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(Original Signature of Member)

109TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the procedures that apply to consideration of interstate class actions to assure fairer outcomes for class members and defendants, to outlaw certain practices that provide inadequate settlements for class members, to assure that attorneys do not receive a disproportionate amount of settlements at the expense of class members, to assure prompt consideration of interstate class actions, to amend title 28, United States Code, to allow the application of the principles of Federal diversity jurisdiction to interstate class actions, and for other purposes.

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**IN THE HOUSE OF REPRESENTATIVES**

Mr. GOODLATTE introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the procedures that apply to consideration of interstate class actions to assure fairer outcomes for class members and defendants, to outlaw certain practices that provide inadequate settlements for class members, to assure that attorneys do not receive a disproportionate amount of settlements at the expense of class members, to assure prompt consideration of interstate class actions, to amend title 28, United States Code, to allow the application of the principles of Federal diver-



sity jurisdiction to interstate class actions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; REFERENCE; TABLE OF CON-**  
4 **TENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Class Action Fairness Act of 2005”.

7 (b) REFERENCE.—Whenever in this Act reference is  
8 made to an amendment to, or repeal of, a section or other  
9 provision, the reference shall be considered to be made to  
10 a section or other provision of title 28, United States  
11 Code.

12 (c) TABLE OF CONTENTS.—The table of contents for  
13 this Act is as follows:

Sec. 1. Short title; reference; table of contents.

Sec. 2. Findings and purposes.

Sec. 3. Consumer class action bill of rights and improved procedures for inter-  
state class actions.

Sec. 4. Federal district court jurisdiction of interstate class actions.

Sec. 5. Removal of interstate class actions to Federal district court.

Sec. 6. Appeals of class action certification orders.

Sec. 7. Effective date.

14 **SEC. 2. FINDINGS AND PURPOSES.**

15 (a) FINDINGS.—The Congress finds as follows:

16 (1) Class action lawsuits are an important and  
17 valuable part of our legal system when they permit  
18 the fair and efficient resolution of legitimate claims  
19 of numerous parties by allowing the claims to be ag-



1 gregated into a single action against a defendant  
2 that has allegedly caused harm.

3 (2) For many years there have been abuses of  
4 the class action device that have—

5 (A) harmed class members with legitimate  
6 claims and defendants that have acted respon-  
7 sibly;

8 (B) adversely affected interstate commerce;  
9 and

10 (C) undermined public respect for the judi-  
11 cial system in the United States.

12 (3) Class members have been harmed by a  
13 number of actions taken by plaintiffs' lawyers, which  
14 provide little or no benefit to class members as a  
15 whole, including—

16 (A) plaintiffs' lawyers receiving large fees,  
17 while class members are left with coupons or  
18 other awards of little or no value; and

19 (B) unjustified rewards being made to cer-  
20 tain plaintiffs at the expense of other class  
21 members.

22 (4) Through the use of artful pleading, plain-  
23 tiffs are able to avoid litigating class actions in Fed-  
24 eral court, forcing businesses and other organiza-



1 tions to defend interstate class action lawsuits in  
2 county and State courts where—

3 (A) the lawyers, rather than the claimants,  
4 are likely to receive the maximum benefit;

5 (B) less scrutiny may be given to the mer-  
6 its of the case; and

7 (C) defendants are effectively forced into  
8 settlements, in order to avoid the possibility of  
9 huge judgments that could destabilize their  
10 companies.

11 (5) These abuses undermine the Federal judi-  
12 cial system, the free flow of interstate commerce,  
13 and the intent of the framers of the Constitution in  
14 creating diversity jurisdiction, in that county and  
15 State courts are—

16 (A) handling interstate class actions that  
17 affect parties from many States;

18 (B) sometimes acting in ways that dem-  
19 onstrate bias against out-of-State defendants;  
20 and

21 (C) making judgments that impose their  
22 view of the law on other States and bind the  
23 rights of the residents of those States.

24 (6) Abusive interstate class actions have  
25 harmed society as a whole by forcing innocent par-



1 ties to settle cases rather than risk a huge judgment  
2 by a local jury, thereby costing consumers billions of  
3 dollars in increased costs to pay for forced settle-  
4 ments and excessive judgments.

