



AMERICANS FOR TAX REFORM

# LEGISLATIVE ALERT

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## Halt the Abuse of Frivolous Lawsuits

Today the House will vote on H.R. 1115, the Class Action Fairness Act. The bill introduced by Representative Bob Goodlatte that addresses the significant abuses of the current tort law system and put an end to frivolous lawsuits. **Americans for Tax Reform (ATR) strongly supports the efforts Representative Goodlatte and urges the House of Representatives to enact the meaningful tort reform legislation.**

The Class Action Fairness Act will streamline the ability of the courts to deal with class action lawsuits by making it easier for those involved in the case to transfer suits from the state courts to the federal courts. At present, current law forbids federal courts from hearing interstate class action lawsuits. Federal courts may only hear a class action lawsuit if every plaintiff is a citizen of a different state than every defendant, and if every plaintiff is seeking damages in excess of \$75,000.

Because of this rule, it is nearly impossible for national class actions to be heard in federal court because such suits involve plaintiff class members from every state. To move the largest and most complex interstate class actions to federal court, the Class Action Fairness Act would establish federal jurisdiction in multi-state cases involving citizens from different states, as long as the aggregate amount at issue exceeds \$2 million.

Frivolous lawsuits that have blossomed under the current tort law system have created a new "tort tax" on the United States. According to an article published in the *Wall Street Journal*, "studies by Tillinghast-Towers Perrin and the President's Council of Economic Advisors estimate that **America's tort system costs over \$200 billion annually, or over 2% of gross domestic product** -- more than in any other developed nation." The costs are passed onto the consumer in the form of higher prices, while a handful of trial lawyers have manipulated a system to earn millions of dollars in settlement fees.

The number of state court class actions is growing every day, with state courts continuing to approve settlements that give all of the money to trial lawyers instead of victims. Congressman Goodlatte's legislation makes the legal system more efficient for class action litigation and protects the true victims, instead of just giving them discount coupons.

## **ATR WILL RATE THIS VOTES IN OUR ANNUAL CONGRESSIONAL RATINGS**