New Jersey Supreme Court Vacates $23.4M Jury Award Against Valley Hospital

5/31/2024

In a unanimous decision, the New Jersey Supreme Court vacated a $24.3 million award to a group of neurosurgeons over their claim that The Valley Hospital (Valley) was acting in bad faith when it signed an exclusive agreement with a competing neurosurgical group. The plaintiffs, a group of 11 neurosurgeons, filed suit challenging Valley's decision to enter into an exclusive agreement with a competing neurosurgical practice for unassigned emergency patients and access to specialized neurosurgery equipment, arguing that Valley's decision to grant an exclusive agreement to the competing group was made in bad faith and amounted to retaliation for the plaintiffs' perceived disloyalty in joining and holding leadership positions at a nearby hospital that had recently been reopened by Hackensack Meridian Health System.

In 2020, a jury awarded the plaintiffs $24.3 million, finding that while there was no valid breach of contract claim, Valley had breached the implied covenant of good faith and fair dealing. The jury's decision was later upheld by an appeals court. The New Jersey Supreme Court vacated the trial court's decision, however, finding that a jury must decide whether the hospital breached an implied covenant of good faith and fair dealing under an underlying contract between the parties, and no implied covenant of good faith and fair dealing can be inferred based solely on the rights and obligations within Valley's medical staff bylaws. The Supreme Court also found that an administrative decision by the hospital to award an exclusive agreement to another party cannot on its own give rise to a claim for breach of the implied covenant of good faith and fair dealing.

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