

**Case Name:** Montana Rail Link v. CUSA Parts, LLC. (Powder River Transportation)

**Date Decided:** December 22nd, 2009

**Originally Filed in:** ()

**Decided by:** (State)

**Court:** Supreme Court of Montana

**Judge:** Judge Cotter

**Citation:** 2009 WL 4935945 (Mont.)

**Background:**

Railroad, Montana Rail Link brought cross claim against provider, Powder River Transportation for indemnification of employee's damages. MRL contracted with Powder River to provide transportation for MRL's workers. The contract contained a provision that required Powder river to indemnify and hold MRL harmless from any and all loss, liability, damages, claims, demands, or costs of whatsoever nature arising out of contractors actions in performing the agreement. Thomas Salazar, was a locomotive engineer for MRL and was injured when a van operated by Powder River was involved in a rollover accident. Four days later, Salazar filed a personal injury report with the Wellness Program (plan instituted by MRL to cover injuries) administrator. Salazar was seen by a Dr. and diagnosed with chest injuries to his ribs and hip. Salazar also continued to see a chiropractor because he continued to experience next and right arm pain. Eventually, through many visits to various doctors, Salazar was diagnosed with carpal tunnel and was told by a treating doctor he would improve from surgery. After the surgery, Salazar reported pain in his left hand and right shoulder, especially while engaging the right shoulder in overhead functions. A treating Dr. opined Salazar was totally and permanently disabled and recommended Salazar be pulled from work and placed on long-term disability. Salazar filed a negligence suit against Powder River and MRL. MRL then filed a cross claim against Powder River seeking to be indemnified for Salazar's damages per the contract between MRL and Powder River. MRL, Salazar, and Powder River then entered into a settlement in which Salazar agreed to drop his claims against Powder River and MRL, part of the settlement amount included money previously paid by MRL through it's Wellness Program. Salazar then replied to MRL's cross claim claiming it was not required to indemnify MRL for costs and fees incurred in defending Salazar's claims nor was it required to indemnify MRL for benefits already paid. Moreover, Powder River claimed that MRL acted unreasonably in adjusting Salazar's claim and therefore, barred an indemnification claim. The District Court ordered Powder River to indemnify MRL for the amounts expended on Salazar resulting from the accident. Moreover, the court ordered Powder to pay MRL's attorney fees and costs for its claims arising out of the van accident. The Court also determined that Salazar's carpal tunnel symptoms were a direct cause of his shoulder injury, caused by the accident. The Court, noting that because MRL was subject to the Federal Employers' Liability Act, FELA, that the obligation to indemnify MRL was broader than in a traditional negligence action because MRL's duty towards its employees was greater. Ultimately the District Court held MRL harmless for all amounts paid relating to Salazar's injuries arising from the accident. Powder River appealed.

Claiming the court erred in ordering Powder River to indemnify MRL for medical bills, wage loss benefits paid, and attorney fees.

**Issue:**

Did the District Court err holding that MRL was indemnified and Powder River was to pay MRL for damages arising from the accident?

**Overall Issues Discussed or Touched Upon in this Case:**

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**Held:**

Powder River asserted that the indemnity provision pertained only to claims arising out of its negligence. Powder River argued that Salazar's carpal tunnel and shoulder injuries arose from his work as a locomotive engineer for MRL and not the accident. Second, Powder River argued that the administrator of the MRL Wellness program paid Salazar for every claim, whether it was related to the accident or not, effectively exposing Powder River to further liability. Powder River claimed MRL failed to show a causal link between the work-related accident and the claimed injury and that the medical evidence failed to establish such a link. MRL responded, arguing that the administrator's decision to cover the claims in the Program was made in good faith and based on a reasonable interpretation of the plans terms and should be upheld. Furthermore, MRL contended the broad language of the indemnity provision covers Salazar's claims because they arose out of the accident and that Powder River is estopped from denying indemnification based on the position it took during settlement negotiations and that it relied upon money paid by MRL to Salazar in negotiating a reduced final settlement. Here, the Court found that the plan administrator was acting within her discretion when she paid medical and wage loss benefits to Salazar. However, the Court recognized that prior to settlement negotiations, a Dr. performed an examination at Powder River's request and concluded that the van accident did not cause any of the conditions MRL had already paid for. However, Powder River did not provide notice to MRL that it would challenge its right to seek indemnification until over 4 months after settlement. Accordingly, the Court affirmed the District Court's finding that Powder River was required to indemnify MRL for wage loss and medical benefits it paid to Salazar. However, the Court denied Powder River's claim for attorney's fees because under Montana law, they must be provided for explicitly in an indemnification clause. Here, the Court found, they were not.

**Comments:**

Powder River and MRL had developed an indemnitee-indemnitor relationship. If an indemnitee (MRL) puts an indemnitor (Powder River) in a position in which it increases the indemnitor's risk of loss, then the duty to indemnify may be discharged. The Third circuit has

stated that the principle for discharging an indemnitor's obligation on this basis is derived by analogy from the law of surety, therefore the relief requested derived solely from equity. A party securing relief in equity must come into court with clean hands. Here, Powder River used the money paid by MRL to negotiate a lower settlement with the injured employee, and also failed to respond right away to MRL's indemnity claim. Therefore, because Powder River did not come into court with "clean hands" required to secure payment through equity, this Court still held Powder liable for medical costs. Steve Gordon