

SUPREME COURT OF VIRGINIA

Countryside Corp. v. Taylor, 263 Va. 549

561 S.E.2d 680 (2002) · No. Record No. 010729 · Decided April 19, 2002

SUMMARY

The Supreme Court of Virginia held that an expert's damages opinion in a breach-of-contract action was speculative and inadmissible because it relied on the erroneous assumption that the plaintiffs did not own a strip of land conveyed to them after the alleged breach. Without the expert testimony, the plaintiffs failed to establish damages. The court reversed the judgment for the plaintiffs and entered final judgment for the defendant.

CASE DETAILS

COURT	Supreme Court of Virginia
WRITING FOR THE COURT	Lawrence, Justice; All the Justices
JURISDICTION	Virginia
DECIDED	April 19, 2002
DOCKET	Record No. 010729
DISPOSITION	reversed
PROCEDURAL POSTURE	The plaintiff-appellees obtained a jury verdict and final judgment for compensatory damages on their breach-of-contract claim. The defendant-appellant appealed after the trial court denied its motions to strike the damages expert's testimony and to set aside the verdict.
STANDARD OF REVIEW	The Supreme Court reviewed the admissibility and reliability of the expert damages testimony and the sufficiency of the evidence supporting the damages award.
PRECEDENTIAL VALUE	Published, precedential opinion of the Supreme Court of Virginia
PARTIES	The Countryside Corporation v. David H. Taylor, Carol E. Taylor

TOPICS

- breach of contract
- damages
- expert testimony
- evidence
- real estate

PRACTICE AREAS

- contract law
- evidence
- real estate
- remedies

QUESTIONS PRESENTED

1. Whether the trial court erred by refusing to strike the plaintiff's damages expert testimony because the opinion was speculative and based on an erroneous factual foundation.
2. Whether the Taylors presented sufficient evidence of damages from Countryside's breach of contract after the expert testimony was excluded as unreliable.

HOLDINGS

1. Expert testimony is inadmissible when it is speculative, rests on assumptions having no basis in fact, or fails to consider material variables bearing on the inferences drawn from the facts. The damages expert's testimony was speculative and unreliable as a matter of law because it ignored the Taylors' acquisition of the strip of land and was based on the fiction that they did not own it.
2. Without the expert's damages testimony, the Taylors failed to prove damages resulting from Countryside's breach of contract.

KEY QUOTATIONS

"Accordingly, we hold that Call's expert testimony was speculative and unreliable as a matter of law." (561 S.E.2d at 682)

"Without Call's testimony, the Taylors have not shown damages from Countryside's breach of contract." (561 S.E.2d at 682)

FACTUAL BACKGROUND

Countryside and the Taylors entered a 1977 agreement requiring Countryside, if it extended a road, to locate the road so that it provided access along the eastern boundary of the Taylors' property. Countryside later placed the road short of the boundary, leaving a wedge-shaped strip of land, although it subsequently conveyed that strip to the Taylors subject to a drainage easement. The Taylors' damages expert compared development plans based on compliant and actual road placement, but his analysis ignored the later conveyance of the strip and assumed the Taylors did not own it.

PROCEDURAL HISTORY

The Taylors filed a motion for judgment against Countryside for breach of the parties' 1977 agreement concerning road access. After a trial, the court found breach as a matter of law and submitted only damages to the jury, which awarded \$200,000 in compensatory damages. The trial court denied Countryside's motion to set aside the verdict and entered final judgment on January 8, 2001; the Supreme Court of Virginia awarded an appeal on August 2, 2001.

DISPOSITION

reversed

REMAND INSTRUCTIONS

None; the court reversed the judgment and entered final judgment for Countryside.

CASES CITED

- Lawson v. Doe, 239 Va. 477, 482-83, 391 S.E.2d 333, 336 (1990)
- Clark v. Chapman, 238 Va. 655, 664-65, 385 S.E.2d 885, 891 (1989)
- Gilbert v. Summers, 240 Va. 155, 159-60, 393 S.E.2d 213, 215 (1990)
- Cassady v. Martin, 220 Va. 1093, 1100, 266 S.E.2d 104, 108 (1980)
- Griffin v. The Spacemaker Group, Inc., 254 Va. 141, 146, 486 S.E.2d 541, 544 (1997)
- Tittsworth v. Robinson, 252 Va. 151, 154-55, 475 S.E.2d 261, 263 (1996)

OPINION

KOONTZ, J.

