SUPREME COURT OF ILLINOIS

Razor v. Hyundai Motor Am., 222 Ill. 2d 75

854 N.E.2d 607 (2006) · No. 98813 · Decided June 29, 2006

SUMMARY

The Illinois Supreme Court considers whether a contractual exclusion of incidental and consequential damages remains enforceable when a limited warranty remedy has failed of its essential purpose. The court adopts the independent approach, holding that the consequential-damages exclusion must be evaluated separately for unconscionability, and also addresses the sufficiency of evidence supporting the warranty-damages award. The court affirms in part, reverses in part, and remands.

CASE DETAILS

COURT	Supreme Court of Illinois
WRITING FOR THE COURT	Justice Freeman; Chief Justice Thomas; Justice Fitzgerald; Justice Kilbride; Justice Garman; Justice McMorrow; Justice Karmeier
JURISDICTION	Illinois
DECIDED	June 29, 2006
DOCKET	98813
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Hyundai appealed from a judgment awarding the plaintiff warranty damages and consequential damages after a jury trial. The Illinois Appellate Court affirmed, and the Illinois Supreme Court allowed Hyundai's petition for leave to appeal.
STANDARD OF REVIEW	Judgment notwithstanding the verdict is reviewed under the standard that it may be entered only when, viewing the evidence and reasonable inferences in the light most favorable to the nonmoving party, the evidence overwhelmingly favors the movant so that a contrary verdict could not stand. Whether a contractual clause is unconscionable is a question of law for the court. The admission of lay opinion regarding property value is reviewed for abuse of discretion.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Hyundai Motor America v. Shante Razor

TOPICS

warranty · uniform commercial code · consequential damages · unconscionability · appellate procedure

PRACTICE AREAS

contracts · uniform commercial code · consumer protection · warranty · remedies · appellate procedure

QUESTIONS PRESENTED

1. Whether a contractual exclusion of consequential damages remains enforceable when a limited contractual remedy fails of its essential purpose.
2. Whether Hyundai's exclusion of consequential damages was unconscionable under Illinois law.
3. Whether sufficient evidence supported the jury's $5,000 warranty-damages award.
4. Whether the circuit court improperly barred the plaintiff from laying a foundation for her opinion regarding the vehicle's diminished value.
5. Whether the partial reversal required reversal of the attorney-fee award.

HOLDINGS

1. Under Illinois Uniform Commercial Code section 2-719, a limitation of remedy and an exclusion of consequential damages are independent provisions. The failure of the limited remedy to serve its essential purpose does not automatically invalidate the consequential-damages exclusion; the exclusion must independently be enforced unless unconscionable.
2. Hyundai's consequential-damages exclusion was unconscionable and unenforceable because the record showed that the warranty and exclusion were not conveyed to Razor at or before the time of sale.
3. The evidence was insufficient to support the jury's $5,000 warranty-damages award because the plaintiff presented no reasonable basis for calculating the vehicle's diminished value.
4. The circuit court erred by preemptively preventing Razor from attempting to establish a foundation for her opinion regarding the vehicle's value and diminished value.

KEY QUOTATIONS

> *"Contractual limitations or exclusions of consequential damages will be upheld unless to do so would be unconscionable, regardless of whether the contract also contains a limited remedy which fails of its essential purpose."* (222 Ill. 2d at 91)

> *"A limitation of liability given to the buyer after he makes the contract is ineffective."* (222 Ill. 2d at 94)

> *"There is simply no way for the jury to get from this testimony to a $5,000 award without engaging in speculation and conjecture."* (222 Ill. 2d at 98)

FACTUAL BACKGROUND

Shante Razor purchased a new Hyundai Sonata with a five-year, 60,000-mile limited warranty and an optional aftermarket remote starter and alarm system. Soon after purchase, the vehicle repeatedly failed to start despite multiple attempted repairs, although it operated without further difficulty after December 2001. The written warranty excluded incidental and consequential damages, but Razor testified that she did not see the warranty until after signing the purchase contract and taking the vehicle from the dealership. A jury found for Razor on her warranty claims and awarded $5,000 for diminished value and $3,500 in consequential damages.

