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Pandemic Flu and Medical Biodefense Countermeasure Liability Legislation: P.L. 109-148, Division C (2005)

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Summary

Division C of P.L. 109-148 (2005) limits liability with respect to pandemic flu and other public health countermeasures. Specifically, upon a declaration by the Secretary of Health and Human Services of a public health emergency or the credible risk of such emergency, Division C would, with respect to a “covered countermeasure,” eliminate liability, with one exception, for the United States, and for manufacturers, distributors, program planners, persons who prescribe, administer or dispense the countermeasure, and employees of any of the above. The exception is that a defendant who engaged in willful misconduct would be subject to liability under a new federal cause of action, though not under state tort law. Division C’s limitation on liability is a more severe restriction on victims’ ability to recover than exists in most federal tort reform statutes. However, victims could, in lieu of suing, accept payment under a new “Covered Countermeasure Process Fund,” if Congress appropriates money for this fund.

Immunity from Liability

This report analyzes Division C of the Department of Defense Emergency Supplemental Appropriations, P.L. 109-148, which was signed into law on December 30, 2005, and which limits liability with respect to pandemic flu and other public health countermeasures. Division C, which is titled the “Public Readiness and Emergency Preparedness Act,” created § 319F-3 of the Public Health Service Act, which provides that, except in one circumstance (discussed below under “New Federal Cause of Action”), a “covered person” would be immune from suit and liability for “all claims for loss caused by, arising out of, relating to, or resulting from the administration to or the use by an individual of a covered countermeasure if a declaration ... has been issued with respect to such countermeasure.” The declaration referred to is a declaration by the Secretary of Health and Human Services of a public health emergency or the credible risk of such emergency.

Division C defines a “covered person” to include the United States and a (i) manufacturer, (ii) distributor, (iii) program planner, (iv) qualified person who prescribed, administered, or dispensed a covered countermeasure, or (v) official, agent, or employee of (i) through (iv). Under the Federal Tort Claims Act, officials, agents, and employees of the United States are already immune from tort liability. 28 U.S.C. §§ 2679(b)(1), 2671.

Immunity is granted “to any claim for loss that has a causal relationship with the administration to or use by an individual of a covered countermeasure, including a causal relationship with the design, development, clinical testing or investigation, manufacture, labeling, distribution, formulation, packaging, marketing, promotion, sale, purchase, donation, dispensing, prescribing, administration, or use of such countermeasure.”

A “covered countermeasure” includes (A) “a qualified pandemic or epidemic product,” (B) “a security countermeasure,” or (C) a drug, biological product, or device that is authorized for emergency use in accordance with section 564 of the Federal Food, Drug, and Cosmetic Act. Each of the terms in (A), (B), and (C) is itself defined in Division C as follows.

(A) “Qualified pandemic or epidemic product” is defined as a drug, biological product, or device, as these three terms are defined in the Federal Food, Drug, and Cosmetic Act, with the additional limitation that all three terms apply only to “a product manufactured, used, designed, developed, modified, licensed, or procured ... to diagnose, mitigate, prevent, treat, or cure a pandemic or epidemic,” or “a serious or life-threatening disease or condition caused by [such] a product” — but only if such a product meets one of three other qualifications under the Federal Food, Drug, and Cosmetic Act.

(B) “Security countermeasure” is defined in Division C as it is defined in § 319F-2(c)(1)(B) of the Public Health Service Act,¹ as a drug, biological product, or device (as those terms are defined in the Federal Food, Drug, and Cosmetic Act) that the Secretary of Health and Human Services approves as necessary to diagnose, mitigate, prevent, or treat harm from any biological, chemical, radiological, or nuclear agent.²

(C) “Drug,” “biological product,” and “device” are all defined by the Federal Food, Drug, and Cosmetic Act.