561 S.E.2d 680 (2002) 263 Va. 549 The COUNTRYSIDE CORPORATION, v. David H. TAYLOR, et al. Record No. 010729. Supreme Court of Virginia. April 19, 2002. William R. Mauck, Jr., (Williams, Mullen, Clark & Dobbins, on briefs), Richmond, for appellant. Douglas M. Palais (Scott C. Ford; McCandlish Kaine, McLean, on brief), for appellees. Present: All the Justices.

LAWRENCE, Justice. In this appeal, we consider whether the trial court erred in failing to strike the plaintiff's evidence of damages for breach of contract on the ground that the expert opinion as to the quantum of damages was based on an erroneous factual foundation. BACKGROUND The Countryside Corporation (Countryside) owns a residential property development in Henrico County.

David H. Taylor and Carol E. Taylor (the Taylors) own property abutting Countryside's development. The Taylors plan to subdivide their property for residential development at some time in the future. In 1974, the Taylors objected to the anticipated extension and placement of a road by Countryside, asserting that the road would encroach upon their land.

In 1977, the Taylors and Countryside resolved this dispute by entering into an agreement (the 1977 agreement). Relevant to this appeal, the 1977 agreement provided that if Countryside ever extended the road, it would be located in such a manner as to provide road access along the eastern boundary of the Taylors' property.

In the mid-1990s, when Countryside extended the road to access new developments close to the Taylors' property, the road did not fully abut the Taylors' property as required *681 by the 1977 agreement. The placement of the road left a 0.6616 acre wedgeshaped strip of land between the road and the southeast portion of the Taylors' property. Prior to developing the lots accessed by the extension of the road, Countryside filed a subdivision plat with the Henrico County Planning Commission that failed to show the strip of land separating the road from the Taylors' property.

Countryside later maintained that this was so because it had intended to convey the strip of land to the Taylors. On May 16, 1997, the Taylors filed a motion for judgment against Countryside to recover damages for breach of the 1977 agreement.

On June 23, 1997, a deed conveying the strip of land from Countryside to the Taylors was recorded in the land records of Henrico County. However, Countryside had placed a guardrail, a concrete headwall, and a concrete drainage channel along the road. Additionally, the strip of land was encumbered with a "0.2676 acre variable width drainage easement granted to the County of Henrico, Virginia" by Countryside.

The Taylors did not pursue their claim against Countryside at that time as a result of this conveyance, even though the strip of land was encumbered with the drainage easement. On August 6, 1999, the Taylors again filed a motion for judgment, and subsequently an amended motion for judgment, against Countryside alleging, among other things, breach of the 1977 agreement.[1] The thrust of the Taylors' claim was that the placement of the road by Countryside significantly reduced the fair market value and marketability of their property if and when they subdivided it into residential lots.

At trial, the Taylors called Jay B. Call, III, a licensed real estate appraiser, as an expert witness to offer his opinion on the quantum of damages sustained by the Taylors as a result of Countryside's breach of the 1977 agreement. Call's testimony was based on two development plans, Plan B and Plan E, prepared for the Taylors by Garrett S. Runey, II, a licensed engineer and land surveyor.

Plan B was premised upon the placement of the road in accordance with the 1977 agreement. Plan E was premised upon the actual placement of the road by Countryside, but did not take into account the 1997 conveyance to the Taylors of the strip of land separating the road from their property. Each plan, or development scenario, was intended to demonstrate the highest lot yield of the Taylors' property and the lowest development cost.

Plan B indicated 14 lots for development, and Plan E indicated 10 such lots. Call testified that he performed a "project value analysis" to determine the loss in gross revenue sustained by the Taylors as a result of the difference in the associated costs and the number of lots that could be achieved under Plan B and Plan E. He further testified that he was instructed to use May 16, 1997 as the effective date of his evaluations, the date on which he understood that the Taylors filed their original motion for judgment against Countryside.

