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Docket: 1784CV00518-BLS1

Date: October 30, 2019

Parties: Metal Seal Precision, Ltd. v. Sensata Technologies, Inc.

Judge: /s/Brian A. Davis Associate Justice of the Superior Court

Decision and Order Regarding Plaintiff Metal Seal Precision, Ltd.'s Motion for Partial Summary Judgment (Docket Entry No. 82.0):

This action arises from defendant Sensata Technologies, Inc.'s ("Sensata") purported breach of a multi-year Memorandum of Understanding, as amended (the "2014 MOU"), which allegedly requires Sensata to purchase certain minimum quantities of particular metal components that Sensata uses in the production of its automotive sensor products each year from plaintiff Metal Seal Precision, Ltd. ("Metal Seal"). Metal Seal filed suit in February 2017, and Sensata responded with a series of counterclaims, the most recent of which were filed in February 2019. See Second Amended Answer, Counterclaims, and Affirmative Defenses (the "Answer and Counterclaims," Docket Entry No. 75.0). Sensata strenuously denies that it ever agreed to purchase any minimum annual quantities of metal components from Metal Seal. Sensata also alleges, however, in the alternative that, if the parties' 2014 MOU is found to include a minimum purchase requirement, then the requirement is unenforceable because it was obtained through Metal Seal's fraud and misrepresentations. See Answer and Counterclaims, Count III (Violation of G.L. c. 93A), Count IV (Fraud), and the Eighteenth Affirmative Defense (MOU is "void and unenforceable" due to Metal Seal's "material misrepresentations"). More specifically, Sensata alleges that Metal Seal, ma[de] false representations [in negotiations] to induce and pressure Sensata to enter into the 2014 MOU and each subsequent amendment by representing that its insurer required that any contract with Sensata include minimum volumes and that post-fire expenditures were dependent upon approval by its bank.

Id., ¶49. See also id., ¶¶54-58.

Trial in this case is scheduled to commence on December 3, 2019. In an effort to reduce the number of issues to be resolved at trial, Metal Seal has moved for partial summary judgment on Count III, Count IV, and the Eighteenth Affirmative Defense of Sensata's Answer and Counterclaims to the extent they are based on Metal Seal's alleged fraud and misrepresentations in the negotiation of the 2014 MOU. See Plaintiff Metal Seal Precision, Ltd.'s Motion for Partial Summary Judgment (the "Summary Judgment Motion," Docket Entry No. 82.0). In pressing its Summary Judgment Motion, Metal Seal concedes, for summary judgment purposes only, that it misrepresented to Sensata the reasons behind Metal Seal's insistence that the 2014 MOU include a

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minimum annual purchase requirement. Metal Seal nonetheless argues that Sensata's counterclaims and affirmative defenses based on Metal Seal's purported fraud and misrepresentation cannot succeed as a matter of law because, inter alia, Sensata's claimed reliance on Metal Seal's representations was inherently unreasonable and Sensata suffered no compensable damages on account of the representations. Sensata, for its part, opposes Metal Seal's Summary Judgment Motion.

The Court conducted a hearing on Metal Seal's Summary Judgment Motion on October 15, 2019. Both sides appeared and argued. After oral argument, the Court gave each party the opportunity to submit a supplemental letter brief addressing the question of whether Metal Seal's stated reasons for its insistence that the 2014 MOU include a minimum annual purchase requirement constituted a material fact for purposes of the parties' agreement. Upon

consideration of the original and supplemental written submissions of the parties and the oral arguments of counsel, Metal Seal's Summary Judgment Motion is ALLOWED for the reasons discussed, briefly, below.

Massachusetts law provides that,

[t]o recover for fraudulent misrepresentation, a plaintiff must allege and prove that the defendant made a false representation of a material fact with knowledge of its falsity for the purpose of inducing the plaintiff to act thereon, and that the plaintiff relied upon the representation as true and acted upon it to [her] damage.

Masingill v. EMC Corp., [449 Mass. 532](#), 540 (2007) (internal quotation marks and citation omitted). A "material fact" is "one to which a reasonable person would attribute importance for his or her choice of action in the transaction at issue." Welch v. Barach, [84 Mass. App. Ct. 113](#), 120 n.11 (2013). "It must be one of the principal grounds, but not necessarily the sole ground, causing the [receiving party's] decision." Id.

