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Ruling favors wives of ex-Snap-on Tools dealers

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A group of wives of former dealers for Snap-on Tools, a franchise in which tools are sold to mechanics and other businesses out of a truck, have a right to have their lawsuit against the company heard by a jury, a judge has ruled.

Snap-on Inc. had argued that the wives' claims should go before the American Arbitration Association, not a state court. According to its franchise sales agreement, legal disputes between Snap-on and its franchisees must be settled through arbitration and not in court. But the attorney for the three women, Gerald A. Marks of Red Bank, claimed that the wives are not subject to the franchise agreement. Marks believes the women will have a better chance of winning their case in court rather than before an arbitration panel.

The three women, including Nancy Casey of Middletown, claim that Snap-on deliberately induced families to invest their money into a franchised tool route when the company knew that the territory did not contain enough customers or that a previous dealer had failed, said Marks, the women's Red Bank lawyer, in a statement.

Nancy Casey gave her husband \$40,000 she inherited from her father to become a Snap-on dealer.

Brian Casey started a Snap-on franchise in early 1998 and became a successful franchisee. But in December 1999, Snap-on Tools sold Casey a second franchise, loaning him \$95,000 for inventory, including tools, Marks has said. The sale violated the company's own rules against selling another franchise to a Snap-on franchisee who owes money, the attorney said. Casey still owed \$81,000 from an inventory loan for his first business.

By September 2001, Casey's second franchise failed because of poor sales. By May 2002, the debt created from two loans caused his original franchise to collapse. This past summer, an arbitrator ordered Kenosha, Wis.-based Snap-on to pay Casey \$314,608.

Marks praised the decision by state Superior Court Judge Mathias E. Rodriguez in New Brunswick. "This decision has nationwide implications for all 3,400 current Snap-on dealers, as well as all former dealers and their wives who claim that they were defrauded in franchise agreements by Snap-on," he said.

In a statement, Snap-on said it disagrees with the ruling and is considering its options.

"This decision has nothing to do with the merits of the case," the company said. "It relates only to the forum for hearing it."