

Case Name: Cheff v. BNSF Railway Co.
Date Decided: November 3rd, 2010
Originally Filed in: Montana (state)
Decided by: Montana Supreme Court (State)
Court: Montana S. Court.
Judge: Wheat
Citation: 358 Mont. 144 (2010)

Background:

Plaintiff, a railroad employee, was injured when he slipped and fell on an icy walkway on his employer's premises. Plaintiff thereafter brought his injury to the attention of his employer, BNSF Railway ("BNSF"). Plaintiff's medical report indicated that he needed surgery due to a herniated disc in his back. BNSF's claims department offered Plaintiff a \$300,000 settlement (containing a "Release") and offered to extend his medical coverage post employment, up to 2010, even though the Plaintiff already had a right to receive continued medical coverage under BNSF policy. Plaintiff signed the Release. However, Plaintiff cancelled the surgery because he was no longer a candidate for surgery due to a newly discovered pre-existing condition. While surgery was an option, it was of a different nature than initially planned and only appropriate in an emergency situation. Plaintiff then brought this action pursuant to the Federal Employers' Liability Act, 45 U.S.C. Â§ 51 *et al.* (FELA), against his employer, BNSF. Plaintiff alleged the Release was void for lack of consideration, mutual mistake, and fraudulent inducement. The district held the Release to be invalid due to mutual mistake. The case went to trial, and Plaintiff recovered. Defendant asserted that it was entitled to an offset of the 300k already paid, plus interest. The district court granted the 300k offset but denied interest. Defendant appealed.

Issue:

(1) Under the FELA, is a release invalidated for mutual mistake when both parties entered into the settlement agreement under the pretense that the plaintiff's injuries were less severe and of a different nature than they actually were? (2) Under the FELA, is a defendant entitled to receive an offset for the interest accrued on the previous settlement paid to the Plaintiff regarding the same matter?

Overall Issues Discussed or Touched Upon in this Case:

- *Ruling on Summary Judgment*
- *Defense - Release*

Held:

(1) Yes, the Court held that the release was invalidated for mutual mistake. Whether a FELA release is valid is a federal question that must be determined by federal law. Under FELA, a

mutual mistake of fact may invalidate a release only when both parties hold a mistaken belief pertaining to the nature of the injury. The Court concluded that the extent and consequences of the Plaintiff's injuries increased beyond that which were originally contemplated by the parties when they executed the Release. (2) No, the Court held that the Defendant was not entitled to receive an offset for the interest accrued on the settlement payments already given to the plaintiff because, under FELA, prejudgment interest is not allowed, and therefore it follows that a prejudgment interest offset is not available to the Defendant.

Comments:

Under FELA, a mutual mistake of fact may invalidate a release only when both parties hold a mistaken belief pertaining to the nature of the injury. Prejudgment interest is not allowed under FELA.