

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 995 (Delegate Flanagan. *et al.*)

Judiciary

Payment of Attorneys Fees - Tobacco Litigation

This emergency bill requires the Attorney General to immediately terminate the contract with the Law Offices of Peter G. Angelos to provide legal services to the Attorney General and the State in connection with litigation against the tobacco industry. The Attorney General shall compensate the Law Offices of Peter G. Angelos on the basis of “quantum meruit” for services rendered under the contract. If the Attorney General enters into a contract for subsequent legal services in connection with litigation against the tobacco industry, the contract may only be awarded on the basis of a competitive process.

Fiscal Summary

State Effect: Indeterminate, but potentially significant.

Local Effect: None.

Small Business Effect: Potential meaningful.

Fiscal Analysis

State Effect: The Attorney General’s contract with the Law Offices of Peter G. Angelos in connection with State of Maryland v. Philip Morris, et al. provides for a 25% contingency fee. The maximum potential recovery from the lawsuit is \$3 billion. Therefore, the Law Offices of Peter G. Angelos could potentially earn \$750 million under the contract if maximum recovery is obtained (more could conceivably be earned if dismissed counts seeking \$10 billion in punitive damages can be rejoined to the case). A current estimate of the quantum meruit, or compensation calculated based on hours worked, for the Law Offices of Peter G. Angelos is not readily available, but would be well over \$1 million.

The Office of the Attorney General advises that it does not have the resources to properly prosecute the lawsuit on its own. If the involvement of the Law Offices of Peter G. Angelos

is terminated, and no new firm is retained to assist with the case, the State could either lose the case or forego a substantial recovery. This result could be avoided if either another firm is retained or the contract with the Law Offices of Peter G. Angelos is renegotiated on different terms.

The precise impact of the bill on State finances cannot be reliably estimated at this time.

Small Business Effect: One or more small law firms could benefit if they are retained by the Attorney General to assist in the tobacco litigation after termination of the Law Offices of Peter G. Angelos. In addition, small legal support businesses (e.g., consulting firms providing expert witnesses, copying companies, court reporters) that the Law Offices of Peter G. Angelos has retained to assist in the litigation could lose work as a result of the bill, and other small legal support businesses could gain work. Reportedly, one or more small businesses are currently deriving a substantial portion of corporate revenues from work done for the tobacco litigation.

Information Source(s): Office of the Attorney General, Department of Legislative Services

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