

Motor Vehicle Manufacturer/Dealer Litigation

Creating Value For Our Clients

Motor vehicle manufacturers contend with considerable challenges in increasingly complex legal and competitive economic environments. As state laws usually prohibit motor vehicle manufacturers from selling products directly to consumers, manufacturers must rely on dealer distribution networks. Due to the federal Automobile Dealers' Day in Court Act and similar state laws, which historically favor dealers, manufacturers have limited opportunities to resolve disputes with dealers who under-perform or whose business practices are unfavorable to the image of their products. This inability to control the distribution and presentation of their products can result in devastating financial loss and damage to reputation.

In addition, motor vehicle manufacturers must act in accordance with varying state rules and regulations. Many states have dealer-dominated administrative boards that can overturn business decisions made by manufacturers, including decisions to add, relocate, or terminate a dealership.

Seyfarth Shaw LLP Service Offerings

The attorneys at Seyfarth assist motor vehicle manufacturers in navigating these complex state and federal regulations. We regularly counsel manufacturers of cars, trucks, and recreational vehicles on existing and pending legislation on a state-by-state basis regarding issues of franchise regulation, motor vehicle sale and resale, distribution, and trademark issues.

The services we provide to our clients include:

- Representing manufacturers before state administrative boards
- Representing manufacturers in litigation before state and federal courts
- Providing targeted litigation strategies to manufacturers
- Enforcing manufacturers' trademark, intellectual property, and other contract rights
- Counseling manufacturers regarding state motor vehicle and franchise codes
- Monitoring state-by-state legislation regarding franchise regulation, motor vehicle sale and resale, and distribution issues

Benefit To You

We help clients develop strategies to avoid litigation, but are always prepared to prosecute or defend our clients in court, especially when litigation can be an effective part of an overall business strategy.

Should litigation against a dealer prove necessary, our attorneys craft complete litigation strategies that accomplish the manufacturer's business and litigation goals. We are particularly experienced in devising creative legal approaches to resolve issues without implicating state and federal dealer protection laws.



HIGH-STAKES TRIAL VICTORY

Our client, a leading truck manufacturer, distributes its products through a network of nearly 1,000 franchised dealers. Our client terminated its business relationship with an investment group that was a minority shareholder in, and acted as, our client's franchised dealer. Our client was sued for violation of the Automobile Dealers' Day in Court Act, breach of a stock purchase agreement, and tortious interference with contract. Plaintiffs sought more than \$7 million in compensatory damages and an additional three times that amount in punitive damages.

- ▶ Following extensive fact and expert discovery, we worked with our client to develop a comprehensive trial strategy that included counterclaims for conversion and breach of fiduciary duty.

Result: After a three-week trial, the jury found for our client on all claims. In addition, the jury found the plaintiffs liable on our client's counterclaims.

NAVIGATING COMPLEX DISPUTES

On behalf of a *Fortune* 500 truck manufacturer, we filed a lawsuit in Illinois state court alleging that a dealer had breached its Dealer Sales/Maintenance Agreement with the client. In response, the dealer sued our client in the Middle District of Tennessee, originally claiming that our client violated the Automobile Dealers' Day in Court Act and the Illinois Motor Vehicle Franchise Practices Act, and also that our client breached the parties' Dealer Agreement.

- ▶ We obtained dismissal of the dealer's original claim based upon the Illinois Motor Vehicle Franchise Act. The dealer then filed an Amended Complaint alleging that our client had violated the Tennessee Consumer Protection Act. We filed a seven-count counterclaim against the dealer in the Tennessee action.

Result: After two years of aggressive discovery and strategic motion practice, we negotiated a favorable settlement for our client.

FAST ACTION LEADS TO DESIRED RESULT

Our client, a leading chassis manufacturer, was faced with a potential injunction after it attempted to terminate a dealer agreement. The dealer claimed that our client's notice of termination, and grounds for termination, were insufficient under the law.

- ▶ The Court originally entered a TRO stopping our client's proposed termination of the dealer. We quickly mobilized and prepared for a preliminary injunction hearing. After the half-day hearing, the judge entered an order denying the dealer's request for a preliminary injunction and allowing our client to terminate the dealer.

Result: The denial of the preliminary injunction allowed our client to terminate the dealer immediately and to assign that territory to a better dealer.



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