INNOCENT PARTY PROTECTION ACT

SPEECH OF

HON. SHEILA JACKSON LEE

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 9, 2017

The House in Committee of the Whole House on the state of the Union had under consideration the bill (H.R. 725) to amend title 28, United States Code, to prevent fraudulent joinder:

Ms. JACKSON LEE. Mr. chair, I rise in strong opposition to H.R. 725, the Innocent Party Protection Act of 2017.

H.R. 725 is the latest Republican effort to deny plaintiffs access to the forum of their choice and, possibly, to their day in court.

H.R. 725 seeks to overturn longstanding precedent in favor of a vague and unnecessary test that forces state cases into federal court when they do not belong there, and gives large corporate defendants an unfair advantage to cherry-pick their forum without the normal burden of proving proper jurisdiction.

This bill would upend long established law in the area of federal court jurisicliction, specifically addressing the supposed overuse of fraudulent joinder to defeat complete diversity jurisdiction in a case.

It was previously known as the Fraudulent Joinder Prevention Act; however, this bill is not about fraud.

It is a corporate forum-shopping bill that would allow corporations to move cases properly brought in state courts into federal courts.

If enacted this bill would tip the scales of justice in favor of corporate defendants and make it more difficult for injured plaintiffs to bring their state claims in state court.

Corporate defendants support this bill because they prefer to litigate in federal court, which usually results in less diverse jurors, more expensive proceedings, longer wait times for trials, and stricter limits on discovery.

For plaintiffs, who are supposed to be able to choose their forums, this legislation would result in additional time, expense, and inconvenience for the plaintiff and witnesses.

H.R. 725 would effectively eliminate the local defendant exception to diversity jurisdiction under 28 U.S.C. 1441(b)(2), which currently prohibits removal to federal court even when there is complete diversity when a defendant is a citizen of the state in which the action is brought.

The current standard used by courts to determine whether the joinder of a non-diverse defendant is improper, however, has been in place for a century, and no evidence has been put forth demonstrating that this standard is not working.

Rather, the Fraudulent Joinder Doctrine, is a well-established legal doctrine providing that: fraudulent joinder will only be found if the defendant establishes that the joinder of the diversity-destroying party in the state court action was made without a reasonable basis of proving any liability against that party.

There is no evidence that federal courts are not already properly handling allegations of so-called fraudulent joinder after removal under current laws.

H.R. 725 reverses this longstanding policy by imposing new requirements on federal courts considering remand motions where a case is before the court solely on diversity grounds.

Specifically, it changes the test for showing improper joinder from a one-part test, (no possibility of a claim against a nondiverse defendant) to a complicated four-part test, requiring the court to find fraudulent joinder if:

1) There is not a plausible claim for relief against each nondiverse defendant;

2) There is objective evidence that clearly demonstrates no good faith intention to prosecute the action against each defendant or intention to seek a joint judgment;

3) There is federal or state law that clearly bars claims against the nondiverse defendants; or

4) There is actual fraud in the pleading of jurisdictional facts.

What should be a simple procedural question for the courts, now becomes a protracted mini-trial, giving an unfair advantage to the defendants (not available under current law) by allowing defendants to engage the court on the merits of their position.

By requiring litigation on the merits at a nascent jurisdictional stage of litigation based on vague, undefined, and subjective standards like plausibility and good faith intention, and by potentially placing the burden of proof on the plaintiff, this bill will increase the complexity and costs surrounding litigation of state law claims in federal court and potentially dissuade plaintiffs from pursuing otherwise meritorious claims.

Further, taking away a defendant's responsibility to prove that federal jurisdiction over a state case is indeed proper alters the fundamental precept that a party seeking removal should bear the heavy burden of establishing federal court jurisdiction.

The bill is a win-win for corporate defendants.

At its most harmful, it will cause non diverse defendants to be improperly dismissed from the lawsuit.

At its least harmful, it will cause an expensive, time-consuming detour through federal courts for plaintiffs.

Wrongdoers would not be held accountable for the harm they cause, while the taxpayers ultimately foot the bill.

For example: large corporate defendants (i.e. typically the diverse defendants) would be favored by the bill because, if the nondiverse defendant is dismissed from the case, they can blame the now-absent in-state defendant for the plaintiff's injuries.

Smaller nondiverse defendants would also be favored because the diverse defendant does all the work for them.

The diverse defendant removes the case to federal court and then argues that the nondiverse defendant is improperly joined.

If the federal court retains jurisdiction, the nondiverse defendant must be dismissed from the case.

If one or more defendants are dismissed from the case, it is easy for the remaining defendant to finger point and blame the absent defendant for the plaintiff's injuries.

Even if a federal court remands the case to state court under the bill, the defendants have successfully forced the plaintiff to expend their limited resources on a baseless, time-consuming motion on a preliminary matter.

While large corporate defendants can easily accommodate such costs, plaintiffs (i.e. injured consumers, patients and workers) cannot.

Regardless of whether the case is remanded to state court or stays in federal court, this new, mandated inquiry will be a drain on the limited resources of federal courts.

By mandating a full merits-inquiry on a procedural motion, H.R. 725 is expensive, time-consuming, and wasteful use of judicial resources.

The bill would result in needless micromanagement of federal courts and a waste of judicial resources.

Lastly, by seeking to favor federal courts over state courts as forums for deciding state law claims, this bill offends the principles of federalism.

While it purports to fix a non-existent problem, it creates problems itself.

The ability of state courts to function independently of federal courts' procedural analysis is a necessary function of the success of the American judiciary branch.

For these reasons, I urge my colleagues to join me in opposing the underlying legislation, H.R. 725, the dubiously named, Innocent Party Protection Act of 2017.

HAPPY 100TH BIRTHDAY TO LTC JAMES MEGELLAS, U.S. ARMY (RET.)

HON. KENNY MARCHANT

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Friday, March 10, 2017

Mr. MARCHANT. Mr. Speaker, I rise today with the great honor and privilege of recognizing a true American Hero, Lieutenant Colonel (LTC) James Megellas of Colleyville, Texas, in celebration of his 100th birthday.

Lieutenant Colonel James Megellas received his military commission on May 28th, 1942 as he walked the stage at his graduation from Ripon College in Ripon, Wisconsin. Simultaneously receiving his diploma and military orders, James became a newly commissioned officer in the United States Army. Since receiving his commission on that fateful day, LTC Megellas' incredible courage and selfless dedication to his country enabled him to become the most decorated officer in the history of the 82nd Airborne Division. His exemplary service to our nation and outstanding bravery during the Second World War helped to liberate a continent and defend the freedom of millions of civilians in the European Theater.

LTC Megellas reported for duty at Fort Knox, Kentucky on June 8, 1942 and began preparing to enter the war. Soon thereafter, he was selected to become a paratrooper within the 82nd Airborne Division where he served for the duration of the war on the front lines of the European Theater. His experiences during the war brought him to Anzio, Italy where he fought in the Battle of Anzio; The Netherlands for Operation Market Garden and the Battle of Nijmegen where he crossed the Waal River; and in Belgium where he fought in the Battle of the Bulge.

For his service during Operation Market Garden, LTC Megellas was the first American awarded the Military Order of Wilhelm, the oldest and highest honor awarded by the Kingdom of the Netherlands. Furthermore, LTC Megellas was awarded the Belgium Fouragere, by the Kingdom of Belgium for his bravery in defense of the Kingdom.