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**From:** Robert McConnell  
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**To:** Brett M. Kavanaugh ( CN=Brett M. Kavanaugh/OU=WHO/O=EOP@EOP [ WHO ] ), David W. Hobbs ( CN=David W. Hobbs/OU=WHO/O=EOP@EOP [ WHO ] )

**Subject:** : In the news ...

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READ:UNKNOWN

TO:David W. Hobbs ( CN=David W. Hobbs/OU=WHO/O=EOP@EOP [ WHO ] )

READ:UNKNOWN

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Pasted below are stories from today's New York Times, Washington Times, Congress Daily, Washington Post, Los Angeles Times, AFX, The Chicago

Tribune and Financial Times on yesterday's vote in the House.

FYI - from today's NY Times...

House Passes Limit on Big Class-Action Suits

By RICHARD A. OPPEL Jr.

WASHINGTON, June 12 - The House today passed a bill that would limit most big class-action lawsuits to federal courts and might make it easier for corporate defendants to delay the progress of suits that judges have already certified.

The vote sets up a potential showdown in the Senate pitting industries that say they have been unfairly hurt by class-action suits, including H.M.O.'s and life insurers, against trial lawyers and consumer groups, who say the measure will allow corporate defendants to shop for the most favorable courts.

With Republican gains in last year's election, supporters of the measure say they have a chance to get it through the Senate, where backers of hotly debated legislation often have to obtain approval from 60 senators before bringing up bills. Last year, a similar bill never made it out of the Senate Judiciary Committee, but the same panel passed a like bill two months ago by a 12-to-7 vote. Corporate lobbyists say they now have 57

senators committed, but opponents still say they can stop the bill.

"They may be counting one or two who aren't there," said Carlton Carl of the Association of Trial Lawyers of America. "But the real action, as we have always expected, will occur in the Senate, where hopefully this anticonsumer legislation will die the death it deserves."

Today's 253-to-170 vote came by a margin twice as large as when the bill passed the House last year, mostly because 32 Democrats signed on.

Supporters said they were encouraged by the margin.

"We have a tremendous amount of momentum," said Jeff Peck, a lobbyist working on behalf of the United States Chamber of Commerce.

Both bills would force most big class-action lawsuits out of state courts and into federal courts. An amendment today to the House bill brings that provision in line with the Senate bill, calling for most suits for more than \$5 million to be heard in federal court, unless two-thirds of the plaintiffs, and in some cases as few as one-third, are from the same state as the main defendants.

The bills also require judges to give approval to settlements that award coupons for goods or services to plaintiffs. Consumer groups say that will do little to end collusive settlements that occur when lawyers get large fees for settlements that give little to their clients. They prefer a mechanism that requires lawyers to be paid proportionally to the value of coupons redeemed.

Opponents attacked provisions making the bill apply retroactively to many pending cases and giving defendants a right of appeal of certification rulings. Those provisions could lead to delays of lawsuits in federal court to recover investor losses from accounting scandals at Enron and other companies.

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House OKs bill to curb shopping of class-action lawsuits

By Charles Hurt  
Published June 13, 2003

Trial lawyers will be limited from shopping class-action lawsuits around state courts in search of favorable judges under a bill passed yesterday by the House.

Tailored after a bill now winding its way through the Senate, the House bill - passed on a 253 to 170 vote - requires more class-action suits be filed in federal courts as opposed to state courts, which have developed a reputation for granting huge verdicts in sometimes-questionable cases.

"The class-action judicial system itself has become a joke," said F. James Sensenbrenner Jr., Wisconsin Republican. "And no one is laughing except the trial lawyers - all the way to the bank."



Congressmen on both sides of the aisle agreed yesterday that some reforms are needed to rein in frivolous lawsuits, but they disagreed mightily over the Republican effort to do so.

On the House floor yesterday, Democrats accused Republicans of doing the bidding of big corporations that are often the target of class-action suits.

Rep. Bill Delahunt, Massachusetts Democrat, said that there are "undoubtedly" abuses in the system. But, he said, the Republican bill "is about protecting the powerful at the expense of the powerless."

"Remember the Firestone case and the tobacco case," Mr. Delahunt said. "It was class-action lawsuits that revealed the ugly truth."

Republicans, in turn, accused Democrats of opposing the legislation at the behest of the powerful and wealthy trial lawyers who make the most money from the lawsuits.

