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CONGRESSIONAL DISTRICT, NEW JERSEY

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INTRODUCTION OF THE CLASS  
ACTION FAIRNESS ACT OF 2005

**HON. BOB GOODLATTE**

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, February 2, 2005*

Mr. GOODLATTE. Mr. Speaker, I am pleased to introduce today, along with my good friend from Virginia, Mr. BOUCHER, the Class Action Fairness Act of 2005.

This much-needed bipartisan legislation corrects a serious flaw in our Federal jurisdiction statutes. At present, those statutes forbid our Federal courts from hearing most interstate class actions—the lawsuits that involve more money and touch more Americans than virtually any other type of litigation in our legal system.

The class action device is a necessary and important part of our legal system. It promotes efficiency by allowing plaintiffs with similar claims to adjudicate their cases in one proceeding. It also allows claims to be heard in cases where there are small harms to a large

number of people, which would otherwise go unaddressed because the cost to the individuals suing could far exceed the benefit to the individual. However, class actions are increasingly being used in ways that do not promote the interests they were intended to serve.

In recent years, State courts have been flooded with class actions. As a result of the adoption of different class action certification standards in the various States, the same class might be certifiable in one State and not another, or certifiable in State court but not in Federal court. This creates the potential for abuse of the class action device, particularly when the case involves parties from multiple States or requires the application of the laws of many States.

For example, some State courts routinely certify classes before the defendant is even served with a complaint and given a chance to defend itself. Other State courts employ very lax class certification criteria, rendering virtually any controversy subject to class action treatment. There are instances where a State court, in order to certify a class, has determined that the law of that State applies to all claims, including those of purported class members who live in other jurisdictions. This has the effect of making the law of that State applicable nationwide.

The existence of State courts that broadly apply class certification rules encourages plaintiffs to forum shop for the court that is most likely to certify a purported class. In addition to forum shopping, parties frequently exploit major loopholes in Federal jurisdiction statutes to block the removal of class actions that belong in Federal court. For example, plaintiffs' counsel may name parties that are not really relevant to the class claims in an effort to destroy diversity. In other cases, counsel may waive Federal law claims or shave the amount of damages claimed to ensure that the action will remain in State court.

Another problem created by the ability of State courts to certify class actions which adjudicate the rights of citizens of many States is that oftentimes more than one case involving the same class is certified at the same time. In the Federal court system, those cases involving common questions of fact may be transferred to one district for coordinated or consolidated pretrial proceedings.

When these class actions are pending in State courts, however, there is no corresponding mechanism for consolidating the competing suits. Instead, a settlement or judgment in any of the cases makes the other class actions moot. This creates an incentive for each class counsel to obtain a quick settlement of the case, and an opportunity for the defendant to play the various class counsels against each other and drive the settlement value down. The loser in this system is the class member whose claim is extinguished by the settlement, at the expense of counsel seeking to be the one entitled to recovery of fees.

Our bill is designed to prevent these abuses by allowing large interstate class action cases to be heard in Federal court. It would expand the statutory diversity jurisdiction of the Federal courts to allow class action cases to be brought in or removed to Federal court.

Article III of the Constitution empowers Congress to establish Federal jurisdiction over diversity cases—cases between citizens of different States. The grant of Federal diversity ju-

risdiction was premised on concerns that State courts might discriminate against out of State defendants. In a class action, only the citizenship of the named plaintiffs is considered for determining diversity, which means that Federal diversity jurisdiction will not exist if the named plaintiff is a citizen of the same State as the defendant, regardless of the citizenship of the rest of the class. Congress also imposes a monetary threshold—now \$75,000—for Federal diversity claims. However, the amount in controversy requirement is satisfied in a class action only if all of the class members are seeking damages in excess of the statutory minimum.

These jurisdictional statutes were originally enacted years ago, well before the modern class action arose, and they now lead to perverse results. For example, under current law, a citizen of one State may bring in Federal court a simple \$75,001 slip-and-fall claim against a party from another State. But if a class of 25 million product owners living in all 50 States brings claims collectively worth \$15 billion against the manufacturer, the lawsuit usually must be heard in State court.

This result is certainly not what the framers had in mind when they established Federal diversity jurisdiction. Our bill offers a solution by making it easier for plaintiff class members and defendants to remove class actions to Federal court, where cases involving multiple State laws are more appropriately heard. Under our bill, if a removed class action is found not to meet the requirements for proceeding on a class basis, the Federal court would dismiss the action without prejudice and the action could be refiled in State court.

