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BLOGS
Contracts

Court Declines Invitation to Stray From Language of Agreement

In a decision from the Western District of New York, a magistrate judge relied on the plain language of a distribution agreement to determine its scope. *Precimed Inc. v. ECA Medical Instruments*, 2014 U.S. Dist. LEXIS 10349 (W.D.N.Y. Jan. 28, 2014). ECA, a manufacturer of both standard and custom surgical instruments, entered into a distribution agreement for Precimed to market and sell ECA's "Products." After a disagreement as to the scope of the term "Products," the parties filed opposing claims regarding whether the distribution agreement gave Precimed exclusive rights to distribute ECA's custom products in addition to its standard products.

Applying Delaware law and citing the plain language of the parties' agreements, the judge recommended denying Precimed's motion for a declaratory judgment. In reaching this conclusion, the court noted that the language defining "Products" did not include custom products. Further, the court rejected Precimed's argument that inclusion of custom products in the definition of "Products" should be inferred. The court observed that terms are inferred only when doing so is necessary to give effect to parties' intentions. In this case, the agreement remained effective without custom products. The court also rejected Precimed's argument that custom products should be included in the definition of "Products" based on the parties' course of performance. Applying the UCC, the court found no evidence of such a course of performance, and, in any event, the agreement required a signed writing to modify its terms.

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