

2008 -- H 8150

LC02681

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2008

A N A C T

RELATING TO COMMERCIAL LAW GENERAL REGULATORY PROVISIONS -- THE  
RHODE ISLAND FAIR DEALERSHIP ACT

Introduced By: Representative Gordon D. Fox

Date Introduced: April 09, 2008

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 6-50-2, 6-50-3, 6-50-7 and 6-50-9 of the General Laws in Chapter  
2 6-50 entitled "The Rhode Island Fair Dealership Act" are hereby amended to read as follows:

3 **6-50-2. Definitions.** -- In this chapter:

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

7 (2) "Dealer" means a person who is a grantee of a dealership situated in this state;

8 (3) "Dealership" means any of the following:

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

14 ~~(4) "Good cause" means:~~

15 ~~(i) Failure by a dealer to comply substantially with essential and reasonable requirements~~  
16 ~~imposed upon the dealer by the grantor, or sought to be imposed by the grantor, which~~  
17 ~~requirements are not discriminatory as compared with requirements imposed on other similarly~~  
18 ~~situated dealers either by their terms or in the manner of their enforcement; or~~

1 ~~(ii) Bad faith by the dealer in carrying out the terms of the dealership.~~

2 (4)(5) "Grantor" means a person who grants a dealership;

3 (5)(6) "Person" means a natural person, partnership, joint venture, corporation or other  
4 entity.

5 **6-50-3. Purposes; rules of construction; variation by contract.** -- (a) This chapter shall  
6 be liberally construed and applied to promote its underlying remedial purposes and policies.

7 (b) The underlying purposes and policies of this chapter are:

8 (1) To promote the compelling interest of the public in fair business relations between  
9 dealers and grantors, and in the continuation of dealerships on a fair basis;

10 (2) To protect dealers against unfair treatment by grantors, ~~who inherently have superior~~  
11 ~~economic power and superior bargaining power in the negotiation of dealerships;~~

12 (3) To provide dealers with rights and remedies in addition to those existing by contract  
13 or common law;

14 (4) To govern dealerships, including any renewals or amendments, to the full extent  
15 consistent with the constitutions of this state and the United States.

16 (c) The effect of this chapter may not be varied by contract or agreement. Any contract  
17 or agreement purporting to do so is void and unenforceable to that extent only.

18 **6-50-7. Action for damages and injunctive relief.** -- If any grantor violates this chapter,  
19 a dealer may bring an action against such grantor in any court of competent jurisdiction for  
20 damages sustained by the dealer as a consequence of the grantor's violation, together with the  
21 actual costs of the action, including reasonable actual attorneys' fees, and the dealer also may be  
22 granted injunctive relief ~~against unlawful termination, cancellation, nonrenewal or substantial~~  
23 ~~change of competitive circumstances.~~

24 **6-50-9. Nonapplicability.** -- This chapter shall not apply to intoxicating liquor  
25 dealerships, motor vehicle dealerships, insurance agency relationships, any relationship relating  
26 to the sale or administration of insurance or any similar contract with an entity organized under  
27 Chapters 19 or 20 of Title 27, fuel distribution dealerships, franchises (as defined in 16 C.F.R.  
28 436)and door to door sales dealerships.

29 SECTION 2. Sections 6-50-4 and 6-50-6 of the General Laws in Chapter 6-50 entitled  
30 "The Rhode Island Fair Dealership Act" are hereby repealed.

31 ~~**6-50-4. Notice of termination or change in dealership.** -- Except as provided in this~~  
32 ~~section, a grantor shall provide a dealer at least ninety (90) days' prior written notice of~~  
33 ~~termination, cancellation, nonrenewal or substantial change in competitive circumstances. The~~  
34 ~~notice shall state all the reasons for termination, cancellation, nonrenewal or substantial change in~~

1 ~~competitive circumstances and shall provide that the dealer has sixty (60) days in which to rectify~~  
2 ~~any claimed deficiency. If the deficiency is rectified within sixty (60) days the notice shall be~~  
3 ~~void. The notice provisions of this section shall not apply if the reason for termination,~~  
4 ~~cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of~~  
5 ~~creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial~~  
6 ~~change in competitive circumstances is nonpayment of sums due under the dealership, the dealers~~  
7 ~~shall be entitled to written notice of such default, and shall have ten (10) days in which to remedy~~  
8 ~~such default from the date of delivery or posting of such notice.~~

9 ~~**6-50-6. Application to arbitration agreements.** -- This chapter shall not apply to~~  
10 ~~provisions for the binding arbitration of disputes contained in a dealership agreement, if the~~  
11 ~~criteria for determining whether good cause existed for a termination, cancellation, nonrenewal or~~  
12 ~~substantial change of competitive circumstances, and the relief provided is no less than that~~  
13 ~~provided for in this chapter.~~

14 SECTION 3. Chapter 6-50 of the General Laws entitled "The Rhode Island Fair  
15 Dealership Act" is hereby amended by adding thereto the following section:

16 **6-50-4.1. Repurchase of goods.** – A grantor of a dealership shall be prohibited from  
17 coercing a dealer to purchase a quantity of goods so unreasonably large that such goods may not  
18 be resold by the dealer within a reasonable period of time in the ordinary course of business.

19 SECTION 4. 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 FAIR DEALERSHIP ACT

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- 1 This act would amend provisions of the Rhode Island fair dealership act.
- 2 This act would take effect upon passage.

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