PUNITIVE DAMAGES IN ASBESTOS PERSONAL INJURY LITIGATION: THE BASIS FOR DEFERRAL REMAINS SOUND

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In 1991, the federal court system took an important step to slow the tide of asbestos-related bankruptcies that still threatens compensation for the sick. The judge then managing the federal asbestos multidistrict litigation docket (MDL 875), United States District Court Judge Charles Weiner of the Eastern District of Pennsylvania, chose to sever and retain jurisdiction over demands for punitive damages while allowing the issues of liability and compensation matters to proceed to trial.¹ Judge Weiner’s practice was affirmed and strongly supported on public policy grounds by the U.S. Court of Appeals for the Third Circuit.² Forward-thinking state court judges who

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¹ See In re Patenaude, 210 F.3d 135, 140 n.3 (3d Cir. 2000) (explaining that the MDL 875 court “has a practice when it does remand cases of severing and retaining jurisdiction over punitive damages claims.”).

² See In re Collins, 233 F.3d 809, 812 (3d Cir. 2000).
were managing large asbestos personal injury dockets in jurisdictions including New York, Pennsylvania and Baltimore City also chose to defer punitive damages claims to promote sound public policy.\(^3\)

All of these judges wisely understood that there is a finite pool of resources available for those who suffer illnesses resulting from asbestos exposure.\(^4\) If earlier-filing claimants are able to obtain windfall punitive damages awards, then assets are depleted and may become exhausted due to the length and enormity of asbestos litigation,\(^5\) jeopardizing tort recoveries for later-filing claimants with mesothelioma, asbestos-related lung cancer, or debilitating asbestosis.\(^6\) As Georgetown University Law School Professor Paul Rothstein said, “Continuing to award punitive damages in asbestos cases no longer makes sense.”\(^7\)

Recently, federal asbestos MDL 875 and the Philadelphia and New York City asbestos dockets have come under new management, perhaps raising the hopes of plaintiffs’ lawyers


\(^{4}\) See, e.g., R. Barclay Surrick, *Punitive Damages and Asbestos Litigation in Pennsylvania: Punishment or Annihilation?*, 87 Dick. L. REV. 265, 296 (1983) (“Balancing the benefits to be derived from continued imposition of punitive damages against the social and economic consequences of such a course of action, it appears that the continued imposition of punitive damages simply cannot be justified.”).


\(^{6}\) See Behrens, *supra* note 3, at 336, 354.

that there will be opportunities to revisit long-standing practices in those courts, such as allowing the re-introduction of punitive damages at trial. This article considers whether changes in the asbestos litigation environment warrant such a stark reversal. First, the article examines the origin and public policy underlying the deferral practices currently in place in federal MDL 875, Philadelphia, and New York City. Next, the article examines some of the potential rationales for permitting punitive damages awards in asbestos litigation. The article concludes that the continued deferral of punitive damages claims remains important as a matter of sound public policy. The concerns that led pioneering judges to defer punitive damages claims persist today and will remain ongoing as “[t]ypical projections based on epidemiological studies assume that mesothelioma claims arising from occupational exposure to asbestos will continue for the next 35 to 50 years.”

I. DEFERRAL OF PUNITIVE DAMAGES CLAIMS IN FEDERAL MDL 875 AND ASBESTOS CASES IN PHILADELPHIA AND NEW YORK CITY TO PRESERVE ASSETS FOR THE SICK

B. FEDERAL MDL 875

After being appointed manager of MDL 875 in 1991, United States District Court Judge Charles Weiner made the decision to sever and retain jurisdiction over demands for punitive damages while allowing the compensatory matters to proceed to trial. As stated, Judge Weiner's practice was...
affirmed and strongly supported on public policy grounds by the U.S. Court of Appeals for the Third Circuit. The Court understood that “[t]he resources available to persons injured by asbestos are steadily being depleted.” The circuit court concluded:

It is responsible public policy to give priority to compensatory claims over exemplary punitive damage windfalls; this prudent conservation more than vindicates the Panel’s decision to withhold punitive damages claims on remand. It is discouraging that while the Panel and transferee court follow this enlightened practice, some state courts allow punitive damages in asbestos cases. The continued hemorrhaging of available funds deprives current and future victims of rightful compensation.

