

BLOGS

State Franchise and Dealer Laws

Ohio Court Dismisses Takings Claim Against Successor Manufacturer

A federal district court in Ohio dismissed claims brought by two beverage distributors alleging that a successor manufacturer's termination of their distribution agreements constituted an unlawful taking under the Ohio and U.S. Constitutions. In *Tri County Wholesale Distributors, Inc. v. Labatt USA Operating Co., LLC*, 2014 U.S. Dist. LEXIS 903 (S.D. Ohio Jan. 6, 2014), the distributors entered into written distribution agreements with Labatt that granted them exclusive rights to distribute specified brands of alcoholic beverages in designated territories. Later, a new entity that acquired Labatt terminated the distributors' agreements in accordance with the Ohio Alcoholic Beverages Franchise Act ("ABFA"), which permits successor entities to terminate without just cause within ninety days of a merger or acquisition. The distributors filed suit, claiming that forfeiture and transfer of their contracts under ABFA amounted to an unconstitutional taking.

Granting the manufacturer's motion, the court held that principles underlying the takings doctrine were not implicated. While the termination of the distributors' agreements did result in losses, the court determined that those losses did not stem from a governmental appropriation and, therefore, were not entitled to protection. The court also noted that the ABFA was not created to nullify the distributors' rights, as it was already in effect when they entered into their contracts with Labatt. The court further reasoned that the ABFA did not unlawfully target distributors because it merely permits successor manufacturers to terminate contracts—a common law right.

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