

SUPREME COURT



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Case decided December 2, 2011

Mayola Williams, et al., v. RJ Reynolds Tobacco Company, et al., (TC 970503957; 970604457) (SC S059014; S059248)

On appeal certified from the Court of Appeals in an appeal from a judgment of the Multnomah County Circuit Court, Janice R. Wilson, Judge. The judgment of the circuit court in *Williams v. Philip Morris* (CC970503957) is reversed, and the case is remanded for entry of a judgment consistent with this opinion. The post-judgment order in *State v. American Tobacco Co.* (CC 970604457) is reversed. Opinion of the Court by Chief Justice Paul J. De Muniz. Justice Thomas A. Balmer and Justice Jack L. Landau did not participate in the consideration or decision of this case.

Today, the Oregon Supreme Court held that the State of Oregon did not release its statutory interest in part of the punitive damages awarded to the plaintiff in *Williams v. Philip Morris* when it and 45 other states entered into a settlement agreement in *State v. Philip Morris*.

In 1997, Jesse Williams, a long-time smoker, died of lung cancer. Shortly thereafter, his estate sued Philip Morris for fraud and negligence. In March 1999, a jury returned a verdict in the estate's favor for, among other things, \$79.5 million in punitive damages. Under Oregon's split recovery statute, ORS 31.735, the state became entitled to 60 percent of any punitive damages award upon entry of a judgment awarding punitive damages. By the time that the punitive damages award in the estate's case, *Williams v. Philip Morris*, was entered as a final judgment, the state had settled another, unrelated case against Philip Morris and several other tobacco companies, *State v. Philip Morris*. In that case, Oregon and 45 other states had sued to recover their increased healthcare-related costs resulting from the tobacco companies' unlawful conduct. In the states' settlement agreement with Philip Morris and the other tobacco companies, the states agreed to release Philip Morris and the other tobacco companies from past and future claims relating to the tobacco companies' tobacco-related conduct. Thereafter, Philip

Morris informed the state that it would not pay the state the 60 percent of the punitive damages awarded in the *Williams* case that was allocated to the state under ORS 31.735, on the ground that the state had released its claim to that money as part of the settlement agreement in *State v. Philip Morris*. The state sought a declaration in the trial court that Philip Morris's interpretation of the settlement agreement was incorrect, but the trial court ruled in Philip Morris's favor, concluding, among other things, that the state had released its right to recover its statutory share of the punitive damages award in the *Williams* case. The state and the *Williams* estate both appealed that ruling to the Court of Appeals, and that court certified the appeal to the Oregon Supreme Court.

In a unanimous opinion authored by Chief Justice Paul J. De Muniz, the Court observed that the state was not a party to the *Williams* case, and the state's right, under ORS 31.735, to an allocation of 60 percent of the punitive damages awarded in that case arose by operation of law, irrespective of the nature of the underlying litigation or the conduct that gave rise to it. Under the settlement agreement in *State v. Philip Morris*, the state released only those "claims" that were related in some way to the tobacco companies' tobacco-related conduct. Thus, even if the state, by challenging in court Philip Morris's refusal to pay the state 60 percent of the *Williams* punitive damages award that money, had made a "claim" for that money, as that term was defined in the settlement agreement in *State v. Philip Morris*, that "claim" was not a "released claim" under the settlement agreement, because it was not related to the tobacco companies' tobacco-related conduct.