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unitive damages claims are vital considerations in today's mass tort environment. The "mere assertion of the claim for punitive damages greatly expands the scope of discovery and increases pre-trial costs." The impact of these claims upon the discovery process is particularly important because, "filn today's litigation environment, the discovery stage is where most of the battles are fought and where the war is largely won or lost."2 Discovery supportive of punitive damages claims can be the most prejudicial evidence presented to juries, whether in single or bifurcated trials.

However, the mere assertion of a punitive damages claim may not be enough to allow carte blanche discovery and admission of evidence. The due process limitations upon punitive damage awards set forth by the U.S. Supreme Court, most recently in State Farm Mutual Automobile Insurance Co. v. Campbell,3 impose real and significant limitations upon the discoverability and admissibility of evidence. This article reviews the Court's due process analysis in Campbell and identifies potential limitations upon the discovery and admissibility of evidence in tort

### THE POTENTIAL EVIDENTIARY IMPACT OF THE SUPREME COURT'S DUE PROCESS ANALYSIS OF PUNITIVE DAMAGES AWARDS

The Supreme Court's Due Process Analysis for Assessing the Constitutionality of Punitive Damage Awards

In 1996, in BMW of North America, Inc. v. Gore, the Court first articulated a three-part analysis for determining whether punitive damages are unconstitutionally excessive.4 The Court concluded that due process requires that a person "receive fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty imposed."5 To assure fair notice, the Court fashioned three "guideposts" for consideration: (1) the degree of the defendant's reprehensibility; (2) the ratio between punitive and compensatory damages; and (3) the disparity between the punitive award and any civil or criminal penaltics authorized for comparable conduct.6 The Court also emphasized

that "state sovereignty and comity" prevent juries from basing punitive awards on defendants' lawful conduct in other states if that conduct did not impact the state or its residents.

In April of 2003, the Court rendered its decision in Campbell and applied the Gore guideposts to reverse a \$145 million punitive damages. Although the Court began by stating that the case was neither "close nor difficult;"9 the opinion was hardly a rote application of existing due process principles. Rather, the Campbell Court refined the "reprehensibility" and "ratio" guideposts so to expand and strengthen due process protection for defendants.10

Campbell's Potential Limitations Upon the Discoverability and/or Admissibility of Evidence

With regard to discovery and or admissibility of evidence, the

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"The due process llimitations upon punitive damage awards set forth by the U.S. Supreme Court ... impose real and significant limitations upon the discoverability and admissiability of evidence."

most significant aspect of the Campbell decision is its analysis of the "reprehensibility" prong, which the Court characterized as the "most important indicium of the reasonableness of a punitive damages award."11 The Court made clear that punitive damages are improper when used "as a platform to expose, and punish, the perceived deficiencies of [a defendant's] operations throughout the country."2 The primary thrust of the Court's holdings in Campbell and Gore is that although a defendant may not be punished directly for "other acts" unrelated and dissimilar to the conduct that harmed the plaintiff, evidence of "other acts" may, under proper circumstances, be probative of a defendant's intent, and consequently, of a defendant's reprehensibility.

#### A. "Other Acts" Evidence Upon Which Courts Cannot Rely

Three types of "other acts" are discussed in Campbell: (1) lawful out-of-state conduct, (2) unlawful out-of-state conduct. and (3) dissimilar, independent acts. The Court first addressed lawful, out-of-state conduct, and reiterated that such conduct cannot be the basis of punitive liability.3 However, though defendants cannot be directly punished for lawful out-of-state conduct, evidence of such conduct may be probative of a defendant's "deliberateness and culpability" when the conduct "has a nexus to the specific harm suffered by the plaintiff."4 Thus, evidence of similar acts having a nexus to the plaintiff's harm may be relevant to reprehensibility, but the jury must be charged that it may not use the evidence directly to punish the defendant.<sup>5</sup>

