The web of tort ‘reform’

Major corporations have launched a concerted attack on the most basic tenets of civil justice. What they call tort "reform" is in fact a disingenuous ploy to convince Americans that corporations are on the side of ordinary citizens.

Americans have been told for decades that they are living amidst a “litigation explosion” and that frivolous lawsuits are bankrupting businesses. The message is the result of a multi-tiered campaign funded by billions of dollars from major corporations, and it has misled the public about civil justice. Worse, it seeks to limit Americans’ right of access to the courts. The reality is that the number of lawsuits filed has decreased dramatically over the years, and that the lawsuits that are filed are anything but frivolous.¹

Legislation introduced in Congress and statehouses, reports released by think tanks, news stories, blog posts, Facebook pages, and tweets are all part of this campaign, and they are connected through a widespread, coordinated, and well-funded corporate network.

Although taxpayers and small businesses are the poster children of this campaign, they are largely excluded from the process. When the curtain on the tort “reform” movement is drawn back, a very small group of executives from Fortune 100 companies controls what seem to be multiple interest groups, creating the appearance of meaningful support for a disturbing concept: that corporations should be let off the hook when their products harm or kill Americans.

Civil Justice Reform Group

At the center of the campaign is a group known as the Civil Justice Reform Group (CJRG), comprising the general counsels of some of the largest and most profitable corporations in the world. They include Aetna, AT&T, BP, Bristol-Myers Squibb, Caterpillar, Chevron, Chrysler, Citibank, DuPont, Exxon, Ford, General Electric, General Motors, GlaxoSmithKline, Johnson & Johnson, Koch Cos., Merck & Co., Pfizer, PricewaterhouseCoopers, Procter & Gamble, State Farm, Texaco, and W.R. Grace.²

Each of these companies is responsible for at least one product or service that has harmed or killed Americans, and many knew of the dangers, yet continued to sell the products and services to unsuspecting consumers. These companies produce vastly different products and services—such as Merck’s Vioxx, W.R. Grace’s asbestos products, Ford’s Pinto, and BP’s oil spill in the Gulf of Mexico—but they share the common goal of making it harder for injured plaintiffs to hold them accountable for their actions.
Their combined resources and coordination make the CJRG one of the most powerful tort “reform” groups.

Founded in 1994, the CJRG is a secretive organization. According to Victor Schwartz, one of the architects of the tort “reform” movement and an attorney at the law firm Shook, Hardy & Bacon, the CJRG works to “do things in a quiet and effective way without fanfare.”

Although the organization has no employees or office (it is run out of the downtown Washington, D.C., law office of Wiley Rein), it is where many tort “reform” ideas and resources originate. It has enormous impact on the ability of Americans to hold corporate wrongdoers accountable for the harm their products cause consumers.

**Institute for Legal Reform**

According to one former member of the CJRG, it “often channels its funds and people to third parties that have the capacity to bring about meaningful change.” Perhaps that is why the CJRG works closely with the U.S. Chamber of Commerce’s Institute for Legal Reform (ILR), one of the largest players in the tort “reform” movement. With nearly $40 million in revenue in 2010, the most recent year for which data are available, ILR spent over $31 million on lobbying the federal government that year. It often portrays itself as an advocate for small businesses, but the average contribution to ILR topped $600,000 in 2008, an indication that major corporations hold the most sway within the organization.

Although ILR has invested millions of dollars in public relations efforts such as its “Faces of Lawsuit Abuse” campaign to convince Americans that they should demand that their own legal rights be limited, its true goal is to benefit the interests of multinational corporations. It works at the federal level and in a national public relations campaign to sway the public’s opinion in favor of corporate interests. ILR even owns several newspapers that it uses to push its corporate agenda.

**American Legislative Exchange Council**

At the state level, the CJRG has an ally in the American Legislative Exchange Council (ALEC). Until very recently, ALEC has kept one of the lowest profiles of any organization in Washington, D.C. ALEC is another secretive group of corporate lobbyists who write model legislation and state legislators who receive free trips to resort hotels—complete with prepackaged anti-civil justice legislation to introduce in their statehouses.

