Sixth Circuit Rules That Tennessee Cap on Punitive Damages Is Unconstitutional

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In 2011, Tennessee Governor Bill Haslam signed the Tennessee Civil Justice Act, a tort reform measure limiting monetary damages. Tenn. Code Ann. § 29-39-104. This law places a cap on punitive damages of two times the compensatory damages or $500,000, whichever is greater. On December 21, 2018, the U.S. Court of Appeals for the Sixth Circuit ruled in *Lindenberg v. Jackson National Life Insurance Company* 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.

Background

The 2-1 decision by the Sixth Circuit followed a 2013 lawsuit filed by Tamarin Lindenberg on behalf of her two minor children against Jackson National Life Insurance Company. In the lawsuit, Lindenberg argued that the insurance company had breached its contract by failing to pay a $550,000 life insurance policy after the 2013 death of Lindenberg’s husband.

In 2014, the case went to trial in the U.S. District Court for the Eastern District of Tennessee. At the conclusion of the trial, the jury awarded Lindenberg $350,000 in actual damages; $87,500 in bad-faith damages for the insurance company’s refusal to pay her; and $3 million in punitive damages, which the jury awarded through a special verdict.

Jackson National then filed a motion for judgment as a matter of law and argued that the district court was required to apply the damages cap set forth in Tenn. Code Ann. § 29-39-104. On this basis, the plaintiff filed a motion to certify the issue of the punitive damages cap to the Tennessee Supreme Court. The Tennessee Supreme Court declined to provide an opinion on the issue.

The district court then entered its judgment. In doing so, the court applied the statutory punitive damages cap to reduce the defendant’s liability for punitive damages from $3 million to $700,000.

Jackson National appealed the judgment to the Sixth Circuit, and the plaintiff filed a cross-appeal, challenging the punitive damages cap.

The Sixth Circuit’s Opinion

In its opinion, the Sixth Circuit held that “T.C.A. § 29-39-104 is unenforceable to the extent that it purports to cap punitive damage awards.” After first noting that the Tennessee Constitution draws heavily from the North Carolina Constitution...
historical remnant of the late 1700s, when portions of Tennessee were part of North Carolina, the court found as follows:

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.

The court further held that “the proper measure of punitive damages is historically a ‘finding of fact’ within the exclusive province of the jury.”

The court then reversed the trial court’s decision on punitive damages and remanded the case to the district court, with instructions for the trial judge to reconsider the award of punitive damages without the statutory cap.

**Key Takeaways**

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, since July 1, 2014, 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 advanced by the Sixth Circuit in *Lindenberg*.

Likewise, although Tennessee state courts are not bound by the Sixth Circuit’s decision in *Lindenberg*, the decision certainly provides a road map for plaintiffs to argue that the damages cap is unconstitutional in state court cases as well.