The Texas Lawbook

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A Review of March's Texas Business Court Decisions

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Last month, we predicted that February would go down in the books as a culmination of the Business Court's first chapter. This month has already proved us right. March finds the court firing on all cylinders, producing an increasingly large (and increasingly diverse) output of opinions covering a wide range of issues at nearly every stage of the litigation life cycle — from remand fights to temporary injunction battles and from jurisdictional disputes to yet another trial verdict (this time from a bench trial).

Trials and verdicts continued apace. In addition to the *Sanchez/Mesquite* bench trial, a jury also returned a $50-plus million verdict in the Third Division. Plus, a multiweek bench trial involving Energy Transfer commenced in the Eleventh Division. As for the opinions themselves, this month clarified the application of HB 40 to suits filed before its enactment, provided treatise-like application of Texas oil and gas law and further illustrated how the court's intellectual property jurisdiction will provide an avenue to seek injunctive relief in the court.

Yaun v. Battle & Sands Energy Corp., 2026 Tex. Bus. 9 (11th Div.)

The Decision

In *Yuan*, the Business Court provided more guidance about its "qualified transaction" jurisdiction under Tex. Gov't Code § 25A.004(d)(1). The court declined to remand, reasoning that the disputed perpetual royalty agreement plainly constituted a "qualified transaction" and that the amount in controversy exceeded $5 million.

What Happened

Yaun sued Battle & Sands in district court, alleging breach of an agreement to pay her a perpetual royalty on frac sand sold from a quarry. In her declaration, Yaun estimated that, at the alleged $1-per-ton royalty, defendants owed her approximately $6.4 million for 2025 and prospectively over the next 24 months. On this basis, the defendants removed the action to the Business Court. Yaun moved to remand, arguing that the dispute satisfied neither the "qualified transaction" nor the amount in controversy requirements in § 25A.004(d)(1).

Jurisdiction Under § 25A.004(d)(1)

The Court declined to remand. It briefly addressed the "qualified transaction" prong, concluding the agreement "plainly meets the definition of a qualified transaction," then folding its analysis of whether the agreement met the $5 million threshold into the amount-in-controversy analysis, which requires the same $5 million benchmark.

As for the amount-in-controversy requirement, the Court rejected two arguments for why it was not met. *First*, the Court concluded that HB 40, which lowered the statutory minimum from $10 million to $5 million, applied even though Yuan's suit was filed before it took effect

because the bill retroactively applies to all actions commenced on or after Sept. 1, 2024. *Second*, the Court clarified that pleadings in a removal notice are sufficient for jurisdictional purposes — and the removing party need not produce evidence supporting those allegations — unless the party opposing removal presents evidence to the contrary or a different amount is readily established (as by statute). Notably, the Court used Yuan's own declaration to conclude that the amount-in-controversy allegations were not only sufficient, but plausible.

The decision came from Judge Grant Dorfman of the Texas Business Court, Eleventh Division. Yaun was represented by Keith Remels of Dow Golub Remels & Gilbreath. The Battle & Sands parties were represented by Jeb Golinkin of Jordan Lynch & Cancienne.

Crain v. Northern, 2026 Tex. Bus. 11 (8th Div.)

The Decision

In a sequel to last month's buy-sell opinion, the Court granted Northern's plea to the jurisdiction and dismissed Crain's derivative claims for lack of standing. Having previously concluded Crain has not possessed any membership interest since the buy-sell option deadline passed, the Court held Crain lacked standing to pursue derivative claims on behalf of the trio of relevant LLCs.

What Happened

As detailed in last month's installment, the Court's previously granted Northern's motion for summary judgment for specific performance, ordering Crain to tender his membership interests in a trio of LLCs. Before that opinion issued, Northern filed a plea to the jurisdiction challenging Crain's standing to bring derivative claims on behalf of the entities given his lack of any membership interest in those entities.

Standing to Bring Derivative Claims

The Court's analysis was succinct. Under Texas Business Organizations Code Section 101.463, only a member of a closely held LLC may bring a derivative proceeding on the LLC's behalf. Because the Court had already held that Crain no longer possessed any membership interest after he failed to exercise his buy-sell option on Dec. 19, 2024, it held that he had long since ceased to be a member in the LLCs by the time he filed suit on June 20, 2025. Thus, the Court concluded without much difficulty that Crain lacked standing because he was not a member.

