



BLOGS

State Franchise and Dealer Laws

Louisiana Federal Court Dismisses Tesla's Challenge to Ban on Direct Automobile Sales

A Louisiana Federal court recently dismissed a complaint brought by Tesla against the Louisiana Automobile Dealers Association (LADA) and other associated dealerships and commissioners for various competition and constitutional claims stemming from Louisiana's ban on direct sales of automobiles. *Tesla, Inc. v. Louisiana Automobile Dealers Assoc.*, 2023 WL 4053438 (E.D. La. June 16, 2023).

A Louisiana Federal court recently dismissed a complaint brought by Tesla against the Louisiana Automobile Dealers Association (LADA) and other associated dealerships and commissioners for various competition and constitutional claims stemming from Louisiana's ban on direct sales of automobiles. *Tesla, Inc. v. Louisiana Automobile Dealers Assoc.*, 2023 WL 4053438 (E.D. La. June 16, 2023). Because Tesla's business model engages with end customers directly rather than selling through franchise dealers, Tesla alleged that the Louisiana ban on direct sales was intended to exclude Tesla from the motor vehicle market. Tesla's lawsuit targeted LADA for antitrust and constitutional violations, alleging that LADA's lobbying efforts with the Louisiana Motor Vehicle Commission were part of an anticompetitive and commercially discriminatory scheme intended to exclude Tesla from competing in Louisiana and in deprivation of its constitutional rights.

In a lengthy opinion resolving seven different motions to dismiss, the Court dismissed Tesla's Complaint with prejudice. The Court reasoned that Tesla's antitrust claims were barred by the *Noerr-Pennington* doctrine, because defendants' association activities constitute "at most, 'conduct of private individuals ... seeking anticompetitive action from the government' that the Sherman Act 'does not regulate.'" The Court also held that membership in an association is not enough to establish participation in a conspiracy and that Tesla had otherwise alleged insufficient facts to plausibly allege such a conspiracy between the defendants. As to the constitutional claims, the Court concluded that Tesla has no "constitutional right to be regulated by" a Commission that is "'sympathetic' to its business model." Nor were Tesla's rights violated under the Equal Protection Clause, the court concluded, because the applicable ban on direct car sales was rooted in a rational basis. Similarly, Tesla's Commerce Clause claim failed because it failed to plausibly allege that the ban on direct sales had a discriminatory effect.

Related People

Richard C. Landon

Partner

Minneapolis

612.632.3429

richard.landon@lathropgpm.com

David Archer

Associate

Minneapolis

612.632.3304

david.archer@lathropgpm.com

Related Services

[Franchise & Distribution](#)