

Part 3

Restrictions on Termination, Relocation, and Establishment of Franchises

Effective until 10/1/2024

13-14-301 Termination or noncontinuance of franchise.

- (1) Except as provided in Subsection (2), a franchisor may not terminate or refuse to continue a franchise agreement or the rights to sell and service a line-make pursuant to a franchise agreement, whether through termination or noncontinuance of the franchise, termination or noncontinuance of a line-make, or otherwise, unless:
 - (a) the franchisee has received written notice from the franchisor 60 days before the effective date of termination or noncontinuance setting forth the specific grounds for termination or noncontinuance that are relied on by the franchisor as establishing good cause for the termination or noncontinuance;
 - (b) the franchisor has good cause for termination or noncontinuance; and
 - (c) the franchisor is willing and able to comply with Section 13-14-307.
- (2) A franchisor may terminate a franchise, without complying with Subsection (1):
 - (a) if the franchisee's license as a new motor vehicle dealer is revoked under Title 41, Chapter 3, Motor Vehicle Business Regulation Act; or
 - (b) upon a mutual written agreement of the franchisor and franchisee.
- (3)
 - (a) At any time before the effective date of termination or noncontinuance of the franchise, the franchisee may apply to the advisory board for a hearing on the merits, and following notice to all parties concerned, the hearing shall be promptly held as provided in Section 13-14-304.
 - (b) A termination or noncontinuance subject to a hearing under Subsection (3)(a) may not become effective until:
 - (i) final determination of the issue by the executive director; and
 - (ii) the applicable appeal period has lapsed.
- (4) A franchisee may voluntarily terminate its franchise if the franchisee provides written notice to the franchisor at least 30 days prior to the termination.

Amended by Chapter 318, 2009 General Session

Effective 10/1/2024

13-14-301 Termination or noncontinuance of franchise.

- (1) Except as provided in Subsection (2), a franchisor may not terminate or refuse to continue a franchise agreement or the rights to sell and service a line-make pursuant to a franchise agreement, whether through termination or noncontinuance of the franchise, termination or noncontinuance of a line-make, or otherwise, unless:
 - (a) the franchisee has received written notice from the franchisor 60 days before the effective date of termination or noncontinuance setting forth the specific grounds for termination or noncontinuance that are relied on by the franchisor as establishing good cause for the termination or noncontinuance;
 - (b) the franchisor has good cause for termination or noncontinuance; and
 - (c) the franchisor is willing and able to comply with Section 13-14-307.
- (2) A franchisor may terminate a franchise, without complying with Subsection (1):
 - (a) if the franchisee's license as a new motor vehicle dealer is revoked under Title 41, Chapter 3, Motor Vehicle Business Regulation Act; or

- (b) upon a mutual written agreement of the franchisor and franchisee.
- (3)
 - (a) At any time before the effective date of termination or noncontinuance of the franchise, the franchisee may apply to the executive director for a hearing on the merits, and following notice to all parties concerned, the hearing shall be promptly held as provided in Section 13-14-304.
 - (b) A termination or noncontinuance subject to a hearing under Subsection (3)(a) may not become effective until:
 - (i) final determination of the issue by the executive director; and
 - (ii) the applicable appeal period has lapsed.
- (4) A franchisee may voluntarily terminate its franchise if the franchisee provides written notice to the franchisor at least 30 days prior to the termination.

Amended by Chapter 507, 2024 General Session

Effective until 10/1/2024

13-14-302 Issuance of additional franchises -- Relocation of existing franchisees.

- (1) Except as provided in Subsection (6), a franchisor shall provide the notice and documentation required under Subsection (2) if the franchisor seeks to:
 - (a) enter into a franchise agreement establishing a motor vehicle dealership within a relevant market area where the same line-make is represented by another franchisee; or
 - (b) relocate an existing motor vehicle franchisee.
- (2) In determining whether a new or relocated dealership is within a relevant market area where the same line-make is represented by an existing dealership, the relevant market area is measured from the closest property boundary line of the existing dealership to the closest property boundary line of the new or relocated dealership.
- (3)
 - (a) If a franchisor seeks to take an action listed in Subsection (1), before taking the action, the franchisor shall, in writing, notify the advisory board, the clerk of each affected municipality, and each franchisee in that line-make in the relevant market area.
 - (b) The notice required by Subsection (3)(a) shall:
 - (i) specify the intended action described under Subsection (1);
 - (ii) specify the good cause on which it intends to rely for the action; and
 - (iii) be delivered by registered or certified mail or by any form of reliable delivery through which receipt is verifiable.
- (4)
 - (a) Except as provided in Subsection (4)(c), the franchisor shall provide to the advisory board, each affected municipality, and each franchisee in that line-make in the relevant market area the following documents relating to the notice described under Subsection (3):
 - (i)
 - (A) any aggregate economic data and all existing reports, analyses, or opinions based on the aggregate economic data that were relied on by the franchisor in reaching the decision to proceed with the action described in the notice; and
 - (B) the aggregate economic data under Subsection (4)(a)(i)(A) includes:
 - (I) motor vehicle registration data;
 - (II) market penetration data; and
 - (III) demographic data;

