No.

In the Supreme Court of the United States

MALCO ENTERPRISES OF NEVADA, INC.,
PETITIONER

v.

ALELIGN WOLDEYOHANNES

ON PETITION FOR A WRIT OF CERTIORARI TO THE SUPREME COURT OF NEVADA

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In an explicit effort to establish a uniform national standard for motor vehicle rental and leasing liability, Congress enacted the Graves Amendment, 49 U.S.C. § 30106, which expressly preempts state laws that impose vicarious liability on rental and leasing companies for the negligence of renters and lessees involved in accidents.

Under Section 30106(a), "[a]n owner of a motor vehicle that rents or leases the vehicle to a person * * * shall not be liable under the law of any State * * * by reason of being the owner of the vehicle * * * , for harm to persons or property that results or arises out of the use, operation, or possession of the vehicle during the period of the rental or lease." *Id.* Section 30106(b) excludes state "financial responsibility laws" from preemption.

Courts have long held that Section 30106(a) mandates dismissal of state law claims seeking to hold rental or leasing companies liable for damages caused by renters and lessees. And, until the decision below, courts also held that statutes imposing vicarious liability—including through insurance provisions—are *not* "financial responsibility laws" that are excluded from preemption under Section 30106(b).

In direct conflict with decisions of the Supreme Courts of Connecticut, Florida, Minnesota, and Rhode Island, as well as numerous federal decisions, the Nevada Supreme Court held that a state statute imposing vicarious liability on vehicle rental and leasing companies *is* a "financial responsibility law" and thus *not* preempted.

The question presented is:

Whether a state statute that imposes vicarious liability on rental and leasing companies through a provision governing insurance can evade Graves Amendment preemption under its exception for "financial responsibility laws."

RULE 29.6 STATEMENT

Malco Enterprises of Nevada, Inc., a domestic corporation, has no parent corporation, and no publicly held company owns 10% or more of Malco's stock.

RELATED PROCEEDINGS

Nevada District Court:

Woldeyohannes v. *Moore, et al.*,
No. A-20-817739-C (Nev. Dist. Ct. Feb. 11, 2022) (entering default judgment)

Woldeyohannes v. *Moore, et al.*,
No. A-20-817739-C (Nev. Dist. Ct. Jan. 6, 2022) (granting plaintiff's motion to apply default judgment against defendant Malco)

Supreme Court of Nevada:

Malco Enterprises v. *Woldeyohannes*,
No. 85978 (Nev. Dec. 5, 2024) (affirming district court judgment)

Malco Enterprises v. *Woldeyohannes*,
No. 85978 (Nev. Jan. 28, 2025) (denying rehearing en banc)

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OPINIONS BELOW

The opinion of the Supreme Court of Nevada (App. 1a-15a) is reported at 559 P.3d 875. The decisions of the Nevada District Court (App. 16a-23a) are not reported.

JURISDICTION

The judgment of the Nevada Supreme Court was entered on December 5, 2024. The petition for rehearing en banc was denied on January 28, 2025. App. 24a. On April 22, 2025, Justice Kagan extended the time within which to file a petition for a writ of certiorari to and including June 27, 2025. The jurisdiction of this Court is invoked under 28 U.S.C. § 1257(a).

CONSTITUTIONAL AND STATUTORY PROVISIONS

The relevant constitutional and statutory provisions, U.S. Const. art. VI, cl. 2; 49 U.S.C. § 30106; and Nevada Revised Statutes §§ 482.295, 482.305, and 485.034 are reproduced in the petition appendix, App. 29a-32a.

STATEMENT

In an effort to establish a uniform national standard for motor vehicle rental and leasing liability, Congress enacted the Graves Amendment, 49 U.S.C. § 30106, which expressly preempts state laws that impose vicarious

liability on rental and leasing companies for the negligence of renters and lessees involved in accidents. But the provision exempts state "financial responsibility laws" from preemption. By eliminating ruinous vicarious liability awards, the statute is widely credited with reviving the vehicle renting and leasing industry, spurring innovation and growth, reducing costs, and increasing consumer choice. Today, there are over two million rental cars on American roads, and about one of every four trucks on the highway is rented or leased. After Graves, rental and leasing companies, many of which are small businesses, no longer had to contend with a patchwork of laws where they risked being put out of business because their customers drove into a state that imposed unlimited vicariously liability. No longer could a single state or handful of states with outlier unlimited vicarious liability laws hold rental companies in other states hostage. And no longer could a single state, like Nevada here, place rental companies within the state at a disadvantage compared to their counterparts in other states that do not face the crippling risk of being held liable for the negligence of their customers.

Because national uniformity is the Graves Amendment's explicit goal, its efficacy depends on its uniform application throughout the country. This petition thus presents a recurring issue of "great public importance," *Vargas* v. *Enter. Leasing Co.*, 60 So.3d 1037, 1038 (Fla. 2011), that has divided the federal courts of appeals and state courts of last resort: whether a state law imposing vicarious liability on rental and leasing companies escapes preemption as a "financial responsibility law" simply because it is included in a statutory section governing insurance. Until the decision below, courts held that Section 30106(a) mandates dismissal of claims seeking to hold rental or leasing companies liable

under such laws for damages caused by renters and lessees, even if it operates through a state insurance law.

These courts thus have vindicated the Graves Amendment's central purpose: to prevent states from making rental and leasing companies pay for the negligence of drivers they do not control.

The Nevada Supreme Court's decision to exempt a state law that imposes vicarious liability fundamentally conflicts with that purpose and with the ordinary meaning of "financial responsibility laws," which "require owners and operators of automobiles to be financially responsible, usually by means of insurance, for any bodily injury or property damage that *they* may cause." 7A Lee R. Russ & Thomas F. Segalla, *Couch on Insurance* § 109:34 (3d ed. June 2025 update).