New Federal Cause of Action

The single circumstance in which Division C allows a covered person to be held liable is when a “death or serious physical injury” was caused by the “willful misconduct” of a covered person. Division C defines “willful misconduct” as an act or omission that is taken “(i) intentionally to achieve a wrongful purpose; (ii) knowingly without legal or factual justification; *and* (iii) in disregard of a known or obvious risk that is so great as to make it highly probable that the harm will outweigh the benefit.” In addition, the Secretary of HHS, in consultation with the Attorney General, “shall promulgate

¹ Section 319F-2 was enacted by the Project Bioshield Act of 2004, P.L. 108-276, § 3, and is codified at 42 U.S.C. § 247d-6b.

² This is a summary of a more complex definition.

regulations ... that further restrict the scope of actions or omissions by a covered person that may qualify as ‘willful misconduct.’” Furthermore, “the plaintiff shall have the burden of proving by clear and convincing evidence willful misconduct by each covered person sued and that such willful misconduct caused the death or serious physical injury.” The “clear and convincing” standard is higher than the usual burden of proof in civil cases, which is proof by a “preponderance of the evidence.” Finally, if an act or omission by a manufacturer or distributor is subject to regulation by Division C or by the Federal Food, Drug, and Cosmetic Act, then such act or omission shall not constitute willful misconduct if neither the Secretary of HHS nor the Attorney General has initiated an enforcement action with respect to the act or omission, or if such an enforcement action has been initiated and the enforcement action has been terminated or finally resolved without a specified penalty imposed on the covered person.

The proceeding in which an injured party may seek to prove that a covered person had engaged in willful misconduct is a new federal cause of action that Division C created; suits under state tort law are prohibited. Subsection (d) of the new § 319F-3 provides: “For purposes of section 2679(b)(2)(B) of title 28, United States Code, such a cause of action is not an action brought for violation of a statute of the United States under which an action against a person is otherwise authorized.” This apparently means that the new federal cause of action may not be brought against a federal employee.³

Division C provides that suits under the new federal cause of action may be brought only in the U.S. District Court for the District of Columbia, and that such court, with exceptions noted below, shall apply the substantive law, including choice of law principles, of the state in which the alleged willful misconduct occurred. The reference to “choice of law principles” means that the court will apply the law of the state in which the alleged willful misconduct occurred, but, if that state’s law provides that a different state’s law should apply, then the court will apply the other state’s law.⁴

Although federal district court cases are usually heard by a single judge, cases under Division C’s new federal cause of action will be “assigned initially to a panel of three judges. Such panel shall have jurisdiction over such action for purposes of considering motions to dismiss, motions for summary judgment, and matters related thereto. If such panel has denied such motions, or if the time for filing such motions has expired, such panel shall refer the action to the chief judge for assignment for further proceedings, including any trial.” This suggests that the panel’s jurisdiction is limited to pretrial motions, and that a single judge will run the trial, including ruling on motions to dismiss and motions for summary judgment that were made after the trial began.

³ Strictly speaking, § 2679(b)(1)(B) does not authorize actions against federal employees, but provides that § 2679(b)(1)(A), which gives federal employees immunity from suits under state tort law, shall not apply to actions brought under federal statutes. It is such federal statutes, not § 2679(b)(1)(B), that authorize actions against federal employees.

⁴ The reason that Division C created a federal cause of action and has federal courts apply state law, rather than simply requiring state causes of action to be brought in federal court, may be that it might have been unconstitutional to allow state causes of action between plaintiffs and defendants from the same state to be brought in federal court. *See, In re TMI Litigation Cases* Consol. II, 940 F.2d 832, 848-851 (3d Cir. 1991).

Under the new federal cause of action, certain matters are not governed by state law. Damage awards will be reduced by the amount of collateral source benefits, with “collateral source benefits” defined to include amounts the plaintiff is entitled to receive from any governmental program, workers’ compensation law, health or disability insurance, and the like. Collateral sources will have no right of subrogation, which means that they could not recover, out of the damages the plaintiff recovers in a lawsuit brought under the new federal cause of action, benefits that they had paid the plaintiff.

