

Unambiguous Terms of Written Contract Trump Claims of Fraudulent Inducement

A recent Texas Supreme Court opinion provides a definitive answer to the question of whether a party can ignore the written words of a contract that directly contradict what you are being told by your counterparty is the real deal.

Glenn D. West, writing for Weil, Gotshal & Manges LLP's **Global Private Equity Watch**, discusses *Mercedes-Benz USA, LLC v. Carduco Inc.*

"While it is often said that fraud vitiates a contract that was entered into based upon that fraud (and such fraud would also trump the parol evidence rule), that statement is only true if there was actually legally-recognized fraud that induced the making of the contract. But a fraud cause of action does not consist simply of an allegation that the defendant made a false statement of fact to the plaintiff, knowingly or recklessly," West writes.

The Texas Supreme Court found that "[b]ecause the conduct and action of [the defendants] on which [the plaintiff] relies to establish its fraudulent-inducement claim are directly contrary to the unambiguous terms of the contract it signed, we conclude that [the plaintiff's] reliance thereon was unjustified as a matter of law."

Read the article.