Judge Weiner, who managed MDL 875 until his death in 2005, viewed the deferral of punitive damages, along with the deferral of claims filed by the non-sick, as key parts in a strategy intended to help preserve resources needed to compensate sick claimants in the face of mounting asbestos-

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11 See In re Collins, 233 F.3d at 812.

12 Id.

13 Id.


15 Judge Weiner was among the first judges to defer the claims of unimpaired plaintiffs to give priority to claimants with cancers and other serious asbestos-related conditions. See, e.g., In re Asbestos Prods. Liab. Litig. (No. VI), Civ. A. No. MDL 875, 1996 WL 539589, at *1 (E.D. Pa. Sept. 16, 1996) (unpublished order denying remand) (“[T]he Court has prioritized malignancies and other serious disease cases.”).
related bankruptcies. Judge Weiner’s practice of deferring punitive damages claims in MDL 875 cases has been continued by his successors, United States District Judges James Giles, the presiding MDL 875 judge from 2005 through 2008, and Eduardo Robreno, the current manager of the MDL 875 docket.16

B. PHILADELPHIA COURT OF COMMON PLEAS

The practice of deferring punitive damages claims in asbestos cases in the Philadelphia Court of Common Pleas originated in a November 1986 memorandum opinion stemming from the bankruptcy of Philadelphia-based, Pacor, Inc., a distributor of asbestos products, and four other “major defendant[s]” in the asbestos litigation.17 Plaintiffs in civil cases pending at the time asked the court to sever Pacor from the litigation and order trial to proceed against the remaining defendants.18 Judge Richard Klein, who was then serving as the asbestos judge for Philadelphia (and later served on the Pennsylvania Superior Court),19 found that there was “no question that both the plaintiffs and the non-bankrupt defendants . . . suffered from the bankruptcy petitions filed by major participants in the asbestos litigation.”20 For example, the solvent defendants were “being called upon to pay all of the costs of the litigation and to pay more than their share of compensatory damages . . . .”21 Judge Klein also noted: “If punitive damages are allowed in the face [of] so many major defendants filing for bankruptcy, it is very possible that some


18 Id.


21 Id. at 9.
plaintiffs will get the windfall of punitive damages while others find that the money is gone by the time their cases come to trial.”

Judge Klein decided to allow the cases to proceed against the non-bankrupt defendants upon the condition that the plaintiffs would defer claims for punitive damages “until the situation with the bankrupts becomes clearer.” He indicated that the deferral period would last one year, at which point he would consider several options, including that “punitive damages may be further deferred.”

In November 1987, Judge Klein found that the rate of new asbestos case filings had “gotten worse, not better,” that another major company, Nicolet, Inc., had filed bankruptcy, and that a major defendant, Raymark, Inc., had “drastically reduced” its settlement payments and threatened bankruptcy. Consequently, he chose to extend the severance and deferral of punitive damages for another year, until November 12, 1988.

Since then, the Complex Litigation Center (CLC), the mass tort program of the Philadelphia Court of Common Pleas, has by “custom and practice” continued to defer punitive damages claims in asbestos cases.

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22 Id. at 10.

23 Id. at 5.

24 Id. at 9; see also Yancey v. Raymark Indus., Inc., No. 1186 (832) (Ct. Com. Pl., Phila., Pa. June 10, 1987) (first amended order to sever Pacor, Inc.) (“All claims for punitive damages shall be severed and deferred for a period of one year from November 12, 1986 (the date or the original order). At that point, the Court may continue to defer them . . .”).


29 According to our research, the only punitive damages verdict in an asbestos personal injury case in the Philadelphia Court of Common Pleas since Judge Klein’s 1986 memorandum opinion occurred in a 2008 case decided under Kentucky law. See Gina Passarella, Phila. Jury Awards $25.2 Million in
C. NEW YORK CITY

In 1996, Justice Helen Freedman, who managed the New York City asbestos litigation from 1987 until she was elevated to the appellate bench in 2008, deferred all punitive damages claims indefinitely in a Case Management Order (CMO) governing all asbestos personal injury and wrongful death cases. Justice Freedman has explained that precluding punitive damages “seemed like the fair thing to do for a number of reasons.” She summarized those reasons as follows:

First, to charge companies with punitive damages for wrongs committed twenty or thirty years before, served no corrective purpose. In many cases, the wrong was committed by a predecessor company, not even the company now charged. Second, punitive damages, infrequently paid as they are, only deplete resources that are better used to compensate injured parties. Third, since some states did not permit punitive damages, and the federal MDL court precluded them, disparate treatment among plaintiffs would result. Finally, no company should be punished repeatedly for the same wrong.


