

US ruling puts new limits on punitive damages

By Patti Waldmeir in Washington and Chris Bowe in New York
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The US Supreme Court on Tuesday imposed new constitutional limits on some court damages awards, but stopped short of the tough clampdown sought by the US business community.

Ruling in a case involving Philip Morris, the tobacco company, a narrowly divided court said jurors could impose "punitive damages" based only on the harm caused to the plaintiff in the lawsuit being heard – and not for harm to other victims who did not bring suit.

In the 5-4 ruling, the justices set aside a \$79.5m punitive damages award against Philip Morris, in the case of a life-long Oregon smoker who died of lung cancer. The court said the Oregon Supreme Court was wrong to allow the jury in that case to punish Philip Morris for the health problems of all Oregon smokers – not just the man whose widow brought the case.

The majority said the US constitution "forbids a state to use punitive damage awards to punish a defendant for injury inflicted on strangers to the litigation", in part because the defendant has no chance to defend himself against such claims.

"To permit punishment for injuring a non-party victim would add a near standardless dimension to the punitive damages question," Justice Stephen Breyer wrote for the court.

"This is a big win for the business community," said Robin Conrad, senior vice president of the US Chamber of Commerce's litigation unit in Washington. "Today's decision correctly addresses business's concern that punishing defendants for harm to those not involved in the lawsuit denies a company the right to defend claims against it."

But the court refused to rule on the much larger question of the size of such awards: the punitive damages award in the Oregon smoker case was nearly 100 times the award for compensatory, or actual damages. The US business community had been hoping for a clear statement from the Supreme Court that such an award was excessive, but the court ducked that question.

"The business community would have liked some bright line standards but the court has traditionally stayed away from doing that," says Sheila Birnbaum, a punitive damages expert at the law firm Skadden Arps.

The ruling is good news for tobacco companies and for pharmaceutical manufacturers. Merck, the US drugmaker, faces more than 27,000 lawsuits over its painkiller Vioxx, withdrawn due to increased risk of heart problems.

A better litigation climate allowed Philip Morris's parent company Altria to set out plans to spin off its Kraft Foods unit.

■ The US Supreme Court overturned a \$79m antitrust award against lumber producer Weyerhaeuser, in a ruling that will help shield companies from claims that they illegally tried to drive a competitor out of business, Bloomberg reports.

The ruling is a victory for large US companies, giving them more room to bid aggressively for raw materials and other supplies without the risk of violating federal antitrust laws. Dow Chemical, Verizon Communications, Coca-Cola and Microsoft were among the companies that supported Weyerhaeuser.

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