5 (b) PURPOSES.—The purposes of this Act are—

6 (1) to assure fair and prompt recoveries for  
7 class members with legitimate claims;

8 (2) to protect responsible companies and other  
9 institutions against interstate class actions in State  
10 courts;

11 (3) to restore the intent of the framers of the  
12 Constitution by providing for Federal court consider-  
13 ation of interstate class actions; and

14 (4) to benefit society by encouraging innovation  
15 and lowering consumer prices.

16 **SEC. 3. CONSUMER CLASS ACTION BILL OF RIGHTS AND IM-**  
17 **PROVED PROCEDURES FOR INTERSTATE**  
18 **CLASS ACTIONS.**

19 (a) IN GENERAL.—Part V is amended by inserting  
20 after chapter 113 the following:

21 **“CHAPTER 114—CLASS ACTIONS**

- “Sec.
- “1711. Judicial scrutiny of coupon and other noncash settlements.
- “1712. Protection against loss by class members.
- “1713. Protection against discrimination based on geographic location.
- “1714. Prohibition on the payment of bounties.
- “1715. Definitions.



1 **“§ 1711. Judicial scrutiny of coupon and other**  
2 **noncash settlements**

3 “The court may approve a proposed settlement under  
4 which the class members would receive noncash benefits  
5 or would otherwise be required to expend funds in order  
6 to obtain part or all of the proposed benefits only after  
7 a hearing to determine whether, and making a written  
8 finding that, the settlement is fair, reasonable, and ade-  
9 quate for class members.

10 **“§ 1712. Protection against loss by class members**

11 “The court may approve a proposed settlement under  
12 which any class member is obligated to pay sums to class  
13 counsel that would result in a net loss to the class member  
14 only if the court makes a written finding that nonmone-  
15 tary benefits to the class member outweigh the monetary  
16 loss.

17 **“§ 1713. Protection against discrimination based on**  
18 **geographic location**

19 “The court may not approve a proposed settlement  
20 that provides for the payment of greater sums to some  
21 class members than to others solely on the basis that the  
22 class members to whom the greater sums are to be paid  
23 are located in closer geographic proximity to the court.

24 **“§ 1714. Prohibition on the payment of bounties**

25 “(a) IN GENERAL.—The court may not approve a  
26 proposed settlement that provides for the payment of a



1 greater share of the award to a class representative serv-  
2 ing on behalf of a class, on the basis of the formula for  
3 distribution to all other class members, than that awarded  
4 to the other class members.

5 “(b) RULE OF CONSTRUCTION.—The limitation in  
6 subsection (a) shall not be construed to prohibit any pay-  
7 ment approved by the court for reasonable time or costs  
8 that a person was required to expend in fulfilling his or  
9 her obligations as a class representative.

10 **“§ 1715. Definitions**

11 “In this chapter:

12 “(1) CLASS ACTION.—The term ‘class action’  
13 means—

14 “(A) any civil action filed in a district  
15 court of the United States pursuant to rule 23  
16 of the Federal Rules of Civil Procedure; or

17 “(B) any civil action that is removed to a  
18 district court of the United States and that was  
19 originally filed pursuant to a State statute or  
20 rule of judicial procedure authorizing an action  
21 to be brought by one or more representatives on  
22 behalf of a class.

23 “(2) CLASS COUNSEL.—The term ‘class coun-  
24 sel’ means the persons who serve as the attorneys



1 for the class members in a proposed or certified  
2 class action.

3 “(3) CLASS MEMBER.—The term ‘class mem-  
4 ber’ means any of the persons who fall within the  
5 definition of the proposed or certified class in a class  
6 action.

7 “(4) PROPOSED SETTLEMENT.—The term ‘pro-  
8 posed settlement’ means an agreement that resolves  
9 claims in a class action, that is subject to court ap-  
10 proval, and that, if approved, would be binding on  
11 the class members.”.

12 (b) TECHNICAL AND CONFORMING AMENDMENT.—  
13 The table of chapters for part V is amended by inserting  
14 after the item relating to chapter 113 the following:  
“114. Class Actions ..... 1711”.

