

105TH CONGRESS
1ST SESSION

H. R. 1689

To amend the Securities Act of 1933 and the Securities Exchange Act of 1934 to limit the conduct of securities class actions under State law, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 21, 1997

Mr. WHITE (for himself, Ms. ESHOO, Mr. BARTON of Texas, Mr. BROWN of Ohio, Mr. BILBRAY, Mr. DOOLEY of California, Mr. CAMPBELL, Mr. FAZIO of California, Mr. COBURN, Mr. FARR of California, Mr. COX of California, Mr. FRANK of Massachusetts, Ms. DUNN, Ms. HARMAN, Mr. KLUG, Mr. KENNEDY of Massachusetts, Mr. NETHERCUTT, Ms. LOFGREN, Mr. PAXON, Mr. ROEMER, Ms. PRYCE of Ohio, Mrs. TAUSCHER, Mr. TAUZIN, Mr. TOWNS, and Mr. DEUTSCH) introduced the following bill; which was referred to the Committee on Commerce

A BILL

To amend the Securities Act of 1933 and the Securities Exchange Act of 1934 to limit the conduct of securities class actions under State law, 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.**

4 This Act may be cited as the “Securities Litigation
5 Uniform Standards Act of 1997”.

1 **SEC. 2. LIMITATION ON REMEDIES.**

2 (a) AMENDMENTS TO THE SECURITIES ACT OF
3 1933.—

4 (1) AMENDMENT.—Section 16 of the Securities
5 Act of 1933 (15 U.S.C. 77p) is amended to read as
6 follows:

7 **“SEC. 16. ADDITIONAL REMEDIES; LIMITATION ON REM-
8 EDIES.**

9 “(a) REMEDIES ADDITIONAL.—Except as provided in
10 subsection (b), the rights and remedies provided by this
11 title shall be in addition to any and all other rights and
12 remedies that may exist at law or in equity.

13 “(b) CLASS ACTION LIMITATIONS.—No class action
14 based upon the statutory or common law of any State or
15 subdivision thereof may be maintained in any State or
16 Federal court by any private party alleging—

17 “(1) an untrue statement or omission of a ma-
18 terial fact in connection with the purchase or sale of
19 a covered security; or

20 “(2) that the defendant used or employed any
21 manipulative or deceptive device or contrivance in
22 connection with the purchase or sale of a covered se-
23 curity.

24 “(c) REMOVAL OF CLASS ACTIONS.—Any class action
25 brought in any State court involving a covered security
26 as set forth in subsection (b) shall be removable to the

1 Federal district court for the district in which the action
2 is pending and shall be subject to subsection (b).

3 “(d) DEFINITIONS.—For purposes of this section:

4 “(1) CLASS ACTION.—A ‘class action’ is any
5 single lawsuit, or any group of lawsuits filed in or
6 pending in the same court involving common ques-
7 tions of law or fact, in which—

8 “(A) damages are sought on behalf of
9 more than 25 persons;

10 “(B) one or more named parties seek to
11 recover damages on a representative basis on
12 behalf of themselves and other unnamed parties
13 similarly situated; or

14 “(C) one or more of the parties seeking to
15 recover damages did not personally authorize
16 the filing of the lawsuit.

17 “(2) COVERED SECURITY.—A security is a ‘cov-
18 ered security’ if the issuer of the security had out-
19 standing any security that satisfied the standard for
20 a covered security specified in section 18(b)(1) of
21 this title at any time during which it is alleged that
22 the misrepresentation, omission, or manipulative or
23 deceptive conduct occurred.”.

1 (2) CONFORMING AMENDMENTS.—Section
2 22(a) of the Securities Act of 1933 (15 U.S.C.
3 77v(a)) is amended—

4 (A) by striking “and, concurrent with
5 State and Territorial courts,” and inserting
6 “and, concurrent with State and Territorial
7 courts except as provided in section 16 with re-
8 spect to class actions,”; and

9 (B) by striking “No case arising under this
10 title and brought in any State court of com-
11 petent jurisdiction shall be removed” and in-
12 serting “Except as provided in section 16(e), no
13 case arising under this title and brought in any
14 State court of competent jurisdiction shall be
15 removed”.

16 (b) AMENDMENTS TO THE SECURITIES EXCHANGE
17 ACT OF 1934.—Section 28 of the Securities Exchange Act
18 of 1934 (15 U.S.C. 78bb) is amended—

19 (1) in subsection (a), by striking “The rights
20 and remedies” and inserting “Except as provided in
21 subsection (f), the rights and remedies”; and

22 (2) by adding at the end the following new sub-
23 section:

24 “(f) LIMITATIONS ON REMEDIES.—

1 “(1) CLASS ACTION LIMITATIONS.—No class ac-
2 tion based upon the statutory or common law of any
3 State or subdivision thereof may be maintained in
4 any State or Federal court by any private party al-
5 leging—

6 “(A) a misrepresentation or omission of a
7 material fact in connection with the purchase or
8 sale of a covered security; or

9 “(B) that the defendant used or employed
10 any manipulative or deceptive device or contriv-
11 ance in connection with the purchase or sale of
12 a covered security.

13 “(2) REMOVAL OF CLASS ACTIONS.—Any class
14 action brought in any State court involving a cov-
15 ered security as set forth in paragraph (1) shall be
16 removable to the Federal district court for the dis-
17 trict in which the action is pending and shall be sub-
18 ject to paragraph (1).

19 “(3) DEFINITIONS.—For purposes of this sub-
20 section:

21 “(A) CLASS ACTION.—A ‘class action’ is
22 any single lawsuit, or any group of lawsuits
23 filed in or pending in the same court involving
24 common questions of law or fact, in which—

1 “(i) damages are sought on behalf of
2 more than 25 persons;

3 “(ii) one or more named parties seek
4 to recover damages on a representative
5 basis on behalf of themselves and other
6 unnamed parties similarly situated; or

7 “(iii) one or more of the parties seek-
8 ing to recover damages did not personally
9 authorize the filing of the lawsuit.

10 “(B) COVERED SECURITY.—A security is a
11 ‘covered security’ if the issuer of the security
12 had outstanding any security that satisfied the
13 standard for a covered security specified in sec-
14 tion 18(b)(1) of the Securities Act of 1993 at
15 any time during which it is alleged that the
16 misrepresentation, omission, or manipulative or
17 deceptive conduct occurred.”.

18 (c) APPLICABILITY.—The amendments made by this
19 section shall not affect or apply to any action commenced
20 before and pending on the date of enactment of this Act.

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