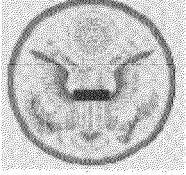


In re the Exxon Valdez



United States
District Court,
District of Alaska, 2004.
296 F.Supp.2d 1071.

HOLLAND, District Judge.

* * * *

* * * On Good Friday, March 24, 1989, the oil tanker *Exxon Valdez* was run aground on Bligh Reef in Prince William Sound, Alaska.

On March 24, 1989, * * * Joseph Hazelwood was in command of the *Exxon Valdez*.

* * *

* * * *

Defendant Exxon Shipping [Company] owned the *Exxon Valdez*. Exxon employed Captain Hazelwood, and kept him employed knowing that he had an alcohol problem. The captain had supposedly been rehabilitated, but Exxon knew better before March 24, 1989. Hazelwood had sought treatment for alcohol abuse in 1985 but had "fallen off the wagon" by the spring of 1986. * * * Yet, Exxon continued to allow Hazelwood to command a supertanker carrying a hazardous cargo. Because Exxon did nothing despite its knowledge that Hazelwood was once again drinking, Captain Hazelwood was the person in charge of a vessel as long as three football fields and carrying 53 million gallons of crude oil. * * *

* * * *

The best available estimate of the crude oil lost from the *Exxon Valdez* into Prince William Sound is about 11 million gallons. * * *

* * * Commercial fisheries throughout this area were totally disrupted, with entire fisheries being closed for the 1989 season. * * * Subsistence fishing by residents of Prince William Sound and Lower Cook Inlet villages was also disrupted. * * * Shore-based businesses dependent upon the fishing industry were also disrupted as were the resources of cities such as Cordova.

* * * Exxon undertook a massive cleanup effort. Approximately \$2.1 billion was ultimately spent in efforts to remove the spilled crude oil from the waters and beaches of Prince William Sound, Lower Cook Inlet, and Kodiak Island. Also * * *, Exxon undertook a voluntary claims program, ultimately paying out \$303 million, principally to fishermen whose livelihood was disrupted * * *.

* * * *

[Lawsuits] (involving thousands of plaintiffs) were ultimately * * * consolidated into this case. * * *

* * * *

* * * The jury awarded a breathtaking \$5 billion in punitive damages against * * * Exxon * * *.

* * * *

Exxon appealed * * * the amount of punitive damages [to the U.S. Court of Appeals for the Ninth Circuit]. * * *

* * * *

* * * [T]he Ninth Circuit Court of Appeals in this case reiterated the * * * guideposts * * * for use in determining whether punitive damages are * * * grossly excessive [including] * * * the reprehensibility of the defendant's conduct * * *. The court of appeals remanded the case [and] * * * unequivocally told this court that "[t]he \$5 billion punitive damages award is too high * * *" and "[i]t must be reduced."

* * * *
* * * [T]he question before us is whether, under the circumstances of this case, an award of \$5 billion in punitive damages is grossly excessive * * * .
* * * *
* * * [T]he reprehensibility of the defendant's conduct is the most important *indiciu* [indication] of the reasonableness of a punitive damages award * * * . In determining whether a defendant's conduct is reprehensible, the court considers whether:

the harm caused was physical as opposed to economic; the tortious conduct evinced an indifference to or a reckless disregard of the health or safety of others; the target of the conduct had financial vulnerability; the conduct involved repeated actions or was an isolated incident; and the harm was the result of intentional malice, trickery, or deceit, or mere accident. * * *

* * * *
The reprehensibility of a party's conduct, like truth and beauty, is subjective. One's view of the quality of an actor's conduct is the result of complex value judgments. The evaluation of a victim will vary considerably from that of a person not affected by an incident. Courts employ disinterested, unaffected lay jurors in the first instance to appraise the reprehensibility of a defendant's conduct. Here, the jury heard about what Exxon knew, and what its officers did and what they failed to do. Knowing what Exxon knew and did through its officers, the jury concluded that Exxon's conduct was highly reprehensible.

* * * *
* * * *Punitive damages should reflect the enormity of the defendant's offense.* * * *
Exxon's conduct did not simply cause economic harm to the plaintiffs. Exxon's decision to leave Captain Hazelwood in command of the *Exxon Valdez* demonstrated reckless disregard for a broad range of legitimate Alaska concerns: the livelihood, health, and safety of the residents of Prince William Sound, the crew of the *Exxon Valdez*, and others. Exxon's conduct targeted some financially vulnerable individuals, namely subsistence fishermen. Plaintiffs' harm was not the result of an isolated incident but was the result of Exxon's repeated decisions, over a period of approximately three years, to allow Captain Hazelwood to remain in command despite Exxon's knowledge that he was drinking and driving again. Exxon's bad conduct as to Captain Hazelwood and his operation of the *Exxon Valdez* was intentionally malicious. [Emphasis added.]

* * * Exxon's conduct was many degrees of magnitude more egregious [flagrant] [than defendant's conduct in other cases]. For approximately three years, Exxon management, with knowledge that Captain Hazelwood had fallen off the wagon, willfully permitted him to operate a fully loaded crude oil tanker in and out of Prince William Sound—a body of water which Exxon knew to be highly valuable for its fisheries resources. Exxon's argument that its conduct in permitting a relapsed alcoholic to operate an oil tanker should be characterized as less reprehensible than [in other cases] suggests that Exxon, even today, has not come to grips with the opprobrium [disgracefulness] which society rightly attaches to drunk driving. * * * Based on the foregoing, the court finds Exxon's conduct highly reprehensible.

* * * *
* * * [T]he court reduces the punitive damages award to \$4.5 billion as the means of resolving the conflict between its conclusion and the directions of the court of appeals.

* * * *
* * * [T]here is no just reason to delay entry of a final judgment in this case. The court's judgment as to the \$4.5 billion punitive damages award is deemed final * * * .

QUESTIONS

1. What might Exxon have done to avoid the tragic consequences in this case?
2. Are there situations in which a business's conduct would be more reprehensible than Exxon's behavior in this case? Explain.