



BLOGS

Preliminary Injunctions

Puerto Rico Federal Court Denies Distributor's Motion for Preliminary Injunction to Allow Distributor to Continue to Sell Manufacturer's Products During Litigation

A federal court in Puerto Rico denied a distributor's motion for a preliminary injunction, finding that justice would not be served by reinstating the relationship between the parties after it was effectively terminated. *Nilo Watch Parts, Inc. v. Rado Watch Co., Ltd.*, 2023 WL 5814264 (D.P.R. Sept. 7, 2023).

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The court denied the injunction, finding that Nilo failed to establish the required elements. First, the court found that Rado was likely to succeed on a showing of just cause for terminating its relationship with Nilo. Puerto Rican Law 75 allows for termination of a distributorship contract when "just cause" is present. The court determined that just cause was supported by "Nilo's lackluster sales performance in recent years, its lack of receptivity to any suggestions from Rado that would improve its performance, its failure to implement satisfactory marketing strategies and its consistent challenges to Rado's worldwide decisions and strategies." Second, the court held that Nilo failed to identify a concrete and irreparable injury that could not be adequately remedied with monetary damages. The court reasoned that Nilo's sales of Rado watches had substantially decreased over the years making it difficult to argue that Rado's termination would cause such detrimental and catastrophic damages that could not otherwise be remedied. Third, the court held that the balance of interest favored Rado because Rado successfully established that "reverting to the distribution of its Rado watches through the limited Nilo distribution network and its minimal marketing practices would continue to decay its brand and reinforce the already undervalued Rado reputation in Puerto Rico." Lastly, the court found that the public interest did not weigh in favor of granting Nilo's request for a preliminary injunction because Law 75 was not intended to prevent termination of unworkable relationships, but only to prevent arbitrary terminations.

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