

Companies Crush Out Ties to Cigarettes

By SUEIN L. HWANG
And YUMIKO ONO

Staff Reporters of THE WALL STREET JOURNAL

What do Huggies diapers, Harley-Davidson motorcycles and True Love perfume have in common? The makers of all three do business with the tobacco industry.

And they're on a long list of suppliers and other companies being drawn into the deepening legal quagmire surrounding cigarette safety and liability.

With the largest class-action lawsuit in history hanging over the cigarette industry, in a New Orleans federal court, some businesses are already trying to cut themselves loose. Early last month, **Manville Corp.** sued to terminate its contract to supply R.J. Reynolds Tobacco Co. with glass fibers, widely believed to be a component in a new smokeless cigarette the **RJR Nabisco Holdings Corp.** unit is developing.

Just a few weeks later, **Harley-Davidson Inc.** sued **Loews Corp.**'s Lorillard unit to break an agreement that puts Harley's name on cigarettes.

Manville and **Harley-Davidson** are just the most public in a phalanx of big-name companies tiptoeing away from their controversial customers. In recent months, two major U.S. companies — **Union Camp Corp.**, a forest-products concern with a sideline in flavors, and **International Flavors & Fragrances Inc.**, maker of **True Love**, which is marketed by **Elizabeth Arden Co.** — announced moves to scale back or stop selling flavors that cigarette makers mix with tobacco.

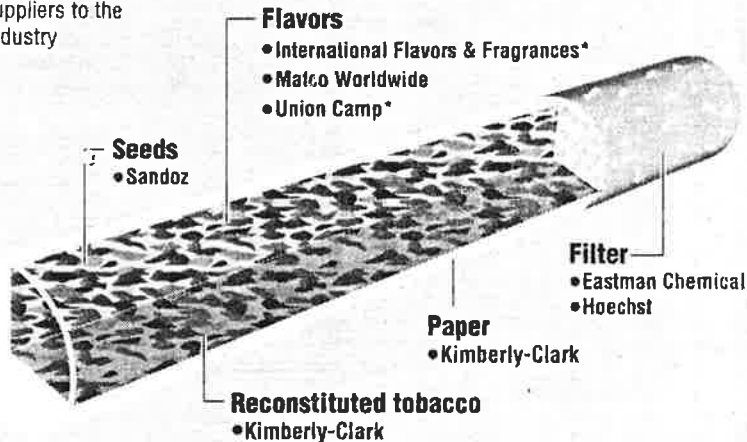
In addition, pharmaceutical giant **Pfizer Inc.** reiterated that in 1992 it stopped selling flavors to tobacco-products companies. All three were facing shareholder resolutions over their ties to tobacco.

Meanwhile, other key companies are becoming embroiled in legal and shareholder disputes. Prominent public-relations firm **Hill & Knowlton Inc.**, a unit of London's **WPP Group PLC**, faces five lawsuits concerning its role representing a tobacco-industry-funded research group in the 1950s and '60s. Ad agencies **McCann-Erickson Worldwide**, a unit of **Interpublic Group of Cos.**, and **Young & Rubicam Inc.** have also been named in a lawsuit that charges they encouraged minors to smoke. The two agencies separately worked on blockbuster campaigns for **RJR's Joe Camel** brand, which plaintiffs say appealed to children.

Hill & Knowlton declines to comment about its liability exposure but adds that it no longer does business with tobacco companies in the U.S. **McCann-Erickson** wouldn't comment on the lawsuit, and a spokesman for **Young & Rubicam** disputes its charges. "We were fully compliant with federal law," he says, "and expect the

Inside a Smoke

Selected suppliers to the cigarette industry



*Recently announced decision to scale back or end business with the cigarette industry

case to be ultimately dismissed."

One of the biggest suppliers currently in the hot seat is **Kimberly-Clark Corp.**, which makes not only Huggies diapers but also cigarette paper and sheets of pressed, reconstituted tobacco for cigarettes. Late last year, it was named as a defendant in a suit brought by West Virginia, which seeks to recover at least \$1 billion in welfare costs the state says it has spent on smoking ailments.

Shareholder activists are also gunning for **Kimberly-Clark**. At its annual meeting this month, it faces a vote on a resolution to spin off all its tobacco-related business. Analysts estimate the company generates as much as \$400 million in annual sales from tobacco firms; its total 1994 sales were \$7.36 billion.

A spokeswoman for **Kimberly-Clark** says that while the company has a process to adjust nicotine levels in tobacco in Europe, it denies ever using this process in the U.S. The company also says it expects to be dismissed from the West Virginia lawsuit. Other defendants are the major U.S. tobacco companies.

