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BLOGS

Vicarious Liability

Oklahoma Appellate Court Reverses Finding of Agency Relationship Between Ford Motor Company and Dealer

An Oklahoma appellate court rejected a trial court's decision that had found Ford Motor Company vicariously liable to disgruntled customers of a now-defunct dealership. *Thornton v. Ford Motor Co.*, Bus. Franchise Guide (CCH) ¶ 15,020 (Okla. Civ. App. Feb. 7, 2013). The case involved an Oklahoma dealer that closed its business only seven months after Ford approved its purchase of the dealership. During the seven months of operation, the dealer's employees executed bogus checks and failed to deliver vehicles, title certificates, or to pay balances on trade-in vehicles. The disgruntled customers sued, and the trial court found Ford vicariously liable under an agency theory and directly liable for approving the transfer of the business to an inexperienced and undercapitalized dealer.

The appellate court reversed, holding that Ford's reasonable control over its trademark did not create an agency relationship that rendered Ford vicariously liable for the dealer's bad acts. Other than showing that Ford controlled the trademarks, the disgruntled customers put forth no evidence demonstrating any indicia of control by Ford over the dealership. The appellate court relied on decisions from Oklahoma and other states, which decisions had held that a "manufacturer/franchisor may exercise some control or protect its national identity, reputation, and trademark from abandonment without creating an agency relationship with its dealer/franchisee." It also held that the dealership's display of Ford's trademark did not give Ford apparent authority. Finally, the appellate court reversed the trial court's finding of direct liability on the transfer, deciding that Ford owed no duty to the disgruntled customers under Oklahoma law.

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