

SUPREME COURT OF MINNESOTA

Alpha Real Estate Company of Rochester v. Delta Dental Plan of Minnesota

664 N.W.2d 303 (Minn. 2003) · No. No. C7-01-2259 · Decided July 3, 2003

SUMMARY

The Minnesota Supreme Court addresses the interpretation of successive lease agreements involving a dental clinic and an option to purchase the leased property. The court holds that the later lease was a complete integration containing the parties' entire agreement, so the five percent additional rent obligation did not survive closing of the purchase option. The court also clarifies that a motion for a new trial is not required for appellate review of substantive questions of law properly raised and considered in the district court.

CASE DETAILS

COURT	Supreme Court of Minnesota
WRITING FOR THE COURT	Gilbert, Justice
JURISDICTION	Minnesota
DECIDED	July 3, 2003
DOCKET	No. C7-01-2259
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Alpha appealed directly from a bench-trial judgment without moving for a new trial. The Minnesota Court of Appeals applied a narrow scope of review and affirmed. The Minnesota Supreme Court granted review, reversed in part, affirmed in part, and remanded.
STANDARD OF REVIEW	Substantive questions of law, including contract interpretation and statutory interpretation, are reviewed de novo. When no motion for a new trial is made, the requirement for such a motion applies to matters involving trial procedure, evidentiary rulings, and jury instructions, but not to substantive questions of law properly raised and considered in the district court.
PRECEDENTIAL VALUE	Published, precedential Minnesota Supreme Court opinion
PARTIES	Alpha Real Estate Company of Rochester v. Delta Dental Plan of Minnesota, Sui Generis Development Company

TOPICS

contract interpretation

parol evidence rule

contracts

appellate procedure

standard of review

PRACTICE AREAS

contract law

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health law

QUESTIONS PRESENTED

1. Whether the absence of a motion for a new trial limited appellate review of substantive contract-interpretation and statutory-interpretation issues.
2. Whether the 1997 lease was a complete integration that barred use of the 1995 agreement and other extrinsic evidence to add a post-closing additional-rent obligation.
3. Whether the five percent additional-rent obligation survived closing of Alpha's option to purchase.
4. Whether the five percent additional-rent clause violated federal or Minnesota antikickback laws, and whether that issue should be reviewed de novo by the court of appeals.

HOLDINGS

1. A motion for a new trial under Minn. R. Civ. P. 59.01 is not a prerequisite for appellate review of substantive questions of law that were properly raised and considered in the district court.
2. The 1997 lease was a complete integration and the complete and exclusive statement of the parties' agreement.
3. The five percent additional-rent obligation terminated upon closing of the option to purchase and did not survive under the 1997 lease.
4. Reformation was not an appropriate remedy because the record did not establish a drafting error, mutual mistake, fraud, misrepresentation, or inequitable conduct.
5. The court of appeals was required to review de novo whether the five percent additional-rent clause violated federal or state law.

KEY QUOTATIONS

“For the above reasons, we conclude that, while permissive, motions for a new trial pursuant to Minn. R. Civ. P. 59.01 are not a prerequisite for appellate review of substantive questions of law when a genuine issue of law is properly raised and considered at the district court level.” (311)

“We conclude that the 1997 lease is a complete integration and represents the complete and exclusive statement of the terms of the agreement between the parties and is unambiguous.” (314)

“We hold that under the 1997 lease Alpha's five percent additional rent obligation terminates upon the closing of the option to purchase and reverse the court of appeals.” (314)

“Reversed in part, affirmed in part and remanded.” (315)

FACTUAL BACKGROUND

Alpha entered into a 1995 agreement with Delta concerning Alpha's lease of a dental clinic to be owned by Delta's nominee, Sui Generis. The agreement and subsequent leases required five percent additional rent when receipts exceeded a specified benchmark and gave Alpha an option to purchase the property. The 1997 lease contained a merger clause and did not state that the additional-rent obligation survived exercise and closing of the option. When Alpha attempted to exercise the option, Delta refused to close unless Alpha agreed to continue paying the additional rent and servicing Delta clients on a preferred basis.

PROCEDURAL HISTORY

Alpha sought specific performance of an option to purchase a dental clinic and disputed its obligation to pay five percent additional rent after exercising the option. The district court construed the 1995 agreement and 1997 lease together, found that the additional-rent obligation survived closing, rejected Alpha's state and federal antikickback challenges, and awarded Delta \$165,500.81. The court of appeals affirmed under a narrow scope of review, and the supreme court granted Alpha's petition for review.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The court of appeals was instructed to review de novo whether the five percent additional-rent clause violated federal and state law.

CASES CITED

- Alpha Real Estate Co. of Rochester v. Delta Dental Plan of Minn., No. C7-01-2259, 2002 WL 1840897, at *4, *7 (Minn. App. Aug. 13, 2002)
- Gruenhagen v. Larson, 310 Minn. 454, 458, 246 N.W.2d 565, 569 (1976)
- Sauter v. Wasemiller, 389 N.W.2d 200, 201-02 (Minn. 1986)
- Tyroll v. Private Label Chems., Inc., 505 N.W.2d 54, 56-57 (Minn. 1993)
- Heise v. J.R. Clark Co., 245 Minn. 179, 191, 71 N.W.2d 818, 826 (1955)
- Hilligoss v. Cargill, Inc., 649 N.W.2d 142, 147, 149 (Minn. 2002)
- Gross v. Victoria Station Farms, Inc., 578 N.W.2d 757, 760-61 (Minn. 1998)
- Kornberg v. Kornberg, 542 N.W.2d 379, 384 (Minn. 1996)
- Boldt v. Roth, 618 N.W.2d 393, 396 (Minn. 2000)
- Art Goebel, Inc. v. N. Suburban Agencies, Inc., 567 N.W.2d 511, 515 (Minn. 1997)
- Hruska v. Chandler Assoc's., Inc., 372 N.W.2d 709, 713 (Minn. 1985)
- Gutierrez v. Red River Distrib., Inc., 523 N.W.2d 907, 908 (Minn. 1994)
- Material Movers, Inc. v. Hill, 316 N.W.2d 13, 17 (Minn. 1982)
- Bussard v. Coll. of St. Thomas, Inc., 294 Minn. 215, 224, 226, 200 N.W.2d 155, 161-62 (1972)
- Phoenix Publ'g Co. v. Riverside Clothing Co., 54 Minn. 205, 206, 55 N.W. 912 (1893)

- Nichols v. Shelard Nat'l Bank, 294 N.W.2d 730, 734 (Minn. 1980)
- Crown Pontiac, Inc. v. McCarrell, 695 So. 2d 615, 618 (Ala. 1997)
- Nelson v. Elway, 908 P.2d 102, 107 (Colo. 1996)
- Brown v. Grow, 249 Mass. 495, 144 N.E. 403, 404 (1924)

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