Rep. Robert W. Goodlatte, Virginia Republican, introduced the bill and trotted out several instances in which class-action lawsuits ended in huge fees for lawyers and pittance for members of the class that suffered injury in the first place.

In a lawsuit against Blockbuster Video, he said, lawyers earned \$9.2 million while the plaintiffs got \$1 coupons off their next movie rental. In a lawsuit against Bank of Boston, lawyers earned \$8.5 million in fees, he said, while the victims wound up having to actually pay money at settlement.

Mr. Goodlatte said his favorite example was a case in which Chase Manhattan Bank was sued, resulting in \$4 million in lawyer fees. Each plaintiff was awarded a settlement check for 33 cents, but they had to pay 34 cents in postage in order to claim the check.

Such lawsuits have increased more than 1,000 percent in recent years in state courts, said Rep. Melissa A. Hart, Pennsylvania Republican. And in some courts viewed as generous to plaintiffs, the number of cases have risen nearly 2,000 percent.

After hearing Republican charges against "greedy" trial lawyers, Rep. John Conyers Jr., Michigan Democrat arose and said, "Welcome to 'Bash the Trial Lawyers Day' in the House of Representatives."

He then turned to Mr. Sensenbrenner and said, "I just keep wondering, Chairman Sensenbrenner, what kind of law did you practice?"

Anthony D. Weiner, New York Democrat, opposed the bill and noted the "self-flagellation by all the lawyers in this body." He also said that the contingent of House members who didn't go to law school would later meet in a phone booth.

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Pushing the bill through on a 253-170 vote, majority Republicans argued that trial lawyers increasingly abuse such lawsuits to profit from multimillion-dollar settlements. Victims, on the other hand, often get virtually worthless coupons, GOP lawmakers maintain. Democrats called the bill corporate welfare to help out big

businesses that abuse the public. Federal courts are assumed to be less likely to issue multimillion-dollar verdicts against big corporations.

The White House supports the legislation.

The House, on a voice vote, changed their legislation to make it similar to a version being considered by the Senate.

Under the House and Senate bills, class action lawsuits in which the primary defendant and more than one-third of the plaintiffs were from the same state still would be heard in state court. But if fewer than one-third of the plaintiffs were from the same state as the primary defendant the case would go to federal court.

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#### House Backs Bill to Curb Class Action Suits

By Juliet Eilperin

Washington Post Staff Writer

Friday, June 13, 2003; Page A08

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Under the bill, a class action suit -- in which a large number of similarly situated people are considered plaintiffs -- would move to federal court if it involves plaintiffs from multiple states and the stakes involved exceed \$5 million. Federal courts are considered generally

less sympathetic to class action suits than are state courts.

The House has passed such bills three times before, but they have stalled in the Senate. This time, several Senate Democrats have coalesced around a similar proposal. President Bush also supports the measure, ensuring it will become law if the Senate and House can agree on one version.

Proponents of the bill said Congress needs to restrain a runaway legal system in which trial lawyers chose judges likely to sympathize with their cause.

"In years past, the occasional news account of some outrageous class action verdict or settlement was light humor," said Judiciary Committee Chairman F. James Sensenbrenner Jr. (R-Wis.). "Now the stories are so common there's no punch line, the class action judicial system itself has become a joke, and no one is laughing except the trial lawyers, all the way to the bank."

Critics, however, said the bill would dissuade lawyers from accepting



cases involving personal or financial harm. Even when suits are filed, they said, unreasonable delays could result.

"At a time when we should be holding corporations more accountable, not less, this bill sends the wrong message," said Rep. Hilda L. Solis (D-Calif.).

A class action suit typically starts when a plaintiff finds a lawyer willing to take on an injury case, usually for a contingency fee. The lawyer determines whether other individuals may have been similarly harmed, which would make the case broader -- and potentially more lucrative. If a judge certifies the class action request, then anyone affected by the defendant's alleged actions can be considered plaintiffs, and could receive compensation if the plaintiffs win.

Nearly 100 corporations and trade associations -- including the American Insurance Association and the Business Roundtable -- have lobbied for more than four years to limit class action suits. Trial lawyers opposing the bill also had their lobbyists out in force yesterday -- including Steve Elmendorf, a former aide to Rep. Richard A. Gephardt (Mo.), House Democratic leader for eight years.

