THE COURT OF COMMON PLEAS OF PHILADELPHIA COUNTY
FIRST JUDICIAL DISTRICT OF PENNSYLVANIA
CIVIL TRIAL DIVISION

MEDLINE INDUSTRIES INC.,	:	September Term, 2000
Plaintiff	:	
	:	No. 295
v.	:	
	:	Commerce Case Program
BECKETT HEALTHCARE INC., et al.,	:	
Defendants	:	Control No. 010635
	:	Control No. 061372

MEMORANDUM OPINION

This Opinion addresses the motion to enforce settlement of Plaintiff Medline Industries Inc. ("Medline"). Although both Parties agree that a settlement agreement was reached and request that their agreement be enforced, the Parties offer different interpretations of the agreement's language. For the reasons set forth in this Opinion, the Court agrees with Medline's interpretation of the Parties' settlement agreement.

BACKGROUND

The underlying matter in the instant case arises from a dispute over payments for goods the Defendants Legend Healthcare Inc. ("Legend") and Beckett Healthcare Inc. ("Beckett") purchased from Medline. When the Defendants allegedly failed to pay the amounts due, Medline filed a complaint ("Complaint") alleging claims for breach of contract, promissory estoppel, quantum meruit, unjust enrichment and an accounting. Beckett filed for bankruptcy on November 28, 2000 and subsequently requested that the Court stay the instant matter in accordance with 11 U.S.C.A. § 362. The Court responded by placing this case in deferred status on December 7, 2000.

Relying on the uncontested fact that Legend is solvent and has not filed a bankruptcy petition, Medline filed a motion to remove the case from deferred status on January 9, 2001. On February 22, 2001, the Court ordered the Parties to engage in discovery to resolve the factual issues raised in the motion.

After the Court issued its order, the Parties engaged in discussions toward a settlement. On April 10, 2001, Mark Lionetti, Esq., attorney for Legend, faxed a letter to Medline's attorney, Jeffrey Cohen, Esq., stating as follows:

> First, my client has authorized me to extend a $5,000 settlement offer to your client in exchange for a general release of all claims your client has against Legend Healthcare, Inc. formerly known as EquipNet, Inc. Second, your client would not be releasing Beckett, and would be free to pursue its claims against Beckett in the bankruptcy court. Third, in the event that this settlement offer is not accepted by your client, we will withdraw our opposition to your motion to remove this case from deferred status, and the litigation will move forward.

Plaintiff's Ex. 16.[1] Mr. Lionetti and Mr. Cohen engaged in telephone discussions regarding the offer that afternoon. The following day, Mr. Lionetti faxed Mr. Cohen a second letter confirming that Medline had accepted Legend's settlement offer and expressing the understanding that Mr. Cohen would prepare a draft of a general release for Mr. Lionetti's review. Plaintiff's Ex. 17.

Mr. Cohen subsequently prepared and executed a general release agreement ("Release") under which Medline released Legend from liability for "all matter of actions and causes of actions, claims and demands which were set forth in the pleadings in the aforementioned civil action." Plaintiff's Ex. 18.

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[1] The concession in the last sentence of this citation is an implicit acknowledgment that there are no "extraordinary circumstances" to extend the bankruptcy stay to Legend. Thus, the Court may grant the Plaintiff's motion to remove from deferred status without any further discussion.

After receiving the Release on April 25, 2001, Mr. Lionetti objected to the allegedly narrow language of the Release and proposed the following provision:

> Releasor, for itself, its agents, shareholders, officers, employees, representatives, assigns, heirs, predecessors and/or successors, does hereby remise, release, quit claim, and forever discharge Releasee, its agents, servants, employees, representatives, predecessors, successors, parents, affiliates, and/or assigns of and from any and all actions and causes of actions, suits, debts, dues, duties, sums of money, accounts, bills, judgments, executions, claims and demands of whatever kind or nature, from the beginning of time to the date of these presents which the plaintiff ever had and/or now has against the released party including those which were asserted and/or could have been asserted in the Complaint in the above matter and any claim or claims, damages or losses asserted or which might have been asserted in any other court of law against the released party.

Defendant's Ex. 4 at 1-2. When the Parties failed to resolve this dispute, Medline filed the instant motion to enforce settlement ("Motion"). Because factual disputes precluded the Court from ruling on the motion, the Parties were directed to engage in discovery and to file supplemental briefs.

