

The Record Business

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ASK THE EXPERTS

Franchise termination must follow the rules

Q. My franchise is coming up for renewal. Can my franchisor refuse to renew it?

Assuming you own a franchise that is covered by New Jersey's Franchise Practices Act, your franchisor cannot terminate or fail to renew your franchise without "good cause."

Except in the following three situations, your franchisor must send you a written notice setting forth all the reasons for termination or intent not to renew at least 60 days in advance of the termination or renewal date. The first exception is if your agreement requires more than 60 days notice, then the franchisor must abide by that agreement. If you have voluntarily abandoned the franchise, then the number of days for notice to be given is reduced to 15. If a franchisee has been convicted of an indictable offense directly related to the business conducted pursuant to the franchise agreement, termination is permitted to occur immediately upon delivery and receipt of the notice.

Of course, the question of what constitutes good cause for failure to renew is usually where the franchisor and franchisee disagree. Good cause is defined by the act to mean "failure of the franchisee to substantially comply with those requirements imposed upon him by the franchise." That leaves open the issue of what constitutes "substantial compliance" and this has been the topic of many a court case.

Harvey Miller is a member of the franchising practice of Cole, Schotz, Meisel, Forman & Leonard PA, the largest law firm in Bergen County. He can be reached at hmiller@coleschotz.com or at 201-525-6230. This information is not intended as legal advice, which can be given only after the attorney understands the facts of a particular matter and the goals of a client.

Do you have a business question for a lawyer? E-mail business-news@northjersey.com.