

NEW YORK

SMOKING-RELATED lawsuits against U.S. tobacco giants are leveling off, making it more likely that a merger between rivals Reynolds American Inc and Lorillard Inc will go through, analysts who follow the industry said.

The two cigarette makers, which are in talks for a multi-billion-dollar deal, face thousands of suits, but the impact has not been as dramatic as was expected a decade ago, and trials have given investors an idea of what the companies will pay. Antismoking campaigns have also made it more difficult for smokers and government enforcers to argue that companies were deceitful.

Supporting the Lorillard-Reynolds deal is "a new mood of optimism within U.S. Big Tobacco on the litigation landscape," UK-based analysts at the investment firm Jefferies Group said in a note on June 30, adding that the situation still looked risky.

Lawsuits complicate what a company is worth, increasing chances an acquiring company will overpay in a deal. Tobacco companies that have an idea what they are apt to pay smokers who have sued may be seen as better investments.

A deal between Reynolds and Lorillard, the No. 2 and No. 3 U.S. players, would reshape one of the world's biggest and most profitable tobacco markets. Lorillard makes Newport, the top U.S. menthol cigarette, and leading e-cigarette blu.

The brighter legal picture dates to 2006, when the Florida Supreme Court set aside an eye-popping \$145 billion verdict against the biggest tobacco companies. The ruling in *Engle v. Liggett Group* left smokers to pursue cases one at a time, alleging that companies concealed the dangers of smoking.

Since 2011, Reynolds has won roughly half the 100 cases that went to trial as part of what has become known as the *Engle* litigation and other smoking-

