Reversed and Rendered and Opinion Filed August 31, 2026

In The
Court of Appeals
Fifth District of Texas at Dallas

No. 05-24-00468-CV

SUNOCO PARTNERS MARKETING & TERMINALS L.P., Appellant
V.
TRINITY INDUSTRIES LEASING COMPANY, Appellee

On Appeal from the County Court at Law No. 3
Dallas County, Texas
Trial Court Cause No. CC-19-03865-C

MEMORANDUM OPINION

Before Justices Garcia, Jackson, and Lee
Opinion by Justice Jackson

This case involves a dispute between a lessor and a lessee of railroad tank cars that arose after the federal government changed the specifications for the cars for safety reasons. Lessor Trinity Industries Leasing Company sued lessee Sunoco Partners Marketing & Terminals L.P. for breach of the lease agreement, arguing Sunoco was required to pay for modifications to the railcars. Following presentation of the case to a jury, the trial court granted Trinity's motion for directed verdict on Sunoco's liability under the agreement. Sunoco appeals the trial court's judgment, arguing it is not liable under the plain language of the parties' contract and, alternatively, the trial court erroneously awarded Trinity prejudgment interest on future damages. Finding no breach of contract as a matter of law, we reverse and render a take-nothing judgment.

I. Background

A. The Parties' Contract

The contract in this case is made up of two documents—a Railroad Car Lease Agreement and a Rider (collectively "the Lease"). Trinity and Sunoco entered into the Lease in November 2013. In the Railroad Car Lease Agreement, the parties agreed Trinity would lease Sunoco railroad cars as set out and identified in the Rider. The Rider provided that Trinity would lease to Sunoco 280 cars for a monthly rent of $1,310 per car. The cars were "DOT-111 specification" cars, designed to carry Class 3 flammable liquids, such as crude oil. The Rider identified the railcars as "31,808 gallon, nominal capacity, DOT Class 111A100W1, non-coiled and non-insulated tank car[s], as described in TrinityRail Specification number 19140, dated January 28, 2013." The minimum term of the lease was 120 months. Trinity was to start delivering the railcars in May 2014, and all cars were to be delivered by May 2015.

The Rider overrode Article 18 of the Railroad Car Lease Agreement, a provision applicable in the event any governmental authority required changes in railcar design or equipment. In a section titled "Escalation of Base Monthly Rent," the Rider provided:

> Mandated Modifications - Notwithstanding Article 18 of the Railroad Car Lease Agreement, in the event any change in car design, specification, or appurtenances is required by . . . [a] governmental authority during the term of the lease, [Trinity] shall perform all modifications so ordered and the cost of such modifications will, at [Sunoco's] option, either (i) be paid in full by [Sunoco] upon completion and receipt of an invoice for same, or (ii) be amortized over the remaining term of this Rider . . . . Provided, however, in the event [Sunoco] requests in writing that [Trinity] not make such modifications, [Sunoco] shall have the obligation to purchase no less than all of the cars under this Rider at the pertinent unit Stipulated Loss Value.

B. Federal Government Modifies Railcar Specifications

About two months before the parties entered into the Lease, the Pipeline and Hazardous Materials Safety Administration (PHMSA), an agency within the U.S. Department of Transportation, gave notice that it was considering revisions to the Hazardous Materials Regulations to improve regulations applicable to the transportation of hazardous materials by rail.[1] The PHMSA later issued a final rule, HM-251, effective July 7, 2015, adopting requirements designed to reduce the consequences and probability of accidents involving trains transporting flammable liquids such as those Trinity leased to Sunoco.[2]

Then, in December 2015, the federal government enacted the Fixing America's Surface Transportation Act ("FAST Act"). Title VII of the FAST Act

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[1] Hazardous Materials: Rail Petitions and Recommendations to Improve the Safety of Railroad Tank Car Transportation, 78 Fed. Reg. 54,849 (Sept. 6, 2013).