In exempting a state law that imposes vicarious liability on vehicle owners unless they provide liability coverage in specified amounts to renters or lessees, the Nevada Supreme Court created a loophole that effectively repeals the Graves Amendment. As many courts have recognized, under such a reading, the statutory "exception would swallow the rule" and render the Graves Amendment's "preemption clause a nullity." *Garcia* v. *Vanguard Car Rental USA, Inc.*, 540 F.3d 1242, 1248 (11th Cir. 2008); *Subrogation Div. Inc.* v. *Brown*, 446 F. Supp. 3d 542, 552-553 (D.S.D. 2020); *Rodriguez* v. *Testa*, 993 A.2d 955, 967 (Conn. 2010) ("The exception would swallow the rule."); *Meyer* v. *Nwokedi*, 759 N.W.2d 427, 431 (Minn. Ct. App. 2009) ("This result would allow the savings clause to swallow the entire statute."), aff'd, 777 N.W.2d 218 (Minn. 2010). If allowed to stand, the decision below would undermine Congress's stated goal of national uniformity, which is particularly crucial because rental vehicles freely move between states. And it would allow states to skirt federal law.

Review is warranted in this case. The issue recurs frequently, and many of the states that impose vicarious liability have already weighed in on the split—including *all* the states that had imposed unlimited vicarious liability, as well as popular tourist destinations and truck-rental hubs like Florida and Nevada.

A. Vicarious Liability For Motor Vehicle Rental And Leasing Caused Nationwide Harm By Increasing Cost And Constraining Consumer Choice

"Generally at common law, the owner of a motor vehicle is not liable for the injuries caused by the negligence of another person driving the vehicle (i.e., vicariously liable) unless the driver was acting as an employee or agent of the owner." Susan Lorde Martin, *Commerce Clause Jurisprudence and the Graves Amendment: Implications for the Vicarious Liability of Car Leasing Companies*, 18 U. Fla. J.L. & Pub. Pol'y 153, 155 (2007). In the early 1900s, some states began to abrogate this common-law principle and "imposed liability on the owner of a vehicle for the negligence of a driver of the vehicle who was operating it with the permission of the owner." *Id.* at 156. Over time, states extended vicarious liability to motor vehicle rental and leasing companies.

By 2005, "[v]icarious liability [against motor vehicle rental and leasing companies] was the law in 14 jurisdictions, most with a cap on damages. However, in New York, Connecticut, Idaho, Iowa, Washington, D.C. and Puerto Rico, vehicle owners could be held liable in unlimited amounts." Michael LaPlaca, *Graves Amendment Under Attack*, Auto Rental News (Jan. 1, 2008).

The "uncertainty as to the ceiling on risk led insurers to become wary of writing coverage in states with unlimited loss potential." *Ibid.* Further, vicarious liability "increased consumer costs in acquiring vehicles and

buying insurance, which in turn resulted in higher commercial costs for the transportation of goods." Philip M. Gulisano & Jonathan S. Hickey, *Trucking Law: The Graves Amendment, Preemption Legislation Creates a Cap on Liability*, 51 No. 1, DRI for Def. 18 (2009). In certain states, "independent and franchised car rental operators were going out of business because of their inability to obtain liability insurance at reasonable prices." LaPlaca, *supra.*

The car leasing business was struck particularly hard. From 1997 to 2003 alone, vicarious liability in New York cost lessors over $1 billion. Daniel J. Koevary, Note, *Automobile Leasing and the Vicarious Liability of Lessors*, 32 Fordham Urban L. J. 655, 659 (2005). In a one-year period between 2001 and 2002, "there were over 215 vicarious liability suits against [lessors], seeking a total of $1.6 billion." *Ibid.* Given the vast exposure to lessors for the negligence of lessees, "automakers began to stop leasing in New York State," instead "offering alternative plans that look[ed] like leases but [we]re actually purchases and typically cost the buyer more upfront." Marc Santora, *Carmakers Limit New York Leases*, N.Y. Times, Apr. 24, 2004. And because motor vehicles can travel freely between states, rental and leasing companies in states without vicarious liability schemes were finding themselves subject to crippling judgments in states with such schemes. See 151 Cong. Rec. H1200 (daily ed. Mar. 9, 2005); accord, *e.g.*, *id.* at H1201 (statement of Rep. Boucher) (similar).

B. The Graves Amendment Established A Uniform National Rule Eliminating Vicarious Liability

In 2005, Representative Sam Graves introduced what became known as the "Graves Amendment" as a measure "to correct an inequity in the car and truck renting and leasing industry." *Id.* at H1200.

Several members of Congress explained that the purpose of the Graves Amendment was to "establish a fair national standard for liability." *Id.* at H1027-1265 (statement of Rep. Blunt); accord *id.* at H1202 (statement of Rep. Smith) (purpose of Graves Amendment is to create a "national standard"). Senator Rick Santorum likewise emphasized the need for national uniformity, noting that states that imposed vicarious liability "affect consumers and businesses from all 50 States" and touted the provision as "a common sense reform that holds vehicle operators accountable for their own actions and does not unfairly punish owners who have done nothing wrong." 151 Cong. Rec. S5433-S5434 (daily ed. May 18, 2005).

Members of Congress from both houses explained that the rule was fair both to motor vehicle owners and accident victims because it eliminated liability for actions where the owners were not at fault but preserved state actions for the rental and leasing companies' own negligence (*e.g.*, negligent maintenance). 151 Cong Rec. H1200 (statement of Rep. Graves) ("I want to emphasize, I want to be very clear about this, that this provision will not allow car and truck renting and leasing companies to escape liability if they are at fault"); *id.* at H1202 (statement of Rep. Smith) ("The Graves[] amendment * * * provid[es] that vehicle rental companies can only be held liable in situations where they have actually been negligent. This amendment in no way lets companies off the hook when they have been negligent.").

Opponents of the law argued that it would "allow[] rental car companies to lease vehicles to uninsured drivers with no recourse for innocent victims should an accident occur." *Id.* at H1200 (statement of Rep. Nadler). They argued that "big tourism states" have the right to allow "uninsured drivers to be able to rent a car, but to require car rental companies to take vicarious liability so

that we do not shift the burden of paying for an accident" to the injured person. *Ibid.* They further argued that if a state "has made the policy decision to mandate car rental companies to rent to uninsured drivers," the state "needs vicarious liability to protect innocent bystanders who are injured by these uninsured drivers." *Id.* at H1201 (statement of Rep. Conyers).

