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BLOGS

Terminations

Oregon Federal Court Issues Two Rulings on Termination Under Motor Vehicle Dealerships Act

The United States District Court for the District of Oregon recently issued two important decisions interpreting Oregon's Motor Vehicle Dealerships Act—both involving the termination of the same motorcycle dealership, Everything Cycles, Inc. ("ECI"). The ECI terminations arose out of the felony conviction of ECI's sole owner for purchasing a stolen motorcycle on the internet. The conviction caused ECI to lose its business license in the municipality in which it operated, forcing it to relocate to a different city.

As reported in Issue 102 of *The GPMemorandum*, Yamaha Motor Corp. U.S.A. already had terminated ECI as a dealer of Yamaha products, citing ECI's failure to obtain required approval of its relocation. ECI, however, was permitted to continue in operation pending the court's good cause determination, and Yamaha was required to continue to supply ECI with products.

In *Everything Cycles, Inc. v. Yamaha Motor Corp. U.S.A.*, 2008 WL 2167177 (D. Or. May 22, 2008), the parties were back in court with each seeking partial summary judgment. Yamaha contended that the Motor Vehicle Dealerships Act, and its "good cause" requirement does not apply to Yamaha's termination of ECI because the dealership sells ATVs and other off-road vehicles. Yamaha argued that by its terms, the Act applies to vehicles "for transportation of persons...upon a public highway" and to "construction" vehicles. Although the court agreed with Yamaha that the Act does not apply to off-road vehicles, it nonetheless determined that the Act applied to Yamaha's termination of ECI. ECI's right to sell off-road vehicles, the court concluded, could not be separated from the right to sell on-road vehicles. In reaching this conclusion, the court gave weight to the fact that a single dealership agreement gave ECI the right to sell the various product lines, which were described on addenda attached to the agreement.

ECI sought partial summary judgment on its contention that Yamaha is liable for wrongful termination damages covering the 45-day period between Yamaha's termination of ECI and the date of the court's prior grant of a restraining order, during which Yamaha had refused to supply product to ECI. Because the court had previously determined that a court must *initially* rule on "good cause" terminations that are timely challenged, ECI reasoned that Yamaha is liable for the 45-day period, regardless of the court's ultimate resolution of the good cause issue. The court agreed, rejecting Yamaha's argument that, by moving locations without authorization, ECI had itself terminated the dealership agreement.

In a separate matter involving ECI, American Honda Motor Co., Inc. terminated ECI's right to sell Honda products. *Everything Cycles, Inc. v. American Honda Motor Co., Inc.*, 2008 WL 1886092 (D. Or. April 25, 2008). Honda, as permitted by its dealership agreement, terminated ECI based on the felony conviction of ECI's principal and the loss of the business license. Honda subsequently sent ECI a second termination notice, which cited ECI's unauthorized relocation outside of the dealership. After initially determining that the "good cause" factors recited in the Oregon statute are nonexclusive in nature and are not required to be given equal weight, the magistrate judge found that the felony conviction, the loss of ECI's business license, and the unauthorized relocation constituted ample basis for a good cause termination of ECI.



Although both actions involved the same dealer and were venued in the same court, there was no discussion whatsoever in the *Honda* decision of the district court's ruling in the *Yamaha* case that a manufacturer must continue to supply a terminated dealer while the court makes its good cause determination. The two cases can seemingly be reconciled only if it is assumed that Honda also continued to supply ECI pending the ruling on the termination.