Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

# SUPREME COURT OF THE UNITED STATES

Syllabus

## FRANCHISE TAX BOARD OF CALIFORNIA *v.* HYATT

CERTIORARI TO THE SUPREME COURT OF NEVADA

No. 14–1175. Argued December 7, 2015—Decided April 19, 2016

Respondent Hyatt claims that he moved from California to Nevada in 1991, but petitioner Franchise Tax Board of California, a state agency, claims that he actually moved in 1992 and thus owes California millions in taxes, penalties, and interest. Hyatt filed suit in Nevada state court, which had jurisdiction over California under *Nevada* v. *Hall*, 440 U. S. 410, seeking damages for California's alleged abusive audit and investigation practices. After this Court affirmed the Nevada Supreme Court's ruling that Nevada courts, as a matter of comity, would immunize California to the same extent that Nevada law would immunize its own agencies and officials, see *Franchise Tax Bd. of Cal.* v. *Hyatt*, 538 U. S. 488, 499, the case went to trial, where Hyatt was awarded almost $500 million in damages and fees. On appeal, California argued that the Constitution's Full Faith and Credit Clause, Art. IV, §1, required Nevada to limit damages to $50,000, the maximum that Nevada law would permit in a similar suit against its own officials. The Nevada Supreme Court, however, affirmed $1 million of the award and ordered a retrial on another damages issue, stating that the $50,000 maximum would not apply on remand.

*Held*:

1. The Court is equally divided on the question whether *Nevada* v. *Hall* should be overruled and thus affirms the Nevada courts' exercise of jurisdiction over California's state agency. P. 4.

2. The Constitution does not permit Nevada to apply a rule of Nevada law that awards damages against California that are greater than it could award against Nevada in similar circumstances. This conclusion is consistent with this Court's precedents. A statute is a "public Act" within the meaning of the Full Faith and Credit Clause. While a State is not required "to substitute for its own statute . . . the statute of another State reflecting a conflicting and opposed policy,"

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*Carroll* v. *Lanza*, 349 U. S. 408, 412, a State's decision to decline to apply another State's statute on this ground must not embody a "policy of hostility to the public Acts" of that other State, *id.,* at 413. Using this approach, the Court found no violation of the Clause in *Carroll* v. *Lanza* or in *Franchise Tax Bd.* the first time this litigation was considered. By contrast, the rule of unlimited damages applied here is not only "opposed" to California's law of complete immunity; it is also inconsistent with the general principles of Nevada immunity law, which limit damages awards to $50,000. Nevada explained its departure from those general principles by describing California's own system of controlling its agencies as an inadequate remedy for Nevada's citizens. A State that disregards its own ordinary legal principles on this ground employs a constitutionally impermissible " 'policy of hostility to the public Acts' of a sister State." 538 U. S., at 499. The Nevada Supreme Court's decision thereby lacks the "healthy regard for California's sovereign status" that was the hallmark of its earlier decision. *Ibid.* This holding does not indicate a return to a complex "balancing-of-interests approach to conflicts of law under the Full Faith and Credit Clause." *Id.*, at 496. Rather, Nevada's hostility toward California is clearly evident in its decision to devise a special, discriminatory damages rule that applies only to a sister State. Pp. 4–9.

130 Nev. ___, 335 P. 3d 125, vacated and remanded.

BREYER, J., delivered the opinion of the Court, in which KENNEDY, GINSBURG, SOTOMAYOR, and KAGAN, JJ., joined. ALITO, J., concurred in the judgment. ROBERTS, C. J., filed a dissenting opinion, in which THOMAS, J., joined.

# SUPREME COURT OF THE UNITED STATES

No. 14–1175

FRANCHISE TAX BOARD OF CALIFORNIA, PETITIONER *v.* GILBERT P. HYATT

ON WRIT OF CERTIORARI TO THE SUPREME COURT OF NEVADA

[April 19, 2016]

JUSTICE BREYER delivered the opinion of the Court.