Ultimately, however, Congress passed the Graves Amendment, rejecting opponents' concerns and establishing a national uniform rule eliminating vicarious liability. In August 2005, President George W. Bush signed it into law.

C. Proceedings Below

1. Sky Moore rented a car from Budget Car and Truck Rental of Las Vegas, a small franchisee of Budget that petitioner owns and operates. App. 2a, 35a. Ms. Moore named Daniel Moore as an additional driver and both Sky and Daniel signed the rental agreement. *Id.* at 2a, 16a. The rental agreement prohibited the Moores from operating the vehicle while under the influence of alcohol and provided they would be liable for breach of those terms. *Id.* at 17a.

That evening, Mr. Moore rear-ended respondent. *Id.* at 2a, 17a. Mr. Moore fled the accident scene but was later apprehended by police and arrested for driving under the influence. *Id.* at 2a, 16a-17a. Respondent sued Mr. Moore for negligence and petitioner for negligent entrustment. *Id.* at 2a, 36a, 37a-42a.

Mr. Moore did not respond to the lawsuit, and respondent was ultimately issued a default judgment against him in the amount of $37,886. *Id.* at 3a, 17a, 22a. Respondent then moved to have the default judgment applied to petitioner, arguing that petitioner was vicariously liable for Mr. Moore's negligence under Nevada Revised Statute § 482.305. *Id.* at 3a, 18a. That law,

enacted before the Graves Amendment took effect, provides that a "short-term lessor of a motor vehicle who permits the short-term lessee to operate the vehicle upon the highways, and who has not complied with NRS 482.295 insuring or otherwise covering the short-term lessee against liability arising out of his or her negligence in the operation of the rented vehicle in [specified limits], is jointly and severally liable with the short-term lessee for any damages caused by the negligence of the latter in operating the vehicle." *Id.* at 30a.

2. The trial court granted respondent's motion to apply the default judgment to petitioner. *Id.* at 3a, 15a-20a. The court acknowledged that "NRS 482.305 subjects a short-term lessor to vicarious liability for any damages caused by a short-term lessee's negligent operation of a vehicle." *Id.* at 18a. And the court recognized that decisions from other courts had held that the Graves Amendment preempts laws like NRS 482.305, and that such provisions are *not* "financial responsibility laws" excluded from preemption: "[W]hile 49 U.S.C. 30106 ('Graves Amendment') has created a variance between jurisdictions regarding whether a state's financial responsibility laws holding rental companies liable for the negligence of their short-term lessors are preempted by the Graves Amendment, the issue is for each state to decide whether their financial responsibility laws for rental car companies are preempted by the Graves Amendment." *Id.* at 19a. The court nevertheless concluded that "NRS 482.305 is a financial responsibility law that fits within the carveout of 49 U.S.C. § 30106(b) and is therefore not preempted by the Graves Amendment." *Ibid.* The court thus held petitioner "jointly and severally liable with Defendant Daniel Moore for Plaintiff's damages." *Ibid.*

3. The Nevada Supreme Court affirmed. It began by opining that Representative Graves's statement when

introducing the Graves Amendment "implied" that the law would provide recourse to those injured in "high-tourism areas." *Id.* at 5a. Against that backdrop, the court acknowledged that "[t]he Graves Amendment plainly forbids state laws 'imposing strict liability against a rental car company for the negligent acts of its lessee.'" *Id.* at 8a (quoting *Garcia* v. *Vanguard Car Rental USA, Inc.*, 540 F.3d 1242, 1246 (11th Cir. 2008)). It further recognized that "[g]iven that NRS 482.305 appears to allow for precisely this type of action, express preemption by the Graves Amendment may seem to be a foregone conclusion." *Ibid.* Nevertheless, the Nevada Supreme Court held that NRS 482.305 is a "financial responsibility law" excluded from preemption under 49 U.S.C. § 30106(b). *Id.* at 14a.

Unlike the decisions of other state high courts and federal courts, the Nevada Supreme Court never addressed the statutory text and meaning of the words "financial responsibility laws" in the Graves Amendment. Instead, the court below opined that "financial responsibility laws are *legal requirements*, not mere financial *inducements* imposed by law." *Id.* at 9a. If a state law "*require*[*s*] rental companies to ensure their lessees [a]re adequately insured," the court reasoned, it is a financial responsibility law, even if it includes a provision imposing vicarious liability. *Id.* at 10a. The court then invoked its prior decision that "NRS 482.305 *requires* that the independent minimum coverage provided under NRS 482.295 must also cover short-term lessees *in order for* the lessor to avoid joint and several liability to the injured third-party claimant for damages caused by the lessee." *Id.* at 11a (emphases in original) (quoting *Hall* v. *Enterprise Leasing Company-West*, 137 P.3d 1104, 1107 (Nev. 2006)). Applying its understanding of "financial responsibility law," the court below thus concluded that NRS 482.305(1) imposes a requirement, not an

inducement, and therefore is a financial responsibility law excluded from express preemption. *Id.* at 10a-13a.

REASONS FOR GRANTING THE PETITION

I. The Decision Below Conflicts With Decisions Of State High Courts And Federal Courts

The Supreme Courts of Connecticut, Minnesota, Florida, and Rhode Island—following a leading Eleventh Circuit decision—have held that the Graves Amendment preempts state laws that impose vicarious liability on motor vehicle rental or leasing companies. Those courts also have held that state legislatures and litigants cannot evade preemption simply by recasting vicarious liability provisions as "financial responsibility laws" that the statute excludes from preemption.

The Nevada Supreme Court's decision below contravenes those decisions, and only this Court can resolve the divide and restore the nationwide uniformity that Congress sought on an issue of critical importance to the rental and leasing industry and the millions of consumers who rent or lease motor vehicles every year.

A. The Majority of Courts Have Held That Statutes Imposing Vicarious Liability Are Not "Financial Responsibility Laws"

1. Under Section 30106(a) of the Graves Amendment, "[a]n owner of a motor vehicle that rents or leases the vehicle to a person * * * shall not be liable under the law of any State" for the negligence of renters or lessees. 49 U.S.C. § 30106(a). So when the driver of a rental car negligently injures a third party, that third party cannot use state law to hold the rental company vicariously liable for the damages.

