

**REGULATION OF MOTOR VEHICLE MANUFACTURERS, DISTRIBUTORS, WHOLESALERS,  
AND DEALERS  
Act 118 of 1981**

AN ACT to regulate motor vehicle manufacturers, distributors, wholesalers, dealers, and their representatives; to regulate dealings between manufacturers and distributors or wholesalers and their dealers; to regulate dealings between manufacturers, distributors, wholesalers, dealers, and consumers; to prohibit unfair practices; to provide remedies and penalties; and to repeal certain acts and parts of acts.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.

*The People of the State of Michigan enact:*

**445.1561 Meanings of words and phrases.**

Sec. 1. For the purposes of this act, the words and phrases defined in sections 2 to 6 have the meanings ascribed to them in those sections, except where the context clearly indicates a different meaning.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.

**445.1562 Definitions; C, D.**

Sec. 2. (1) "Closed dealership" means a new motor vehicle dealer whose dealer agreement has been terminated, canceled, discontinued, or not renewed.

(2) "Coerce" means to compel or attempt to compel a person to act in a given manner or to refrain from acting in a given manner by pressure, intimidation, or threat of harm, damage, breach of contract, or other adverse consequences, including, but not limited to, the loss of any benefit available to other new motor vehicle dealers of the same line make in this state. The term does not include any of the following actions by a manufacturer:

(a) Without conditions, making a good faith recommendation, exposition, or argument or persuading or attempting to persuade a person.

(b) Giving notice in good faith to a new motor vehicle dealer of that dealer's violation of the terms or provisions of a dealer agreement.

(c) Engaging in any conduct the manufacturer is permitted to engage in under this act.

(3) "Dealer agreement" means an agreement or contract in writing between a distributor and a new motor vehicle dealer, between a manufacturer and a distributor or a new motor vehicle dealer, or between an importer and a distributor or a new motor vehicle dealer, that purports to establish the legal rights and obligations of the parties to the agreement or contract and under which the dealer purchases and resells new motor vehicles and conducts service operations. The term includes the sales and service agreement, regardless of the terminology used to describe that agreement, and any addenda to the dealer agreement, including all schedules, attachments, exhibits, and agreements incorporated by reference into the dealer agreement.

(4) "Designated family member" means any of the following:

(a) If a new motor vehicle dealer who dies or becomes incapacitated has designated a successor under section 15(6), that designated successor.

(b) If a new motor vehicle owner dies and has not designated a successor under section 15(6), the spouse or a child, grandchild, parent, brother, or sister of a deceased new motor vehicle dealer, who is entitled to inherit the deceased dealer's ownership interest in the new motor vehicle dealership under the terms of the dealer's will, who has otherwise been designated in writing by a deceased dealer to succeed the deceased dealer in the new motor vehicle dealership, or who is entitled to inherit under the laws of intestate succession of this state or the appointed and qualified personal representative or testamentary trustee of the deceased new motor vehicle dealer.

(c) If a new motor vehicle dealer becomes incapacitated and has not designated a successor under section 15(6), the person appointed by the court as the legal representative of the dealer.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1983, Act 188, Imd. Eff. Nov. 1, 1983;—Am. 1998, Act 456, Imd. Eff. Dec. 30, 1998;—Am. 2010, Act 140, Imd. Eff. Aug. 4, 2010.

**Compiler's note:** In subsection (4)(b), the phrase "If a new motor vehicle owner dies" evidently should read "If a new motor vehicle dealer dies".

**445.1563 Definitions; D to F.**

Sec. 3. (1) "Distributor" means any person, including importer, that is located in or outside of this state and is engaged in the business of offering for sale, selling, or distributing new and unaltered motor vehicles to a new motor vehicle dealer under a dealer agreement, that maintains a factory representative that is located in or

outside of this state for purposes of conducting that business, or that controls a person that is located in or outside of this state and offers for sale, sells, or distributes new and unaltered motor vehicles to a new motor vehicle dealer. Distributor does not include a person that alters or converts motor vehicles for sale to a new motor vehicle dealer.

(2) "Established place of business" means a permanent, enclosed commercial building located in this state that is easily accessible and open to the public at all reasonable times and at which a new motor vehicle dealer may legally conduct business, including the display and repair of motor vehicles, in compliance with the terms of all applicable buildings codes, zoning, and other land-use regulatory ordinances.

(3) "Executive manager" means an individual employed by a new motor vehicle dealer in an executive capacity and who has a written employment agreement with the dealer that includes a right for the executive manager to purchase a controlling interest in the dealership at a future time or on the death or incapacity of the dealer.

(4) "Factory branch" means an office maintained by a manufacturer or distributor for the purpose of selling or offering to sell vehicles to a distributor, wholesaler, or new motor vehicle dealer or for directing or supervising any factory or distributor representatives. The term includes any sales promotion organization maintained by a manufacturer or distributor that is engaged in promoting the sale of a particular make of new motor vehicles in this state to new motor vehicle dealers.

(5) "Factory representative" means an agent or employee of a manufacturer, distributor, or factory branch retained or employed for the purpose of making or promoting the sale of new motor vehicles or for supervising or contracting with new motor vehicle dealers or proposed motor vehicle dealers.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1998, Act 456, Imd. Eff. Dec. 30, 1998;—Am. 2010, Act 140, Imd. Eff. Aug. 4, 2010.

#### **445.1564 Definitions; G to M.**

Sec. 4. (1) "Good faith" means that term as defined in section 2103 of the uniform commercial code, 1962 PA 174, MCL 440.2103.

(2) "Manufacturer" means a person that manufactures or assembles new motor vehicles or a distributor, factory branch, or factory representative.

(3) "Motor vehicle" means that term as defined in section 33 of the Michigan vehicle code, 1949 PA 300, MCL 257.33, but does not include a bus, a tractor, or farm equipment.

(4) "Motor vehicle service and repair facility" means a motor vehicle repair facility, as defined in section 2 of the motor vehicle service and repair act, 1974 PA 300, MCL 257.1302. The term does not include a motor vehicle dealer performing maintenance, diagnosis, vehicle body work, repairs, or other service or repair work on motor vehicles under the terms of a dealer agreement.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 2000, Act 240, Imd. Eff. June 28, 2000;—Am. 2010, Act 140, Imd. Eff. Aug. 4, 2010.

#### **445.1565 Definitions; N to P.**

Sec. 5. (1) "New motor vehicle" means a motor vehicle that is in the possession of the manufacturer, distributor, or wholesaler, or has been sold only to a new motor vehicle dealer and for which the new motor vehicle dealer has not issued an original title.

(2) "New motor vehicle dealer" means a person, including a distributor, that holds a dealer agreement granted by a manufacturer, distributor, or importer for the sale or distribution of its motor vehicles; is engaged in the business of purchasing, selling, exchanging, or dealing in new motor vehicles; and has an established place of business in this state.

(3) "Person" means a natural person, partnership, corporation, limited liability company, association, trust, estate, or other legal entity.

(4) "Proposed new motor vehicle dealer" means a person who has an application pending for a new dealer agreement with a manufacturer or distributor. Proposed motor vehicle dealer does not include a person whose dealer agreement is being renewed or continued.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1998, Act 456, Imd. Eff. Dec. 30, 1998;—Am. 2010, Act 139, Imd. Eff. Aug. 4, 2010.

