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Snyder's-Lance Illegally Wiped Out NJ Franchisees, Suit Says

By **Alex Wolf**

Law360, New York (November 29, 2016, 5:04 PM EST) -- The distribution division of snack food company Snyder's-Lance Inc. was hit with a putative class action complaint in New Jersey federal court Monday, accusing it of unlawfully terminating franchisees in a "systemwide purge" shortly after Snyder's merged with Lance in late 2010.

S-L Distribution Co. Inc. has violated the New Jersey Franchise Practices Act by failing to show good cause for terminating dozens of exclusive franchises throughout the state in the months following Snyder's of Hanover Inc.'s merger with Lance Inc. in December 2010, the suit claims.

Plaintiff Jonathan Scheurer LLC, a former S-L franchisee, alleges that it and approximately 60 others in New Jersey that were terminated after entering into agreements to sell and distribute Snyder's-Lance products are protected by the NJFPA and should be properly compensated for losing their respective businesses.

"Not only did S-L's termination eliminate Scheurer's livelihood, S-L forced Scheurer, and those similarly situated, to sell back the exclusive distributorship to S-L for a substantially lower price than the lucrative franchise was worth," the complaint reads.

Jonathan Scheurer, who became a franchisee of S-L's predecessor in 2008 and then sold the franchise to his own company, claims that he and others who entered into distribution agreements with S-L and operated out of an S-L-owned warehouse were unjustly terminated when the company decided to restructure its distribution territories after the 2010 merger.

Although Scheurer had dutifully complied with all of the terms of the distribution agreement, S-L sent his company a notice in November 2012 saying it was being terminated as part of a business decision, he says.

The decision to terminate his franchise was made in violation of the NJFPA, which protects franchise owners who sell more than $35,000 worth of merchandise in a given year and derive at least 20 percent of their gross sales from the franchise in question, according to the suit.

Pursuant to the NJFPA, S-L could not terminate Scheurer or any other proposed class members unless, among other requirements, the company identified good cause, defined as a failure to substantially comply with its imposed requirements, Scheurer said.

His suit seeks a court order that the defendant violated state law and that it must compensate class members for the "reasonable value of their franchises."

Justin M. Klein of Marks & Klein LLP, an attorney for Scheurer, told Law360 on Tuesday that New Jersey has gone "above and beyond" to protect distributors like his client.

"The goal of this litigation is for the distributors to get what they are entitled to and to stop this type of conduct from happening again to distributors in this state," he said.

Klein could not provide figures regarding what Scheurer received from S-L for selling his franchise back to the company or what he believes a fair price should have been.

A representative for Snyder's-Lance did not immediately respond to a request for comment Tuesday.

Scheurer is represented by Justin M. Klein of Marks & Klein LLP and Marisa Rauchway Sverdlov.

Counsel information for S-L was not immediately available Tuesday.

The case is Scheurer LLC v. S-L Distribution Inc., case number 2:16-cv-08783, in the U.S. District Court for the District of New Jersey.

--Editing by Aaron Pelc.