[2] Hazardous Materials: Enhanced Tank Car Standards and Operational Controls for High-Hazard Flammable Trains, 80 Fed. Reg. 26,644 (May 8, 2015).

involved hazardous materials transportation. Section 7304 of Title VII was titled "Phase-out of all tank cars used to transport Class 3 flammable liquids." It required "all DOT-111 specification railroad tank cars used to transport Class 3 flammable liquids" to be upgraded to new specifications. Fixing America's Surface Transportation Act, Pub. L. No. 114-94, § 7304, 129 Stat. 1312, 1596–97 (2015). In 2016, the PMHSA issued another final rule, HM-251C, to codify in the Hazardous Materials Regulations certain mandates and requirements of the FAST Act. HM-251C mandated that DOT-111 specification tank cars were no longer authorized to transport Class 3 flammable liquids unless upgraded to the new specifications by April 1, 2020.[3]

C. The Lawsuit

The parties agree Sunoco decided to park the railcars in 2015, after HM-251 came out, but before the FAST Act was signed into law. Sunoco continued to make rental payments. In the summer of 2017, Trinity wrote Sunoco about the modifications. Trinity sought to confirm that Sunoco had elected to amortize the cost of the modifications over the remaining term of the Rider. Sunoco responded that the mandated modifications provision in the Rider did not apply because the cars were not in service.

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[3] Hazardous Materials: FAST Act Requirements for Flammable Liquids and Rail Tank Cars, 81 Fed. Reg. 53,935 (Aug. 15, 2016).

In 2019, Trinity sued Sunoco for breach of the Lease. Trinity alleged the Lease unambiguously required Sunoco to pay for the mandated modifications to the railcars and Sunoco refused to do so. Alternatively, Trinity alleged the contract was ambiguous, but extrinsic evidence would show the parties intended Sunoco would pay for the modifications.

The case eventually proceeded to a jury trial. After both sides rested and closed, Trinity moved for directed verdict, arguing the Lease obligated Sunoco to either pay for the modifications or purchase the cars and Sunoco did neither. The trial judge agreed Sunoco was liable for breach of contract and granted a directed verdict. The parties reached an agreement on damages of $55,000 per railcar, for a total of $15,400,000. They also stipulated to the amount of Trinity's attorney's fees. Thereafter, the trial court issued a judgment awarding Trinity damages, pre- and post-judgment interest, attorney's fees, and costs.

II. Directed Verdict on Sunoco's Liability for Breach of Contract

A. The Parties' Interpretations of the Lease

In its first issue, Sunoco argues the trial court erred in granting a directed verdict. Sunoco challenges the trial court's interpretation of the Lease to require Sunoco to pay for the modifications. Sunoco's position is that the Lease required it to pay only for modifications *required* by the FAST Act and related regulations. The FAST Act did not require modifications unless the railcars were "used to transport" crude oil. According to Sunoco, the obligation to upgrade the cars was not triggered because Sunoco was not using the railcars to transport crude oil and thus, the change in specifications did not apply to the railcars. In other words, Sunoco argues the new laws did not require a change to railcars that were not actively in use to transport crude oil.

Trinity responds the Lease provided just one trigger for Sunoco's modification obligation—a government change to the specifications for railcars carrying crude oil. It asserts that because new federal regulations changed the specifications, Sunoco either had to 1) pay for the modifications or 2) purchase the unmodified railcars from Trinity. Trinity maintains that whether Sunoco was actually using the cars has no bearing on the Lease's modification provision.

Both parties say the extrinsic evidence developed at trial is irrelevant because the Lease is unambiguous. Even so, each believes the trial evidence supports its respective position.

B. Applicable Law

We review the trial court's grant of a directed verdict under a legal sufficiency standard of review. *City of Keller v. Wilson*, 168 S.W.3d 803, 823 (Tex. 2005). A directed verdict is warranted when the evidence is such that no other verdict can be reached, and the moving party is entitled to judgment as a matter of law. *Byrd v. Delasancha*, 195 S.W.3d 834, 836 (Tex. App.—Dallas 2006, no pet.).

Review in this case requires us to interpret the parties' Lease as well as the FAST Act and related regulations. Both contract and statutory interpretation involve questions of law that we review de novo. *Khoury v. Tomlinson*, 518 S.W.3d 568, 575 (Tex. App.—Houston [1st Dist.] 2017, pet. denied). In construing a written contract, the primary concern of the court is to ascertain the true intentions of the parties as expressed in the instrument. *Coker v. Coker*, 650 S.W.2d 391, 393 (Tex. 1983). To achieve this objective, courts should examine and consider the entire writing in an effort to harmonize and give effect to all the provisions of the contract so that none will be rendered meaningless. *Id.* If the written instrument is so worded that it can be given a certain or definite legal meaning or interpretation, then it is not ambiguous and the court will construe the contract as a manner of law. *Id.* A contract is ambiguous when its meaning is uncertain or doubtful or it is reasonably susceptible to more than one meaning. *Id.*