Regarding unlawful out-ofstate conduct, the Court found that, generally, states cannot punish a defendant for "unlawful acts committed outside of the State's jurisdiction." Instead, state courts

can only adjudicate claims of out-ofstate conduct that injured other plaintiffs when the appropriate joinder and choice-of-law rules are applied.17 Notably, the Court did not include unlawful out-ofstate conduct in its discussion of the probative value of lawful out-of-state conduct.18 However,

why unlawful conduct should be less readily admissible than lawful conduct in the punitive damages context. Because the rationale underpinning the exclusion of both lawful and unlawful out-of-state conduct is the inability of the state to punish conduct that occurs outside its borders, one can presume that the line the Court is drawing is properly focused upon whether the alleged wrongful conduct occurred within the state. Thus, out-of-state conduct that is similar to that which harmed the plaintiff and which has a nexus to the plaintiff's harm may

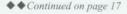
be considered under *Campbell*, with the required jury instruction.

The Court also addressed a broader category of "dissimilar acts, independent from the acts upon which liability" is premised. <sup>19</sup> According to the Court, a defendant may be punished only "for the conduct that harmed the plaintiff.... Due process does not permit courts, in the calculation of punitive damages, to adjudicate the merits of other parties"

hypothetical claims against a defendant under the guise of the reprehensibility analysis...."20 The Court cautioned that by punishing defendants for conduct directed at persons other than the plaintiff, courts risk imposing multiple punitive damages awards

it is difficult to articulate a reason on a defendant for the same why unlawful conduct should be conduct.<sup>21</sup>

"Some state courts, however, still decline to follow Daubert. Their rationales run the gamut from the fact that the state has always followed Frye ... to the view that the state finds Frye to be a proven and workable rule..."





proper synthesis of the Court's holding is that "other acts." whether lawful or unlawful, and whether occurring in-state or out-of-state, may never serve as direct grounds for punitive damages, though evidence of a defendant's conduct may be relevant to the reprehensibility determination when (1) it is similar to the conduct of which the plaintiff complains and (2) it relates in some way to the plaintiff's injury - but such evidence may only be admitted with the proper limiting instruction.

## B. Evidentiary Issues Raised by Campbell

There is currently considerable discord amongst commentators regarding *Campbell's* impact on the discovery and admissibility of evidence. While some believe that the Court's analysis of "other acts" is the "most powerful tool" ever provided to defendants in limiting the discoverability and admissibility of evidence in punitive damages litigation,<sup>22</sup> others have suggested that *Campbell* will actually broaden the scope of discovery in such cases.<sup>23</sup>

Potential arguments concerning the discoverability and/or admissibility of evidence in products liability litigation that may be reasonably raised under *Campbell* are listed below and are accompanied by the applicable language from the Court's opinion. Some of these issues may overlap or may be more appropriately together rather than

separately, depending upon the evidence at issue.

- 1. **Lawful conduct occurring out-of-state:** "A State cannot punish a defendant for conduct that may have been lawful where it occurred."<sup>24</sup>
- 2. Unlawful conduct occurring out-of-state: "[A]s a general rule... a State [does not] have a legitimate concern in imposing punitive damages to punish a defendant for unlawful acts committed outside the State's jurisdiction."<sup>25</sup>
- 3. Out-of-state conduct unrelated to the issue of deliberateness or culpability or having no nexus to plaintiff's harm: The Court made clear that the only "out-of-state" conduct that "may be probative" is that which "demonstrates the deliberateness or culpability of the defendant's action, but that conduct must have a nexus to the specific harm suffered by the plaintiff."<sup>26</sup>
- 4. **Dissimilar conduct:** "A defendant's dissimilar acts...may not serve as the basis for punitive damages."<sup>27</sup>
- 5. **Conduct Not Causing the Plaintiff's Injuries:** Perhaps related to number 4 above, the Court ruled that acts "independent from the acts upon which liability was premised" should not be considered; rather, "[a] defendant should be punished for the conduct that harmed the plaintiff."<sup>28</sup>
- 6. Conduct Related to the Claims of Non-Parties: "Due

process does not permit courts, in the calculation of punitive damages, to adjudicate the merits of other parties' hypothetical claims against a defendant under the guise of the reprehensibility analysis.... Any proper adjudication of conduct that occurred [] to other persons would require their inclusion, and to those parties, [the court] would need to apply the laws of their relevant jurisdiction."<sup>29</sup>

