

**Prepared Statement by Senator Chuck Grassley of Iowa
Chairman, Senate Judiciary Committee
At a Hearing on “The Impact of Lawsuit Abuse on American Small Businesses and Job Creators”
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The American civil justice system is part of what makes our country great. It’s designed to be a force for good—correcting harm, ensuring justice against wrongdoers, and deterring future would-be bad actors.

I’ve long recognized the importance of this system. And I continue to work with members of this Committee in ensuring, for example, that American victims of terrorism are able to bring civil actions in U.S. courts against those responsible.

Given its importance for these and other purposes, I’m all the more frustrated when our legal system—and the rules that govern it—is abused, bogged down with meritless claims, or twisted to benefit some at the expense of others.

I’m frustrated when this system is used not to correct a harm, but to inflict one. This Committee should be looking into ways to improve the civil justice system and push back against misuse and abuse. And so, today’s hearing serves as a necessary and overdue check-up of that system. We’re here to examine, in particular, the impact that lawsuit abuse has on American small businesses and other job creators who drive the American economy.

The sheer cost of modern litigation—on time, emotions, and financial resources of the parties involved—has become a leveraging opportunity for those who wish to make a quick buck. This is particularly true in the small business sphere.

I hear more and more about small businesses across the country, and in my home state of Iowa, getting hit with frivolous demand letters and lawsuits.

Given the costs of litigation, the mere threat of a lawsuit—even one unsupported by the facts—can force a small business owner to open his or her pocket book to quickly settle a claim. Often, this does little to solve any alleged injuries. But conveniently, it puts money in the lawyers’ pockets.

These settlement shakedowns come in many forms. Last year, a *60 Minutes* episode highlighted the rise of so-called “drive by” litigation under the Americans with Disabilities Act (ADA). In some cases, lawyers would simply drive down the street—or even use pictures on Google Maps—to look for any possible technical violation of the ADA by local businesses. This is quickly followed up by a demand letter to the business or a lawsuit. Instead of seeking a correction to the alleged violation, the demand letter offers the business owner an out through a quick settlement. According to a letter I received from Taco John’s restaurants of Iowa: “The main incentive in these actions is forcing a monetary settlement consisting principally of attorney’s fees from community businesses like mine.”

Our overly litigious society has led to some absurd results. Earlier this year, a woman sued a restaurant in Florida for negligence after she climbed on top of—and subsequently fell off—a decorative statue of a donkey inside the restaurant. Months later, the lawsuit was dropped—but only after the restaurant had spent time and resources on legal counsel.

These cases have very real costs. Money that could be spent hiring new employees is instead funneled into legal expenses. Small businesses across the country face similar threats of abusive litigation every day, costing us jobs and economic growth.

I've heard from others, like the Accredited Snow Contractors Association—which represents the snow removal industry—that frivolous claims are causing dramatic spikes in insurance premiums, driving an entire industry out of business. These are hard-working Americans, creating jobs and taking care of their local communities. But they're being buried in abusive litigation.

We need better deterrence. We need predictable sanctions against those who misuse the justice system.

And business owners should have the confidence to challenge a bogus claim, knowing that they'll be compensated for their time and resources spent fighting back. But current litigation rules don't provide much help.

Right now, federal rules say that even if a lawsuit is found to be frivolous, a judge can simply decide against sanctioning the offending party. I've introduced a bill, the *Lawsuit Abuse Reduction Act*, to put teeth back into these rules to better deter harmful, abusive, and frivolous litigation.

We'll also hear today about other tactics that unnecessarily drag individuals and small businesses into litigation, purely for the strategic benefit of the plaintiffs' lawyers, who'd prefer to keep their case in a friendly local court.

And of course, another area ripe for examination is class action litigation. Over 10 years ago, Congress passed the *Class Action Fairness Act*, a bill I introduced.

The *Class Action Fairness Act* brought about much-needed reforms aimed at improving a system chock-full of abuses that harmed American job creators, allowed lawyers to game the system for their own self-interest, and often resulted in little, if any, real recovery for class members. I was pleased to have the support of Senator Feinstein and others on both sides of the aisle in that effort. Today, we'll hear about other abuses and concerns that have since developed, and which are once again twisting the system in a way that puts the lawyers' interests first.

So, these and many others are important issues that need sorted through. I'm pleased that we have the opportunity today to hear about where our civil justice system is falling short. We have

an excellent panel of experts who will shed light on these concerns. I hope today marks the start of a productive dialogue in this Committee.

Thank you all for being here today.

Now I'll turn to the ranking member.