

SUPREME COURT OF INDIANA

Hyundai Motor America, Inc. v. Goodin

822 N.E.2d 947 (Ind. 2005) · No. 82S05-0406-CV-279 · Decided February 22, 2005

SUMMARY

The Indiana Supreme Court held that a consumer may sue a vehicle manufacturer for economic loss based on breach of the implied warranty of merchantability without establishing vertical privity. The court concluded that Indiana's prior privity requirement was not controlling and affirmed the availability of the claim under the Magnuson-Moss Warranty Act, which relies on state law for the contours of implied warranties. The case arose from alleged recurring brake defects in a Hyundai Sonata purchased from a dealer.

CASE DETAILS

COURT	Supreme Court of Indiana
WRITING FOR THE COURT	Boehm, Justice; Shepard, C.J.; Dickson, Justice; Sullivan, Justice; Rucker, Justice
JURISDICTION	Indiana
DECIDED	February 22, 2005
DOCKET	82S05-0406-CV-279
DISPOSITION	affirmed
PROCEDURAL POSTURE	Petition to transfer from the Indiana Court of Appeals. After a jury found for Goodin on her implied-warranty claim, the trial court initially set aside the verdict for lack of vertical privity, then reinstated it on estoppel grounds. The Court of Appeals reversed, and the Indiana Supreme Court granted transfer.
STANDARD OF REVIEW	De novo review applies because whether Indiana law requires privity to maintain an action for breach of an implied warranty is a question of law.
PRECEDENTIAL VALUE	Published opinion of the Supreme Court of Indiana; binding Indiana precedent.
PARTIES	Hyundai Motor America, Inc. v. Sandra Goodin

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QUESTIONS PRESENTED

1. Whether Indiana requires vertical contractual privity between a consumer and an automobile manufacturer for a claim seeking direct economic loss based on breach of the implied warranty of merchantability.
2. Whether the Magnuson-Moss Warranty Act independently supplies the governing rule on privity for Goodin's implied-warranty claim.
3. Whether the privity language in *Martin Rispens & Son v. Hall Farms, Inc.* controlled the issue.

HOLDINGS

1. Indiana law does not require vertical privity between a consumer and a manufacturer as a condition of maintaining a claim for direct economic loss based on breach of the manufacturer's implied warranty of merchantability.
2. The Magnuson-Moss Warranty Act does not independently eliminate or impose a vertical-privity requirement; the issue is determined by applicable Indiana law.
3. The statement in a footnote in *Martin Rispens* that Indiana requires privity for an implied-warranty claim was dicta because privity was not necessary to that decision and was not presented or briefed as an issue on transfer.

KEY QUOTATIONS

"We hold that a consumer may sue a manufacturer for economic loss based on breach of the implied warranty of merchantability even if the consumer purchased the product from an intermediary in the distribution chain." (947)

"Accordingly, the language in Martin Rispens, though often cited, is dicta and we accept the invitation from the Court of Appeal to reconsider it." (954)

"For the reasons given above we conclude that Indiana law does not require vertical privity between a consumer and a manufacturer as a condition to a claim by the consumer against the manufacturer for breach of the manufacturer's implied warranty of merchantability." (959)

FACTUAL BACKGROUND

Sandra Goodin purchased a new Hyundai Sonata from an authorized Hyundai dealer after experiencing brake pulsation during a test drive and receiving an explanation that the problem resulted from flat spots on the tires. The vehicle repeatedly exhibited brake vibrations and noises despite numerous inspections and repairs by authorized Hyundai dealers. An expert later opined that the vehicle was defective and unmerchantable when

manufactured, and replacement of the rotors reduced but did not eliminate the problem. Goodin sought the direct economic loss represented by the diminished value of the vehicle.

PROCEDURAL HISTORY

Goodin sued Hyundai under the Magnuson-Moss Warranty Act for breach of express and implied warranties and revocation of acceptance. The jury rejected the express-warranty claim but awarded Goodin \$3,000 on her implied-warranty-of-merchantability claim; the trial court ultimately reinstated that verdict and awarded attorney fees. The Court of Appeals held that vertical privity was required and that Hyundai was not estopped from asserting its absence. The Indiana Supreme Court granted transfer and affirmed the trial court's judgment.

DISPOSITION

affirmed

CASES CITED

- Hyundai Motor Am., Inc. v. Goodin, 804 N.E.2d 775, 781 (Ind. Ct. App. 2004)
- Hyundai Motor Am., Inc. v. Goodin, 812 N.E.2d 808 (Ind. 2004)
- Martin Rispens & Son v. Hall Farms, Inc., 621 N.E.2d 1078, 1084 n. 2 (Ind. 1993)
- Schimmer v. Jaguar Cars, Inc., 384 F.3d 402, 405 (7th Cir. 2004)
- Voelker v. Porsche Cars N. Am., Inc., 353 F.3d 516, 525 (7th Cir. 2003)
- Griffith v. State, 788 N.E.2d 835, 839 (Ind. 2003)
- Frantz v. Cantrell, 711 N.E.2d 856, 859 (Ind. Ct. App. 1999)
- Winterbottom v. Wright, 10 M. & W. 109, 152 Eng. Rep. 402 (Ex. 1842)
- MacPherson v. Buick Motor Co., 217 N.Y. 382, 111 N.E. 1050 (1916)
- Henningsen v. Bloomfield Motors, Inc., 32 N.J. 358, 161 A.2d 69 (1960)
- Rheem Mfg. Co. v. Phelps Heating & Air Conditioning, Inc., 714 N.E.2d 1218, 1228 n. 8 (Ind. Ct. App. 1999)
- Lane v. Barringer, 407 N.E.2d 1173, 1175 (Ind. Ct. App. 1980)
- Dagley v. Armstrong Rubber Co., 344 F.2d 245, 252, 254 (7th Cir. 1965)
- J.I. Case Co. v. Sandefur, 245 Ind. 213, 221-22, 197 N.E.2d 519, 523 (1964)
- Neofes v. Robertshaw Controls Co., 409 F. Supp. 1376, 1379 (S.D. Ind. 1976)
- Filler v. Rayex Corp., 435 F.2d 336, 337-38 (7th Cir. 1970)
- Candlelight Homes, Inc. v. Zornes, 414 N.E.2d 980, 982 (Ind. Ct. App. 1981)
- Richards v. Goerg Boat & Motors, Inc., 179 Ind. App. 102, 384 N.E.2d 1084, 1092 (1979)
- Corbin v. Coleco Industries, 748 F.2d 411, 415 (7th Cir. 1984)
- Reed v. Central Soya Co., Inc., 621 N.E.2d 1069, 1074 (Ind. 1993)
- Gunkel v. Renovations, Inc., 822 N.E.2d 150 (Ind. 2005)
- Hininger v. Case Corp., 23 F.3d 124, 127 (5th Cir. 1994)

- Spring Motors Distribs., Inc. v. Ford Motor Co., 98 N.J. 555, 489 A.2d 660, 676-77 (1985)
- Hiles Co. v. Johnston Pump Co., 93 Nev. 73, 560 P.2d 154, 157 (1977)
- Groppel Co., Inc. v. United States Gypsum Co., 616 S.W.2d 49, 59 (Mo. Ct. App. 1981)
- Ramerth v. Hart, 133 Idaho 194, 983 P.2d 848, 852 (1999)
- Allgood v. R.J. Reynolds Tobacco Co., 80 F.3d 168, 171 (5th Cir. 1996)

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