

Maryland Court of Appeals Limits Limitations on Limitations

By Trish Weaver

The Maryland Court of Appeals recently created a new standard for the enforceability of contract provisions that seek to shorten the time in which a party can file claims against the other party. In *Ceccone v. Carroll Home Services, LLC*, No. 85, September Term 2016, the Ceccones signed a contract with Carroll Home Services (CHS) for home furnace maintenance. One of the terms of the contract reduced the statute of limitations period in which the Ceccones could file a claim against CHS from three years to one year. The shortened period was not mutual, and to the contrary, the contract provided that CHS could delay in enforcing its rights under the contract without losing its rights.

Embracing the vibrant freedom of contract principle, the trial court held that the Ceccones had signed the contract and were bound by the one year period. Since the Ceccones filed its claims more than one year after they arose, the trial court dismissed their claims. The Court of Appeals saw it differently. Creating a new standard for the enforceability of contractually-shortened limitations period, the Court of Appeals held that such a provision is valid only if: (1) there is no statute to the contrary, (2) the provision is not the result of fraud, duress, misrepresentation, or the like; and (3) the provision is reasonable in light of all the circumstances.

In assessing the reasonableness of the provision, the Court held that relevant factors included (1) the subject matter of the contract, (2) the duration of the shortened period compared to the period that would otherwise govern, (3) the relative bargaining power of the parties to the contract, and (4) whether the shortened limitations period is a one-sided provision that applies to one party but not the other. With regard to the one year period, the Court cited two out-of-state cases – one holding that a one year period was reasonable and the other holding it was not. With regard to the bargaining power of the parties, the Court drew contrast between contracts entered by “sophisticated business actors” and contracts entered by consumers faced with a “take it or leave it” choice (also known as “contracts of adhesion”). Prior to this decision, consumers had to establish that provisions in a “contract of adhesion” were unconscionable in order to avoid them. Now, with regard to contract provisions that shorten limitations periods (as well as other “contractual provisions that purport to override otherwise governing law”), the Court of Appeals has adopted the standard of reasonableness, which considered in connection with the other factors, will give the lower courts greater latitude to refuse to enforce the contract terms.

As always, parties should act diligently to file claims within the time periods set forth by statute or contract. But, if a claim is filed after a contractually-shortened period, consumers now have a better chance to nullify the contract provision if the contract is one-sided and they had no meaningful alternative but to sign the contract. Further, in light of this decision, businesses or others seeking to limit the time in which claims can be filed, or otherwise changing general rules of law, should consider making those limitations mutual – so they apply to both parties.