DISCUSSION

It appears that both Parties agree that a settlement agreement was reached based on Mr. Lionetti's letter and the telephone discussions between Mr. Lionetti and Mr. Cohen. The only remaining dispute goes to which of Medline's claims against Legend are addressed by the Parties' agreement. The Court finds that the terms of Mr. Lionetti's April 10, 2001 letter, which forms the basis of a binding settlement agreement, release Legend only from those claims raised in this matter.[2]

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[2] Each Party's supplemental brief requests an award of attorneys' fees. Under 42 Pa. C.S. § 2503(9) ("Section 2503(9)"), a litigant is entitled to counsel fees if "the conduct of another party in commencing the matter or otherwise was arbitrary, vexatious or in bad faith." The aim of Section 2503(9) "is to sanction those who knowingly raise, in bad faith, frivolous claims which have no reasonable possibility of success, for the purpose of harassing, obstructing or delaying the opposing party." In re Estate of Liscio, 432 Pa. Super. 440, 446, 638 A.2d 1019, 1022 (1994). Because neither Party has alleged conduct that would support an award of attorneys' fees, the request of each is

In Mazzella v. Koken, 559 Pa. 216, 224-25, 739 A.2d 531 (1999), the Pennsylvania Supreme Court engaged in an extensive discussion of the formation, interpretation and enforcement of settlement agreements:

> The enforceability of settlement agreements is governed by principles of contract law. To be enforceable, a settlement agreement must possess all of the elements of a valid contract. As with any contract, it is essential to the enforceability of a settlement agreement that the minds of the parties should meet upon all the terms, as well as the subject-matter, of the agreement.
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> Where the parties have agreed on the essential terms of a contract, the fact that they intend to formalize their agreement in writing but have not yet done so does not prevent enforcement of such agreement. [E]ven the inability of the parties to an oral agreement to reduce such agreement to writing after several attempts does not necessarily preclude a finding that the oral agreement was enforceable.
>
> When there exists conflicting evidence as to whether the parties intended that a particular writing would constitute a complete expression of their agreement, the parties' intent is a question to be resolved by the finder of fact. . . . In reviewing such finding, we are mindful that
>
> > it is understandable that when, after a prolonged period of negotiations, parties appear to reach agreement on the essential terms of an important transaction, one of them might believe that a contract had been made. However, before preliminary negotiations ripen into contractual obligations, there must be manifested mutual assent to the terms of a bargain.
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> If all of the material terms of a bargain are agreed upon, the settlement agreement will be enforced. If, however, there exist ambiguities and undetermined matters which render a settlement agreement impossible to understand and enforce, such an agreement must be set aside.

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denied.

Medline also requests 4.9 percent interest on Legend's payment accruing from June 8, 2001. Because Medline has provided no reason to grant this request, it is denied.

559 Pa. at 224-25, 739 A.2d at 536-37 (citations, quotation marks and brackets omitted). See also In re Estate of Hall, 731 A.2d 617, 621 (Pa. Super. Ct. 1999) ("[a]n agreement is a valid and binding contract if: the parties have manifested an intent to be bound by the agreement's terms; the terms are sufficiently definite; and there was consideration"). As stated supra, both Parties agree that a settlement agreement was reached, and the Court concurs in this assessment.[3]

Interpreting the language of the April 11, 2001 letter is more difficult. Generally, a release is to be given effect according to the ordinary meaning of its language. Seasor v. Covington, 447 Pa. Super. 543, 547, 670 A.2d 157, 159 (1996). However, it must also be construed narrowly and in light of the circumstances at the time of its execution:

> The courts of Pennsylvania have traditionally . . . interpreted the release as covering only such matters as can fairly be said to have been within the contemplation of the parties when the release was given. Moreover, releases are strictly construed so as not to bar the enforcement of a claim which had not accrued at the date of the execution of the release.
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> . . . [A] release covers only those matters within the parties' contemplation. In construing this general release, a court cannot merely read the instrument . . . . [I]t is crucial that a court interpret a release so as to discharge only those rights intended to be relinquished. The intent of the parties must be sought from a reading of the entire instrument, as well as from the surrounding conditions and circumstances.

