

SUPREME COURT OF IDAHO

Goodspeed v. Shippen

154 Idaho 866 (2013) · No. 38829 · Decided June 25, 2013

SUMMARY

The Idaho Supreme Court affirmed an order granting the purchasers a new trial on their breach of the implied warranty of habitability claim. The court held that the trial court properly determined that the purchase agreement's warranty disclaimer required a jury instruction addressing conspicuousness, explanation of the disclaimer's effect, and knowing waiver, and that failure to give the instruction may have been prejudicial. The court also affirmed deferral and denial of attorney fees, concluding that prevailing-party status was premature and Idaho Code § 12-120(3) did not apply to the personal-purpose transaction.

CASE DETAILS

COURT	Supreme Court of Idaho
WRITING FOR THE COURT	Horton, Justice; Burdick, Chief Justice; Eismann, Justice; J. Jones, Justice; W. Jones, Justice
JURISDICTION	Idaho
DECIDED	June 25, 2013
DOCKET	38829
DISPOSITION	affirmed
PROCEDURAL POSTURE	The Shippens appealed from the district court's order granting the Goodspeeds a new trial on their claim for breach of the implied warranty of habitability and from the court's decision deferring and effectively denying their request for attorney fees after the jury verdict.
STANDARD OF REVIEW	An order granting or denying a new trial is reviewed for manifest abuse of discretion; the reviewing court examines the evidence but does not reweigh it. Jury-instruction correctness is reviewed freely. Prevailing-party status for attorney-fee purposes is reviewed for abuse of discretion.
PRECEDENTIAL VALUE	Published Idaho Supreme Court opinion; precedential
PARTIES	Robert D. Shippen, Jorja Shippen v. William Shawn Goodspeed, Shellee Beth Goodspeed

TOPICS

implied covenant of good faith

contract interpretation

motion for new trial

appellate procedure

attorney fees

PRACTICE AREAS

contracts

real estate

appellate procedure

civil procedure

remedies

QUESTIONS PRESENTED

1. Whether the district court abused its discretion by granting a new trial after determining that it had improperly refused to instruct the jury on the requirements for a valid disclaimer of the implied warranty of habitability.
2. Whether the evidence conclusively established that the Goodspeeds had actual notice of the disclaimer and its effect, making a disclaimer instruction unnecessary.
3. Whether the Shippens were entitled to attorney fees based on the jury verdict and Idaho Code section 12-120(3).
4. Whether either party was entitled to attorney fees on appeal under Idaho Code sections 12-120(3) or 12-121.

HOLDINGS

1. When a party requests a jury instruction on a legal theory supported by any reasonable view of the evidence, the trial court must give the instruction unless it is an erroneous statement of law, unsupported by the facts, or adequately covered by other instructions. Because the Goodspeeds presented a reasonable factual basis for their implied-warranty theory and for disputing the effectiveness of the disclaimer, the district court correctly determined that it erred by refusing the requested instruction.
2. A contractual disclaimer of Idaho's implied warranty of habitability is ineffective unless it is conspicuous, explains the effect of the disclaimer, and demonstrates that the parties knowingly waived the warranty. A clause embedded in ordinary surrounding text and labeled only as an 'ENTIRE AGREEMENT' provision is not necessarily conspicuous, and general evidence that the contract was explained does not conclusively establish actual notice of the disclaimer's effect.
3. An erroneous jury instruction is prejudicial when it could have affected or did affect the outcome of the trial. Because the jury's verdict could have rested either on a finding of no breach or on an improperly determined disclaimer, the failure to give the disclaimer instruction may have prejudiced the Goodspeeds and required a new trial.
4. A determination of prevailing-party status and attorney fees was premature while the Goodspeeds' claim remained subject to a new trial. In addition, Idaho Code section 12-120(3) did not apply because the transaction was for personal or household purposes and lacked the required commercial-purpose symmetry between the parties.
5. The Shippens were not entitled to attorney fees on appeal because they did not prevail. The Goodspeeds were not entitled to attorney fees under Idaho Code section 12-121 because the Shippens presented at

least one legitimate, nonfrivolous appellate issue.

