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BLOGS

Terminations

Court Denies Summary Judgment on Dealer's Cancellation Claim

The United States District Court for the District of South Dakota recently denied a manufacturer's motion for summary judgment, finding material questions of fact regarding whether it had "just provocation" to terminate the agreement with its distributor. *Northern Truck Equip. Co. v. Omaha Standard, LLC*, 2015 WL 7274357 (D.S.D. Nov. 16, 2015). The parties' relationship began in the 1980s, when they agreed that Northern Truck would distribute and sell Omaha Standard's truck equipment in South Dakota. In 2012, however, Omaha Standard granted another company the right to sell its equipment in Sioux Falls, South Dakota. A year later, Northern Truck began selling a competitor's equipment in the same market. In response, Omaha Standard terminated its dealer agreement with Northern Truck, which then filed suit seeking damages on theories of unfair cancellation, breach of contract, and unjust enrichment.

With regard to the unfair cancellation claim, South Dakota's applicable statute entitles a dealer to damages if its franchise is cancelled without just provocation. To establish just provocation, a manufacturer must demonstrate misconduct or a shortcoming by the dealer. In support of its motion for summary judgment, Omaha Standard argued that Northern Truck's low sales and agreement to sell for a competitor constituted just provocation. Northern Truck disagreed that its sales were low, and it further asserted that Omaha Standard had never communicated any sales expectations or concerns. Northern Truck also asserted that Omaha Standard permitted its dealers to sell for competitors. In denying Omaha Standard's summary judgment motion on the unfair cancellation claim, the court held that whether just provocation to terminate a dealer exists is a question of fact. In addition—except for holding that punitive damages could not be awarded to Northern Truck for Omaha Standard's alleged breach of contract the court similarly found questions of material fact precluded granting the remainder of the parties' cross motions for summary judgment.

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