requires sixty days' notice prior to termination or nonrenewal. While Lawmen adequately pleaded the existence of a community of interest and a licensing agreement, it did not adequately plead that it was required to maintain a place of business in New Jersey. Its complaint merely stated that it was a New Jersey business and operated a franchise in New Jersey. Noting Lawmen's assertion in its opposition to Glock's motion that Lawmen's New Jersey facility was the hub of its marketing and sales-related activities for the New Jersey law enforcement market, the court permitted Lawmen thirty days to replead.

Related People

Maisa Frank
Partner
Washington, D.C.
202.295.2209
maisa.frank@lathropgpm.com