We may consider the facts and circumstances surrounding a contract, including the commercial or other setting in which the contract was negotiated and other objectively determinable factors that give context to the parties' transaction. *Kachina Pipeline Co. v. Lillis*, 471 S.W.3d 445, 450 (Tex. 2015). Extrinsic evidence can be considered only to interpret an ambiguous writing, not to create ambiguity. *Id.* A contract is not ambiguous simply because the parties disagree over its meaning. *Id.* We give contract terms their plain and ordinary meaning unless the instrument indicates the parties intended a different meaning. *Id.*

Similarly, in construing statutory text, our primary objective is to ascertain and give effect to the Legislative intent. *Morath v. Lampasas Indep. Sch. Dist.*, 686

S.W.3d 725, 734 (Tex. 2024). In doing so, we look to the plain meaning of the statutory terms, informed by context, as the most reliable guide to intent. *Id.*

C. Discussion

We resolve this appeal on the unambiguous language of the Lease and the federal law. According to Trinity, we need look no further than the plain language of the Lease to uphold the judgment. Trinity argues the government change in the specifications for the railcars triggered Sunoco's obligation to either pay for the modifications or buy the cars. It is undisputed Sunoco did neither. Trinity argues nothing in the Rider connected Sunoco's obligation to modify the cars to Sunoco's use of the cars.

We cannot determine from the Lease alone, however, whether the government required the modification of the railcars or, if so, what modifications were required. We must look to the FAST Act and related Hazardous Materials Regulations to decide if modifications were required. Section 7304 of the FAST Act required "all DOT-111 specification railroad tank cars used to transport Class 3 flammable liquids" to meet new specifications. Pub. L. No. 114-94, § 7304, 129 Stat. 1312, 1596. Similarly, HM-251C, the final PHMSA rule that codified certain mandates and requirements of the FAST Act into the Hazardous Materials Regulations, refers to railcars "in Class 3 flammable liquid service."

We agree with Sunoco that the phrase "used to transport" in the FAST Act means modifications are required only if the railcars are actually being used to transport crude oil. Other provisions of the FAST Act shed light on the use of the phrase "tank cars used to transport" in § 7304. In § 7308, also part of Title VII, the Secretary of Transportation is required to collect certain data, including data on the number of "tank cars used *or likely to be used* to transport Class 3 flammable liquids that have not been modified." Pub. L. No. 114-94, § 7308, 129 Stat. at 1599. Another section refers to "railroad carriers whose tracks may be used" for certain rail service. *Id.* § 11304, 129 Stat. at 1655. Another section is about "railroad or rail transit lines . . . that are in use or were historically used for the transportation of goods or passengers." *Id.* § 11502(a), 129 Stat. at 1690. These provisions demonstrate that had Congress wanted to mandate that all DOT-111 tank cars designed or built to carry crude oil needed to be upgraded, it could and would have used language stating so. Instead, it mandated that DOT-111 railcars *used to transport* crude oil be upgraded. HM-215C also contemplates changes to cars actually being used to transport flammable liquids. This conclusion is consistent with the purpose of the changes to the Hazardous Materials Regulations, to ensure the safe transportation of energy products. *See McCreary Cty., Ky. v. ACLU of Ky.*, 545 U.S. 844, 861 (2005) (examination of purpose is a staple of statutory interpretation). There would be no safety reason to upgrade railcars not in service.

Trinity argues the phrase "used to transport [crude oil]" is an adjective that merely describes the railroad cars. But this interpretation of the FAST Act would require upgrades to all DOT-111 railcars, whether being used or not. Such an interpretation is inconsistent with the purpose of the specification change and would require us to read language into the Act that is not there. We conclude the federal law does not require changes to DOT-111 cars that are not in use to transport Class 3 flammable liquids.

Trinity makes a few other arguments that we do not find persuasive. It contends HM-251 required changes to the railcars before Sunoco parked its cars. Trinity says that as of the date HM-251 was published, May 8, 2015, the leased cars were not crude-worthy unless retrofitted. But HM-251 did not require the mandated modifications to be made immediately. Ultimately the modifications had to be made by April 1, 2020, and the cars were parked before then.

