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BLOGS

Preliminary Injunctions

Court Partially Grants Injunction to Block Distributor Termination

The U.S. District Court for the Middle District of Pennsylvania granted in part a motion filed by an independent distributor to stop the termination of its distribution agreements. *Pella Products, Inc. v. Pella Corp.*, 2018 WL 2734820 (M.D. Pa. June 7, 2018). The distributor was a party to several agreements granting it the right to distribute Pella windows and doors to general contractors and businesses (i.e., the trade/commercial business), and to homeowners (i.e., the retail business). Based upon evidence of sexual misconduct by the distributor's president, the manufacturer terminated the distribution agreements, alleging the president's behavior violated a policy that required the preservation of Pella's brand and reputation. The manufacturer argued that the distribution agreements incorporated the policy by reference.

The court partially granted the distributor's motion and enjoined the manufacturer from terminating the distribution agreement that pertained to the distributor's trade/commercial business. The court determined that the policy was not incorporated by reference into that agreement because by its own terms the policy was limited to the retail distribution business. Additionally, since the agreement contained a one-year notice provision, the court determined that the distributor would suffer irreparable harm if the agreement was terminated without the bargained-for advanced notice. The court denied the preliminary injunction as to the retail distribution agreement, finding that the policy was applicable to that agreement, that the policy clearly required preservation of Pella's brand and reputation, and that the actions of the distributor's president violated that policy.

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