

2022 -- H 7154

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2022

A N A C T

RELATING TO COMMERCIAL LAW -- GENERAL REGULATORY PROVISIONS THE
RHODE ISLAND DEALERSHIP PRESERVATION AND PROTECTION ACT

Introduced By: Representatives Baginski, and Solomon

Date Introduced: January 26, 2022

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 6-54-2 and 6-54-4 of the General Laws in Chapter 6-54 entitled
2 "General Regulatory Provisions The Rhode Island Dealership Preservation And Protection Act"
3 are hereby amended to read as follows:

4 **6-54-2. Definitions.**

5 As used in this chapter:

6 (1) "Community of interest" means a continuing financial interest between the grantor and
7 the grantee in either the operation of the dealership business or the marketing of such goods or
8 services;

9 (2) "Continuing financial interest" means the following:

10 (i) A dealership relationship of at least one year in duration between the grantor and dealer,
11 without regard to:

12 (A) Any minimum percentage of revenue or profit derived therefrom by the dealer;

13 (B) Any minimum financial investment by the dealer; or

14 (C) The aggregate economic size or level of activity by the dealer or its affiliates; and

15 (ii) The dealer has expended, allocated or dedicated revenue or personnel to promoting the
16 sale or distribution of the grantor's goods or services, including investments in grantor inventory,
17 sales and marketing, or facilities; and

18 (iii) Dealer and grantor cooperate, coordinate activities, or share common goals;

1 ~~(2)~~(3) "Dealer" means a person who is a grantee of a dealership situated in this state, and
2 any successor in interest, regardless of the subsequent sale or change in ownership of such entity;

3 ~~(3)~~(4) "Dealership" means any of the following:

4 (i) A contract or agreement, either expressed or implied, whether oral or written, between
5 two (2) or more persons, by which a person is granted the right to sell or distribute goods or services,
6 or use a trade name, trademark, service mark, logotype, advertising or other commercial symbol,
7 in which there is a community of interest in the business of offering, selling or distributing goods
8 or services at wholesale, retail, by lease, agreement or otherwise.

9 ~~(4)~~(5) "Good cause" means, for the purposes of this act, good cause for terminating,
10 diminishing, canceling or nonrenewal shall mean:

11 (i) The failure by the dealer to substantially comply with the reasonable requirements
12 imposed by the grantor; or

13 (ii) Any of the reasons listed in subdivisions 6-54-4(a)(1) through (a)(6). A sale or change
14 in ownership shall not constitute good cause.

15 ~~(5)~~(6) "Grantor" means a person who grants a dealership, and any successor in interest,
16 regardless of the subsequent sale or change in ownership of such person;

17 ~~(6)~~(7) "Person" means a natural person, partnership, joint venture, corporation or other
18 entity. ;

19 (8) "Sale or change in ownership" means with respect to any grantor or dealer, the direct
20 or indirect sale of such person's assets or equity ownership, whether by merger or sale or other
21 change in control event. A sale or change in ownership shall be considered for purposes of this
22 chapter as a continuation of the prior dealership relationship and shall not be deemed to have
23 interrupted, ended or restarted such relationship between the parties.

24 **6-54-4. Notice of termination or change in dealership.**

25 (a) Notwithstanding the terms, provisions, or conditions of any agreement to the contrary,
26 a grantor shall provide a dealer sixty (60) days prior written notice of termination, cancellation, or
27 nonrenewal. The notice shall state all reasons for termination, cancellation or nonrenewal and shall
28 provide that the dealer has thirty (30) days in which to cure any claimed deficiency; provided, that
29 a dealer has a right to cure three (3) times in any twelve (12) month period during the period of the
30 dealership agreement. The sixty (60) day notice provisions of this section shall not apply and the
31 termination, cancellation or nonrenewal may be made effective immediately upon written notice,
32 if the reason for termination, cancellation or nonrenewal is in the event the dealer:

33 (1) Voluntarily abandons the dealership relationship;

34 (2) Is convicted of a felony offense related to the business conducted pursuant to the

1 dealership;

2 (3) Engages in any substantial act which tends to materially impair the goodwill of the
3 grantor's trade name, trademark, service mark, logotype or other commercial symbol;

4 (4) Makes a material misrepresentation of fact to the grantor relating to the dealership;

5 (5) Attempts to transfer the dealership (or a portion thereof) without authorization of the
6 grantor, excluding a sale or change of ownership; or

7 (6) Is insolvent, files or suffers to be filed against it any voluntary or involuntary
8 bankruptcy petition, or makes an assignment for the benefit of creditors or similar disposition of
9 assets of the dealer business.

10 (b) If the reason for termination, cancellation, or nonrenewal is nonpayment of sums due
11 under the dealership, the dealers shall be entitled to written notice of such default, and shall have
12 ten (10) days in which to cure such default from the date of such notice. A dealer has the right to
13 cure three (3) times in any twelve (12) month period during the period of the dealership agreement.

14 (c) If the reason for termination, cancellation or nonrenewal is for violation of any law,
15 regulation or standard relating to public health or safety, the dealer shall be entitled to immediate
16 written notice and shall have ~~twenty four (24) hours~~ five (5) days to cure such violation from the
17 date of receipt of the written notice.

18 (d) No grantor may terminate, cancel or fail to renew a dealership, directly or indirectly, or
19 otherwise take any action to diminish the dealership or its value, other than for good cause. No
20 grantor may terminate, cancel or fail to renew a dealership, directly or indirectly, or otherwise take
21 any action to diminish the dealership or its value, if the dealership shall cure the alleged deficiency
22 or violation in accordance with the provisions of this chapter.

23 SECTION 2. Chapter 6-54 of the General Laws entitled "General Regulatory Provisions
24 The Rhode Island Dealership Preservation And Protection Act" is hereby amended by adding
25 thereto the following section:

26 **6-54-10. Exclusive jurisdiction.**

27 Notwithstanding any agreements between grantor and dealer to the contrary, the courts in
28 Rhode Island shall have the exclusive jurisdiction over any disputes arising out of or relating to this
29 chapter including, but not limited to, any claim for which a dealer relies on this chapter as a defense
30 to any purported termination, cancellation, or failure to renew.

31 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO COMMERCIAL LAW -- GENERAL REGULATORY PROVISIONS THE
RHODE ISLAND DEALERSHIP PRESERVATION AND PROTECTION ACT

1 This act would exclude the sale or change of ownership as good cause to terminate, cancel,
2 or failure to renew a dealership contract or agreement, allow dealerships five (5) days to cure any
3 deficiency or violation of the contract or agreement, and vest exclusive jurisdiction in Rhode Island
4 courts to settle any disputes.

5 This act would take effect upon passage.

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