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BLOGS

Distributor and Dealer Terminations

Oregon Federal Court Halts Dealer Termination Pending Determination of Good Cause

The United States District Court for the District of Oregon recently upheld a temporary restraining order that it had issued at the request of a motorcycle dealership, finding that Oregon's Motor Vehicle Dealerships Act requires courts to maintain the status quo between a dealership and manufacturer while the court determines whether good cause for termination exists. *Everything Cycles, Inc. v. Yamaha Motor Corp. U.S.A*, 2007 U.S. Dist. LEXIS 79396 (D. Or. Oct. 25, 2007). Yamaha's attempted termination of the dealership arose out of the felony conviction of the dealership's principal stockholder, for purchasing stolen vehicle parts on the internet. The conviction caused the dealership to lose its business license to operate in the city in which the authorized site of the dealership was located. As a result, the dealership moved to a different city. Because the dealership failed (in Yamaha's opinion) to provide adequate information regarding the new location, Yamaha withheld approval of the relocation and subsequently terminated the dealership, citing various defaults stemming from the unauthorized relocation.

Upon Yamaha's motion to reconsider the TRO, the court determined that, in enacting the Motor Vehicle Dealerships Act, the Oregon legislature had intentionally tipped the balance of power in favor of dealerships by requiring a court to determine whether "good cause" for termination exists whenever a termination decision is challenged. Because it is for the court to determine "good cause" in the first instance (as opposed to reviewing the propriety of the manufacturer's determination of good cause), the court found the preliminary injunction appropriate. Notably, the court refrained from analyzing the underlying merits of the case, and noted that "the court may very well find good cause based on plaintiff's relocation."