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For Third Time, House OKs Reforming Class-Action Suits; The effort to move cases from state to federal courts sparks fierce debate before the vote. Democrats threaten a filibuster in the Senate.

Justin Gest

Times Staff Writer

910 words

13 June 2003

Los Angeles Times

Home Edition

A-24

English

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WASHINGTON

The House on Thursday approved legislation that would shift class-action lawsuits from state to federal courts, moving corporate and commercial interests one step closer to what they consider to be a more neutral legal system but angering consumer advocates and trial lawyers, who argue that their rights are being abrogated. The bill, which passed 253 to 170, would revise what House Judiciary Committee Chairman F. James Sensenbrenner Jr. (R-Wis.) called "aggressive shopping by lawyers for [state] courts with judges who will act as accomplices."

He and other Republicans argued that under the current class-action system, plaintiffs' lawyers can choose to file cases in jurisdictions considered sympathetic and can accumulate excessive fees, while Democrats accused the bill's proponents of favoring big corporations over victimized consumers.

Class-action lawsuits seek compensation for individuals who feel they have been financially or physically harmed by a defendant's action and band together to file suit. The cases are often taken by lawyers on contingency, meaning that the attorneys get a percentage of any monetary award -- so the greater the number of plaintiffs, the larger the award.

The bill would order class-action lawsuits to federal court if the claims totaled at least \$5 million and if the primary defendant and fewer than one-third of the plaintiffs were from different states.

Federal courts are generally considered less inclined to favor plaintiffs in class-action cases. The topic evoked passionate debate inside and outside the House. Public Citizen, a liberal



public-interest organization founded by Ralph Nader, estimated that about 500 lobbyists for businesses and industry associations converged on Capitol Hill, urging support for the bill.

While House approval was not surprising, the road to President Bush's desk could be bumpier. To override an expected Democratic filibuster in the Senate, Republicans would need 60 votes, meaning that -- assuming no GOP defections -- nine Democrats would have to cross the aisle.

Sen. Dianne Feinstein (D-Calif.) has already pledged her support, as have at least four others. One Democrat known to be wavering is moderate Sen. Ben Nelson of Nebraska.

Nelson's spokesman, David DiMartino, said Thursday that his boss "will support the bill if he's convinced that legitimate lawsuits will be protected, and if it maintains the consumer-protection provisions."

This is the third time in five years that class-action reform legislation has passed the House, and House Democrats can only wait to see whether the bill will be stymied in the Senate, as it was in 1999 and 2002.

"I am depending on the Senate to stop this," Rep. Maxine Waters (D-Los Angeles) said emphatically. "They've done this before, and they must do it again.

"Not only do we have strong laws in the state of California, our

judges know the law, and they are able to hear these cases and make good decisions. All [Republicans] are doing is slowing the process down ... frustrating community groups and poor people."

Democrats say that the bill would protect scandal-ridden companies such as Enron and WorldCom by allowing recently decided cases to be reopened for appeal. They also contend that corporations would be able to delay cases by taking advantage of a provision allowing appeals of class-status certification -- the decision by a judge that a class action is justified.

Both sides agree that moving class actions to federal courts would lessen the likelihood that the cases would be "certified" anyway -- and if a case were certified, they say, federal judges would be less inclined to adopt state consumer protections, which generally favor plaintiffs.

"It helps restore a level of fairness to the class-action system ... instead of out-of-state companies being home-towned in a handpicked jurisdiction," said Matt Webb, director of legal reform policy for the U.S. Chamber of Commerce's Institute for Legal Reform.

Sensenbrenner, who practiced law before being elected to the House in 1978, said revisions are necessary "so that the consumers and the plaintiffs benefit, rather than the lawyers." During the debate, bill sponsor Rep. Bob Goodlatte (R-Va.) highlighted several cases in which lawyers' fees were millions of dollars but individuals received only coupons for products.



This ignited a heated exchange, during which Rep. Anthony D. Weiner (D-N.Y.) yelled at Republicans that the reason plaintiffs received coupons was "because there are millions and millions of victims."

Carlton Carl, spokesman for the Assn. of Trial Lawyers of America, agreed. "The only rationale for this legislation is to help corporations which have destroyed the life savings of hundreds of thousands of Americans," he said. "There is no other rationale than corporate welfare at the expense of American families."