The growing pressure on companies such as **Kimberly-Clark** spotlights the large, diverse group of companies that feeds the cigarette industry. The list includes some blue-chip companies not widely known for their links to tobacco.

Drug giant **Sandoz AG** says it is the No. 1 supplier of tobacco seed in the U.S., through its **Northrup King Co.** unit in Minneapolis. **Eastman Chemical Co.** and **Hoechst AG** supply cellulose acetate, a key ingredient in filters. Licorice-extract supplier **Matco Worldwide Corp.**, controlled by financier **Ronald Perelman's MacAndrews & Forbes Holdings Inc.**, sells half its output to cigarette makers.

Alan Blum, founder of antitobacco group **Doctors Ought to Care**, says his group is working on a project that has

identified about 800 companies and others who do business with or receive charitable funding from **Philip Morris Cos.**, the world's biggest cigarette maker.

For many years, such companies operated free from the fierce criticism, liability lawsuits and regulatory attacks that have plagued cigarette makers. That changed when last year's highly publicized regulatory hearings on tobacco revealed long-secret manufacturing details, including a list of 599 ingredients used to flavor and process cigarettes.

The companies hoped the list would blunt attacks that cigarettes contain dangerous substances. But the information only raised new questions about the safety of burning additives and inhaling them.

"If they were using [them] in chewing gum, I wouldn't mind," says **Dietrich Hoffmann**, biochemist and associate director of the **American Health Foundation**, an independent, nonprofit research center in **Valhalla, N.Y.**

Additive makers dismiss such concerns. "There is no evidence to support speculation that licorice may present a health hazard," says a spokesman for **Matco**. The company says it isn't concerned about exposure to liability.

Still, some leading additive suppliers have been pulling away from tobacco, amid pressure from shareholder groups.

International Flavors, one of the world's biggest flavor makers, said late last year that it plans to stop supplying the U.S. cigarette market by the end of this year, though it will remain a player overseas. **Union Camp** said it would stop advertising its additives to the tobacco industry, but plans to stay in the business. "The whole national debate over smoking isn't an issue for a producer of flavor products," a spokesman says.

Even the makers of materials for cigarettes
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nope for was thought to be a fairly narrow bill aimed at providing some relief to manufacturers in defective-product suits.



After all, the nation's trial lawyers had helped bury legal-overhaul efforts in the Senate since the early 1980s, and the Clinton administration had declared much of the House-backed agenda anticonsumer.

While the outlines of a Senate bill are still taking shape, proponents of broad changes are suddenly feeling cautiously optimistic. Theodore Olson, a Washington lawyer for a coalition of corporate and other interests pushing for broad-based changes, says senators are becoming increasingly receptive to this argument: "If it is good government" to change the civil-justice system, "why limit it to one segment of the economy?"

Today, the Senate Commerce Committee begins two days of hearings on legislation that would set federal standards for lawsuits involving defective products. The committee is expected to vote on the bill on Thursday, clearing the way for floor action shortly after Congress returns from the Easter recess April 24.

But the products bill, sponsored by Sen. Jay Rockefeller, (D., W.Va.), and Sen. Slade Gorton, (R., Wash.), is just a starting point for many business groups, which are expected to try to have the bill amended, either in committee or on the Senate floor.

Tomorrow, Senate Judiciary Committee Chairman Orrin Hatch, (R., Utah), is expected to introduce a bill that includes two changes businesses have coveted the most — a cap on punitive damages in all civil cases and protections for parties that get dragged into lawsuits because of their deep pockets. The senator is also proposing a limit on damages for pain and suffering in medical malpractice cases, a legislative priority of the American Medical Association.

Sen. Hatch, who only a few weeks ago spoke cautiously about the prospects for radical changes, says he still considers product-liability as the area where consensus is most likely to be reached. But aides on the Judiciary Committee, which is set to begin hearings on his plan tomorrow, acknowledge that the senator is more optimistic than he was.

Such proposals pose a dilemma for the likes of Sens. Gorton and Rockefeller, who believe their bill represents a good first step, and are concerned that more ambitious efforts could undermine the chances of any bill passing. There is also pressure from manufacturers, which are anxious to end a 15-year losing streak in seeking federal relief.

Yet proponents of more extensive change make the claim that the Rockefeller-Gorton bill, while useful for manufacturers, does little to address myriad legal problems facing other groups, including small businesses, professionals and municipalities. They argue that support can be enhanced by broadening the bill's provisions, without creating new enemies beyond the already well-entrenched trial bar.

