

# Calendar No. 315

108TH CONGRESS  
1ST SESSION

## S. 1751

To amend the procedures that apply to consideration of interstate class actions to assure fairer outcomes for class members and defendants, and for other purposes.

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### IN THE SENATE OF THE UNITED STATES

OCTOBER 17 (legislative day, OCTOBER 16), 2003

Mr. GRASSLEY (for himself, Mr. KOHL, Mr. HATCH, Mr. CARPER, Mr. SPECTER, Mr. MILLER, Mr. CHAFEE, and Mr. LUGAR) introduced the following bill; which was read the first time

OCTOBER 17, 2003

Read the second time and placed on the calendar

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## A BILL

To amend the procedures that apply to consideration of interstate class actions to assure fairer outcomes for class members and defendants, 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,*

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

3 (a) SHORT TITLE.—This Act may be cited as the  
 4 “Class Action Fairness Act of 2003”.

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

10 (c) TABLE OF CONTENTS.—The table of contents for  
 11 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 for interstate class actions.

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

Sec. 6. Report on class action settlements.

Sec. 7. Effective date.

12 **SEC. 2. FINDINGS AND PURPOSES.**

13 (a) FINDINGS.—Congress finds the following:

14 (1) Class action lawsuits are an important and  
 15 valuable part of the legal system when they permit  
 16 the fair and efficient resolution of legitimate claims  
 17 of numerous parties by allowing the claims to be ag-  
 18 gregated into a single action against a defendant  
 19 that has allegedly caused harm.

20 (2) Over the past decade, there have been  
 21 abuses of the class action device that have—

1 (A) harmed class members with legitimate  
2 claims and defendants that have acted respon-  
3 sibly;

4 (B) adversely affected interstate commerce;  
5 and

6 (C) undermined public respect for our judi-  
7 cial system.

8 (3) Class members often receive little or no ben-  
9 efit from class actions, and are sometimes harmed,  
10 such as where—

11 (A) counsel are awarded large fees, while  
12 leaving class members with coupons or other  
13 awards of little or no value;

14 (B) unjustified awards are made to certain  
15 plaintiffs at the expense of other class mem-  
16 bers; and

17 (C) confusing notices are published that  
18 prevent class members from being able to fully  
19 understand and effectively exercise their rights.

20 (4) Abuses in class actions undermine the na-  
21 tional judicial system, the free flow of interstate  
22 commerce, and the concept of diversity jurisdiction  
23 as intended by the framers of the United States  
24 Constitution, in that State and local courts are—

1 (A) keeping cases of national importance  
 2 out of Federal court;

3 (B) sometimes acting in ways that dem-  
 4 onstrate bias against out-of-State defendants;  
 5 and

6 (C) making judgments that impose their  
 7 view of the law on other States and bind the  
 8 rights of the residents of those States.

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

10 (1) assure fair and prompt recoveries for class  
 11 members with legitimate claims;

12 (2) restore the intent of the framers of the  
 13 United States Constitution by providing for Federal  
 14 court consideration of interstate cases of national  
 15 importance under diversity jurisdiction; and

16 (3) benefit society by encouraging innovation  
 17 and lowering consumer prices.

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

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

23 **“CHAPTER 114—CLASS ACTIONS**

“Sec.

“1711. Definitions.

“1712. Judicial scrutiny of coupon and other noncash settlements.

“1713. Protection against loss by class members.

“1714. Protection against discrimination based on geographic location.

“1715. Prohibition on the payment of bounties.

“1716. Clearer and simpler settlement information.

“1717. Notifications to appropriate Federal and State officials.

## 1 **“§ 1711. Definitions**

2 “In this chapter:

3 “(1) CLASS.—The term ‘class’ means all of the  
4 class members in a class action.

5 “(2) CLASS ACTION.—The term ‘class action’  
6 means any civil action filed in a district court of the  
7 United States under rule 23 of the Federal Rules of  
8 Civil Procedure or any civil action that is removed  
9 to a district court of the United States that was  
10 originally filed under a State statute or rule of judi-  
11 cial procedure authorizing an action to be brought  
12 by 1 or more representatives as a class action.

