

BLOGS

Duty of Good Faith and Fair Dealing

Auto Dealer States Good Faith and Fair Dealing Claim

The United States District Court for the Eastern District of New York concluded that an automobile dealer stated a plausible claim for breach of the implied covenant of good faith and fair dealing against its distributor in *Valley Stream Foreign Cars, Inc. v. American Honda Motor Co.*, 2016 WL 5239645 (E.D.N.Y. Sept. 22, 2016). Valley Stream alleged that American Honda's failure to enforce its wholesaling policy prevented Valley Stream from exercising its right to earn profits from the sale of Honda vehicles. Valley Stream further alleged that American Honda received reports of wholesaling but chose to ignore them. In rejecting American Honda's argument that Valley Stream was seeking a strict enforcement of the wholesaling policy against all dealers, the court found that Valley Stream had adequately alleged that American Honda had "arbitrarily acted counter to its stated interest and the interest of its dealers by taking no steps to enforce its Wholesaling Policy." The court held that those allegations, taken as true, amounted to a practice in which American Honda "continu[ed] to turn a blind eye" to the policy, and did state a claim for breach of the implied covenant of good faith and fair dealing.

Related People

Maisa Frank

Partner

Washington, D.C.

202.295.2209

maisa.frank@lathropgpm.com