After 20 more House members voted for the bill Thursday than did last year, Carl noted: "It was fundamentally a partisan vote. The action always was going to be in the Senate."

Of the California delegation, all Republicans but one -- John T.

Doolittle of Rocklin -- voted in favor of the bill. They were joined by two Democrats, Calvin Dooley of Hanford and Jane Harman of Venice.

All other Democrats voted against, except for Anna G. Eshoo of Atherton and Diane E. Watson of Los Angeles, who did not vote.

House OKs major changes in class-action lawsuits.

300 words

13 June 2003

AFX Asia

English

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WASHINGTON (AFX) - Large jury awards in class-action suits could vanish if a bill approved by the House on Thursday becomes law. The bill is a top priority of business lobbying groups, who hope to rein in what they see as a wave of frivolous and excessive litigation. "The days of class-action abuse are numbered," said Stanton D. Anderson, a top executive for the U.S. Chamber of Commerce. Trial lawyers, among the Democrats' most generous supporters, said the bill would take away consumers' rights to fight back. Class-action suits refer to cases that are filed on behalf of hundreds, thousands or millions of people.

The bill "is not about protecting plaintiffs and insuring prompt recoveries, it's about protecting large corporations," said Rep.

William Delahunt, D-Mass. The bill would force most class-action suits to be filed in federal courts, rather than state courts.

Supporters of the bill say plaintiffs' attorneys often "shop around" for sympathetic state courts more likely to return massive judgments.

An identical bill is moving through the Senate, where supporters are confident they'll be able to get the 60 votes necessary to end debate

and win final passage. Two earlier attempts at reforming the class-action system have been blocked in the Senate. Cases in which at

least \$5 million in damages is sought and in which two-thirds of plaintiffs are from different states would be heard in federal court.

The bill would force some cases already filed to be moved to federal courts. It also attempts to limit settlements in which plaintiffs'

attorneys are paid large sums while victims each receive a few dollars or less in damages. This story was supplied by CBSMarketWatch. For



further information see [www. cbsmarketwatch.com](http://www.cbsmarketwatch.com).

Document afxasi0020030612dz6d003to

House bill aims to limit awards in class actions

From Tribune news services.

424 words

13 June 2003

Chicago Tribune

Chicago Final

2

English

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WASHINGTON

The House of Representatives voted 253-170 Thursday to pass legislation that would make it harder for class-action lawyers to win big judgments against companies in state courts. Under the bill, most class-action lawsuits filed in state courts seeking more than \$5 million in damages would be moved to federal courts.

Republicans say the bill would stem state class-action lawsuits that result in enormous penalties, such as an Illinois judge's recent \$10.1 billion award against Philip Morris USA in a case about light cigarettes.

"These suits are one of the most grossly abused part of the American system of justice," said Rep. Deborah Pryce (R-Ohio). "We have seen a

deluge of frivolous lawsuits designed to coerce quick and often

unwarranted settlements only to enrich a few." Democrats argued the bill would provide companies such as Enron Corp.

and WorldCom Inc. new legal tools to delay lawsuits by shareholders

seeking to recover investment losses due to accounting fraud.

"The purpose is to shield corporate wrongdoers from civil liability

and leave the public unprotected," said Rep. William Delahunt

(D-Mass.). "This is not about protecting plaintiffs and insuring

prompt recoveries, it's about protecting large corporations."

But Republicans cited settlements in which consumers were given token

payments while the class-action lawyers made millions of dollars in

legal fees. In one settlement, depositors of Chase Manhattan Bank

received 33 cents apiece, while their lawyers were paid \$4 million.

"The only catch, to accept your 33 cents, you had to use a 34-cent

stamp to send in the acceptance," said Rep. Robert Goodlatte (R-Va.).

To broaden the bill's appeal to Democrats, the House adopted an

amendment that would allow state courts to keep jurisdiction over

cases where two-thirds of the plaintiffs and the primary defendants

were from the same state. That provision was included in legislation

that passed the Senate Judiciary Committee in April by a 12-7 vote.

A provision allowing automatic appeals of a judge's decision to

certify a case for class-action treatment drew the most heated

objection from Democrats, who also objected to applying the law to any

pending suit that has not been certified as a class-action case.



"When retroactivity provisions are included, invariably it is to protect somebody," said Rep. Steny Hoyer (D-Md.).

