Case Summaries
March 24, 2023

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OPINIONS

CONTRACT LAW

Releases and Reliance Disclaimers

Austin Tr. Co. v. Houren, ___ S.W.3d ___, 2023 WL ___ (Tex. Mar. 24, 2023) [21-0355]

The issues in this case involve the scope and validity of liability releases in a family settlement agreement related to the administration of Bob Lanier's estate. Some of the parties to that agreement were the remainder beneficiaries of a marital trust, of which Bob had served as trustee and sole beneficiary. The trust was initially valued at $54 million, but at the time of Bob's death, only $5.5 million in assets remained. To facilitate the prompt distribution of the trust and estate assets, Jay Houren—the independent executor of Bob's estate—proposed a family settlement agreement to all interested parties, including the marital trust beneficiaries. Before signing the agreement, the parties obtained independent counsel and received various disclosures, including general accounting ledgers listing $37 million in payments made from the trust to Bob during his life.

After executing the agreement, the trust beneficiaries demanded that Houren repay that $37 million, which they claimed the trust had loaned to Bob. In response, Houren sued for a declaration that the alleged debt did not exist. The trust beneficiaries counterclaimed, alleging that the debt did exist or alternatively that Bob, as trustee, breached his fiduciary duty to the trust's remainder beneficiaries by making unauthorized distributions of principal to himself during his lifetime. According to the beneficiaries, the settlement agreement did not prohibit them from pursuing their claims because (1) the releases did not extend to the debt claim and (2) they were not provided with the "full information" required by statute to release a trustee from liability. Houren filed a motion for summary judgment, arguing that the evidence conclusively negated the existence of a debt and that the agreement's broad release provisions barred both claims.

The trial court rendered summary judgment for Houren. The court of appeals affirmed, holding that the beneficiaries released all claims against the other parties to the agreement. The court further held that the releases were valid irrespective of any fiduciary duties owed by Houren or Bob.

The Supreme Court affirmed, holding that the trust beneficiaries released their debt and breach of fiduciary duty claims. The Court first concluded that the releases encompassed the debt claim, holding that the parties' release of liability for such debts superseded Houren's general obligation to pay all debts and claims of the estate. The Court also determined that Houren did not owe a fiduciary duty to the trust beneficiaries since they were not devised any probate assets. Although the Court assumed without deciding that the statutory "full information" requirement governing beneficiary releases of trustee liability cannot be waived, the Court held that Houren provided the trust beneficiaries with such information. Specifically, the Court held that the beneficiaries were sufficiently informed to understand the character of the act they were releasing and make an informed decision about whether to agree to the release.

GOVERNMENTAL IMMUNITY

Texas Tort Claims Act

Fraley v. Tex. A&M Univ. Sys., ___ S.W.3d ___, 2023 WL ___ (Tex. Mar. 24, 2023) [21-0784]

The issue in this case is whether the Texas Tort Claims Act waives immunity for a governmental unit's design of an intersection, including a ditch adjacent to the roadway.

Kristopher Fraley drove through an intersection and crashed into a ditch while driving at night on a property owned and controlled by Texas A&M University System. Fraley sued the University, alleging that the Act waived the University's governmental immunity because the unlit, unbarricaded intersection where he crashed constituted an unreasonably dangerous condition or, alternatively, a special defect. The trial court denied the University's jurisdictional plea. The court of appeals reversed, holding that the complained-of condition was not a special defect and that the discretionary-function exception shielded the University from liability for the decision not to install safety features.

The Supreme Court affirmed. A governmental unit retains immunity for its discretionary design decisions, including the decision not to install safety features, if the decision results in an ordinary premises defect. If the complained-of condition is a special defect, however, the governmental unit owes a heightened duty, and the Act waives immunity correspondingly.

The Court held that Fraley's complaint about the intersection's lack of lights, barricades, and warning signs fell squarely within the discretionary-function exception for which the University retained immunity.

The Court also held that the complained-of condition was not a special defect. The Act describes special defects as being akin to obstructions or excavations on the road, and the Court has long analyzed special defects with reference to the risk posed to the ordinary user of the roadway. The Court held that the ditch adjacent to the roadway was not a special defect because it posed no danger to an ordinary user, who is expected to remain on the paved surface of the road.

CONTRACTS

Damages

MSW Corpus Christi Landfill, Ltd. v. Gulley-Hurst, L.L.C., ___ S.W.3d ___, 2023 WL ___ (Tex. Mar. 24, 2023) (per curiam) [21-1021]

This case concerns the correct calculation of damages when (1) a buyer breaches a real estate contract, (2) after the seller has fully performed, and (3) the property has appreciated in value since the underlying sale. Gulley Hurst, L.L.C. and MSW Corpus Christi Landfill, Ltd. entered into a mediated settlement agreement that required MSW to sell back a one-half interest in a landfill that it had previously purchased from Gully Hurst. The agreement also required Gulley Hurst to assume an outstanding loan in MSW's name. When Gulley Hurst failed to refinance the loan as promised, MSW sued Gulley Hurst for breach of contract. By the time of trial, the value of the landfill had significantly increased.

Following a trial, a jury awarded MSW two types of damages: (1) lost "benefit of the bargain" damages, which they were instructed to calculate based on the property's appreciation in value; and (2) lost "opportunity cost" damages, which they were instructed to calculate based on investments MSW could have made had Gulley Hurst performed as promised. Gulley Hurst filed a motion for judgment notwithstanding the verdict, challenging the trial court's instructions on calculating the two types of damages. The trial court granted the JNOV in part, issuing a final judgment that awarded MSW $372,484.70 in lost opportunity cost damages but reduced the jury's award for benefit of the bargain damages to $0.

Both parties appealed. After the court of appeals affirmed, the parties filed petitions for review, which the Court granted without hearing oral argument. Agreeing with Gulley Hurst that the underlying jury instructions were incorrect, the Court affirmed the trial court's final judgment with respect to the benefit of the bargain damages. The Court reversed the trial court's judgment and rendered a take-nothing judgment on the lost opportunity cost damages, holding that MSW failed to establish the foreseeability required to support such damages.