QUESTION 5

Mechanical Seals Inc. ("MSI") manufactures industrial gaskets. Sprocket Inc. manufactures gearboxes, including gearboxes used by Irrigation Inc. in its agricultural sprinkler systems.

In March 2008, Sprocket’s president met with MSI’s agent to determine if MSI could design and manufacture gaskets to be used in Sprocket’s gearboxes. MSI’s agent represented to Sprocket’s president that MSI was fully capable of designing and manufacturing high-quality gaskets that would allow Sprocket’s gearboxes to function in an agricultural irrigation system. Based on this representation, Sprocket’s president verbally agreed to have MSI design and manufacture the gaskets it was seeking.

On May 31, 2008, MSI sent a written quotation to provide 10,000 gaskets to Sprocket for $90,000. Included among the terms and conditions stated on the face of the quotation was the following paragraph, in bold print:

Warranty. All of the gaskets sold hereby are subject to the following warranty: MSI WARRANTS FOR A PERIOD OF ONE YEAR FROM THE DATE OF DELIVERY THAT THE GASKETS ARE FREE FROM DEFECTS IN MATERIALS AND WORKMANSHIP. THIS LIMITED WARRANTY IS YOUR EXCLUSIVE WARRANTY FROM MSI AND DESCRIBES THE EXCLUSIVE REMEDY AVAILABLE TO YOU. THE PRODUCT IS NOT SOLD WITH ANY IMPLIED WARRANTIES, NOR ANY WARRANTY OF MERCHANTABILITY OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

On July 1, 2008, Sprocket’s president orally placed an order with MSI for 10,000 gaskets. MSI delivered the gaskets to Sprocket in multiple shipments throughout 2009. The final shipment of gaskets was received by Sprocket on December 1, 2009. Sprocket installed the gaskets in gearboxes that were sold to Irrigation and incorporated into Irrigation’s sprinkler systems. On February 28, 2010, Irrigation complained to Sprocket that one of its customers had reported that its irrigation system’s gearbox was leaking oil. Over the next two years, almost all of the gearboxes containing gaskets manufactured by MSI began to leak oil. At Irrigation’s request, Sprocket repaired all of the leaking gearboxes.

On January 31, 2014, Sprocket filed a lawsuit against MSI, stating claims under the Texas Uniform Commercial Code for: (1) breach of contract; and (2) breach of express warranty. MSI responded that: (1) all of Sprocket’s claims are barred by limitations; and (2) Sprocket’s breach of warranty claim is negated by the “Warranty” paragraph printed on the face of the written quotation MSI sent Sprocket on May 31, 2008.

1. Does Sprocket have a viable breach of express warranty or breach of contract claim against MSI under the Texas Uniform Commercial Code? Explain fully.

2. Which, if any, of Sprocket’s claims are barred by limitations? Explain fully.