

**BLOGS**

Terminations

Texas Federal Court Denies Manufacturer's Motion to Dismiss Complaint Challenging Termination of Dealer Agreements

12/12/2024 | 2 minute read

A federal court in Texas denied a manufacturer's motion to dismiss its dealers' claims of wrongful termination and breach of contract. *Cooper Equip. Co. v. Hitachi Constr. Mach. Americas, Inc.*, 2024 WL 4467536 (W.D. Tex. Oct. 9, 2024).

The plaintiffs were authorized dealers of the manufacturer Hitachi's construction equipment. In 2023, Hitachi terminated the plaintiffs' dealer agreements for alleged failure to fulfill certain requirements under the agreements. The plaintiffs brought claims against Hitachi for unlawful termination under the Texas Fair Practices of Equipment Manufacturers, Distributors, Wholesaler, and Dealers Act, and breach of contract. Hitachi moved to dismiss on the ground that the plaintiffs failed to state a claim upon which relief could be granted.

The court denied Hitachi's motion to dismiss. First, it found that the plaintiffs had adequately alleged that Hitachi lacked the good cause required under the Act for termination by alleging that: (i) the plaintiffs had at all times substantially complied with the reasonable requirements of the dealer agreements; (ii) the termination was pretextual; and (iii) the requirements that the plaintiffs had allegedly defaulted on were not previously communicated to them and some of the alleged defaults were caused by Hitachi's own conduct. The court also noted that Hitachi's motion did not address the plaintiffs' claim that Hitachi violated the Act by failing to provide a required opportunity to cure. Turning to the plaintiffs' breach of contract claim, the court held that the plaintiffs adequately alleged that Hitachi breached the dealer agreements by failing to allow them to carry and sell the entire line of Hitachi products. The court also found that, although the plaintiffs failed to sufficiently plead specific damages related to their cause of action for breach of contract, dismissal would be a harsh result. Thus, the court allowed the plaintiffs to amend their damages allegations.

Related People

Kevin R. Graff

Associate

Chicago

312.920.3304

kevin.graff@lathropgpm.com

Justin L. Sallis

Partner

Washington, D.C.

202.295.2223

justin.sallis@lathropgpm.com

Related Services

[Franchise & Distribution](#)

Related Sectors

[Industrial & Manufacturing](#)