15 **SEC. 4. FEDERAL DISTRICT COURT JURISDICTION OF**  
16 **INTERSTATE CLASS ACTIONS.**

17 (a) APPLICATION OF FEDERAL DIVERSITY JURISDIC-  
18 TION.—Section 1332 is amended—

19 (1) by redesignating subsection (d) as sub-  
20 section (e); and

21 (2) by inserting after subsection (c) the fol-  
22 lowing:

23 “(d)(1) In this subsection—

24 “(A) the term ‘class’ means all of the class  
25 members in a class action;



1           “(B) the term ‘class action’ means any civil ac-  
2           tion filed pursuant to rule 23 of the Federal Rules  
3           of Civil Procedure or similar State statute or rule of  
4           judicial procedure authorizing an action to be  
5           brought by one or more representative persons on  
6           behalf of a class;

7           “(C) the term ‘class certification order’ means  
8           an order issued by a court approving the treatment  
9           of a civil action as a class action; and

10           “(D) the term ‘class member’ means any of the  
11           persons who fall within the definition of the pro-  
12           posed or certified class in a class action.

13           “(2) The district courts shall have original jurisdic-  
14           tion of any civil action in which the matter in controversy  
15           exceeds the sum or value of \$5,000,000, exclusive of inter-  
16           est and costs, and is a class action in which—

17           “(A) any member of a class of plaintiffs is a  
18           citizen of a State different from any defendant;

19           “(B) any member of a class of plaintiffs is a  
20           foreign state or a citizen or subject of a foreign state  
21           and any defendant is a citizen of a State; or

22           “(C) any member of a class of plaintiffs is a  
23           citizen of a State and any defendant is a foreign  
24           state or a citizen or subject of a foreign state.



1           “(3) A district court may, in the interests of justice,  
2 decline to exercise jurisdiction under paragraph (2) over  
3 a class action in which greater than one-third but less than  
4 two-thirds of the members of all proposed plaintiff classes  
5 in the aggregate and the primary defendants are citizens  
6 of the State in which the action was originally filed based  
7 on consideration of the following factors:

8           “(A) Whether the claims asserted involve mat-  
9 ters of national or interstate interest.

10           “(B) Whether the claims asserted will be gov-  
11 erned by laws other than those of the State in which  
12 the action was originally filed.

13           “(C) In the case of a class action originally  
14 filed in a State court, whether the class action has  
15 been pleaded in a manner that seeks to avoid Fed-  
16 eral jurisdiction.

17           “(D) Whether the number of citizens of the  
18 State in which the action was originally filed in all  
19 proposed plaintiff classes in the aggregate is sub-  
20 stantially larger than the number of citizens from  
21 any other State, and the citizenship of the other  
22 members of the proposed class is dispersed among a  
23 substantial number of States.



1           “(E) Whether 1 or more class actions asserting  
2           the same or similar claims on behalf of the same or  
3           other persons have been or may be filed.

4           “(4) Paragraph (2) shall not apply to any class action  
5           in which—

6           “(A) two-thirds or more of the members of all  
7           proposed plaintiff classes in the aggregate and the  
8           primary defendants are citizens of the State in  
9           which the action was originally filed;

10           “(B) the primary defendants are States, State  
11           officials, or other governmental entities against  
12           whom the district court may be foreclosed from or-  
13           dering relief; or

14           “(C) the number of members of all proposed  
15           plaintiff classes in the aggregate is less than 100.

16           “(5) In any class action, the claims of the individual  
17           class members shall be aggregated to determine whether  
18           the matter in controversy exceeds the sum or value of  
19           \$5,000,000, exclusive of interest and costs.

20           “(6) This subsection shall apply to any class action  
21           before or after the entry of a class certification order by  
22           the court with respect to that action.

23           “(7)(A) A district court shall dismiss any civil action  
24           that is subject to the jurisdiction of the court solely under  
25           this subsection if the court determines that the action may



1 not proceed as a class action based on a failure to satisfy  
2 the requirements of rule 23 of the Federal Rules of Civil  
3 Procedure.

4 “(B) Nothing in subparagraph (A) shall prohibit  
5 plaintiffs from filing an amended class action in Federal  
6 court or filing an action in State court, except that any  
7 such action filed in State court may be removed to the  
8 appropriate district court if it is an action of which the  
9 district courts of the United States have original jurisdic-  
10 tion.