ALEC has operated in the shadows since it was founded in 1973, and it attracted very little attention. But for the past two years, it has been mired in controversy over the state laws it has promoted, including Arizona’s immigration law and the “Stand Your Ground” law that garnered national attention in the wake of the Trayvon Martin shooting in Florida. While ALEC’s reputation took a public beating, potentially more serious legal challenges await—the IRS has received two formal complaints challenging the group’s nonprofit tax status.

Although ALEC has a broad legislative focus, limiting access to the civil justice system for injured people is one of its top priorities. For example, civil justice legislation drafted by ALEC and introduced in state legislatures includes bills that would make it harder for people with asbestos-related diseases to receive compensation for their injuries. The group also authored bills that have been introduced in state legislatures that attempt to restrict the ability of state attorneys general to contract with plaintiff attorneys. This effort would deny state governments meaningful access to plaintiff lawyers with experience in products liability litigation.
American Tort Reform Association

The American Tort Reform Association (ATRA) was founded in 1986 and for many years functioned as the primary public relations arm of the tort “reform” movement. In recent years, however, it has produced occasional reports, including its annual Judicial Hellholes® project, which attempts to brand judicial systems around the country as unfair to businesses. Not surprisingly, the annual Hellholes report is typically a list of courts where ATRA members—many of whom are also CJRG members—have lost cases that year.

ATRA was also heavily involved in “Astroturf organizing,” creating the appearance of overwhelming grassroots support for its campaign, when in reality there is very little public enthusiasm. The group faked grassroots support for limiting Americans’ legal rights by funding groups like Citizens Against Lawsuit Abuse (CALA) and Stop Lawsuit Abuse in various states.

The CJRG has readily admitted that it “provides ongoing general grant support for tort reform organizations in states with a poor civil litigation climate … funds research and drafting of white papers, law review articles, and amicus briefs relating to a variety of issues important to its members … [and] provides general funding to citizen coalitions against lawsuit abuse.” It should come as no surprise that grants from the CJRG account for more than 20 percent of ATRA’s annual revenue.

Searle Civil Justice Institute

The tort “reform” community has recently turned its focus to academia. In June 2010, Henry Butler, a longtime academic in the tort “reform” movement, announced that he would leave his position as executive director of the Searle Center on Law, Regulation, and Economic Growth at Northwestern University in Chicago to lead the Law & Economics Center at George Mason University (GMU) in Arlington, Va. This new role placed Butler in charge of several projects at GMU, including the judge and state Attorneys General Education Program and the Searle Civil Justice Institute (SCJI).

Not long after Butler’s move to GMU, the SCJI released a request for proposals (RFP) to the academic community to commission research on a host of issues that closely resembles ILR’s top initiatives. The RFP gave insight into how extensively involved the SCJI is in the research it funds and promotes: “SCJI will fully support certain accepted proposals by paying author(s) to lead the research efforts, providing in-house econometricians and legal experts as project staff, paying for necessary data and funding a comprehensive communications strategy for the final Public Policy Report.”

These projects do not come cheap. “On average, the SCJI spends between $70,000–$100,000 to research and promote each project.” The SCJI’s RFP suggested 10 issue areas on which researchers should focus, such as the ability of state attorneys general to contract with outside counsel, the use of pre-dispute mandatory binding arbitration clauses in contracts, federal preemption of state tort law, and class action litigation.

