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BLOGS
Contracts

Fourth Circuit Interprets Contract Integration Clause Narrowly in Declining to Excuse Obligations

In *Jaguar Land Rover North America, LLC v. Manhattan Imported Cars, Inc.*, 2012 U.S. App. LEXIS 8260 (4th. Cir. Apr. 23, 2012), the United States Court of Appeals for the Fourth Circuit affirmed a district court's summary judgment ruling in favor of an automobile supplier, holding that the supplier was not required to make certain incentive payments to the dealership. The appeals court declined to enforce a contract integration clause that purported to cancel and supersede any agreements previously executed between the parties.

In connection with their agreement to add a Land Rover franchise to an existing dealership, the parties entered into a program under which the dealership would receive incentive payments tied to the number of cars sold, as long as it made certain renovations to its facilities. The agreement was made up of three documents. The dealership's obligation to achieve certain renovation milestones appeared in the first two documents, while the third document provided for the incentive payments and contained an integration clause that purported to cancel and supersede all previous agreements. The parties executed the third document approximately two weeks after executing the first two documents.

When the dealership failed to meet its renovation milestones, Jaguar Land Rover suspended the incentive payments. Manhattan argued that it was not required to meet the renovation targets because the third document cancelled and superseded its renovation obligations. The Fourth Circuit disagreed. Under Maryland contract law, when separately executed contracts between the same parties do not have conflicting provisions and are entered into as part of a single transaction, those agreements will be construed together even when they are executed at different times and do not refer to each other. Therefore, the three documents comprised the parties' single agreement to add the Land Rover franchise to the dealership, and the integration clause contained in the third document did not apply to the first two documents.