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BLOGS

Terminations

Court Affirms Preliminary Injunction Preventing Termination of Distributors

The Sixth Circuit Court of Appeals recently affirmed a preliminary injunction precluding a wine manufacturer from terminating two distributors as part of a nationwide reorganization plan. In *Tri-County Wholesale Distribs., Inc. v. The Wine Group, Inc.*, 2012 U.S. App. LEXIS 13415 (6th Cir. June 29, 2012), the court found that the plaintiff distributors were likely to prevail on the merits of their argument that The Wine Group did not have “just cause” to terminate them under the Ohio Franchise Act. The Act states that “just cause” requires more than “[a] unilateral alteration of the franchise by a manufacturer for a reason unrelated to any breach of the franchise or violation of [statutes].” The Sixth Circuit observed that the Ohio Court of Appeals recently issued a decision in another case involving The Wine Group which expressly agreed that “just cause must mean something more than a manufacturer’s unilateral determination that it could make more money if a franchise were terminated.”

The court also agreed that the distributors would suffer irreparable harm if terminated, given that they had distributed the products at issue for “decades” and had developed substantial goodwill related to their distribution of those products.