Metal Seal's Summary Judgment Motion requires the Court to decide whether Metal Seal's misrepresentations to Sensata regarding the reasons behind the bargaining positions that Metal Seal took in the course of the parties' negotiation of the 2014 MOU constitute "material facts" that are sufficient to support Sensata's counterclaims and affirmative defenses based upon fraud. The Court concludes that they are not. Although case law on the issue is somewhat sparse, the better reasoning appears to be that a party's statement of the reasons or motives underlying its bargaining position generally are not considered to be "material."

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For example, in Goldman v. Town of Plainfield, 171 Vt. 575, 762 A.2d 854 (2000) ("Goldman"), the Supreme Court of Vermont considered whether the trial court properly granted summary judgment to the Town of Plainfield, Vermont (the "Town") in a suit that accused the Town of having lied about its ability to supply town water to a particular condominium development project (the "Project") in order to extract additional contract concessions from the developer. 171 Vt. at 575, 762 A.2d at 855. The developer later sued the Town alleging that the Town had fraudulently and negligently misrepresented its alleged inability to supply water to the Project to the developer's detriment. 171 Vt. at 575, 762 A.2d at 855-856. The trial court ruled that the Town's misrepresentations "went only to the motive for the Town's bargaining position and were not material to the agreement," and the developer appealed. 171 Vt. at 575, 762 A.2d at 856.

The Supreme Court of Vermont unanimously affirmed the decision of the trial court. In doing so, the Supreme Court quoted extensively from one of its earlier decisions, Stone & Wellington v. Robie, 66 Vt. 245, 29 A. 257 (1894). It said that, in order to be actionable for fraud, a party's misrepresentations,

must relate distinctly and directly to the contract, must affect its very essence and substance, and must be material to the contract. If the representations relate to other matters, or to the contract in a trivial and unimportant respect only, or are wholly collateral, they afford no ground for avoiding the contract.

The Court in Robie found no fraud or misrepresentation because the "representations did not relate to the quantity, quality, or value of the articles sold." Id.; see also Restatement (Second) of Torts § 538(2) (1977) (a fact is material either if "a reasonable man would attach importance to its existence or nonexistence in determining his choice of action in the transaction in question" or the person making the misrepresentation knows or has reason to know that the other party is likely to regard it so). A statement of the motives underlying a party's bargaining position is generally not deemed to be material.

171 Vt. at 575-576, 762 A.2d at 856. The reported decisions of other courts that have faced the same issue are in accord.[1] See, e.g., Mabry v. Pelton,

[1] In a supplemental filing, Sensata cites the Massachusetts Supreme Judicial Court's ("SJC") decision in *Gabriel v. Borowy*, [326 Mass. 667](#) (1951) ("*Gabriel*"), for the proposition that "a common law cause of action for fraud can be based on an actor's false statement concerning its motivation for pursuing a particular course of action." Defendant's Letter to Court, dated October 29, 2019, at 3. That case, however, is factually dissimilar. As described by the SJC, the *Gabriel* case involved,

an action of tort to recover damages by a tenant against two landlords arising from their bringing an action of summary process to recover possession of the tenement which the defendants falsely and fraudulently represented they were bringing "in good faith to recover possession of such housing accommodations for ... [their] immediate and personal use and occupancy as housing accommodations" as permitted by the [federal] housing and rent act of 1947....

326 Mass. at 670. Thus, the actionable deceit alleged in *Gabriel* was not simply the landlords' misrepresentations to the claimant as to their intentions for the "tenement," it also included the landlords' independent "false[] and fraudulent[]" statements to the court in the summary process proceeding regarding their purported compliance with federal housing laws. *Id.* No similar fraud on the court is alleged to have occurred in this case

