

## Renault in landmark ruling

Published 25 October 2007

A Brazilian court has thrown out a broken contract case against automaker Renault brought by one of its dealers.

On 5 October the São Paulo trial court dismissed car dealership Valevel Veículos do Vale's attempts to lodge the blame with Renault for a broken distribution agreement.

Instead, the court upheld Renault's counterclaim alleging that the termination was due to the dealer's failure to fulfil its contractual obligations. Now Valevel must pay damages according to Brazil's Automobile Dealership Law, also known as the Ferrari Law, - setting an important precedent in Brazil, according to Renault's counsel Castro Barros Sobral Gomes Advogados.

"Even though the Ferrari Law aims to protect dealers, considered the weaker party vis-à-vis vehicle manufacturers, this decision recognises that the commercial concession represents a real partnership between the dealer and the manufacturer," explains Sérgio Sobral, a partner at Castro Barros.

Valevel hoped the court would find Renault was to blame for the termination of a distribution agreement and the consequent indemnification for damages and property losses purportedly suffered by the dealer.

The decision is subject to appeal by Valevel, but Sobral expects the decision will have wide-ranging implications for the distribution relationship of land automotive vehicles in Brazil.

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