11 “(C) In any action that is dismissed under this para-  
12 graph and is filed by any of the original named plaintiffs  
13 therein in the same State court venue in which the dis-  
14 missed action was originally filed, the limitations periods  
15 on all reasserted claims shall be deemed tolled for the pe-  
16 riod during which the dismissed class action was pending.  
17 The limitations periods on any claims that were asserted  
18 in a class action dismissed under this paragraph that are  
19 subsequently asserted in an individual action shall be  
20 deemed tolled for the period during which the dismissed  
21 action was pending.

22 “(8) Paragraph (2) shall not apply to any class action  
23 brought by shareholders that solely involves a claim that  
24 relates to—



1           “(A) a claim concerning a covered security as  
2 defined under section 16(f)(3) of the Securities Act  
3 of 1933 and section 28(f)(5)(E) of the Securities  
4 Exchange Act of 1934;

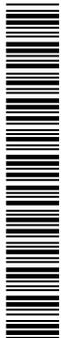
5           “(B) the internal affairs or governance of a cor-  
6 poration or other form of business enterprise and  
7 arises under or by virtue of the laws of the State in  
8 which such corporation or business enterprise is in-  
9 corporated or organized; or

10           “(C) the rights, duties (including fiduciary du-  
11 ties), and obligations relating to or created by or  
12 pursuant to any security (as defined under section  
13 2(a)(1) of the Securities Act of 1933 and the regula-  
14 tions issued thereunder).

15           “(9) For purposes of this subsection and section  
16 1453 of this title, an unincorporated association shall be  
17 deemed to be a citizen of the State where it has its prin-  
18 cipal place of business and the State under whose laws  
19 it is organized.

20           “(10) For purposes of this section and section 1453  
21 of this title, a civil action that is not otherwise a class  
22 action as defined in paragraph (1)(B) of this subsection  
23 shall nevertheless be deemed a class action if—

24           “(A) the named plaintiff purports to act for the  
25 interests of its members (who are not named parties



1 to the action) or for the interests of the general pub-  
2 lic, seeks a remedy of damages, restitution,  
3 disgorgement, or any other form of monetary relief,  
4 and is not a State attorney general; or

5 “(B) monetary relief claims in the action are  
6 proposed to be tried jointly in any respect with the  
7 claims of 100 or more other persons on the ground  
8 that the claims involve common questions of law or  
9 fact.

10 In any such case, the persons who allegedly were injured  
11 shall be treated as members of a proposed plaintiff class  
12 and the monetary relief that is sought shall be treated as  
13 the claims of individual class members. The provisions of  
14 paragraph (7) of this subsection and subsections (b)(2)  
15 and (d) of section 1453 shall not apply to civil actions  
16 described under subparagraph (A). The provisions of para-  
17 graph (7) of this subsection, and subsections (b)(2) and  
18 (d) of section 1453 shall not apply to civil actions de-  
19 scribed under subparagraph (B).”

20 (b) CONFORMING AMENDMENTS.—

21 (1) Section 1335(a)(1) is amended by inserting  
22 “(a) or (d)” after “1332”.

23 (2) Section 1603(b)(3) is amended by striking  
24 “(d)” and inserting “(e)”.



1 **SEC. 5. REMOVAL OF INTERSTATE CLASS ACTIONS TO FED-**  
2 **ERAL DISTRICT COURT.**

3 (a) IN GENERAL.—Chapter 89 is amended by adding  
4 after section 1452 the following:

5 **“§ 1453. Removal of class actions**

6 “(a) DEFINITIONS.—In this section, the terms ‘class’,  
7 ‘class action’, ‘class certification order’, and ‘class mem-  
8 ber’ have the meanings given these terms in section  
9 1332(d)(1).

10 “(b) IN GENERAL.—A class action may be removed  
11 to a district court of the United States in accordance with  
12 this chapter, without regard to whether any defendant is  
13 a citizen of the State in which the action is brought, except  
14 that such action may be removed—

15 “(1) by any defendant without the consent of  
16 all defendants; or

17 “(2) by any plaintiff class member who is not  
18 a named or representative class member without the  
19 consent of all members of such class.