33 Id. at 527-28.
II. REVISITING THE DEFERRAL OF ASBESTOS-RELATED PUNITIVE DAMAGES CLAIMS IN NEW YORK CITY, PHILADELPHIA, AND MDL 875

In September 2008, Justice Sherry Klein Heitler was assigned to manage the New York City asbestos docket to replace Justice Freedman after her promotion. Just a few months later, attorneys at Weitz & Luxenberg, a prominent law firm that represents plaintiffs in asbestos cases, requested that the court amend the CMO governing asbestos cases in several respects, including elimination of the deferral of punitive damages claims. In a March 2009 letter to Justice Heitler, Weitz & Luxenberg attorneys noted that “[m]ost, if not all” of the largest manufacturers of asbestos-containing thermal insulation products who were originally the primary defendants in asbestos litigation have filed bankruptcy, despite the punitive damages practice in New York City. The letter also asserted that “there was never a valid reason for defendants in New York City Asbestos Litigation to be immune from punitive damages and certainly no valid reason exists today.”

Attorneys for defendants named in the New York City asbestos litigation opposed the change, stating that “[i]f there is one unassailable truth in the asbestos litigation, it is that there is a finite pool of resources to compensate impaired plaintiffs. It is a zero sum game—money spent on one claimant today may not be available for another claimant tomorrow.”


36 Id.

37 Id. The Weitz firm also sought punitive damages in a 2009 filing, asking that the court grant an exception in a particular case. See Reply Affirmation and Affirmation in Opposition to Plaintiff’s Cross Motions at 2-3 Hertling ex rel. Estate of Swift v. Alliance Laundry Sys. LLC (No. 107382/o8) (N.Y. Sup. Ct. Feb. 17, 2010).

38 Letter from Robert C. Malaby, Malaby & Bradley, LLC, to Hon. Sherry Klein Heitler, N.Y. State Supreme Court, Appellate Term – First Dep’t 7 (Apr.
attorneys have also noted that restoration of punitive damages would undermine the substantial public policies that led Justice Freedman to adopt and continue the deferral policy. As of the time of publication, Justice Heitler has not modified the CMO or otherwise permitted a punitive damages claim to proceed.

A few months after Justice Heitler took over the New York City asbestos litigation, Philadelphia Court of Common Pleas Judge Sandra Mazer Moss, the founder and first Supervising Judge of the CLC, replaced Judge Allan Tereshko as coordinating judge of Philadelphia’s asbestos litigation. Judge Tereshko had been the CLC’s coordinating judge since 2001.

Judge Moss has commented that “[i]t is a new day” in the Philadelphia CLC. This new day was reflected by Common Pleas President Judge Pamela Pryor Dembe, who undertook a “public campaign to lay out a welcome mat for increased mass torts filings.” For example, in a January 2009 interview, Judge Dembe reportedly said that the court’s budgetary woes could be helped by making the CLC even more attractive to attorneys “so we’re taking business away from other courts.” In addition to generating substantial filing fees for the court, out-of-state lawyers are an economic engine for Philadelphia, according to Judge Dembe. “Litigation tourists” stimulate the local economy by eating at local restaurants, staying in city

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39 See id. (quoting Freedman, supra note 32, at 527).

40 See Amaris Elliott-Engel, Moss to Again Lead Complex Litigation Center, LEGAL INTELLIGENCER, Jan. 5, 2009, at 1, available at 2009 WLNR 22652434.

41 Id.


44 Elliott-Engel, supra note 42.

45 Id.
hotels, and hiring local counsel. In this context, lifting the longstanding practice of deferring punitive damages claims could be viewed as an incentive for lawyers to file asbestos cases in Philadelphia. As of the time of publication, however, Judge Moss has continued the court’s historical and sound policy with respect to punitive damages in the asbestos litigation.

