

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE
IN AND FOR KENT COUNTY

**C.F. SCHWARTZ MOTOR)
COMPANY)**

Plaintiff)

v.)

C.A. No. 03C-05-011 HDR

**INTERNATIONAL TRUCK)
AND ENGINE CORPORATION)**

Defendant.)

Submitted: December 5, 2003

Decided: March 26, 2004

Roy S. Sheils, Esq., Brown, Shiels, Beauregard & Chasanov, Dover, Delaware
for Plaintiff.

Robert B. Young, Esq., Young & Young, Dover, Delaware and Michael R.
Levinson, Esq. and Louis S. Chronowski, Esq., Seyfarth Shaw, Chicago, Illinois
for Defendant.

OPINION

**International Truck and Engine Corporation' s
Motion to Dismiss
*DENIED***

RIDGELY, President Judge

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Defendant International Truck and Engine Corporation (“ International”) has moved to dismiss the Complaint for damages filed by Plaintiff C.F. Schwartz Motor Company, Inc. (“ Schwartz”) under the Motor Vehicle Franchising Practices Act, 6 *Del. C.* Chapter 49. The outcome of International’ s motion depends on whether Schwartz is a “ new motor vehicle dealer” as defined in 6 *Del. C.* § 4902(3). This determination requires the Court to interpret the statutory phrase “exclusively engages in the repair of motor vehicles.” I conclude that the General Assembly intended Chapter 49 to regulate solely the relationship between manufacturer and franchisee and that Schwartz is a “ new motor vehicle dealer.” Accordingly, International’ s Motion to Dismiss is denied.

I. Background

Schwartz sells and services various makes of new motor vehicles, including those manufactured by International. Pursuant to a franchise agreement, Schwartz sold International’ s new trucks and provided accompanying warranty service. In early 1997, however, the parties agreed to terminate the sales franchise. Thereafter, Schwartz focused solely on selling International parts and performing warranty service on the company’ s new trucks. Schwartz continued to sell and service other manufacturers’ motor vehicles. Schwartz and International renewed the warranty-parts agreement each year until mid-2002, when International notified Schwartz that it was terminating the franchise. Notice was given on June 27, 2002 and the termination was effective December 31 of the same year.

In May 2003, Schwartz filed the present action seeking to enforce rights granted to “ new motor vehicle dealers” under 6 *Del. C.* § 4908. This statute is part of the Motor Vehicle Franchising Practices Act (“ Act”),¹ and provides for manufacturer liability in the event the manufacturer terminates a franchise agreement with a new motor vehicle dealer. Specifically, the statute states:

In the event of termination, cancellation, or nonrenewal by the manufacturer under this chapter, except termination, cancellation, or nonrenewal by the manufacturer for insolvency, license revocation, conviction of a crime, or fraud by a dealer-owner, . . . if the new motor vehicle dealer owns the dealership facilities, the manufacturer shall pay the new motor vehicle dealer a sum equivalent to the reasonable rental value of the dealership facilities for three years.²

International responded by filing the present motion to dismiss.

In its motion, International claims that Schwartz is not a “ new motor vehicle dealer” as defined in 6 *Del. C.* § 4902(3), and thus cannot invoke the rights granted to dealerships in Section 4908. International contends that because Schwartz also sells motor vehicles, it is not entitled to any remedy under the Act.

II. The Contentions of the Parties

The Motor Vehicle Franchising Practices Act defines the term “ new motor vehicle dealer” as:

¹ 6 *Del. C.* §§ 4901-4917.

² 6 *Del. C.* § 4908 (punctuation altered).