#### **445.1566 Definitions; R to U.**

Sec. 6. (1) "Relevant market area" means 1 of the following:

(a) In a county that has a population of more than 150,000, the area within a radius of 9 miles of the site of the intended place of business of a proposed new vehicle dealer or the intended place of business of a new vehicle dealer that plans to relocate its place of business. For purposes of this section, the 9-mile distance is

determined by measuring the distance between the nearest surveyed boundary of an existing new motor vehicle dealer's principal place of business and the nearest surveyed boundary line of the proposed or relocated new motor vehicle dealer's principal place of business.

(b) In a county that has a population of 150,000 or fewer, the area within a radius of 15 miles of the site of the intended place of business of a proposed new vehicle dealer or the intended place of business of a new vehicle dealer that plans to relocate its place of business. For purposes of this section, the 15-mile distance is determined by measuring the distance between the nearest surveyed boundary line of an existing new motor vehicle dealer's principal place of business and the nearest surveyed boundary line of the proposed or relocated new motor vehicle dealer's principal place of business.

(2) "Successor manufacturer" means a manufacturer that acquires, succeeds to, or assumes any part of the business of another manufacturer as the result of any of the following:

(a) A change in ownership, operation, or control of a predecessor manufacturer by sale or transfer of assets, corporate stock, or other equity interest, assignment, merger, consolidation, combination, joint venture, redemption, court-approved sale, operation of law, or any other means.

(b) Termination, suspension, or cessation of a part or all of the business operations of a predecessor manufacturer.

(c) Discontinuance of the sale of a product line.

(d) A change in distribution system by a predecessor manufacturer, whether through a change in distributor or the predecessor manufacturer's decision to cease conducting any business through a particular distributor.

(3) "Used motor vehicle" means a motor vehicle that is not a new motor vehicle.

(4) "Used motor vehicle dealer" means a person that is engaged in the business of purchasing, selling, exchanging, or dealing in used motor vehicles and that has an established place of business in this state at which it conducts that business. The term does not include a new motor vehicle dealer purchasing, selling, exchanging, or dealing in used motor vehicles as part of its business of purchasing, selling, exchanging, or dealing in new motor vehicles.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1983, Act 188, Imd. Eff. Nov. 1, 1983;—Am. 2010, Act 139, Imd. Eff. Aug. 4, 2010.

#### **445.1567 Cancellation, termination, nonrenewal, or discontinuance of dealer agreement; conditions; existence of good cause.**

Sec. 7. (1) Notwithstanding any agreement, a manufacturer or distributor shall not cancel, terminate, fail to renew, or refuse to continue any dealer agreement with a new motor vehicle dealer unless the manufacturer or distributor has complied with all of the following:

(a) Satisfied the notice requirement of section 10.

(b) Acted in good faith.

(c) Has good cause for the cancellation, termination, nonrenewal, or discontinuance.

(2) Notwithstanding any agreement, good cause shall exist for the purposes of a termination, cancellation, nonrenewal, or discontinuance under subsection (1)(c) when both of the following occur: (a) there is a failure by the new motor vehicle dealer to comply with a provision of the dealer agreement and the provision is both reasonable and of material significance to the relationship between the manufacturer or distributor and the new motor vehicle dealer and (b) the manufacturer or distributor first acquired actual or constructive knowledge of the failure not more than 2 years prior to the date on which notification was given pursuant to section 10.

(3) If the failure by the new motor vehicle dealer to comply with a provision of the dealer agreement relates to the performance of the new motor vehicle dealer in sales or service, good cause shall exist for the purposes of a termination, cancellation, nonrenewal, or discontinuance under subsection (1) when the new motor vehicle dealer fails to effectively carry out the performance provisions of the dealer agreement if all of the following have occurred:

(a) The new motor vehicle dealer was given written notice by the manufacturer or distributor of the failure.

(b) The notification stated that the notice of failure of performance was provided pursuant to this act.

(c) The new motor vehicle dealer was afforded a reasonable opportunity to exert good faith efforts to carry out the dealer agreement.

(d) The failure continued for more than 180 days after the date notification was given pursuant to subdivision (a).

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.

#### **445.1568 Acts not constituting good cause for termination, cancellation, nonrenewal, or discontinuance of dealer agreement.**

Sec. 8. Notwithstanding any agreement, the following alone shall not constitute good cause for the termination, cancellation, nonrenewal, or discontinuance of a dealer agreement under section 7(1)(c):

(a) A change in ownership of the new motor vehicle dealer's dealership. This subdivision does not authorize any change in ownership which would have the effect of a sale or an assignment of the dealer agreement or a change in the principal management of the dealership without the manufacturer's or distributor's prior written consent.

(b) The refusal of the new motor vehicle dealer to purchase or accept delivery of any new motor vehicle parts, accessories, or any other commodity or services not ordered by the new motor vehicle dealer.

(c) The fact that the new motor vehicle dealer owns, has an investment in, participates in the management of, or holds a dealer agreement for the sale of another make or line of new motor vehicles, or that the new motor vehicle dealer has established another make or line of new motor vehicles in the same dealership facilities as those of the manufacturer or distributor, provided that the new motor vehicle dealer maintains a reasonable line of credit for each make or line of new motor vehicles, and that the new motor vehicle dealer remains in substantial compliance with the terms and conditions of the dealer agreement and with the reasonable facilities' requirements of the manufacturer or distributor.

(d) The fact that the new motor vehicle dealer sells or transfers ownership of the dealership or sells or transfers capital stock in the dealership to the new motor vehicle dealer's spouse, son, or daughter, provided that the sale or transfer shall not have the effect of a sale or an assignment of the dealer agreement or a change in the principal management of the dealership without the manufacturer's or distributor's prior written consent.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.

#### **445.1569 Burden of proof.**

Sec. 9. For each termination, cancellation, nonrenewal, or discontinuance, the manufacturer or distributor shall have the burden of proof for showing that it has acted in good faith, that the notice requirement has been complied with, and that there was good cause for the termination, cancellation, nonrenewal, or discontinuance.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.

#### **445.1570 Notice of termination, cancellation, nonrenewal, or discontinuance of dealer agreement.**

Sec. 10. Notwithstanding any agreement, prior to the termination, cancellation, nonrenewal, or discontinuance of any dealer agreement, the manufacturer or distributor shall furnish notice of the termination, cancellation, nonrenewal, or discontinuance to the new motor vehicle dealer as follows:

(a) Except as provided in subdivision (c) or (d), notice shall be made not less than 90 days prior to the effective date of the termination, cancellation, nonrenewal, or discontinuance.

(b) Notice shall be by certified mail to the new motor vehicle dealer and shall contain the following:

(i) A statement of intention to terminate, cancel, not renew, or discontinue the dealer agreement.

(ii) A statement of the reasons for the termination, cancellation, nonrenewal, or discontinuance.

(iii) The date on which the termination, cancellation, nonrenewal, or discontinuance takes effect.

(c) Notwithstanding subdivision (a), notice shall be made not less than 15 days prior to the effective date of the termination, cancellation, nonrenewal, or discontinuance for any of the following reasons:

(i) Insolvency of the new motor vehicle dealer, or the filing of any petition by or against the new motor vehicle dealer under any bankruptcy or receivership law.