Under Section 30106(b), Congress excluded "financial responsibility laws" from the preemptive force of the statute:

> (b) Financial Responsibility Laws.—Nothing in this section supersedes the law of any State or political subdivision thereof—
>
> (1) imposing financial responsibility or insurance standards on the owner of a motor vehicle for the privilege of registering and operating a motor vehicle; or
>
> (2) imposing liability on business entities engaged in the trade or business of renting or leasing motor vehicles for failure to meet the financial responsibility or liability insurance requirements under State law.

Id. § 30106(b). So while states cannot impose vicarious liability on rental or leasing companies for drivers' negligence (section (a)), states still can require rental companies to adhere to other financial responsibility standards imposed as a condition of registering a vehicle (section (b)).

Despite the Graves Amendment, many plaintiffs still seek to recover against rental and leasing companies for the negligence of renters and lessees under state laws allowing vicarious liability. In an attempt to reconcile their claims with the preemptive effect of the statute, these plaintiffs assert that state vicarious liability laws—many of which were on the books before the Graves Amendment was enacted—are "financial responsibility laws" and thus excepted from preemption under Section 30106(b).

2. Until the decision below, courts roundly rejected that effort to nullify the preemptive force of the Graves Amendment. As the trial court below recognized, "other jurisdictions have ruled in favor of rental car companies on similar issues." App. 18a. In the leading decision, *Garcia* v. *Vanguard Car Rental USA, Inc.*, 540 F.3d 1242 (2008), the Eleventh Circuit held that laws permitting

vicarious liability are not "financial responsibility laws" under Section 30106(b). There, Vanguard Car Rental leased a car to a customer who was later involved in a crash that killed and injured occupants of another vehicle. *Id.* at 1245. The estates and surviving spouses of the crash victims sought to hold Vanguard vicariously liable for the injuries and deaths "by reason of being the owner of the vehicle negligently driven by [the lessee], not because of any negligent entrustment or other wrongdoing of its own." *Id.* at 1246.

The plaintiffs argued that a Florida statute imposing vicarious liability was a "financial responsibility law" that fell within Section 30106(b)'s exception to preemption. *Id.* The state statute imposed "strict liability against a rental car company for the negligent acts of its lessee" but limited damages based on whether the lessee was insured and the amount of the lessee's coverage. *Id.*

Applying the plain language of Section 30106(b)—against the backdrop of "financial responsibility" as a term of art in the insurance context—the Eleventh Circuit held that "Congress used the term 'financial responsibility law' to denote insurance-like requirements on owners or operators of motor vehicles, but permit them to carry, in lieu of liability insurance per se its financial equivalent, such as a bond or self-insurance." *Id.* at 1247. In other words, "financial responsibility laws" are simply those that require owners of vehicles to obtain insurance—or the functional equivalent—for *themselves* as a condition of registering a vehicle; not laws that impose liability for the fault of others.

Beyond the text, the Eleventh Circuit observed that if state legislatures or litigants could impose vicarious liability through the back door as "financial responsibility laws," "[t]he exception would swallow the rule" and render the Graves Amendment's "preemption clause a nullity." *Id.* at 1248. The court thus adopted a

straightforward distinction between "financial responsibility laws" and vicarious liability: "States may require insurance or its equivalent as a condition of licensing or registration, or may impose such a requirement after an accident or unpaid judgment. They may suspend the license and registration of, or otherwise penalize a car owner who fails to meet [these] requirements * * * . They simply may not impose such judgments against rental car companies based on the negligence of their lessees." *Id.* at 1249.

3. State and federal courts have consistently followed *Garcia*'s straightforward interpretation of "financial responsibility laws" to exclude those that impose vicarious liability.

The Supreme Court of Connecticut followed *Garcia* and held that a statute allowing vicarious liability unless lessors obtained liability insurance in certain amounts was not a "financial responsibility law" excepted from preemption. *Rodriguez* v. *Testa*, 993 A.2d 955, 963-964 (Conn. 2010) ("We agree with the well reasoned analysis of *Garcia*").

The Supreme Court of Minnesota likewise held a similar statute preempted, again following *Garcia*. *Meyer* v. *Nwokedi*, 777 N.W.2d 218 (Minn. 2010). The court "agree[d] with *Garcia* and conclude[d] that 'financial responsibility' refers to insurance-like requirements under state law," but did not encompass Minnesota's statute exempting rental companies from vicarious liability if they carried insurance in specified amounts. *Id.* at 225.

The Supreme Court of Florida and the Rhode Island Supreme Court also followed *Garcia* in holding that the Graves Amendment preempted laws that imposed vicarious liability on rental and leasing companies. In *Vargas* v. *Enter. Leasing Co.*, 60 So.3d 1037 (Fla. 2011), the court noted that states may lawfully "still require

insurance or its equivalent as a condition of licensing or registration * * * and may enforce the requirement * * * by suspending licenses or registrations, or imposing other penalties." *Id.* at 1042. But it rejected the proposition that a statute that imposes "vicariously liab[ility] for additional amounts of damages" on owners unless they have insurance policies in specified amounts is "a financial responsibility law as contemplated by the [Graves Amendment's] savings clause." *Ibid.*; see also *Puerini* v. *Lapierre*, 208 A.3d 1157, 1165-1168 (R.I. 2019) (citing *Garcia*, *Rodriquez*, and *Vargas* and preempting law providing that "[a]ny owner of a for hire motor vehicle or truck who has given proof of financial responsibility under this chapter or who in violation of this chapter has failed to give proof of financial responsibility, shall be jointly and severally liable with any person operating the vehicle.").[1]

Lower state and federal courts also have repeatedly followed *Garica* or cited it favorably. See, *e.g.*, *Second Child* v. *Edge Auto, Inc.*, 236 A.D.3d 499, 502 (N.Y. App. Div. 2025) (collecting cases); *Enterprise Rent-a-Car Co. of Boston* v. *Maynard*, 2012 WL 1681970, at *9 (D. Me. May 14, 2012) (collecting cases).

