
SUPREME COURT LIMITS PUNITIVE DAMAGES

The United States Supreme Court has limited a jury's ability to grant unreasonable punitive damages awards. The Court ordered a Utah court to recalculate an award consistent with due process rights under the Fourteenth Amendment.

Curtis Campbell caused a fatal auto accident. Campbell had a policy limit of \$50,000 with State Farm Insurance Company. However, State Farm unreasonably refused to settle the case for this amount. In the lawsuit against Campbell that followed, the jury awarded \$185,849 against Campbell. State Farm refused to pay more than the \$50,000 policy limit and told Campbell to pay \$135,000.

Campbell sued State Farm for bad faith, fraud, and intentional infliction of emotional distress. He won \$2.6 million in compensatory damages and \$145 million in punitive damages. The trial judge reduced the compensatory damages to \$1 million.

The Supreme Court said that where \$1 million compensatory damages are awarded, punitive damages of \$145 million are excessive. The Fourteenth Amendment to the U.S. Constitution prohibits the imposition of grossly excessive or arbitrary punishments. *State Farm Mutual Automobile Ins. Co. v Campbell* No. 01-1289 (U.S. S.Ct. April 7, 2003)

What Should You Do?

Title VII of the Civil Rights Act of 1964 provides a \$300,000 per plaintiff cap on compensatory and punitive damages. However, the California Fair Employment and Housing Act (FEHA) has no such cap, exposing California employers to unlimited punitive damages. Therefore, take all possible steps to reduce your exposure to punitive damages in discrimination and harassment cases.

- Show good faith efforts to prevent and remedy discrimination and harassment.
 - Publish and enforce anti-discrimination and anti-harassment policies.
 - Train all managers and employees on company policies against discrimination and harassment and require prompt reports of violations.
 - Thoroughly and completely investigate all complaints of discrimination or harassment and promptly remedy proven discrimination or harassment.
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