

Syllabus

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SUPREME COURT OF THE UNITED STATES

Syllabus

GOODYEAR TIRE & RUBBER CO. *v.* HAEGER ET AL.CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR
THE NINTH CIRCUIT

No. 15–1406. Argued January 10, 2017—Decided April 18, 2017

Respondents Leroy, Donna, Barry, and Suzanne Haeger sued petitioner Goodyear Tire & Rubber Company, alleging that the failure of a Goodyear G159 tire caused the family’s motorhome to swerve off the road and flip over. After several years of contentious discovery, marked by Goodyear’s slow response to repeated requests for internal G159 test results, the parties settled the case. Some months later, the Haegers’ lawyer learned that, in another lawsuit involving the G159, Goodyear had disclosed test results indicating that the tire got unusually hot at highway speeds. In subsequent correspondence, Goodyear conceded withholding the information from the Haegers, even though they had requested all testing data. The Haegers then sought sanctions for discovery fraud, urging that Goodyear’s misconduct entitled them to attorney’s fees and costs expended in the litigation.

The District Court found that Goodyear had engaged in an extended course of misconduct. Exercising its inherent power to sanction bad-faith behavior, the court awarded the Haegers \$2.7 million—the entire sum they had spent in legal fees and costs since the moment, early in the litigation, when Goodyear made its first dishonest discovery response. The court said that in the usual case, sanctions ordered pursuant to a court’s inherent power to sanction litigation misconduct must be limited to the amount of legal fees caused by that misconduct. But it determined that in cases of particularly egregious behavior, a court can award a party all of the attorney’s fees incurred in a case, without any need to find a “causal link between [the expenses and] the sanctionable conduct.” 906 F. Supp. 2d 938, 975. As further support for its award, the District Court concluded that full and timely disclosure of the test results would likely have led Good-

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year to settle the case much earlier. Acknowledging that the Ninth Circuit might require a link between the misconduct and the harm caused, however, the court also made a contingent award of \$2 million. That smaller amount, designed to take effect if the Ninth Circuit reversed the larger award, deducted \$700,000 in fees the Haegers incurred in developing claims against other defendants and proving their own medical damages. The Ninth Circuit affirmed the full \$2.7 million award, concluding that the District Court had properly awarded the Haegers all the fees they incurred during the time when Goodyear was acting in bad faith.

Held: When a federal court exercises its inherent authority to sanction bad-faith conduct by ordering a litigant to pay the other side’s legal fees, the award is limited to the fees the innocent party incurred solely because of the misconduct—or put another way, to the fees that party would not have incurred but for the bad faith. Pp. 5–13.

(a) Federal courts possess certain inherent powers, including “the ability to fashion an appropriate sanction for conduct which abuses the judicial process.” *Chambers v. NASCO, Inc.*, 501 U. S. 32, 44–45. One permissible sanction is an assessment of attorney’s fees against a party that acts in bad faith. Such a sanction must be compensatory, rather than punitive, when imposed pursuant to civil procedures. See *Mine Workers v. Bagwell*, 512 U. S. 821, 826–830. A sanction counts as compensatory only if it is “calibrate[d] to [the] damages caused by” the bad-faith acts on which it is based. *Id.*, at 834. Hence the need for a court to establish a causal link between the litigant’s misbehavior and legal fees paid by the opposing party. That kind of causal connection is appropriately framed as a but-for test, meaning a court may award only those fees that the innocent party would not have incurred in the absence of litigation misconduct. That standard generally demands that a district court assess and allocate specific litigation expenses—yet still allows it to exercise discretion and judgment. *Fox v. Vice*, 563 U. S. 826, 836. And in exceptional cases, that standard allows a court to avoid segregating individual expense items by shifting all of a party’s fees, from either the start or some midpoint of a suit. Pp. 5–9.

(b) Here, the parties largely agree about the pertinent law but dispute what it means for this case. Goodyear contends that it requires throwing out the fee award and instructing the trial court to consider the matter anew. The Haegers maintain, to the contrary, that the award can stand because both courts below articulated and applied the appropriate but-for causation standard, or, even if they did not, the fee award in fact passes a but-for test.