13 “(3) CLASS COUNSEL.—The term ‘class coun-  
14 sel’ means the persons who serve as the attorneys  
15 for the class members in a proposed or certified  
16 class action.

17 “(4) CLASS MEMBERS.—The term ‘class mem-  
18 bers’ means the persons (named or unnamed) who  
19 fall within the definition of the proposed or certified  
20 class in a class action.

21 “(5) PLAINTIFF CLASS ACTION.—The term  
22 ‘plaintiff class action’ means a class action in which  
23 class members are plaintiffs.

1           “(6) PROPOSED SETTLEMENT.—The term ‘pro-  
 2       posed settlement’ means an agreement regarding a  
 3       class action that is subject to court approval and  
 4       that, if approved, would be binding on some or all  
 5       class members.

6       **“§ 1712. Judicial scrutiny of coupon and other**  
 7                       **noncash settlements**

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

15      **“§ 1713. Protection against loss by class members**

16           “The court may approve a proposed settlement under  
 17      which any class member is obligated to pay sums to class  
 18      counsel that would result in a net loss to the class member  
 19      only if the court makes a written finding that nonmone-  
 20      tary benefits to the class member substantially outweigh  
 21      the monetary loss.

22      **“§ 1714. Protection against discrimination based on**  
 23                       **geographic location**

24           “The court may not approve a proposed settlement  
 25      that provides for the payment of greater sums to some

1 class members than to others solely on the basis that the  
 2 class members to whom the greater sums are to be paid  
 3 are located in closer geographic proximity to the court.

4 **“§ 1715. Prohibition on the payment of bounties**

5 “(a) IN GENERAL.—The court may not approve a  
 6 proposed settlement that provides for the payment of a  
 7 greater share of the award to a class representative serv-  
 8 ing on behalf of a class, on the basis of the formula for  
 9 distribution to all other class members, than that awarded  
 10 to the other class members.

11 “(b) RULE OF CONSTRUCTION.—The limitation in  
 12 subsection (a) shall not be construed to prohibit a pay-  
 13 ment approved by the court for reasonable time or costs  
 14 that a person was required to expend in fulfilling the obli-  
 15 gations of that person as a class representative.

16 **“§ 1716. Clearer and simpler settlement information**

17 “(a) PLAIN ENGLISH REQUIREMENTS.—Any court  
 18 with jurisdiction over a plaintiff class action shall require  
 19 that any written notice concerning a proposed settlement  
 20 of the class action provided to the class through the mail  
 21 or publication in printed media contain—

22 “(1) at the beginning of such notice, a state-  
 23 ment in 18-point or greater bold type, stating  
 24 ‘LEGAL NOTICE: YOU ARE A PLAINTIFF IN  
 25 A CLASS ACTION LAWSUIT AND YOUR

1       LEGAL RIGHTS ARE AFFECTED BY THE  
2       SETTLEMENT DESCRIBED IN THIS NO-  
3       TICE.’; and

4               “(2) a short summary written in plain, easily  
5       understood language, describing—

6                       “(A) the subject matter of the class action;

7                       “(B) the members of the class;

8                       “(C) the legal consequences of being a  
9       member of the class action;

10                      “(D) if the notice is informing class mem-  
11       bers of a proposed settlement agreement—

12                               “(i) the benefits that will accrue to  
13       the class due to the settlement;

14                               “(ii) the rights that class members  
15       will lose or waive through the settlement;

16                               “(iii) obligations that will be imposed  
17       on the defendants by the settlement;

18                               “(iv) the dollar amount of any attor-  
19       ney’s fee class counsel will be seeking, or  
20       if not possible, a good faith estimate of the  
21       dollar amount of any attorney’s fee class  
22       counsel will be seeking; and

23                               “(v) an explanation of how any attor-  
24       ney’s fee will be calculated and funded;  
25       and



1 “(E) any other material matter.

2 “(b) TABULAR FORMAT.—Any court with jurisdiction  
3 over a plaintiff class action shall require that the informa-  
4 tion described in subsection (a)—

5 “(1) be placed in a conspicuous and prominent  
6 location on the notice;

7 “(2) contain clear and concise headings for  
8 each item of information; and

9 “(3) provide a clear and concise form for stat-  
10 ing each item of information required to be disclosed  
11 under each heading.