- (ii) written documentation that the franchisor has in the franchisor's possession that it intends to rely on in establishing good cause under Section 13-14-306 relating to the notice;
 - (iii) a statement that describes in reasonable detail how the establishment of a new franchisee or the relocation of an existing franchisee will affect the amount of business transacted by other franchisees of the same line-make in the relevant market area, as compared to business available to the franchisees; and
 - (iv) a statement that describes in reasonable detail how the establishment of a new franchisee or the relocation of an existing franchisee will be beneficial or injurious to the public welfare or public interest.
- (b) The franchisor shall provide the documents described under Subsection (4)(a) with the notice required under Subsection (3).
- (c) The franchisor is not required to disclose any documents under Subsection (4)(a) if:
- (i) the documents would be privileged under the Utah Rules of Evidence;
 - (ii) the documents contain confidential proprietary information;
 - (iii) the documents are subject to federal or state privacy laws;
 - (iv) the documents are correspondence between the franchisor and existing franchisees in that line-make in the relevant market area; or
 - (v) the franchisor reasonably believes that disclosure of the documents would violate:
 - (A) the privacy of another franchisee; or
 - (B) Section 13-14-201.
- (5)
- (a) Within 30 days of receiving notice required by Subsection (3), any franchisee that is required to receive notice under Subsection (3) may protest to the advisory board the establishment or relocation of the dealership.
- (b) No later than 10 days after the day on which a protest is filed, the department shall inform the franchisor that:
- (i) a timely protest has been filed;
 - (ii) a hearing is required;
 - (iii) the franchisor may not establish or relocate the proposed dealership until the advisory board has held a hearing; and
 - (iv) the franchisor may not establish or relocate a proposed dealership if the executive director determines that there is not good cause for permitting the establishment or relocation of the dealership.
- (6) If multiple protests are filed under Subsection (5), hearings may be consolidated to expedite the disposition of the issue.
- (7) Subsections (1) through (6) do not apply to a relocation of an existing or successor dealer to a location that is:
- (a) within the same county and less than two miles from the existing location of the existing or successor franchisee's dealership; or
 - (b) further away from a dealership of a franchisee of the same line-make.
- (8) For purposes of this section:
- (a) relocation of an existing franchisee's dealership in excess of two miles from the dealership's existing location is considered the establishment of an additional franchise in the line-make of the relocating franchise;
 - (b) the reopening in a relevant market area of a dealership that has not been in operation for one year or more is considered the establishment of an additional motor vehicle dealership; and
 - (c)

- (i) except as provided in Subsection (8)(c)(ii), the establishment of a temporary additional place of business by a recreational vehicle franchisee is considered the establishment of an additional motor vehicle dealership; and
- (ii) the establishment of a temporary additional place of business by a recreational vehicle franchisee is not considered the establishment of an additional motor vehicle dealership if the recreational vehicle franchisee is participating in a trade show where three or more recreational vehicle dealers are participating.

Amended by Chapter 268, 2015 General Session

Effective 10/1/2024

13-14-302 Issuance of additional franchises -- Relocation of existing franchisees.

- (1) Except as provided in Subsection (7), a franchisor shall provide the notice and documentation required under Subsection (3) if the franchisor seeks to:
 - (a) enter into a franchise agreement establishing a motor vehicle dealership within a relevant market area where the same line-make is represented by another franchisee; or
 - (b) relocate an existing motor vehicle franchisee.
- (2) In determining whether a new or relocated dealership is within a relevant market area where the same line-make is represented by an existing dealership, the relevant market area is measured from the closest property boundary line of the existing dealership to the closest property boundary line of the new or relocated dealership.
- (3)
 - (a) If a franchisor seeks to take an action listed in Subsection (1), before taking the action, the franchisor shall, in writing, notify the executive director, the clerk of each affected municipality, and each franchisee in that line-make in the relevant market area.
 - (b) The notice required by Subsection (3)(a) shall:
 - (i) specify the intended action described under Subsection (1);
 - (ii) specify the good cause on which it intends to rely for the action; and
 - (iii) be delivered by registered or certified mail or by any form of reliable delivery through which receipt is verifiable.
- (4)
 - (a) Except as provided in Subsection (4)(c), the franchisor shall provide to the executive director, each affected municipality, and each franchisee in that line-make in the relevant market area the following documents relating to the notice described under Subsection (3):
 - (i)
 - (A) any aggregate economic data and all existing reports, analyses, or opinions based on the aggregate economic data that were relied on by the franchisor in reaching the decision to proceed with the action described in the notice; and
 - (B) the aggregate economic data under Subsection (4)(a)(i)(A) includes:
 - (I) motor vehicle registration data;
 - (II) market penetration data; and
 - (III) demographic data;
 - (ii) written documentation that the franchisor has in the franchisor's possession that it intends to rely on in establishing good cause under Section 13-14-306 relating to the notice;
 - (iii) a statement that describes in reasonable detail how the establishment of a new franchisee or the relocation of an existing franchisee will affect the amount of business transacted by other franchisees of the same line-make in the relevant market area, as compared to business available to the franchisees; and

