

# ***Exxon Shipping Co. v. Baker*, 2008 WL 2511219 (U.S. 2008)**

## **CASE SUMMARY**

When the Exxon Valdez, piloted by its inebriated captain, Joseph Hazlewood, spilled its contents over Alaska's Prince William Sound on March 24, 1989, over thirty thousand residents and fishermen filed suit. They won a record decision, including \$5 billion in punitive damages, which the Ninth Circuit cut in half. Exxon appealed the Ninth Circuit's decision to The Supreme Court, which heard the following issues:

- (1) Can a company be held responsible under agency theory for the acts of a ship's captain?
- (2) Does the Clean Water Act prohibit punitive damage awards through its water pollution penalties?
- (3) Is the punitive award of 2.5 billion dollars excessive under federal maritime common law, given the details of this case?

Justice Alito, who owns some Exxon stock, recused himself. The Court split evenly on whether punitive damages can be assessed to a company for the actions of its agent, the captain of the Valdez. Therefore, the ruling of the Ninth Circuit was upheld, but with no precedential value.

The Court held that the Clean Water act does not prohibit punitive damage awards. As a simple matter of statutory construction, the Court noted that the Act does not preempt compensatory damages through its own language. It found unconvincing Exxon's argument that the Clean Water Act did not touch compensatory damages, while it completely prohibited punitive damages.

The Court drastically cut the \$2.5 billion punitive damage award. It held that, under federal maritime law, punitive damages cannot exceed compensatory damages. Therefore the punitive damages were limited to \$507 million. The Court reasoned that punitive awards are unpredictable, varying greatly from case to case. Exxon has spent over \$2 billion in cleaning the spill, and it has paid fees in settlements with the Federal government, the state of Alaska, and private parties. In order to grant some predictability to punitive awards, the Court explained that they could be no greater than the compensatory damages awarded.

This holding is limited to maritime law, which, under the Constitution, is the purview of the Federal Courts. The Court has previously held that punitive damages in state law cases can be no more than ten times the compensatory damages, under due process. The *Exxon* holding does not affect that ratio, but it will persuasively argue that state law claims for punitive damages should be similarly cut.