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When interpretation of a written contract is in dispute, Indiana courts apply the “four corners rule,” also known as the “parol evidence rule,” to determine the intent of the parties entering into the contract. If the language of a contract is clear and unambiguous, the parol evidence rule prevents the introduction of evidence of prior or contemporaneous negotiations and agreements that contradict, modify or otherwise vary the terms of the contract, and a court will enforce the contract as written. However, there are some exceptions to the parol evidence rule that permit a court to look beyond the four corners of the contract to determine the intent of the parties. Two recent decisions by the Indiana Court of Appeals analyzed the effects of the parol evidence rule in interpreting the intent of contracting parties, and whether exceptions to the rule were appropriate given the precise language of the written agreements.

Barker v. Price, - N.E.3d - , 2015 WL 9478049 (Ind. Ct. App. Dec. 29, 2015), involved an agreement for the sale and purchase of a vehicle. Price, the seller of vehicle, had advertised the vehicle on Craigslist as a 1994 Ford E-350 van. Interested in possibly purchasing the van, Barker met with Price and inspected the van, after which he orally agreed to purchase the van from Price for $15,000. Barker and Price then signed a deposit agreement under which Barker was required to immediately pay Price $2,000 to be applied as a deposit for the van, and Price was to provide Barker “title [to the van] by 4/14/14 or deposit will be refunded in full.” The agreement did not specify the model year of the van, but rather referred to the van as a “Ford E-350 Van.” The certificate of title Price later provided to Barker indicated that the van was actually a 1993 model rather than a 1994 model. Barker refused to accept the certificate of title and demanded a refund of the deposit, which Price refused to return. Following the filing of summary judgment motions by both of the parties regarding the interpretation of the deposit agreement and whether Barker was entitled to a return of his deposit, the trial court entered summary judgment for Price.

The central issue reviewed by the appellate court was whether the trial court erred in the way in which it interpreted the contract to conclude that the parties did not intend for the model year of the van to be a material term of the deposit agreement. In reviewing the deposit agreement and considering the parol evidence rule, the Court of Appeals determined that the deposit agreement could not be the entire agreement between the parties in that it omitted at least one essential term, the sale price for the van, making it apparent that the deposit agreement was only part of a larger agreement that was not fully reduced to writing.

Therefore, the Court of Appeals held that there was a question of material fact that would preclude summary judgment as to whether the model year of the van was a material term to the parties’ agreement, which could only be determined by considering parol evidence outside of the deposit agreement, including such evidence as the Craigslist ad which explicitly stated that the van was a 1994 model. The Court of Appeals reversed the trial court’s entry of summary judgment for Price and remanded the case with instructions to the trial court to consider not only the deposit agreement, but also extrinsic evidence outside of the four corners of that writing to determine whether the model year of the van was a material term to the agreement.

Yellow Book Sales and Distribution Co., Inc. v. JB McCoy Masonry, Inc., - N.E.3d - , 2015 WL 8479321 (Ind. Ct. App. Dec. 10, 2015) involved a contract in which Yellow Book agreed to provide JB McCoy Masonry with a year’s worth of advertising in exchange for a monthly advertising fee. The written contract was a one-sheet, fill-in-the-blanks form contract. Robin Brooks, the owner of JB McCoy Masonry and a defendant in the litigation, had signed the
contract as “Owner” of JB McCoy Masonry. Under her signature line, the contract read “Authorized Signature Individually and for the Customer.” Following that language, in a parenthetical, the contract stated “Read paragraph 15F on the reverse hereof.” The first page of the contract also included language that stated “THE TERMS AND CONDITIONS SET FORTH HEREIN AND ON THE REVERSE HEREOF ARE AGREED TO BY CUSTOMER AND SIGNER.” Section 15F of the terms and conditions on the reverse side of the contract read “The signer agrees that he/she has the authority and is signing this agreement (1) in his/her individual capacity....By his/her execution of this agreement, the signer personally and individually undertakes and assumes, jointly and severally with the Customer, the full performance of this agreement, including payment of amounts due hereunder.”

After JB McCoy Masonry failed to pay the monthly advertising fee, Yellow Book sued the company and Brooks for the balance due on the contract. During the bench trial, Brooks testified that while she is the owner of the company, she believe the word “Owner” in the contract conveyed that she was merely acting as a representative of the company, i.e. was only signing on behalf of the company, and did not think that she was making herself personally liable for the performance of the agreement by signing the contract. Brooks also testified that she did not read the reverse side of the contract. The trial court entered a judgment in favor of Brooks, finding that the contract was ambiguous and that testimony that Brooks did not intend to be personally bound was admissible.

On appeal, Yellow Book contended that the trial court erred in holding that parol evidence, including Brooks’ testimony that she did not intend to be personally liable for the performance of the contract and/or any amounts due thereunder, was admissible to determine the intent of the parties in entering into the contract. Unlike in Barker v. Price, the Court of Appeals determined in this case that the contract was not ambiguous in its intent, which was to make Brooks, as the signer, personally and individually as well as jointly and severally responsible to pay Yellow Book the amounts due under the contract, as set forth in the separate aforementioned sections of the contract. The Court of Appeals reversed the trial court’s decision and remanded the case for a determination of damages.

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