- (iv) a statement that describes in reasonable detail how the establishment of a new franchisee or the relocation of an existing franchisee will be beneficial or injurious to the public welfare or public interest.
- (b) The franchisor shall provide the documents described under Subsection (4)(a) with the notice required under Subsection (3).
- (c) The franchisor is not required to disclose any documents under Subsection (4)(a) if:
 - (i) the documents would be privileged under the Utah Rules of Evidence;
 - (ii) the documents contain confidential proprietary information;
 - (iii) the documents are subject to federal or state privacy laws;
 - (iv) the documents are correspondence between the franchisor and existing franchisees in that line-make in the relevant market area; or
 - (v) the franchisor reasonably believes that disclosure of the documents would violate:
 - (A) the privacy of another franchisee; or
 - (B) Section 13-14-201.
- (5)
 - (a) Within 30 days of receiving notice required by Subsection (3), any franchisee that is required to receive notice under Subsection (3) may protest to the executive director the establishment or relocation of the dealership.
 - (b) No later than 10 days after the day on which a protest is filed, the department shall inform the franchisor that:
 - (i) a timely protest has been filed;
 - (ii) a hearing is required;
 - (iii) the franchisor may not establish or relocate the proposed dealership until the executive director has held a hearing; and
 - (iv) the franchisor may not establish or relocate a proposed dealership if the executive director determines that there is not good cause for permitting the establishment or relocation of the dealership.
- (6) If multiple protests are filed under Subsection (5), hearings may be consolidated to expedite the disposition of the issue.
- (7) Subsections (1) through (6) do not apply to a relocation of an existing or successor dealer to a location that is:
 - (a) within the same county and less than two miles from the existing location of the existing or successor franchisee's dealership; or
 - (b) further away from a dealership of a franchisee of the same line-make.
- (8) For purposes of this section:
 - (a) relocation of an existing franchisee's dealership in excess of two miles from the dealership's existing location is considered the establishment of an additional franchise in the line-make of the relocating franchise;
 - (b) the reopening in a relevant market area of a dealership that has not been in operation for one year or more is considered the establishment of an additional motor vehicle dealership; and
 - (c)
 - (i) except as provided in Subsection (8)(c)(ii), the establishment of a temporary additional place of business by a recreational vehicle franchisee is considered the establishment of an additional motor vehicle dealership; and
 - (ii) the establishment of a temporary additional place of business by a recreational vehicle franchisee is not considered the establishment of an additional motor vehicle dealership if the recreational vehicle franchisee is participating in a trade show where three or more recreational vehicle dealers are participating.

Amended by Chapter 507, 2024 General Session

13-14-302.5 Application of new franchise process with respect to certain terminated franchises.

- (1) As used in this section:
- (a) "Covered franchisee":
 - (i) means a person who was a franchisee under a pre-bankruptcy franchise; and
 - (ii) is a "covered dealership," as that term is defined in the federal franchise arbitration law.
 - (b) "Covered franchisor":
 - (i) means a person who was a franchisor under a pre-bankruptcy franchise; and
 - (ii) is a "covered manufacturer," as that term is defined in the federal franchise arbitration law.
 - (c) "Federal franchise arbitration law" means Section 747 of the Consolidated Appropriations Act of 2010, Pub. L. No. 111-117.
 - (d) "New franchisor":
 - (i) means a person who is a franchisor of the same line-make as the franchisor under a pre-bankruptcy franchise that has become a terminated franchise; and
 - (ii) is a "covered manufacturer," as that term is defined in the federal franchise arbitration law.
 - (e) "Pre-bankruptcy franchise" means a franchise in effect as of October 3, 2008.
 - (f) "Reinstated franchise" means:
 - (i) a terminated franchise that a reinstatement order determines should be reinstated, renewed, continued, assigned, or assumed; or
 - (ii) a franchise that a reinstatement order otherwise determines should be reestablished in or added to the dealer network of a new franchisor in the geographic area where the covered franchisee was located before October 3, 2008.
 - (g) "Reinstated franchisee" means a covered franchisee:
 - (i) whose franchise became a terminated franchise with less than 90 days' notice prior to termination; and
 - (ii) that becomes entitled to a reinstated franchise under a reinstatement order.
 - (h) "Reinstatement order" means an arbitrator's written determination:
 - (i) in an arbitration proceeding held under the federal franchise arbitration law; and
 - (ii)
 - (A) that a terminated franchise should be reinstated, renewed, continued, assigned, or assumed; or
 - (B) that a covered franchisee should otherwise be reestablished as a franchisee in or added to the dealer network of a new franchisor in the geographic area where the covered franchisee was located before October 3, 2008.
 - (i) "Terminated franchise" means a covered franchisee's pre-bankruptcy franchise that was terminated or not continued or renewed as a result of a bankruptcy proceeding involving a covered franchisor as the bankruptcy debtor.
- (2) The process under Sections 13-14-302, 13-14-304, and 13-14-306 for the issuance of a franchise, including Subsections 13-14-302(5) and (6) and Section 13-14-304 relating to a protest by another franchisee in the line-make in the relevant market area against the establishment or relocation of a franchise, does not apply to a reinstated franchise or reinstated franchisee.

Amended by Chapter 268, 2015 General Session

Effective until 10/1/2024

13-14-303 Effect of terminating a franchise.

