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## Legal Update

### *Preliminary Injunction Under Law 75 Possible Even After an Admission of Liability*

The Puerto Rico Dealers Act, commonly known as Law 75, regulates distribution contracts in Puerto Rico. In essence, the law precludes the principal from terminating, refusing to renew at its normal expiration or undermining contractual rights of the distributor without just cause. Just cause is a fact-driven question governed by the definition contained in the law over and above what the parties have agreed to in the contract. Years ago, Law 75 was amended to include a preliminary injunction provision that can be used to maintain the distribution contract in place while the parties litigate the case on the merits. A case on the merits involves the issues of liability (predicated on one of the prohibited acts without just cause) and damages, the latter calculated basically pursuant to a formula contained in the law itself.

But the preliminary injunction was created principally with the purpose of preventing the superior economic power of one party to wipeout the other before a trial on the merits. This preliminary injunction is statutory in nature and not necessarily governed by the normal criteria for a preliminary injunction under the Rules of Civil Procedure. The main elements of this statutory injunction are the relative damage caused by the termination or undermining to the parties and the public policy behind the statute.

In a decision rendered on June 14<sup>th</sup>, 2016 in the case of *Next Step Medical Co., Inc. V. Biomet, Inc.* the Supreme Court of Puerto Rico held that even if the principal accepts that no just cause is present and thus liability is established, the court may still issue the preliminary statutory injunction if the evidence presented at a hearing favors the petitioner. If there are no controversies of fact, the hearing might be unnecessary.

The case also reaffirms the principle that the preliminary injunction is not a permanent injunction that would force the principal to continue the relationship indefinitely with the distributor. The preliminary injunction, if issued, covers only the period of litigation up to the trial on the merits and can be issued regardless of whether liability has been admitted or not.

This case constitutes additional judicial support to the power that Law 75 has to impact the relationship between principal and distributor.



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