

House Study Bill 659

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON DRAKE)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to suppliers and dealers of agricultural and
2 industrial, construction, or utility equipment, and providing
3 an effective date.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 6144HC 81
6 da/sh/8

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1 1 Section 1. Section 322F.7, unnumbered paragraph 1, Code
1 2 2005, is amended to read as follows:
1 3 A supplier violates this chapter ~~if the by failing to~~
1 4 ~~comply with a provision of this chapter, including by~~
1 5 ~~performing an act prohibited by this chapter or not performing~~
1 6 ~~an act required by this chapter. In addition, a supplier~~
1 7 ~~violates this chapter if the supplier does any of the~~
1 8 following:

1 9 Sec. 2. Section 322F.7, Code 2005, is amended by adding
1 10 the following new subsection:

1 11 NEW SUBSECTION. 8. Terminates a dealership agreement for
1 12 equipment without good cause or adequate prior notice as
1 13 required in section 322F.2.

1 14 Sec. 3. EFFECTIVE DATE. This Act, being deemed of
1 15 immediate importance, takes effect upon enactment.

EXPLANATION

1 17 This bill relates to certain types of dealership agreements
1 18 governed under Code chapter 322F. Under that chapter,
1 19 dealership agreements generally involve agricultural equipment
1 20 franchises, but they may also involve construction equipment,
1 21 industrial equipment, utility equipment, or outdoor power
1 22 equipment franchises. Under the Code chapter, a franchisor is
1 23 referred to as the supplier and a franchisee is referred to as
1 24 a dealer or dealership. Generally, Code chapter 322F
1 25 regulates business relationships between suppliers and dealers
1 26 by providing for the terms and conditions of dealership
1 27 agreements.

1 28 The bill addresses an issue involving the scope of a
1 29 supplier's liability under Code section 322F.8, which states
1 30 that a dealer may bring a civil action against a supplier for
1 31 damages sustained by the dealer as a consequence of the
1 32 supplier's "violation" of the chapter. Code section 322F.7
1 33 enumerates a list of violations without specifically
1 34 referencing other sections of the Code chapter. A question
1 35 has arisen whether that list is exhaustive, and whether a
2 1 dealer may bring a civil action against a supplier for damages
2 2 for a violation of the Code chapter if the violation is not
2 3 enumerated in Code section 322F.7. For example, on March 22,
2 4 2005, the United States district court for the northern
2 5 district of Iowa, in an order granting summary judgment, found
2 6 that the list of violations in Code section 322F.7 was
2 7 exhaustive and thus a dealer could not sue a supplier for
2 8 damages under Code section 322F.8 for failing to terminate the
2 9 dealership in compliance with Code section 322F.2, which
2 10 requires good cause (as defined in Code section 322F.1) and
2 11 adequate notice to the dealer. (Highway Equipment Co. Inc. v.
2 12 FECO Ltd. (No. C03=0076)).

2 13 The bill provides that a supplier violates Code chapter
2 14 322F by failing to comply with a provision of the chapter
2 15 regardless of whether it is enumerated in Code section 322F.7.
2 16 It also adds a provision to the enumerated list contained in
2 17 Code section 322F.7 by providing that terminating a dealership

2 18 agreement for equipment without good cause or adequate notice
2 19 is a "violation" of the Code chapter. Thus, a dealer could
2 20 bring a civil action against a supplier under Code section
2 21 322F.8 for the failure of a supplier to comply with the good
2 22 cause and notice requirements in Code section 322F.2.
2 23 The bill takes effect upon enactment.
2 24 LSB 6144HC 81
2 25 da:nh/sh/8