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. . . any person or entity engaged in the business of selling, offering to sell, soliciting or advertising the sale of new motor vehicles and who holds . . . a valid sales and service agreement, franchise, or contract granted by the manufacturer or distributor for the retail sale of said manufacturer' s or distributor' s new motor vehicles.³

In addition, the term includes:

. . . any person who engages exclusively in the repair of motor vehicles, except motor homes, if such repairs are performed pursuant to the terms of a franchise or other agreement with a franchiser or such repairs are performed as part of a manufacturer' s or franchiser' s warranty.⁴

Both parties agree that the contract at issue is solely for the repair of International' s vehicles. Thus, if Schwartz is to be considered a new motor vehicle dealer, it is by virtue of Schwartz' s repair contract. International contends that Schwartz is not engaged “ exclusively” in the repair of motor vehicles because it also offers for sale other manufacturers' vehicles. According to International, Schwartz' s analysis reads the term “ exclusively” out of the statute.⁵

³ 6 *Del. C.* § 4902(3) (punctuation altered).

⁴ *Id.*

⁵ See *Oceanport Indus., Inc. v. Wilmington Stevedores, Inc.*, 636 A.2d 892, 900 (Del. 1994) (“[W]ords in a statute should not be construed as surplusage if there is a reasonable construction which will give them meaning”); *University of Delaware v. New Castle Cty. Dept. of Land Use*, 2003 Del. Super. LEXIS 37, at *25.

Schwartz replies that the legislative history of the Act shows an intent not to restrict the provisions of the act to “single-line” motor vehicle dealers. Schwartz argues that the contested language implicates only the relationship between manufacturer and franchisee, rather than the franchisee’s entire sphere of business activities. Schwartz further argues that its sale of other manufacturer’s vehicles has no bearing on the nature of its repair contract with International or its remedies under the Act.

III. The Legal Standard

A Rule 12(b)(6) motion to dismiss requires the Court to determine whether the Plaintiff may recover under any reasonably conceivable set of circumstances susceptible to proof under the complaint.⁶ Dismissal is warranted where the Plaintiff has failed to plead facts supporting an element of the claim, or that under no reasonable interpretation of the facts alleged could the complaint state a claim for which relief might be granted.⁷ Whether Schwartz’s Complaint states a cause of action turns on whether the franchisee is a new motor vehicle dealer within the meaning of the Act.

⁶ *Evans v. Perillo*, 2000 Del. Super. LEXIS 243, at **5-6.

⁷ *Id.*

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Statutory construction requires this Court to “ascertain and give effect to the intent of the legislature.”⁸ Because a statute passed by the General Assembly is to be considered as a whole, rather than in parts, each section should be read in light of all others in the enactment.⁹ In addition, “[w]ords and phrases shall be read with their context and shall be construed according to the common and approved usage of the English language.”¹⁰ If uncertainty does exist, the statute must be construed to avoid “mischievous or absurd results.”¹¹ Thus, the “golden rule of statutory interpretation . . . is that unreasonableness of the result produced by one among possible interpretations . . . is reason for rejecting that interpretation in favor of another which would produce a reasonable result.”¹² The Court will therefore reject any reading of the Act inconsistent with the intent of the General Assembly.

⁸ *Coastal Barge Corp. v. Coastal Zone Ind. Control Bd.*, 492 A.2d 1242, 1246 (Del. 1985).

⁹ *Coastal Barge*, 492 A.2d at 124; *see also Philbrook v. Glodgett*, 421 U.S. 707 (1975).

¹⁰ 1 *Del. C.* § 303.

¹¹ *Moore v. Wilmington Housing Authority*, 619 A.2d 1166, 1173 (Del. 1993); *Spielberg v. State*, 558 A.2d 291 (Del. Super. Ct. 1989).

¹² *Coastal Barge*, 492 A.2d at 1247 (citing 2A SUTHERLAND, STATUTES AND STATUTORY CONSTRUCTION § 45.02 (4th ed. 1984)).