7. **The Wealth of the Defendant:** "The wealth of the Defendant cannot justify an otherwise unconstitutional punitive damage award." <sup>30</sup>

#### 8. Nationwide Policies:

The underlying theme of *Gore* and *Campbell* was that punitive damages are improper when used "as a platform to expose, and punish, the perceived deficiencies of [a defendant's] operations throughout the country."<sup>31</sup>

9. **Arguments of Counsel:** Some commentators have suggested that motions *in limine* should be directed towards arguments of counsel designed to "punish" the defendant, to "send a message" to the defendant, or to portray the defendant as a "bad company." 32

#### III. Varying Interpretations of Campbell's impact upon evidentiary issues

No jurisdiction has yet made a meaningful review of *Campbell's* evidentiary implications. The following survey illustrates the

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Continued from page 17 varying manner in which Campbell has been received by lower courts.

- 1. Most courts recognize that under *Campbell*, punitive damages based on evidence of conduct bearing no relation to the specific parties' harm violate the Due Process Clause.<sup>33</sup>
- 2. Several courts have allowed evidence of a defendant's "other acts" to be considered in punitive damages determinations by distinguishing *Campbell* on its facts.
- a. Tenth Circuit Court of Appeals Markam v. National States Insurance Co.<sup>34</sup>
- b. Seventh Circuit Court of Appeals Woodward v. Correctional Medical Services of Illinois, Inc. 35
- c. California Court of Appeal Henley v. Philip Morris, Inc. 36
- 3. The Court of Appeals of Oregon has twice rejected a defendant's argument that *Campbell* prevents the consideration of evidence of conduct directed to persons other than the plaintiff.
- a. Bocci v. Key Pharmaceuticals, Inc. 37
- b. Williams v. Phillip Morris, Inc.  $^{38}$

Courts that have allowed evidence of dissimilar "other acts" have all failed to observe the Court's emphasis on "causation:" the defendant may be punished *only* for actions toward the plaintiff. One cannot overlook the Court's assertion that "[d]ue process does not permit courts, in the calculation of punitive damages, to adjudicate the merits of other parties' hypothetical claims against a defendant under the guise of the reprehensibility analysis ...." Thus, a

court admitting evidence of activities that did not actually harm the plaintiff should do so, at most, with a proper limiting instruction.

Interestingly, some cases that have sought to limit Campbell's scope have involved personal injury claims.39 Although Campbell involved only economic harm, it should not be distinguished from cases involving physical injury. The Court made clear that one prong of the reprehensibility analysis is whether the harm is physical, as opposed to financial, in nature.40 Thus, a trial court should not disregard Campbell's admonition against the use of "other acts" evidence in cases of personal injury, but should instead instruct the jury that the type of injury may weigh into the overall determination of a defendant's reprehensibility.41

#### IV. Conceptual Roadblocks to the Application of Campbell's "Other Acts" Analysis

Recent jurisprudence also introduces some conceptual obstacles to *Campbell's* application in the evidentiary context. These potential roadblocks are discussed below.

#### A. Does Campbell Stand for Exclusion of "Other Acts" Evidence or Admittance with Instruction?

Although the Court made clear that "other acts" cannot serve as the basis for punitive damages awards, the Court did not clearly articulate the extent to which evidence of such acts should be excluded from the courtroom.<sup>42</sup>

A few courts have squarely addressed this issue. For example, the Indiana Court of Appeals in Wohlwend v. Edwards favored total exclusion, finding that the probative value of dissimilar, unrelated acts is substantially outweighed by the dangerous possibility that the jury will impose punitive damages to

"A careful reading of the [Campbell] opinion indicates that "other acts" evidence is entirely irrevelant to a plaintiff's punitive damges claim unless ..."

punish the defendant for harm inflicted on parties other than the plaintiff.43 Conversely, a California appellate court, in Romo v. Ford Motor Co., suggested that all "other acts" evidence is admissible, subject to a limiting instruction directing the jury to punish the defendants only for conduct harming the plaintiffs.44 Falling between these two rulings is the U.S. District Court for the Southern District of New York, which in TVT Records v. The Island Def Jam Music Group refused to rule on a defendant's motion to exclude evidence of unrelated "other acts" in limine, stating that the ruling should be reserved for trial.45

