US Supreme Court hands major victory to Big Tobacco

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The US Supreme Court gave a substantial victory to major tobacco firms Monday, rebuffing an appeal that would have allowed the government to pocket 280 billion dollars of their profits.

The decision not to hear the case dealt a potentially fatal blow to long-running government efforts to penalize tobacco firms for 50 years of allegedly deceptive practices aimed at getting people hooked on smoking, the most preventable cause of premature death in the United States.

Tobacco shares surged on news of the ruling. Altria Group added 3.25 percent at 20.34 dollars and Reynolds American vaulted 4.05 percent to 53.45 dollars.

Former president Bill Clinton's administration launched the original suit in 1999, seeking damages for the allegedly ill-gotten hundreds of billions of dollars in gains and another 10 billion dollars to fund an expanded anti-smoking campaign.

But an appeals court in the US capital, Washington, ruled in 2005 that the seizure of illegal profits by the government, known as "disgorgement," was not allowable.

An immediate appeal of that ruling was not taken up by the Supreme Court, making this the second occasion in which the highest court in the land has refused to consider the government's case.

Philip Morris USA swiftly welcomed the high court's ruling.

"Although we are disappointed that the Supreme Court did not grant our petitions challenging the basis for the lawsuit, we are pleased that the Supreme Court has confirmed once again that disgorgement is not an available remedy," said Murray Garnick, senior vice president of Philip Morris parent Altria.

The Supreme Court on Monday also refused to hear appeals from the tobacco industry seeking to overturn a judge's 2006 findings that it violated racketeering laws by defrauding smokers and potential smokers about the health risks.

American Cancer Society chief executive John Seffrin said the decision was a "clear statement" from the high court that "Big Tobacco is guilty of knowingly and willingly deceiving the American public about the hazards of its products and engaging in egregious practices, including fraud."

Seffrin acknowledged he was "disappointed" the tobacco industry will not be forced to pay the damages sought in full" but expressed confidence that progress could be made.

"It is time for Big Tobacco to finally be held accountable for its deplorable actions," he added.

In the 2006 decision stretching to more than 1,600 pages, US district judge Gladys Kessler ruled that nine tobacco companies had engaged in a scheme to defraud smokers, in part by denying smoking's addictive nature and intentionally marketing cigarettes to youth.

She made various restrictions on cigarette advertising, marketing and sales, and ordered the industry to make remedies, including barring companies from making health claims about cigarettes and requiring them to publicly correct their denials of smoking's health hazards.

But she said her hands were tied over the government's multi-billion-dollar suit, citing the crucial 2005 ruling in the Washington, DC circuit court.

That decision, the culmination of a nine-month trial, essentially shielded tobacco companies from what had been a looming burden that could have permanently shifted the nature of the industry.

A second ruling by the DC circuit court last year upheld most of Kessler's findings and found Big Tobacco liable in the conspiracy, but again denied consideration of the massive US suit and said federal law did not give courts power to order a national anti-smoking program.

The defendants, which the US government says collectively control over 85 percent of the US cigarette market, included Altria, Reynolds American Inc, British American Tobacco and Lorillard, part of Loews Corp

In 2007, after the government filed a fresh lawsuit that led to the 2009 court case, the defendants slammed the government for "urging an unprecedented expansion" of portions of the 1970 Racketeer Influenced and Corrupt Organizations Act (RICO).

They said the move would "convert RICO into a blunt instrument to impose sweeping regulatory requirements upon a lawful industry."

In its November 2007 appellate brief, the government alleged that defendants were engaged since 1953 in a "conspiracy to deceive the American public about the toxicity and addictiveness of cigarettes, and that they did so to retain and extend the mass market for their product."