IV. Discussion

The Motor Vehicle Franchising Practices Act, is designed “ to prevent frauds, impositions, and other abuses,” and to “ protect and preserve the investments and properties” of the citizens of Delaware through the regulation of franchises issued by, among others, vehicle manufacturers.¹³ The section under which Schwartz seeks to recover, entitled “ Dealership Facilities Assistance,” furthers the General Assembly’ s regulatory goal of protection by allowing a new motor vehicle dealer to recover damages from a manufacturer that terminates or cancels a franchise agreement in specified circumstances.

Taken together, the statutes implicate the relationship between manufacturer and franchiser.¹⁴ In defining the term “ new motor vehicle dealer,” the General Assembly provided coverage for two types of franchisees: (1) any person or entity “ engaged in the business of selling new motor vehicles . . . who holds a valid sales and service . . . contract granted by the manufacturer”; or (2) any person who “ engages exclusively in the repair of motor vehicles . . . if such repairs are performed . . . as part of a manufacturer’ s or franchiser’ s warranty.” Thus, when read together, one must either hold a “ sales and service contract” or “ engage[]

¹³ 6 *Del. C.* § 4901 (punctuation altered).

¹⁴ See Synopsis, Senate Bill No. 80 (Mar. 20, 2001) (“This Bill clarifies the individual responsibilities in dealings between Manufacturers and Automobile Dealers.”).

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exclusively in the repair of motor vehicles” to fall within Section 4902(3)’ s definition.

By passing legislation designed to regulate the relationship between manufacturer and franchiser, the General Assembly sought to protect not only franchisees who sell and service a manufacturer’ s motor vehicles, but those who repair, but do not sell, such vehicles under a franchise agreement. The first sentence of Section 4902(3) applies only to those who hold a “ sales and service contract” with a manufacturer; the second encompasses those who “ exclusively” perform repairs pursuant to a contract with the same. The phrase “ exclusively engages in the repair of motor vehicles” thus refers to dealerships that do not hold a contract to both sell and service a manufacturer’ s vehicles, but instead to those entities that only service vehicles pursuant to an agreement with a specific manufacturer.

International’ s proposed construction – that a dealership may not engage in extra-contractual business activities, such as selling motor vehicles – would defeat the Act’ s regulatory purposes. Under International’ s interpretation, Section 4908 would allow a dealership to recover from a manufacturer that terminated a franchise only where the former exclusively works for the latter. This broad reading contradicts the General Assembly’ s own characterization of the legislation:

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[The Act] helps protect dealers . . . in the event of the death of the dealer, the termination or discontinuance of a franchise, or the sale of a dealership . . . [and] identifies costs incurred if a dealer faces discontinuance or cancellation of an existing franchise for which the dealer should be allowed reasonable compensation.

* * *

Furthermore[,] the Bill allows dealers to add additional lines or makes at the same facility.¹⁵

This language is in turn reflected in the statutory declaration of purpose: “ it is necessary to regulate vehicle manufacturers . . . [and the] franchises issued by [them].”¹⁶ International’ s proposed construction must therefore be rejected as inconsistent with the intent of the General Assembly. Therefore, I construe the disputed phrase “ exclusively engages in the repair of motor vehicles” to mean any person or entity that repairs but does not sell such manufacturer’ s motor vehicles under a contract or agreement with the manufacturer.

V. Conclusion

Because Schwartz’ s warranty service contract with International contemplates repairs to, but not sales of, International’ s vehicles, the franchisee “ exclusively engages in the repair of new motor vehicles” within the meaning of Section 4902(3)’ s definition of “ new motor vehicle dealer.” Accordingly, Schwartz is a

¹⁵ Synopsis, Senate Bill No. 80, *supra*.

¹⁶ 6 *Del. C.* § 4901.

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“ new motor vehicle dealer” as a matter of law and it has stated a claim as a franchisee for relief under the Motor Vehicle Franchising Practices Act. International’ s Motion to Dismiss under Rule 12(b)(6) is ***DENIED***.

IT IS SO ORDERED.

/s/ Henry duPont Ridgely

President Judge

ds

oc: Prothonotary

xc: Order Distribution