

Territory Assignment Ruling and Its Implications for Ag Dealers

A recent ruling by the Wisconsin State Supreme Court may cause equipment makers to think twice before arbitrarily reassigning the territories of their dealers. In a case that pitted Harley-Davidson Motor Co. against its Racine, Wis., dealership, the court ruled that territory assignments are an essential part of motor vehicle dealer agreements.

In a unanimous ruling, the court reversed a 2nd District Court of Appeals decision that said Harley did nothing wrong when it moved a ZIP code out of Racine Harley-Davidson, Inc.'s territory and assigned it to neighboring Uke's Harley-Davidson of Kenosha, in southeast Wisconsin. The Racine dealership filed a complaint with the state Division of Hearings and Appeals contending that the territory change was a modification of its dealer agreement and would decrease its market potential. The division ruled that altering a territory did not represent a change to the dealer agreement. This was reversed by a Racine County circuit judge, who said territory definitions were part of the agreement.

Harley changed the territories after Uke's moved its dealership along I-94. The company figured that Uke's was closer to Burlington, another nearby town, than was the Racine dealership. The Burlington area produced the second-highest sales in the Racine dealership's territory in 2001.

The Supreme Court's reversal of the District Court's ruling gives the Wisconsin Division of Hearings and Appeals a new basis to reconsider its decision. Territory assignments are an "absolute cornerstone" of franchise agreements, says Gary Williams, president of the Wisconsin Automobile and Truck Assn., who has been watching the case closely. "The whole financial model of dealerships is based on territories," says Williams.

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