(ii) Failure of the new motor vehicle dealer to conduct his or her customary sales and service operations during his or her customary business hours for 7 consecutive business days.

(iii) Conviction of the new motor vehicle dealer or its principal owners of a crime, but only if the crime is punishable by imprisonment in excess of 1 year under the law under which the dealer was convicted, or the crime involved theft, dishonesty, or false statement regardless of the punishment.

(iv) Revocation of any license under which the new motor vehicle dealer is required to have to operate a dealership.

(v) A fraudulent misrepresentation by the new motor vehicle dealer to the manufacturer or distributor, which is material to the dealer agreement.

(d) Notwithstanding subdivision (a), notice shall be made not less than 12 months prior to the effective date of a termination, cancellation, nonrenewal, or discontinuance if a manufacturer or distributor discontinues production of the new motor vehicle dealer's product line or discontinues distribution of the product line in this state.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.

#### **445.1571 Compensation of dealer generally.**

Sec. 11. (1) Subject to section 12, if a manufacturer terminates, cancels, does not renew, or discontinues a dealer agreement for any reason other than a reason described in section 10(c), or if a dealer agreement is terminated, canceled, nonrenewed, or discontinued as a result of coercion by the manufacturer, the manufacturer shall pay the new motor vehicle dealer fair and reasonable compensation for all of the following:

(a) Each vehicle in the new motor vehicle dealer's inventory that meets all of the following:

(i) The vehicle is new, undamaged, not materially altered, and unsold.

(ii) The vehicle is a current model year vehicle or a vehicle from the model year preceding the current model year.

(iii) The vehicle was purchased from the manufacturer or another dealer of the same line make in the ordinary course of business before the dealer received notice of the termination, discontinuance, cancellation, or nonrenewal of the dealer agreement under section 10.

(iv) The vehicle has less than 750 miles registered on the odometer.

(b) Supplies and parts inventory purchased from the manufacturer and listed in the manufacturer's current parts catalog.

(c) Equipment and signs purchased from the manufacturer.

(d) Special tools purchased from the manufacturer in the 3-year period preceding the effective date of the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement.

(e) Data processing programs, software, and equipment that a manufacturer required that a terminated new motor vehicle dealer obtain or purchase for communication of sales, service, warranty, or other information between the dealer and the manufacturer; that the terminated dealer used exclusively for the make or line of vehicle and location covered by the terminated dealer agreement to manage or report data to the manufacturer; and that meets 1 of the following:

(i) It was purchased by the dealer in the 2-year period preceding the date of the termination, discontinuance, cancellation, or nonrenewal of the dealer agreement.

(ii) It was leased by the dealer before the effective date of the termination. However, a manufacturer is only responsible under this subparagraph for the amounts remaining to be paid or paid in advance on the dealer's lease for a period that does not exceed 2 years.

(f) The net cost of any upgrades or alterations made by a terminated new motor vehicle dealer to the dealership facilities if the manufacturer required the upgrades or alterations and the upgrades or alterations were made in the 2-year period preceding the effective date of the termination of the dealer agreement. In determining fair and reasonable compensation under this subdivision, the manufacturer may offset any amounts paid by the manufacturer to subsidize or otherwise assist the dealer in making the upgrades or alterations.

(g) The net cost of any furnishings the manufacturer required that a terminated new motor vehicle dealer purchase in the 2-year period preceding the effective date of the termination of the dealer agreement. In determining fair and reasonable compensation under this subdivision, the manufacturer may offset any amounts paid by the manufacturer to subsidize or otherwise assist the dealer in purchasing those furnishings.

(2) In addition to the payment of compensation under subsection (1), subject to section 12, if a manufacturer terminates, cancels, does not renew, or discontinues a dealer agreement for any reason other than a reason described in section 10(c), the manufacturer shall also pay to the new motor vehicle dealer in equal monthly installments an amount equal to the fair rental value of its established place of business for a period of 1 year from the effective date of termination, cancellation, nonrenewal, or discontinuance, or the remainder of any lease, whichever is less. This obligation is subject to both of the following:

(a) The obligation to pay a new motor vehicle dealer fair rental value under this subsection applies only to the extent that the new motor vehicle dealer's established place of business is used for performance of sales and service obligations under the manufacturer's dealer agreement.

(b) If the new motor vehicle dealer terminates a dealer agreement, the manufacturer is only required to make the payment required under this subsection if the new motor vehicle dealer makes available to the manufacturer and the manufacturer accepts use and possession of the premises free of any claims of others for the 1-year period, except for use by the dealer for closing his or her business.

(3) In addition to the payment of compensation under subsection (1), subject to section 12, if a manufacturer terminates, cancels, does not renew, or discontinues a dealer agreement for any of the following reasons, the manufacturer shall pay the new motor vehicle dealer fair and reasonable compensation for the goodwill of the dealer:

(a) The ownership, operation, or control of all or part of the business of the manufacturer changes, whether

by sale or transfer of assets, corporate stock, or other equity interest, assignment, merger, consolidation, combination, joint venture, redemption, or operation of law.

(b) All or part of the business operations of the manufacturer are terminated or suspended or cease.

(c) The manufacturer discontinues a line make.

(4) This section does not relieve a new motor vehicle dealer, lessor, or other owner of an established place of business from the obligation of mitigating damages.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1983, Act 188, Imd. Eff. Nov. 1, 1983;—Am. 2010, Act 141, Imd. Eff. Aug. 4, 2010.

#### **445.1572 Payment of compensation; time; determination of amount; interest; definitions.**

Sec. 12. (1) A manufacturer shall pay the compensation for new motor vehicle inventory and items of personal property required under section 11(1) within 60 days after the effective date of the termination, cancellation, nonrenewal, or discontinuance, provided that the new motor vehicle dealer has met all reasonable requirements of the dealer agreement with respect to the return of the new motor vehicle inventory and repurchased personal property, including providing clear title to the repurchased personal property.

(2) All of the following apply in determining the amount of fair and reasonable compensation under section 11(1):

(a) Fair and reasonable compensation under section 11(1)(a) shall be not less than the new motor vehicle dealer's net acquisition cost.

(b) Fair and reasonable compensation for supplies and parts inventory for purposes of section 11(1)(b) is the amount stated in the manufacturer's current parts price list.

(c) Fair and reasonable compensation for purposes of section 11(1)(c), (d), and (e) is the fair market value of the personal property described in those subdivisions.

(3) All of the following apply to the determination of fair rental value of a new motor vehicle dealer's established place of business under section 11(2):

(a) The manufacturer and dealer shall make a good faith effort to agree to the fair rental value of the premises, taking into consideration the adequacy and desirability of the premises for dealership operations and the fair market value of the premises.

(b) If the manufacturer and the new motor vehicle dealer agree on the fair rental value within 30 days after the effective date of the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement, that valuation is conclusive and binding on the manufacturer and the new motor vehicle dealer.

(c) If the manufacturer and dealer cannot agree to the fair rental value of the premises under subdivision (a) within 30 days after the effective date of the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement, the fair rental value of the premises shall be determined by 3 qualified real estate appraisers. All of the following apply to the determination of fair rental value under this subdivision:

(i) The dealer and manufacturer shall each select a qualified real estate appraiser within 60 days after the effective date of the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement, and those appraisers shall select a third qualified real estate appraiser.

