



BLOGS

Terminations

New Jersey Federal Court Grants Summary Judgment for Manufacturer on Unlawful Termination Claim

A federal court in New Jersey granted summary judgment to a manufacturer who terminated its distributor for widespread fraud. *Mall Chevrolet, Inc. v. General Motors, LLC*, 2021 WL 426193 (D.N.J. Feb. 8, 2021).

A federal court in New Jersey granted summary judgment to a manufacturer who terminated its distributor for widespread fraud. *Mall Chevrolet, Inc. v. General Motors, LLC*, 2021 WL 426193 (D.N.J. Feb. 8, 2021). Mall Chevrolet has operated a Chevrolet dealership since 1986 and, as part of that business, performed fleet warranty repairs. General Motors established the standards and procedures for the warranty repairs to be performed by Mall, as well as the reimbursement procedure. In May 2017, GM's review of Mall's warranty reimbursement claims uncovered \$672,176.59 in unsubstantiated warranty claims. GM terminated Mall after the dealer was unable to produce documentation to back up these claims. Mall responded by suing GM for unlawful termination under the New Jersey Franchise Practices Act (NJFPA), adding claims that GM imposed unreasonable standards of performance and that its audit was a breach of the covenant of good faith and fair dealing. Mall also challenged the chargebacks GM processed following its review to recoup the amounts it paid Mall for the fraudulent warranty claims and asserted that GM owed Mall payment for other repairs. The parties cross-moved for summary judgment, primarily concerning the wrongfulness of the termination and the evidentiary basis for Mall's damages claims.

The court granted GM summary judgment regarding each of these issues. It held that, even if there were small factual disputes about individual repair claims, there was no real dispute that Mall had submitted a significant number of fraudulent requests for warranty reimbursement. The court rejected Mall's arguments that the NJFPA requires that the franchisee's conduct be intentional and knowing or involve the franchisee's principal before termination can be justified. It also rejected Mall's argument that GM could only justify its termination with the evidence it possessed at the time of termination. The court also granted GM summary judgment on Mall's claims for damages due to lack of evidence. The court excluded Mall's only evidence supporting compensatory damages, an affidavit from its principal that Mall attached to its opposition to GM's summary judgment motion. Since the NJFPA only permits punitive damages if compensatory damages are proven, this disposed of all of Mall's damages claims and essentially all of its complaint, excepting only its claim for a declaration that GM's chargebacks violate the NJFPA, which was allowed to proceed to a non-jury trial.

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