The Senate bill would not allow automatic appeals of class-action certifications, nor would it apply retroactively to pending cases.

US class-action lawsuits face reform - CONGRESS.

By DEMETRI SEVASTOPULO.

509 words

13 June 2003Financial Times

11

English

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The US House of Representatives was yesterday poised to approve legislation that would bring about the most far-reaching tort reform in the US in decades. The bill proposes moving class-action lawsuits from state to federal courts, where awards tend to be smaller. It has been widely welcomed by industry groups, which claim that class-action suits harm commerce and benefit lawyers more than their clients.

The passage of the House bill, sponsored by Bob Goodlatte, a Virginia congressman, sets the stage for a battle in the Senate. The House has passed two similar bills in recent years, which have died in the Senate.

Under the House bill, any suit above \$2m (Euros 1.7m, ?1.2m) in which one of the plaintiffs lives in a different state to the defendant

company would be moved to federal court, where judges are considered to be less inclined to award huge damages.

Supporters of moves to curb class-action suits say the bill would prevent "court shopping" by trial lawyers, where an unsuccessful case is altered and brought again in another jurisdiction where the chances of success may be higher.

Opponents of the bill - including many trial lawyers - say that the proposal would hurt consumers because federal courts tend to favour corporate defendants over plaintiffs in class-action cases.

Previous attempts by Congress to pass legislation to limit class-action suits have been thwarted by the Senate, which was controlled by Democrats, many of whom rely on trial lawyers for financial support.

However, industry groups are more confident that the Senate, now under Republican control, will soon vote on a similar bill to tackle the growing number of class-action cases. "It is a very encouraging step that the Senate judiciary committee has already approved a bill," said Joe Manero of the Alliance of American Insurers, which represents 340 insurance companies.

In April, the Senate judiciary committee approved a bill that would also move class-action lawsuits from state to federal jurisdiction.

But the bill, if passed by the full Senate, would only require lawsuits for more than \$5m to be heard in federal court. The Senate

version would also allow a case to be heard in state court if two-thirds of the plaintiffs are citizens of the same state as the defendant.

Senate Republicans say there are close to obtaining the 60 votes necessary to force a vote on the Senate floor. In a move that could smooth the reconciliation process between the House and Senate, the House was yesterday expected to vote on an amendment that would raise the threshold for transferring cases to federal jurisdiction from \$2m to \$5m.

President George W. Bush is expected to approve the legislation if approved by Congress.

One of the criticisms of class-action suits is that lawyers reap most of the massive awards made, while plaintiffs are often left with coupons that can be used to purchase products from the defendant.  
[www.ft.com/us](http://www.ft.com/us)

Bob  
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He and other Republicans argued that under the current class-action system, plaintiffs' lawyers can choose to file cases in jurisdictions considered sympathetic and can accumulate excessive fees, while Democrats accused the bill's proponents of favoring big corporations over victimized consumers.

Class-action lawsuits seek compensation for individuals who feel they have been financially or physically harmed by a defendant's action and band together to file suit. The cases are often taken by lawyers on contingency, meaning that the attorneys get a percentage of any monetary award -- so the greater the number of plaintiffs, the larger the award.

The bill would order class-action lawsuits to federal court if the claims totaled at least \$5 million and if the primary defendant and fewer than one-third of the plaintiffs were from different states.

Federal courts are generally considered less inclined to favor plaintiffs in class-action cases. The topic evoked passionate debate inside and outside the House. Public Citizen, a liberal

public-interest organization founded by Ralph Nader, estimated that about 500 lobbyists for businesses and industry associations converged on Capitol Hill, urging support for the bill.

While House approval was not surprising, the road to President Bush's desk could be bumpier. To override an expected Democratic filibuster in the Senate, Republicans would need 60 votes, meaning that -- assuming no GOP defections -- nine Democrats would have to cross the aisle.

Sen. Dianne Feinstein (D-Calif.) has already pledged her support, as have at least four others. One Democrat known to be wavering is moderate Sen. Ben Nelson of Nebraska.

Nelson's spokesman, David DiMartino, said Thursday that his boss "will support the bill if he's convinced that legitimate lawsuits will be protected, and if it maintains the consumer-protection provisions."

This is the third time in five years that class-action reform legislation has passed the House, and House Democrats can only wait to see whether the bill will be stymied in the Senate, as it was in 1999 and 2002.