Funding the tort “reform” movement through the academic community faces one major challenge: Most universities are nonprofit institutions and thus cannot devote substantial resources to influencing legislation and public perception. But funding through GMU has a major benefit—anonymity. All donations to the SCJI and the CJCA are made to the Law & Economics Center—which is a 501(c)(3) nonprofit organization that does not have to disclose its benefactors—so donations are nearly, but not completely, impossible to track.
An analysis of the CJRG’s tax forms shows that the CJRG made substantial grants to the Northwestern University School of Law during the time Butler ran the Searle Center. However, in 2010, the year Butler moved to GMU, the CJRG stopped providing funding to Northwestern and dramatically increased the amount of grants it awarded to GMU.19

Civil Justice Caucus Academy

Just months after the Searle Civil Justice Institute moved to GMU, members of the U.S. House of Representatives launched the Congressional Civil Justice Caucus in February 2011.20 At the same time, GMU’s Law and Economics Center announced that it was creating its own Congressional Civil Justice Caucus Academy (CJCA) to support the mission of the Congressional caucus.21

The notion that the CJCA would adhere to its stated mission of providing “rigorous and balanced education programs . . . for the benefit of the general public and members of the United States Congress and their staff,”22 was immediately undercut when its executive director was invited to be the featured speaker at a general counsel meeting of the CJRG just hours after the launch of CJCA. The meeting was attended by representatives of major corporations, as well as executives from ILR, ALEC, and ATRA.

Asbestos legislation

The coordinated and broad scope of tort “reform” is found in asbestos legislation pushed through federal and state government bodies, and in information disseminated via activist groups and academic communities by organizations campaigning against civil justice. The “reformists” have sought to make it more difficult for people with asbestos-related diseases to receive money from the asbestos bankruptcy trust system, which Congress approved as a means to give some compensation to present and future asbestos victims.

The tort “reform” community began laying the groundwork for attacking the asbestos bankruptcy trust system in 2005, when Victor Schwartz and Mark Behrens coauthored a law review article claiming there was rampant fraud in the system.23

More papers were published by Schwartz, Behrens, and their colleagues at Shook, Hardy & Bacon, a global law firm based in Kansas City, Mo., as well as a series of reports from the RAND Civil Justice Institute.24 By 2007, ALEC adopted and approved the “Asbestos Claims Transparency Act,” which would soon be introduced in state legislatures.25

ILR entered the asbestos bankruptcy trust debate in 2010 when it released a report criticizing asbestos litigation in Madison County, Ill. (a frequent entry on the Judicial Hellhole® list) by asbestos defense attorney James Stengel followed by the submission of a proposed new rule to “reform” the trust system to the Judicial Conference.26

Despite a Government Accountability Office (GAO) study that found that 98 percent of asbestos bankruptcy trusts have audit control systems in place with no instances of fraud found, ILR told the media the GAO report showed “the asbestos trusts are effectively encouraging fraud.”27

These coordinated actions were then used to bolster federal action on the asbestos bankruptcy trust system, which began in earnest in 2012 when the CJCA held an “educational” briefing on the issue on Capitol Hill. Within three months of the briefing, the “Furthering Asbestos Claim Transparency (FACT) Act of 2012” was introduced in the U.S. House of Representatives.
The Private Attorney Retention Sunshine Act

The tobacco industry knew for decades that its products caused death and serious illness, but chose to cover up the dangers and addict new users. In the 1990s, plaintiff attorneys were finally able to hold the industry accountable by joining with state attorneys general to sue the industry for the costs taxpayers incurred for treating tobacco-related illnesses. Since the Tobacco Master Settlement agreement in 1998, major corporations have fought to prevent state attorneys general from joining forces with plaintiffs again.

Allowing state attorneys general to hire private attorneys can be demonstrably beneficial to taxpayers. When corporations knowingly sell dangerous products, taxpayers are often forced to pay for the damage; the goal of state lawsuits brought by outside counsel is to shift these costs back to the negligent corporations that are responsible for the harm. These cases are often too large, complex, and expensive for an attorney general’s office to conduct on its own, so the use of outside counsel benefits all, and the contingency fee arrangement means taxpayers do not front the costs.