B. The Court Below Held That "Financial Responsibility Laws" Include Vicarious Liability Otherwise Preempted By The Graves Amendment

The decision below directly contradicts the decisions of the state high courts and federal courts discussed above.

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[1] While not addressing the question presented here, other courts of appeals have presumed that the Graves Amendment preempts all state laws imposing vicarious liability on motor vehicle rental or leasing companies for the negligence of their customers. See *State Farm Mut. Auto. Ins. Co.* v. *Koshy*, 995 A.2d 651, 659 n.6 (Me. 2010); *Carton* v. *Gen. Motor Acceptance Corp.*, 611 F.3d 451, 457 (8th Cir. 2010).

Respondent sued petitioner under Nevada Revised Statutes 482.305, "which holds short-term lessors of motor vehicles who fail to provide minimum insurance coverage to lessees 'jointly and severally liable' for the damages caused by negligent lessees." App. 3a (quoting NRS 482.305(1)). Because the statute holds lessors vicariously liable for their lessees' negligence, the Nevada Supreme Court acknowledged that "express preemption by the Graves Amendment may seem to be a foregone conclusion." *Id.* at 8a. Nevertheless, the court declared that "NRS 482.305 is not preempted by the Graves Amendment because it is a financial responsibility law that is preserved by the Graves Amendment's savings clause" under Section 30106(b). *Id.* at 2a.

The Nevada Supreme Court recognized that the Eleventh Circuit's decision in "*Garcia* is the prevailing case interpreting the Graves Amendment's savings clause." *Id.* at 8a. Like the Florida law in *Garcia*, the Nevada statute allowed a rental or leasing company to avoid vicarious liability under state law by providing insurance to customers. But the court then deviated from *Garcia* and every other court to have considered a similar statute by holding that NRS 482.305 is a "financial responsibility law" excluded from preemption, despite imposing vicarious liability.

This conflict is reason alone to grant review. After all, "[a] principal purpose for which [this Court uses] certiorari jurisdiction * * * is to resolve conflicts among the United States courts of appeals and state courts concerning the meaning of provisions of federal law." *Braxton* v. *United States*, 500 U.S. 344, 347 (1991).

But the divide is deeper here. The decision below also conflicts with the decisions of the Supreme Courts of Connecticut, Minnesota, Florida, and Rhode Island. *Rodriguez*, 993 A.2d at 965; *Meyer*, 777 N.W.2d at 225; *Vargas*, 60 So.3d at 1042; *Puerini*, 208 A.2d at 1164. That

clear conflict warrants this Court's review. See, *e.g.*, *Wisconsin* v. *Mitchell*, 508 U.S. 476, 482-483 (1993) (granting review of important federal question that had created a "conflict of authority among state high courts").

II. The Decision Below Is Wrong and Undermines the National Uniformity Congress Sought

The Nevada Supreme Court adopted a definition of "financial responsibility laws" that contravenes the plain text and purpose of the Graves Amendment.

1. Under section (a) of the Graves Amendment, Congress imposed a categorical bar on vicarious liability: "An owner of a motor vehicle that rents or leases the vehicle to a person * * * *shall not be liable* under the law of any State * * * if * * * there is no negligence or criminal wrongdoing on the part of the owner * * * ." 49 U.S.C. § 30106(a) (emphasis added). While section (b) preserves states' "financial responsibility laws" (*i.e.*, laws requiring owners to maintain insurance for their own negligence as a condition of registering their vehicles), states cannot evade preemption under section (a) simply by incorporating vicarious liability provisions in their insurance laws.

The text of the Graves Act precludes such an anomalous result. "[W]hen Congress employs a term of art, that usage itself suffices to adopt the cluster of ideas that were attached to each borrowed word * * * ." *George* v. *McDonough*, 596 U.S. 740, 753 (2022) (cleaned up). In the insurance industry, "financial responsibility laws" are laws that require vehicle owners or operators to obtain insurance for the consequences of their *own* conduct, in exchange for the privilege of registering or operating a vehicle. As the leading insurance treatise explains:

> Many states have enacted statutes, known as Financial Responsibility Laws, which are intended to discourage careless driving or to mitigate its

> consequences by providing for proof of financial responsibility as a condition of the granting of a driver's license or certificate of registration or by providing for the suspension or revocation of a driver's license or certificate of registration for failure to satisfy a final judgment or furnish proof of responsibility after an accident or after a violation of a motor vehicle statute.

7A Lee R. Russ & Thomas F. Segalla, *Couch on Insurance* § 109:34 (3d ed. June 2025 update) (footnotes omitted). In other words, "[f]inancial responsibility laws require owners and operators of automobiles to be financially responsible, usually by means of insurance, for any bodily injury or property damage that *they* may cause." *Ibid.* (emphasis added). Until the decision below, courts followed this definition and uniformly held that "the most common legal usage of the term 'financial responsibility' is to refer to state laws which require either liability insurance or a functionally equivalent financial arrangement"—not laws that impose liability for the fault of others. *E.g.*, *Garcia*, 540 F.3d at 1247. Because it expressly requires vehicle owners to insure for their own liability as a condition of registration, NRS 482.295 is Nevada's financial responsibility statute; NRS 482.305, which creates liability for the fault of others, is not.

In holding that vicarious liability laws can *themselves* count as "financial responsibility laws," the Nevada Supreme Court overlooked this settled understanding of "financial responsibility laws" in the industry and instead relied on a superficial distinction between NRS 482.305 and the Florida law that was preempted in *Garcia*. The court first observed that the Florida statute in *Garcia* "'*induce*[*d*],' rather than *required*, 'car rental companies to ensure that their lessees [we]re adequately insured.'" App. 9a (first alteration in original) (quoting *Garcia*, 540 F.3d at 1248). It thus distinguished *Garcia* on the ground

that NRS 482.305 purportedly imposes vicarious liability as a consequence for violating "a *legal requirement* that lessors independently cover lessee liability up to the minimum amounts, rather than a mere financial *inducement* to do so." *Id.* at 13a. Based on that supposed distinction, the court below held that NRS 482.305 is a financial responsibility law, even though it imposes vicarious liability on rental and leasing companies for the negligence of individual drivers. *Id.* at 9a-14a. That reasoning fails on several levels.

