

2023 Kansas Statutes

8-2445. Franchise agreements; prohibiting manufacturers from engaging in certain activities.

(a) As used in this section:

(1) "Manufacturer" means a first or second stage manufacturer of vehicles, factory branch, distributor or factory representative, officer or agent or any representative thereof;

(2) "substantial reimbursement" means an amount equal to or greater than the cost of the savings that would result if the dealer were to utilize a vendor of the dealer's own selection instead of using the vendor identified by the manufacturer; and

(3) "goods" does not include moveable displays, brochures and promotional materials containing material subject to the intellectual property rights of the manufacturer.

(b) Notwithstanding the terms and conditions of any franchise agreement, including any policy, bulletin, practice or guideline with respect thereto or performance thereunder, and in addition to the other provisions of the vehicle dealers and manufacturers licensing act, K.S.A. 8-2401 et seq., and amendments thereto:

(1) No manufacturer shall coerce or require any vehicle dealer to construct improvements to facilities or install new signs or other franchise or image elements that replace or substantially alter improvements, signs or franchise or image elements completed within the past 10 years that were required and approved by the manufacturer or one of its contractors or affiliates. For the purposes of this subsection, the term "substantially alter" does not include routine maintenance, including, but not limited to, interior painting that is reasonably necessary to keep a dealer facility in attractive condition.

(2) The 10-year period set forth under this section shall begin to run for a vehicle dealer, including that dealer's successors and assigns, on the date that the manufacturer gave final written approval of the facility, facility improvements or installation of signs or other franchise or image elements or the date that the dealer receives a certificate of occupancy, whichever is later.

(3) (A) No manufacturer shall require a vehicle dealer to purchase goods or services to make improvements to the dealer's facilities from a vendor selected, identified or designated by the manufacturer or one of its contractors or affiliates by agreement, program, incentive provision or bulletin or otherwise without allowing or making available to the dealer the option to obtain goods or services of substantially similar kind, quality and overall design from a vendor chosen by the dealer and approved by the manufacturer, except that approval by the manufacturer shall not be unreasonably withheld and the dealer's option to select a vendor shall not be available if the manufacturer provides substantial reimbursement for the goods or services offered.

(B) This section is not intended to prohibit a manufacturer from requiring changes or updates to signs that contain the manufacturer brand, logo or other intellectual property protected by federal intellectual property law more frequently than every 10 years, provided the manufacturer offers the dealer compensation for the sign or pays for the sign if sign changes are required more than every five years.

(4) A manufacturer shall not use sales or service performance criteria for the purpose of canceling, terminating or non-renewing a franchise agreement or otherwise rely upon such criteria for purposes related to K.S.A. 8-2414 or 8-2416, and amendments thereto, that fail to meet the requirements of this subsection. A standard measuring sales or service performance of any new vehicle dealer of the manufacturer shall not use criteria that:

(A) Are unfair, unreasonable, arbitrary or inequitable; or

(B) do not consider the relevant and material local and state or regional criteria, including prevailing economic conditions affecting the sales or service performance of a vehicle dealer or any relevant and material data and facts presented by the dealer in writing. Relevant and material criteria, data or facts include, but are not limited to:

(i) Those motor vehicle dealerships of comparable size and comparable markets; (ii) demographics in the new vehicle dealer's area; (iii) geographic and market characteristics in the new vehicle dealer's area; (iv) the proximity of other new

vehicle dealers of the same line and make; (v) the proximity of motor vehicle manufacturing facilities; (vi) the buying patterns and consumer preferences of motor vehicle purchases; and (vii) customer drive time and distance. If such performance measurement criteria are based in whole or in part on a survey, that survey must be based on a statistically significant and valid random sample or must survey a majority of new vehicle retail sales and warranty service customers of the dealer if the survey is one measuring customer satisfaction of the dealer's sales or service operations. A manufacturer, contractor or common entity or an affiliate that enforces against any vehicle dealer any such performance measurement criteria shall, upon the request of the dealer, describe in writing to the dealer, in detail, how the performance measurement criteria were calculated and uniformly applied and shall also provide any data upon which it relied in reaching the performance standard and applying it to the dealer.

(c) This section shall be a part of and supplemental to the vehicle dealers and manufacturers licensing act.

History: L. 2018, ch. 49, § 1; April 19.