12 “(c) TELEVISION OR RADIO NOTICE.—Any notice  
13 provided through television or radio (including trans-  
14 missions by cable or satellite) to inform the class members  
15 in a class action of the right of each member to be ex-  
16 cluded from a class action or a proposed settlement, if  
17 such right exists, shall, in plain, easily understood lan-  
18 guage—

19 “(1) describe the persons who may potentially  
20 become class members in the class action; and

21 “(2) explain that the failure of a class member  
22 to exercise his or her right to be excluded from a  
23 class action will result in the person’s inclusion in  
24 the class action.

1   **“§ 1717. Notifications to appropriate Federal and**  
 2                   **State officials**

3           “(a) DEFINITIONS.—

4                   “(1) APPROPRIATE FEDERAL OFFICIAL.—In  
 5           this section, the term ‘appropriate Federal official’  
 6           means—

7                           “(A) the Attorney General of the United  
 8           States; or

9                           “(B) in any case in which the defendant is  
 10           a Federal depository institution, a State deposi-  
 11           tory institution, a depository institution holding  
 12           company, a foreign bank, or a nondepository in-  
 13           stitution subsidiary of the foregoing (as such  
 14           terms are defined in section 3 of the Federal  
 15           Deposit Insurance Act (12 U.S.C. 1813)), the  
 16           person who has the primary Federal regulatory  
 17           or supervisory responsibility with respect to the  
 18           defendant, if some or all of the matters alleged  
 19           in the class action are subject to regulation or  
 20           supervision by that person.

21                   “(2) APPROPRIATE STATE OFFICIAL.—In this  
 22           section, the term ‘appropriate State official’ means  
 23           the person in the State who has the primary regu-  
 24           latory or supervisory responsibility with respect to  
 25           the defendant, or who licenses or otherwise author-  
 26           izes the defendant to conduct business in the State,

1 if some or all of the matters alleged in the class ac-  
2 tion are subject to regulation by that person. If  
3 there is no primary regulator, supervisor, or licens-  
4 ing authority, or the matters alleged in the class ac-  
5 tion are not subject to regulation or supervision by  
6 that person, then the appropriate State official shall  
7 be the State attorney general.

8 “(b) IN GENERAL.—Not later than 10 days after a  
9 proposed settlement of a class action is filed in court, each  
10 defendant that is participating in the proposed settlement  
11 shall serve upon the appropriate State official of each  
12 State in which a class member resides and the appropriate  
13 Federal official, a notice of the proposed settlement con-  
14 sisting of—

15 “(1) a copy of the complaint and any materials  
16 filed with the complaint and any amended com-  
17 plaints (except such materials shall not be required  
18 to be served if such materials are made electronically  
19 available through the Internet and such service in-  
20 cludes notice of how to electronically access such  
21 material);

22 “(2) notice of any scheduled judicial hearing in  
23 the class action;

24 “(3) any proposed or final notification to class  
25 members of—

1           “(A)(i) the members’ rights to request ex-  
2           clusion from the class action; or

3           “(ii) if no right to request exclusion exists,  
4           a statement that no such right exists; and

5           “(B) a proposed settlement of a class ac-  
6           tion;

7           “(4) any proposed or final class action settle-  
8           ment;

9           “(5) any settlement or other agreement contem-  
10          poraneously made between class counsel and counsel  
11          for the defendants;

12          “(6) any final judgment or notice of dismissal;

13          “(7)(A) if feasible, the names of class members  
14          who reside in each State and the estimated propor-  
15          tionate share of the claims of such members to the  
16          entire settlement to that State’s appropriate State  
17          official; or

18          “(B) if the provision of information under sub-  
19          paragraph (A) is not feasible, a reasonable estimate  
20          of the number of class members residing in each  
21          State and the estimated proportionate share of the  
22          claims of such members to the entire settlement; and

23          “(8) any written judicial opinion relating to the  
24          materials described under subparagraphs (3)  
25          through (6).