Under the new federal cause of action, noneconomic damages, which are damages for pain and suffering and other non-monetary losses, “may be awarded only in an amount directly proportional to the percentage of responsibility of a defendant for harm to the plaintiff.” This means that, if two defendants are found liable for willful misconduct, then they will not be jointly and severally liable for noneconomic damages, which means that they will not each be liable for the full amount of the plaintiff’s noneconomic damages. If, for example, one of the two defendants was 25% responsible for the harm and the other was 75% responsible for the harm, then the plaintiff may recover no more than 25% of his noneconomic damages from the first, even if the second is insolvent. With respect to economic damages, however, the plaintiff may recover up to 100% from either liable party, if the relevant state law provides for joint and several liability.

Under the new federal cause of action, Rule 11 sanctions against attorneys, law firms, or parties, for filing frivolous claims or defenses or filing papers for improper purposes, are mandatory. Rule 11 currently makes sanctions discretionary on the part of the court.

Covered Countermeasure Process Fund

Division C also created a new section 319F-4 of the Public Health Service Act which, upon issuance by the Secretary of the declaration referred to in the first paragraph of this report, would establish in the Treasury the “Covered Countermeasure Process Fund.” “[T]he Secretary shall, after amounts have by law been provided for the Fund under subsection (a)⁵ provide compensation to an eligible individual for a covered injury [i.e., serious physical injury or death] directly caused by the administration or use of a covered countermeasure pursuant to such declaration.”⁶ Despite the “shall” quoted in the previous sentence, an eligible “individual has an election to accept the compensation or to bring an action under” the new federal cause of action, but may not do both. Compensation under this fund would be in the same amount as is prescribed by sections 264, 265, and 266 of the Public Service Health Act for persons injured as a result of the administration of certain countermeasures against smallpox.⁷ These three sections provide, respectively, medical benefits, compensation for lost employment income, and death benefits, but do not provide damages for pain and suffering.

⁵ The reference to subsection (a) seems unclear because subsection (a) provides for the establishment of the fund, not for its funding.

⁶ Thus, the Covered Countermeasure Process Fund will not provide compensation unless Congress enacts a separate statute that appropriates money for it.

⁷ Sections 264, 265, and 266 were enacted by the Smallpox Protection Act, P.L. 108-20 (2003), and are codified, respectively, at 42 U.S.C. § 239c, 239d, and 239e.

Comparison with Existing Federal Tort Reform Statutes

Congress has enacted other tort reform statutes to limit liability under state law, and these statutes are briefly summarized in the appendix to CRS Report 95-797, *Federal Tort Reform Legislation: Constitutionality and Summaries of Selected Statutes*, by Henry Cohen.⁸ The rest of this report will describe the broad categories into which these statutes may be placed, so that Division C can be compared with them.

Some federal statutes eliminate liability and do not provide for an alternate means of recovery by victims. The General Aviation Revitalization Act, enacted in 1994, for example, bars, without exception, products liability suits against manufacturers of small planes more than 18 years old. The Protection of Lawful Commerce in Arms Act, enacted in October 2005, bars, with exceptions, suits against manufacturers and sellers of firearms or ammunition, and trade associations, for damages resulting from the criminal or unlawful misuse of a firearm or ammunition. The exceptions in the Protection of Lawful Commerce in Arms Act, include, but are not limited to, violations of law.

With some statutes, Congress has eliminated the right to sue for ordinary negligence, but not eliminated it for gross negligence or for intentional or willful misconduct. Examples include the Bill Emerson Good Samaritan Food Donation Act, the Volunteer Protection Act, the Aviation Medical Assistance Act of 1998, the Cardiac Arrest Survival Act of 2000, and the Paul D. Coverdell Teacher Protection Act of 2001. Division C, by eliminating liability for gross negligence and retaining it only for willful misconduct, would go further in preempting state law than the statutes cited in this paragraph do. Division C, however, would also allow injured persons to elect to accept compensation from the Covered Countermeasure Process Fund, if Congress appropriates money for it.

