

Maritime Update: Supreme Court Dials Back Punitive Damage Award

ATTORNEYS

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On October 18, 2017, the Louisiana Supreme Court, in the case *Warren v. Shelter Mutual Ins. Co.*, reduced a \$23,000,000 punitive damage award in a maritime personal injury and death products liability case. The Court found that the punitive damage award violated the defendant's right to constitutional due process and held that a ratio of 2 to 1 to the relevant compensatory damages was more appropriate. This ruling illustrates that punitive damages are subject to constitutional limitations, even in Louisiana.

A. Background

On May 7, 2005, Daniel Vamvoras was operating a used 1998 Champion pleasure boat owned by his father on a former channel of the Calcasieu River. Derek Hebert was among the passengers. While the boat was traveling at a high rate of speed, the hydraulic steering system manufactured by Teleflex, Inc. ("Teleflex") suddenly failed, causing the boat to turn violently, ejecting Hebert and four other passengers. Because the kill switch was not engaged, the boat spun around and its propeller struck Hebert nineteen times, causing traumatic damage and death.

Hebert's father filed suit against Teleflex and others for the wrongful death of his son under the general maritime law and products liability for failure to provide an adequate warning of the danger in using the product. A Lake Charles jury found Teleflex liable under the plaintiff's "failure to warn" theory and awarded compensatory damages of \$125,000 and punitive damages of \$23,000,000. The Court of Appeals affirmed the jury's verdict. The Supreme Court granted Teleflex's writ application to review the proceedings, including the amount of the punitive damage award.

B. Discussion

Teleflex argued that the jury's punitive damage award was excessive as a matter of federal maritime and constitutional law in violation of its due process rights under the 14th Amendment. The Court concluded that while the evidence weighed in favor of punitive damages, Teleflex's conduct did not place it at the extreme end of the reprehensibility spectrum. The Court also found that although Teleflex's conduct was reprehensible and within the punishable spectrum, the record did not support that Teleflex engaged in malicious behavior and dangerous activity for the purpose of increasing its financial gain.

C. Why Is This Important?

1. Understanding how punitive damage awards will be scrutinized by Louisiana appellate courts should help litigants accurately evaluate potential punitive damage awards/exposure.

RESOURCES

2. Depending on the severity of the defendant's conduct, a "grossly excessive" punitive damage award may be reduced significantly on appeal.
3. A failure to provide adequate warning can result in a products liability claim, even when the vessel is used by a second-hand purchaser and not its original owner.