1 “(c) DEPOSITORY INSTITUTIONS NOTIFICATION.—

2 “(1) FEDERAL AND OTHER DEPOSITORY INSTI-  
3 TUTIONS.—In any case in which the defendant is a  
4 Federal depository institution, a depository institu-  
5 tion holding company, a foreign bank, or a non-de-  
6 pository institution subsidiary of the foregoing, the  
7 notice requirements of this section are satisfied by  
8 serving the notice required under subsection (b)  
9 upon the person who has the primary Federal regu-  
10 latory or supervisory responsibility with respect to  
11 the defendant, if some or all of the matters alleged  
12 in the class action are subject to regulation or super-  
13 vision by that person.

14 “(2) STATE DEPOSITORY INSTITUTIONS.—In  
15 any case in which the defendant is a State deposi-  
16 tory institution (as that term is defined in section 3  
17 of the Federal Deposit Insurance Act (12 U.S.C.  
18 1813)), the notice requirements of this section are  
19 satisfied by serving the notice required under sub-  
20 section (b) upon the State bank supervisor (as that  
21 term is defined in section 3 of the Federal Deposit  
22 Insurance Act (12 U.S.C. 1813)) of the State in  
23 which the defendant is incorporated or chartered, if  
24 some or all of the matters alleged in the class action

1 are subject to regulation or supervision by that per-  
2 son, and upon the appropriate Federal official.

3 “(d) FINAL APPROVAL.—An order giving final ap-  
4 proval of a proposed settlement may not be issued earlier  
5 than 90 days after the later of the dates on which the  
6 appropriate Federal official and the appropriate State offi-  
7 cial are served with the notice required under subsection  
8 (b).

9 “(e) NONCOMPLIANCE IF NOTICE NOT PROVIDED.—

10 “(1) IN GENERAL.—A class member may refuse  
11 to comply with and may choose not to be bound by  
12 a settlement agreement or consent decree in a class  
13 action if the class member demonstrates that the no-  
14 tice required under subsection (b) has not been pro-  
15 vided.

16 “(2) LIMITATION.—A class member may not  
17 refuse to comply with or to be bound by a settlement  
18 agreement or consent decree under paragraph (1) if  
19 the notice required under subsection (b) was directed  
20 to the appropriate Federal official and to either the  
21 State attorney general or the person that has pri-  
22 mary regulatory, supervisory, or licensing authority  
23 over the defendant.

24 “(3) APPLICATION OF RIGHTS.—The rights cre-  
25 ated by this subsection shall apply only to class

1 members or any person acting on a class member's  
 2 behalf, and shall not be construed to limit any other  
 3 rights affecting a class member's participation in the  
 4 settlement.

5 “(f) RULE OF CONSTRUCTION.—Nothing in this sec-  
 6 tion shall be construed to expand the authority of, or im-  
 7 pose any obligations, duties, or responsibilities upon, Fed-  
 8 eral or State officials.”.

9 (b) TECHNICAL AND CONFORMING AMENDMENT.—  
 10 The table of chapters for part V is amended by inserting  
 11 after the item relating to chapter 113 the following:

**“114. Class Actions ..... 1711”.**

12 **SEC. 4. FEDERAL DISTRICT COURT JURISDICTION FOR**  
 13 **INTERSTATE CLASS ACTIONS.**

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

16 (1) by redesignating subsection (d) as sub-  
 17 section (e); and

18 (2) by inserting after subsection (c) the fol-  
 19 lowing:

20 “(d)(1) In this subsection—

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

23 “(B) the term ‘class action’ means any civil ac-  
 24 tion filed under rule 23 of the Federal Rules of Civil  
 25 Procedure or similar State statute or rule of judicial

1 procedure authorizing an action to be brought by 1  
 2 or more representative persons as a class action;

3 “(C) the term ‘class certification order’ means  
 4 an order issued by a court approving the treatment  
 5 of some or all aspects of a civil action as a class  
 6 action; and

7 “(D) the term ‘class members’ means the per-  
 8 sons (named or unnamed) who fall within the defini-  
 9 tion of the proposed or certified class in a class ac-  
 10 tion.

