Boston College Law Review

Volume 2 | Issue 1 Article 25

10-1-1960

Contracts—Releases—Release May Be Set Aside in Equity—Mutual Mistake of Fact.—Ruggles v. Selby

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Recommended Citation

Sheila M. McCue, *Contracts—Releases—Release May Be Set Aside in Equity—Mutual Mistake of Fact.—Ruggles v. Selby*, 2 B.C.L. Rev. 152 (1960), http://lawdigitalcommons.bc.edu/bclr/vol2/iss1/25

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Contracts—Releases—Release May Be Set Aside in Equity—Mutual Mistake of Fact.—*Ruggles v. Selby.*[1]—Three months after a collision allegedly caused by defendant's negligence, plaintiff and her husband signed a statement releasing the defendant from all claims for injuries known and unknown arising from the collision. Within a month after the signing of the release plaintiff's husband developed symptoms of a serious brain injury which within two months thereafter rendered him completely incompetent, mentally and physically. At the time of the release, the medical prognosis showed no sign of such injury and plaintiff received a total of $900 for the relinquishment of his claims against the defendant. Plaintiff brought suit as conservatrix of her husband's estate, seeking to have the release set aside and recovery for injuries received as a result of defendant's negligence. At the trial, medical evidence was presented to show that the injury was a consequence of the collision, though of a type not immediately apparent. Judgment for plaintiff was affirmed on appeal. HELD: A release purporting to cover all claims for injuries, known and unknown, foreseen and unforeseen, may be set aside in equity where there was a mutual mistake of fact regarding the nature and extent of injuries sustained, since the upholding of the release would be unconscionable.

This result is in keeping with a liberal trend setting aside releases which have been entered into in good faith, but which have proven inequitable because of mutual mistakes of fact.[2]

Out-of-court settlements are, of course, regarded with favor since they avoid costly and lengthy trials. Only the most substantial evidence of fraud, duress, coercion, or mutual mistake will suffice to set aside a release.[3] It is the desire of courts to protect the integrity and legal effect of such instruments, and they may not be attacked on capricious grounds. However, where subsequent events which present themselves within a reasonable time render a release grossly unfair and unjust,[4] an equity court may scrutinize the agreement to determine if it was fairly made and reflected the intentions of the parties.

Although the release in question purported to forego all claims for injuries known and unknown (a fairly standard clause in such instruments) it is obvious that the parties, unaware of the extent of the injuries sustained, did not tender and accept the consideration for those injuries which came to light a month later. The $900 given failed to cover all the plaintiff's known expenses for personal injuries and property damage. The plaintiff's case was presented on the theory that although the agreement was clear and unambiguous, subsequent events rendered it inequitable.

In contrast to the principal case is *O'Donnell v. Langdon*,[5] decided in

[1] 25 Ill. App. 2d 1, 165 N.E.2d 733 (1960).

[2] Denton v. Utley, 350 Mich. 332, 86 N.W.2d 537 (1957); Estes v. Magee, 62 Idaho 82, 109 P.2d 631 (1957); Fraser v. Glass, 311 Ill. App. 336, 35 N.E.2d 953 (1941).

[3] 218 S.C. 211, 62 S.E.2d 297 (1950).

[4] Compare § 2-302 of the Uniform Commercial Code which allows the court to scrutinize a contract in order to avoid an unconscionable result.

[5] 170 Ohio St. 528, 166 N.E.2d 756 (1960).

Ohio shortly after the principal decision in Illinois. There the plaintiff sought to have a release set aside on the ground that he believed it was one relating only to claims for property damage, although the agreement clearly stated it was a full release of "all claims . . . and causes of action on account of injuries resulting from collision of motor vehicles."[6] The court, however, rejected plaintiff's claim and held the general release could not be set aside on such grounds. It would appear that the plaintiff would have been more successful if he had sought to have the release wholly set aside for the reason that injuries developed which could not have been known at the time the release was signed thereby rendering the $59.50 settlement inequitable. While the Ohio court narrowly confined its decision to the point that it would not allow a general release to be overcome by the allegation of the suing party that the settlement was for property damage alone, it is possible that if the plaintiff had sought to have the release set aside on the suggested grounds, the court would have followed its decision in *Connolley v. United States Steel Company*,[7] in which it stated, "Where one injured in an accident reads and understands the contract of settlement and release, signs the contract for a valid consideration, and makes no claim that the contract was procured by fraud, *and makes no application to set it aside,* he is bound by its terms . . . ."[8]

In the light of this language, the Ohio court might have been disposed to reach a decision similar to that in the principal case.

The true impact of the *Ruggles* case is felt by a prospective defendant who in an out-of-court settlement seeks a release in the most comprehensive terms. In considering his position, it must be borne in mind that as a practical proposition, releases are rarely attacked because of after-discovered injuries.

In *Ruggles,* the court scrupulously confined itself to the facts before it. It is possible that given a material change in the facts, the settlement would not have been found so unfair as to be unconscionable. Since the facts weigh so heavily it is difficult to formulate a definitive rule on the basis of the case. In this, as in other areas of equity jurisdiction, a court must trust more to the application of its discretion to the facts given, than to the application of a strict and stable line of precedent.

SHEILA M. MCCUE

Copyright Protection of Original Designs—Absence of Statutory Notice.—*Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*[1]—The plaintiff, Peter Pan Fabrics Inc., engaged in the business of purchasing uncolored cloth, printing designs upon it, and reselling the finished cloth to dress

6 Id. at 529, 166 N.E.2d at 757.

7 161 Ohio St. 448, 119 N.E.2d 843 (1954).

8 Id. at 451, 119 N.E.2d at 847.

1 Peter Pan Fabrics, Inc. v. Martin Weiner Corp., 274 F.2d 487 (2d Cir. 1960) (L. Hand, J., Friendly, J. dissenting), 73 Harv. L. Rev. 1613.