(ii) Within 150 days after the effective date of the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement, each of the 3 appraisers selected under subparagraph (i) shall complete an appraisal of the fair rental value of the premises, and the median appraisal shall be the fair rental value of the premises for purposes of this subsection.

(iii) The manufacturer and the dealer are each responsible for 50% of the costs of the appraisals under this subdivision.

(4) All of the following apply in determining the fair and reasonable compensation for a new motor vehicle dealer's goodwill under section 11(3):

(a) If a successor manufacturer offers a dealer agreement to a dealer whose dealer agreement with the manufacturer is terminated, canceled, not renewed, or discontinued and the terms of the proposed dealer agreement are substantially similar to the terms offered by the successor manufacturer to other new motor vehicle dealers of the same line make, the manufacturer that terminated, canceled, did not renew, or discontinued the dealer agreement is not required to pay any compensation under section 11(3) for the dealer's goodwill.

(b) If subdivision (a) does not apply, the manufacturer and dealer shall make a good faith effort to agree to fair and reasonable compensation for the dealer's goodwill, based on the fair market value of that goodwill on the day before the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement.

(c) If the manufacturer and the new motor vehicle dealer agree on fair and reasonable compensation within 30 days after the effective date of the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement, that agreement is conclusive and binding on the manufacturer and the new motor vehicle dealer.

(d) If the manufacturer and dealer cannot agree to fair and reasonable compensation for the dealer's goodwill under subdivision (b) within 30 days after the effective date of the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement, the amount of fair and reasonable compensation for the dealer's goodwill shall be determined by 3 qualified appraisers. All of the following apply to the determination of fair and reasonable compensation under this subdivision:

(i) The dealer and manufacturer shall each select a qualified appraiser within 60 days after the effective date of the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement, and those appraisers shall select a third qualified appraiser.

(ii) Within 150 days after the effective date of the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement, each of the 3 appraisers selected under subparagraph (i) shall complete an appraisal of the fair market value of the dealer's goodwill on the day before the termination, cancellation, nonrenewal, or discontinuance of the dealer agreement, and the median appraisal of that fair market value shall be the fair and reasonable compensation for the goodwill for purposes of this subsection.

(iii) The manufacturer and the dealer are each responsible for 50% of the costs of the appraisals under this subdivision.

(5) If a payment required under subsection (1) is not made within the 60-day period described in that subsection, then beginning on the day after the expiration of that 60-day period, interest shall accrue on all amounts due the new motor vehicle dealer at a rate of 6% per annum.

(6) As used in this section:

(a) "Qualified appraiser" means an independent individual who is qualified by experience and ability to value the goodwill of a business.

(b) "Qualified real estate appraiser" means a certified general real estate appraiser or a state licensed real estate appraiser, as those terms are defined in section 2601 of the occupational code, 1980 PA 299, MCL 339.2601.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1983, Act 188, Imd. Eff. Nov. 1, 1983;—Am. 2010, Act 141, Imd. Eff. Aug. 4, 2010.

#### **445.1573 Requiring dealer to perform certain duties prohibited.**

Sec. 13. A manufacturer shall not require any new motor vehicle dealer in this state to do any of the following:

(a) Order or accept delivery of any new motor vehicle, a part or accessory of a new motor vehicle, equipment, or any other commodity not required by law that is not voluntarily ordered by the new motor vehicle dealer. This section does not prevent the manufacturer from requiring that new motor vehicle dealers carry a reasonable inventory of models offered for sale by the manufacturer.

(b) Order or accept delivery of any new motor vehicle with special features, accessories, or equipment not included in the list price of the new motor vehicle as publicly advertised by the manufacturer.

(c) Participate monetarily in any advertising campaign or contest, purchase any promotional materials, display devices, or display decorations or materials, or pay or assume directly in connection with the sale of a new motor vehicle any part of the cost of a refund, rebate, or discount made by or lawfully imposed by the manufacturer to or in favor of a consumer, unless voluntarily agreed to by the dealer.

(d) Enter into any agreement with the manufacturer or do any other act prejudicial to the new motor vehicle dealer by threatening to terminate a dealer agreement or any contractual agreement or understanding existing between the dealer and the manufacturer. Notice in good faith to any dealer of the dealer's violation of any terms or provisions of the dealer agreement does not constitute a violation of this act.

(e) Change the capital structure of the new motor vehicle dealership or the means by or through which the dealer finances the operation of the dealership, if the dealership at all times meets any reasonable capital standards determined by the manufacturer in accordance with uniformly applied criteria.

(f) Refrain from participation in the management of, investment in, or the acquisition of, any other line of new motor vehicles or related products at or in any of the following:

(i) At a location different from the location used by the dealer for the sale or service of new motor vehicles or related products of the manufacturer, if the dealer maintains a reasonable line of credit for each make or line of vehicle, remains in compliance with reasonable facilities requirements, remains in substantial compliance with capital requirements, and makes no change in the principal management of the dealer.

(ii) In facilities at the same location as, but separated from, the facilities used by the dealer for the sale or service of new motor vehicles or related products of the manufacturer, if the dealer maintains a reasonable line of credit for each make or line of vehicle, remains in compliance with minimum space requirements and reasonable facilities requirements, remains in substantial compliance with capital requirements, and does not make a change in the principal management of the dealer.

(iii) Unless the manufacturer otherwise objects based on other reasonable business considerations, in the same facilities used by the dealer for the sale or service of new motor vehicles or related products of the manufacturer, if the dealer maintains a reasonable line of credit for each make or line of vehicle, remains in compliance with reasonable facilities requirements, remains in substantial compliance with capital requirements, and does not make a change in the principal management of the dealer. The manufacturer has the burden of proving reasonable business considerations for purposes of this subparagraph.

(g) Change the location of the new motor vehicle dealership or make any substantial alterations to the dealership premises, if changing the location or making the alterations is unreasonable.

(h) Prospectively assent to a release, assignment, novation, waiver, or estoppel that would relieve any person from liability imposed by this act; require that any dealer agreement be governed by the laws of a state other than this state; or require referral of any controversy between a new motor vehicle dealer and a manufacturer to a person other than the duly constituted courts of this state, or of the United States located in this state, if the referral would be binding on the new motor vehicle dealer. This subdivision does not apply to an agreement between the parties, made at the time of a controversy, to refer the controversy to a court of the United States located outside this state or agree at the time of an arbitration to conduct the arbitration either in or outside of this state. A provision in a dealer agreement that violates this subdivision is void and unenforceable.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1998, Act 456, Imd. Eff. Dec. 30, 1998;—Am. 2010, Act 141, Imd. Eff. Aug. 4, 2010.

#### **445.1574 Prohibited conduct by manufacturer.**

Sec. 14. (1) A manufacturer shall not do any of the following:

(a) Adopt, change, establish, or implement a plan or system for the allocation and distribution of new motor vehicles to new motor vehicle dealers that is arbitrary or capricious or based on unreasonable sales and service standards, or modify an existing plan or system that causes the plan or system to be arbitrary or capricious or based on unreasonable sales and service standards.

