NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

McDERMOTT, INC. *v.* AmCLYDE ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

No. 92–1479. Argued January 11, 1994—Decided April 20, 1994

When petitioner McDermott, Inc., attempted to use a crane purchased from respondent AmClyde to move an offshore oil and gas production platform, a prong of the crane's hook broke, damaging both the platform and the crane itself. The malfunction may have been caused by McDermott's negligent operation of the crane, by AmClyde's faulty design or construction, by a defect in the hook supplied by respondent River Don Castings, Ltd., or by one or more of the three companies that supplied supporting steel slings. McDermott brought suit in admiralty against respondents and the three ``sling defendants,'' but settled with the latter for $1 million. The case then went to trial, and the jury assessed McDermott's loss at $2.1 million, allocating 32% of the damages to AmClyde, 38% to River Don, and 30% jointly to petitioner and the sling defendants. Among other things, the District Court entered judgment against AmClyde for $672,000 (32% of $2.1 million) and against River Don for $798,000 (38% of $2.1 million). Holding that the contract between McDermott and AmClyde precluded any recovery against the latter and that the trial judge had improperly denied respondents' motion to reduce the judgment against them *pro tanto* by the settlement amount, the Court of Appeals reversed the judgment against AmClyde entirely and reduced the judgment against River Don to $470,000, which it computed by determining McDermott's full award to be $1.47 million ($2.1 million minus 30% attributed to McDermott/sling defendants), and then by deducting the $1 million settlement.

Held: The nonsettling defendants' liability should be calculated with reference to the jury's allocation of proportionate responsibility, not by giving them a credit for the dollar amount

of the settlement. Pp. 4–19.

Syllabus

(a) Supported by a consensus among maritime nations, scholars, and judges, the Court, in *United States* v. *Reliable Transfer Co.,* 421 U. S. 397, 409, adopted a rule requiring that damages in an admiralty suit be assessed on the basis of proportionate fault when such an allocation can reasonably be made. No comparable consensus has developed with respect to the issue in this case. Although it is generally agreed that nonsettling joint tortfeasors are entitled to a credit when the plaintiff settles with one of the other defendants, there is a divergence of views about how that credit should be determined. The American Law Institute (ALI) has identified three principle alternatives for doing so: (1) *pro tanto* setoff with a right of contribution against the settling defendant; (2) *pro tanto* setoff without contribution; and (3) the ``proportionate share approach,'' whereby the settlement diminishes the injured party's claim against nonsettling tortfeasors by the amount of the equitable share of the obligation of the settling tortfeasor. Pp. 4–8.

(b) ALI Option 3, the proportionate share approach, best answers the question presented in this case. Option 1 is clearly inferior to the other two alternatives, because it discourages settlement and leads to unnecessary ancillary litigation. As between Options 2 and 3, the proportionate share approach is more consistent with the proportionate fault approach of *Reliable Transfer, supra,* because a litigating defendant ordinarily pays only its proportionate share of the judgment. Conversely, Option 2, even when supplemented with hearings to determine the good faith of the settlement, is likely to lead to inequitable apportionments of liability, contrary to *Reliable Transfer.* Moreover, although Option 2 sometimes seems to better promote settlement than Option 3, it must ultimately be seen to have no clear advantage in that regard, since, under the proportionate share approach, factors such as the parties' desire to avoid litigation costs, to reduce uncertainty, and to maintain ongoing commercial relationships should ensure nontrial dispositions in the vast majority of cases. Similarly, Option 2 has no clear advantage with respect to judicial economy unless it is adopted without the requirement of a good-faith hearing, a course which no party or *amicus* advocates because of the large potential for unfairness to nonsettling defendants, who might have to pay more than their fair share of the damages. Pp. 8–15.

(c) Respondents' argument that the proportionate share approach violates the ``one satisfaction rule''—which, as applied by some courts, reduces a plaintiff's recovery against a nonsettling defendant in order to ensure that the plaintiff does not secure more than necessary to compensate him for his loss

Syllabus

—is rejected, since the law contains no rigid rule against overcompensation, and, indeed, several doctrines, such as the collateral benefits rule, recognize that making tortfeasors pay for the damage they cause can be more important than preventing overcompensation. The argument that the proportionate share approach is inconsistent with *Edmonds* v. *Compagnie Generale Transatlantique,* 443 U. S. 256 is also rejected, since *Edmonds* was primarily a statutory construction case, did not address the question at issue here or even involve a settlement, and can be read as merely reaffirming the well-established principle of joint and several liability, which was in no way abrogated by *Reliable Transfer* and is not in tension with the proportionate share approach. Pp. 15–19.

979 F. 2d 1068, reversed and remanded.

Stevens, J., delivered the opinion for a unanimous Court.