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#### B. Admissibility vs. Discoverability

To date, no court has allowed a defendant to successfully argue that Campbell stands for the proposition that evidence of dissimilar, unrelated acts is undiscoverable. For example, in Librado v. M.S. Carriers, Inc., a federal district court rejected the defendant's argument that discovery of information relating to other lawsuits pending against the defendant should be precluded. holding that Campbell addressed only the admissibility of evidence, not its discoverability.46 Similarly, the Third Circuit, in Drelles v. Metropolitan Life Insurance Co., dismissed the possibility that Campbell affects the discoverability of information relating to a defendant's nationwide sales practices.47 More recently, in Permanent General Assurance

Corporation v. Superior Court, the California Court of Appeal explicitly recognized that evidence of a defendant's conduct toward non-parties was not relevant to the issue of punitive damages, but declined to hold that the evidence was undiscoverable, reasoning that "conduct toward others may, in an appropriate case, tend to prove the existence of the same conduct toward the plaintiff."

Despite these rulings, the logical impact of *Campbell* would be to forbid the discovery of certain "other acts" evidence if not otherwise relevant to some other issue in the case. Federal Rule of Civil Procedure 26(b)(1) was amended in 2000 in order to narrow the scope and rising costs of discovery. <sup>49</sup> While the rule previously permitted discovery of information relevant to the "subject matter involved in

the pending action," the rule now allows discovery only into matters relevant to the "claim or defense of any party." 50

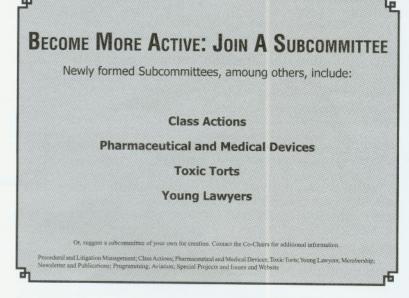
In the appropriate circumstances, evidence of a defendant's "other acts" is undiscoverable as a matter of law under Campbell. The Court held definitively that "[a] defendant's dissimilar acts, independent from the acts upon which liability was premised, may not serve as the basis for punitive damages."51 Although there is some dispute among lower courts as to whether "other acts" evidence is entirely inadmissible or admissible subject to a proper limiting instruction, a careful reading of the Court's opinion indicates that "other acts" evidence is entirely irrelevant to a plaintiff's punitive damages claim unless the defendant's other conduct was similar to the conduct that harmed the plaintiff and bore some nexus to the plaintiff's injury.

Although the Court did not address discovery directly, the finding that a defendant's dissimilar, unrelated "other acts" are *irrelevant* to punitive damages claims permits the conclusion that evidence of "other acts" is not subject to discovery under Rule 26(b)(1) if the defendant can show that the discovery request seeks conduct that is dissimilar from the conduct complained of by the plaintiff and unrelated to the plaintiff's injury.

#### C. Relevance to Claims Other Than Punitive Damages

The argument that "other acts" evidence may be relevant to

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a compensatory damages claim may hinder an attempt to limit the discovery and/or admissibility of evidence under *Campbell*. Although information relating to a defendant's "other acts" may be irrelevant to a punitive damages claim, depending upon the circumstances of the case, such evidence may be relevant to compensatory damages claims and/or underlying theories of liability, and thus discoverable.<sup>52</sup>

#### V. Conclusion

Ithough the impact of Campbell upon the discoverability and admissibility of evidence has yet to be fully explored or consistently applied in the lower courts, plausible and valuable arguments exist to reduce the prejudice and cost associated with the common assertion of a punitive damages claim.

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- <sup>1</sup> James A. Babst, *Pro and Con CON: PUNITIVE DAMAGESAND WHY WE DON'T NEED THEM*, 43 LA. B.J. 257 (Oct. 1995). Further, in most jurisdictions, punitive damages are not insurable.
- <sup>2</sup> Thomas A. Mauet, Pretrial 165 (2d ed. 1993).
  - 3 538 U.S. 408 (2003).
  - 4 517 U.S. 559, 574-75 (1996).
  - 5 Id. at 574.
  - 6 Id. at 574-75.
  - 7 Id. at 572-73.
  - 8 538 U.S. 408, 415 (2003).
  - 9 Id. at 418.

