

# Transamerica oil corporation



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The Plaintiff, Transamerica Oil Corporation, brought suit under the Kansas Uniform Commercial Code (UCC) to recover damages resulting from the breach of an express warranty by the defendant, Lynes, Inc. and Baker International Corporation. A jury in the United States District Court for the District of Kansas found in favor of the plaintiff and awarded Transamerica Oil Corporation \$196, 577. 62. The defendant appealed the court's ruling December 21, 1983. Defendant claimed that the action was barred by the statute of limitations and that Brown expressly agreed to a limitation of liability and a limitation of remedies based on the information printed on the invoices.

### Facts

Transamerica's primary business is in drilling and completing oil and gas wells. Transamerica's president, Harold Brown, saw an advertisement in a trade journal for the defendants' production injection packers. The defendants' advertisement stated it was suitable for permanent use in oil and gas wells to seal off one zone from another. The literature also stated it could be used to permanently close open wells. Following a conversation between Brown and Jack Spenser, Baker's district manager, Transamerica purchased ten production injection packers from Lynes, Inc., with six shipments, under the belief that the packers would be " applicable" for use as " permanent completion devices".

Transamerica received five shipments with an invoice for each delivery. The invoices reverse side had information disclaiming express or implied warranties. The invoices also had information in the event that there were

defective equipment or parts. Claiming the products failed to work as promised and advertised, Transamerica filed suit which initially included a claim based on implied warranty.

#### Issue

What are the appropriate statute of limitations in this case and what specific warranties and disclaimers exist, if any, following the conversation between Brown and Spenser? Did the two parties intend to have the invoices constitute a final expression of their agreement? Did the two parties enter into a complete oral contract prior to delivery of the packers and also prior to invoicing?

#### Answer/Holding

The appellate court reversed and remanded the trial court's opinion that Spenser's presumed "assurance" that the production injectors were suitable for use as permanent completion devices in open holes.

#### Reasoning and Disposition

The defendants had the ability and right to present evidence that the plaintiff had expressly agreed to the limitations of liability, which was located on the reverse side of the invoices sent with delivery. While Brown did not endorse all deliveries, he did sign one invoice containing the limitation. The appellate court agreed that the previous ruling in regards to the issue of liability on the expressed warranty was appropriately addressed, the order for a new trial will solely be limited to damages only.