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BLOGS

Preliminary Injunctions

Wisconsin Federal Court Preliminarily Enjoins Termination of Exclusive Distributorship

A federal court in Wisconsin recently granted a distributor's motion for a temporary restraining order and a preliminary injunction to enjoin a manufacturer from terminating a longstanding but unwritten exclusive dealership agreement. *Keen Edge Co., Inc. v. Wright Mfg., Inc.*, 2020 WL 4926664 (E.D. Wis. Aug. 21, 2020). For over 20 years, Keen Edge enjoyed exclusive rights to sell Wright's products in much of the Midwest. Wright's products accounted for almost 95% of Keen Edge's sales. After a change in Wright's leadership, however, Wright required Keen Edge to implement multiple changes to its business and, a few months later, terminated the relationship without providing specific reasons or an opportunity to cure deficiencies. Keen Edge moved to preliminarily enjoin Wright from terminating the relationship.

In granting injunctive relief, the court found Keen Edge suffered irreparable harm because it would lose 95% of its sales. The court also found that Keen Edge was likely to succeed on the merits of its claim under the Wisconsin Fair Dealership Law. Wright disputed whether the Wisconsin law applied to Keen Edge, which had only one employee based in Wisconsin, but the court found that Keen Edge's inventory was in Wisconsin, Keen Edge operated out of a Wisconsin facility, and Keen Edge put forth 20% of its sales effort into Wisconsin. Similarly, the court found that Keen Edge and Wright had a community of interest given the longstanding relationship. Further, Wright failed to provide the required 90 days' notice, and it failed to show good cause for termination as required. As a result of the dramatic loss of business Keen Edge would experience if Wright terminated the relationship, the court found the equities weighed in favor of issuing the injunction. With limited analysis, the court concluded Keen Edge could succeed on the merits of other similar state law claims, and thus temporarily restrained Wright from the termination of Keen Edge's distributorship and allowed Keen Edge to continue to do business as the exclusive distributor for Wright's products in many parts of the Midwest.

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