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BLOGS

Damages

Federal Court Determines Diminished Value of Distributorships Exceeds \$3 Million

The United States District Court for the Southern District of Ohio found that, under Ohio's Alcoholic Beverage Franchise Act, the diminished value of a terminated distributorship agreement includes the fair market value of the franchise contracts (including goodwill), plus any loss in the fair market value of the other tangible or intangible components of the distributorship resulting directly from loss of the brands. *Tri County Wholesale Distribs., Inc. v. Labatt USA Operating Co.*, 2015 U.S. Dist LEXIS 81914 (S.D. Ohio June 24, 2015). Labatt, a successor manufacturer, had terminated the agreements of Tri County, its Ohio distributors, without cause. Although the court ruled that termination of the distributorship agreement was proper, it required Labatt to purchase Tri County's inventory and compensate the distributor for the diminished value of its businesses directly related to the sale of Labatt's product.

The court held that Tri County was entitled to \$3,059,179 to compensate for the diminished value of its business as a result of the loss of Labatt's brand. To calculate this value, the court determined the fair market value of the distributor contracts using a discounted cash flow analysis, and added the loss in fair market value to other tangible or intangible components of the distributorship directly resulting from loss of the brand. The loss in goodwill was also added. The court further held that post-termination benefits received by Tri County could not be deducted from the diminished fair market value amount because the Act did not provide for such a deduction.

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