Trinity also argues the change in railcar specifications was somehow incorporated into the description of the cars in the Rider. In describing the type of cars being leased, the Rider refers to cars "as described in TrinityRail Specification number 19140." Specification 19140 mentions § 173.242 of the Code of Federal Regulations. Section 173.242 is part of the Hazardous Material Regulations and was amended as set out in, and with the same effective date as, HM-251. 49 C.F.R. § 173.242 (2015) (titled "Bulk packagings for certain medium hazard liquids and solids, including solids with dual hazards."). Trinity argues Specification 19140's reference to § 173.232 indicated the leased railcars would comply with the requirements for crude-worthy railcars as set out in that provision. We decline to incorporate into the Rider's description of the leased cars an amendment to a federal regulation that went into effect well after the parties entered into the Lease.

Next, Trinity contends the Lease ensured that it would receive back the "same crude-worthy, § 173.242-compliant railcars" at the end of the Lease. For this argument, it cites Article 17 of the Railroad Car Lease Agreement. Article 17 is titled "Return of Cars – Cleaning" and provides that at the expiration of the lease term, Sunoco shall return the cars "empty, clean and free from residue, and in the same good condition as the cars were in when delivered, except for normal wear and tear." If the cars need cleaning upon return, Sunoco bears the cost of cleaning and has to pay additional rent until the cars are clean. This provision is about the return of clean railcars, not the return of upgraded cars.

In a related argument, Trinity asserts that in the event of a government-mandated modification, the Lease did not allow Sunoco to return unmodified cars at the end of the Lease term.[4] Article 18 of the Lease Agreement—the modification provision overridden by the Rider—allowed Sunoco to release unmodified cars to Trinity in the event neither party made required modifications. There is no such

[4] Trinity filed its lawsuit, and the case went to trial, before the end of the 10-year Lease term. While we may question whether Trinity's claim for breach could have accrued before Sunoco returned unmodified railcars to Trinity, Sunoco did not argue in the trial court or on appeal that Trinity's claim had not accrued. We may not reverse a judgment on a ground not raised. *Pike v. Tex. EMC Mgmt., LLC*, 610 S.W.3d 763, 782 (Tex. 2020); *Walling v. Metcalfe*, 863 S.W.2d 56, 58 (Tex. 1993). Our adversary system of justice generally depends on the parties to frame the issues for decision and assigns to courts the role of neutral arbiter of matters the parties present. *Pike*, 610 S.W.3d at 782.

provision in the Rider, but there is also no provision expressly prohibiting the return of unmodified cars.

Trinity further suggests the Lease supplied any requirement that the railcars be "in use" because it obligated Sunoco to use the railcars solely to transport crude oil. It cites Article 7 of the Lease Agreement: "[Sunoco] shall use each car only in the manner for which it was designed and intended." While the Lease may have required Sunoco to not use the cars for a purpose other than transporting crude oil, it did not require Sunoco to use the cars.

In sum, the Lease did not obligate Sunoco to pay for modifications if a change to car design, specification, or appurtenances was "made" by a governmental authority. It obligated Sunoco to pay for modifications "required" by a governmental authority. The FAST Act mandates phase-out of, or upgrades to, cars "used to transport" flammable liquids, not cars designed to transport flammable liquids. HM-251C refers to "tank cars in Class 3 flammable liquid service." The relevant change in the law did not require modifications for parked cars, and Sunoco was not using the cars to transport crude oil by the time the modifications were required by any of the relevant laws. Had the parties known what the language the government would use in mandating specification changes for the railcars, perhaps the Lease would have been worded differently. But we must ascertain the parties' intent as expressed in the Lease. *URI, Inc. v. Kleberg Cty.*, 543 S.W.3d 755, 757 (Tex. 2018). The Lease required Sunoco to pay for "required" modifications. If the cars were not in use to transport crude oil, no modifications were required. As a matter of law, Sunoco was not in breach of the Lease. We sustain Sunoco's first issue, and as a result, need not address its second issue about prejudgment interest. TEX. R. APP. P. 47.1.

We reverse the trial court's judgment and render judgment that Trinity take nothing on its breach of contract claim.

/Earl N. Jackson/
EARL N. JACKSON
JUSTICE