

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Montana Homes LLC v. BNSF Railway Co.

287 F. App'x 596 (9th Cir. 2008) · Decided July 22, 2008

SUMMARY

The Ninth Circuit affirmed enforcement of a settlement agreement between Montana Homes LLC and BNSF Railway Co. concerning contamination claims arising from BNSF's Livingston maintenance shop complex. Applying Montana contract law, the court held that Montana Homes unconditionally accepted the settlement through its attorney and that the settlement was enforceable despite the absence of a finalized signed agreement. The court further held that the land conveyance was severable from the release of contamination claims and affirmed enforcement of the release portion while declining to enforce the conveyance on Statute of Frauds grounds.

CASE DETAILS

|                    |                                                                                                                                                                                                                                                                   |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COURT              | United States Court of Appeals for the Ninth Circuit                                                                                                                                                                                                              |
| JURISDICTION       | Federal                                                                                                                                                                                                                                                           |
| DECIDED            | July 22, 2008                                                                                                                                                                                                                                                     |
| DISPOSITION        | affirmed                                                                                                                                                                                                                                                          |
| PROCEDURAL POSTURE | Montana Homes appealed the district court's order partially enforcing a settlement agreement with BNSF. The district court enforced the release-of-claims portion but declined to enforce the conveyance of Montana Homes' property on statute-of-frauds grounds. |
| STANDARD OF REVIEW | The enforceability of a settlement agreement is reviewed for abuse of discretion; reversal is warranted only for an error of law or clearly erroneous factual findings. Interpretation of state law is reviewed de novo.                                          |
| PRECEDENTIAL VALUE | Nonprecedential unpublished disposition                                                                                                                                                                                                                           |
| PARTIES            | Montana Homes LLC v. BNSF Railway Co.                                                                                                                                                                                                                             |

TOPICS

- contract formation
- contract interpretation
- statute of frauds
- real estate
- appellate procedure

PRACTICE AREAS

- Contracts
- Real estate
- Environmental law
- Appellate procedure

## QUESTIONS PRESENTED

1. Whether the parties formed an enforceable settlement agreement under Montana law when Montana Homes' attorney unconditionally accepted BNSF's offer and Montana Homes did not promptly disavow the attorney's authority.
2. Whether the property sale was severable from the settlement of Montana Homes' environmental claims.

## HOLDINGS

1. The parties entered into an enforceable settlement agreement because Montana Homes unconditionally accepted BNSF's settlement offer, and Montana Homes did not promptly disavow its attorney's acts or otherwise manifest an intent not to be bound.
2. The property sale was severable from the release of Montana Homes' environmental claims because the agreement provided separate consideration and purposes for the two components and contained an express severability provision.

## KEY QUOTATIONS

*“Under Montana law, a settlement “agreement is binding if made by an unconditional offer, and accepted unconditionally.”” (at 597)*

*“The district court did not err under Montana law in concluding that the land sale was severable from the release of claims in light of the separate consideration for the sale of land, the separate purpose of settling the contamination claims, and the express severability of the contract.” (at 599)*

## FACTUAL BACKGROUND

Montana Homes sued BNSF for cleanup costs related to contamination from BNSF's Livingston maintenance shop complex. The parties exchanged settlement communications and circulated an agreement providing for \$152,500 to settle the claims and \$360,000 for conveyance of Montana Homes' property. They repeatedly informed the district court that the case had settled, but after delays in finalizing the documents, Montana Homes' manager sought additional money.

## PROCEDURAL HISTORY

Montana Homes sued BNSF for cleanup costs arising from contamination allegedly leaking from BNSF's Livingston maintenance shop complex. After the parties manifested an agreement to settle, Montana Homes' manager later sought more money. On BNSF's motion, the district court enforced the settlement's release-of-claims provision but refused to enforce the property-conveyance provision. The Ninth Circuit affirmed.

## DISPOSITION

affirmed

## CASES CITED

- Maynard v. City of San Jose, 37 F.3d 1396, 1401 (9th Cir. 1994)

- Northwest Acceptance Corp. v. Lynnwood Equip., Inc., 841 F.2d 918, 920 (9th Cir. 1988)
- Perfumebay.com v. EBAY, Inc., 506 F.3d 1165, 1173 (9th Cir. 2007)
- Hetherington v. Ford Motor Co., 257 Mont. 395, 849 P.2d 1039, 1042 (1993)
- Lockhead v. Weinstein, 319 Mont. 62, 81 P.3d 1284, 1287 (2003)
- Patton v. Madison County, 265 Mont. 362, 877 P.2d 993, 995-996 (1994)
- McLaren Gold Mines Co. v. Morton, 124 Mont. 382, 224 P.2d 975, 982 (1950)
- Purdin v. Westwood Ranch & Livestock Co., 67 Mont. 553, 216 P. 326, 327 (1923)
- Smith v. Fergus County, 98 Mont. 377, 39 P.2d 193, 196 (1934)
- Advance-Rumely Thresher Co. v. Terpening, 58 Mont. 507, 193 P. 752, 754 (1920)
- Texaco v. Ponsoldt, 939 F.2d 794, 796-797, 801 (9th Cir. 1991)