Moreover, groups not covered by the

the Association of Trial Lawyers of America, says business lobbyists "mus-cled" sweeping changes through the House, and "it looks like they're lining up to do the same thing in the Senate."

As for the White House, it is standing firm so far. Last week, in a meeting with state attorneys general, President Clinton reiterated his belief that the federal government shouldn't be enacting legislation that would trample on the rights of states to craft their own tort law. At the same time, the president has left the door open to the possibility that he would be receptive to some change.

"He would like to be presented with a responsible reform bill," says White House Counsel Abner Mikva. "Those words are going to be defined in the weeks to come."

Suppliers, Others Push To Crush Out Links To Cigarette Makers

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rette filters have come under scrutiny. In January, researchers at New York's Roswell Park Cancer Institute reported finding bits of cellulose acetate, the material in filters, embedded in lung tissue.

Eastman Chemical and the other main cellulose acetate supplier, the Hoechst unit, both say there are no known health consequences to filters. "The research we have studied indicates that it is extremely unlikely . . . that a fiber can be respired into the lungs," says a spokesman for Eastman, where filter material brought in 12% of its 1994 sales of \$4.3 billion.

Legal experts say the laws and precedents can be murky when it comes to deciding when a supplier joins in a product's liability. For instance, Harvey J. Goldschmid, a Columbia University law professor specializing in corporate law, speculates that a paper maker probably wouldn't have liability in a cigarette suit.

On the other hand, he says Harley-Davidson might arguably have liability in any lawsuit involving Harley-Davidson cigarettes. "If you license a product, you're putting your name out there and getting money for it," he says. "The argument would be that, on some level, you're suggesting to the public this is a good product."

Harley-Davidson is protected by certain clauses in its contract with Lorillard, according to Timothy Hoelter, Harley's vice president and general counsel. However, he adds that "if we were asked to make a decision today to license our name for use on cigarettes, we would say no."

Harte-Hanks Communications

SAN ANTONIO—Harte-Hanks Communications Inc. said it completed the sale of its Boston-area community newspapers to Community Newspaper Co., a unit of Fidelity Capital, which is an investment arm of Fidelity Management & Research Co. of Boston. Terms weren't disclosed. The sale includes three daily newspapers and 11 weeklies.

"Camp O.J." media center to six from 12. Combined, the moves will save Capital Cities/ABC Inc. more than \$20,000 a month, said Katherine O'Hearn, the network's Los Angeles bureau chief.

For CBS Inc., the number of on-site people assigned to the case won't change immediately; the network is juggling other expenses to avoid potential personnel cutbacks on the case. A CBS spokeswoman said the network will give up its five-story scaffold outside the courthouse, which will save \$2,000 monthly. Also, CBS has halted its \$16,000-a-month catering arrangement and vacated two of its five trailers, a move that will save an additional several hundred dollars each month.

CBS and NBC have each been spending \$30,000 a week on trial coverage, a rate that would have yielded a \$1 million bill by the end of the case. ABC has been spending about \$20,000 weekly.

Media analyst Joel Segal says the Simpson coverage early on "was so pervasive on cable that the CBS coverage may have been thought on a risk-reward financial basis to be superfluous."

People familiar with the situation say CBS's decision arises out of a mandate from Chairman Laurence Tisch, who is said to be disappointed with the network's ratings for the Simpson trial.

ABC landed an average 5.7 Nielson rating for General Hospital the week of March 20, far outdistancing CBS, with 4.6 for its Simpson coverage. (NBC, a unit of General Electric Co., did not have scheduled network programming for that slot.)

A CBS spokeswoman said that the scaffolding cuts arose out of "budgetary concerns," but that the "O.J. Minutes" may be re-instituted, based on what's happening in the trial. "It's a big news story and we'll continue to cover it aggressively, as we have from the beginning," she said.

King Center Reaches Agreement in Atlanta With the Park Service

By a WALL STREET JOURNAL Staff Reporter

ATLANTA—Ending a five-month public dispute, the Martin Luther King Jr. Center for Nonviolent Social Change agreed to allow the National Park Service to resume tours of Mr. King's birth home and crypt.

The agreement also calls for the Park Service to renew its annual grant to the King Center of \$534,000. U.S. Rep. John Lewis (D., Ga.) helped broker the settlement, reached Saturday.

The dispute, which was the subject of a page one article in The Wall Street Journal in January, centered on competing plans by the King Center and the Park Service to build museums honoring the slain civil rights leader.

Dexter King, Mr. King's son, and the chief executive of the King Center, said he still plans to build an "interactive" King museum, but that the Park Service is now partner.