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

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

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

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

23 “(3) A district court may, in the interests of justice,  
 24 decline to exercise jurisdiction under paragraph (2) over  
 25 a class action in which greater than one-third but less than



1 two-thirds of the members of all proposed plaintiff classes  
2 in the aggregate and the primary defendants are citizens  
3 of the State in which the action was originally filed based  
4 on consideration of the following factors:

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

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

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

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

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

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

1           “(A) two-thirds or more of the members of all  
2       proposed plaintiff classes in the aggregate and the  
3       primary defendants are citizens of the State in  
4       which the action was originally filed;

5           “(B) the primary defendants are States, State  
6       officials, or other governmental entities against  
7       whom the district court may be foreclosed from or-  
8       dering relief; or

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

11          “(5) In any class action, the claims of the individual  
12      class members shall be aggregated to determine whether  
13      the matter in controversy exceeds the sum or value of  
14      \$5,000,000, exclusive of interest and costs.

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

18          “(7)(A) A district court shall dismiss any civil action  
19      that is subject to the jurisdiction of the court solely under  
20      this subsection if the court determines the action may not  
21      proceed as a class action based on a failure to satisfy the  
22      prerequisites of rule 23 of the Federal Rules of Civil Pro-  
23      cedure.

24          “(B) Nothing in subparagraph (A) shall prohibit  
25      plaintiffs from filing an amended class action in Federal

1 court or filing an action in State court, except that any  
2 such action filed in State court may be removed to the  
3 appropriate district court if it is an action of which the  
4 district courts of the United States have original jurisdic-  
5 tion.

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

17 “(8) Paragraph (2) shall not apply to any class action  
18 that solely involves a claim—

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

23 “(B) that relates to the internal affairs or gov-  
24 ernance of a corporation or other form of business  
25 enterprise and that 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 “(C) that relates to the rights, duties (including  
 4 fiduciary duties), and obligations relating to or cre-  
 5 ated by or pursuant to any security (as defined  
 6 under section 2(a)(1) of the Securities Act of 1933  
 7 and the regulations issued thereunder).

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

13 “(10)(A) For purposes of this section and section  
 14 1453 of this title, a mass action shall be deemed to be  
 15 a class action.

16 “(B)(i) As used in subparagraph (A), the term ‘mass  
 17 action’ shall mean any civil action(s) (except a civil action  
 18 within the scope of section 1711(2) of this title) in which  
 19 monetary relief claims of 100 or more persons are pro-  
 20 posed to be tried jointly in any respect on the ground that  
 21 the claims involve common questions of law or fact.

22 “(ii) This subparagraph shall not apply to any civil  
 23 action in which—

24 “(I) all of the claims in the action arise from  
 25 a single sudden accident that occurred in the State

1 in which the action was filed, and that allegedly re-  
2 sulted in injuries in that State or in States contig-  
3 uous thereto;

4 “(II) the claims are joined upon motion of a de-  
5 fendant; or

6 “(III) all of the claims in the action are as-  
7 serted on behalf of the general public (and not on  
8 behalf of individual claimants or members of a pur-  
9 ported class) pursuant to a State statute specifically  
10 authorizing such action.

11 “(C)(i) Any action(s) removed to Federal court pur-  
12 suant to this subsection shall not thereafter be transferred  
13 to any other court pursuant to 28 U.S.C. 1407, or the  
14 rules promulgated thereunder, unless a majority of the  
15 plaintiffs in the action request transfer pursuant to 28  
16 U.S.C. 1407.

17 “(ii) This subparagraph will not apply—

18 “(I) to cases certified pursuant to rule 23 of  
19 the Federal Rules of Civil Procedure; or

20 “(II) if plaintiffs propose that the action pro-  
21 ceed as a class action pursuant to rule 23 of the  
22 Federal Rules of Civil Procedure.

23 “(D) The limitations periods on any claims asserted  
24 in a mass action that is removed to Federal court pursu-

1 ant to this subsection shall be deemed tolled during the  
2 period that the action is pending in Federal court.

3 “(E) Paragraph (7) of this subsection, and sub-  
4 sections (b)(2) and (d) of section 1453 shall not apply to  
5 any civil action described in this paragraph.”.

