Facts: The plaintiff, Carole Kolstad, brought an action against her employer, American Dental Association, alleging that she had been denied a promotion because of her sex. Kolstad asked the trial court to instruct the jury on punitive damages, but the trial court refused to do so. The jury ruled in favor of Kolstad on the merits of her sex discrimination claim and awarded her back pay (she was awarded neither reinstatement nor attorney's fees). Both parties appealed.

Procedure: The district court refused to instruct the jury on punitive damages. The Ct. of Appeals reversed the District Court's refusal to instruct the jury on punitive damages. Then, in an en banc decision on appeal, the Ct. of Appeals affirmed the District Court's refusal to instruct the jury on punitive damages (i.e., the jury instruction Kolstad requested was not given).

Issue: What are the circumstances under which punitive damages may be awarded in an action under Title VII?

Holding: Punitive damages are available under Title VII only if an employer has engaged in intentional discrimination or has acted with malice or reckless indifference to federally protected rights. Reversing the court of Appeals, the Supreme Court held that an employer's conduct does not have to be "egregious" in order for a plaintiff to collect punitive damages under the Civil Rights Act of 1991. A plaintiff may, however, use the employer's egregious behavior as evidence it acted with "malice" or "reckless indifference" to the employee's federally protected rights against job discrimination. While it is true that Congress plainly sought to impose two standards of liability - one for compensatory damages and a higher standard for punitive damages, an employer's conduct need not be independently egregious to satisfy the standard for an award of punitive damage in a Title VII case.

Then, the Court held that an employer is not automatically liable for punitive damages simply because its supervisor's discriminatory conduct satisfies the Kolstad standard. Rather a further evidential hurdle must be passed to impose punitive damages on the employer. According to the Court, "an employer may not be vicariously liable for the discriminatory employment decisions of managerial agents where those decisions are contrary to the employer's 'good faith efforts to comply with Title VII.'"

Reasoning: Discussed above in connection with the holding

RULE OF LAW

In order to be liable for punitive damages under Title VII, an employer must have guilty "knowledge that it may be acting in violation of federal law," not necessarily that the employer was aware that it was engaging in discrimination.

However, even if a supervisor's conduct satisfies the standard above, an employer will not be vicariously liable for the discriminatory employment decisions of managerial agents (i.e., will not be liable for punitive damages) if those decisions are contrary to the employer's 'good faith efforts to comply with Title VII.'