20 “(c) WHEN REMOVABLE.—This section shall apply to  
21 any class action before or after the entry of a class certifi-  
22 cation order in the action, except that a plaintiff class  
23 member who is not a named or representative class mem-  
24 ber of the action may not seek removal of the action before  
25 an order certifying a class of which the plaintiff is a class  
26 member has been entered.



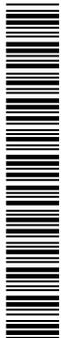
1           “(d) PROCEDURE FOR REMOVAL.—The provisions of  
2 section 1446 relating to a defendant removing a case shall  
3 apply to a plaintiff removing a case under this section,  
4 except that, in the application of subsection (b) of such  
5 section, the requirement relating to the 30-day filing pe-  
6 riod shall be met if a plaintiff class member files notice  
7 of removal within 30 days after receipt by such class mem-  
8 ber, through service or otherwise, of the initial written no-  
9 tice of the class action.

10           “(e) REVIEW OF ORDERS REMANDING CLASS AC-  
11 TIONS TO STATE COURTS.—The provisions of section  
12 1447 shall apply to any removal of a case under this sec-  
13 tion, except that, notwithstanding the provisions of section  
14 1447(d), an order remanding a class action to the State  
15 court from which it was removed shall be reviewable by  
16 appeal or otherwise.

17           “(f) EXCEPTION.—This section shall not apply to any  
18 class action brought by shareholders that solely involves—

19           “(1) a claim concerning a covered security as  
20 defined under section 16(f)(3) of the Securities Act  
21 of 1933 and section 28(f)(5)(E) of the Securities  
22 Exchange Act of 1934;

23           “(2) a claim that relates to the internal affairs  
24 or governance of a corporation or other form of busi-  
25 ness enterprise and arises under or by virtue of the



1 laws of the State in which such corporation or busi-  
2 ness enterprise is incorporated or organized; or

3 “(3) a claim that relates to the rights, duties  
4 (including fiduciary duties), and obligations relating  
5 to or created by or pursuant to any security (as de-  
6 fined under section 2(a)(1) of the Securities Act of  
7 1933 and the regulations issued thereunder).”.

8 (b) REMOVAL LIMITATION.—Section 1446(b) is  
9 amended in the second sentence by inserting “(a)” after  
10 “section 1332”.

11 (c) TECHNICAL AND CONFORMING AMENDMENTS.—  
12 The table of sections for chapter 89 is amended by adding  
13 after the item relating to section 1452 the following:

“1453. Removal of class actions.”.

14 **SEC. 6. APPEALS OF CLASS ACTION CERTIFICATION OR-**  
15 **DERS.**

16 (a) IN GENERAL.—Section 1292(a) is amended by in-  
17 serting after paragraph (3) the following:

18 “(4) Orders of the district courts of the United  
19 States granting or denying class certification under  
20 rule 23 of the Federal Rules of Civil Procedure, if  
21 notice of appeal is filed within 10 days after entry  
22 of the order.”.

23 (b) DISCOVERY STAY.—All discovery and other pro-  
24 ceedings shall be stayed during the pendency of any appeal  
25 taken pursuant to the amendment made by subsection (a),



1 unless the court finds upon the motion of any party that  
2 specific discovery is necessary to preserve evidence or to  
3 prevent undue prejudice to that party.

4 **SEC. 7. EFFECTIVE DATE.**

5 (a) IN GENERAL.—The amendments made by this  
6 Act shall apply to—

7 (1) any civil action commenced on or after the  
8 date of the enactment of this Act; and

9 (2) any civil action commenced before such date  
10 of enactment in which a class certification order (as  
11 defined in section 1332(d)(1)(C) of title 28, United  
12 States Code, as amended by section 4 of this Act)  
13 is entered on or after such date of enactment.

14 (b) FILING OF NOTICE OF REMOVAL.—In the case  
15 of any civil action to which subsection (a)(2) applies, the  
16 requirement relating to the 30-day period for the filing  
17 of a notice of removal under section 1446(b) and section  
18 1453(d) of title 28, United States Code, shall be met if  
19 the notice of removal is filed within 30 days after the date  
20 on which the class certification order referred to in sub-  
21 section (a)(2) is entered.

