

BLOGS

State Franchise and Dealer Laws

Delaware Court Rules Tesla Cannot Bypass Distribution Regulations by Using Direct-to-Consumer Business Model

A Delaware trial court recently affirmed an administrative decision denying Tesla a dealer license because the Motor Vehicle Franchising Practices Act prohibits manufacturers from serving as dealers. *Tesla v. Del. Div. of Motor Vehicles*, 2022 WL 4483222 (Del. Super. Ct. Sept. 23, 2022).

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Tesla appealed, arguing that Delaware law authorizes licensure of manufacturers without a dealer network, and that nothing in the Motor Vehicle Franchising Practices Act prohibits such manufacturers from selling directly to consumers. The court disagreed, reasoning that, under Delaware law and its definitions of "manufacturer" and "new motor vehicles," car manufacturers are obliged to use dealers to sell new cars to consumers. Tesla's direct-to-consumer sales did not exempt it from the law, but rather violated it. The court acknowledged that Tesla's business model was likely not contemplated when the Motor Vehicle Franchising Practices Act was drafted, but declined to create an exception for such a model where none exists in the statute.

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