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## BLOGS

### Indemnification

# Manufacturer Prevails Against Distributor's Claim for Indemnification of Defense Costs

The Minnesota Court of Appeals held last week that a truck trailer manufacturer was not obligated to reimburse its distributor for legal costs incurred in defending warranty claims brought unsuccessfully by a customer. *College City Leasing, LLC v. River Valley Truck Centers, Inc.*, 2008 WL 3290759 (Minn. App. August 12, 2008). The court's decision was based on its interpretation of Minn. Stat. § 80E.05, which requires a new motor vehicle manufacturer to indemnify its dealers against any "judgment for damages" (plus legal costs) relating to "alleged defective or negligent manufacture, assembly, or design of new motor vehicles..." The key to the victory for the manufacturer was that the customer-plaintiff did not obtain a judgment. Under what the appeals court found to be unambiguous language of the statute, the lack of a judgment for damages meant the manufacturer did not have to pay for the distributor's defense.

An alleged promise by the manufacturer regarding the customer's lawsuit that "we'll take care of it" was also held to be insufficient to support the distributor's common-law estoppel claim for the defense costs.