PROCEDURAL HISTORY

Razor sued Hyundai under the Magnuson-Moss Warranty Act for breach of written and implied warranties and under the Illinois New Vehicle Buyer Protection Act. Arbitration resulted in an award for Razor, which Hyundai rejected, leading to a jury trial. The circuit court entered judgment on the warranty claims, including $5,000 in warranty damages, $3,500 in consequential damages, and attorney fees; the appellate court affirmed. The Illinois Supreme Court affirmed in part, reversed in part, and remanded for a new trial solely on warranty damages.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

Remand for a new trial solely on the amount of warranty damages. The plaintiff must be allowed to attempt to lay a foundation for testimony concerning her personal knowledge of the vehicle's value, subject to the circuit court's discretionary evaluation of the sufficiency of that foundation. The consequential-damages award and the attorney-fee award were not reversed on the grounds presented.

CASES CITED

- Sorce v. Naperville Jeep Eagle, 309 Ill. App. 3d 313 (1999)
- Lara v. Hyundai Motor America, 331 Ill. App. 3d 53 (2002)
- Adams v. J.I. Case Co., 125 Ill. App. 2d 388 (1970)
- Jones & McKnight Corp. v. Birdsboro Corp., 320 F. Supp. 39 (N.D. Ill. 1970)
- Givan v. Mack Truck, Inc., 569 S.W.2d 243 (Mo. App. 1978)
- Pierce v. Catalina Yachts, 2 P.3d 618 (Alaska 2000)
- Bishop Logging Co. v. John Deere Industrial Equipment Co., 317 S.C. 520, 455 S.E.2d 183 (1995)
- Chatlos Systems v. National Cash Register Corp., 635 F.2d 1081 (3d Cir. 1980)
- AES Technology Systems, Inc. v. Coherent Radiation, 583 F.2d 933 (7th Cir. 1978)
- Smith v. Navistar International Transportation Corp., 957 F.2d 1439 (7th Cir. 1992)
- Soo Line R.R. Co. v. Fruehauf Corp., 547 F.2d 1365 (8th Cir. 1977)
- Intrastate Piping & Controls, Inc. v. Robert-James Sales, Inc., 315 Ill. App. 3d 248 (2000)
- Rosen v. SCIL, LLC, 343 Ill. App. 3d 1075 (2003)
- McNally Wellman Co. v. New York State Electric & Gas Corp., 63 F.3d 1188 (2d Cir. 1995)
- Wilbur v. Toyota Motor Sales, U.S.A., 86 F.3d 23 (2d Cir. 1996)
- Bullard v. Barnes, 102 Ill. 2d 505 (1984)
- Fitzpatrick v. ACF Properties Group, Inc., 231 Ill. App. 3d 690 (1992)

- Ouwenga v. Nu-Way Ag, Inc., 239 Ill. App. 3d 518 (1992)
- Mitsch v. General Motors Corp., 359 Ill. App. 3d 99 (2005)
- Valenti v. Mitsubishi Motor Sales of America, Inc., 332 Ill. App. 3d 969 (2002)
- Midland Hotel Corp. v. Reuben H. Donnelley Corp., 118 Ill. 2d 306 (1987)
- Snelson v. Kamm, 204 Ill. 2d 1 (2003)
- Gill v. Foster, 157 Ill. 2d 304 (1993)
- People v. Steidl, 142 Ill. 2d 204 (1991)
- Burrus v. Itek Corp., 46 Ill. App. 3d 350 (1977)
- McGrady v. Chrysler Motors Corp., 46 Ill. App. 3d 136 (1977)
- Ford Motor Co. v. Cooper, 125 S.W.3d 794 (Tex. Civ. App. 2004)