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BLOGS

Terminations

“Good Cause” Provisions of State Act Governed Open-Ended Contracts Even If Executed Prior to Enactment

By a 4-3 decision with a vigorous dissent, the Court of Appeals of Maryland ruled in *John Deere Construction & Forestry Co. v. Reliable Tractor, Inc.*, 2008 WL 4191153 (Md. Ct. App. Sept. 15, 2008), that the “good cause for termination” provision of the Maryland Equipment Dealers Act applied to open-ended contracts originally executed before that provision of the statute was enacted. The two dealer agreements at issue contained a clause providing that they could be terminated by either party with 120 days’ notice. By continuing to perform their obligations under the contracts without providing notice of any termination, the court found that the parties had, in effect, renewed their contracts. The contracts thereby became subject to applicable law in effect at the time of the renewal. Because the agreements were “renewed” after the good cause provisions of the statute had taken effect, those provisions applied and the agreements could not be terminated without good cause.