

Nevada Supreme Court: Judge, Not Jury, Decides Unambiguous Contract

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In 2011, a local water district in Nevada entered into a lease agreement with Paradise Canyon, LLC to provide shares of water for irrigating the Wolf Creek Golf Club. The lease agreement granted Paradise Canyon a right of first refusal with respect to renewing the agreement, but unambiguously provided the district with sole and absolute discretion in rate-setting during the renewal period. When it came time to renew, the district notified Paradise Canyon that it intended to raise its rates. Paradise Canyon responded by suing the district for declaratory relief and damages, alleging a bad faith breach of the lease agreement. The trial court allowed some of the claims to go to a jury.

Yesterday, the Nevada Supreme Court found that the trial court had erred:

Given that the relevant provision here was unambiguous, the trial court erred in failing to find that the District had sole and absolute discretion to set the rental rate after January 1, 2020. Sending that question to the jury was error, and thus the verdict resulting from the jury's mistaken reading of the lease and the trial court's judgment resting on that jury verdict are in error.

Virgin Valley Water Dist. v. Paradise Canyon, LLC, 141 Nev. Adv. Op. 19 (April 25, 2025). Nevada does imply a covenant of good faith and fair dealing into contracts but this covenant "may not be used to supply additional terms to the lease or to fault conduct exercised under an authority expressly provided by the lease absent conduct that intentionally interferes with the intent and spirit of the lease."

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