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BLOGS

Duty of Good Faith and Fair Dealing

Court Dismisses Gas Station's Good Faith and Fair Dealing Claim

A New Jersey federal court recently granted judgment on the pleadings for defendants Getty Petroleum Marketing, Inc. and Lukoil Americas Corp. (Getty) with respect to a claim that they had breached the implied covenant of good faith and fair dealing in setting the price for gasoline under an open pricing term. *Akshayraj, Inc. v. Getty Petroleum Mktg., Inc.*, 2009 WL 961442 (D.N.J. April 8, 2009). The case began with the plaintiffs' request for a preliminary injunction to prevent the rebranding of their Mobil gasoline stations to Lukoil. The court denied the request for a preliminary injunction and dismissed all claims from the case except for the plaintiffs' claim that Getty breached the implied covenant of good faith and fair dealing. The plaintiffs alleged that Getty breached the implied covenant by setting the price for gasoline under the open pricing terms contained in the franchise agreement in an arbitrary, unreasonable, and capricious manner with the intent of depriving the plaintiffs of their reasonable contract expectations.

In granting the defendants' motion for judgment on the pleadings, the court held that Pennsylvania law applied because, pursuant to the Petroleum Marketing Practices Act, the substantive law of the franchisee's principal place of business governed the construction of the franchise agreement. In applying Pennsylvania law, the court determined the implied covenant of good faith could not modify or override an express contract term. The court found that the franchise agreement expressly addressed the pricing of gasoline and expressly permitted Getty to charge a price fixed at a place and time (i.e., its daily terminal or bulk plant price) and to change that price at any time without notice. Thus, the claim for breach of the covenant of good faith was dismissed.