

Testimony of
The Honorable Herb Kohl

July 31, 2002

Mr. Chairman, thank you for calling today's hearing on class action abuses, an issue of increasing concern to many of us.

We have a simple story to tell. Consumers are getting the short end of the stick in class action cases, recovering coupons or pocket change, while their lawyers reap millions.

Our remedy is straightforward. Class action notices should be written in plain English so consumers understand their rights and responsibilities. Second, state attorneys general should be notified of proposed class action settlements to stop abusive cases if they want. Third, a class action consumer bill of rights will help limit coupon or other unfair settlements.

Finally, we allow many class action lawsuits to be removed to federal court. This is only common sense. These are national cases affecting consumers in 50 states. If the court rules were being drafted today, these are exactly the types of cases which we would want and expect to be tried in federal court.

Stories of nightmare class action settlements that affect consumers around the country are all too frequent. For example, a suit against Blockbuster video yielded dollar off coupons for future video rentals for the plaintiffs while their attorneys collected \$9.25 million. In California state court, a class of 40 million consumers received \$13 rebates on their next purchase of a computer or monitor - in other words they had to purchase hundreds of dollars more of the defendants' product to redeem the coupons. In essence, the plaintiffs received nothing, while their attorneys took almost \$6 million in legal fees. We could list many, many more examples.

No one can argue with a straight face that the class action process is not in serious need of reform.

We do not claim that this bill is perfect. We are happy to entertain other proposals in an effort to address the class action problem. But, we do feel that we are on the right track. The consumer protections in our bill go a long way to stopping cases like the one involving Martha Preston of Baraboo, Wisconsin who was a member of the Bank of Boston case. When her class action suit was over, Mrs. Preston had technically won the case, but ended up owing \$75 to her lawyers and defending a lawsuit that her own lawyers filed against in her state court. Under our bill that will never happen again.

Thank you, Mr. Chairman.