In federal MDL 875, United States District Judge Eduardo Robreno continued the practice of his predecessors with respect to the treatment of punitive damages claims. To try to bring MDL 875 to a conclusion, Judge Robreno and magistrate judges of the Eastern District of Pennsylvania have developed and are implementing a summary judgment protocol to address the remaining cases on the docket. Plaintiffs’ lawyers may question whether the historical practice relating to punitive damages will continue in light of the individual approach the court is now undertaking on summary judgment motions.

III. DOES SOUND PUBLIC POLICY SUPPORT THE RETURN OF PUNITIVE DAMAGES CLAIMS IN ASBESTOS LITIGATION?

The asbestos litigation environment has improved in recent years because of actions taken by courts and legislatures to address some abuses of the past, such as mass filings by the uninjured and questionable mass screening practices. The litigation has also evolved. Most of the traditional asbestos product manufacturer defendants have filed bankruptcy. In their place, “many lawsuits are filed against peripheral

46 Id. See also Amaris Elliott-Engel, Dembe: Next Round of Budget Cuts Might Involve Layoffs, LEGAL INTELLIGENCER, JAN. 28, 2009, at 1, available at 2009 WLNR 22652102.


defendants, e.g., those who manufactured products in which asbestos was encapsulated, distributed products containing asbestos, or owned premises that contained asbestos.”

Asbestos claims are becoming more peripheral too. When the litigation began, “most claims came from workers . . . in an atmosphere thick with asbestos fibers.”

Now, many claimants come from nontraditional industries, “such as textiles, paper, glass, and food and beverage.” In addition, plaintiffs’ lawyers are now targeting property owners for alleged harms to the workers’ family members who have been exposed to asbestos off-site, typically through contact with a directly exposed worker or that person’s soiled work clothes.

Does sound public policy support a return of punitive damages in this latest phase of asbestos litigation? Would punitive damages in today’s asbestos cases serve their intended purpose: to deter bad behavior and punish wrongful conduct? Is there a reason to believe that punitive damages windfalls will no longer jeopardize resources available to compensate those unfortunate individuals who will develop an asbestos-related malignancy in the future?

A. Changes in the Litigation Environment Do Not Support a Change

1. Increasingly Remote Peripheral Defendants

The first asbestos-related bankruptcy filings by UNARCO Industries, Inc. and Manville Corporation in 1982 kicked off a succession of bankruptcies by companies in the asbestos-related manufacturing and installation industries. Many of these early

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50 See Carroll et al., supra note 5, at xxv.

51 Id.

52 See Behrens, What’s New in Asbestos Litigation?, supra note 48, at 545-49.

target defendants were subjected to repeated punitive damages. As more of the so-called “traditional defendants” sought bankruptcy protection, a domino effect began, whereby each subsequent bankruptcy placed increasing pressure on the remaining solvent defendants. By 2006, asbestos-related liabilities forced over eighty-five companies into bankruptcy. More recently, “[p]arties that follow asbestos litigation have identified 96 companies that have filed for bankruptcy in which liability for asbestos tort cases was addressed.”

As a result of these bankruptcies, “the net has spread from the asbestos makers to companies far removed from the scene of any putative wrongdoing.” The dockets reflect that

54 See, e.g., Owens-Corning Fiberglas Corp. v. Ballard, 749 So. 2d 483, 488 (Fla. 1999) (affirming $31 million punitive damages verdict, in addition to $1.8 million compensatory award); Cathey v. Johns-Manville Sales Corp., 776 F.2d 1565, 1572 (6th Cir. 1985) (affirming $1.5 million punitive damages verdict, in addition to $800,000 compensatory award).