(b) If requested in writing by a new motor vehicle dealer, fail or refuse to advise or disclose to the dealer the basis on which new motor vehicles of the same line make are allocated or distributed to new motor vehicle dealers in this state and the basis on which the current allocation or distribution is being made or will be made to that new motor vehicle dealer.

(c) Refuse to deliver to a new motor vehicle dealer in reasonable quantities and within a reasonable time after receipt of the dealer's order, any new motor vehicles that are covered by the dealer agreement and specifically publicly advertised in this state by the manufacturer as available for immediate delivery. However, the failure to deliver any motor vehicle is not considered a violation of this act if the failure is due to an act of God, a work stoppage or delay due to a strike or labor difficulty, a shortage of materials, a lack of manufacturing capacity, a freight embargo, or other cause over which the manufacturer has no control. If a manufacturer requires a new motor vehicle dealer to purchase essential service tools with a purchase price in the aggregate of more than \$7,500.00 in order to receive a specific model of vehicle, the manufacturer shall on written request provide the dealer with a good faith estimate in writing of the number of vehicles of that specific model the dealer will be allocated in the model year in which the dealer is required to purchase the tool.

(d) Increase the price of a new motor vehicle that the new motor vehicle dealer had ordered, and then eventually delivered to, the same retail consumer for whom the vehicle was ordered, if the order was made before the dealer's receipt of a written official price increase notification. A sales contract signed by a private retail consumer and binding on the dealer constitutes evidence of a vehicle order. In the event of manufacturer price reductions or cash rebates, the dealer shall pass on the amount of any reduction or rebate received by the dealer to the private retail consumer. Any price reduction in excess of \$5.00 shall apply to all vehicles in the dealer's inventory that were subject to the price reduction. A price difference applicable to new model or series motor vehicles at the time of the introduction of the new models or the series is not considered a price increase or price decrease. This subdivision does not apply to price changes caused by any of the following:

(i) The addition to a motor vehicle of required or optional equipment under state or federal law.

(ii) In the case of foreign made vehicles or components, revaluation of the United States dollar.

(iii) Any increase in transportation charges due to an increase in rates charged by a common carrier or transporter.

(e) Offer any of the following to any new motor vehicle dealer of a specific line make without making the same offer available to all other new motor vehicle dealers of the same line make:

(i) Any specific model or series of new motor vehicles manufactured for that line make.

(ii) Any incentives, rebates, bonuses, promotional items, or other similar benefits payable to the new motor



vehicle dealer for selling new motor vehicles or purchasing new motor vehicles from the manufacturer.

(iii) Any consumer rebates, vehicle price reductions, or interest rate reductions or other changes to finance terms that benefit the consumer.

(iv) Any program that provides marketing and sales assistance to new motor vehicle dealers, including, but not limited to, internet listings, sales leads, marketing programs, and dealer recognition programs.

(f) Release to an outside party, except under subpoena or in an administrative or judicial proceeding to which the new motor vehicle dealer or the manufacturer are parties, any business, financial, or personal information that has been provided by the dealer to the manufacturer, unless the new motor vehicle dealer gives written consent.

(g) Deny a new motor vehicle dealer the right to associate with another new motor vehicle dealer for any lawful purpose.

(h) Directly or indirectly own, operate, or control a new motor vehicle dealer, including, but not limited to, a new motor vehicle dealer engaged primarily in performing warranty repair services on motor vehicles under the manufacturer's warranty, or a used motor vehicle dealer. This subdivision does not apply to any of the following:

(i) The ownership, operation, or control by a manufacturer of a new motor vehicle dealer for a period of not more than 24 months during the transition from 1 owner or operator to another. The circuit court may extend the 24-month time period for an additional 12 months upon receipt of an application from a manufacturer and a showing of good cause.

(ii) The ownership, operation, or control of a new motor vehicle dealer or a used motor vehicle dealer by a manufacturer while it is being sold under a bona fide contract or purchase option to the operator of the new motor vehicle dealer or the used motor vehicle dealer.

(iii) The direct or indirect ownership by a manufacturer of an entity that owns, operates, or controls a new motor vehicle dealer of the same line make franchised by the manufacturer, if all of the following conditions are met:

(A) As of May 1, 2000, the manufacturer for a period of not less than 12 months has continuously owned, directly or indirectly, 1 or more new motor vehicle dealers in this state.

(B) All of the new motor vehicle dealers selling the manufacturer's motor vehicles in this state trade exclusively in the manufacturer's line make.

(C) As of January 1, 2000, not fewer than 1/2 of the new motor vehicle dealers of the line make within this state own and operate 2 or more new motor vehicle dealer facilities in the geographic territory or area covered by the franchise agreement with the manufacturer.

(D) For a manufacturer or any entity in which the manufacturer has more than a 45% ownership interest, the manufacturer or entity has not acquired, operated, or controlled a new motor vehicle dealer that the manufacturer did not directly or indirectly own as of May 1, 2000.

(iv) The acquisition by a manufacturer of a used motor vehicle dealer's license for the purpose of selling motor vehicles to nonretail buyers.

(i) Sell any new motor vehicle directly to a retail customer other than through franchised dealers, unless the retail customer is a nonprofit organization or a federal, state, or local government or agency. This subdivision does not prohibit a manufacturer from providing information to a consumer for the purpose of marketing or facilitating the sale of new motor vehicles or from establishing a program to sell or offer to sell new motor vehicles through franchised new motor vehicle dealers that sell and service new motor vehicles produced by the manufacturer.

(j) Prevent or attempt to prevent by contract or otherwise any new motor vehicle dealer from changing the executive management of a new motor vehicle dealer unless the manufacturer, having the burden of proof, can show that the change of executive management will result in executive management by a person or persons who are not of good moral character or who do not meet reasonable, preexisting, and equitably applied standards of the manufacturer. If a manufacturer rejects a proposed change in the executive management, the manufacturer shall give written notice of its reasons to the dealer within 60 days after receiving written notice from the dealer of the proposed change and all related information reasonably requested by the manufacturer, or the change in executive management is considered approved.

(k) Unreasonably withhold consent to the sale, transfer, or exchange of a new motor vehicle dealership to a qualified buyer that is capable of being licensed as a new motor vehicle dealer in this state.

(l) Fail to respond in writing to a request for consent to a sale, transfer, or exchange of a new motor vehicle dealership within 60 days after receiving a written application from the new motor vehicle dealer on the forms generally utilized by the manufacturer for that purpose and containing the information required in that application. Failure to respond to a request for consent within the 60-day period is considered consent to the sale, transfer, or exchange.

(m) Unfairly prevent a new motor vehicle dealer that sells, transfers, or exchanges a new motor vehicle dealership from receiving reasonable compensation for the value of the new motor vehicle dealership.

(n) Unless the manufacturer enters into a written agreement with the new motor vehicle dealer that clearly states the amount of the incentive payments and the period of time during which the incentive payments are paid, offer incentive payments to a new motor vehicle dealer in consideration for a new motor vehicle dealer's promise to do any of the following:

(i) Make material alterations to any facilities at the dealer's place of business.

(ii) Construct new facilities for the conduct of the business of the dealership.

(o) Require unreasonable improvements to a facility as a condition to entering into or renewing a dealer agreement.