The decision came from Judge Jerry D. Bullard of the Texas Business Court, Eighth Division. Northern was represented by Larry E Cotton, Jerold Mitchell and Randall Schmidt of Cotten Schmidt. Crain was represented by Garette Amis and Avery McDaniel of the Law Office of Avery McDaniel.

May v. INEOS USA Oil & Gas LLC, 2026 Tex. Bus. 14 (4th Div.)

The Decision

In this oil-and-gas case arising from the Eagle Ford Shale, the Court meticulously plodded through numerous black-letter oil-and-gas and contract-interpretation issues and resolved some of the parties' core disputes about the nature and extent of interests granted by a disputed lease-farmout agreement. In keeping with what is becoming a trend at the Business Court, the Court resolved these issues in an early partial summary judgment.

What Happened

This case centers on a farmout agreement and partial assignments through which the plaintiffs assigned oil and gas leases in McMullen County to the defendants (the farmees). The plaintiffs reserved a reversionary interest in assigned assets except for acreage "earned" by the defendants through

drilling activity, along with a 30 percent back-in interest that would become effective upon "payout," which the agreement expressly defined as when the defendants had recouped specified costs from production. The parties disagreed on several fundamental questions about the contract, including (1) whether the defendants' interest vested immediately or upon satisfaction of certain conditions, (2) what events could trigger reversion, (3) whether the earned-acreage requirements were covenants or conditions, and (4) how the payout should be calculated.

Proving that the only way out is through, the Court took each of these issues up in turn, applying core property and contract principles — and using many terms lawyers may wish to forget from life as an 1L, like a "fee simple determinable," "possibility of reverter" and the difference between a covenant, a condition and a special limitation — to produce an opinion mostly favorable to the defendants.

Vesting of the Defendants' Interest

The Court first held that the defendants received a vested fee simple determinable interest upon execution of the contracts, which did not require the satisfaction of conditions to vest. Black-letter Texas oil-and-gas law distinguishes between an "agreement to transfer" — an agreement to assign the lease after the performance of specified conditions — and a "conditional assignment" — where the assignment occurs immediately but is subject to divestment. Here, the contracts demanded the latter, and the plaintiffs' possibility of reverter did not prevent immediate vesting.

Reversion Only Upon Cessation of Drilling Operations

Next, the Court held that under the contracts' plain terms, reversion of unearned acreage to the plaintiffs would occur only "upon cessation of continuous drilling operations." The contracts identified no other event — including an alleged failure to properly designate earned wells or acreage — that would trigger reversion. So until cessation, the defendants retained their fee simple determinable, and the P\ plaintiffs maintained their nonpossessory possibility of reverter.

The Earned-Acreage Provisions as Special Limitations

Next, the Court addressed whether the defendants' earned-acreage obligations were covenants, conditions or special limitations. Relying on *Endeavor Energy Resources, L.P. v. Discovery Operating, Inc.*, the Court held the retained-acreage clauses operated as special limitations. Unlike a condition, which results in automatic termination of a lease, and a covenant, which gives rise to a claim for breach of contract, a special limitation does not cut short the estate but defines by contract its natural limitation based on the parties' relationship. Noting a separate "forfeiture" clause in the contract, the Court observed that the "dissimilar language" of the earned-acreage provisions indicated they served a different function. Thus, upon cessation of continuous drilling operations, the leases automatically revert to the plaintiffs except for earned assets — a partial termination under the contracts' own terms, not a forfeiture.

Payout Calculated on an Earning Well Basis

Finally, the Court addressed the payout by reference to basic contract-interpretation principles, concluding that on the contract's four corners, the payout occurred on only as to each "Earning Well" — a defined term expressly distinguished from other wells on the same acreage. Because the text provided a clear definition, the Court rejected the plaintiffs' reliance on a contract recital referencing "well by well" payout, reasoning that recitals do not control operative contractual provisions absent ambiguity. And the Court declined to consider extrinsic evidence, holding that

all parties agreed the contractual text was unambiguous and that course-of-performance evidence is inadmissible to interpret an unambiguous contract under Texas law.

