

News & Insights

U.S. Court of Appeals for the Sixth Circuit Sides with Specialty Auto Parts USA on Appeal Against Holley Performance Products

May 2, 2019

Dykema, a leading national law firm, is proud to announce that on April 29, 2019, its client Specialty Auto Parts USA, Inc. prevailed over Holley Performance Products, Inc. in a significant appellate victory in the United States Court of Appeals for the Sixth Circuit. The Sixth Circuit's 15-page opinion will require Holley Performance Products, which was acquired by Sentinel Capital Partners in October 2018, to answer serious allegations of wrongful conduct in its prior dealings with Specialty.

This decision was the latest in a long history of litigation between Specialty and Holley, competing sellers of high-end automotive carburetors. In the underlying complaint, Specialty sued Holley for (1) misusing Attorneys' Eyes Only documents produced by Specialty in violation of a protective order agreement; and (2) violating a 2001 settlement agreement by manufacturing Holley's HP line of carburetors without main body design elements required by the settlement agreement, and for an earlier lawsuit filed by Holley that asserted claims against Specialty that Holley had already released under that settlement agreement.

Holley filed a motion to dismiss Specialty's complaint on the basis of claim and/or issue preclusion, which was granted by the district court. In prior litigation, Specialty had filed a show cause motion seeking to hold Holley in contempt for violating the protective order itself, but the court there had found that Specialty was not a party and did not have standing to enforce that protective order itself as a court order. Separately, Specialty had previously re-opened the litigation that was closed by the 2001 settlement agreement to file a motion for summary enforcement. Through those proceedings, the court had found that Holley violated the settlement agreement and in fact issued an order against Holley requiring Holley to live up to its obligations under the settlement agreement. However, the court also held that Specialty could not obtain other contract-related relief it requested because the court retained jurisdiction only to specifically enforce the terms of the settlement agreement.

On appeal, a three-judge panel agreed with Specialty that the complaint was not barred by the earlier litigation. The Sixth Circuit held that the district court's earlier ruling that Specialty lacked standing to seek contempt under the protective order itself was not a final order, and thus claim preclusion could not apply. Further, the Sixth Circuit declined to apply issue or claim preclusion to the settlement agreement claims because those claims likely could not have been brought in the earlier proceeding, stating: "[i]t would have required a strange kind of time travel for Specialty in 2012 to have secured leave to amend its 2000 complaint in the Trade Dress case to assert state law breach of contract claims for violation of the Settlement Agreement that resolved that very case." The panel thus reversed and remanded the complaint against Holley back to the district court for further proceedings consistent with its opinion.

"We are very pleased with the Sixth Circuit's decision," said attorney Howard Iwrey. "Specialty Auto Parts is looking forward to aggressively prosecuting its claims against Holley on remand to hold Holley accountable for its flagrant violations of the terms of the protective order agreement and the settlement agreement."

The Dykema team representing Specialty Auto Parts included Jill Wheaton, leader of Dykema's nationwide Appellate practice, and Howard Iwrey and Cale Johnson of the Firm's Antitrust & Trade Regulation practice group.

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U.S. Court of Appeals for the Sixth Circuit Sides with Specialty Auto Parts USA on Appeal Against Holley Performance Products (Cont.)

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