(p) Authorize a motor vehicle service and repair facility to perform motor vehicle warranty repairs and recall work, unless the work meets any of the following:

(i) Is required for emergency service of a vehicle.

(ii) Is work performed at a service center owned or operated by a manufacturer on a manufacturer-owned vehicle.

(iii) Is work performed by employees of a fleet operator on its own vehicles.

(q) Own a motor vehicle service and repair facility, except that a manufacturer may own a service and repair facility for the repair of manufacturer-owned vehicles.

(r) Engage in conduct that meets all of the following:

(i) Materially affects a new motor vehicle dealer.

(ii) Is capricious, is not in good faith, or is unconscionable.

(iii) Causes damage to a new motor vehicle dealer.

(s) Impose unreasonable standards of performance on a new motor vehicle dealer or require, attempt to require, coerce, or attempt to coerce a new motor vehicle dealer to adhere to performance standards that are not applied uniformly to other similarly situated new motor vehicle dealers.

(t) Use or consider the performance of a new motor vehicle dealer in selling the manufacturer's vehicles or the new motor vehicle dealer's ability to satisfy any minimum sales or market share quota or responsibility relating to the sale of the new motor vehicles in determining any of the following:

(i) The new motor vehicle dealer's eligibility to purchase program, certified, or other used motor vehicles from the manufacturer.

(ii) The volume, type, or model of program, certified, or other used motor vehicles that a new motor vehicle dealer is eligible to purchase from the manufacturer.

(iii) The price of any program, certified, or other used motor vehicle that the new motor vehicle dealer purchases from the manufacturer.

(iv) The availability or amount of any discount, credit, rebate, or sales incentive that the new motor vehicle dealer is eligible to receive from the manufacturer in connection with any program, certified, or other used motor vehicle offered for sale by the manufacturer.

(u) Require that a new motor vehicle dealer provide its customer lists or service files to the manufacturer, unless necessary for the sale and delivery of a new motor vehicle to a consumer, to validate and pay consumer or dealer incentives, or in connection with the submission of a claim to the manufacturer for services supplied by the new motor vehicle dealer for any claim for warranty repairs. This section does not limit a manufacturer's authority to require or use customer information to satisfy any safety or recall obligation.

(v) Establish a performance standard or program for measuring new motor vehicle dealer performance that may have a material impact on a new motor vehicle dealer that is not fair, reasonable, and equitable. For purposes of this subdivision, all of the following apply if a manufacturer does not provide a complete program description explaining the performance standard or program details to a new motor vehicle dealer on or before the beginning of the program:

(i) Within 10 days after receiving a request from the new motor vehicle dealer, the manufacturer shall provide the new motor vehicle dealer with a written description of how a performance standard or program is designed.

(ii) Within 30 days after receiving a request from the new motor vehicle dealer, the manufacturer shall provide information relating to how the performance standard or program applies to the new motor vehicle dealer.

(w) If a new motor vehicle dealer sold or leased a new motor vehicle to a customer that exported the motor vehicle to a foreign country or resold the motor vehicle, refuse to allocate, sell, or deliver new motor vehicles to the dealer; charge back or withhold payments or other things of value for which the dealer is otherwise eligible under a sales promotion, program, or contest; prevent a new motor vehicle dealer from participating in any sales promotion, program, or contest; or take or threaten to take any other adverse action against a new

motor vehicle dealer, including, but not limited to, reducing vehicle allocations or terminating or threatening to terminate a dealer agreement, unless the manufacturer proves that the new motor vehicle dealer knew or reasonably should have known that the customer intended to export or resell the motor vehicle. In an action by a new motor vehicle dealer for a violation of this subdivision, there is a rebuttable presumption that a new motor vehicle dealer did not know or should not reasonably have known of its customer's intent to export or resell a motor vehicle if the vehicle was titled in the United States, and the manufacturer bears the burden of rebutting that presumption.

(x) If a new motor vehicle dealer is a party to a dealer agreement on August 4, 2010, and the dealer agreement provides for sale of a competing line make of new motor vehicles at the same place of business where the manufacturer's line make is sold, require or otherwise coerce the new motor vehicle dealer to remove the sale or servicing of new motor vehicles of that competing line make from that place of business.

(y) Prevent, attempt to prevent, prohibit, coerce, or attempt to coerce a new motor vehicle dealer from charging a consumer any documentary preparation fee allowed to be charged by the dealer under the laws of this state.

(2) A manufacturer, either directly or through any subsidiary, shall not terminate, cancel, fail to renew, or discontinue any lease of a new motor vehicle dealer's established place of business except for a material breach of the lease.

(3) This section applies to a manufacturer that sells, services, displays, or advertises its new motor vehicles in this state.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1998, Act 456, Imd. Eff. Dec. 30, 1998;—Am. 2000, Act 239, Imd. Eff. June 28, 2000;—Am. 2010, Act 141, Imd. Eff. Aug. 4, 2010;—Am. 2014, Act 354, Imd. Eff. Oct. 21, 2014.

#### **445.1574a Property use agreement not required as condition; exception; termination of agreement between manufacturer and new motor vehicle dealer; effect of inconsistent provision; "property use agreement" defined.**

Sec. 14a. (1) A manufacturer shall not require that a new motor vehicle dealer, a proposed new motor vehicle dealer, or any owner of an interest in a dealership facility enter into or agree to a property use agreement as a condition to any of the following:

(a) Awarding a dealer agreement to a prospective new motor vehicle dealer.

(b) Adding a line make or dealer agreement to an existing new motor vehicle dealer.

(c) Renewing a dealer agreement with an existing new motor vehicle dealer.

(d) Approving a relocation of a new motor vehicle dealer's place of business.

(e) Approving a sale or transfer of the ownership of a dealership or a transfer of a dealer agreement to another person.

(2) Subsection (1) does not apply to a property use agreement if any of the following are offered and accepted for that agreement:

(a) Monetary consideration.

(b) Separate and valuable consideration that can be calculated to a sum certain.

(3) If a manufacturer and a new motor vehicle dealer are parties to a property use agreement, the dealer agreement between the manufacturer and new motor vehicle dealer is terminated by a manufacturer, by a successor manufacturer, or by operation of law, and the reason for the termination is not a reason described in section 10(c), the property use agreement terminates and ceases to be effective at the time the dealer agreement is terminated.

(4) If any provision contained in a property use agreement entered into on or after the effective date of the amendatory act that added this subsection is inconsistent with this section, the provision is voidable at the election of the affected new motor vehicle dealer, proposed new motor vehicle dealer, or owner of an interest in the dealership facility.

(5) As used in this section, "property use agreement" means any of the following:

(a) An agreement that requires that a new motor vehicle dealer establish or maintain exclusive dealership facilities.

(b) An agreement that restricts the ability of a new motor vehicle dealer, or the ability of the dealer's lessor if the dealer is leasing the dealership facility, to transfer, sell, lease, or change the use of the place of business of the dealership, whether by sublease, lease, collateral pledge of lease, right of first refusal to purchase or lease, option to purchase, option to lease, or other similar agreement, regardless of who the parties to that agreement are.

(c) Any similar agreement between a manufacturer and a new motor vehicle dealer and commonly known as a site control agreement or exclusive use agreement.