If under Section 13-14-301 the executive director permits a franchisor to terminate or not continue a franchise and prohibits the franchisor from entering into a franchise for the sale of new motor vehicles of a line-make in a relevant market area, the franchisor may not enter into a franchise for the sale of new motor vehicles of that line-make in the specified relevant market area unless the executive director determines, after a recommendation by the advisory board, that there has been a change of circumstances so that the relevant market area at the time of the establishment of the new franchise agreement can reasonably be expected to support the new franchisee.

Amended by Chapter 249, 2005 General Session

Effective 10/1/2024

13-14-303 Effect of terminating a franchise.

If under Section 13-14-301 the executive director permits a franchisor to terminate or not continue a franchise and prohibits the franchisor from entering into a franchise for the sale of new motor vehicles of a line-make in a relevant market area, the franchisor may not enter into a franchise for the sale of new motor vehicles of that line-make in the specified relevant market area unless the executive director determines that there has been a change of circumstances so that the relevant market area at the time of the establishment of the new franchise agreement can reasonably be expected to support the new franchisee.

Amended by Chapter 507, 2024 General Session

Effective until 10/1/2024

13-14-304 Hearing regarding termination, relocation, or establishment of franchises.

- (1)
 - (a) Within 10 days after the day on which the advisory board receives an application from a franchisee under Subsection 13-14-301(3) challenging a franchisor's right to terminate or not continue a franchise, or an application under Section 13-14-302 challenging the establishment or relocation of a franchise, the executive director shall:
 - (i) enter an order designating the time and place for the hearing; and
 - (ii) send a copy of the order by certified or registered mail, with return receipt requested, or by any form of reliable delivery through which receipt is verifiable to:
 - (A) the applicant;
 - (B) the franchisor; and
 - (C) if the application involves the establishment of a new franchise or the relocation of an existing dealership, each affected municipality and to each franchisee in the relevant market area engaged in the business of offering to sell or lease the same line-make.
 - (b) A copy of an order mailed under Subsection (1)(a) shall be addressed to the franchisee at the place where the franchisee's business is conducted.
- (2) An affected municipality and any other person who can establish an interest in the application may intervene as a party to the hearing, whether or not that person receives notice.
- (3) Any person, including an affected municipality, may appear and testify on the question of the public interest in the termination or noncontinuation of a franchise or in the establishment of an additional franchise.
- (4)

- (a)
 - (i) Any hearing ordered under Subsection (1) shall be conducted no later than 90 days after the day on which the application for hearing is filed.
 - (ii) A final decision on the challenge shall be made by the executive director no later than 20 days after the day on which the hearing ends.
- (b) Failure to comply with the time requirements of Subsection (4)(a) is considered a determination that the franchisor acted with good cause or, in the case of a protest of a proposed establishment or relocation of a dealer, that good cause exists for permitting the proposed additional or relocated new motor vehicle dealer, unless:
 - (i) the delay is caused by acts of the franchisor or the additional or relocating franchisee; or
 - (ii) the delay is waived by the parties.
- (5) The franchisor has the burden of proof to establish by a preponderance of the evidence that under the provisions of this chapter it should be granted permission to:
 - (a) terminate or not continue the franchise;
 - (b) enter into a franchise agreement establishing an additional franchise; or
 - (c) relocate the dealership of an existing franchisee.
- (6) Any party to the hearing may appeal the executive director's final decision in accordance with Title 63G, Chapter 4, Administrative Procedures Act, including the franchisor, an existing franchisee of the same line-make whose relevant market area includes the site of the proposed dealership, or an affected municipality.

Amended by Chapter 268, 2015 General Session

Effective 10/1/2024

13-14-304 Hearing regarding termination, relocation, or establishment of franchises.

- (1)
 - (a) Within 10 days after the day on which the executive director receives an application from a franchisee under Subsection 13-14-301(3) challenging a franchisor's right to terminate or not continue a franchise, or an application under Section 13-14-302 challenging the establishment or relocation of a franchise, the executive director shall:
 - (i) enter an order designating the time and place for the hearing; and
 - (ii) send a copy of the order by certified or registered mail, with return receipt requested, or by any form of reliable delivery through which receipt is verifiable to:
 - (A) the applicant;
 - (B) the franchisor; and
 - (C) if the application involves the establishment of a new franchise or the relocation of an existing dealership, each affected municipality and to each franchisee in the relevant market area engaged in the business of offering to sell or lease the same line-make.
 - (b) A copy of an order mailed under Subsection (1)(a) shall be addressed to the franchisee at the place where the franchisee's business is conducted.
- (2) An affected municipality and any other person who can establish an interest in the application may intervene as a party to the hearing, whether or not that person receives notice.
- (3) Any person, including an affected municipality, may appear and testify on the question of the public interest in the termination or noncontinuation of a franchise or in the establishment of an additional franchise.
- (4)
 - (a)