The Haegers’ defense of the lower courts’ reasoning is a non-starter: Neither court used the correct legal standard. The District

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Court specifically disclaimed the need for a causal link on the ground that this was a “truly egregious” case. 906 F. Supp. 2d, at 975. And the Ninth Circuit found that the trial court could grant all attorney’s fees incurred “during the time when [Goodyear was] acting in bad faith,” 813 F. 3d 1233, 1249—a temporal, not causal, limitation. A sanctioning court must determine which fees were incurred because of, and solely because of, the misconduct at issue, and no such finding lies behind the \$2.7 million award made and affirmed below. Nor is this Court inclined to fill in the gap, as the Haegers urge. As an initial matter, the Haegers have not shown that this litigation would have settled as soon as Goodyear divulged the heat-test results (a showing that would justify an all-fees award from the moment Goodyear was supposed to disclose). Further, they cannot demonstrate that Goodyear’s non-disclosure so permeated the suit as to make that misconduct a but-for cause of every subsequent legal expense, totaling the full \$2.7 million.

Although the District Court considered causation in arriving at its back-up award of \$2 million, it is unclear whether its understanding of that requirement corresponds to the appropriate standard—an uncertainty pointing toward throwing out the fee award and instructing the trial court to consider the matter anew. However, the Haegers contend that Goodyear has waived any ability to challenge the contingent award since the \$2 million sum reflects Goodyear’s own submission that only about \$700,000 of the fees sought would have been incurred regardless of the company’s behavior. The Court of Appeals did not address that issue, and this Court declines to decide it in the first instance. The possibility of waiver should therefore be the initial order of business on remand. Pp. 9–13.

813 F. 3d 1233, reversed and remanded.

KAGAN, J., delivered the opinion of the Court, in which all other Members joined, except GORSUCH, J., who took no part in the consideration or decision of the case.

Opinion of the Court

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SUPREME COURT OF THE UNITED STATES

No. 15–1406

**GOODYEAR TIRE & RUBBER COMPANY,
PETITIONER *v.* LEROY HAEGER, ET AL.**

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF
APPEALS FOR THE NINTH CIRCUIT

[April 18, 2017]

JUSTICE KAGAN delivered the opinion of the Court.

In this case, we consider a federal court’s inherent authority to sanction a litigant for bad-faith conduct by ordering it to pay the other side’s legal fees. We hold that such an order is limited to the fees the innocent party incurred solely because of the misconduct—or put another way, to the fees that party would not have incurred but for the bad faith. A district court has broad discretion to calculate fee awards under that standard. But because the court here granted legal fees beyond those resulting from the litigation misconduct, its award cannot stand.

I

Respondents Leroy, Donna, Barry, and Suzanne Haeger sued the Goodyear Tire & Rubber Company (among other defendants) after the family’s motorhome swerved off the road and flipped over.¹ The Haegers alleged that the

¹The additional defendants named in the Haegers’ complaint were Gulf Stream Coach, the manufacturer of the motorhome, and Spartan Motors, the manufacturer of the vehicle’s chassis. In the course of the litigation, the Haegers reached a settlement with Gulf Stream, and the District Court granted Spartan’s motion for summary judgment.

Opinion of the Court

failure of a Goodyear G159 tire on the vehicle caused the accident: Their theory was that the tire was not designed to withstand the level of heat it generated when used on a motorhome at highway speeds. Discovery in the case lasted several years—and itself generated considerable heat. The Haegers repeatedly asked Goodyear to turn over internal test results for the G159, but the company’s responses were both slow in coming and unrevealing in content. After making the District Court referee some of their more contentious discovery battles, the parties finally settled the case (for a still-undisclosed sum) on the eve of trial.

Some months later, the Haegers’ lawyer learned from a newspaper article that, in another lawsuit involving the G159, Goodyear had disclosed a set of test results he had never seen. That data indicated that the G159 got unusually hot at speeds of between 55 and 65 miles per hour. In ensuing correspondence, Goodyear conceded withholding the information from the Haegers even though they had requested (both early and often) “all testing data” related to the G159. Record in No. 2:05–cv–2046 (D Ariz.), Doc. 938, p. 8; see *id.*, Doc. 938–1, at 24, 36; *id.*, Doc. 1044–2, at 25 (filed under seal). The Haegers accordingly sought sanctions for discovery fraud, claiming that “Goodyear knowingly concealed crucial ‘internal heat test’ records related to the [G159’s] defective design.” *Id.*, Doc. 938, at 1. That conduct, the Haegers urged, entitled them to attorney’s fees and costs expended in the litigation. See *id.*, at 14.

The District Court agreed to make such an award in the exercise of its inherent power to sanction litigation misconduct.² The court’s assessment of Goodyear’s actions

²The court reasoned that no statute or rule enabled it to reach all the offending behavior. Sanctions under Federal Rule of Civil Procedure 11, the court thought, should not be imposed after final judgment in a

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