**History:** Add. 2010, Act 138, Imd. Eff. Aug. 4, 2010.

**445.1575 Succession to dealership by designated family member of deceased or incapacitated dealer or executive manager of dealership; conditions; refusal to honor existing dealer agreement for good cause; personal and financial information; notice of refusal to approve succession; contents; service; designation of successor by written instrument.**

Sec. 15. (1) Any designated family member of a deceased or incapacitated new motor vehicle dealer or an executive manager of the dealership may succeed the dealer in the ownership or operation of the dealership under the existing dealer agreement if the designated family member or executive manager gives the manufacturer written notice of his or her intention to succeed to the dealership within 120 days after the dealer's death or incapacity, agrees to be bound by all of the terms and conditions of the dealer agreement, and meets the current criteria generally applied by the manufacturer in qualifying new motor vehicle dealers. A manufacturer may refuse to continue the existing dealer agreement with the designated family member only for good cause.

(2) A manufacturer may request from a designated family member or executive manager described in subsection (1) a completed application form and any personal and financial information that is reasonably necessary to determine whether the existing dealer agreement should continue. The designated family member or executive manager shall supply the completed application form and personal and financial information promptly on request. As used in this subsection and subsection (3), "application form" means the application form generally used by the manufacturer in connection with a proposal to continue a dealer agreement under this section.

(3) If a manufacturer believes that good cause exists for refusing to continue a dealer agreement under this section with a designated family member or executive manager described in subsection (1), the manufacturer may, within 60 days after receiving notice of the designated family member's or executive manager's intent to succeed the dealer in the ownership and operation of the dealership, or within 60 days after receiving the requested personal and financial information and completed application form, serve on the designated family member or executive manager notice of its refusal to approve the succession.

(4) A notice of refusal served by a manufacturer under subsection (3) shall state the specific grounds for the refusal to approve the succession and that discontinuance of the agreement shall take effect not fewer than 90 days after the date the notice is served.

(5) If a notice of refusal described in subsection (3) is not served within the 60-day period described in subsection (3), the dealer agreement shall continue in effect and is subject to termination only as otherwise permitted under this act.

(6) This section does not preclude a new motor vehicle dealer from designating any person as his or her successor by written instrument filed with the manufacturer. If the dealer files an instrument described in this subsection, it alone shall determine the succession rights to the management and operation of the dealership.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 2010, Act 138, Imd. Eff. Aug. 4, 2010.

**445.1576 Establishment or relocation of additional dealer; notice; declaratory judgment action; exception; judicial determination of good cause.**

Sec. 16. (1) As used in this section, "relocate" and "relocation" shall not include the relocation of a new motor vehicle dealer within 2 miles of its established place of business.

(2) Before a manufacturer or distributor enters into a dealer agreement establishing or relocating a new motor vehicle dealer within a relevant market area where the same line make is represented, the manufacturer or distributor shall give written notice to each new motor vehicle dealer of the same line make in the relevant market area of its intention to establish an additional dealer or to relocate an existing dealer within that relevant market area.

(3) Within 30 days after receiving the notice provided for in subsection (2), or within 30 days after the end of any appeal procedure provided by the manufacturer or distributor, a new motor vehicle dealer may bring a declaratory judgment action in the circuit court for the county in which the new motor vehicle dealer is located to determine whether good cause exists for the establishing or relocating of a proposed new motor vehicle dealer. Once an action has been filed, the manufacturer or distributor shall not establish or relocate the proposed new motor vehicle dealer until the circuit court has rendered a decision on the matter. An action brought pursuant to this section shall be given precedence over all other civil matters on the court's docket.

(4) This section shall not apply to the reopening or replacement in a relevant market area of a closed dealership that has been closed within the preceding year, if the established place of business of the reopened or replacement dealer is within 2 miles of the established place of business of the closed dealership.

(5) In determining whether good cause exists for establishing or relocating an additional new motor vehicle

dealer for the same line make, the court shall take into consideration the existing circumstances, including, but not limited to, the following:

- (a) Permanency of the investment.
- (b) Effect on the retail new motor vehicle business and the consuming public in the relevant market area.
- (c) Whether it is injurious or beneficial to the public welfare.
- (d) Whether the new motor vehicle dealers of the same line make in that relevant market area are providing adequate competition and convenient consumer care for the motor vehicles of that line make in the market area, including the adequacy of motor vehicle sales and qualified service personnel.
- (e) Whether the establishment or relocation of the new motor vehicle dealer would promote competition.
- (f) Growth or decline of the population and the number of new motor vehicle registrations in the relevant market area.
- (g) The effect on the relocating dealer of a denial of its relocation into the relevant market area.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1983, Act 188, Imd. Eff. Nov. 1, 1983.

**445.1577 Dealer's obligations for preparation, delivery, and warranty service; written specifications; compensating dealer for required warranty service; schedule of compensation; prohibited conduct; claims for labor and parts; payment; approval or disapproval; charge back for false or fraudulent claims; records of warranty repairs; compensation and claims for promotion events, programs, or activities; approval or disapproval of claims; meeting; audit.**

Sec. 17. (1) Each new motor vehicle manufacturer shall specify in writing to each of its new motor vehicle dealers licensed in this state the dealer's obligations for preparation, delivery, and warranty service on its products. A manufacturer shall compensate a new motor vehicle dealer for warranty service required of the dealer by the manufacturer. A manufacturer shall provide a new motor vehicle dealer with the schedule of compensation to be paid to the dealer for parts, work, and service, and the time allowance for the performance of the work and service.

(2) A schedule of compensation described in subsection (1) shall include reasonable compensation for diagnostic work and repair service and labor. Time allowances for the diagnosis and performance of warranty work and service shall be reasonable and adequate for the work to be performed. In determining what constitutes reasonable compensation under this section, the principal factor to be given consideration is the prevailing wage rates being paid by dealers in the community in which the dealer is doing business, and the compensation of a dealer for warranty labor shall not be less than the rates charged by the dealer for like service to retail customers for nonwarranty service and repairs, if those rates are reasonable.

(3) A manufacturer shall not do any of the following:

- (a) Fail to perform any warranty obligation.
- (b) Fail to include in written notices of factory recalls to new motor vehicle owners and dealers the expected date by which necessary parts and equipment will be available to dealers for the correction of the defects.
- (c) Fail to compensate a new motor vehicle dealer licensed in this state for repairs made in connection with the recall.

(4) A manufacturer shall pay a claim made by a new motor vehicle dealer under this section for labor and parts within 30 days after its approval. A manufacturer shall either approve or disapprove a claim within 30 days after receiving the claim, submitted on the form generally used by the manufacturer and containing the information usually required in the form. Any claim not specifically disapproved in writing within 30 days after the manufacturer receives the claim form is considered approved, and the manufacturer shall pay the claim within 30 days.

(5) Subject to subsection (10), if a manufacturer has approved and paid a new motor vehicle dealer for a claim, the manufacturer may only charge the claim back to the dealer if 1 of the following is met:

- (a) The manufacturer shows that the claim is fraudulent or false. However, the manufacturer may not charge back the amount paid if the claim is found to be false or fraudulent more than 2 years after payment.
- (b) The manufacturer shows that the claim is unsubstantiated, lacks proper documentation, or shows an improper diagnosis process or improper repair procedures. However, the manufacturer may not charge back the amount paid if the claim is found to be unsubstantiated, to lack proper documentation, or show an improper diagnosis process or repair procedures more than 12 months after payment.

