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BLOGS

Terminations

Discontinuation of Product Line Not a Termination or Non-Renewal Without Cause Under Indiana Statute

In *Hubbard Auto Center, Inc. v. General Motors Corporation*, 2008 WL 3874642 (N.D. Ind. Aug. 14, 2008), a former Oldsmobile distributor sued GM under the Indiana Deceptive Franchise Practices Act for unlawful termination and unlawful failure to renew a distributorship agreement without good cause. In late 2000, GM announced to its dealers by letter that it would phase out and ultimately discontinue its Oldsmobile line of vehicles. In its letter, GM also stated, however, that the announcement was not a termination of the dealership and that GM would continue to fulfill its obligations under the dealer agreement. Hubbard argued that GM's actions nonetheless constituted a constructive "termination" of the dealership agreement without good cause and that the subsequent failure to renew the agreement was without good cause in violation of the Indiana statute.

Noting that the dealer admitted it was authorized to sell and service Oldsmobile vehicles until expiration of the agreement, the court found that no unlawful termination had occurred. As to the dealer's claim that GM's failure to renew the dealership agreement violated the act, the court noted that although the statute prohibits non-renewal "without good cause," it does not prohibit a dealership agreement from eliminating the right of renewal altogether. Because GM did not produce any Oldsmobile vehicles after its planned phase-out and applied the phase-out equally to all dealers, it was held not to be in violation.