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Husch Blackwell Prevails in Auto Dealership License Dispute

A Missouri court ruled today in favor of the Missouri Automobile Dealers Association (MADA) in a lawsuit concerning attempts by Tesla Motors Inc. to sell automobiles directly to consumers, contravening state law. Husch Blackwell represented MADA in the litigation, brought forth in January 2015 against the Missouri Department of Revenue before Missouri's Cole Circuit Court for the Nineteenth Judicial Circuit. MADA is the largest professional association of motor vehicle dealers in Missouri and includes approximately 99% of all new motor vehicle dealers in the state.

The suit contended that, under the Missouri Motor Vehicle Protection Act and Chapter 301 of Missouri state law, the state's Department of Revenue erred in issuing automobile dealership franchise licenses to Tesla and sought summary judgment prohibiting Tesla from selling automobiles directly to consumers. Circuit Judge Daniel Green concurred with the Husch Blackwell team, holding that "Tesla fails to satisfy the definitional requirements of a new motor vehicle franchise dealer.

The Department of Revenue granted Tesla its first license in 2013. The defendants had argued that the controlling laws allowed Tesla, in effect, to establish a franchise agreement with itself, rather than another entity. The Husch Blackwell team asserted that the law clearly prohibited such an arrangement and that the issuance of the licenses to Tesla represented an "arbitrary, capricious, unreasonable structure." The court agreed, ruling that "a single entity may not be both a franchisee and franchisor." The court's resulting writ of prohibition ordered that the state's Department of Revenue cannot renew previous licenses granted to Tesla, cannot issue new licenses "under the current statutory scheme," and cannot issue or renew "any new motor vehicle license to any entity that is not a franchisee or that does not file with the Department a valid franchise agreement."

The ruling represented a full victory for MADA, who were joined in the suit by two MADA members, a licensed motor vehicle dealer and a licensed manufacturer of ambulances.

The Husch Blackwell team was led by partner Lowell Pearson and included partner Ryan Harding.