Call also testified that his analysis did not include consideration of the strip of land conveyed to the Taylors by Countryside on June 23, 1997, nor consideration of any increased market value of the Taylors' property since 1997. Call expressed the opinion that the Taylors' damages were \$309,060, representing the difference in the gross revenue projected under Plan B and Plan E. Countryside did not object to Call's testimony regarding damages on direct examination.

However, Countryside moved to strike Call's testimony at its conclusion, asserting that it was speculative and based upon the erroneous factual foundation that the Taylors did not own the strip of land separating their property from the road.[2] The trial court *682 denied the motion to strike Call's testimony. Countryside renewed its motion following the close of all of the evidence.

The trial court again denied this motion. The trial court then found that the evidence established breach of contract by Countryside as a matter of law and, thus, the jury was instructed only on the issue of damages.

The jury awarded the Taylors \$200,000 in compensatory damages for the breach.[3] Countryside filed a motion, pursuant to Code § 8.01-430, to set aside the jury's verdict. Countryside asserted that the damage award was without credible evidence to support it, and that Call's expert testimony was speculative as a matter of law because it was based upon an erroneous factual foundation.

The trial court overruled this motion and entered judgment for the Taylors in a final order dated January 8, 2001. By order dated August 2, 2001, we awarded Countryside this appeal. DISCUSSION Expert testimony is admissible in civil cases to assist the trier of fact, if the testimony meets certain fundamental requirements, including the requirement that it be based on an adequate factual foundation.

See Code §§ 8.01-401.1 and 401.3; *Lawson v. Doe*, 239 Va. 477, 482-83, 391 S.E.2d 333, 336 (1990); *Clark v. Chapman*, 238 Va. 655, 664-65, 385 S.E.2d 885, 891 (1989). Expert testimony is inadmissible if it is speculative or founded on assumptions that have no basis in fact. See *Gilbert v. Summers*, 240 Va. 155, 159-60, 393 S.E.2d 213, 215 (1990); *Cassady v. Martin*, 220 Va. 1093, 1100, 266 S.E.2d 104, 108 (1980).

Additionally, expert testimony is inadmissible if the expert fails to consider all the variables that bear upon the inferences to be deduced from the facts observed. *Griffin v. The Spacemaker Group, Inc.*, 254 Va. 141, 146, 486 S.E.2d 541, 544 (1997) (citing *Tittsworth v. Robinson*, 252 Va. 151, 154, 475 S.E.2d 261, 263 (1996)).

In the present case, Call conceded that he had used May 16, 1997 as the effective date of his opinion on the Taylors' damages and had not considered the fact that the Taylors had acquired the strip of land shortly thereafter. Thus, when Call made his evaluations in 1999, he essentially assumed a fiction and based his opinion of damages on that fiction. That the Taylors had acquired the strip of land was a critical fact in the damages determination because that parcel provided access to the road in question from the Taylors' property.

Moreover, an expert opinion based upon an assumption that the Taylors did not own that strip of land and, thus, did not have access to the road in question is one clearly founded on an assumption that has no basis in fact.

Accordingly, we hold that Call's expert testimony was speculative and unreliable as a matter of law. While Code §§ 8.01-401.1 and -401.3 have liberalized the admission of expert testimony, Call's testimony on damages fails to meet the fundamental requirements set out in the cases noted above. Tittsworth, 252 Va. at 155, 475 S.E.2d at 263. Without Call's testimony, the Taylors have not shown damages from Countryside's breach of contract.

CONCLUSION For these reasons, we will reverse the judgment in favor of the Taylors and enter final judgment for Countryside. Reversed and final judgment. NOTES [1] Two other defendants named in the motion for judgment were dismissed from the action by the trial court.

[2] While Countryside did not specifically state that their objection to Call's testimony was for a "lack of foundation," we nevertheless find that they preserved their objection through their first motion to strike Call's testimony in which counsel for Countryside stated, "[O]n the issue of damages, that the report of Mr. Call is speculative in any event because it's based upon a fiction.

It's based on a fiction of two development scenarios done in such a way as to ignore the strip of land in question, [and] to ignore any benefit that the Taylors would have as a result of taking that strip of property."

[3] The jury also returned a verdict in favor of the Taylors on a fraud count included in the Taylors' motion for judgment. However, the jury fixed their compensatory and punitive damages at "zero."