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BLOGS

Terminations

Wisconsin Court of Appeals Affirms Jury Finding That Grantor Lacked Good Cause for Terminating Dealership Agreement

The Wisconsin Court of Appeals affirmed a jury's finding that a manufacturer, CNH America, terminated a dealership agreement without good cause in violation of Wisconsin's Fair Dealership Law, finding that CNH had imposed a market share requirement that discriminated against small dealers. *Chili Implement Co. v. CNH Am., LLC*, 362 Wis. 2d 540 (Wis. Ct. App. Apr. 30, 2015). CNH, an agricultural equipment manufacturer, granted a dealership to Chili Implement. During the term of their agreement, CNH sent Chili a notice stating, in part, that Chili needed "to meet or exceed 90% of the Wisconsin state market share" to avoid termination. When Chili failed to meet CNH's requirements, CNH terminated the agreement. Chili filed suit, and the circuit court held that CNH had terminated the agreement without good cause.

On appeal, CNH argued that the circuit court should have granted its summary judgment motion because Chili's claim was time barred by the Wisconsin Fair Dealership Law's one-year statute of limitations. CNH also appealed the lower court's finding on the merits of the case. The appellate court held that the statute of limitations did not begin to run when CNH sent the notice to Chili—even assuming that it could be considered a termination notice—because Chili's claim that CNH lacked good cause for terminating the agreement arose subsequent to Chili's receipt of the notice. The court further observed that, under Wisconsin's Fair Dealership Law, a dealership grantor has good cause to terminate a dealership agreement if the dealer fails to "substantially comply with an essential and reasonable requirement," but a discriminatory requirement is not "essential" and "reasonable." The appellate court thus upheld the finding that CNH's market share requirement was not "essential" and "reasonable" because it discriminated against small dealers, which received lesser discounts than larger dealers. The court further noted that CNH chose not to terminate some dealerships that failed to meet the market share requirement based on a nonuniform, subjective standard. CNH therefore lacked good cause to terminate Chili.

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