For one, *Garcia* did *not* hold that Florida's vicarious liability provision would have been a "financial responsibility law" if it had required—rather than induced—car owners to obtain insurance. 540 F.3d at 1248-1249. Rather, the Eleventh Circuit emphasized that the Florida statute would not have been a "financial responsibility law" *even if it had imposed a requirement* to obtain insurance, because, either way, the provision was "premised upon the very vicarious liability the Graves Amendment seeks to eliminate." *Id.* at 1248. Whatever its mechanism, the Florida statute ultimately required rental and leasing companies to pay for renters' and lessees' negligence, and thus could not escape preemption. NRS 482.305 rests on that same vicarious liability "premise[]."

But even if the distinction between insurance "requirements" and "inducements" were material, Nevada law—like the Florida law in *Garcia*—does *not* "require" rental and leasing companies to provide insurance *to renters* as a condition of registration. For registration, Nevada law says only that the owner of a vehicle must provide "evidence of insurance," NRS 482.295, meaning a liability insurance policy for the company itself in specified amounts, NRS 485.034, NRS 690B.023, NRS 485.185, or a certificate of self-insurance showing the owner has "provide[d] security to satisfy judgments against him or her in an amount prescribed by

regulation," NRS 485.034; NRS 485.380. There is no dispute that petitioner has the requisite certificate of self-insurance. The Nevada Supreme Court said nothing about coverage for renters and lessees being necessary for registration. It said only that "NRS 482.305 *requires* that the independent minimum coverage provided under NRS 482.295 must also cover short-term lessees *in order for* the lessor to avoid joint and several liability to the injured third-party claimant for damages caused by the lessee." App. 11a (citation omitted) (emphasis in original). That is materially indistinguishable from the statute in *Garcia*, which "reduc[es] the companies' liability exposure if their lessees meet the statutory minimum requirements for liability insurance." 540 F.3d at 1248. It is an *inducement* to provide renters and lessees insurance, not a *requirement* for registration.

This Court has long avoided interpretations of a statute that would facilitate its ready "evasion" or "enable offenders to elude its provisions in the most easy manner." *The Emily*, 22 U.S. 381, 389-390 (1824). Under the "presumption against ineffectiveness" canon, courts should decline to read a statute in a way that would permit ready evasion. Antonin Scalia & Bryan Garner, *Reading Law: The Interpretation of Legal Texts* 63 (2012); accord *Abramski* v. *United States*, 573 U.S. 169, 181-182, 185 (2014) (declining to read a statute in a way that would permit ready "evasion," "defeat the point" of the law, or "easily bypass the scheme"). Thus, courts should avoid interpretations of a statutory exception in a way that it "would swallow most of the rule." *Smith & Wesson Brands, Inc.* v. *Estados Unidos Mexicanos*, 145 S. Ct. 1556, 1570 (2025) ("We doubt Congress intended to draft such a capacious way out of [the statute] * * * ."); *Cnty. of Maui, Hawaii* v. *Hawaii Wildlife Fund*, 590 U.S. 165, 178 (2020) (rejecting interpretation that would leave "a large and obvious loophole").

The Nevada Supreme Court's interpretation would allow states and litigants to easily evade the preemptive force of section (a) of the Graves Act by simply recasting vicarious liability as "financial responsibility laws" under section (b). The exception would swallow the rule. As one court explained in rejecting such a reading: "Why would Congress expressly preempt state laws that imposed joint and several liability on car rental companies in one part of [the Graves Amendment] only to allow continued joint and several liability in the guise of state financial responsibility statutes in another? The answer is that Congress did not. The Eleventh Circuit [in *Garcia*] addressed a similar argument and simply demolished it * * * ." *Enterprise Rent-a-Car Co. of Boston*, 2012 WL 1681970, at *9.

2. The court below attempted to justify its departure from the prevailing interpretation of "financial responsibility laws" based on the Graves Amendment's legislative history. It noted that the legislators who opposed the Graves Amendment feared its impact on "big tourism States" like Nevada. App. 5a (citation omitted). But even if legislative history could overcome the ordinary meaning of "financial responsibility laws," the history confirms that the phrase does not cover vicarious liability. See *Stratton* v. *Wallace*, 2014 WL 3809479, at *6-7 (W.D.N.Y. Aug. 1, 2014) (finding claim preempted under Graves Amendment's text, but also noting legislative history "plainly demonstrate[d]" intent to limit rental and leasing company liability for the negligence of customers).

When introducing the Graves Amendment, Representative Graves emphasized that preempting vicarious liability laws would not disturb laws requiring owners of vehicles to have insurance. 151 Cong. Rec. H1202 (daily ed. Mar. 9, 2005) (statement of Rep. Graves) ("[V]ehicles, before they can even be registered, have to meet the State's minimum requirements for insurance.");

id. at H1200 (similar). The Amendment's opponents argued that those laws would not suffice because they mandate insurance that covers only the owners, not losses caused by renters and lessees of motor vehicles who lacked their own insurance. *Id.* at H1201 (statement of Rep. DeFazio); H1202 (statement of Rep. Oberstar). Thus, both sides understood that the Graves Amendment would preserve existing laws mandating that vehicle owners obtain insurance as a condition of registering vehicles, but that it would preempt laws imposing vicarious liability.

In fact, the history shows that the purpose of the law was nationwide uniformity in precluding vicarious liability against car rental and leasing companies. Representative Graves introduced the bill as a measure "to correct an inequity in the car and truck renting and leasing industry." *Id.* at H1200. Although only a minority of states allowed for vicarious liability, it was unfairly costing the industry $100 million per year nationwide because "[v]icarious liability laws apply where the accident occurs" and "companies cannot prevent their vehicles from being driven to a vicarious liability State." *Ibid.*; accord, *e.g.*, *id.* at H1201 (statement of Rep. Boucher) (similar). On the Senate side, Senator Santorum likewise recognized the need for national uniformity, noting that the minority of states that imposed vicarious liability "affect consumers and businesses from all 50 States." 151 Cong. Rec. S5433 (daily ed. May 18, 2005).