- 10 Id. at 419-428.
- <sup>11</sup> Id. at 419 (quoting BMW of N. Am., Inc. v. Gore, 517 U.S. 559, 575 (1996)).
  - 12 Id. at 420.
  - 13 Id. at 421.
  - 14 Id. at 422.
  - 15 Id.
  - 16 Id. at 421.
  - 17 Id. at 421-22.
  - 18 Id. at 422.
  - 19 Id.
  - 20 Id. at 423.
  - 21 Id.
- <sup>22</sup>Kolinski, GORE, COOPER INDUSTRIES, AND STATE FARM v. CAMPBELL Game, Set, and Match for Exorbitant Punitive Damage Awards, 77-NOV Fla. B.J. 34 (Nov. 2003).
- <sup>23</sup> McGrath, Edmonds, A Survey Of Kentucky Insurance Law: A Look At The Bad Faith Cause Of Action, 31 N. Ky. L. Rev. 139 (2004).
  - <sup>24</sup>Campbell, 538 U.S. at 421.
  - <sup>25</sup> Id.
  - 26 Id. at 422.
  - 27 Id. at 423.
  - 28 Id. at 422-23.
  - 29 Id. at 421-22.
  - 30 Id. at 427.
- <sup>31</sup> Id. at 420; see BMW of N. Am., Inc. v. Gore, 517 U.S. 559, 572-74 (1996).
- <sup>32</sup> Evan M. Tager, *Is There Light at the End of the Tunnel? The Implications of State Farm v. Campbell for the Future of Bad Faith Litigation*, DRI Defense Library Series, Chicago, IL (2004); Harvey L. Kaplan, *Punitive Damages in the New Millennium*, DRI Defense Library Series, Chicago, IL (2004).
- 33 See, e.g., Williams v. Conagra Poultry Co., 378 F.3d 790, 797 (8th Cir. 2004); Stogsdill v. Healthmark Partners, 377 F.3d 827, 832 (8th Cir. 2004); Utz v. Johnson, No. 04-CV-0437, 2004 WL 2812050, at \*3 (E.D. Pa. Dec. 8, 2004); Librado v. M.S. Carriers, Inc., No. 02-2095, 2004 WL 1490304, at \*5 n.9 (N.D. Tex. May 17, 2004); Richardson v. Tricom Pictures & Prods., Inc., 334 F. Supp. 2d 1303, 1324 (S.D. Fla. 2004); White v. Ford

Motor Co., No.CV-N-95-0279-DWH, 2003 WL 23353600, at \*10-11, 21 (D. Nev. Dec. 30, 2003); Mann v. Unum Life Insurance Co., No. 02-1346, 2003 WL 22917545, at \* 10 (E.D. Penn. Nov. 25, 2003); Motherway, Glenn & Napleton v. Tehin, No. 02-C-3693, 2003 WL 21501952, at \*6 (N.D. III. June 26. 2003); Eden Electric, Ltd. v. Amana Co., 258 F. Supp. 2d 958 (N.D. Iowa 2003), aff'd 370 F.3d 824 (8th Cir. 2004); Rose Care, Inc. v. Ross, No. CA-04-744, 2005 WL 1283679 (Ark. Ct. App. June 1, 2005); Permanent Gen. Assurance Corp. v. Super. Ct., 19 Cal. Rptr. 3d 597, 601 (Cal. Ct. App. 2004); Diamond Woodworks, Inc. v. Argonaut Ins. Co., 135 Cal. Rptr. 2d 736, 759-60 (Cal. Ct. App. 2003); McAnnally v. Brush Wellman Inc., Nos. 403977, 403979, 414474, 2003 WL 23320572, at \*5 (Ohio C.P. Nov. 6, 2003); Atkinson v. Orkin Exterminating Co., 604 S.E.2d 385, 391 (S.C. 2004); Durham v. Vinson, 602 S.E.2d 760, 767 (S.C. 2004).

