

FEB 23 2006
Place On Calendar

HOUSE FILE 2504
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 659)

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:

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HF 2504

1 Section 1. Section 322F.7, unnumbered paragraph 1, Code
2 2005, is amended to read as follows:

3 A supplier violates this chapter ~~if-the~~ by failing to
4 comply with a provision of this chapter, including by
5 performing an act prohibited by this chapter or not performing
6 an act required by this chapter. In addition, a supplier
7 violates this chapter if the supplier does any of the
8 following:

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

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

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

16 EXPLANATION

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

28 The bill addresses an issue involving the scope of a
29 supplier's liability under Code section 322F.8, which states
30 that a dealer may bring a civil action against a supplier for
31 damages sustained by the dealer as a consequence of the
32 supplier's "violation" of the chapter. Code section 322F.7
33 enumerates a list of violations without specifically
34 referencing other sections of the Code chapter. A question
35 has arisen whether that list is exhaustive, and whether a

1 dealer may bring a civil action against a supplier for damages
2 for a violation of the Code chapter if the violation is not
3 enumerated in Code section 322F.7. For example, on March 22,
4 2005, the United States district court for the northern
5 district of Iowa, in an order granting summary judgment, found
6 that the list of violations in Code section 322F.7 was
7 exhaustive and thus a dealer could not sue a supplier for
8 damages under Code section 322F.8 for failing to terminate the
9 dealership in compliance with Code section 322F.2, which
10 requires good cause (as defined in Code section 322F.1) and
11 adequate notice to the dealer. (Highway Equipment Co. Inc. v.
12 FECO Ltd. (No. C03-0076)).

13 The bill provides that a supplier violates Code chapter
14 322F by failing to comply with a provision of the chapter
15 regardless of whether it is enumerated in Code section 322F.7.
16 It also adds a provision to the enumerated list contained in
17 Code section 322F.7 by providing that terminating a dealership
18 agreement for equipment without good cause or adequate notice
19 is a "violation" of the Code chapter. Thus, a dealer could
20 bring a civil action against a supplier under Code section
21 322F.8 for the failure of a supplier to comply with the good
22 cause and notice requirements in Code section 322F.2.

23 The bill takes effect upon enactment.
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Struyk, Chair
Baudler
Meitz

HSB 659
Agriculture

HOUSE FILE SF 2504
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON DRAKE)

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Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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