

Bond Case Briefs

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NYT: Jury Finds Pipe Maker Defrauded Governments.

A federal jury in California found on Thursday that the nation's largest maker of plastic pipe defrauded states and municipalities over a decade by knowingly selling them defective pipe for use in their drinking water, firefighting, irrigation and other essential public systems.

The jury's decision entitles the states and municipalities to be compensated for their losses by the manufacturer, JM Eagle, a private company based in Los Angeles that has 20 plants in the United States and Mexico. The amounts are to be determined in the next phase of the proceedings, a second trial under the same judge but with a different jury. The case was brought under a law that calls for triple damages, plus additional penalties for each false claim submitted to a body of government.

Three states and 42 municipalities participated in the seven-week trial, and hundreds more qualify to participate in the second one because they also bought the affected pipe.

"This pipe is buried under the streets of every major city in the country," said Eric R. Havian, a lawyer with Phillips & Cohen who represented the states and municipalities. In some places, pipes that were supposed to last 50 years or more exploded in their first year, causing injuries, floods and other dangers.

"JM sold billions and billions of this pipe over those 10 years," Mr. Havian said. "It is enormously disruptive and terribly expensive to replace these pipes."

JM Eagle said in a statement that it would appeal the verdict "because the jury was not permitted to see all of the evidence."

"We believe we have valid grounds for an appeal, which we will file as immediately as possible," the company's vice president for marketing and waterworks sales, Neal Gordon, said in the statement. "We look forward to having this verdict reviewed and set aside."

JM Eagle's former corporate parent, the Formosa Plastics Group, was a co-defendant, but it has offered to settle its part of the case for \$22.5 million, the parties disclosed on Thursday. The settlement must still be approved by the Federal District Court in Los Angeles.

The case was brought under the False Claims Act, a law that allows private citizens to sue on behalf of government agencies that they believe have been defrauded. Such cases are typically brought on behalf of a federal agency, like the Pentagon or the Medicare program. The case against JM Eagle was unusual because it was joined by dozens of local governments. They were on the front lines because water is generally supplied at the municipal level in the United States.

The federal government purchased only a small amount of pipe from JM Eagle, for use on federal properties such as Army bases. It has said its own investigation into the matter remains open.

BY MARY WILLIAMS WALSH