Far from supporting the decision below, the legislative history reflects that the Graves Amendment was intended to broadly preempt state vicarious liability laws and create national uniformity in the industry. Allowing states to evade preemption simply by recasting vicarious liability provisions as financial responsibility laws would undermine the very purpose of the statute.

3. Finally, the court below opined that because NRS 482.305 "only serves to 'step in' and compensate the victim when damages 'exceed the lessee's personal insurance limits,'" it is a financial responsibility law rather than a vicarious liability provision. App. 13a (quoting *Hall* v. *Enterprise Leasing Company-West*, 137 P.3d 1104, 1107 (Nev. 2006)). And to the extent the Nevada statute *expressly* imposes vicarious liability, the court reasoned, that provision kicks in only "when [a lessor] fails to provide the separate short-term rental insurance or security." *Id.* at 14a (quoting *Hall*, 137 P.3d at 1109). Thus, in the court's view, providing that rental companies must insure against drivers' negligence—or else face vicarious liability for that same negligence—falls outside the Graves Amendment's preemption of vicarious liability laws.

But that hair-splitting would nullify the Graves Amendment. Indeed, lower courts interpreting statutes that require rental companies to insure and cover damages from renters' negligence have held the statutes are preempted. In *Second Child* v. *Edge Auto, Inc.*, 236 A.D.3d 499 (N.Y. App. Div. 2025), for instance, the "Plaintiffs argue[d] that the Graves Amendment only supersedes statutes imposing vicarious liability, not statutes mandating primary coverage." *Id.* at 501 (citation omitted). The court rejected that approach as "a distinction without a difference." *Ibid.* Rather, "[t]he form in which state law attempts to impose vicarious liability, whether under vicarious liability statutes or under primacy of insurance coverage statutes, does not matter." *Id.* at 501-502. "To hold otherwise would rescue every vicarious liability claim up to statutory minimum insurance amounts and render the Graves Amendment's preemption clause a nullity." *Id.* at 502 (citing *Garcia*, 540 F.3d at 1248).

Similarly, in *Subrogation Div. Inc.* v. *Brown*, 446 F. Supp. 3d 542 (D.S.D. 2020), the court held that the Graves Amendment preempted a state law requiring rental companies to "provide primary liability coverage for the vehicles it rents out to customers" because "[t]he form in which [the] law attempts to [hold rental companies liable for lessees' negligence] does not matter." *Id.* at 552-553 (emphasis omitted) (citation omitted). Any other interpretation "would swallow the preemption clause and negate the [Graves] Amendment's primary purpose." *Id.* at 553.

At bottom, the Nevada Supreme Court did exactly what the Graves Amendment aimed to prevent: allow a state to impose vicarious liability on rental and leasing companies, unfairly requiring them to pay damages for the fault of others, and creating a non-uniform scheme that can disrupt the industry nationwide. "The purpose of Congress is the ultimate touchstone of pre-emption analysis." *Cipollone* v. *Liggett Group, Inc.*, 505 U.S. 504, 516 (1992) (cleaned up). Only this Court can resolve the conflict and restore the nationwide uniformity that was the explicit goal of Congress.

III. Review Is Warranted In This Case

Whether the Graves amendment preempts state vicarious liability laws is a frequently recurring issue of "great public importance," *Vargas* v. *Enter. Leasing Co.*, 60 So.3d 1037, 1038 (Fla. 2011), both to the rental and leasing industry and to the supremacy of federal law, Martin, *supra*, at 162-165. This case is an ideal vehicle to answer it.

1. Today, roughly a quarter of all new vehicles in the U.S. are leased. See Melinda Zabritski, Experian, *Q4 2024, State of the Automotive Finance Market* 5 (2025), https://bit.ly/3FRlDQB. And there are more than two million rental cars on U.S. roads. See American Car Rental Association, *Fact Book 2025* 10 (2025),

http://bit.ly/3QYYhLt. The car rental industry now employs almost 100,000 people, involves over 2,000 businesses, and generates billions of dollars in revenue. See Jared Ristoff, *Car Rental in the US - Market Research Report (2015-2030)*, IBISWorld (Feb. 2025), https://bit.ly/4j7HwKr. About one of every four trucks on the highway is rented or leased,[2] whether for commercial trucking (often leased), residential delivery (often rented), or personal use (often rentals, such as U-Haul).

The Graves Amendment is largely responsible for the industry's success. In contrast to the flourishing national market that exists today, the year preceding the enactment of the Graves Amendment saw a state-by-state patchwork of rental and leasing options. While setting up a leasing agency in Massachusetts might have made business sense in 2004, the same couldn't be said of Minnesota. And while renting a car in New Jersey might have been simple enough, renting in New York would have been another story.

The difference was state vicarious liability laws. States like New York held rental and leasing companies vicariously liable for the negligence of individual drivers—drivers whose decisions and behavior business owners could neither control nor predict. Before the Graves Amendment, "[v]icarious liability was the law in 14 jurisdictions," five of which permitted "vehicle owners [to] be held liable in unlimited amounts." LaPlaca, *supra*.

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[2] See Br. for the Chamber of Commerce of the United States of America et al. as Amici Curiae Supporting Petitioners at 3, *Diamond Alt. Energy, LLC* v. *EPA*, 606 U.S. --- (2025) (No. 24-7), 2024 WL 3759821, at *3; see also *NHTSA Oversight: An Examination of the Highway Safety Provisions of SAFETEA–LU: Hearing before the Subcomm. on Consumer Prot., Prod. Safety, and Ins. of the S. Comm. on Com., Sci., and Transp.*, 111th Cong. 83 (2010) ("*NHTSA Oversight*") https://bit.ly/42s9MBE (statement of Thomas M. James, hereinafter "James Testimony") (one in five).

As the president of the Truck Renting and Leasing Association testified to Congress in opposition to a proposed change to the Graves Amendment, state vicarious liability laws "were a crazy-quilt of differing provisions and penalties." James Testimony at 84.

