SUPREME COURT OF TEXAS

Dynegy, Inc. v. Terry W. Yates, Individually, and Terry W. Yates, P.C.

422 S.W.3d 638 (Tex. 2013) · No. 11-0541 · Decided August 30, 2013

SUMMARY

The Supreme Court of Texas held that an oral promise by Dynegy, Inc. to pay attorney's fees incurred by its former officer was subject to the statute of frauds' suretyship provision. The Court held that Dynegy established the statute's applicability and that Yates waived reliance on the main purpose doctrine by failing to plead, prove, and obtain findings on that exception. The Court reversed the court of appeals and rendered a take-nothing judgment in favor of Dynegy, including on Yates's fraudulent inducement claim seeking benefit-of-the-bargain damages.

CASE DETAILS

COURT	Supreme Court of Texas
WRITING FOR THE COURT	Justice Paul W. Green; Chief Justice Jefferson; Justice Hecht; Justice Johnson; Justice Willett; Justice Lehrmann; Justice Boyd; Justice Green
JURISDICTION	Texas
DECIDED	August 30, 2013
DOCKET	11-0541
DISPOSITION	reversed
PROCEDURAL POSTURE	Dynegy petitioned for review of a Texas Court of Appeals judgment that had rendered judgment for Yates on his breach-of-contract claim after holding that the main-purpose doctrine removed the alleged oral promise from the statute of frauds.
STANDARD OF REVIEW	De novo review of whether the alleged contract falls within the statute of frauds.
PRECEDENTIAL VALUE	Published opinion; precedential decision of the Supreme Court of Texas.
PARTIES	Dynegy, Inc. v. Terry W. Yates, Individually, Terry W. Yates, P.C.

TOPICS

statute of frauds · breach of contract · fraudulent inducement · waiver · appellate procedure

PRACTICE AREAS

contracts civil procedure appellate procedure

QUESTIONS PRESENTED

1. Whether Dynegy's oral promise to pay attorney's fees that were Olis's contractual obligation was a promise to answer for another person's debt within the statute of frauds.
2. Whether the burden of establishing the main-purpose exception to the statute of frauds rested on Yates after Dynegy established the statute's applicability.
3. Whether Yates waived the main-purpose exception by failing to plead, prove, and obtain jury findings on the exception.
4. Whether the statute of frauds barred Yates's breach-of-contract claim and his fraudulent-inducement claim seeking benefit-of-the-bargain damages.

HOLDINGS

1. Dynegy's oral promise to pay attorney's fees that were Olis's obligation was a promise to answer for another person's debt and therefore initially fell within the statute of frauds.
2. The party asserting the statute of frauds bears the initial burden of establishing its applicability; once that burden is met, the opposing party bears the burden of establishing an exception, including the main-purpose doctrine.
3. Yates waived the main-purpose exception by failing to plead, prove, and obtain favorable jury findings on the exception.
4. The statute of frauds rendered the oral agreement unenforceable, barred recovery on Yates's breach-of-contract claim, and barred his fraudulent-inducement claim to the extent it sought benefit-of-the-bargain damages.

KEY QUOTATIONS

> *"The statute of frauds' suretyship provision provides that an oral promise "by one person to answer for the debt, default, or miscarriage of another person" is generally unenforceable."* (422 S.W.3d at 640)

> *"These facts establish one conclusion: Dynegy orally promised to pay attorney's fees associated with Olis's defense that, under the fee agreement, were Olis's obligation (i.e., Olis's debt)."* (422 S.W.3d at 642)

> *"Based on the preceding analysis, we hold that the statute of frauds renders the oral agreement between Dynegy and Yates unenforceable."* (422 S.W.3d at 643)

FACTUAL BACKGROUND

James Olis, a former Dynegy officer, hired Terry Yates to defend him in federal criminal and Securities and Exchange Commission proceedings. Olis's written fee agreement made Olis responsible for payment, while Dynegy representatives allegedly orally promised that Dynegy would pay his legal fees through trial. Dynegy paid some fees but later refused to release escrowed funds after determining that Olis did not satisfy the board resolution's good-faith condition. Yates sued Dynegy for breach of contract and fraudulent inducement, seeking benefit-of-the-bargain damages.

PROCEDURAL HISTORY

After a jury found for Yates on breach-of-contract and fraudulent-inducement claims, the trial court entered judgment for Yates on fraudulent inducement. The court of appeals ultimately held that the main-purpose doctrine applied, reversed the trial court's judgment based on legally insufficient fraud evidence, and rendered judgment for Yates on breach of contract. The Supreme Court of Texas reversed and rendered a take-nothing judgment for Dynegy.

DISPOSITION

reversed

CASES CITED

- United States v. Olis, 429 F.3d 540, 549 (5th Cir. 2005)
- Woods v. William M. Mercer, Inc., 769 S.W.2d 515, 517-18 (Tex. 1988)
- Cobb v. Johnson, 108 S.W. 811, 812 (Tex. 1908)
- Cruz v. Andrews Restoration, Inc., 364 S.W.3d 817, 827-28 (Tex. 2012)
- Crown Ranch Dev., Ltd. v. Cromwell, No. 09-10-00458-CV, 2012 Tex. App. LEXIS 1345, at *14-15 (Tex. App.—Beaumont Feb. 23, 2012, pet. denied) (mem. op.)
- W.H. McCrory & Co. v. Contractors Equip. & Supply Co., 691 S.W.2d 717, 720-21 (Tex. App.—Austin 1985, writ ref'd n.r.e.)
- Bratcher v. Dozier, 346 S.W.2d 795, 796 (Tex. 1961)
- Gulf Liquid Fertilizer Co. v. Titus, 354 S.W.2d 378, 382-84 (Tex. 1962)
- Haas Drilling Co. v. First Nat'l Bank, 456 S.W.2d 886, 889 (Tex. 1970)
- Haase v. Glazner, 62 S.W.3d 795, 799 (Tex. 2001)
- 345 S.W.3d 516, 519-25, 534, 536 (Tex. App.—San Antonio 2011)