

A yellow triangle pointing downwards, located to the left of the 'BLOGS' header.

BLOGS

State Franchise and Dealer Laws

Manufacturer Violated State Dealer Law by Failing to Comply With the Statute's Notice and Right-to-Cure Requirements

A federal district court in South Dakota recently held that a truck trailer manufacturer violated the South Dakota motor vehicle dealer law by terminating and failing to renew its dealer without providing the requisite notice and opportunity to cure. *Black Hills Truck & Trailer, Inc. v. MAC Trailer Mfg., Inc.*, 2017 WL 4236546 (D.S.D. Sept. 22, 2017). Black Hills claimed it was wrongfully terminated when, less than a year after entering into a written distributor agreement, MAC sought to amend the agreement and refused to accept any orders until Black Hills signed an amended dealer agreement that circumscribed Black Hills' territory, among other modifications. Because Black Hills refused to sign the amendment, MAC informed Black Hills that it would not renew the agreement for calendar year 2014. Black Hills filed a lawsuit in response, bringing various state law claims and a claim for violation of the South Dakota motor vehicle dealer law. Both MAC and Black Hills filed cross-motions for summary judgment.

The court held that Black Hills was entitled to partial summary judgment on its claim that MAC had violated the South Dakota motor vehicle dealer law, which requires that a manufacturer provide a dealer with at least ninety days' written notice of termination or nonrenewal, that the notice state the reasons constituting good cause for the nonrenewal, and that the manufacturer allow the dealer sixty days to cure any deficiencies. MAC argued that there were several reasons amounting to good cause not to renew its agreement with Black Hills, but the court rejected that argument because MAC had not fully articulated the reasons for its decision in the nonrenewal notice. Moreover, according to the court, even if MAC's stated reasons for terminating Black Hills were true, they did not amount to good cause under the statute.

The court also denied MAC's motion for summary judgment, rejecting MAC's argument that Black Hills' claims for breach of contract, breach of the implied covenant of good faith and fair dealing, and deceit were preempted by the South Dakota motor vehicle dealer law. The court reasoned that although the dealer law contains numerous rules and regulations governing the relationship between manufacturers and dealers, it does not supplant a contract. Thus, a manufacturer could violate the dealer law without breaching the contract, and vice versa. Finally, the court rejected MAC's argument that there was insufficient evidence that Black Hills sustained any damage from the nonrenewal of the dealer agreement. It found that Black Hills presented enough evidence to form

Related People

Maisa Frank

Partner

Washington, D.C.

202.295.2209

maisa.frank@lathropgpm.com



a reasonable basis for measuring its loss, including expert testimony on lost profits as discussed in Issue 220 of *The GPMemorandum*.