

A solid yellow right-angled triangle pointing towards the top-left corner.

## BLOGS

Breach of Contract

# Federal Court in Wisconsin Awards Plaintiff Damages on Breach of Exclusive Distributor Contract

Following a bench trial, a federal court in Wisconsin last month awarded lost profits for the breach of an exclusive distributorship contract. *Sanchelima Int'l, Inc. v. Walker Stainless Equip. Co.*, 2018 WL 1401195 (W.D. Wis. Mar. 19, 2018). Defendant Walker manufactures dairy silos, and plaintiff Sanchelima was Walker's exclusive distributor of dairy silos in 13 Latin American countries, including Mexico. Sanchelima alleged that Walker breached its distribution agreement by making five direct sales (and attempting a sixth) to Mexico, and sued Walker for profits lost on those sales.

The primary issue concerned the scope of Sanchelima's exclusivity. While one section of the distribution agreement granted Sanchelima the exclusive right to sell "Products to Persons in the Dairy Industry," the next restricted Walker from selling any "Products within the Territory." The agreement's definition of "Products" included various sorts of dairy and nondairy equipment. The court held the agreement ambiguous and turned to extrinsic evidence to resolve this ambiguity. It noted that all of Walker's marketing in Mexico ran through Sanchelima. Further, in negotiating the agreement, Walker requested and Sanchelima rejected exceptions to the exclusivity provision permitting Walker to sell directly to specific companies. Finally, the testimony of a Walker representative and Walker's website each used the term "dairy silo" to describe a particular vessel design, rather than a dairy-specific use for the equipment. Consequently, the court concluded that the agreement barred Walker from making any direct sales within Sanchelima's territory and awarded Sanchelima its profits lost on four of the sales Walker made and the one it attempted.

## Related People

### Maisa Frank

Partner

Washington, D.C.

202.295.2209

[maisa.frank@lathropgpm.com](mailto:maisa.frank@lathropgpm.com)