

Tesla Challenged in Ohio

Tesla's unique distribution scheme, eschewing the traditional dealership model in favor of manufacturer-owned retail outlets, continues to draw court challenges from unhappy dealers and their trade associations. The latest state court challenge was filed in the Common Pleas Court in Franklin County, Ohio, where Columbus, the state capitol, is located.

The Ohio case was brought by the Ohio Automobile Dealer's Association and several Columbus-area dealers. They sued Tesla, but in a different twist on other Tesla litigation, they also sued Ohio's Director of Department of Public Safety and the Registrar of the Ohio Bureau of Motor Vehicles. Plaintiffs seek an injunction and declaratory relief, barring Tesla from operating retail outlets in Ohio. Plaintiffs assert in their Complaint that Ohio law only allows an entity to be licensed to sell cars if it has a contract, such as the typical franchise agreement, with a manufacturer. They argue that the Ohio governmental officials should not have licensed Tesla to sell cars in Ohio because Tesla, the manufacturer, does not have a franchise agreement with a dealer. The Ohio law does not specifically prohibit what Tesla is doing, although its statutory scheme certainly contemplates a traditional manufacturer-dealer relationship.

According to the lawsuit, the Ohio Automobile Dealer's Association informally demanded that the Ohio Bureau of Motor Vehicles require Tesla to comply with its interpretation of Ohio law. Allegedly, a government official responded that they would not do so because they were not going to "oppose entrepreneurship in Ohio." The Plaintiffs are now seeking to have the Court order the government officials to do what they refused to do, shut down Tesla's Ohio sales operations. Tesla has not yet filed its response, but it will no doubt oppose the lawsuit vigorously, as it has in other states.