The decision came from Judge Stacy Rogers Sharp of the Texas Business Court, Fourth Division. The plaintiffs were represented by Michele Spillman of Phillips Murrah and William Dunn and Rachel Banks of Dunn Sheehan. The defendants were represented by Justin Lipe and David Pruitt of Gray Reed, Chris Sileo and Amy Dashiell of Scott Douglass & McConnico, Joe Thompson, Harris Stamey and Mary Anna Rutledge of Porter Hedges, and Demetri Economou and Tom Ciarlone of Kane Russell Coleman Logan.

Galderma Laboratories, L.P. v. Brenner, 2026 Tex. Bus. 12 (8th Div.)

The Decision

The Court enforced a former employee's noncompete provision to prevent him from competing against his former employer to its detriment. Galderma, a global aesthetics and skincare company, sought a temporary injunction against Brenner, a former senior executive, to prevent him from serving as the chief executive officer of one of its direct competitors. The Court vindicated the parties' agreement and granted Galderma's application for a temporary injunction in part, barring Brenner from serving in a competitive role in the relevant market segment during his 12-month restricted period.

What Happened

Brenner served as general manager of Galderma's injectable aesthetics division and later as its interim head for the United States. Because he had access to a full slate of sensitive competitive information in those senior roles — including information about its hyaluronic acid dermal filler segment — Brenner signed a protective covenants agreement containing noncompete, nonsolicitation and confidentiality covenants, each lasting 12 months from termination.

Brenner's employment with Galderma ended in late 2025. In the weeks and months leading up to his separation, Brenner accessed Galderma files and connected a USB device to his laptop. Whether Brenner left with any files, what files he took and his motive for accessing the files in his final weeks of employment were uncertain facts disputed by the parties, and on the preliminary record before it, the Court did not conclusively resolve those fact questions.

After his time at Galderma ended, Brenner sought employment with Prollenium, a Canadian company that directly competes with Galderma in the injectable aesthetics market, and particular in the hyaluronic acid dermal fillers segment. Galderma expressly refused permission, citing Brenner's protective covenants agreement, but Brenner accepted a position as Prollenium's CEO anyway, prompting Galderma to bring claims for breach of contract under the Texas Uniform Trade Secrets Act and for a temporary injunction.

The Court granted the temporary injunction in part, concluding Galderma was likely to prevail on its noncompete claims.

The Noncompete

The Court's noncompete analysis was straightforward. It reasoned the noncompete covenant was ancillary to an otherwise enforceable agreement and contained reasonable time, geographic, and activity limitations (with only minor reformations required). Brenner left Galderma and immediately took the top job at a direct competitor in the same product segment he had overseen. The Court had little trouble concluding this fell squarely within the noncompete covenant's ambit.

The Remaining Covenants and TUTSA

The Court declined to grant

injunctive relief on the nonsolicitation, confidentiality and TUTSA claims at this early stage in the proceedings. On the nonsolicitation covenants, the record did not yet show that Brenner had solicited any covered customer or worker. On the confidentiality and TUTSA claims, the Court acknowledged Brenner's extensive access to competitively sensitive information during his tenure but was not satisfied on the preliminary record that any confidential information or trade secrets had actually been taken, transferred or disclosed. On these points, the Court took care to balance the company's legitimate interests in safeguarding its sensitive business information with the employee's interest in his business reputation, cautioning that misappropriation should not be inferred from the mere fact of competitive employment.

Irreparable Harm

The Court found Galderma faced irreparable harm stemming from Brenner's high-level employment with a direct competitor, regardless of whether he actually possessed Galderma's confidential information. Where Brenner had authority as CEO to make enterprise-wide decisions, the risk of harm based on his recent, detailed knowledge of Galderma's strategy in these exact areas was probable and imminent. Notably, the Court explained that the risk does not require proof of intentional misuse; instead, it flows from the impossibility of compartmentalizing confidential knowledge while leading a director competitor.

Reformation

Finally, the Court largely enforced the noncompete as the parties bargained, with only minor reformations pursuant to § 15.51 of the Business and Commerce Code. The Court upheld the duration and activity restrictions, which targeted only competitive roles in the U.S. dermal filler market — not healthcare or life sciences broadly. That said, the Court declined to enforce a global geographic restriction, reasoning Brenner lacked operational authority outside the U.S. even if he occasionally received information from foreign markets.

