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Sixth Circuit Rules That Tennessee Cap on Punitive Damages is Unconstitutional

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In 2011, Tennessee passed a tort reform measure entitled the “Tennessee Civil Justice Act,” which limited monetary damages in tort cases, including employment lawsuits. This law places a restriction on the award of punitive damages by reducing the punitive damages verdict to either twice the total amount of compensatory damages awarded or \$500,000, whichever is greater. Tenn. Code Ann. § 29-39-104. On December 21, 2018, the U.S. Court of Appeals for the Sixth Circuit ruled in Lindenberg v. Jackson National Life Insurance Company, 912 F.3d 348 (6th Cir. 2018) that this damages cap is unconstitutional under the Tennessee Constitution. The Sixth Circuit’s decision has important implications for employment lawsuits filed in Tennessee state and federal courts.

In Lindenberg, 912 F.3d 348 (6th Cir. 2018), a federal jury in Memphis found that Jackson National Life Insurance Company had breached its contract to pay out a life insurance policy to Tamarin Lindenberg for the death of her ex-husband, and the jury returned verdicts in favor of the plaintiff for \$350,000 in compensatory damages and \$3 million in punitive damages. As provided under Tennessee’s punitive damages statute, the jury was not informed of the statutory cap on punitive damages, leaving it to the trial court to apply the cap. The Trial Court reduced Lindenberg’s punitive damages award to \$700,000 and entered judgment for that amount. On appeal, Lindenberg argued that the cap on punitive damages was unconstitutional, and the majority agreed. It held that the cap unconstitutionally violates the Tennessee Constitution’s guarantee that “the right of trial by jury shall remain inviolate.” Expressing an originalist approach to constitutional interpretation, U.S. Circuit Judge Eric Clay wrote the following on behalf of the majority:

“Our review of historical evidence from Tennessee and North Carolina demonstrates that punitive damages awards were part of the right to trial by jury at the time the Tennessee Constitution was adopted.” Lindenberg, 912 F.3d at 348.

This decision has important implications for employers in Tennessee. First, certain employment law claims, such as workers’ compensation retaliatory discharge claims, allow for the recovery of punitive damages. Second, in recent years, the Tennessee Human Rights Act, the Tennessee Public Protection Act, and the Tennessee Disability Act have all imposed caps on the amount of compensatory damages that can be awarded. Plaintiffs may argue that these damages caps are also unconstitutional under the same theory set out by the Sixth Circuit in Lindenberg.

Although Tennessee state courts are not bound by the Sixth Circuit’s decision in Lindenberg, and the constitutionality of Tennessee’s punitive damages cap has not yet been decided by the Tennessee Supreme Court, the Sixth Circuit’s decision undoubtedly provides a road map for plaintiffs to argue that damage caps are unconstitutional in state court cases as well. Please contact the employment law attorneys at Holifield Janich Rachal Ferrera, PLLC for further guidance on this issue.

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