

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 571 (Delegate Malone)

Commerce and Government Matters

Judicial Proceedings

Vehicle Laws - Manufacturers, Distributors, and Factory Branches - Good Faith Dealings

This bill prohibits a manufacturer, distributor, or factory branch from failing to act in “good faith” in transactions related to franchise agreements or any other transaction governed by Title 15, Subtitle 2 of the Transportation Article (Manufacturers, Distributors, and Factory Branches). The bill defines good faith as honesty in fact and the observance of reasonable commercial standards or fair dealing in the trade. The bill applies to any franchise agreement in existence on or after October 1, 2001.

Fiscal Summary

State Effect: None. The bill would not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Under common law and the Uniform Commercial Code, good faith is required in the performance and enforcement of all agreements or duties for commercial transactions. Title 15, Subtitle 2 of the Maryland Transportation Article contains several provisions of law relating to contracts between manufacturers and dealers. For example, a manufacturer is prohibited from coercing a dealer to order or accept delivery of parts or vehicles not required by law or the franchise. Similarly, Title 19 of the Commercial Law Article contains provisions of law for contracts between suppliers and equipment dealers.

However, neither Title 15 nor Title 19 define good faith or specifically require it for contracts or transactions among distributors, manufacturers, and factory branches or franchise agreements.

Small Business Effect: To the extent that the bill provides added protection in transactions with distributors, manufacturers, or factory branches, small vehicle dealerships will benefit.

Additional Information

Prior Introductions: None.

Cross File: SB 485 (Senator Jimeno, *et al.*) – Judicial Proceedings.

Information Source(s): Department of Transportation (Motor Vehicle Administration), Office of the Attorney General, Department of Legislative Services

Fiscal Note History: First Reader – February 9, 2001
jm/jr Revised – House Third Reader – March 23, 2001

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