

Judge Orders GM Parts Delivery To Prevent Production Woes

By **Hayley Fowler**

Law360 (March 24, 2023, 6:16 PM EDT) -- An Ohio federal judge on Friday ordered a parts manufacturer in Mexico accused of withholding hoses from a General Motors supplier to comply with its contract after the supplier warned that production of Chevrolet Silverado pickup trucks will grind to a halt if the shipments aren't delivered.

U.S. District Judge Sara Lioi **granted** Steere Enterprises Inc.'s request for a temporary restraining order, forcing Cikautxo Mexico to resume shipments for at least the next 14 days. The judge said she made her decision after no one from Cikautxo showed up for a hearing in which she tried to help the two parties reach a short-term solution without a court mandate.

"The court finds that Steere has shown that it will suffer irreparable harm if Cikautxo fails to resume delivery of the hoses in accordance with the purchase order and terms," Judge Lioi said. "The irreparable harm Steere will suffer if the court does not temporarily enforce the parties' agreement is compelling evidence that a temporary restraining order is appropriate."

Friday's opinion comes just two days after Steere **sued** Cikautxo for breach of contract in the Northern District of Ohio, saying the manufacturer had suddenly reneged on a deal for 200,000 hoses to be shipped at two-week intervals starting in January.

Ohio-based Steere said it uses hoses from Cikautxo to assemble a "Charged Air Cooler – Cold Site" that is used in the manufacturing process of Chevy Silverados at GM plants in Flint, Michigan, and Oshawa, Canada.

Under automotive industry standards, Steere said, it sends the charged air coolers to GM on what's known as a "just in time" basis, meaning it only ships enough supplies for a few days of production.

"This standard causes Steere – and General Motors by extension – to be entirely dependent on Cikautxo to honor its shipment obligations for the hoses," the complaint states. "The slightest shortfall or delay in Cikautxo's supply of the hoses negatively impacts Steere's manufacturing operations and threatens its supply of the Charged Air Cooler to General Motors, which will shut down in a matter of days if Cikautxo continues to cease delivering the hoses."

Steere and Cikautxo reached a purchase agreement for the hoses in August at a unit price of \$8.73, according to the lawsuit. But after sending just three shipments, Steere said, Cikautxo announced on March 9 that it was suspending all deliveries unless Steere agreed to a higher purchase price.

Steere said Cikautxo is demanding a surcharge for the hoses already received and has tacked on a 12% increase over the previously established unit price for all future shipments.

Without new hoses coming in, the supplier has alleged it only has enough production supplies to last two weeks. That means production of the charged air cooler, and consequently all Chevy Silverados, will cease on March 27, Steere said.

"Steere sought to resolve this with Cikautxo over the past two weeks, but instead has been held hostage by Cikautxo as it continues to refuse to ship any more hoses to Steere unless Steere agrees to pay unilaterally imposed and unsubstantiated higher prices for the hoses," the lawsuit states.

Steere filed a request for a temporary restraining order and preliminary injunction alongside the complaint on Wednesday, saying a shutdown caused by Cikautxo failing to send the agreed upon hoses will injure its relationship with GM, cost the supplier profits and damage its reputation.

In deciding to grant the first half of that request, Judge Lioi found Steere had shown a likelihood of success on its breach of contract claim and agreed that its status as the only manufacturer of charged air coolers for GM puts the company in a precarious position if the hose deliveries don't continue.

She added that Cikautxo wouldn't be substantially harmed by a temporary restraining order as it only requires the parts maker to continue performing under the previously agreed-upon contract and does not impose any additional terms.

"Likewise, the court finds that maintaining the status quo until this contract dispute is resolved will serve the public interest by ensuring the integrity of contractual arrangements between private parties and preserving jobs that may be lost should shutdowns at Steere and/or General Motors occur," Judge Lioi said.

As a result, the judge ordered Cikautxo to resume shipments and pay for expedited delivery of any hoses that are past due. A hearing on Steere's motion for a preliminary injunction has been set for April 6.

Counsel for Steere and a representative from Cikautxo did not immediately respond to requests for comment.

Steere is represented by H. Alan Rothenbuecher of Benesch Friedlander Coplan & Aronoff LLP.

Counsel information for the defendant was not immediately available.

The case is Steere Enterprises Inc. v. Cikautxo Mexico, case number 5:23-cv-00615, in the U.S. District Court for the Northern District of Ohio.

--Editing by Patrick Reagan.