In *Nevada* v. *Hall*, 440 U. S. 410 (1979), this Court held that one State (here, Nevada) can open the doors of its courts to a private citizen's lawsuit against another State (here, California) without the other State's consent. In this case, a private citizen, a resident of Nevada, has brought a suit in Nevada's courts against the Franchise Tax Board of California, an agency of the State of California. The board has asked us to overrule *Hall* and hold that the Nevada courts lack jurisdiction to hear this lawsuit. The Court is equally divided on this question, and we consequently affirm the Nevada courts' exercise of jurisdiction over California. See, *e.g., Exxon Shipping Co.* v. *Baker*, 554 U. S. 471, 484 (2008) (citing *Durant* v. *Essex Co.*, 7 Wall. 107, 112 (1869)).

California also asks us to reverse the Nevada court's decision insofar as it awards the private citizen greater damages than Nevada law would permit a private citizen to obtain in a similar suit against Nevada's own agencies. We agree that Nevada's application of its damages law in this case reflects a special, and constitutionally forbidden,

"'policy of hostility to the public Acts' of a sister State," namely, California. U. S. Const., Art. IV, §1 (Full Faith and Credit Clause); *Franchise Tax Bd. of Cal.* v. *Hyatt*, 538 U. S. 488, 499 (2003) (quoting *Carroll* v. *Lanza*, 349 U. S. 408, 413 (1955)). We set aside the Nevada Supreme Court's decision accordingly.

## I

Gilbert P. Hyatt, the respondent here, moved from California to Nevada in the early 1990's. He says that he moved to Nevada in September 1991. California's Franchise Tax Board, however, after an investigation and tax audit, claimed that Hyatt moved to Nevada later, in April 1992, and that he consequently owed California more than $10 million in taxes, associated penalties, and interest.

Hyatt filed this lawsuit in Nevada state court against California's Franchise Tax Board, a California state agency. Hyatt sought damages for what he considered the board's abusive audit and investigation practices, including rifling through his private mail, combing through his garbage, and examining private activities at his place of worship. See App. 213–245, 267–268.

California recognized that, under *Hall*, the Constitution permits Nevada's courts to assert jurisdiction over California despite California's lack of consent. California nonetheless asked the Nevada courts to dismiss the case on other constitutional grounds. California law, it pointed out, provided state agencies with immunity from lawsuits based upon actions taken during the course of collecting taxes. Cal. Govt. Code Ann. §860.2 (West 1995); see also §860.2 (West 2012). It argued that the Constitution's Full Faith and Credit Clause required Nevada to apply California's sovereign immunity law to Hyatt's case. Nevada's Supreme Court, however, rejected California's claim. It held that Nevada's courts, as a matter of comity, would immunize California where Nevada law would similarly

immunize its own agencies and officials (*e.g.,* for actions taken in the performance of a "discretionary" function), but they would not immunize California where Nevada law permitted actions against Nevada agencies, say, for acts taken in bad faith or for intentional torts. App. to Pet. for Cert. in *Franchise Tax Bd. of Cal.* v. *Hyatt*, O. T. 2002, No. 42, p. 12. We reviewed that decision, and we affirmed. *Franchise Tax Bd.*, *supra*, at 499.

On remand, the case went to trial. A jury found in Hyatt's favor and awarded him close to $500 million in damages (both compensatory and punitive) and fees (including attorney's fees). California appealed. It argued that the trial court had not properly followed the Nevada Supreme Court's earlier decision. California explained that in a similar suit against similar Nevada officials, Nevada statutory law would limit damages to $50,000, and it argued that the Constitution's Full Faith and Credit Clause required Nevada to limit damages similarly here.

The Nevada Supreme Court accepted the premise that Nevada statutes would impose a $50,000 limit in a similar suit against its own officials. See 130 Nev. ___, ___, 335 P. 3d 125, 145–146 (2014); see also Nev. Rev. Stat. §41.035(1) (1995). But the court rejected California's conclusion. Instead, while setting aside much of the damages award, it nonetheless affirmed $1 million of the award (earmarked as compensation for fraud), and it remanded for a retrial on the question of damages for intentional infliction of emotional distress. In doing so, it stated that "damages awarded on remand . . . are not subject to any statutory cap." 130 Nev., at ___, 335 P. 3d, at 153. The Nevada Supreme Court explained its holding by stating that California's efforts to control the actions of its own agencies were inadequate as applied to Nevada's own citizens. Hence, Nevada's "policy interest in providing adequate redress to Nevada's citizens [wa]s paramount to providing [California] a statutory cap on damages under

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