- (i) Any hearing ordered under Subsection (1) shall be conducted no later than 90 days after the day on which the application for hearing is filed.
- (ii) A final decision on the challenge shall be made by the executive director no later than 20 days after the day on which the hearing ends.
- (b) Failure to comply with the time requirements of Subsection (4)(a) is considered a determination that the franchisor acted with good cause or, in the case of a protest of a proposed establishment or relocation of a dealer, that good cause exists for permitting the proposed additional or relocated new motor vehicle dealer, unless:
 - (i) the delay is caused by acts of the franchisor or the additional or relocating franchisee; or
 - (ii) the delay is waived by the parties.
- (5) The franchisor has the burden of proof to establish by a preponderance of the evidence that under the provisions of this chapter it should be granted permission to:
 - (a) terminate or not continue the franchise;
 - (b) enter into a franchise agreement establishing an additional franchise; or
 - (c) relocate the dealership of an existing franchisee.
- (6) Any party to the hearing may appeal the executive director's final decision in accordance with Title 63G, Chapter 4, Administrative Procedures Act, including the franchisor, an existing franchisee of the same line-make whose relevant market area includes the site of the proposed dealership, or an affected municipality.

Amended by Chapter 507, 2024 General Session

Effective until 10/1/2024

13-14-305 Evidence to be considered in determining cause to terminate or discontinue.

- (1) In determining whether a franchisor has established good cause for terminating or not continuing a franchise agreement, the advisory board and the executive director shall consider:
 - (a) the amount of business transacted by the franchisee, as compared to business available to the franchisee;
 - (b) the investment necessarily made and obligations incurred by the franchisee in the performance of the franchisee's part of the franchise agreement;
 - (c) the permanency of the investment;
 - (d) whether it is injurious or beneficial to the public welfare or public interest for the business of the franchisee to be disrupted;
 - (e) whether the franchisee has adequate motor vehicle sales and service facilities, equipment, vehicle parts, and qualified service personnel to reasonably provide for the needs of the consumer for the new motor vehicles handled by the franchisee and has been and is rendering adequate services to the public;
 - (f) whether the franchisee refuses to honor warranties of the franchisor under which the warranty service work is to be performed pursuant to the franchise agreement, if the franchisor reimburses the franchisee for the warranty service work;
 - (g) failure by the franchisee to substantially comply with those requirements of the franchise agreement that are determined by the advisory board or the executive director to be:
 - (i) reasonable;
 - (ii) material; and
 - (iii) not in violation of this chapter;
 - (h) evidence of bad faith by the franchisee in complying with those terms of the franchise agreement that are determined by the advisory board or the executive director to be:
 - (i) reasonable;

- (ii) material; and
 - (iii) not in violation of this chapter;
 - (i) prior misrepresentation by the franchisee in applying for the franchise;
 - (j) transfer of any ownership or interest in the franchise without first obtaining approval from the franchisor or the executive director after receipt of the advisory board's recommendation; and
 - (k) any other factor the advisory board or the executive director consider relevant.
- (2) Notwithstanding any franchise agreement, the following do not constitute good cause, as used in this chapter for the termination or noncontinuation of a franchise:
- (a) the sole fact that the franchisor desires greater market penetration or more sales or leases of new motor vehicles;
 - (b) the change of ownership of the franchisee's dealership or the change of executive management of the franchisee's dealership unless the franchisor proves that the change of ownership or executive management will be substantially detrimental to the distribution of the franchisor's motor vehicles; or
 - (c) the fact that the franchisee has justifiably refused or declined to participate in any conduct covered by Section 13-14-201.
- (3) For purposes of Subsection (2), "substantially detrimental" includes the failure of any proposed transferee to meet the objective criteria applied by the franchisor in qualifying franchisees at the time of application.

Amended by Chapter 249, 2005 General Session

Effective 10/1/2024

13-14-305 Evidence to be considered in determining cause to terminate or discontinue.

- (1) In determining whether a franchisor has established good cause for terminating or not continuing a franchise agreement, the executive director shall consider:
- (a) the amount of business transacted by the franchisee, as compared to business available to the franchisee;
 - (b) the investment necessarily made and obligations incurred by the franchisee in the performance of the franchisee's part of the franchise agreement;
 - (c) the permanency of the investment;
 - (d) whether it is injurious or beneficial to the public welfare or public interest for the business of the franchisee to be disrupted;
 - (e) whether the franchisee has adequate motor vehicle sales and service facilities, equipment, vehicle parts, and qualified service personnel to reasonably provide for the needs of the consumer for the new motor vehicles handled by the franchisee and has been and is rendering adequate services to the public;
 - (f) whether the franchisee refuses to honor warranties of the franchisor under which the warranty service work is to be performed pursuant to the franchise agreement, if the franchisor reimburses the franchisee for the warranty service work;
 - (g) failure by the franchisee to substantially comply with those requirements of the franchise agreement that are determined by the executive director to be:
 - (i) reasonable;
 - (ii) material; and
 - (iii) not in violation of this chapter;
 - (h) evidence of bad faith by the franchisee in complying with those terms of the franchise agreement that are determined by the executive director to be:
 - (i) reasonable;

- (ii) material; and
 - (iii) not in violation of this chapter;
 - (i) prior misrepresentation by the franchisee in applying for the franchise;
 - (j) transfer of any ownership or interest in the franchise without first obtaining approval from the franchisor or the executive director; and
 - (k) any other factor the executive director considers relevant.
- (2) Notwithstanding any franchise agreement, the following do not constitute good cause, as used in this chapter for the termination or noncontinuation of a franchise:
- (a) the sole fact that the franchisor desires greater market penetration or more sales or leases of new motor vehicles;
 - (b) the change of ownership of the franchisee's dealership or the change of executive management of the franchisee's dealership unless the franchisor proves that the change of ownership or executive management will be substantially detrimental to the distribution of the franchisor's motor vehicles; or
 - (c) the fact that the franchisee has justifiably refused or declined to participate in any conduct covered by Section 13-14-201.
- (3) For purposes of Subsection (2), "substantially detrimental" includes the failure of any proposed transferee to meet the objective criteria applied by the franchisor in qualifying franchisees at the time of application.