58 See Editorial, Lawyers Torch the Economy, WALL ST. J., Apr. 6, 2001, at A14. See also Steven B. Hantler et al., Is the “Crisis” in the Civil Justice System Real or Imagined?, 38 LOY. L.A. L. REV. 1121, 1151-52 (2005) (discussing spread of asbestos litigation to “peripheral defendants”); The Economics of U.S. Tort Liability: A Primer, CONG. BUDGET OFF., 8 (Oct. 2003), http://www.cbo.gov/ftpdocs/46xx/doc4641/10-22-TortReform-Study.pdf (“Over time, the targets of asbestos suits have expanded from the original manufacturers of asbestos-related products to include customers who may have used those products in their facilities.”).
the litigation has moved far beyond the era in which manufacturers and producers of friable asbestos products, raw asbestos, or asbestos insulation, are the defendants. This expanded range of defendants has produced exponential growth in the dimensions of asbestos litigation and compounded the burden on the courts.\textsuperscript{59}

By 2002, there were at least 8,400 defendants named in the litigation.\textsuperscript{60} The Towers Watson consulting firm has now identified more than 10,000 companies, including subsidiaries, named as asbestos defendants.\textsuperscript{61} At least one company in nearly every U.S. industry is involved in asbestos litigation.\textsuperscript{62} Nontraditional defendants account for more than half of asbestos expenditures.\textsuperscript{63}

One well-known former plaintiffs' attorney candidly described the litigation as an “endless search for a solvent bystander.”\textsuperscript{64} Some plaintiffs’ attorneys advocate that makers of non-defective products (such as pumps or valves) should be held liable for harms allegedly caused by asbestos-containing replacement parts manufactured or sold by third parties (such as replacement internal gaskets, packing or replacement external flange gaskets, or asbestos-containing external thermal insulation manufactured and sold by third parties) and attached post-sale (such as by the U.S. Navy).\textsuperscript{65} Plaintiffs’ lawyers are


\textsuperscript{60} CARROLL ET AL., supra note 5, at xxv, 79.

\textsuperscript{61} See Biggs, supra note 8, at 1.

\textsuperscript{62} AM. ACAD. ACTUARIES’, supra note 49, at 5.

\textsuperscript{63} CARROLL ET AL., supra note 5, at 94.

\textsuperscript{64} 'Medical Monitoring and Asbestos Litigation’ - A Discussion with Richard Scruggs and Victor Schwartz, 17-3 MEALEY’S LITIG. REP.: ASBESTOS 19 (Mar. 1, 2002) (quoting Mr. Scruggs).

also increasingly bringing claims for de minimis or remote exposures, such as “shade tree” brake work on the family car or one remodeling job using asbestos-containing joint compound.66

As the litigation has grown more attenuated, so has any foundation that otherwise might support the imposition of punitive damages. As summarized in one recent report:

The causal connection between earlier peripheral defendants and asbestos was clear (e.g., where asbestos was used as in insulating material by boiler manufacturers). However, the relationship of asbestos to some of the more recent peripheral defendants in not as obvious (e.g., Campbell’s Soup, Gerber [baby food maker], and Sears Roebuck). This later group of peripheral defendants was not as likely to have known of the dangers of asbestos.67

Other commentators have stated that “most traditional asbestos companies have already declared for bankruptcy protection, thus, the burden of paying punitive damages falls to the peripheral defendants who have generally not engaged in conscious, flagrant wrongdoing.”68


67 AM. ACAD. ACTUARIES, supra note 49, at 3 (emphasis added). See also Joseph Sanders et al., The Insubstantiality of the “Substantial Factor” Test for Causation, 73 Mo. L. Rev. 399, 428 (2008) (“[D]efendants of today – like Borg-Warner and V-J Auto Parts – are likely to be far less culpable than the major asbestos manufacturers who have all been through bankruptcy.”).

Furthermore, while there may be more “players” in the litigation, the same concerns that drove the decisions to defer punitive damages claims against the traditional asbestos defendants remain. Asbestos-related bankruptcies have not ended. “Since 2000, dozens of companies have sought to use the trust provisions of § 524(g) of the Bankruptcy Code to globally resolve their asbestos liabilities.”

