

Rubio v. CIA Wheel Group (2021) 63 Cal.App.5th 82

A trier of fact may properly consider any uncompensated or potential harm in awarded punitive damages.

FACTS/PROCEDURE

In about May 2011, Maria Teresa Lopez began working at CIA Wheel Group dba The Wheel Group (“CWG”) as a sales representative. A little over a year later, Lopez learned she had cancer and took a three-month medical leave for surgery. She returned to work full time in January 2013. Beginning in February of that year, she underwent chemotherapy every three weeks until August 2013. In November 2013, Lopez was terminated, and her supervisor, A.J. Russo, stated her termination was performance related.

Lopez sued CWG for wrongful termination in violation of public policy. However, Lopez passed away during trial, so it was declared a mistrial. The court appointed her three children as her successors in interest and a second bench trial proceeded. At the second trial, the court found for Plaintiffs and awarded \$15,057 in economic damages and \$500,000 in punitive damages. The court also found Lopez was entitled to \$100,000 to \$500,000 in noneconomic damages, but this was not recoverable by Plaintiffs after her death. Defendant CWG appealed the verdict, alleging the following: (1) the punitive damages award was excessive; (2) the trial court erred in considering the financial condition of CWG’s alter ego, The Wheel Group Holdings (“Holdings”),¹ to determine punitive damages; and (3) there was not sufficient evidence showing Defendant CWG acted with fraud, oppression, or malice.

HOLDING/DISCUSSION

The Court of Appeal for the Second District affirmed. Under the due process clause of the Fourteenth Amendment, state court awards for punitive damages must not be excessive, because “due process entitles a tortfeasor to ‘fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty that a State may impose.’” Here, CWG contended punitive damages were excessive because the punitive damages award was 33.3 times the economic damages. However, the court held the trial court was permitted to consider the noneconomic damages award and cited to several cases where trial courts had properly considered uncompensated or potential harm as a predicate for a punitive damages award. When Lopez’s potential noneconomic damages were included in the calculation of punitive damages, the award of punitive damages was only a multiplier of 3.3 to 5 the total harm. Thus, the award was not constitutionally excessive. The court also addressed CWG’s argument that the trial court should not have considered the financial condition of Holdings in determining punitive damages. First, the court found Holdings was the alter ego of CWG and thus on notice of its potential liability for punitive damages. Further, since CWG did not cite any legal authority or support from the trial record to support this argument, the court held CWG waived this claim.

¹ Before the second trial began, Plaintiffs learned CWG had been dissolved, and the company was doing business as The Wheel Group Holdings. At the conclusion of the liability phase, the trial court added Holdings as a judgment debtor because it was the alter ego of or successor to CWG.