Amended by Chapter 507, 2024 General Session

Effective until 10/1/2024

13-14-306 Evidence to be considered in determining cause to relocate or establish a new franchised dealership.

In determining whether a franchisor has established good cause for relocating an existing franchisee or establishing a new franchised dealership for the same line-make in a given relevant market area, the advisory board and the executive director shall consider:

- (1) the amount of business transacted by other franchisees of the same line-make in that relevant market area, as compared to business available to the franchisees;
- (2) the investment necessarily made and obligations incurred by other franchisees of the same line-make in that relevant market area in the performance of their part of their franchisee agreements;
- (3) the permanency of the existing and proposed investment;
- (4) whether it is injurious or beneficial to the public welfare or public interest for an additional franchise to be established, including:
 - (a) the impact on any affected municipality;
 - (b) population growth trends in any affected municipality;
 - (c) the number of dealerships in the primary market area of the new or relocated dealership compared to the number of dealerships in each primary market area adjacent to the new or relocated dealership's primary market area; and
 - (d) how the new or relocated dealership would impact the distance and time that an individual in the new or relocated dealership's primary market area would have to travel to access a dealership in the same line-make as the new or relocated dealership.
- (5) whether the franchisees of the same line-make in that relevant market area are providing adequate service to consumers for the motor vehicles of the line-make, which shall include the adequacy of:
 - (a) the motor vehicle sale and service facilities;

- (b) equipment;
 - (c) supply of vehicle parts; and
 - (d) qualified service personnel; and
- (6) whether the relocation or establishment would cause any material negative economic effect on a dealer of the same line-make in the relevant market area.

Amended by Chapter 268, 2015 General Session

Effective 10/1/2024

13-14-306 Evidence to be considered in determining cause to relocate or establish a new franchised dealership.

In determining whether a franchisor has established good cause for relocating an existing franchisee or establishing a new franchised dealership for the same line-make in a given relevant market area, the executive director shall consider:

- (1) the amount of business transacted by other franchisees of the same line-make in that relevant market area, as compared to business available to the franchisees;
- (2) the investment necessarily made and obligations incurred by other franchisees of the same line-make in that relevant market area in the performance of their part of their franchisee agreements;
- (3) the permanency of the existing and proposed investment;
- (4) whether it is injurious or beneficial to the public welfare or public interest for an additional franchise to be established, including:
 - (a) the impact on any affected municipality;
 - (b) population growth trends in any affected municipality;
 - (c) the number of dealerships in the primary market area of the new or relocated dealership compared to the number of dealerships in each primary market area adjacent to the new or relocated dealership's primary market area; and
 - (d) how the new or relocated dealership would impact the distance and time that an individual in the new or relocated dealership's primary market area would have to travel to access a dealership in the same line-make as the new or relocated dealership;
- (5) whether the franchisees of the same line-make in that relevant market area are providing adequate service to consumers for the motor vehicles of the line-make, which shall include the adequacy of:
 - (a) the motor vehicle sale and service facilities;
 - (b) equipment;
 - (c) supply of vehicle parts; and
 - (d) qualified service personnel; and
- (6) whether the relocation or establishment would cause any material negative economic effect on a dealer of the same line-make in the relevant market area.

Amended by Chapter 507, 2024 General Session

13-14-307 Franchisor's obligations upon termination or noncontinuation of franchise or line-make.

- (1) Upon the termination or noncontinuation of a franchise or a line-make, the franchisor shall pay the franchisee:
 - (a) an amount calculated by:
 - (i) including the franchisee's cost of unsold motor vehicles that:

