

1 WHEREAS, The Act was amended in 1995 to clarify the application of
2 Maryland law to disputes between the parties and to ensure that Maryland
3 distributors and grantors could seek remedies under the Act in Maryland's courts;

4 WHEREAS, The Act has proved useful since its enactment in helping to
5 resolve the differences between distributors and grantors and has served important
6 State interests and public purposes;

7 WHEREAS, The Act requires repurchase of a distributor's inventory by the
8 grantor under certain circumstances but does not require payment of related
9 shipping, packing, and other expenses, which leaves the distributor with unnecessary
10 costs that cannot be recouped; and

11 WHEREAS, The Act does not clearly delineate that arbitration proceedings be
12 held in Maryland unless the parties mutually agree otherwise even though actions in
13 Maryland courts are clearly permitted; now, therefore,

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article - Commercial Law**

17 11-1304.

18 (a) Except as provided in subsection [(c)] (D) of this section, on cancellation or
19 nonrenewal of an agreement by a grantor for any reason, including a distributor's
20 failure to cure under § 11-1305 of this subtitle, the grantor shall have the right to,
21 and must at the option of the distributor, repurchase all merchandise sold by the
22 grantor to the distributor, and the distributor must sell the merchandise to the
23 grantor, at a price equal to:

24 (1) An amount agreed on by the parties; or

25 (2) (i) With respect to merchandise that is still in its original
26 condition, is part of the grantor's current product line, and was shipped within 6
27 months of the cancellation or nonrenewal, the purchase price paid by the distributor;

28 (ii) With respect to all other merchandise, including samples,
29 display models, and damaged merchandise, the wholesale fair market value of the
30 merchandise less depreciation, or the purchase price paid by the distributor,
31 whichever is less; and

32 (iii) With respect to special tools, accessories, display equipment,
33 and other similar items, the purchase price paid by the distributor, less depreciation,
34 or an amount agreed upon by the parties.

35 (B) IN ADDITION TO ANY REPURCHASE AMOUNT DUE THE DISTRIBUTOR
36 UNDER THE PROVISIONS OF SUBSECTION (A) OF THIS SECTION, THE GRANTOR SHALL
37 PAY ALL SHIPPING, PACKING, RESTOCKING, HANDLING, AND OTHER COSTS RELATED
38 TO THE REPURCHASE TRANSACTION.

1 [(b)] (C) The repurchase requirements under subsection (a) of this section
2 shall be completed within 30 days after the effective date of cancellation or
3 nonrenewal, unless the parties agree otherwise.

4 [(c)] (D) The distributor's option to repurchase under subsection (a) of this
5 section does not apply if the reason for cancellation or nonrenewal includes any of the
6 reasons listed in § 11-1303(d) of this subtitle.

7 [(d)] (E) Repurchase of inventory under this section is not subject to the bulk
8 transfers provisions of Title 6 of this article.

9 11-1306.

10 If a dispute arises between the grantor and the distributor relating to the notice
11 of cancellation or nonrenewal, the plan for the correction of the deficiencies described
12 by the grantor as the reasons for cancellation or nonrenewal, whether or not the
13 distributor has complied with the plan and corrected the deficiencies described by the
14 grantor as the reasons for cancellation or nonrenewal, or the purchase price or fair
15 market value of any merchandise subject to repurchase under § 11-1304 of this
16 subtitle, the grantor and distributor UPON THE REQUEST OF EITHER PARTY shall
17 submit the dispute to arbitration IN THE STATE under the Maryland Uniform
18 Arbitration Act.

19 11-1307.

20 (a) The laws of the State shall apply to agreements under this subtitle to
21 which a distributor with a principal place of business in the State is a party. This
22 subtitle shall be construed to provide the minimum terms and conditions applicable to
23 grantors and distributors covered by this subtitle.

24 (b) This subtitle does not limit or restrict the rights of a grantor or distributor
25 at any time to seek in the State all legal and equitable remedies for any violation of
26 this subtitle or any material breach of an agreement.

27 SECTION 2. AND BE IT FURTHER ENACTED, That if any provision of this
28 Act or the application thereof to any person or circumstance is held invalid for any
29 reason in a court of competent jurisdiction, the invalidity does not affect other
30 provisions or any other application of this Act which can be given effect without the
31 invalid provision or application, and for this purpose the provisions of this Act are
32 declared severable.

33 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall apply to all
34 distributorships in existence on or after October 1, 1999.

35 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect
36 October 1, 1999.