

BLOGS

State Franchise and Dealer Laws

Minnesota Supreme Court Holds Motor Vehicle Act Requires Good Cause for Relocation of Existing Dealership

The Supreme Court of Minnesota has reversed the denial of a motion to enjoin one Nissan dealership from relocating to a location within ten miles of another. *Wayzata Nissan, LLC v. Nissan North Am., Inc.*, 2016 WL 626069 (Minn. Feb. 17, 2016). The relocation resulted from the sale of the dealership by its previous owner, who wanted to retain the dealership premises for other purposes. The sale contemplated relocation of the dealership to a location approximately 7.5 miles from an existing Nissan dealership operated by the appellant, Wayzata. Nissan approved the sale and relocation and provided notice to Wayzata. After receiving the notice, Wayzata brought a motion for a temporary restraining order pursuant to Minnesota's Motor Vehicle Sale and Distribution Act ("MVSDA"), seeking to prevent the relocation. The trial court denied the motion, finding that the relocating business was an "existing dealership" that was exempt from the MVSDA and that Nissan did not have an obligation to establish "good cause" for the relocation. The court of appeals affirmed on different grounds, finding that the new owner was an "existing dealer" on the day the dealership was physically relocated because the new owner began operating the dealership prior to relocation.

In reversing the lower court's decision, the Supreme Court of Minnesota interpreted the MVSDA's protections as commencing when a manufacturer first intends to authorize relocation, and not simply when the relocation takes place. The court determined that the terms "dealer" (*i.e.*, a person or entity selling automobiles) and "dealership" (*i.e.*, the establishment or business at which automobiles are sold) are not synonymous. The court held, therefore, that the relocating "dealership" did not fall within the "existing dealer" exception because the buyer was a new "dealer" at the time Nissan authorized the relocation. Because the exception did not apply, the court found that Wayzata had a right to require Nissan to establish "good cause" for the relocation. Finally, the court held that because the operation of the dealership could still be enjoined, the matter was not rendered moot by the fact the dealership had effected the relocation during the pendency of the appeal.

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