6 (b) CONFORMING AMENDMENTS.—

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

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

11 **SEC. 5. REMOVAL OF INTERSTATE CLASS ACTIONS TO FED-**  
12 **ERAL DISTRICT COURT.**

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

15 **“§ 1453. Removal of class actions**

16 “(a) DEFINITIONS.—In this section, the terms ‘class’,  
17 ‘class action’, ‘class certification order’, and ‘class mem-  
18 ber’ shall have the meanings given such terms under sec-  
19 tion 1332(d)(1).

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

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

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

6           “(c) WHEN REMOVABLE.—This section shall apply to  
7           any class action before or after the entry of a class certifi-  
8           cation order in the action.

9           “(d) PROCEDURE FOR REMOVAL.—Section 1446 re-  
10          lating to a defendant removing a case shall apply to a  
11          plaintiff removing a case under this section, except that  
12          in the application of subsection (b) of such section the re-  
13          quirement relating to the 30-day filing period shall be met  
14          if a plaintiff class member files notice of removal within  
15          30 days after receipt by such class member, through serv-  
16          ice or otherwise, of the initial written notice of the class  
17          action.

18          “(e) REVIEW OF ORDERS REMANDING CLASS AC-  
19          TIONS TO STATE COURTS.—Section 1447 shall apply to  
20          any removal of a case under this section, except that not-  
21          withstanding section 1447(d), an order remanding a class  
22          action to the State court from which it was removed shall  
23          be reviewable by appeal or otherwise.

24          “(f) EXCEPTION.—This section shall not apply to any  
25          class action that solely involves—

1 “(1) 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 “(2) a claim that relates to the internal affairs  
 6 or governance of a corporation or other form of busi-  
 7 ness enterprise and arises under or by virtue of the  
 8 laws of the State in which such corporation or busi-  
 9 ness enterprise is incorporated or organized; or

10 “(3) a claim that relates to the rights, duties  
 11 (including fiduciary duties), and obligations relating  
 12 to or created by or pursuant to any security (as de-  
 13 fined under section 2(a)(1) of the Securities Act of  
 14 1933 and the regulations issued thereunder).”.

15 (b) REMOVAL LIMITATION.—Section 1446(b) is  
 16 amended in the second sentence by inserting “(a)” after  
 17 “section 1332”.

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

“1453. Removal of class actions.”.

21 **SEC. 6. REPORT ON CLASS ACTION SETTLEMENTS.**

22 (a) IN GENERAL.—Not later than 12 months after  
 23 the date of enactment of this Act, the Judicial Conference  
 24 of the United States, with the assistance of the Director  
 25 of the Federal Judicial Center and the Director of the Ad-



1 ministrative Office of the United States Courts, shall pre-  
2 pare and transmit to the Committees on the Judiciary of  
3 the Senate and the House of Representatives a report on  
4 class action settlements.

5 (b) CONTENT.—The report under subsection (a) shall  
6 contain—

7 (1) recommendations on the best practices that  
8 courts can use to ensure that proposed class action  
9 settlements are fair to the class members that the  
10 settlements are supposed to benefit;

11 (2) recommendations on the best practices that  
12 courts can use to ensure that—

13 (A) the fees and expenses awarded to  
14 counsel in connection with a class action settle-  
15 ment appropriately reflect the extent to which  
16 counsel succeeded in obtaining full redress for  
17 the injuries alleged and the time, expense, and  
18 risk that counsel devoted to the litigation; and

19 (B) the class members on whose behalf the  
20 settlement is proposed are the primary bene-  
21 ficiaries of the settlement; and

22 (3) the actions that the Judicial Conference of  
23 the United States has taken and intends to take to-  
24 ward having the Federal judiciary implement any or  
25 all of the recommendations contained in the report.

1       (c) AUTHORITY OF FEDERAL COURTS.—Nothing in  
2 this section shall be construed to alter the authority of  
3 the Federal courts to supervise attorneys' fees.

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

5       The amendments made by this Act shall apply to any  
6 civil action commenced on or after the date of enactment  
7 of this Act.



**Calendar No. 315**

108TH CONGRESS  
1ST SESSION

**S. 1751**

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**A BILL**

To amend the procedures that apply to consideration of interstate class actions to assure fairer outcomes for class members and defendants, and for other purposes.

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OCTOBER 17, 2003

Read the second time and placed on the calendar