Eventually, the cost of unpredictable vicarious liability became too great for many companies to bear. In states that imposed unlimited vicarious liability, "independent and franchised car rental operators were going out of business because of their inability to obtain liability insurance at reasonable prices." LaPlaca, *supra*. And "[c]ar leasing companies [simply] stopped leasing in states where there [was] unlimited vicarious liability." Martin, *supra*, at 162. In New York alone, vicarious liability cost lessors over $1 billion between 1997 and 2003. Koevary, *supra*, at 659. As a result, "over 300 car rental companies * * * closed in New York while vicarious liability laws were in place." *NHTSA Oversight*, *supra*, at 87 (statement by Sharon Faulkner).

The consequences of those laws fell on more than just rental and leasing businesses. "Vicarious liability mean[t] higher consumer costs in acquiring vehicles and buying insurance and mean[t] higher commercial costs for the transportation of goods." 151 Cong. Rec. S5433 (daily ed. May 18, 2005) (statement of Sen. Santorum); Koevary, *supra*, at 670 & n.106, 675-676. The exodus of rental and leasing companies from vicarious-liability states left customers "who wanted to lease cars forced to enter into more expensive loan programs, which often required them to pay the full sales tax on the cars, adding to the cost." Michael Cooper, *Congress Passes Bill Nullifying a State Law, and Making It Easier to Lease Cars in New York*, N.Y. Times, Aug. 4, 2005, https://bit.ly/3RedJ6y. As "automakers began to stop leasing in New York State," for example, customers were forced to accept "alternative plans that look[ed] like leases but [were] actually

purchases and typically cost the buyer more upfront." Santora, *supra*.

Although states that imposed vicarious liability on rental and leasing companies were the minority, they had a disproportionate effect on the national rental and leasing industry. That was because, often, "[v]icarious liability laws apply where the accident occurs," and "companies cannot prevent their vehicles from being driven to a vicarious liability State." 151 Cong. Rec. H1200 (daily ed. Mar. 9, 2005); accord, *e.g.*, *id.* at H1201 (statement of Rep. Boucher) (similar). New York, for example, applied its vicarious liability statute to "[e]very owner of a vehicle *used or operated* in this state." N.Y. Veh. & Traf. Law § 388(1) (emphasis added). Likewise, Minnesota imposed vicarious liability on the owner of "any motor vehicle * * * operated within this state, by any person other than the owner." Minn. Stat. § 169.09, subdiv. 5a. Jurisdictions with such laws thus imposed liability on out-of-state rental companies for the negligence of renters who drove in from across state lines. A small rental business in Allentown, Pennsylvania could be on the hook for a drunken crash on the FDR in Manhattan. A lessor in Chicago could be liable to a pedestrian in Minneapolis. Vicarious liability states thus "affect[ed] consumers and businesses from all 50 States." 151 Cong. Rec. S5433 (daily ed. May 18, 2005) (statement of Sen. Santorum).

By preventing states from imposing vicarious liability on rental and leasing companies, the Graves Amendment established uniformity and restored affordability. Except for the decision below, every court to consider the question since 2005 has held that the Graves Amendment preempts state vicarious liability laws, whether such laws stand alone or come attached to insurance statutes. It is no surprise, therefore, that the day the President signed the Graves Amendment is considered "one of the most

important dates in industry history." Martin, *supra*, at 163.

2. The decision below subverts the Graves Amendment and resurrects a system where individual states can dictate national policy in the rental and leasing market. The Graves Amendment passed in 2005 over fierce debate in Congress. See generally 151 Cong. Rec. H1200 (daily ed. Mar. 9, 2005). The decision below threatens to do what opponents of the Graves Amendment could not: revive state laws that impose vicarious liability on rental and leasing companies for drivers' negligence—and impose potentially crushing liability on the industry, including small franchises like petitioner.

The Nevada law here is substantively identical to the vicarious liability provisions the Graves Amendment was enacted to preempt. The only superficial difference is that it uses an insurance provision to induce rental and leasing companies to pay upfront for drivers' negligence (by providing supplemental insurance), or else incur joint and several liability after the fact (through tort law). Thus, by exempting the Nevada statute from preemption, the court below allowed the state to easily bypass the Graves Amendment simply by cloaking its vicarious liability law in an insurance provision, which the court then characterized as a "financial responsibility law." The decision below thus threatens to undo the Graves Amendment by expanding its narrow exception into a gaping loophole. See, *e.g.*, *Garcia*, 540 F.3d at 1248 (concluding that deeming a similar provision to be a financial responsibility law "would render the preemption clause a nullity"); *Second Child*, 236 A.D.3d at 502 (similar interpretation would "render the Graves Amendment's preemption clause a nullity"); *Brown*, 446 F. Supp. 3d at 553 (similar interpretation would "swallow the preemption clause and negate the [Graves] Amendment's

primary purpose"); *Rodriguez*, 993 A.2d at 967 ("The exception would swallow the rule."); *Meyer*, 759 N.W.2d at 431 ("This result would allow the savings clause to swallow the entire statute.").

If the decision below stands, rental companies in Nevada will need to do exactly what they were forced to do before the Graves Amendment was enacted: pay for injuries inflicted by negligent drivers the companies can neither control nor predict. But Congress has already had that debate—twice. Nevada cannot circumvent Congress by treating the Graves Amendment's exception as a loophole. The question presented thus is crucial to the supremacy of federal law and restoring the national uniformity Congress sought.

3. This case is an ideal vehicle to resolve the question presented. It involves a single question of pure law. The facts are undisputed. Both courts below squarely decided the issue in addressing respondent's motion to apply a default judgment against petitioner, so the sole issue is whether petitioner can be held liable for that judgment under NRS 482.305. And there is no need to wait for further percolation because many of the states with vicarious liability laws have already weighed in on the split—and the states that imposed unlimited vicarious liability, Rhode Island, Connecticut, and New York, have already found those laws preempted under the Graves Amendment. And courts in many of the largest tourist destinations and truck-rental hubs are in conflict.

Congress in the Graves Amendment sought national uniformity on the standard for motor vehicle rental and leasing liability to address a minority of state vicarious liability laws that were wreaking havoc on the industry nationwide. The decision below not only reverts to the status before Graves, but creates a gaping loophole that undermines the very purpose of the statute. Only this Court can resolve the conflict and restore the nationwide

uniform standard that is critically important to rental and leasing companies—and to American consumers.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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