"I am depending on the Senate to stop this," Rep. Maxine Waters (D-Los Angeles) said emphatically. "They've done this before, and they must do it again."

"Not only do we have strong laws in the state of California, our



judges know the law, and they are able to hear these cases and make good decisions. All [Republicans] are doing is slowing the process down ... frustrating community groups and poor people."

Democrats say that the bill would protect scandal-ridden companies such as Enron and WorldCom by allowing recently decided cases to be reopened for appeal. They also contend that corporations would be able to delay cases by taking advantage of a provision allowing appeals of class-status certification -- the decision by a judge that a class action is justified.

Both sides agree that moving class actions to federal courts would lessen the likelihood that the cases would be "certified" anyway -- and if a case were certified, they say, federal judges would be less inclined to adopt state consumer protections, which generally favor plaintiffs.

"It helps restore a level of fairness to the class-action system ... instead of out-of-state companies being home-towned in a handpicked jurisdiction," said Matt Webb, director of legal reform policy for the U.S. Chamber of Commerce's Institute for Legal Reform.

Sensenbrenner, who practiced law before being elected to the House in 1978, said revisions are necessary "so that the consumers and the plaintiffs benefit, rather than the lawyers." During the debate, bill sponsor Rep. Bob Goodlatte (R-Va.) highlighted several cases in which lawyers' fees were millions of dollars but individuals received only coupons for products.

This ignited a heated exchange, during which Rep. Anthony D. Weiner (D-N.Y.) yelled at Republicans that the reason plaintiffs received coupons was "because there are millions and millions of victims."

Carlton Carl, spokesman for the Assn. of Trial Lawyers of America, agreed. "The only rationale for this legislation is to help corporations which have destroyed the life savings of hundreds of thousands of Americans," he said. "There is no other rationale than corporate welfare at the expense of American families."

After 20 more House members voted for the bill Thursday than did last year, Carl noted: "It was fundamentally a partisan vote. The action always was going to be in the Senate."

Of the California delegation, all Republicans but one -- John T. Doolittle of Rocklin -- voted in favor of the bill. They were joined by two Democrats, Calvin Dooley of Hanford and Jane Harman of Venice. All other Democrats voted against, except for Anna G. Eshoo of Atherton and Diane E. Watson of Los Angeles, who did not vote.

House OKs major changes in class-action lawsuits.

300 words

13 June 2003

AFX Asia

English

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WASHINGTON (AFX) - Large jury awards in class-action suits could vanish if a bill approved by the House on Thursday becomes law. The bill is a top priority of business lobbying groups, who hope to rein in what they see as a wave of frivolous and excessive litigation. "The days of class-action abuse are numbered," said Stanton D. Anderson, a top executive for the U.S. Chamber of Commerce. Trial lawyers, among the Democrats' most generous supporters, said the bill would take away consumers' rights to fight back. Class-action suits refer to cases that are filed on behalf of hundreds, thousands or millions of people. The bill "is not about protecting plaintiffs and insuring prompt recoveries, it's about protecting large corporations," said Rep. William Delahunt, D-Mass. The bill would force most class-action suits to be filed in federal courts, rather than state courts.

Supporters of the bill say plaintiffs' attorneys often "shop around" for sympathetic state courts more likely to return massive judgments. An identical bill is moving through the Senate, where supporters are confident they'll be able to get the 60 votes necessary to end debate and win final passage. Two earlier attempts at reforming the class-action system have been blocked in the Senate. Cases in which at least \$5 million in damages is sought and in which two-thirds of plaintiffs are from different states would be heard in federal court. The bill would force some cases already filed to be moved to federal



courts. It also attempts to limit settlements in which plaintiffs' attorneys are paid large sums while victims each receive a few dollars or less in damages. This story was supplied by CBSMarketWatch. For further information see [www.cbsmarketwatch.com](http://www.cbsmarketwatch.com).

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House bill aims to limit awards in class actions

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Chicago Tribune

Chicago Final

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English

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WASHINGTON

The House of Representatives voted 253-170 Thursday to pass legislation that would make it harder for class-action lawyers to win big judgments against companies in state courts.

Under the bill, most class-action lawsuits filed in state courts seeking more than \$5 million in damages would be moved to federal courts.

