STATE HIGH COURT STRIKES LATEST BLOW AGAINST TORT REFORM NULLIFICATION

by

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Yet another attempt to attack the constitutionality of important state statutory tort reform measures has hit a judicial brick wall, this time in Phillips v. Mirac, Inc., 2004 Mich. LEXIS 1506 (July 6, 2004). In upholding legislation which capped the damages imposed on automobile rental businesses, the Michigan Supreme Court sent a well-reasoned message about the need for courts to respect the power of the legislature to protect businesses against the vagaries of the tort system.

In a 1995 statutory amendment, the Michigan legislature capped damages against rental car companies to $20,000 for each injured person where the business was being sued solely for its vicarious liability created under the same act where permissive users caused injury or death through their negligence. This legislation took Michigan out of the minority of states that imposed unlimited liability on automobile lessors for short-term leases.

Plaintiff’s decedent was killed while traveling as a passenger in an automobile leased from the defendant. Following a $900,000 verdict, the trial court held that the tort reform which would otherwise have forced the Court to reduce the verdict to the $20,000 cap violated the estate’s rights under the Michigan Constitution to a jury trial, equal protection and due process. The Michigan Court of Appeals overturned this decision by a 2-1 vote. The Michigan Supreme Court granted leave for the Plaintiff to appeal.

In finding the statute constitutional, the Court presented a particularly thoughtful analysis of the affect damage caps have on the state constitutional right to have a jury decide a case. The Court concluded that the determination of the amount the plaintiff actually receives was never contemplated to be part of the constitutionally protected role the jury is to play. Statutory caps limit only the legal consequences of the jury’s findings of fact regarding liability. The legal effect of the jury’s finding was a matter for the Court, within the limitations of the legislation creating the remedy.

This decision and the reasoning provided by the Court have broad ramification for the other extensive tort reform measures passed in Michigan in mid-1990, including other damages caps and similar limitations on recovery. It is also demonstrates that the Michigan Supreme Court intends to respect the legislature’s power to improve the legal environment for business in the state. The Court observed that precedent supported that “economic regulation, such as the measure we deal with today, has consistently been held to be an issue for the political process, not for the courts. … [W]e are unwilling to turn our backs on this law. It is into this mainstream that we again steer our economic regulation jurisprudence.” With this healthy respect for the separation of powers demonstrated in this decision, the broad tort reform measures implemented within the last fifteen years in Michigan continue to hold and will hopefully stand as strong persuasive precedent for other state courts facing similar challenges.

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