

BMW OF NORTH AMERICA, INC. v. GORE
Supreme Court of the United States (1996)

Justice STEVENS delivered the opinion of the Court.

In January 1990, Dr. Ira Gore, Jr., purchased a black BMW sports sedan for \$40,750.88 from an authorized BMW dealer in Birmingham, Alabama. After driving the car for approximately nine months, ... Dr. Gore took the car to “Slick Finish,” an independent detailer, to make it look “snazzier than it normally would appear.” Mr. Slick, the proprietor, detected evidence that the car had been repainted. Convinced that he had been cheated, Dr. Gore brought suit against petitioner BMW of North America....

Dr. Gore asserted that his repainted car was worth less than a car that had not been refinished.... To support his claim for punitive damages, Dr. Gore introduced evidence that since 1983 BMW had sold 983 refinished cars as new, including 14 in Alabama, without disclosing that the cars had been repainted before sale at a cost of more than \$300 per vehicle. Using [an] actual damage estimate of \$4,000 per vehicle, Dr. Gore argued that a punitive award of \$4 million would provide an appropriate penalty for selling approximately 1,000 cars for more than they were worth....

The jury returned a verdict finding BMW liable for compensatory damages of \$4,000. In addition, the jury assessed \$4 million in punitive damages, based on a determination that the nondisclosure policy constituted “gross, oppressive or malicious” fraud.... On appeal, the Alabama Supreme Court ... found that the jury improperly computed the amount of punitive damages by multiplying Dr. Gore’s compensatory damages by the number of similar sales in other jurisdictions [where BMW’s conduct was legal]. Having found the verdict tainted, the court held that “a constitutionally reasonable punitive damages award in this case is \$2,000,000”

Punitive damages may properly be imposed to further a State’s legitimate interests in punishing unlawful conduct and deterring its repetition.... Only when an award can fairly be categorized as “grossly excessive” in relation to these interests does it enter the zone of arbitrariness that violates the Due Process Clause of the Fourteenth Amendment.... Three guideposts ... lead us to the conclusion that the \$2 million award against BMW is grossly excessive

[1] Degree of Reprehensibility In this case, none of the aggravating factors associated with particularly reprehensible conduct is present. The harm BMW inflicted on Dr. Gore was purely economic in nature.... BMW’s conduct evinced no indifference to or reckless disregard for the health and safety of others. To be sure, infliction of economic injury, especially when done intentionally through affirmative acts of misconduct, or when the target is financially vulnerable, can warrant a substantial penalty. But this observation does not convert all acts that cause economic harm into torts that are sufficiently reprehensible to justify a significant sanction in addition to compensatory damages.... There is no evidence that BMW acted in bad faith [T]he record in this case discloses no deliberate false statements, acts of affirmative misconduct, or concealment of evidence of improper motive....

[2] Ratio [of Punitive Damages to Actual Harm] The \$2 million in punitive damages awarded to Dr. Gore by the Alabama Supreme Court is 500 times the amount of his actual harm as determined by the jury.... Of course, we have consistently rejected the notion that the constitutional line is marked by a simple mathematical formula, even one that compares actual and potential damages to the punitive award. In most cases, the ratio will be within a constitutionally acceptable range.... When the ratio is a breathtaking 500 to 1, however, the award must surely “raise a suspicious judicial eyebrow.”

[3] Sanctions for Comparable Misconduct In this case the \$2 million economic sanction imposed on BMW is substantially greater than the statutory fines available in Alabama and elsewhere for similar malfeasance. [Those fines range from \$50 to \$10,000]

[W]e are not prepared to draw a bright line marking the limits of a constitutionally acceptable punitive

damages award. [H]owever, we are fully convinced that the grossly excessive award imposed in this case transcends the constitutional limit....

Justice SCALIA, with whom Justice THOMAS joins, dissenting.

Today we see the latest manifestation of this Court's recent and increasingly insistent "concern about punitive damages that 'run wild.'" Since the Constitution does not make that concern any of our business, the Court's activities in this area are an unjustified incursion into the province of state governments....

[A] state trial procedure that commits the decision whether to impose punitive damages, and the amount, to the discretion of the jury, subject to some judicial review for "reasonableness," furnishes a defendant with all the process that is "due." I do not regard the Fourteenth Amendment's Due Process Clause as a secret repository of substantive guarantees against "unfairness"—neither the unfairness of an excessive civil compensatory award, nor the unfairness of an "unreasonable" punitive award....

The Constitution provides no warrant for federalizing yet another aspect of our Nation's legal culture (no matter how much in need of correction it may be), and the application of the Court's new rule of constitutional law is constrained by no principle other than the Justices' subjective assessment of the "reasonableness" of the award in relation to the conduct for which it was assessed....

At the time of adoption of the Fourteenth Amendment, it was well understood that punitive damages represent the assessment by the jury, as the voice of the community, of the measure of punishment the defendant deserved. Today's decision, though dressed up as a legal opinion, is really no more than a disagreement with the community's sense of indignation or outrage expressed in the punitive award of the Alabama jury, as reduced by the State Supreme Court....

One might understand the Court's eagerness to enter this field, rather than leave it with the state legislatures, if it had something useful to say. In fact, however, its opinion provides virtually no guidance to legislatures, and to state and federal courts.... [T]he Court identifies "[t]hree guideposts" that lead it to the conclusion that the award in this case is excessive The legal significance of these "guideposts" is nowhere explored, but their necessary effect is to establish federal standards governing the hitherto exclusively state law of damages.... In truth, the "guideposts" mark a road to nowhere; they provide no real guidance at all.... The Court has constructed a framework that does ... nothing at all except confer an artificial air of doctrinal analysis upon its essentially ad hoc determination that this particular award of punitive damages was not "fair."

The Court distinguishes today's result from [past cases] partly on the ground that "the record in this case discloses no deliberate false statements, acts of affirmative misconduct, or concealment of evidence of improper motive...." This seemingly rejects the findings necessarily made by the jury—that petitioner had committed a fraud that was "gross, oppressive, or malicious." ...

[A]s a matter of logic there is no more justification for ignoring the jury's determination as to *how* reprehensible petitioner's conduct was (*i.e.*, how much it deserves to be punished), than there is for ignoring its determination that it was reprehensible *at all* (*i.e.*, that the wrong was willful and punitive damages are therefore recoverable).... The elevation of "fairness" in punishment to a principle of "substantive due process" means that every punitive award unreasonably imposed is unconstitutional; such an award is by definition excessive, since it attaches a penalty to conduct undeserving of punishment....

[Justice GINSBURG, joined by CHIEF JUSTICE REHNQUIST, also filed a dissenting opinion.]