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NEWS RELEASE

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RYAN SUES TOBACCO GIANTS TO RECOVER MEDICAID COSTS, HALT TARGETING OF MINORS AND END DECEPTIVE PRACTICES

CHICAGO -- In a move to protect Illinois taxpayers, children and consumers, Attorney General Jim Ryan filed an 11-count lawsuit today in Cook County Circuit Court against the tobacco industry and entities acting on its behalf.

The suit alleges that the defendants for years deceived Illinois consumers and stifled competition; that they illegally targeted minors and forced state taxpayers to unfairly incur costs related to the health care of its citizens. It seeks hundreds of millions of dollars in restitution, penalties and damages.

"This is a very complex lawsuit with a very simple goal," Ryan said. "We want the defendants to follow the law, to tell the whole truth and to repay those who have been harmed by their conduct. We have no desire to shut down a legal industry, but we want the industry to operate legally."

Ryan filed the 119-page suit with the help of a newly appointed team of law firms that will assist the state at little or no cost to taxpayers.

The lawsuit alleges violations of the state's Consumer Fraud and Deceptive Practices Act, its Anti-Trust Act, and claims the state's common law was violated through theories of breach of assumed duty, performance of another's duty to the public, public nuisance, conspiracy, unjust enrichment/restitution and negligence.

The scare is seeking injunctive relief and a variety of penalties, restitution and damages totaling hundreds of millions of dollars. The state is contending that it incurred more than \$2 billion in extra health care costs attributable to the defendants' conduct. The costs include Medicaid payments and health care insurance for state employees. In addition, the state is asking the tobacco industry to give up any profits it made from tobacco sales to minors in Illinois.

Also, the suit asks the court to order the defendants to pay for a corrective public education campaign related to smoking and health, and to pay for smoking cessation programs in Illinois.

Named as defendants are: Philip Morris, Inc., R.J. Reynolds Tobacco Co., American Tobacco Co., Inc.; Brown & Williamson Tobacco Corp., Liggett and Myers, Inc.; Lorillard Tobacco Co., Inc.; United States Tobacco Co.; B.A.T. Industries, P.L.C; the public relations firm, Hill & Knowlton, Inc.; The Council for Tobacco Research - U.S.A., Inc. and Tobacco Institute, Inc.

Among other things, the suit alleges the defendants:

- Engaged in unfair and deceptive trade practices by undertaking a course of conduct designed to promote illegal sales of cigarettes to minors;

- Secretly destroyed, concealed and shipped overseas incriminating evidence regarding the health risks of cigarette smoking and addictive nature of nicotine and made personal threats against scientists who tried to publish research revealing what the industry knew;
- Publicly undertook a special duty to research and disclose to the public research about the health risk of cigarette smoking but then suppressed and distorted the state of their knowledge about those risks;
- Created and funded front organizations which were represented to the public as research organizations but were secretly controlled by the tobacco industry to prevent the public from learning what the defendants knew about the health risks of smoking and to falsely create a controversy about those risks;
- Conspired in violation of state anti-trust law to eliminate and restrain competition by agreeing not to market safer cigarettes;
- Concealed the addictive nature of tobacco products and deliberately manipulated nicotine levels in those products.

Ryan selected a team of blue chip law firms and attorneys to spearhead the lawsuit under his direction. The team includes Seattle-based Hagens & Berman; San Francisco--based Lieff, Cabraser, Heimann & Bernstein; John W. "Don" Barrett, Lexington, Ms. and Steven C. Mitchell, Phoenix, Az.

Chicago-based Freeborn & Peters will help direct the lawsuit and advise the Attorney General.

Ryan noted the team has vast experience in tobacco and other complex litigation and that it will work for a 10 percent contingency fee - a percentage believed to be lower than any of the other 15 states suing the tobacco industry. All the states have retained outside counsel to help bring the legal action.

"The state's costs will be minimal," Ryan said. "We have structured this so the outside counsel will front the cost of litigation and will be paid only if the state wins. It's a good deal for taxpayers."

Other states that have sued the tobacco industry are: Mississippi, Minnesota, West Virginia, Florida, Massachusetts, Louisiana, Texas, Maryland, Washington, Connecticut, Arizona, Kansas, Michigan, Oklahoma and New Jersey.

"Some have suggested that this lawsuit is anti-business," Ryan said. "That is a myth. This action is pro-children, pro-taxpayers and pro-consumers. Those businesses and industries that operate within the law have nothing to worry about."