SUPREME COURT OF VIRGINIA

Parr v. Alderwoods Group, Inc., 268 Va. 461

604 S.E.2d 431 (2004) · No. Record Nos. 032674 and 032726 · Decided November 5, 2004

SUMMARY

The Virginia Supreme Court considered whether four contemporaneously executed agreements concerning the sale and operation of a funeral-home business constituted an integrated contract. The Court held that the Management Agreement and Lease were integrated with the Asset Purchase Agreement, and that Alderwoods' material payment default prevented enforcement of the noncompetition provisions and restrictive covenant. The Court affirmed in part and reversed in part.

CASE DETAILS

COURT	Supreme Court of Virginia
WRITING FOR THE COURT	Elizabeth B. Lacy; Hassell, C.J.; Lacy, J.; Keenan, J.; Koontz, J.; Lemons, J.; Agee, J.; Russell, S.J.
JURISDICTION	Virginia
DECIDED	November 5, 2004
DOCKET	Record Nos. 032674 and 032726
DISPOSITION	other
PROCEDURAL POSTURE	Consolidated appeals from a circuit court order concerning temporary and permanent injunctions enforcing contractual noncompetition and restrictive-use covenants.
STANDARD OF REVIEW	The Supreme Court reviewed the trial court's construction of the contemporaneously executed agreements and its legal conclusions regarding integration and enforceability.
PRECEDENTIAL VALUE	Published Virginia Supreme Court opinion; precedential.
PARTIES	Charles D. Parr, Sr., et al., Parr, Inc. v. Alderwoods Group, Inc., et al., Mullins Holding Company

TOPICS

breach of contract · material breach · contract interpretation · commercial · landlord tenant

PRACTICE AREAS

contract law · commercial litigation · real estate

QUESTIONS PRESENTED

1. Whether the Management Agreement was integrated with the Asset Purchase Agreement such that Alderwoods's material breach of the Asset Purchase Agreement barred enforcement of the Management Agreement's noncompetition provision.
2. Whether the Lease was integrated with the Asset Purchase Agreement such that Alderwoods's material breach barred enforcement of the Lease's restrictive-use covenant.

HOLDINGS

1. Contemporaneously executed agreements are construed together as a single integrated contract when the facts show that the parties intended them to effectuate one transaction, including when they cross-reference one another, repeat material terms, and collectively serve an interdependent purpose.
2. Because the Management Agreement and Asset Purchase Agreement formed an integrated contract, Alderwoods's material breach of the Asset Purchase Agreement precluded Alderwoods from enforcing the Management Agreement's noncompetition provision.
3. The Lease was integrated with the Asset Purchase Agreement, and Alderwoods's material breach of the integrated contract rendered the Lease's restrictive-use covenant unenforceable against Parr, notwithstanding the expiration of the Lease.

KEY QUOTATIONS

> *"When such contracts are construed as if the provisions were in a single instrument, the first party to materially breach the contract cannot enforce the provisions of the integrated contract."* (468)

> *"Therefore, we hold that the Lease was not a separate contract but, like the Management Agreement, was integrated with the Asset Purchase Agreement."* (472)

> *"Because we hold that Alderwoods' breach of the integrated contract relieved Parr of any obligation under the restrictive covenant, we need not address Parr's assignment of error challenging the trial court's holding that the restrictive covenant was a valid covenant."* (473)

FACTUAL BACKGROUND

Parr and related entities sold the Hill Funeral Home business to Mullins Holding Company under four contemporaneously executed agreements: an Asset Purchase Agreement, Non-Compete Agreement, Management Agreement, and Lease. The agreements cross-referenced one another and contained overlapping noncompetition and restrictive-use provisions intended to eliminate competition between the parties' funeral-home interests. After Loewen, Mullins's parent, entered bankruptcy, Mullins stopped making payments under the Asset Purchase and Non-Compete Agreements; after the lease expired, Parr began operating a funeral home on the property.

PROCEDURAL HISTORY

Alderwoods sought temporary and permanent injunctions preventing Parr from competing with Alderwoods and operating a funeral home on the Hill Underwood property. The circuit court initially enjoined Parr, later set aside the temporary injunction after finding that Alderwoods had defaulted under the Asset Purchase Agreement, and then held that the Management Agreement was integrated with the Asset Purchase Agreement but that the Lease restrictive covenant remained enforceable. Both sides appealed.

DISPOSITION

other

CASES CITED

- Countryside Orthopaedics, P.C. v. Peyton, 261 Va. 142, 541 S.E.2d 279 (2001)
- Daugherty v. Diment, 238 Va. 520, 385 S.E.2d 572 (1989)
- Oliver Refining Co. v. Portsmouth Cotton Oil Refining Corp., 109 Va. 513, 64 S.E. 56 (1909)
- Richmond Postal Credit Union, Inc. v. Booker, 170 Va. 129, 195 S.E. 663 (1938)
- Horton v. Horton, 254 Va. 111, 487 S.E.2d 200 (1997)
- Hitachi Credit Am. Corp. v. Signet Bank, 166 F.3d 614 (4th Cir. 1999)
- Faulknier v. Shafer, 264 Va. 210, 563 S.E.2d 755 (2002)
- Bayside Corp. v. Virginia Super Food Fair Stores, Inc., 203 Va. 908, 128 S.E.2d 263 (1962)