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Posted 9/21/2004 10:30 PM

Fraud trial over tobacco starts

From wire and staff reports

U.S. cigarette makers deceived the public for half a century about the health risks of smoking, Justice Department lawyers said Tuesday on the first day of a racketeering trial in which prosecutors seek to make the tobacco industry forfeit \$280 billion in profits.

"The defendants believed their economic survival depended on the successful execution of their scheme to defraud," Justice Department attorney Frank Marine told U.S. District Judge Gladys Kessler in his opening statement.

Prosecutors say the nation's largest cigarette companies conspired to suppress the truth about the dangers of smoking that led to the addiction of children.

One executive for Loews' Lorillard Tobacco testified in 2002 that cigarettes are no more addictive than sugar, salt or Internet access, said Sharon Eubanks, director of the Justice Department's tobacco litigation team.

The government plans to present former industry scientists who will testify that the companies knew nicotine is addictive and hid it from the public, Eubanks said. An expert witness for the government will testify that people who try cigarettes become addicted at a higher rate than those who try cocaine or alcohol.

Tobacco lawyers, who are scheduled to make their opening statement today, say the \$280 billion the government is seeking would bankrupt the industry. It would be the biggest civil damage award in history.

The tobacco companies say they've reformed their marketing practices in accordance with a 1998 settlement with 46 state attorneys general. Since then, several states have sued some of the companies, accusing them of violating parts of the agreement.



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The companies also argue that federal racketeering law does not authorize the seizure of proceeds from past cigarette sales. A U.S. appeals court will consider that argument in November.

The government filed the case in 1999 and has spent \$135 million pursuing it. The non-jury trial is expected to last up to six months.

In addition to Lorillard, defendants in the case are Altria Group's Philip Morris USA, the No. 1 cigarette firm in the country; R.J. Reynolds Tobacco; Brown & Williamson Tobacco; British American Tobacco; and Vector Group's Liggett Group.

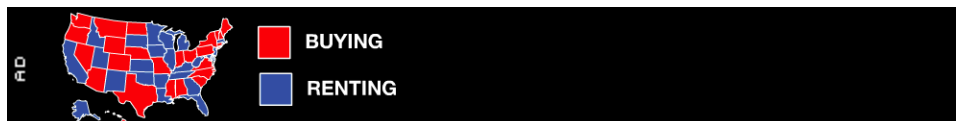
The government also sued two disbanded industry groups: the Council for Tobacco Research and the Tobacco Institute.

In July, R.J. Reynolds acquired Brown & Williamson from British American Tobacco. The new company, Reynolds American, is the No. 2 U.S. cigarette maker.

Altria shares fell 93 cents, or 2%, to \$46.15 in New York Stock Exchange composite trading. Shares of Reynolds American declined \$1.79, or 3%, to \$68.10.

Contributing: Bloomberg News, the Associated Press

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