- (A) are in the franchisee's inventory;
 - (B) were acquired:
 - (I) from the franchisor; or
 - (II) in the ordinary course of business from another franchisee of the same line-make;
 - (C) are new, undamaged, and, except for franchisor accessories, unaltered; or
 - (D) represent the current model year at the time of termination or noncontinuation, or the two model years immediately before the time of termination or noncontinuation;
 - (ii) reducing the amount in Subsection (1)(a)(i) by a prorated 1% for each 1,000 miles over 500 miles registered on a new vehicle's odometer;
 - (iii) adding any charges made by the franchisor, for distribution, delivery, or taxes;
 - (iv) adding the franchisee's cost of any franchisor accessories added on the vehicle, except only those recreational vehicle accessories that are listed in the franchisor's wholesale product literature as options for that vehicle shall be repurchased; and
 - (v) subtracting all allowances paid or credited to the franchisee by the franchisor;
 - (b) the franchisee's cost of new and undamaged motor vehicles in the franchisee's inventory of demonstrator vehicles, reduced by a prorated 1% for each 1000 miles over 500 miles registered on the demonstrator vehicle's odometer, except recreational vehicles whose cost shall be reduced by 2% for each 1,000 miles registered on the odometer of demonstrator self-propelled recreational vehicles, exclusive of miles incurred in delivery of the vehicle, and the cost of demonstrator nonself-propelled recreational vehicles shall be reduced by 10% of the franchisee's vehicle cost:
 - (i) plus any charges made by the franchisor for distribution, delivery, or taxes;
 - (ii) plus the franchisee's cost of any accessories added on the vehicles, except only those recreational vehicle accessories that are listed in the franchisor's wholesale product literature as options for that vehicle shall be repurchased; and
 - (iii) less all allowances paid or credited to the franchisee by the franchisor;
 - (c) the cost of all new, undamaged, and unsold supplies, parts, and accessories as set forth in the franchisor's catalog at the time of termination or noncontinuation for the supplies, parts, and accessories, less all allowances paid or credited to the franchisee by the franchisor;
 - (d) the fair market value, but not less than the franchisee's depreciated acquisition cost of each undamaged sign owned by the franchisee that bears a common name, trade name, or trademark of the franchisor if acquisition of the sign was recommended or required by the franchisor. If a recreational vehicle franchisee has a sign with multiple manufacturers listed, the franchisor is only responsible for its pro rata portion of the sign;
 - (e) the fair market value, but not less than the franchisee's depreciated acquisition cost, of all special tools, equipment, and furnishings acquired from the franchisor or sources approved by the franchisor that were required by the franchisor and are in good and usable condition;
 - (f) the cost of transporting, handling, packing, and loading motor vehicles, supplies, parts, accessories, signs, special tools, equipment, and furnishings;
 - (g) subject to Subsection (5), reasonable compensation to the franchisee for any cost incurred pertaining to the unexpired term of a lease agreement for the dealership's existing location;
 - (h) the negotiated fair market value of the dealership premises, based on the fair market value of the real property, if the dealer opts to sell the dealership premises; and
 - (i) compensate the franchisee for the blue sky or goodwill of the dealership, as determined in accordance with the applicable industry standards taking into consideration the effect that the timing of the manufacturer's announcement of discontinuance of a line make has or will have on future profitability of the dealership.
- (2) Subsections (1)(g), (h), and (i) do not apply if a franchise is terminated:

- (a) by the franchisor for cause as defined in Subsections 13-14-301(1)(b) and (2)(a);
 - (b) upon mutual written agreement of the franchisor and franchisee as provided in Subsection 13-14-301(2)(b); or
 - (c) upon voluntary termination by the franchisee as provided in Subsection 13-14-301(4).
- (3) The franchisor shall pay the franchisee the amounts specified in Subsection (1) within 90 days after the tender of the property to the franchisor if the franchisee:
- (a) has clear title to the property; and
 - (b) is in a position to convey title to the franchisor.
- (4) If repurchased inventory, equipment, or demonstrator vehicles are subject to a security interest, the franchisor may make payment jointly to the franchisee and to the holder of the security interest.
- (5) Subsection (1)(g) does not relieve the franchisee or its lessor from an obligation under their lease agreement to mitigate damages.
- (6)
- (a) This section does not apply to a franchisee's voluntary termination or noncontinuation of its franchise that occurs as a result of the franchisee's sale of its dealership business entity or substantially all of the assets of that entity to a third party if the franchisor contemporaneously grants a franchise to the third party on terms and conditions that are comparable to those of the terminating or noncontinuing franchise.
 - (b) Subsection (6)(a) may not be construed to impair a contractual right of a terminating or noncontinuing franchisee under a franchise or related agreement with a franchisor or its affiliate, including a right to return unsold parts.
- (7) This section does not apply to a termination, cancellation, or nonrenewal of:
- (a) a recreational vehicle franchise; or
 - (b) a line-make by a recreational vehicle franchisor.

Amended by Chapter 33, 2010 General Session

13-14-307.5 Termination, cancellation, or nonrenewal of a recreational vehicle franchise agreement.

- (1) This section applies only to a recreational vehicle franchisee's termination, cancellation, or nonrenewal of:
- (a) a recreational vehicle franchise; or
 - (b) a recreational vehicle line-make.
- (2)
- (a) A recreational vehicle franchisee may, at any time and with or without good cause, terminate, cancel, or not renew its recreational vehicle franchise agreement or a recreational vehicle line-make by giving 30 days' prior written notice to the recreational vehicle franchisor.
 - (b) A franchisee has the burden of showing that a termination, cancellation, or nonrenewal is for good cause.
 - (c) Good cause for a franchisee's termination, cancellation, or nonrenewal is considered to exist if:
 - (i) the franchisor is convicted of or enters a plea of nolo contendere to a felony;
 - (ii) the business operations of the franchisor are:
 - (A) abandoned; or
 - (B) closed for 10 consecutive business days, unless the closing is due to an act of God, a strike, a labor difficulty, or another cause over which the franchisor has no control;

