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BLOGS

Terminations

Individual Allowed to Seek “Dealer” Protection

A United States District Court in Arizona last month denied Chrysler’s motion for summary judgment in a case brought by a dealership’s majority shareholder and general manager whose contracts with Chrysler were terminated by the automaker. *Smith v. FCA US LLC*, 2016 WL 1158789 (D. Ariz. Mar. 24, 2016). At issue in this case was whether Smith, the plaintiff, qualified as a “dealer” and thus was protected under the federal Automobile Dealers’ Day in Court Act (“DDCA”) and similar state statutes.

In denying Chrysler’s attempt to win as a matter of law without a trial, the court relied heavily on the precedent of a Seventh Circuit decision involving Ford Motor Company from 1965. In the more recent case, according to the Arizona federal court last month, Smith was “essential to the dealership’s operation.” The court found it particularly important that Smith applied for the dealership as an individual and that he operated the business for more than ten years under a contract with the manufacturer. Further, the court noted that Smith’s role with the dealership was legally necessary to prevent Chrysler from violating Arizona’s law against automobile manufacturers owning dealerships, given that Chrysler itself owned the remaining interest. Accordingly, Smith’s claims that his termination violated DDCA and state-law duties of “good faith” were allowed to proceed to trial.

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