UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

Louis DeGidio, Inc. v. Industrial Combustion, LLC

No. 22-1209, United States Court of Appeals for the Eighth Circuit (April 24, 2023)

SUMMARY

The Eighth Circuit held that a manufacturer's pricing of replacement parts above wholesale, without a threat of termination for non-purchase, does not constitute an indirect "franchise fee" under the Minnesota Franchise Act, and that a distributorship agreement with an express no-cause termination clause was not modified by oral assurances of continued performance. The court affirmed summary judgment for the manufacturer, finding no franchise relationship, no breach of an implied-in-fact contract (which was terminable at will), and no promissory estoppel because reliance on oral promises contradicting the written agreement was unreasonable.

CASE DETAILS

COURT	United States Court of Appeals for the Eighth Circuit
WRITING FOR THE COURT	LOKEN; ERICKSON; KOBES
JURISDICTION	Federal
DECIDED	April 24, 2023
DOCKET	22-1209
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from summary judgment dismissing claims.
STANDARD OF REVIEW	De novo.
PRECEDENTIAL VALUE	published
PARTIES	Louis DeGidio, Inc.; Louis DeGidio Services, Inc.; James DeGidio; Michael DeGidio v. Industrial Combustion, LLC; Cleaver-Brooks, Inc.

TOPICS

breach of contract · promissory estoppel · summary judgment · contract interpretation · statutory interpretation · standard of review

PRACTICE AREAS

Franchise Law · Contract Law · Commercial Litigation

QUESTIONS PRESENTED

1. Whether the distributorship was a franchise under the Minnesota Franchise Act because LDSI paid an indirect franchise fee through above-wholesale prices for OEM replacement parts.
2. Whether IC breached an oral implied-in-fact contract by terminating the distributorship without cause.
3. Whether IC is estopped from terminating without cause based on oral assurances that the distributorship would continue as long as performance was adequate.

HOLDINGS

1. The distributorship was not a franchise because LDSI did not pay a franchise fee. The above-wholesale prices for OEM parts did not constitute an indirect franchise fee absent evidence of compulsion or threat of termination for non-payment.
2. IC did not breach any contract. The 2007 Agreement continued to bind LDI and LDSI after its expiration, and it allowed termination without cause. Alternatively, any separate implied-in-fact contract was terminable at will because it had no definite duration and the oral assurances were too indefinite to create a for-cause term.
3. Promissory estoppel fails because the alleged reliance was not reasonable and because a contract existed, making promissory estoppel inapplicable.

KEY QUOTATIONS

> *"A franchise fee is 'any fee or charge that a franchisee . . . is required to pay or agrees to pay for the right to enter into a business or to continue a business under a franchise agreement.'"* (-5-)

> *"the purchase of goods or agreement to purchase goods at a bona fide wholesale price is not the payment of a franchise fee."* (-5-)

> *"For sales at a higher price to constitute a franchise fee, there must be evidence of compulsion accompanied by the threat of termination."* (-6-)

> *"a contract having no definite duration expressed or which may be implied is terminable by either party at will upon reasonable notice to the other."* (-9-)

> *"Reliance on an oral representation is unreasonable as a matter of law 'if the written contract provision explicitly stated a fact completely contradictory to the claimed misrepresentation.'"* (-10-)

FACTUAL BACKGROUND

Louis DeGidio, Inc. (LDI) and Louis DeGidio Services, Inc. (LDSI) are related corporations that distributed and serviced burners manufactured by Industrial Combustion, LLC (IC). In 2007, LDI signed a Non-Exclusive Sales Representative Agreement with IC, which included a termination-without-cause provision. IC's director assured that LDSI would be treated as the same entity. After the three-year term expired in 2010, LDI ceased business activities and LDSI began purchasing burners and parts from IC. In 2019, IC terminated the distributorship. Plaintiffs sued, alleging the distributorship was a franchise under the Minnesota Franchise Act, breach of an implied-in-fact contract, and promissory estoppel.

PROCEDURAL HISTORY

The district court granted summary judgment in favor of defendants on all claims. Plaintiffs appeal the dismissal of LDSI's Minnesota Franchise Act claim, breach of contract claim, and promissory estoppel claim.

DISPOSITION

affirmed

CASES CITED

- HIP, Inc. v. Hormel Foods Corp., 888 F.3d 334 (8th Cir. 2018)
- Upper Midwest Sales Co. v. Ecolab, Inc., 577 N.W.2d 236 (Minn. App. 1998)
- Banbury v. Omnitrition Int'l, Inc., 533 N.W.2d 876 (Minn. App. 1995)
- Coyne's & Co. v. Enesco, LLC, 553 F.3d 1128 (8th Cir. 2009)
- Bitronics Sales Co. v. Microsemiconductor Corp., 610 F. Supp. 550 (D. Minn. 1985)
- OT Indus., Inc. v. OT-tehdas Oy Santasalo-Sohlberg Ab, 346 N.W.2d 162 (Minn. App. 1984)
- Tri-State Bobcat, Inc. v. FINN Corp., 338 F. Supp. 3d 971 (D. Minn. 2018)
- Benson Coop. Creamery Ass'n v. First District Ass'n, 151 N.W.2d 422 (Minn. 1967)
- Minn. Deli Provisions, Inc. v. Boar's Head Provisions Co., 606 F.3d 544 (8th Cir. 2010)
- Rognlien v. Carter, 443 N.W.2d 217 (Minn. App. 1989)
- Eklund v. Vincent Brass & Aluminum Co., 351 N.W.2d 371 (Minn. App. 1984)
- Cederstrand v. Lutheran Bhd., 117 N.W.2d 213 (Minn. 1962)
- Loftness Specialized Farm Equip., Inc. v. Twiestmeyer, 742 F.3d 845 (8th Cir. 2014)
- Martens v. Minn. Mining & Mfg. Co., 616 N.W.2d 732 (Minn. 2000)
- Park Nicollet Clinic v. Hamann, 808 N.W.2d 828 (Minn. 2011)
- Meriwether Minnesota Land & Timber, LLC v. State, 818 N.W.2d 557 (Minn. App. 2012)
- Johnson Building Co. v. River Bluff Dev. Co., 374 N.W.2d 187 (Minn. App. 1985)
- Ruud v. Great Plains Supply, Inc., 526 N.W.2d 369 (Minn. 1995)
- Homestar Property Solutions, LLC v. Safeguard Properties, LLC, 370 F. Supp. 3d 1020 (D. Minn. 2019)
- Louis DeGidio, Inc. v. Indus. Combustion, Inc., No. CV 19-2690, 2021 WL 6127865 (D. Minn. Dec. 28, 2021)

INSTRUCTIONS FOR AN AI ASSISTANT