- <sup>34</sup> Nos. 03-6275, 03-6304, 2004 WL 2862318, at \*6 (10th Cir. Dec. 14, 2004).
  - 35 368 F.3d 917, 931 (7th Cir. 2004).
- <sup>36</sup> 9 Cal. Rptr. 3d 29, 72 (Cal. Ct. App. 2004), review granted, opinion superceded by Henley v. Philip Morris, 88 P.3d 497 (Cal. 2004).
- <sup>37</sup> 76 P.3d 669, 671, 673 (Or. Ct. App. 2003).
- <sup>38</sup> 92 P.3d 126, 142 (Or. Ct. App. 2004).
- <sup>39</sup> See generally, Henley, 88 P.3d at 497; Williams, 92 P.3d at 126; Bocci, 76 P.3d at 669.
- <sup>40</sup> State Farm Mut. Auto. Ins. Co. v. Campbell, 538 U.S. 408, 419 (2003).
- <sup>41</sup> See, eg., Stogsdill v. Healthmark Partners, 377 F.3d 827, 832 (8th Cir. 2004)(granting remittitur of punitive damages where award was based on extraneous evidence of generalized conduct of defendant that did not directly harm the plaintiff); McAnnally v. Brush Wellman Inc., Nos. 403977, 403979, 414474, 2003 WL 23320572, at \*5 (Ohio C.P. Nov. 6, 2003)(granting defendant partial motion for summary judgment on issue of punitive

damages for lack of evidence of conduct similar to that which harmed the plaintiff).

42 Id. at 423.

43796 N.E.2d 781, 787, 789 (Ind. Ct. App. 2003); accord Utz v. Johnson, No. 04- 2003). CV-0437, 2004 WL 2812050, at \*3 (E.D. Pa. Dec. 8, 2004); Librado v. M.S. Carriers, Inc., App. 2004). No. 02-2095, 2004 WL 1490304, at \* 5 n.9 v. Ross, No. CA 04-744, 2004 WL 1283679 Ind. 2003). (Ark. Ct. App. June 1, 2005); Webb v. CSX Transp., Inc., 615 S.E.2d 440, 450 (S.C. 2005); Atkinson v. Orkin Exterminating Co., Vinson, 602 S.E.2d 760, 767 (S.C. 2004)

Glenn & Napleton v. Tehin, No. 02-C-3693, 2003 WL 21501952, at \*7 (N.D. III. June 26, 2003).

45 257 F. Supp. 2d 737, 745 (S.D.N.Y.

46 Id. at \*3.

47 357 F.3d 344, 347 n.2 (3d Cir.

<sup>48</sup> 19 Cal. Rptr. 3d 597, 601 (Cal. Ct.

49 Sanyo Laser Prods., Inc. v. Arista (N.D. Tex. May 17, 2004); Rose Care, Inc. Records, Inc., 214 F.R.D. 496, 498 (S.D.

50 Id.; FED. R. CIV. P. 26(b)(1).

51 See Campbell, 538 U.S. at 422.

52 See, e.g., Markam v. Nat'l States 604 S.E.2d 385, 391 (S.C. 2004); Durham v. Ins. Co., Nos. 03-6275, 03-6304, 2004 WL 2862318, at \*6 (10th Cir. Dec. 14, 44 6 Cal. Rptr. 3d 793, 802 n.3, 805 n.7 2004)(allowing evidence of nationwide (Cal. Ct. App. 2003); accord Motherway, practices where jury was to consider liability issues in addition to punitive damages).



# ITIGATION SECTION ANNUAL MEETING: **APRIL 2006**

The Mass Torts Committee has proposed to sponser numerous CLE seminars during this years ABA Section of Litigation Annual Meeting Annual Conference in Los Angeles, California. The conference is being held April 19 through April 22, 2006. We will also be sponsoring a committee breakfast meeting there.

The proposed CLE programs that will be of particular interest to mass tort practitioners include:

Towers of Power: Attorney Generals and the Class Action Process CAFA at the High Court: A Supreme Court Debate Regarding The Class Action Fairness Act

The committee will also be co-sponsoring numerous other events and seminars ... don't miss out. For additional information concerning the Litigation Section Annual Meeting visit http://www.abanet.org.