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893, 432 S.E.2d 588, 590-591 (1993) (reversing trial court's denial of summary judgment for seller on fraud claim in case involving sale of "one-half embryo interest" in Angus donor cow because seller's "reason for purchasing the cow ... is not a material fact" and "has no bearing on the terms of [the parties'] contract"); *In re Davenport's Estate*, 140 Neb. 769, 778, 2 N.W.2d 17, 22 (1942) (rejecting fraud claim arising from negotiation of personal services contract because alleged misrepresentations "amounted to no more than a statement of motives of those making the offer" and claimant "got what she bargained for whether the representations were true or false," such that alleged misrepresentations "could not be deemed material for any purpose"); *Byrd v. Rautman*, 85 Md. 414, 36 A. 1099, 1101 (1897) (affirming dismissal of fraud claim based on stock sale where the misrepresentation "was merely a false statement of the appellee's motive in desiring to purchase," and the purchaser's "motive in desiring to purchase had and could have no bearing upon the question as to the price [the seller] ought to accept. It had no relevancy to the transaction between the parties, or, if it had it related to it in a trivial and unimportant way, and if [the seller] acted upon it, and was thereby induced to sell, it was his own folly or fault, and he cannot ask to be relieved from the consequences.").

In this case, Metal Seal insisted during the negotiation of the 2014 MOU that Sensata agree to certain minimum purchase requirements in order to strike a deal for the metal components that Sensata wished to buy. Metal Seal may have misrepresented to Sensata why it insisted on the inclusion of minimum purchase requirements in the parties' agreement, but that misrepresentation did not alter the substance of what Metal Seal demanded, or what Sensata agreed to. Put another way, Metal Seal's misrepresentation as to the motive for its bargaining position "did not relate to the quantity, quality, or value of the articles sold." *Goldman*, 171 Vt. at 576, 762 A.2d at 856 (internal quotation marks and citation omitted). Moreover, the minimum purchase requirements that Metal Seal insisted upon were not hidden from Sensata or

misrepresented by Metal Seal in any way. Sensata understood the purchase requirements that Metal Seal was demanding, and it had a full and fair opportunity to assess those requirements on their merits and decide whether to accept or reject them. Thus, Sensata "got what [it] bargained for" irrespective of whether Metal Seal's misrepresentation regarding its motive was "true or false" and, therefore, that misrepresentation cannot "be deemed material for any purpose." [2] In re Davenport's Estate, 140 Neb. 769, 2 N.W.2d at 22.

There is no unfairness to Sensata in this result. Metal Seal and Sensata are both sophisticated business entities, and their negotiations with respect to the 2014 MOU undeniably were conducted at arms-length. While Sensata may have reposed some level of "trust and confidence" in various representations that Metal Seal made during their negotiations, that fact alone "cannot ... transform a business relationship into one which is fiduciary in nature." *Broomfield v. Kosow*, [349 Mass. 749](#), 755 (1965). Sensata was free to decide for itself whether to enter into the 2014 MOU on the fully-disclosed terms that were proposed by Metal Seal. To permit Sensata to undo that agreement now, in whole or in part, based upon Metal Seal's assertion that minimum purchase requirements had to be part of any deal would mean that every contract negotiator who insists upon a "must have" provision about which he or she actually is flexible could be deemed to have committed fraud. As stated by the Massachusetts Supreme Judicial Court in comparable circumstances in *Swinton v. Whitinsville Say. Bank*, [311 Mass. 677](#) (1942), "[t]he law has not yet, we believe, reached the point of imposing upon the frailties of human nature a standard so idealistic as this." *Id.* at 678679.

[2] Sensata admits in its response to Metal Seal's Statement of Facts that,

[a]t the time of the negotiation of the 2014 MOU, Sensata had no alternative source for certain parts [supplied by Metal Seal]; consequently, without a new agreement with Metal Seal, Sensata would have been unable [to] fulfill its obligations to its customers. Sensata Technologies, Inc.'s Response to Plaintiff Metal Seal Precisions, Ltd.'s Statement of Facts in Support of its Motion for Partial Summary Judgment (Docket Entry No. 83.0), 11 9. This admission by Sensata that its back was effectively "against the wall" during the negotiation of the 2014 MOU further supports the conclusion that Metal Seal's claimed reason for demanding Sensata's assent to the inclusion of minimum purchase requirements was not material to Sensata's ultimate decision to enter into that agreement.

Order

For the foregoing reasons, Metal Seal's Motion for Partial Summary Judgment (Docket Entry No. 82.0) is ALLOWED. Count III, Count IV, and the Eighteenth Affirmative Defense of Sensata's Answer and Counterclaims are hereby DISMISSED, with prejudice, to the extent they based on Metal Seal's alleged fraud and misrepresentations in the negotiation of the 2014 MOU.

/s/Brian A. Davis Associate Justice of the Superior Court