It is just a matter of time before additional defendants are forced to seek bankruptcy court protection from their asbestos liabilities. As Stanford Law Professor Deborah Hensler has explained in summarizing the evolution of the litigation:

To make up the difference between the total amount of money that had been available from asbestos defendants to compensate asbestos claimants and the smaller amount of money that was now available [due to major defendants filing bankruptcy], asbestos plaintiff attorneys turned to “peripheral” defendants: corporations that had not previously been central to the litigation but against whom there were colorable claims of negligence or strict liability. For many years, many of these corporations had settled claims for modest amounts of money, essentially “nuisance value,” in order to avoid greater litigation expense. Now asbestos plaintiff attorneys told these defendants that they would have to put more money on the table to avoid litigation-perhaps several times the amount paid previously by these defendants-explaining that they needed to make up for what was no longer available from target defendants. Within a very short time, some peripheral defendants became central to the litigation, and their asbestos liability exposure ballooned. The result might have been anticipated: the once peripheral defendant

corporations followed the target defendants into bankruptcy.\textsuperscript{70}

Actions taken by courts that could accelerate this process would be irresponsible absent a clear and compelling justification that does not exist with respect to the awarding of punitive damages in modern asbestos cases.

2. Fewer Overall Filings Due to Sound Reforms

Those seeking a return of punitive damages may also be emboldened by a recent decline in overall asbestos filings.\textsuperscript{71} They may argue that since the litigation appears to have “turned the corner,” the specter of additional bankruptcies is reduced. It must be remembered, however, that improvements in the litigation are the result of reforms adopted by courts and legislatures, such as to give priority to the sick by suspending the claims of the uninjured,\textsuperscript{72} or requiring claimants to have an


\textsuperscript{71} Charles E. Bates & Charles H. Mullin, State of the Asbestos Litigation Environment – October 2008, 23-19 MEALEY’S LITIG. REP.: ASBESTOS 14 (Nov. 3, 2008) (finding that the major asbestos trusts had between one-sixth to one-twelveth as many claims filed in 2007 as they had in 2002). See also Alison Frankel, Asbestos Removal, AM. LAW., July 2006, at 15 (“A lot of companies that were seeing 40,000 cases in 2002 and 2003 have dropped to the 15,000 level.”) (quoting Jennifer Biggs, Chair of the Mass Torts Subcommittee of the American Academy of Actuaries (internal quotations omitted)).

\textsuperscript{72} The list of jurisdictions with inactive asbestos dockets now includes Cleveland, Ohio (Mar. 2006); Minnesota (June 2005) (coordinated litigation); St. Clair County, Illinois (Feb. 2005); Portsmouth, Virginia (Aug. 2004) (applicable to cases filed by the Law Offices of Peter T. Nicholl); Madison County, Illinois (Jan. 2004); Syracuse, New York (Jan. 2003); New York City, New York (Dec. 2002); Seattle, Washington (Dec. 2002); Baltimore City, Maryland (Dec. 1992); Cook County (Chicago), Illinois (Mar. 1991); and Massachusetts (Sept. 1986) (coordinated litigation). See Behrens, What’s New in Asbestos Litigation, supra note 48, at 507-08. See also In re USG Corp., 290 B.R. 223, 226 n.3 (Bankr. D. Del. 2003) (“The practical benefits of dealing with the sickest claimants . . . have led to the adoption of deferred claims registries in various jurisdictions.”); Freedman, supra note 32, at 513 (“Perhaps the most dramatic change since the dawn of the new century has been the restriction of the litigation to the functionally impaired.”).
actual injury,\textsuperscript{73} and because of greater judicial scrutiny of litigation screening practices.\textsuperscript{74} For instance, Justice Freedman


\textsuperscript{74} See generally In re Silica Prods. Liab. Litig., 398 F. Supp. 2d 563 (S.D. Tex. 2005); see also Lester Brickman, On the Applicability of the Silica MDL Proceeding to Asbestos Litigation, 12 CONN. INS. L.J. 289, (2006) (evaluating the practical implications of the federal silica litigation on the “entrepreneurial model” of asbestos litigation); Barbara Rothstein, Perspectives on Asbestos Litigation: Keynote Address, 37 SW. U. L. REV. 733, 739 (2008) (Judge Rothstein is the Director of the Federal Judicial Center and stated in her remarks that, “[o]ne of the most important things . . . I think judges are now alert for is fraud, particularly since the silicosis case . . . , and the backward look we now have at the radiology in the asbestos case.”); Elise Gelinas, Comment, Asbestos Fraud Should Lead to Fairness: Why Congress Should Enact the Fairness in Asbestos Injury Resolution Act, 69 Md. L. REV. 162, 163 (2009)
estimated that the deferred docket she instituted in the New York City litigation reduced the number of cases actually pending by eighty percent.75 “[A]lthough fewer overall asbestos personal injury claims are being filed in the U.S., the number of high-risk mesothelioma and other cancer cases has remained fairly stable.”76

If asbestos litigation reforms are undone or weakened, then the problems of the past may return. Courts must continue to enforce policies that preserve assets for those unfortunate individuals who will develop an asbestos-related impairment in the future. The continued deferral of punitive damages claims serves this goal.

