Clinton Settles Paula Jones Lawsuit for $850,000

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President Clinton reached an out-of-court settlement with Paula Jones yesterday, agreeing to pay her $850,000 to drop the sexual harassment lawsuit that led to the worst political crisis of his career and only the third presidential impeachment inquiry in American history.

After more than 4 1/2 years of scorched-earth legal warfare, Clinton and Jones brought a sudden end to the case with a four-page deal in which he acknowledged no wrongdoing and offered no apology. The agreement, which will be filed with a federal appeals court considering whether the lawsuit should go forward, requires the president to pay within 60 days.

Robert S. Bennett, Clinton's chief attorney in the case, said the president still insists Jones's allegations of a crude proposition in a Little Rock hotel suite seven years ago "are baseless" but agreed to make the payment in the interest of finally putting the matter behind him.

"The president has decided he is not prepared to spend one more hour on this matter," Bennett said. "It is clear that the American people want their president and Congress to focus on the problems that they were elected to solve. This is a step in that direction."

The settlement foreclosed the possibility that Clinton's personal life would be reopened for public inspection at a sensational trial had the lawsuit dismissed in April been reinstated, as many lawyers involved believed it would be. It also may help the president's allies defend him against independent counsel Kenneth W. Starr's allegations that he lied and obstructed justice during the case, while providing a new opportunity for the White House to cut a separate deal with Congress to drop impeachment proceedings.

Just hours before the settlement was inked yesterday, Starr sent new
evidence to the House Judiciary Committee stemming from a witness in the Jones case, Kathleen E. Willey, who also accused Clinton of an unwelcome sexual advance.

Jones made no public comment, but her husband, Steve, told reporters outside their California condominium that the payment amounts to an apology on its own.

"Let the impeachment hearings begin. We want out of it," he said. "Paying a substantial amount of money makes a statement on its own. This is Paula's reputation that we were fighting for. This has nothing to do with an ax to grind with Bill Clinton."

John W. Whitehead, president of the Rutherford Institute, which financed her lawsuit, called the deal "justice for Paula" and said it would draw attention to "the importance of protecting powerless women from workplace harassment and the role of the rule of law in our highest offices."

The extraordinary case came to an extraordinary finale, with the defendant agreeing to pay $850,000 even though the plaintiff originally only asked for $700,000 when she filed suit -- and even though the case was dismissed without a trial.

The document signed late yesterday afternoon made no mention of how Clinton would pay for the settlement, but sources said it likely would come from both his legal defense fund and a separate deal with one of his insurance companies. Sources said the president's lawyers have reached a tentative agreement with Chubb Group Insurance to buy out the personal liability policy that had covered some of his legal expenses for close to half of the settlement. "When all is said and done, not a penny will come out of his pocket," said one person close to the situation.

The Jones camp, which has struggled with bitter internal divisions in recent weeks, has yet to determine how it will divide the money among the many lawyers who have staked a claim on it. Although lawyers involved believe Jones will get a decent share of the settlement, it remains to be determined how much.

Even as both sides celebrated yesterday, they were cognizant of the enormous toll the lawsuit has taken on everyone involved. For Clinton, even though the case was dismissed by a federal judge, the Jones suit will forever mar his chapter in the history books, cementing an image as a leader whose reckless personal life endangered an otherwise remarkable political career.

The case opened a Pandora's box of allegations about his past sex life and made him the first president ever interrogated under oath as a defendant in a civil lawsuit or before a grand jury as a possible criminal target. Jones v. Clinton also yielded a historic decision by
the Supreme Court, which ruled 9 to 0 last year that even the chief executive can be sued. And it was the resulting search for evidence that led Jones's lawyers to Monica S. Lewinsky and the chain of events that prompted Starr's report to Congress alleging that Clinton committed 11 impeachable offenses.

Jones filed her suit in May 1994, accusing Clinton of luring her to a suite at the Excelsior Hotel during a May 8, 1991, conference when he was governor of Arkansas and she was a state clerk. During that brief encounter, she said he touched her, tried to kiss her and dropped his pants and asked for oral sex. Clinton has denied that steadfastly, maintaining he does not even remember meeting her.

