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BLOGS

Distributor and Dealer Terminations

Change of Business Model by Manufacturer Justified Non-Renewal of Distributor

A federal court in Minnesota has refused to stop the non-renewal of a distributor of coin-operated tire-inflator machines and automobile vacuums in *William McCabe v. AIR-Serv Group, LLC*, 2007 WL 4591932 (D. Minn. Dec. 28, 2007). The change was part of the manufacturer's business model shift that had resulted in reducing distributor ranks from 130 down to four. Most of the reduction occurred through non-renewal of distribution agreements at the end of their terms. This distributor's lawsuit claimed protection under the Minnesota Franchise Act and on other grounds.

In denying an injunction to prevent the loss of the distributorship, the court ruled that whether or not the Minnesota statute applied (which the court did not decide), the manufacturer's action was proper. The manufacturer's change of business model to perform service on its machines directly, rather than through distributors, was a legitimate business justification. The manufacturer had given ample warning of the change, including formal written notice more than nine months in advance.