In Memoriam: Michael S. Stevens

The New Testament enjoins us to keep our minds focused on “whatever is true, whatever is noble, whatever is right, whatever is pure, whatever is lovely, whatever is admirable.” (Phil. 4:8) Michael Stevens, a person of deep faith, heeded that admonition. He led a true, noble, righteous, lovely and admirable life. We in Texans for Lawsuit Reform deeply mourn the recent and untimely death of Michael Stevens, our friend and longtime colleague.

Michael was an accomplished business person and an inspired civic leader. But the center of his life was his family and his faith. He was absolutely devoted to his wife, Kim, and their three grandchildren. Michael’s enormous compassion touched many lives, and each person he touched felt enriched by the experience.

We agree with former Houston Mayor Bob Lanier, who observed that Michael was a “great and exceptionally smart man who did everything he could for his family, church and city. We are all better off for the time he spent with us.”

Michael literally lit up a room when he walked into it. His bright smile was infectious. He lived life with enormous energy. He was fun to be with. He was central to TLR’s efforts to form a fair and balanced civil justice system.

Michael was involved in TLR almost from the beginning. He served on TLR’s executive committee and was a member of the TLR PAC board. He played a key role in the passage of House Bill 4, the most comprehensive tort reform bill ever passed in the U.S., and Proposition 12, which brought long-needed medical liability reform to Texas, assuring that even poor communities would have access to physicians and health care.

In addition to lawsuit reform, Michael was committed to a wide range of volunteer projects to improve his community and the world. Michael led the development of more than one billion dollars of public or non-profit projects, including the Rice Lofts, the Hilton Americas Convention Hotel, the Houston Astros Minute Maid Park, and the Houston Texans Reliant Stadium, all of which contributed to the revitalization of Houston – and he did it all pro bono.

Michael was recently appointed by Lt. Gov. David Dewhurst to the Sunset Advisory Commission, where he anticipated making a lasting difference in our state government’s structure and efficiency. He actively served on the Board and Executive Committee of Baylor College of Medicine, the Greater Houston Partnership, the Governor’s Business Council, and the Board of Directors of the Memorial Hermann Foundation. He also served as a Deacon of the Second Baptist Church of Houston.

We will greatly miss you, Michael. We will never forget your passion for the many great causes for which you worked tirelessly and selflessly. We will always remember your smile – and all that it stood for.
An Effective Remedy for Malicious Lawsuits

INTRODUCTION

It always comes as a surprise to Texans that there is no remedy against a plaintiff who brings a money damages lawsuit that has no merit whatsoever, which is filed primarily to harass, intimidate, extort a settlement, or achieve some other wrongful purpose. This continues to be true, despite all of the reforms enacted by the Texas Legislature and our state’s courts over the last fifteen years to discourage non-meritorious and abusive litigation. None of those reforms directly affect the truly extreme case where a lawsuit is primarily filed for an improper purpose and when it is clear that there are no facts or no law to justify the lawsuit.

To deal with this extreme and unusual kind of case, TLR proposes that the Legislature adopt an effective remedy by updating the long-established Texas “malicious prosecution” cause of action by adopting the updated principles published by the American Law Institute (ALI) in Section 674 of its “Restatement (Second) of Torts.” The ALI is a respected national group of lawyers and scholars whose recommendations are considered persuasive to both courts and legislatures. Rather than the somewhat misleading term “Malicious Prosecution” (which sounds like a criminal law issue), the ALI uses the more descriptive term, “Wrongful Use of Civil Proceedings.” We are referring to this as the “Restatement Proposal.”

WHAT IS THE PROBLEM?

Texas law affords no realistic remedy for a citizen who is sued wholly without legal cause and primarily for a wrongful purpose. A decade ago, the Texas Supreme Court declined to adopt the Restatement’s expansion of the tort of malicious prosecution in the case of Texas Beef Cattle Co. v. Green, 921 S.W.2d 203 (Tex. 1996) on the traditional ground that the expanded cause of action might otherwise lead to a series of repetitive lawsuits and that it might deter the bringing of well-founded litigation. It is also likely that the Court regarded such a revision of the state’s law to more properly be in the realm of legislative rather than judicial decision-making.

We believe the better public policy is to allow a defendant who should never have been sued in the first place to be able to recover damages from the plaintiff who brought the abusive lawsuit—as well as the plaintiff’s attorneys and anyone else who participated in prosecuting the case. It goes without saying that to defend against an abusive lawsuit requires a huge expenditure of time, money and emotion. If the lawsuit is, indeed, a “wrongful use of civil proceedings,” it only makes sense to allow the target of the abusive proceedings to seek damages against those who filed and pursued the case.

The concept of the Restatement’s remedy against abusive litigation is not at all new. A venerable cause of action in Texas law—“malicious prosecution”—has long been a part of the state’s common law jurisprudence. As a practical matter, however, this cause of action is rarely used because it has no application to lawsuits claiming money damages, which make up the vast majority of civil cases. Instead, current malicious prosecution law in Texas applies only to the relatively small number of cases involving “special damages,” which refers to cases in which the original defendant suffered a personal interference, such as an arrest or detention, or property interference, such as an attachment of property, appointment of a receiver, or injunction. The Restatement Proposal would remove this special damages limitation, allowing malicious prosecution law to apply to ordinary cases, such as those seeking money damages.

Updating existing malicious prosecution law through adoption of the ALI’s Wrongful Use of Civil Proceedings principles would not represent a new concept. In fact, most states have already done so, either through court decisions or legislation, by adding money damages cases to the law’s coverage. Texas should adopt this majority rule as well.