In addition, the bill provides a number of new protections for plaintiff class members, including greater judicial scrutiny for settlements that provide class members only coupons as relief for their injuries. The bill also bars the approval of settlements in which class members suffer a net loss. In addition, the bill includes provisions that protect consumers from being disadvantaged by living far away from the courthouse. These additional consumer protections will ensure that class action lawsuits benefit the consumers they are intended to compensate.

This legislation does not limit the ability of anyone to file a class action lawsuit. It does not change anyone's right to recovery. Our legislation merely closes the loophole, allowing Federal courts to hear big lawsuits involving truly interstate issues, while ensuring that purely local controversies remain in State courts. This is exactly what the framers of the Constitution had in mind when they established Federal diversity jurisdiction.

I urge each of my colleagues to support this very important bipartisan legislation.

CONGRATULATING JUDD AND  
SUSAN SHOVAL AND GUARD IN-  
SURANCE GROUP UPON RECEIV-  
ING THE WILKES-BARRE 2005  
COMMUNITY LEADERSHIP  
AWARD

**HON. PAUL E. KANJORSKI**

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, February 2, 2005*

Mr. KANJORSKI. Mr. Speaker, I rise today to ask you and my esteemed colleagues in the

House of Representatives to pay tribute to my very good friends Judd and Susan Shoval and their company, GUARD Insurance, who received the Wilkes-Barre 2005 Community Leadership Award at a ceremony on Friday at the Westmoreland Club in Wilkes-Barre, PA.

The foundation of GUARD was an entrepreneurial expansion for Judd and Susan and a move that showed their commitment to investing in the community. Prior to GUARD, they had founded a commercial property and casualty insurance agency called Shoval Associates. As their business grew, they established an independent insurance company specializing in workers' compensation insurance in 1983.

In 2004, A.M. Best Co. recognized GUARD Insurance as an e-Fusion Finalist. This is a national awards program that spotlights innovative usage of technology to address insurance business challenges. In 2001, GUARD was ranked second among the 50 best large places to work in Pennsylvania. Ernst and Young recognized Judd and Susan with the Regional Entrepreneur-of-the-Year Award in 2001.

Judd and Susan—always community minded—kept their home office in Wilkes-Barre. They operate seven field offices and have four subsidiaries. Their company employs 560 and insures 27,000 employees.

Judd and Susan are tremendously involved in the community. I have known Susan very well as a director of the Earth Conservancy, a non-profit organization I helped found dedicated to reclaiming and developing 16,000 acres of former coal mine lands. I will always be grateful for the time and leadership she devoted to this worthy cause.

Judd is also involved with the community, including service on the boards of local universities, the Jewish Community Center and the United Jewish Campaign. He is also the chairman of CityVest, a nonprofit organization I helped found to serve as a developer of last resort. CityVest has already renovated several classic old homes on South Franklin Street and is now embarking on perhaps Wilkes-Barre's premiere landmark, The Hotel Sterling.

Judd earned a law degree from the Hebrew University of Jerusalem. Originally from Austria, Judd had moved to America in the early 1970s. A native of Northeastern Pennsylvania, Susan graduated magna cum laude with an economics degree from Cornell University and with highest honors from the College of Insurance in New York City. Judd and Susan have four children: Ben, Deborah, Karyn, and Rebecca.

Mr. Speaker, please join me in congratulating these two entrepreneurs who have given so much to their community. They are most deserving of the Wilkes-Barre 2005 Community Leadership Award.

HONORING COLORADO SENATE  
PRESIDENT JOAN FITZ-GERALD

**HON. MARK UDALL**

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, February 2, 2005*

Mr. UDALL of Colorado. Mr. Speaker, I rise today to honor my good friend, Joan Fitz-Gerald. Senator Fitz-Gerald is the first woman to lead the Colorado State Senate and is the

only female Senate President in the entire country.

When you meet Joan, who stands at about 5'1", the first image that comes to mind is not necessarily that of a woman capable of breaking ceilings, glass or otherwise. Yet she has done just that since she first ran for Jefferson County Clerk and Recorder in 1990. At the time, many people thought that she had been recruited to run for County Clerk and Recorder as little more than a Democratic place holder on the ballot. No Democrat had won in a county-wide election in the previous 15 years and no woman had ever held the position of County Clerk and Recorder in the history of Jefferson County. But Joan has always been more interested in breaking glass ceilings than in being a place holder. She campaigned hard on a solid platform and won that election. She served in the Clerk and Recorder's office until 1998. In 2000, she ran for the Colorado Senate.