(6) A manufacturer may not deny a claim made under this section because of a new motor vehicle dealer's incidental failure to comply with a specific claim processing requirement, such as a clerical error, that does not call into question the legitimacy of the claim.

(7) A new motor vehicle dealer shall maintain all records of warranty repairs, including the related time records of its employees, for at least 2 years following payment of any warranty claim.

(8) A manufacturer shall compensate a new motor vehicle dealer for any sales or service promotion events, programs, or activities sponsored by the manufacturer, in accordance with established guidelines for those events, programs, or activities.

(9) A manufacturer shall pay a claim for compensation owed to a new motor vehicle dealer under subsection (8) for a promotion event, program, or activity within 10 days after its approval. A manufacturer shall either approve or disapprove a claim for compensation described in this subsection within 30 days after receiving the claim, submitted on the form generally used by the manufacturer and containing the information usually required in the form. Any claim for compensation the manufacturer does not specifically disapprove in writing within 30 days after receiving the claim form is considered approved, and the manufacturer shall pay the amount of the claim within 30 days. A manufacturer may only charge back a claim for compensation within 12 months after the date of payment, or within 12 months after the end of a program if the duration of the program is 1 year or less.

(10) A manufacturer may not charge a claim back to a new motor vehicle dealer after the claim is paid unless a representative of the manufacturer first meets in person or by video teleconference or telephone with an officer or employee of the dealer designated by the new motor vehicle dealer, or responds in writing to any dealer written request for information. All of the following apply if a meeting is held under this subsection:

(a) At the meeting, the manufacturer shall provide a detailed explanation, with supporting documentation, of the basis for each proposed chargeback of a claim to the dealer and a written statement containing the basis on which the claim or claims of the dealer were selected for audit or review by the manufacturer.

(b) After the meeting, the manufacturer shall provide the motor vehicle dealer's representative a reasonable period of time of at least 45 days to respond to the proposed chargebacks. The manufacturer shall provide a longer period of time for the dealer to respond if warranted by the volume of proposed chargebacks.

(c) An unexcused failure or refusal of the dealer or designated officer or employee of the dealer to schedule, attend, or participate in the meeting with the manufacturer relieves the manufacturer from any further obligation under this subsection.

(11) A manufacturer may conduct an audit of the records of a new motor vehicle dealer relating to a warranty or promotion claim submitted by a new motor vehicle dealer under this section, but the manufacturer may only conduct that audit in the time periods allowed for warranty or promotional claim chargebacks under this section.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1983, Act 188, Imd. Eff. Nov. 1, 1983;—Am. 2010, Act 138, Imd. Eff. Aug. 4, 2010.

#### **445.1578 Liability for damage to new motor vehicles; rejection of new motor vehicle by dealer; credit.**

Sec. 18. (1) Notwithstanding the terms, provisions, or conditions of any agreement, a new motor vehicle dealer is solely liable for damages to new motor vehicles after acceptance from the carrier and before delivery to the ultimate purchaser. Acceptance by the new motor vehicle dealer shall occur when the new motor vehicle dealer signs a delivery receipt for any motor vehicle.

(2) Notwithstanding the terms, provisions, or conditions of any agreement, the manufacturer or distributor is liable for all damages to motor vehicles before delivery to a carrier or transporter.

(3) The new motor vehicle dealer is liable for damages to new motor vehicles after delivery to the carrier only if the dealer selects the method of transportation, mode of transportation, and the carrier. In all other instances, the manufacturer or distributor is liable for new motor vehicle damage.

(4) If the new motor vehicle dealer rejects a new motor vehicle pursuant to this section, the manufacturer or distributor shall credit the dealer's account within 10 business days after receipt of the notice of rejection.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.

#### **445.1579 Indemnification of dealer against certain judgments; payment of costs, fees, and judgments; notice.**

Sec. 19. (1) Notwithstanding the terms, provisions, or conditions of any dealer agreement, a manufacturer or distributor shall indemnify and hold harmless its dealers against any judgment for damages or settlement agreed to in writing by the manufacturer, including, but not limited to, court costs and reasonable attorney's fees of the new motor vehicle dealer arising solely out of the complaints, claims, or actions from defects, which relate to the manufacture, assembly, or design of vehicles, parts, or accessories, or other functions by the manufacturer or distributor, beyond the control of the dealer, including, without limitation, the selection by the manufacturer or distributor of parts or components for the vehicle, or any damages to merchandise

occurring in transit to the dealer if the carrier is designated by the manufacturer or distributor. If the complaint, claim, or action contains independent allegations against the dealer, the manufacturer shall pay only that portion of the costs, fees, and judgment or settlement which is directly related to the manufacture, assembly, or design of the vehicle, parts or accessories, or other functions of the manufacturer beyond the control of the dealer.

(2) A dealer shall have no right to indemnification or attorney's fees as provided in subsection (1) unless the dealer has given reasonable notice in writing of the complaint, claim, or action to the manufacturer or distributor.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 1983, Act 188, Imd. Eff. Nov. 1, 1983.

#### **445.1580 Action for damages or declaratory judgment; liability.**

Sec. 20. (1) If a manufacturer terminates, cancels, fails to renew, or discontinues a dealer agreement, without good cause as described in this act, the new motor vehicle dealer may bring an action against the manufacturer to recover actual damages reasonably incurred by the dealer as a result of the termination, cancellation, failure, or discontinuance.

(2) A manufacturer that violates this act is liable for all damages sustained by a new motor vehicle dealer as a result of the violation.

(3) A manufacturer or new motor vehicle dealer may bring an action for declaratory judgment for determination of any controversy arising under this act.

(4) A manufacturer that violates this act shall be liable for all court costs and reasonable attorney fees incurred by a dealer in an action under this section.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981;—Am. 2010, Act 138, Imd. Eff. Aug. 4, 2010.

#### **445.1581 Injunctive relief.**

Sec. 21. Upon proper application to the circuit court, a manufacturer or distributor or new motor vehicle dealer may obtain appropriate injunctive relief against termination, cancellation, nonrenewal, or discontinuance of a dealer agreement or any other violation of this act. The court may grant injunctive relief or a temporary restraining order without bond.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.

#### **445.1582 Act inapplicable to dealer outside Michigan.**

Sec. 22. Notwithstanding the terms, provisions, or conditions of a dealer agreement, this act shall have no application to dealers located outside the state of Michigan.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.

#### **445.1582a Existing agreements and agreements entered into or renewed after effective date.**

Sec. 22a. The 1998 amendments to this act that added this section apply to agreements in existence on the effective date of this section and to agreements entered into or renewed after the effective date of this section.

**History:** Add. 1998, Act 456, Imd. Eff. Dec. 30, 1998.

#### **445.1583 Repeal of MCL 445.521 to 445.534.**

Sec. 23. Act No. 331 of the Public Acts of 1978, being sections 445.521 to 445.534 of the Compiled Laws of 1970, is repealed.

**History:** 1981, Act 118, Imd. Eff. July 19, 1981.