

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 Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

TXO PRODUCTION CORP. v. ALLIANCE RESOURCES CORP. ET AL.

CERTIORARI TO THE SUPREME COURT OF APPEALS OF WEST
VIRGINIA

No. 92-479. Argued March 31, 1993—Decided June 25, 1993

In a common-law slander of title action in West Virginia state court, respondents obtained a judgment against petitioner TXO Production Corp. for \$19,000 in actual damages and \$10 million in punitive damages. Accepting respondents' version of disputed issues of fact, the record shows, *inter alia*, that TXO knew that respondent Alliance Resources Corp. had good title to the oil and gas development rights at issue; that TXO acted in bad faith by advancing a claim on those rights on the basis of a worthless quitclaim deed in an effort to renegotiate its royalty arrangement with Alliance; that the anticipated gross revenues from oil and gas development—and therefore the amount of royalties that TXO sought to renegotiate—were substantial; that TXO was a large, wealthy company; and that TXO had engaged in similar nefarious activities in other parts of the country. In affirming, the State Supreme Court of Appeals, among other things, rejected TXO's contention that the punitive damages award violated the Due Process Clause of the Fourteenth Amendment as interpreted in *Pacific Mutual Life Ins. Co. v. Haslip*, 499 U. S. 1.

Held: The judgment is affirmed.
187 W. Va. 457, 419 S. E. 2d 870, affirmed.

JUSTICE STEVENS, joined by THE CHIEF JUSTICE and JUSTICE BLACKMUN, concluded in Parts II and III that the punitive damages award did not violate the substantive component of the Due Process Clause. Pp. 8-18.

(a) With respect to the question whether a particular punitive award is so "grossly excessive" as to violate the Due Process Clause, *Waters-Pierce Oil Co. v. Texas (No. 1)*, 212 U. S. 86, 111, this Court need not, and indeed cannot, draw a mathematical bright line between the constitutionally

acceptable and the constitutionally unacceptable that would fit every case. It can be said, however, that a general concern of reasonableness properly enters into the constitutional calculus. See *Haslip*, 499 U. S., at 18. Although the parties' desire to formulate a ``test'' is understandable, neither respondents' proposed rational basis standard nor TXO's proposed heightened scrutiny standard is satisfactory. Pp. 8-13.

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(b) The punitive award in this case was not so “grossly excessive” as to violate due process. The dramatic disparity between the actual damages and the punitive award is not controlling in a case of this character. On the record, the jury may reasonably have determined that TXO set out on a malicious and fraudulent course to win back, either in whole or in part, the lucrative stream of royalties that it had ceded to Alliance. The punitive award is certainly large, but in light of the millions of dollars potentially at stake, TXO’s bad faith, the fact that TXO’s scheme was part of a larger pattern of fraud, trickery, and deceit, and TXO’s wealth, the award cannot be said to be beyond the power of the State to allow. Pp. 14–18.

JUSTICE STEVENS, joined by THE CHIEF JUSTICE, JUSTICE BLACKMUN, and JUSTICE KENNEDY, concluded in Part IV that TXO’s procedural due process arguments—that the jury was not adequately instructed, that the punitive damages award was not adequately reviewed by the trial or the appellate court, and that TXO had no advance notice that the jury might be allowed to return such a large award or to rely on potential harm as a basis for the award—must be rejected. The first argument need not be addressed as it was not presented or passed on below, and the remaining arguments are meritless. Pp. 18–21.

JUSTICE KENNEDY concluded that the plurality’s “reasonableness” formulation is unsatisfactory, since it does not provide a standard by which to compare the punishment to the malefaction that gave rise to it. A more manageable constitutional inquiry focuses not on the amount of money a jury awards in a particular case but on its reasons for doing so. When a punitive damages award reflects bias, passion, or prejudice by the jury, rather than a rational concern for deterrence and retribution, the Constitution has been violated, no matter what the absolute or relative size of the award. The record in this case, when viewed as a whole, demonstrates that it was rational for the jury to place great weight on the evidence of TXO’s deliberate and wrongful conduct, and makes it probable that the verdict was motivated by a legitimate concern for punishment and deterrence. Pp. 1–4.

JUSTICE SCALIA, joined by JUSTICE THOMAS, concluded that, although “procedural due process” requires judicial review of punitive damages awards for reasonableness, there is no federal constitutional right to a substantively correct “reasonableness” determination. If the Due Process Clause of the Fourteenth Amendment were the secret repository for such an unenumerated right, it would surely also contain the substantive right not to be subjected to excessive fines, which would render the Eighth Amendment’s Excessive Fines Clause

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superfluous. The Constitution gives federal courts no business in this area, except to assure that due process (*i.e.*, traditional procedure) has been observed. Since the jury in this case was instructed on the purposes of punitive damages under West Virginia law, and its award was reviewed for reasonableness by the trial court and the State Supreme Court of Appeals, petitioner's due process claims must fail. Pp. 1-4.

STEVENS, J., announced the judgment of the Court and delivered an opinion, in which REHNQUIST, C. J., and BLACKMUN, J., joined, and in which KENNEDY, J., joined as to Parts I and IV. KENNEDY, J., filed an opinion concurring in part and concurring in the judgment. SCALIA, J., filed an opinion concurring in the judgment, in which THOMAS, J., joined. O'CONNOR, J., filed a dissenting opinion, in which WHITE, J., joined, and in which SOUTER, J., joined as to Parts II-B-2, II-C, III, and IV.