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BLOGS

Terminations

Court For Now Rejects Manufacturer's Attempt to Terminate Dealership That Failed to Sign Current Form of Agreement

The dispute in *Kaeser Compressors, Inc. v. Compressor & Pump Repair Services*, 2011 U.S. Dist. LEXIS 15111 (E.D. Wis. Feb. 14, 2011), developed because Compressor & Pump Repair Services ("CPR") refused to sign the current form of dealership agreement offered by its supplier, Kaeser. CPR had been Kaeser's exclusive dealer in the territory for over 20 years, but when Kaeser requested that CPR sign its current form of dealership agreement, which provided for a non-exclusive territory, CPR refused. Consequently, Kaeser brought a declaratory judgment action asking the court to confirm that it had good cause to terminate the dealership agreement under the Wisconsin Fair Dealership Law.

Under the WFDL, a distributor can only terminate an agreement for good cause, which includes a dealer's failure to comply with "essential and reasonable requirements imposed upon him by the grantor," as long as the same requirements are imposed on "similarly situated dealers." Kaeser argued that the requirement to sign its current agreement was essential because it was important to have uniform contracts among its dealers and that the terms of the contract were commercially reasonable. In addition, all other dealers in its system signed the current agreement. CPR argued that there was a genuine issue of material fact as to whether the current dealership agreement was both essential and reasonable, arguing that changing the territory from exclusive to nonexclusive was neither essential nor reasonable. The court concluded that material facts were in dispute, warranting a denial of the motion.

Separately, the court dismissed CPR's counterclaims alleging that Kaeser constructively terminated the dealership agreement by asking CPR to sign the current agreement, finding that the parties were still operating under the old agreement. Finally, the court allowed Kaeser to terminate CPR's territory located in Minnesota, finding that although the Wisconsin and Minnesota territories were governed by the same agreement, the WFDL applies only to territories located in Wisconsin.