The Court thus imposed two minor reformations on the noncompete covenant, enforcing it only insofar as it concerned employment in roles like his role at Galderma "within the United States market for hyaluronic acid dermal fillers." In short, the Court's decision rested on the commonsense observation that a noncompete is at its strongest where an employee attempts to take a similar role with a direct competitor in the exact market segment of his former employment.

The Court ordered Brenner to stop providing competitive services for Prollenium or any other company in the hyaluronic acid dermal filler market, return Galderma property and preserve all relevant documents. Trial is set for Jan. 11, 2027.

This decision was issued by Judge Brian Stagner of the Texas Business Court, Eighth Division. Galderma was represented by Sara Chelette, Farsheed Fozouni, Mary Goodrich Nix and Pooja R. Patel of Lynn Pinker Hust & Schwegmann. Brenner was represented by Keith Clouse, Jesse Clouse and Bobby Lee of Clouse Brown and Jody Sanders of Kelly Hart & Hallman.

Mesquite Energy, Inc. v. Sanchez Oil & Gas Corporation, 2026 Tex. Bus. 10 (11th Div.)

The Decision

Finally, the Business Court handed down yet another verdict, this time following a five-day bench trial. Inthis case, the Court ordered that settlement proceeds from a prior trade-secret misappropriation lawsuit be divided equally between Mesquite and Sanchez, finding that neither party established exclusive ownership of the trade secrets at issue. The Court also ordered Sanchez to reimburse Mesquite for half of the litigation expenses that Mesquite's

predecessor paid to prosecute the underlying suit.

What Happened

This case concerned the allocation of settlement proceeds from the *Terra* litigation, a trade-secret suit brought by Sanchez, Mesquite and Sanchez Midstream Partners against former Sanchez employees who left to join Terra Energy Partners, taking proprietary files related to Sanchez's "Zero Dark Forty" project with them when they left. *Terra* settled in 2024, and the net proceeds were placed in escrow pending resolution of the competing ownership claims. The case presented three questions: (1) whether Sanchez possessed an independent ownership interest in the trade secrets, (2) whether the services agreement or other governing principles established exclusive ownership in either Mesquite or Sanchez, and (3) whether a 2022 post-bankruptcy settlement affected the parties' entitlements.

Sanchez's Role in the Terra Litigation

The Court found that Sanchez did not possess an independent ownership interest in the trade secrets sufficient to support a separate allocation of settlement proceeds. The trial record established that Sanchez was included as a co-plaintiff out of caution and expediency given the volume of stolen data, not because it independently owned the trade secrets or suffered a distinct injury.

Ownership of the Trade Secrets

This was the case's central dispute. The Court rejected both Mesquite's and Sanchez's claims to exclusive ownership and concluded the Zero Dark Forty trade secrets were jointly developed, ordering the settlement proceeds divided equally. The Court reasoned that Texas law does not hold that the party providing funding automatically acquires exclusive ownership of collaboratively developed proprietary information, that the services agreement's intellectual property provision did not clearly assign Sanchez exclusive ownership, and that significant overlap in corporate leadership undermined Sanchez's claim of exclusive operational control.

Effect of the 2022 Settlement Agreement and Reimbursement of Litigation Expenses

Finaly, the Court held that the 2022 post-bankruptcy settlement did not bar Mesquite's claim to its share of the *Terra* settlement proceeds, reasoning the release could not bar claims that did not exist until 2024. The Court also ordered Sanchez to reimburse Mesquite for half of the attorneys' fees and litigation costs paid hourly from the start of the *Terra* litigation in March 2016 until March 2019, when the fee arrangement converted to a contingency basis. The Court applied the doctrine of unjust enrichment, reasoning that Mesquite's predecessor bore one hundred percent of the financial risk of prosecuting the litigation whose proceeds Sanchez would now share equally.

The decision came from Judge Marialyn Barnard of the Texas Business Court, Eleventh Division. Mesquite was represented by Collin Cox and Jack DiSorbo of Gibson Dunn. Sanchez was represented by George Gibson, Iain Kennedy and Julie Le of Nathan Sommers Gibson Dillon.

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