

Trust and Business Services
in MonacoMOORE STEPHENS
MONACO

Country Home Pages

- [Australia](#)
- [Bahamas](#)
- [Barbados](#)
- [Bermuda](#)
- [British Virgin Islands](#)
- [Canada](#)
- [Cyprus](#)
- [Dubai](#)
- [Gibraltar](#)
- [Guernsey](#)
- [Hong Kong](#)
- [Isle of Man](#)
- [Ireland](#)
- [Jersey](#)
- [Labuan](#)
- [Liechtenstein](#)
- [Luxembourg](#)
- [South Africa](#)
- [UK](#)
- [US](#)

Daily Tax Quote

Why does a slight tax increase cost you \$200 and a substantial tax cut saves you 30 cents? - Peg Bracken

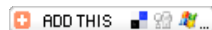
The Network

3,000 free pages of accurate, timely information

[Tax-News.com](#)

US Inventor Wins 'Unprecedented' USD388 Million In State Tax Case

by Mike Godfrey, Tax-News.com, Washington 21 August 2008



An inventor and scientist has been awarded USD388 million by a court in the US state of Nevada against the Franchise Tax Board of the State of California, after a jury found the he had been over-zealously pursued by the Californian tax authorities, in a case that has been in dispute for a decade.

Liability was based on torts committed by the Franchise Tax Board while auditing the residency of Gilbert Hyatt during the time he received substantial sums of money for licensing his patents, of which he has 70 to his credit filed with the United States Patent & Trademark Office.

The jury returned a unanimous liability and compensatory damage verdict on 6th August, 2008, for more than USD138 million for fraud, intentional infliction of emotional distress, abuse of process, breach of confidential relationship, and invasions of privacy. On 12th August, the jury unanimously determined that FTB's conduct warranted punitive damages. On 14th August, the jury rendered its verdict assessing USD250 million in punitive damages against the Franchise Tax Board.

Mark A. Hutchison, lead counsel for Mr. Hyatt, described the entire case, from start to finish as "unprecedented."

Hutchison, founding partner of Hutchison & Steffen, one of Nevada's largest civil litigation firms, said the ruling against the California Franchise Tax Board is like "the shot heard round the world at Lexington and Concord" for abusive taxing agencies. He continued by stating that: "Government agencies should pause and reflect on the significance of this verdict."

The lawsuit, which was prompted when the Californian tax authority challenged Hyatt's residential status for state tax purposes after he moved to Las Vegas from California in 1991, has been progressing for more than 10 years. After the case was filed in Nevada in 1998, California took the case to the Nevada Supreme Court and then to the United States Supreme Court, arguing that Nevada courts could not adjudicate Mr. Hyatt's claims against the California Franchise Tax Board in Nevada. The United States Supreme Court disagreed and unanimously upheld the Nevada Supreme Court's ruling that Mr. Hyatt's intentional tort claims could proceed to trial in Nevada.

Hyatt, who received a key microprocessor patent in 1990, sued California's tax assessment and collection agency, alleging the agency audited him in bad faith and committed fraud and other intentional torts during its audit. The Franchise Tax Board claimed he was a California resident in 1991 and part of 1992, assessing Hyatt millions of dollars in income taxes for those years, including fraud penalties.

According to Hutchinson, the jury verdicts have historical significance. The jury's compensatory damages against the California Franchise Tax Board total almost USD138.1 million, including USD85 million for emotional distress and USD52 million for invasion of privacy, plus almost USD1.1 million in attorney fees.

Nevada law requires prejudgment interest to be added from the date the complaint was served. In addition to compensatory damages, the jury then found that California's taxing agency acted with oppression, fraud, or malice and awarded punitive damages to Hyatt in the

● Daily, updated news about tax and offshore from our team of 20 international journalists

Lowtax.net

● 'Low-tax' business and investment in the top 50 jurisdictions covered in exceptional detail

[Investors offshore.com](http://Investorsoffshore.com)

● Global information and advice for expatriates and international investors

Offshore-e-com.com

● A topical guide to offshore e-commerce focused on tax and regulation

LawAndTax-News.com

● Daily news and background data on tax and legal developments for international business

amount of USD250 million, bringing the total judgment to USD388 million, making it one of the largest verdicts in favor of an individual in United States history.

Expressing relief at the verdict, Hyatt stated that he "hoped this will prevent other taxpayers from going through the same nightmare I have had to endure for over a decade."

It remains to be seen, however, if the Franchise Tax Board will prolong the nightmare by appealing the decision.



IMPORTANT NOTICE: LAWANDTAX-NEWS.COM has taken reasonable care in sourcing and presenting the information co but accepts no responsibility for any financial or other loss or damage that may result from its use. In particular, users of to take appropriate professional advice before committing themselves to involvement in offshore jurisdictions, offshore tru investments. All materials on this site copyright LAWANDTAX-NEWS.COM 1999 to 2003. [Contact us](#) for further information