Republicans say the bill would stem state class-action lawsuits that result in enormous penalties, such as an Illinois judge's recent \$10.1

billion award against Philip Morris USA in a case about light cigarettes.

"These suits are one of the most grossly abused part of the American system of justice," said Rep. Deborah Pryce (R-Ohio). "We have seen a deluge of frivolous lawsuits designed to coerce quick and often unwarranted settlements only to enrich a few."

Democrats argued the bill would provide companies such as Enron Corp. and WorldCom Inc. new legal tools to delay lawsuits by shareholders seeking to recover investment losses due to accounting fraud.

"The purpose is to shield corporate wrongdoers from civil liability and leave the public unprotected," said Rep. William Delahunt (D-Mass.). "This is not about protecting plaintiffs and insuring prompt recoveries, it's about protecting large corporations."

But Republicans cited settlements in which consumers were given token payments while the class-action lawyers made millions of dollars in legal fees. In one settlement, depositors of Chase Manhattan Bank received 33 cents apiece, while their lawyers were paid \$4 million.

"The only catch, to accept your 33 cents, you had to use a 34-cent stamp to send in the acceptance," said Rep. Robert Goodlatte (R-Va.).

To broaden the bill's appeal to Democrats, the House adopted an amendment that would allow state courts to keep jurisdiction over cases where two-thirds of the plaintiffs and the primary defendants

were from the same state. That provision was included in legislation that passed the Senate Judiciary Committee in April by a 12-7 vote.

A provision allowing automatic appeals of a judge's decision to certify a case for class-action treatment drew the most heated objection from Democrats, who also objected to applying the law to any pending suit that has not been certified as a class-action case.

"When retroactivity provisions are included, invariably it is to protect somebody," said Rep. Steny Hoyer (D-Md.).

The Senate bill would not allow automatic appeals of class-action certifications, nor would it apply retroactively to pending cases.

US class-action lawsuits face reform - CONGRESS.

By DEMETRI SEVASTOPULO.

509 words

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Financial Times

11

English

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The US House of Representatives was yesterday poised to approve legislation that would bring about the most far-reaching tort reform in the US in decades.

The bill proposes moving class-action lawsuits from state to federal courts, where awards tend to be smaller. It has been widely welcomed

by industry groups, which claim that class-action suits harm commerce and benefit lawyers more than their clients.

The passage of the House bill, sponsored by Bob Goodlatte, a Virginia congressman, sets the stage for a battle in the Senate. The House has passed two similar bills in recent years, which have died in the Senate.

Under the House bill, any suit above \$2m (Euros 1.7m, 1.2m) in which one of the plaintiffs lives in a different state to the defendant company would be moved to federal court, where judges are considered to be less inclined to award huge damages.

Supporters of moves to curb class-action suits say the bill would prevent "court shopping" by trial lawyers, where an unsuccessful case is altered and brought again in another jurisdiction where the chances of success may be higher.

Opponents of the bill - including many trial lawyers - say that the proposal would hurt consumers because federal courts tend to favour corporate defendants over plaintiffs in class-action cases.

Previous attempts by Congress to pass legislation to limit class-action suits have been thwarted by the Senate, which was controlled by Democrats, many of whom rely on trial lawyers for financial support.

However, industry groups are more confident that the Senate, now under



Republican control, will soon vote on a similar bill to tackle the growing number of class-action cases. "It is a very encouraging step that the Senate judiciary committee has already approved a bill," said Joe Manero of the Alliance of American Insurers, which represents 340 insurance companies.

In April, the Senate judiciary committee approved a bill that would also move class-action lawsuits from state to federal jurisdiction. But the bill, if passed by the full Senate, would only require lawsuits for more than \$5m to be heard in federal court. The Senate version would also allow a case to be heard in state court if two-thirds of the plaintiffs are citizens of the same state as the defendant.

Senate Republicans say they are close to obtaining the 60 votes necessary to force a vote on the Senate floor. In a move that could smooth the reconciliation process between the House and Senate, the House was yesterday expected to vote on an amendment that would raise the threshold for transferring cases to federal jurisdiction from \$2m to \$5m.

President George W. Bush is expected to approve the legislation if approved by Congress.

One of the criticisms of class-action suits is that lawyers reap most of the massive awards made, while plaintiffs are often left with coupons that can be used to purchase products from the defendant.

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