Again she waged an uphill battle in a district that was traditionally difficult for a Democrat and was once again successful against popular convention of the time. Her victory gave Democrats the one seat majority they needed to take back control of the Senate. When the Democrats lost their majority the following election cycle, Senator Fitz-Gerald again made history by become the first female Minority Leader of the Senate.

In this past election cycle, Joan was one of the key leaders to orchestrate a plan to take back the Senate for the Democrats. She did this while caring for her ailing mother and caring for her brother who was diagnosed with leukemia. She lost both within 11 days of one another after the election.

It is a sign of the sincerity and strength of one's character when friends and foes alike agree about another person's character. Anyone who knows her, friend or foe, will say that she is a fighter. More than that she is also a person interested in advancing the goals of community service. She may be on the verge of becoming Colorado's Harry Truman. But then again, maybe Harry Truman was Missouri's Joan Fitz-Gerald.

Senator Joan Fitz-Gerald is a strong, smart, savvy woman. I am proud that she is the Colorado State Senate President and even more proud that she is my friend. I ask my colleagues on both sides of the aisle to join me in honoring Joan Fitz-Gerald for her achievement.

IN RECOGNITION OF BRANDON MICHAEL RUNYON UPON HIS  
ACHIEVEMENT OF EAGLE SCOUT  
COURT OF HONOR

**HON. ELLEN O. TAUSCHER**

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, February 2, 2005*

Mrs. TAUSCHER. Mr. Speaker, I rise today to pay tribute to my constituent Brandon Michael Runyon of Eagle Scout troop #204 in Lafayette, California, as he receives the distinguished honor of the Eagle Scout rank.

The honor of Eagle Scout is given only to those young men who have demonstrated that they have fulfilled its rigorous requirements, including living by the Scout Oath and Law, rising through the Boy Scout ranks, earning 21

merit badges, serving as a leader, and planning and leading a service project for their community. This is not an honor given out lightly: this young man is becoming an Eagle Scout because he is intelligent, dedicated, and principled.

I am proud to call Brandon Michael Runyon my constituent, for he is a shining example of the promise of the next generation. Indeed, he represents the best of the young people in our country. I extend my sincere congratulations to him and his family, on this momentous occasion.

HARMFUL AND COUNTERPRODUCTIVE UNITED STATES EMBARGO  
ON CUBA

**HON. RON PAUL**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, February 2, 2005*

Mr. PAUL. Mr. Speaker, I rise again this Congress to introduce a bill to lift the harmful and counterproductive United States Embargo on Cuba.

On June 29, 2001, the Texas State legislature adopted a resolution calling for an end to U.S. economic sanctions against Cuba. Lawmakers emphasized the failure of sanctions to remove Castro from power, and the unwillingness of other nations to respect the embargo. One Texas Representative stated: "We have a lot of rice and agricultural products, as well as high-tech products, that would be much cheaper for Cuba to purchase from Texas. All that could come through the ports of Houston and Corpus Christi." I wholeheartedly support this resolution, and I have introduced similar Federal legislation in past years to lift all trade, travel, and telecommunications restrictions with Cuba. I only wish Congress understood the simple wisdom expressed in Austin; so that we could end the harmful and ineffective trade sanctions that serve no national purpose.

I oppose economic sanctions for two very simple reasons. First, they don't work as effective foreign policy. Time after time, we have failed to unseat despotic leaders by refusing to trade with the people of those nations. If anything, the anti-American sentiment aroused by sanctions often strengthens the popularity of such leaders, who use America as a convenient scapegoat to divert attention from their own tyranny. So while sanctions may serve our patriotic fervor, they mostly harm innocent citizens and do nothing to displace the governments we claim as enemies.

Second, sanctions hurt American industries, particularly agriculture. Sanctions destroy American jobs. Every market we close to our Nation's farmers is a market exploited by foreign farmers. China, Russia, the Middle East, North Korea, and Cuba all represent huge markets for our farm products, yet many in Congress favor current or proposed trade restrictions that prevent our farmers from selling to the billions of people in these countries. Given our status as one of the world's largest agricultural producers, why would we ever choose to restrict our exports? The only beneficiaries of our sanctions policies are our foreign competitors.

I certainly understand the emotional feelings many Americans have toward nations such as