



BLOGS

State Franchise and Dealer Laws

Wisconsin Federal Court Concludes Contract to Sell Garmin Watches Was Not a Dealership Under the Wisconsin Fair Dealership Law

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A federal court in Wisconsin has recently granted defendant Garmin International's motion to dismiss a claim under Wisconsin's dealer law, which it concluded did not apply to the parties' relationship. *Watch & Accessory Co. v. Garmin Int'l, Inc.*, 2021 WL 2822662 (E.D. Wis. July 7, 2021). In 2015, WatchCo agreed to become a nonexclusive, independent dealer of Garmin watches. Initially WatchCo purchased watches at a 45% discount; Garmin later reduced the discount to 35%. Subsequently, Garmin notified WatchCo that the discount would be reduced to as low as 15% if WatchCo continued to sell watches primarily online. WatchCo filed suit claiming that Garmin violated various provisions of the Wisconsin Fair Dealership Law (WFDL) by improperly attempting to modify the contract without good cause. Garmin filed a motion to dismiss, claiming that its relationship with WatchCo was not a "dealership" subject to regulation under the WFDL. The district court agreed and dismissed the complaint.

To state a claim under the WFDL, WatchCo had to allege the existence of a dealership. A dealership, as defined by the WFDL, must have a "community of interest" between the grantor and the dealer, which in turn requires both a continuing financial interest and interdependence between the parties. The contract between Garmin and WatchCo required little commitment on either side other than buying or selling watches. Further, WatchCo failed to allege any facts suggesting the existence of shared goals and a cooperative effort more significant than the typical vendor-vendee relationship, which is essential under the multi-factor test the Wisconsin Supreme Court previously set out to determine the existence of a community of interest. For these reasons, the court dismissed the complaint without prejudice, but allowed WatchCo 30 days to attempt to replead its claim in an amended complaint.

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