

KEY VOTE ALERT!

March 9, 2017

TO THE MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES:

The U.S. Chamber of Commerce and the U.S. Chamber Institute for Legal Reform (ILR) urges you to support H.R. 720, the “Lawsuit Abuse Reduction Act of 2017,” and oppose any weakening or hostile amendments that may be offered. The Chamber will consider including votes related to it in the 2017 *How They Voted* scorecard.

Every year, potentially billions of dollars are wasted on frivolous lawsuits, hurting job growth and slowing the economy. Under America’s current legal system, obtaining dismissal of a lawsuit that has no valid legal or factual basis can easily cost hundreds of thousands of dollars in legal fees and discovery costs—not to mention lost time and productivity. As a result, businesses often settle even baseless claims because fighting them in court would cost more than agreeing to a settlement demand. The expenses accompanying such settlements result in lost jobs and can drive businesses, especially small businesses, into bankruptcy.

Rule 11 of the Federal Rules of Civil Procedure provides a basic foundation for the legal system—claims filed in federal court must be based on both law and fact. However, as Rule 11 currently stands, the filing of a frivolous claim does not necessarily automatically result in sanctions. In the words of one Supreme Court Justice, the rule is completely “toothless,” allowing parties “to file thoughtless, reckless, and harassing pleadings, secure in the knowledge that they have nothing to lose.” This lack of accountability rewards the gamesmanship of unscrupulous attorneys who are able to file baseless claims without fear of recourse.

H.R. 720 aims to realign these incentives by strengthening Rule 11’s enforcement provisions. Specifically, this bill would make sanctions for violations of Rule 11 mandatory rather than discretionary. This bill would also eliminate the 21-day “safe harbor” that allows lawyers to file frivolous claims without threat of sanction because they can withdraw them without penalty within 21 days of a sanctions motion being filed against the offending party. Additionally, this bill would replace language that discourages judges from making victims of lawsuit abuse whole with language that fully authorizes judges to order parties who pursue frivolous claims to pay the other sides’ legal fees and costs.

Without true consequences being imposed on parties who make meritless legal claims, innocent businesses will continue to be threatened with the reality that paying



U.S. CHAMBER OF COMMERCE
Congressional & Public Affairs
1615 H Street, NW
Washington, DC 20062

202-463-5600

off baseless claims is often cheaper than litigation. H.R. 720 would help fix this perverse dynamic by deterring abusive litigation practices and, as a result, encourage economic growth and job creation.

Sincerely,

A handwritten signature in cursive script that reads "Jack Howard".

Jack Howard
Senior Vice President
Congressional and Public Affairs
U.S. Chamber of Commerce

A handwritten signature in cursive script that reads "Lisa A. Rickard".

Lisa A. Rickard
President
U.S. Chamber Institute for Legal Reform