KEY QUOTATIONS

“Consequently, if an error at trial prejudices a party, the district court must grant a new trial.” (154 Idaho 869)

“Thus, a valid disclaimer of the implied warranty of habitability must be conspicuous, contain an explanation of its effect, and demonstrate that the parties have knowingly waived the implied warranty.” (154 Idaho 870)

“Thus, if a trial court errs in its instructions to the jury and the error could have affected the outcome of the trial, the trial court must grant a party’s motion for a new trial.” (154 Idaho 873)

FACTUAL BACKGROUND

The Goodspeeds purchased a home from the Shippens through a purchase and sale agreement and later received title by warranty deed. The property was known to be susceptible to groundwater flooding, and the basement flooded repeatedly after the Goodspeeds moved in, causing damage. The purchase agreement included a boilerplate entire-agreement clause stating that no warranties, including any warranty of habitability, were binding unless expressly set forth in the agreement. The clause was not set apart from surrounding text, and the evidence did not conclusively establish that the Goodspeeds knowingly understood and agreed to waive the implied warranty.

PROCEDURAL HISTORY

The Goodspeeds sued the Shippens after repeated groundwater flooding of a home purchased from them, asserting, among other claims, breach of the implied warranty of habitability. The jury found for the Shippens on all claims after the district court declined to give a requested instruction concerning contractual disclaimer of the implied warranty. The district court granted a new trial solely on the implied-warranty claim because the omitted instruction may have been prejudicial, and deferred any attorney-fee determination until final judgment. The Idaho Supreme Court affirmed both rulings and awarded the Goodspeeds appellate costs but not attorney fees.

DISPOSITION

affirmed

REMAND INSTRUCTIONS

The district court's order granting a new trial on the breach-of-implied-warranty claim was affirmed. The court was instructed only by guidance that Idaho Code section 12-120(3) does not apply to the residential transaction; the prevailing-party and fee determination remained to be resolved after the new trial and final judgment.

CASES CITED

- Munns v. Swift Transportation Co., Inc., 138 Idaho 108, 58 P.3d 92 (2002)
- Jones v. Panhandle Distributors, Inc., 117 Idaho 750, 792 P.2d 315 (1990)
- Quick v. Crane, 111 Idaho 759, 727 P.2d 1187 (1986)

- Hobson Fabricating Corp. v. SE/Z Construction, LLC, 154 Idaho 45, 294 P.3d 171 (2012)
- Jorgensen v. Coppedge, 148 Idaho 536, 224 P.3d 1125 (2010)
- Schmechel v. Dillé, 148 Idaho 176, 219 P.3d 1192 (2009)
- Dyet v. McKinley, 139 Idaho 526, 81 P.3d 1236 (2003)
- Craig Johnson Construction, L.L.C. v. Floyd Town Architects, P.A., 142 Idaho 797, 134 P.3d 648 (2006)
- Mackay v. Four Rivers Packing Co., 151 Idaho 388, 257 P.3d 755 (2011)
- Vanderford Co. v. Knudson, 144 Idaho 547, 165 P.3d 261 (2007)
- Tusch Enterprises v. Coffin, 113 Idaho 37, 740 P.2d 1022 (1987)
- Bethlahmy v. Bechtel, 91 Idaho 55, 415 P.2d 698 (1966)
- Crowder v. Vandendeale, 564 S.W.2d 879 (Mo. 1978)
- Clements Farms, Inc. v. Ben Fish & Son, 120 Idaho 185, 814 P.2d 917 (1991)
- Garcia v. Windley, 144 Idaho 539, 164 P.3d 819 (2007)
- Burgess v. Salmon River Canal Co. Ltd., 119 Idaho 299, 805 P.2d 1223 (1991)
- Salinas v. Vierstra, 107 Idaho 984, 695 P.2d 369 (1985)
- Hillside Landscape Construction, Inc. v. City of Lewiston, 151 Idaho 749, 264 P.3d 388 (2011)
- City of McCall v. Buxton, 146 Idaho 656, 201 P.3d 629 (2009)
- Carrillo v. Boise Tire Co., Inc., 152 Idaho 741, 274 P.3d 1256 (2012)
- Blimka v. My Web Wholesaler, LLC, 143 Idaho 723, 152 P.3d 594 (2007)
- O'Shea v. High Mark Development, LLC, 153 Idaho 119, 280 P.3d 146 (2012)
- Michalk v. Michalk, 148 Idaho 224, 220 P.3d 580 (2009)
- McGrew v. McGrew, 139 Idaho 551, 82 P.3d 833 (2003)