

Punitive Damages: *Liebeck v. MacDonald's Restaurant* (from Wikipedia)

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Introduction

- A case widely believed to be a typical frivolous suit with wild jury verdict.
- Lends force to scholars advocating tort reform in US.

Facts

- In Feb 27 1992, Stella Liebeck, a 79 old woman ordered a 49-cent coffee from a MacDonald drive-through window.
- After purchase, her grandson parked the car, so she can put the coffee cup between her knees and add sugar.
- She pulled the lid, and the whole cup of coffee spilled over her lap.

Facts

- Liebeck suffered 3rd degree burns over 6% of her skin, and lesser burn over 16%.
- Hospitalized for 8 days, and underwent skin grafting. Lost 83 pounds, needed care for 3 weeks; partially disabled for 2 years.

Pre-Trial Negotiation

- Liebeck sought settlement for \$20,000 to cover expenses.
- MacDonald offered \$800.
- She hired lawyer, who then claimed MacDonald's gross negligence for selling coffee that was unreasonably dangerous and defectively manufactured.

Pre-Trial Negotiation

- MacDonald refused lawyer's offer to settle for \$90,000, and then \$300,000. Also rejected mediator's suggestion of \$225,000 just before trial.

Trial

- Trial took place Aug 8-17 1994, before a New Mexico District Court.

- Liebeck's lawyer claimed:
 - (i) MacDonald requires franchisees to serve coffee at 82 – 88°C. At 88°C the coffee can cause 3rd degree in 2-7 seconds.
 - (ii) Some other establishments serve coffee at substantially lower temperature.
 - (iii) Lowering it to 71°C can substantially increase the time for a burn. (He also demonstrated it in court.)

Trial

- (iv) From 1982-1992, MacDonald actually received more than 700 reports from people who were burned by coffee, and had settled scalding injuries for more than \$500,000.

- MacDonald claimed:
 - (i) Customers buying at window generally drive for a distance with the coffee.
 - (ii) High temperature is necessary to keep coffee warm.
 - (iii) Any food hotter than 54°C constitutes burn hazard, anyway.

12-person Jury's Verdict

- MacDonald was 80% at fault, and Liebeck 20%.
- Awarded \$200,000 in compensatory damages, and \$2.7 million in punitive damages. (Liebeck's lawyer's suggestion to penalize MacDonald for its two days' worth of coffee revenue.)
- Judge reduced punitive damages to \$480,000, compensatory to \$160,000. Total damage: \$640,000.

After Trial

- Both MacDonald and Liebeck appealed.
- They eventually settled out of court for an reported amount of less than \$600,000.

Aftermath

- Considered as an example of frivolous suits:
 - (i) Liebeck burned herself rather than any company's wrongdoing.
 - (ii) Coffee is not defective, as it conforms to industry standard, and coffee continues to be served at the same temperature even today.
 - (iii) The vast majority of judges with similar cases dismiss them.

Aftermath

- Actually many other outlets (Burger King, Starbucks) serve coffee at higher temperature. Even MacDonald's continues to serve coffee at 80 – 90°C today.
- MacDonald, however, places harsher and more conspicuous warnings on cups made of rigid foam to avoid future liability.