

Automotive News

Judge denies U.S. motion to dismiss suit over Chrysler dealer terminations

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Dealers terminated during Chrysler's 2009 bankruptcy will be allowed to proceed with a lawsuit against the U.S. Treasury Department, alleging the government violated the Constitution in taking their store franchises.

A ruling handed down Monday by the U.S. Court of Federal Claims denied the government's motion to dismiss the case. The lawsuit, filed in February 2011, contends that the Obama administration violated the Fifth Amendment, which says private property shall not "be taken" for public use "without just compensation".

The suit also alleges the terminations violated state legal rights by taking the franchises without adequate compensation.

"We received a very important decision today," the dealers' attorney, Leonard Bellavia of Mineola, N.Y., said Monday. He added: "After this decision, I expect those dealers sitting on the sidelines to join the case."

So far, 75 eliminated dealers have signed on to the suit, which seeks at least \$200 million.

A Treasury department spokesman referred questions to the U.S. Department of Justice. A DOJ spokesman declined comment. Chrysler isn't named in the lawsuit.

The Treasury's auto task force, which was then headed by financier Steven Rattner, asked Chrysler and General Motors to make deeper cuts than the companies had originally planned.

As part of Chrysler's restructuring, 789 U.S. dealers were terminated, representing about one-quarter of the automaker's U.S. dealer body.

The decision clears the way for the case to move to discovery, Bellavia said. He added that he'll be seeking depositions from Treasury's auto task force.



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