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Tesla is taking Michigan's governor to court; seeking to overturn ban on direct-to-consumer sales

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Electric car manufacturer Tesla is taking three top Michigan state officials to federal court over the state's ban on direct-to-consumer sales, a law some critics see as a sop to the established car-dealership industry.

Secretary of State Ruth Johnson, Attorney General Bill Schuette and Gov. Rick Snyder were the targets of the federal lawsuit by the California automaker, which filed the case just days after Ms. Johnson's department refused Tesla's application for company-owned facilities in Grand Rapids to sell and service its vehicles.

Besides Michigan, 24 other states have laws or regulations on the books that essentially require car manufacturers to sell their new vehicles through third-party dealerships, rather than directly to consumers.

But only in Michigan, Texas, Connecticut and Utah has Tesla been unable to secure a license to sell its vehicles, though it hasn't tried in every potential state.

Though most states' laws banning direct sales are much older. Michigan's only became law with Mr. Snyder's signature in 2014 — as an attack on Tesla, the company says.

Tesla hopes that bringing a federal lawsuit on constitutional grounds may succeed where state-by-state legislative lobbying efforts fail.

“Tesla Motors brings this lawsuit to vindicate its rights under the United States Constitution to sell and service its critically-acclaimed, all-electric vehicles at Tesla owned facilities in the State of Michigan,” the company said in a statement.

Snyder spokesman Ari Adler told The Associated Press that while the governor cannot comment on outstanding litigation, he “is always willing to review legislation presented to him if the state Legislature feels a change in the law is necessary.”

Carl Tobias, a constitutional law professor at the University of Richmond, told Bloomberg News that Tesla has a “strong argument, but it depends on the judge and what they can prove.”

U.S. District Judge Janet Neff in Grand Rapids was assigned the case.

A win in federal court on constitutional grounds could crack open the auto-sales market nationally and eliminate the company's ongoing attempts at state-by-state legislative lobbying efforts.

According to the libertarian Cato Institute, state bans on direct auto sales “grew out of intensive lobbying efforts by car dealers in the 1930s–1950s, in response to perceived abuses of the franchise relationship by car manufacturers . . . car companies were large, powerful, and few in number. Manufacturers would secure contracts that imposed draconian terms on the dealers.”