B. PUNITIVE DAMAGES IN ASBESTOS LITIGATION NO LONGER SERVE A PURPOSE

The purposes of punitive damages generally are to punish wrongdoers and to deter those actors and others from future misconduct.77 The twin purposes of punitive damages do not justify imposing punitive damages in asbestos cases or re-introducing such awards in federal MDL 875, Philadelphia, or New York City.

First, the deterrent function of punitive damages is not served because the asbestos litigation today arises from exposures that took place long ago. In 1972, the federal Occupational Safety and Health Administration (OSHA) issued

(“Although her opinion dealt with silica litigation, Judge Jack’s findings [in the federal court silica litigation] significantly affect asbestos reform. By conducting Daubert hearings and court depositions that exposed the prevalence of fraud in silica litigation, Judge Jack exposed the prevalence of fraud in asbestos litigation as well.”); see generally In re Silica Prods. Liab. Litig., 398 F. Supp. 2d 563 (S.D. Tex. 2005); Mark A. Behrens & Corey Schaecher, RAND Institute for Civil Justice Report on the Abuse of Medical Diagnostic Practices in Mass Tort Litigation: Lessons Learned from the “Phantom” Silica Epidemic That May Deter Litigation Screening Abuse, 73 ALB. L. REV. 521 (2010).

75 See Freedman, supra note 32, at 514.


permanent standards regulating occupational exposure to asbestos. The OSHA regulations established standards for exposure to asbestos dust and mandated methods of compliance with the exposure requirements, including monitoring worksites, compelling medical examinations, and, for the first time, labeling products with warnings. OSHA’s asbestos regulations “became increasing [sic] stringent over time” and most uses of asbestos ceased in the United States.

Second, as Vanderbilt University Law School Professor Kip Viscusi has recognized, “[f]or long-term risks, such as asbestos, the economic players today are quite different from those who made the risk decisions decades ago at the time of exposure.” When Justice Freedman decided to defer punitive damages in the New York City asbestos litigation, she understood that in “many cases, the wrong was committed by a predecessor company, not even the company now charged.” “[L]ater victims, not the enterprise, effectively bear the punishment [of punitive awards in asbestos cases].”

Third, the “message of deterrence, both specific and general, has been heard loud and clear in asbestos cases.” In fact, as far back as 1998, when Northampton County (Bethlehem and Easton), Pennsylvania Administrative Judge Jack Panella deferred punitive damages claims in asbestos cases, he did so

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82 Freedman, supra note 32, at 527.


partly because the “onslaught of bankruptcies of asbestos producers” had sufficiently instructed manufacturers of all types that selling defective products “is not a profitable industry.”\(^{85}\) Even earlier, in 1994, when Delaware Superior Court Judge Richard Gebelein held that further awards against Owens-Corning Fiberglas Corp. in asbestos litigation “would be contrary to the public policy concerns underlying compensatory and punitive damages,”\(^{86}\) he found that “the compensatory awards in thousands of cases, the cost of years of litigation and previous punitive awards [were] so large already that [the] policy goals of [punishment and deterrence had] clearly already been met.”\(^{87}\)

Fourth, Yale Law School Professor George Priest has stated, “Punitive damages can be justified only where it is believed that compensatory damages alone will be insufficient to fully internalize injury costs to defendants.”\(^{88}\) “Total spending on asbestos litigation through 2002 was about $70 billion.”\(^{89}\)

C. REINTRODUCING PUNITIVE DAMAGES WOULD PLACE FURTHER PRESSURE ON SOLVENT DEFENDANTS AND COULD DELAY RESOLUTION OF CLAIMS

Proponents of re-introducing punitive damages claims asbestos cases may point out that there could be few such awards, and they might be right. The vast majority of asbestos cases are settled. State-enacted statutory limits on the size of punitive damages awards, a higher burden of proof (i.e. “clear and convincing evidence”), and the United States Supreme Court’s reining in of awards through constitutional due process


\(^{87}\) Id. at *14.