More than fifty federal statutes provide total immunity to particular private parties, but make the U.S. government liable, under the Federal Tort Claims Act, in their stead.⁹ An example of such a statute is section 304 of the Homeland Security Act of 2002, which immunizes from liability manufacturers and administrators of smallpox vaccine.¹⁰ There

⁸ CRS Report 95-797 includes citations to all statutes mentioned in this section of the present report.

⁹ These statutes make private parties immune from suit by declaring them federal employees for liability purposes, as the Federal Tort Claims Act makes federal employees immune from liability for torts they commit in the course of employment. For additional information, see CRS Report 97-579, *Making Private Entities and Individuals Immune From Tort Liability by Declaring Them Federal Employees*, by Henry Cohen.

¹⁰ The Project BioShield Act of 2004, P.L. 108-276, which enacted § 319F-1(d)(2) of the Public Service Health Act, 42 U.S.C. § 247d-6a(d)(2), provides that a person carrying out a personal service contract under the statute, “and an officer, employee, or governing board member of such person shall, subject to a determination by the Secretary, be deemed to be an employee of the Department of Health and Human Services for purposes of [the FTCA].” The section, however, contains exceptions to the immunity from liability that the FTCA otherwise grants to federal employees: “Should payment be made by the United States to any claimant ..., the United States shall have ... the right to recover against [the person deemed a federal employee] for that portion of the damages so awarded or paid, as well as interest and any costs of litigation, resulting from

(continued...)

are situations, however, in which the U.S. government may not be held liable under the FTCA, and, in those situations, victims may be left without a remedy.¹¹ Even when the United States may be held liable under the FTCA, it may never be held liable for punitive damages, even in states that authorize punitive damages awards.

Occasionally Congress immunizes private parties but establishes a federal compensation program. Examples include the Radiation Exposure Compensation Act, which immunizes government contractors who carried out atomic weapons testing programs from 1946 to 1962, as well as the National Childhood Vaccine Injury Compensation Act of 1986 and the September 11th Victims Compensation Fund of 2001. These three programs differ in various ways. Only the radiation law precludes lawsuits. The vaccine law requires that victims first apply for no-fault, limited compensation under the National Vaccine Injury Compensation Program (which is funded by a manufacturers' excise tax on certain vaccines). Claimants, however, may reject what they are offered under the program and sue under state law, though with some limitations on their rights under state law. The September 11th fund did not limit the right to sue unless one chose to file for compensation under the fund, but, with respect to lawsuits, it capped airlines' liability at the limits of their liability insurance coverage.

Finally, some federal tort reform statutes do not eliminate the right to sue and do not establish alternative compensation mechanisms. Rather, they cap noneconomic and punitive damages, limit each defendant's share of the total liability to its share of responsibility for the plaintiff's injuries, or take other steps to limit recovery. Examples include the Y2K Act, which limited liability for Y2K failures, and the SAFETY Act, which limits the liability of sellers of anti-terrorism technologies. The SAFETY Act, like Division C, substitutes a federal cause of action for state causes of action, but continues to apply state law.¹² Capping damages and otherwise limiting liability while retaining the right to sue is also the approach taken by pending medical malpractice legislation, such as H.R. 5, 109th Congress, which the House passed on July 28, 2005.

¹⁰ (...continued)

the failure ... to carry out any obligation or responsibility ... under a contract with the United States or from any grossly negligent or reckless conduct or intentional or willful misconduct....”

¹¹ Federal employees, civilian or military, may not sue under the FTCA, but may receive federal benefits if injured on the job. Plaintiffs who may sue under the FTCA nevertheless may not recover, and be left without a remedy, if one of the FTCA's exceptions applies. These include the discretionary function exception and the exception for claims arising in a foreign country. For additional information, see CRS Report 95-717, *Federal Tort Claims Act: Current Legislative and Judicial Issues*, by Henry Cohen.

¹² For additional information on the SAFETY Act, see CRS Report RL31649, *Homeland Security Act of 2002: Tort Liability Provisions*, by Henry Cohen.