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[3] From the facts set forth, the manifest intent of the Parties was to reach an agreement under the terms set forth in Mr. Lionetti's letter of April 10, 2001. Mr. Cohen received the April 10, 2001 letter that same day. Plaintiff's Ex. at 5. Mr. Lionetti and Mr. Cohen later spoke by telephone and discussed the letter's terms. Id. at 5-7. Mr. Cohen was familiar with Mr. Lionetti's request for a "general release of all claims [Medline] has against Legend" and did not respond to Mr. Lionetti's confirmation letter of April 11, 2001 for two weeks. Plaintiff's Ex. 11 at 6. This demonstrates that Mr. Cohen and Mr. Lionetti agreed to the terms of the April 10, 2001 letter and that a binding contract was formed. See Johnston the Florist, Inc. v. TEDCO Constr. Corp., 441 Pa. Super. 281, 291, 657 A.2d 511, 516 (1995) (considering "what was intended by what was said and done by the parties" to determine whether an oral contract had been formed).

Vaughn v. Didizian, 436 Pa. Super. 436, 439, 648 A.2d 38, 40 (1994) (citations and quotation marks omitted) (emphasis added). See also In re Bodnar's Estate, 472 Pa. 383, 387, 372 A.2d 746, 748 (1977) ("[a] release ordinarily covers only such matters as can fairly be said to have been within the contemplation of the parties when the release was given"); Crum v. Pennsylvania R.R. Co., 226 Pa. 151, 156, 75 A. 183, 185 (1910) ("an agreement comprehends only those things in respect to which it appears the contracting parties proposed to contract, and not others they never thought of. . . . [T]he release cannot be allowed to embrace anything beyond it"). When trial courts have looked only at the language of the release and failed to take into account the surrounding events, they have been criticized and reversed. See, e.g., Vaughn, 436 Pa. Super. at 439, 648 A.2d at 40 (holding that "the trial court erred in failing to construe the language of this general release in light of the conditions and circumstances surrounding its execution" and reversing the trial court's application of the release to bar the plaintiff's claims).

The circumstances in this case support the inference that the term "all claims your client has against Legend Healthcare, Inc." refers to all of those claims brought against Legend in the instant case. Mr. Cohen has no knowledge of any claims that Medline has against Legend other than those presented in the instant case and never discussed any other Medline claims with Mr. Lionetti. Plaintiff's Ex. 11 at 7. In his discussions with Mr. Cohen, Mr. Lionetti never mentioned that the Parties' release should cover any claims other than those set forth in Medline's complaint. Id. at 6.

The written communications between the Parties confirm this conclusion. Mr. Lionetti's use of the present tense by referring to claims that Medline "has" against Legend ties his April 10, 2001 offer to only those claims that were in existence at that time and not future claims. Plaintiff's Ex. 16.

Similarly, the subject line in Mr. Lionetti's April 10 and 11, 2001 letters reference the instant case only, not any other cases involving either Party. Plaintiff's Exs. 16, 17.

While Mr. Cohen could have pointed out the potential confusion in Mr. Lionetti's offer, this in no way leads to the result proposed by Legend. Thus, these facts, combined with the directive that releases be construed strictly, militates in favor of the interpretation advanced by Medline, and the Motion is granted.

CONCLUSION

Mr. Lionetti's letter of April 10, 2001 is binding as a release, and Medline's interpretation of the document is correct. Accordingly, the Motion is granted.

BY THE COURT:

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JOHN W. HERRON, J.

Dated: November 15, 2001

THE COURT OF COMMON PLEAS OF PHILADELPHIA COUNTY
FIRST JUDICIAL DISTRICT OF PENNSYLVANIA
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ORDER

AND NOW, this 15th day of November, 2001, upon consideration of Plaintiff Medline Industries Inc.'s Motion to Remove from Deferred Status and Motion to Enforce Settlement, Defendant Legend Healthcare Inc.'s responses thereto, and all other matters of record, and in accordance with the Memorandum Opinion being filed contemporaneously with this Order, it is hereby ORDERED and DECREED as follows:

1. The Motion to Remove from Deferred Status is GRANTED as to Defendant Legend Healthcare Inc. only.

2. The Motion to Enforce Settlement is GRANTED.

3. Defendant Legend Healthcare Inc. shall pay the Plaintiff the total amount of $5,000.00.

BY THE COURT:

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JOHN W. HERRON, J.