

**BLOGS**

Terminations

New Jersey Federal Court Holds Unlawful Chargebacks Claim Barred by New Jersey Franchise Protection Act

A federal court in New Jersey applied the New Jersey Franchise Protection Act (NJFPA) and entered judgment in favor of a car manufacturer on a franchisee's unlawful chargebacks claim.

A federal court in New Jersey applied the New Jersey Franchise Protection Act (NJFPA) and entered judgment in favor of a car manufacturer on a franchisee's unlawful chargebacks claim. *Mall Chevrolet, Inc. v. General Motors LLC*, 2021 WL 2581665 (D.N.J. June 23, 2021). Mall Chevrolet is an automobile franchise that performs warranty repairs on GM vehicles, and GM reimburses Mall for warranty services provided pursuant to a dealer agreement between the parties. GM became concerned about Mall's warranty reimbursement claims and audited Mall. GM discovered Mall's practices deviated from GM's procedures and determined a substantial chargeback was required for paid warranty claims that were unsubstantiated. After Mall was unable to provide documentation to support the challenged warranty claims, GM determined that Mall submitted false claims for reimbursement and terminated the dealer agreement. Mall sued GM for unlawful termination, breach of contract, and unlawful chargebacks pursuant to the NJFPA. The court initially granted summary judgment in GM's favor on all counts except Mall's unlawful chargebacks claim. GM then subsequently moved for summary judgment on the unlawful chargebacks claim arguing that because Mall materially breached the provisions of the dealer agreement by submitting nearly 100 false warranty claims, its unlawful chargeback claim was barred by the NJFPA. The court agreed and entered final judgment in GM's favor on all of Mall's claims.

Related People

Maisa Frank

Partner

Washington, D.C.

202.295.2209

maisa.frank@lathropgpm.com**Richard C. Landon**

Partner

Minneapolis

612.632.3429

richard.landon@lathropgpm.com

Related Services[Franchise & Distribution](#)