- (iii) the franchisor makes a misrepresentation that materially and adversely affects the business relationship with the recreational vehicle franchisee;
 - (iv) a material violation of this chapter is not cured within 30 days after the franchisee gives 30 days' written notice of the violation to the recreational vehicle franchisor; or
 - (v) the recreational vehicle franchisor:
 - (A) becomes insolvent;
 - (B) declares bankruptcy; or
 - (C) makes an assignment for the benefit of creditors.
- (3) If the franchisee terminates, cancels, or does not renew the recreational vehicle franchise agreement or line-make for cause, the franchisor shall, at the franchisee's election and within 45 days after termination, cancellation, or nonrenewal, repurchase:
- (a)
 - (i) all new, unaltered recreational vehicles, including demonstrators, that the franchisee acquired from the franchisor within 18 months before the date of the termination, cancellation, or nonrenewal; and
 - (ii) for a repurchase price equal to 100% of the original net invoice cost, including transportation, reduced by:
 - (A) any applicable rebates and discounts to the franchisee; and
 - (B) the cost to repair any damage to a repurchased recreational vehicle, if the vehicle is damaged after delivery to the franchisee but before repurchase occurs;
 - (b)
 - (i) all undamaged accessories and proprietary parts sold by the recreational vehicle franchisor to the franchisee within one year before termination, cancellation, or nonrenewal, if accompanied by the original invoice; and
 - (ii) for a repurchase price equal to 100% of the original net invoice cost, plus an additional 5% of the original net invoice cost to compensate the franchisee for packing and shipping the returned accessories and parts to the franchisor; and
 - (c)
 - (i) any properly functioning diagnostic equipment, special tools, current signage, and other equipment and machinery that:
 - (A) the franchisee purchased:
 - (I) from the franchisor within five years before termination, cancellation, or nonrenewal; and
 - (II) at the franchisor's request or because of the franchisor's requirement; and
 - (B) are no longer usable in the normal course of the franchisee's ongoing business, as the franchisee reasonably determines; and
 - (ii) for a repurchase price equal to 100% of the original net cost that the franchisee paid, plus any applicable shipping charges and sales taxes.
- (4) A recreational vehicle franchisor shall pay the franchisee all money due under Subsection (3) within 30 days after the franchisor's receipt of the repurchased items.

Enacted by Chapter 33, 2010 General Session

13-14-308 Private right of action.

- (1) A franchisee has a private right of action for actual damages and reasonable attorney fees against a franchisor for a violation of this chapter that results in damage to the franchisee.
- (2)
 - (a) As used in this Subsection (2):
 - (i) "New franchisor" has the same meaning as defined in Section 13-14-302.5.

- (ii) "Reinstated franchise" has the same meaning as defined in Section 13-14-302.5.
- (iii) "Reinstated franchisee" has the same meaning as defined in Section 13-14-302.5.
- (b) A reinstated franchisee has a private right of action for actual damages and reasonable attorney fees against a new franchisor if:
 - (i) the new franchisor:
 - (A) establishes a new franchisee of the same line-make as a line-make of the reinstated franchisee within the relevant market area of the reinstated franchisee; or
 - (B) adds a line-make to another franchisor's existing franchisee within the relevant market area of the reinstated franchisee that is the same line-make as a line-make of the reinstated franchisee; and
 - (ii) the franchisor's action under Subsection (2)(b)(i) causes a substantial diminution in value of the reinstated franchisee's reinstated franchise.
- (c) A new franchisor may not be held liable under Subsection (2)(b) based on a franchisee's purchase of another existing franchise, both of which are within the relevant market area of a reinstated franchisee, for the purpose of combining the purchased franchise with the franchise of the purchasing franchisee.

Amended by Chapter 41, 2010 General Session

13-14-309 Change in distribution plan.

If there is a change in the plan of distribution of a line make that contemplates a continuation of that line make in the state, a manufacturer or distributor may not directly or indirectly, through the action of any parent of the manufacturer or distributor, subsidiary of the manufacturer or distributor, or common entity cause a termination, cancellation, or nonrenewal of a dealer franchise agreement by a present or previous manufacturer or distributor unless, by the effective date of the action the manufacturer or distributor offers the new motor vehicle dealer whose dealer franchise agreement is terminated, cancelled, or not renewed, a dealer franchise agreement that is substantially similar to the dealer franchise agreement that existed with the previous manufacturer or distributor allowing the dealer to represent the line make under the new plan of distribution.

Enacted by Chapter 362, 2008 General Session

13-14-310 Reporting requirement.

By September 1 of each year, the advisory board shall submit, in accordance with Section 68-3-14, an annual written report to the Business and Labor Interim Committee that, for the fiscal year immediately preceding the day on which the report is submitted, describes:

- (1) the number of applications for a new or relocated dealership that the advisory board received; and
- (2) for each application described in Subsection (1):
 - (a) the number of protests that the advisory board received;
 - (b) whether the advisory board conducted a hearing;
 - (c) if the advisory board conducted a hearing, the disposition of the hearing; and
 - (d) the basis for any disposition described in Subsection (2)(c).

Amended by Chapter 18, 2017 General Session