



United States Supreme Court Places Significant Due Process Limitations on Large Punitive Damage Awards

In a major victory for corporate defendants, the United States Supreme Court has placed significant constitutional limits on punitive damages awards. In *State Farm Mutual Automobile Insurance Co. v. Campbell*, Curtis Campbell sued State Farm for refusing to settle a claim arising from a fatal car accident that left Campbell exposed to damages beyond the limits of his policy. The Utah Supreme Court had upheld a verdict for Campbell for \$1 million in compensatory damages and a staggering \$145 million in punitive damages. The U.S. Supreme Court overturned the damages award, holding that the punitive damages were excessive and violated the due process clause of the Fourteenth Amendment of the Constitution. While stopping short of imposing a bright line ratio, the Court held that few awards where punitive damages were more than nine times the amount of compensatory damages will satisfy due process. The Court held that punitive damages awards must be reasonable and proportional to the reprehensibility of the company's conduct. Importantly, the Court held that a defendant's wealth by itself cannot justify a large punitive damages award when the level of reprehensibility is not high. The Court stated that "the defendant should be punished for the conduct that harmed the plaintiff, not for being an unsavory individual business." This decision should be welcome news to employers, as it provides a rational cap on punitive damage awards and will improve employers' abilities to quantify their maximum legal exposure. Significantly for California employers, the decision is based on a requirement of the United States Constitution, so it applies both to federal and state court cases.

Employee May Not Pursue Claim For Wrongful Discharge In Violation Of Public Policy Without Exhausting Employer's Internal Administrative Remedies

The California Court of Appeal has held employees may not bring a claim for wrongful termination in violation of public policy without first pursuing the employer's grievance procedures. In *Palmer v. Regents of the University of California*, Patricia Palmer was a lab technician at the UCLA Medical Center who claimed she was laid off for reporting laboratory abuses, including failures to comply with state regulations. The University obtained summary judgment, claiming that Palmer failed to exhaust both the general employee grievance procedure available to all University employees and the more specific internal procedures for making whistle-blower complaints. The appellate court upheld the summary judgment, finding that compelling public policy considerations require a plaintiff to exhaust the employer's internal grievance procedures before bringing a lawsuit. For example, an exhaustion requirement can eliminate or mitigate damages by providing the employer an opportunity to determine if it has committed an error and correct any problems internally. This case highlights the importance of providing employees an internal grievance procedure to air complaints and receive redress.

Employee Not Entitled to Accommodation for Impairment Caused by Same Traumatic Event as Disability

A federal appellate court has held ADA plaintiffs must show a connection between their specific disability and their requested accommodation. In *Felix v. New York City Transit Authority*, Denise Felix was a New York subway token clerk on her way to work when another token clerk was killed in a firebombing incident. Felix was diagnosed with Post-Traumatic Stress Disorder, which included feelings of apprehension and anxiety and recurrent problems with insomnia. The Transit Authority rejected Felix's request to be transferred to an above-ground clerical job because of feelings of claustrophobia and later terminated her under a state statute that permitted the termination of civil service employees who are unable to work for a year. The court dismissed Felix's ADA suit, holding that although she suffered from a disability (insomnia), she sought accommodation for her claustrophobia, which was not a disability because it did not substantially limit her ability to work generally, only her ability to work underground. The court rejected the argument that once a person has an ADA-protected disability, other impairments resulting from the cause of the disability must be accommodated, even if those impairments do not rise to the level of protected disabilities. The court declined to require employers to treat people with disabilities more favorably than non-disabled individuals who have the same impairment for which accommodation is sought. While the Transit Authority prevailed in this case, California companies should note that California disability law provides broader protections than does the ADA and might have led to a different result.