\(^{89}\) CARROLL ET AL., supra note 5, at xxvi.
safeguards have also helped to reduce the chance for jackpot punitive damages verdicts.\textsuperscript{90}

Yet, the risk of an extraordinary punitive damages award remains where such awards are allowed; defendants that proceed to trial under such circumstances play a game of Russian roulette. For instance, of approximately 4,000 asbestos cases set for trial in Madison County, Illinois, between 1996 and 2003, only four went to verdict.\textsuperscript{91} Three of the four resulted in huge awards that, on top of compensatory damages, included punitive damages in amounts of $200 million, $7 million, and $25 million.\textsuperscript{92} More recently, a Los Angeles jury awarded a record $200 million in punitive damages, on top of $8.8 million in compensatory damages to a woman who alleged that she contracted mesothelioma from washing her husband’s work clothes.\textsuperscript{93}

The genuine threat of a punitive award also can inflate settlement values, further depleting resources for future claimants. As Judge Joseph Weis, Jr. of the United States Court of Appeals for the Third Circuit observed:

\begin{quote}
[T]he potential for punitive awards is a weighty factor in settlement negotiations and inevitably results in a larger settlement agreement than would ordinarily be obtained. To the extent that this premium exceeds what would otherwise be a fair and reasonable settlement for compensatory damages, assets that could be available for
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\textsuperscript{92} Id. (further citations omitted).

satisfaction of future compensatory claims are dissipated.94

In addition, the reintroduction of punitive damages into the settlement equation could post a major obstacle to the prompt resolution of legitimate claims,95 particularly with respect to New York City claims since this approach could unravel a negotiated and agreed-upon CMO that has governed the litigation for many years.

Some plaintiffs’ lawyers may suggest that increasing settlement values is beneficial in that it provides needed additional compensation to their clients or that higher settlement values are needed to provide them with a full recovery. That is not the case, however, because plaintiffs have an avenue for recovery outside the tort system through trusts established to pay claims involving the products of companies that have exited bankruptcy. In fact, one recent study concluded: “For the first time ever, trust recoveries may fully compensate asbestos victims.”96 Today, the combination of trust fund payments and litigation settlements are providing some asbestos claimants with two substantial sources of recovery.


95 See William W. Schwarzer, Punishment Ad Absurdum, CAL. LAWYER, Oct. 1991, at 116 (“Barring successive punitive damage[s] awards against a defendant for the same conduct would remove the major obstacle to settlement of mass tort litigation and open the way for the prompt resolution [of legitimate claims.]”).

96 Charles Bates & Charles Mullin, Having Your Tort and Eating it Too?, 6-4 MEALEY’S ASBESTOS BANKR. REP., Nov. 2006, at 1. For example, it is estimated that mesothelioma plaintiffs in Alameda County (Oakland) will receive an average $1.2 million from active and emerging asbestos bankruptcy trusts, see Charles E. Bates et al., and could receive as much as $1.6 million. See Charles E. Bates et al. The Claiming Game, 25-1 MEALEY’S LITIG. REP.: ASBESTOS 19 (Feb. 3, 2010); see also The Naming Game, 24-15 MEALEY’S LITIG. REP.: ASBESTOS 18 (Sept. 2, 2009).
CONCLUSION

For many years, the judges managing federal asbestos MDL 875, and the state court asbestos dockets in Philadelphia and New York City, among others, have recognized that it is sound public policy to take steps to preserve resources needed by future claimants with asbestos-related malignancies, such as by deferring punitive damages claims and suspending the claims of the presently uninjured. Thousands of individuals are expected to contract mesothelioma, lung and other asbestos-related cancers, and impairing asbestosis as a result of prior exposure to asbestos for decades to come. The reasoning supporting deferral of punitive damages awards in asbestos cases remains sound both to help ensure timely and adequate compensation for sick claimants and to provide fundamental fairness for defendants given that the purposes of punitive damages no longer serve a legitimate purpose in the litigation.