California Court Considering Awarding $141.5 Million Over Falsely Marketed Health Drink

Posted on June 29, 2022 by Scott Shaffer

Juice Joint facing catastrophic liability after jury decides against it on the merits

Faced with a series of class-action lawsuits over its Joint Juice drink, Premier Nutrition Corp. has lost the first jury trial and is now fighting back against what could be a devastating financial blow if it loses a post-trial motion scheduled to be heard next month in the Northern District of California. The company was found by a jury to have falsely touted the health benefits of the drink, so the issue is no longer whether the claims were defensible, but how much the marketer will have to pay to the class of purchasers.

In early June, a jury awarded the class of Joint Juice purchasers a total of $1,488,078 in actual damages for overstating the health benefits of a drink containing glucosamine. Class counsel has now filed a post-trial motion under two New York statutes, seeking additional damages in the amount of $141,511,853, nearly 100 times the total amount that class members paid for Joint Juice. Class counsel arrived at that figure by asking the Court to double up statutory damages under New York GBL § § 349 and 350 for a total of $91,436,960, then award $48,586,815 in pre-judgment interest on top of the statutory damages. According to Premier Nutrition, “this staggering amount is entirely unsupported by the facts and the law.”

This issue will be decided by the judge, not the jury. As if the risk of $141.5 million under New York law isn’t enough, Premier is also facing nearly identical lawsuits under the laws of eight other states. Not all of the other states have the same possibility of astronomical damage awards as New York, but the cases have all been certified as class actions and will at the very least be influenced by the plaintiffs’ verdict in the New York case (all are pending before the same Northern California judge and scheduled for trial later this year).

Premier’s most convincing argument against the $141.5 million is that New York’s legislature never intended to allow statutory damages to be collected in class action settings, and that the $500 and $50 per sale provisions were created only for individual, small-claims type suits. Premier’s point is accurate, but federal courts are not bound by, and so far have not followed, the intentions of New York’s legislature. Since this case is being heard in California federal court, the likelihood of this argument’s success is far from certain.

Premier also has a constitutional defense, pressing the point that such massive statutory damages (“staggering” in Premier’s words) would violate the excessive fines clause of the Eighth Amendment. Over a century ago, the Supreme Court’s decision in St. Louis I.M. & S. Ry. Co. v. Williams imposed due process limitations on awards of statutory damages that are “wholly disproportioned to the offense or obviously unreasonable.” Premier asserts that the requested damages “are so disproportionately large that they amount to de facto punitive damages […] awarded as a matter of strict liability, rather than for the egregious conduct typically necessary to support a punitive damages award.”

Premier also argues that New York law precludes double recoveries and statutory damages cannot be awarded under both GBL § 349 and § 350 for the same injury, so if the Court is going to increase the award to the class beyond the $1.488 million already awarded by the jury, it should only award the lesser amount of $50 authorized by GBL § 349, not the $500 under
§ 350 and limit it to one award for each class member, not one award for each drink purchased.

Olshan will continue to follow this series of cases, which may instigate a series of copycat litigations from the plaintiffs' class-action bar.

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