U.S. District Judge Susan Webber Wright dismissed the case last spring, ruling that even if Jones's allegations were true, such "boorish and offensive" behavior would not be severe enough to constitute sexual harassment under the law.

Jones then asked the 8th U.S. Circuit Court of Appeals to overturn the decision and, after Starr's report came out, argued that Clinton's alleged misconduct during the case justified a reversal. Two members of the three-judge panel appeared sympathetic during oral arguments last month and on Tuesday the court asked for the full transcript of Clinton's Jan. 17 deposition in the case, which some lawyers close to the Jones camp interpreted as a sign that they were concerned about possible perjury by the president.

To short-circuit the appeal, the two sides came together yesterday after two months of fitful negotiations that often appeared on the verge of collapse and nearly unraveled because of the unsolicited intrusion of a New York tycoon who offered $1 million of his own money to persuade Jones to drop the case in the national interest.

While previous attempts to settle had repeatedly failed, Jones's lawyers approached Bennett in September with a $1 million proposal that abandoned her long-standing demand for an apology from the president, a condition that had been a deal-killer for Clinton. Bennett countered with a $500,000 offer, then upped it to $700,000, but Jones held out for the full $1 million and insisted on taking the other $1 million from businessman Abe Hirschfeld as well.

Hirschfeld's involvement spooked the White House, if for no other reason than the mercurial real estate mogul has been indicted on state tax evasion charges in New York. Frustrated by their client's unyielding stance and convinced that Hirschfeld was too erratic to deal with, Jones's lawyers informed her they planned to quit, which appeared to shake her into agreeing to break ties with her would-be benefactor.

William N. McMillan III, a California attorney and husband of Jones's friend, Susan Carpenter-McMillan, took over negotiating this
week and assured Bennett that Hirschfeld was out of the picture, according to sources close to the case.

Bennett insisted on a written commitment and McMillan faxed a letter that said, "I further represent to you that the money from Mr. Abraham Hirschfeld is no longer on the table and that there will be no payment from Mr. Hirschfeld as part of the settlement with your client."

Bennett spoke with the president three times Thursday even as he was consulting with advisers about whether to attack Iraq and finally Clinton authorized his legal team to settle, one source said. Yesterday afternoon the agreement was signed by Bennett, McMillan, Jones lawyer Donovan Campbell Jr. and Bill W. Bristow, the lawyer for co-defendant Danny Ferguson, the state trooper who escorted Jones to meet with Clinton.

"Nothing in this agreement shall be construed to be an admission of liability or wrongdoing by any party," the document said.

At the White House, aides were relieved to finally have the matter behind them. "The feeling here was unanimous and universal -- it's over!" said one official who asked not to be named. "Those two words have so much power, because nothing is ever over here. It's over."

With the case settled, the president has a chance to end the distractions of scandal for the final two years of his presidency, this official added. "What this means is that not a single one of those 750 days [left] will be taken up by Paula Jones," he said. Said another White House adviser, "It's just another piece of the puzzle put in so he can move forward on his own agenda for the next two years."

Still, there are tricky details to be resolved. Clinton's lawyers must finalize a plan to pay the settlement. Richard M. Lucas, counsel to the Clinton Legal Expense Trust, said it has not been contacted about financing a deal and would have to confront legal questions before deciding whether it could participate.

The legal document founding the trust authorizes it to pay "legal fees and expenses," but "it's silent on settlements," said Lucas. "It's something the trustees have never had to deal with as a board."

The trustees might also have to deal with Larry Klayman, an attorney and longtime Clinton foe who has repeatedly tried to block insurance coverage of Clinton's expenses in the Jones case and has threatened to challenge use of defense fund money for any settlement.

Jones, too, must figure out money matters. Her Dallas-based lawyers have a contingency agreement for at least a third of any proceeds from the case. The Rutherford Institute is legally entitled to
reimbursement of its $400,000 in expenses. And her former lawyers have placed an $800,000 lien on the case and while they have said they would come down some, they have been tough negotiators so far.

"For all she's been through, she should get some money," said one of those lawyers, Joseph Cammarata. But he offered no estimate, adding, "In Clinton-speak, it depends on your definition of 'some.' "

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