

BLOGS
Antitrust

New Jersey Federal Court Denies Prospective Distributor's Group Boycott and Monopolization Claims Against Existing Distributor

A federal court in New Jersey recently denied antitrust claims brought by a prospective baker and distributor of Dunkin' Donuts products against an existing distributor. *Central Jersey, CML v. Patel*, 2020 WL 2840125 (D.N.J. May 31, 2020). Central Jersey, CML sought to open a baking and distribution facility for nearby Dunkin' Donuts stores. In pursuit of its efforts, it obtained conditional approval for \$18.9 million in New Jersey State tax credits. Also in pursuit of its efforts, it sought the financial backing of the defendants — members of another New Jersey-based Dunkin' baking and distribution facility. However, the defendants decided not to become involved with Central CML and entered into a corporate resolution to that effect. The defendants also sent Dunkin' a letter informing it that, notwithstanding Central CML's representations to the contrary, the defendants were not involved with Central CML. Central CML ultimately lost its tax credits after it failed to provide to the state required documents. And it never opened its facility. Instead, based on the defendants' corporate resolution and letter to Dunkin', Central CML sued the defendants for, among other things, a group boycott and attempted monopolization of relevant market in violation of the Sherman Act, as well as tortious interference and civil conspiracy. Both parties filed for summary judgment. The court denied Central CML's motion and granted the defendants', dismissing Central CML's claims with prejudice.

As a preliminary matter, the court determined that Central CML's antitrust claims were governed by the "rule of reason" standard, under which a court must assess whether alleged anticompetitive conduct imposes an unreasonable restraint on competition, rather than by the "per se" rule, under which alleged anticompetitive conduct is deemed necessarily illegal. In reaching its conclusion, the court observed that application of the per se rule is limited to agreements between direct competitors, and that the defendants were not competitors but were instead members of the same limited liability company. Next, in denying Central CML's antitrust claims, the court held that it had failed to present evidence that the defendants possessed a monopoly in the relevant market, or attempted to establish such a monopoly. The court rejected the argument that the defendants' letter to Dunkin' demonstrated an attempted monopolization, observing that the letter merely sought to clarify the defendants' lack of involvement with Central CML and never demanded that Dunkin' deny Central CML approval. Furthermore, the court held that Central CML failed to prove any causal link between its alleged injury and the defendants' actions as required by antitrust law, because the

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defendants had no control over whether Central CML was approved by Dunkin' and the record evidence indicated that Central CML lost its tax credits for reasons unrelated to any conduct by the defendants. The court also dismissed Central CML's tortious interference claim because it failed to show malicious conduct by the defendants or that, for the reasons stated above, the defendants caused whatever harm Central CML suffered. Finally, the court dismissed Central CML's conspiracy claim because the claim required an underlying wrong and the court had already dismissed the defendants' alleged wrongful acts.