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May v. Anderson, 121 Nev. Adv. Op. 67 (Sept. 22, 2005)¹

TORT LAW – SETTLEMENT AGREEMENTS

Summary

This case is an appeal from a judgment of the Eighth Judicial District Court, Clark County, finding a settlement agreement between the parties to be valid and entering judgment in accordance with that agreement.

Disposition/Outcome

The Nevada Supreme Court affirmed the district court's judgment.

Factual and Procedural History

On January 21, 2001, respondent Curtis Clint Anderson was involved in a rollover accident while driving a vehicle owned by his parents, respondents Darlene and Curtis L. Anderson. The accident injured all four other passengers in the car, and one of the passenger's injuries proved fatal. The Andersons' insurance company negotiated a global settlement with the parties that included a release of all claims against Curtis and the Andersons and a covenant not to sue in exchange for payment of full insurance proceeds to the parties. All of the parties' attorneys agreed and returned signed letters to the Andersons' attorney.

Once all the parties had reached agreement, the Andersons' attorney sent formal release documents for signature. One of the parties, the Mays, refused to execute the documents or accept payment. The Mays would not agree to the general release because it: 1) did not contain an admission of liability by Curtis and 2) extinguished all claims and rights against Curtis and all persons who might have culpability or liability for the accident.

The Mays filed in district court a claim against Curtis and the Andersons alleging wrongful death and negligence. Curtis and the Andersons answered asserting that the claim was settled and seeking specific performance of the settlement agreement. The Andersons' insurance company interpleaded the balance of the insurance proceeds.

Following a bench trial, the district court held that the Mays' attorney had authority to bind the Mays and that the settlement terms included a general release of all claims and a covenant not to sue. Further, the district court held that the execution of a release document was not necessary to enforce an otherwise valid settlement agreement. Therefore, the parties had entered into a legally enforceable settlement agreement and

¹ By Patty L. Roberts

that agreement provided for a general release of all claims. The district court entered judgment in accordance with the proposed settlement, and the Mays appealed.

Discussion

The Nevada Supreme Court considered two issues: 1) whether the essential terms of a release constitute a material term of a settlement agreement and 2) whether the agreement was enforceable despite the Mays' refusal to sign the release.

A settlement agreement is a contract governed by principles of contract law.² As a contract, an enforceable settlement agreement requires an offer and acceptance, a meeting of the minds, and consideration.³ A court cannot compel compliance with a settlement agreement when material terms remain insufficiently certain and definite.⁴ However, a contract can be formed when the material terms have been agreed upon, even though the contract's language is finalized later.⁵

Generally, release terms are considered material to a settlement agreement. However, what constitutes an "essential term" of a release must be determined on a case-by-case basis.⁶

Whether a contract has been formed is a question of fact, and the Nevada Supreme Court defers to the district court's findings unless clearly erroneous or not based on substantial evidence.⁷ In other words, the essential terms of a release do constitute a material term of a settlement agreement. However, parties' agreement to the terms of a release does result in the formation of a contract, even when the contract is to be finalized at a later time.

In the case at bar, the Supreme Court concurred with the district court that the parties had agreed upon the essential terms of the release. The district court found that the Andersons' insurance company's settlement offer was conditioned upon a general release of all claims and a covenant not to sue. The Mays' attorney, who had authority to bind the Mays, accepted this offer in writing. It does not matter that the Mays refused to sign a finalized release document because the Mays had already agreed to the essential terms of the release. Therefore, the district court properly compelled compliance with the terms of the settlement agreement, and the Supreme Court affirmed the judgment of the district court.

² Reichelt v. Urban Inv. & Dev. Co., 611 F. Supp. 952, 954 (N.D. Ill. 1985).

³ Keddie v. Beneficial Ins., Inc., 94 Nev. 418, 421, 580 P.2d 955, 956 (1978) (Batjer, C.J., concurring).

⁴ Chappell v. Roth, 353 N.C. 690, 548 S.E.2d 499, 500 (2001).

⁵ Higbee v. Sentry Ins. Co., 253 F.3d 994, 998 (7th Cir. 2001).

⁶ See, e.g., Nichols v. Hartford Ins. Co. of the Midwest, 834 So.2d 217, 218-19 (Fla. Dist. Ct. App. 2001) (finding indemnification language did constitute an essential term); Bontigao v. Villanova Univ., 786 F. Supp. 513 (E.D. Pa. 1992) (finding scope of the release to be an unresolved material term).

⁷ James Hardie Gypsum, Inc. v. Inquipco, 112 Nev. 1397, 1401, 929 P.2d 903, 906 (1996).

Conclusion

The essential terms of a release do constitute a material term of a settlement agreement. Therefore, an enforceable settlement agreement cannot exist unless the parties have agreed to the essential terms of the release.

An agreement may be enforceable even if the parties do not sign a formal release as long as the essential terms have been agreed upon. A party's attorney has the authority to bind the client by signifying acceptance of the terms of an agreement.