These lawsuits are an effective way to hold corporations accountable for the harm they cause, so they have become a natural target for the tort “reformers.” In 1998, ALEC adopted the Private Attorney Retention Sunshine Act, or PARSA model legislation, which has already become law in 10 states.28

In a renewed focus to target these arrangements, ILR has commissioned academic research, published stories in its newspapers, and hosted panels on the subject at its annual Legal Reform Summit in 2010 and 2011. These efforts have sought to support limited liability for governments against corporate wrongdoers.29

Merck sued the attorney general of Kentucky over the state’s contract with outside counsel in Vioxx litigation.30 Merck’s counsel in the case was John Beisner, a former lobbyist for the CJRG and ILR.31

While opposition to contingency fee arrangements has typically targeted state contracts, the issue has now reached the federal level with the enactment of the Dodd-Frank Act in 2010. Congress partially delegated enforcement power of the new law to state attorneys general, which caused the tort “reformers” to step up their campaign to limit these arrangements.32 In February 2012, the Subcommittee on the Constitution of the House Judiciary Committee held a hearing entitled “Contingent Fees and Conflicts of Interest in State AG Enforcement of Federal Law.” Former Florida Attorney General Bill McCollum testified on behalf of ILR, saying that provisions of Dodd-Frank wrongfully expanded enforcement of federal law to the states, particularly those that would allow state attorneys general to bring lawsuits in an effort to enforce the law.33 And at an event hosted by the CJCA earlier this year, Victor Schwartz voiced his opposition to government contingency fee arrangements with the reasoning that the “contingency fee is there for poor people who can’t afford a lawyer. It’s not there for the government of the United States.”34

The asbestos and contingency fee campaigns of tort “reformers” are just two examples of their coordinated, multi-tiered strategies to protect major corporations. Their efforts are pervasive, affecting almost every issue where Americans’ rights are at stake.35 That these groups go to such extensive and deceptive lengths to push their agenda is an indication of their dangerous and disingenuous intentions. Their efforts reveal a true agenda—to secure total immunity for major corporations, allowing them to act with impunity and without accountability—even when their actions injure and kill innocent American consumers.
Notes


4. See Brunner & Gottschalk, supra n. 3.


9. The Institute for Legal Reform’s newspapers include the *Madison County Record* (Ala.), the *West Virginia Record*, the *Louisiana Record*, the *Pennsylvania Record*, the *Southeast Texas Record*, and *Legal Newsline*. U.S. Chamber of Commerce, Inst. for Leg. Reform, IRS Form 990, supra n. 6; see also David Lyle, *Media Matters for Am. Blog, Chamber-Owned News Service Reports On Supreme Court Case Without Disclosing Parent’s Role*, http://mediamatters.org/print/blog/2012/06/19/chamber-owned-news-service-reports-on-supreme-c/184135 (June 19, 2012).


11. Ltr. to Douglas Shulman, Commr. of the Internal Revenue Serv. Regarding Violations of the Internal Revenue Laws by the Am. Legis. Exch. Council (EIN: 52-0140979), from Marcus S.


16. Law & Economics Center Expands, 6 Mason L. News 1 (Fall 2010), www.law.gmu.edu/assets/files/alumni/Mason_Newsletter_fall_2010.pdf.


18. Id.

19. Supra n. 14 at 23.


22. Id.


27. See supra n. 12.

28. The ILR has commissioned multiple research papers to coincide with the Annual Legal Reform Summit. They include: John H. Beisner et al., Cy Pres: A Not So Charitable Contribution to Class Action Practice (U.S. Chamber Inst. for Leg. Reform Oct. 2010); Jonathan Drimmer, Think Globally, Sue Locally: Out of Court Tactics Employed by Plaintiffs, Their Lawyers, and Their Advocates in Transnational Tort Cases (U.S. Chamber Inst. for Leg. Reform June 2010); Paul J. Hinton & David L. McKnight, Creating Conditions for Economic Growth: The Role of the Legal


34. The groups outlined in this article are pushing a variety of other tort “reforms” at the federal and state levels, in academia, and in the courts. Some of their major priorities are expanding the use of pre-dispute mandatory binding arbitration clauses in contracts, restricting the ability of plaintiffs attorneys to finance cases through third-party sources, and limiting the ability of consumers to join class actions.