

Miller Canfield Wins Appeal of Civil RICO Case Before Entire Sixth Circuit; Decision is an Important Win for Employers in Worker's Compensation Cases

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In a landmark decision, the *en banc* United States Court of Appeals for the Sixth Circuit ruled in *Jackson v. Sedgwick Claims Management Service* that employers no longer need to worry about facing federal civil liability under the Racketeer Influenced and Corrupt Organizations Act (RICO) for disputing a claim for worker's compensation benefits. Miller Canfield represented the employer in the case.

"This is an important victory for Michigan employers and employees alike," said Miller Canfield corporate litigation group leader Tom Cranmer. "Michigan's workers compensation system provides a fair and efficient way for injured employees to receive full compensation for their injuries while simultaneously protecting employers from excessive liability and costly litigation expenses. Allowing disappointed workers compensation claimants to pursue federal RICO claims -- potentially involving treble damages and huge attorney fees -- would have upset the careful balance struck by the Michigan Legislature when it enacted the workers compensation laws and would have jeopardized the continued vitality of Michigan's workers compensation system. We are pleased the full Sixth Circuit recognized the importance of this issue and came to the right result."

In *Jackson*, the court overruled a 2012 panel's decision that allowed the plaintiffs, Clifton Jackson and Christopher Scharnitzke, to sue their employer, worker's compensation claims administrator, and their medical expert under RICO, alleging that the defendants conspired to deny their worker's compensation claims.

At issue was the nature of the plaintiff's alleged loss. Under RICO, a plaintiff can only sue for "an injur[y] to his business or property," which doesn't include a personal injury. The 2012 panel ruled that the plaintiffs had such a property interest in their hypothetical benefits, even if the benefits were based on a personal injury claim.

"That decision, had it stood, would have subjected employers to the threat of huge RICO liabilities each time they denied a worker's compensation claim," Miller Canfield appeals chair Paul Hudson said.

But the *en banc* court overruled the 2012 panel, reasoning that the plaintiffs didn't have the requisite property interest in their benefits. Instead, the court wrote, the plaintiffs' losses "are simply a shortcoming in the compensation they believed they were entitled to receive for a personal injury. They are not different from the losses the plaintiffs would experience if they had to bring a civil action to redress their personal injuries and did not obtain the compensation from that action they expected to receive." The proper arena for such a claim is the Michigan administrative worker's compensation system, the court reasoned, and allowing the plaintiffs to sue in federal court would allow federal law to supplant a state statutory scheme that "reflects a complex set of bargains between employers and employees."

While Congress has the ultimate power to enact a remedy that can supplant state law, Congress didn't do so in passing the civil RICO statute, the court ruled.