It is bad enough when a defendant wins a contested jury case but has nothing to show for his experience but a pile of legal fees. It is far worse, however, when vindication comes in a case where, in a later proceeding, the judge would hold that the first case was totally unfounded and was brought for malicious, predatory, cynical, or other improper reasons. This reform not only will assure that justice

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When TLR began the battle for lawsuit reform in 1994, our goal was to create an honest, balanced and predictable civil justice system. Our supporters around the state, from small business owners to professionals to corporate leaders, painfully recognized that lawsuit abuse was a huge drag on our economy, costing Texas dearly in many ways, including slower business expansion and fewer jobs. We hoped the reforms we advocated would not only restore public trust in the civil justice system, but would also improve our economy.

Texans for Lawsuit Reform Foundation recently asked nationally recognized economist Ray Perryman to take a comprehensive look at the impact of lawsuit reform in Texas, across every industry and region of our state. His findings, detailed in the Foundation’s latest report, “The Texas Turnaround, The Impact of Lawsuit Reform on Business Activity in the Lone Star State,” are stunning. You can view the entire Perryman Report on the TLR Foundation website (www.tlrfoundation.com).

According to Dr. Perryman, since 1995 approximately 8.5% of Texas’ economic growth is attributable to lawsuit reforms. This includes increases of $112.5 billion in annual spending, $51.2 billion in annual output and $2.6 billion in annual state tax revenue. Dr. Perryman also identified $15.2 billion in annual net benefits from enhanced innovation as a result of the reforms and the creation of 499,000 permanent jobs. Texans are saving millions of dollars with the elimination of non-productive expenditures related to unnecessary litigation, including administrative and court costs.

Lawsuit reform has given our state a resounding competitive advantage in these challenging economic times. Texas is a national leader in job creation and is repeatedly cited as one of the best places in the country to do business. CNBC News has just named Texas America’s Top State for Business in 2008. According to their analysis, Texas “has the best all-around economy in the nation.”

We do not suggest that lawsuit reform is the only reason the Texas economy has been spared many of the problems other states currently face, but Dr. Perryman’s findings conclusively show that committed state leaders and legislators who took strong stands to curtail lawsuit abuse have helped strengthen the economy throughout our state and across the entire spectrum of economic activity.

Testifying recently to a Texas Senate Committee reviewing the impact of lawsuit reform, several small business owners told lawmakers about the positive results in their own businesses, including business expansion, improved competitiveness in global markets, and job creation.

Robert Kidnew, president of Texas Lehigh Cement Company in Buda, wrote lawmakers that “…venue reforms have been equally important by ensuring that the proper courts and jurisdictions hear the trials. “Mr. Kidnew observed that lawsuit reform in Texas has allowed his company to remain globally competitive and to add jobs.

Jay Lawrence, President of Lawrence Brothers Supermarkets in Sweetwater, has a similar story. “Today, instead of fighting plaintiff lawyers, I now spend time with the issues related to selling groceries to my customers and taking care of my associates. Tort reform has made a tremendous difference in my ability to operate my business.”

The most recent lawsuit reform that TLR advocated and the Legislature enacted in 2007, the reduction of venue abuse against the maritime industry in Texas, is
Every now and then, an important news story reminds us how easy it is to slip back to the mentality of Salem and the politics of guilt by association. When this happens, we should note how well the legal profession responds to the call.

The mothers at the FLDS ranch were “easy pickins.” They dressed funny, and their hairstyles brought giggles on the “Today” show. But their stunned looks of grief at the loss of their children touched a raw nerve inside every loving parent. And in the days that followed, more and more people were troubled by the continuing news reports that contained ... nothing new. But the gossip was lurid, a situation ripe for hysteria. But, thankfully, calm prevailed, primarily because of the lawyers and judges who refused to accept disaster as a given.

As a society, we make laws to serve and protect our citizens. At our best, we reflect man's highest moral aspirations: equal protection, individual rights and personal security. The framers decided centuries ago that we would not regulate society in a way that infringes on people's religious beliefs. But how do you balance a religious belief which conflicts with our duty to protect the young and vulnerable?

In Schleicher County, authorities had long worried about the possibility of sexual abuse of minor female children, under the guise of a religion that countenances polygamy and spiritual marriage. Finally, when an anonymous (and unconfirmed) report arrived from an alleged 16-year-old describing sexual and emotional abuse, Child Protective Services moved in and removed more than 450 minor children from their parents to “protect” them.

Initially, the case came before Judge Barbara Walther, a diligent, intelligent and caring jurist who was put in a nearly impossible situation. There was no state budget for the proceedings, no planning, inadequate judicial facilities and no chance that the families would be able to retain and pay attorneys.

Many were stunned when hundreds of lawyers, including some from far-off cities, left their practices without hope of compensation, and came to the aid of these children, working for free and paying their own expenses to assist in a legal nightmare.

Walther did what most judges would do when confronted by an unknowable danger: She issued a blanket order protecting the children until the facts and circumstances of the allegations could be better studied. Her ruling gave volunteer attorneys the opportunity to review the record and pursue relief from the 3rd Court of Appeals in Austin, whose jurisdiction includes Schleicher County. The Austin court unanimously held that the evidence was insufficient to remove the children.

CPS then applied to the Texas Supreme Court for relief. The Supreme Court, in turn, asked for briefing from the parents. Our finest appellate attorneys worked through the night with a skilled cadre of legal aid attorneys and filed a reply brief the next morning. That afternoon, the Supreme Court sided with the families and refused to overturn the appeals court ruling.

Texans should be proud of the incredible response by the legal profession to protect those children and preserve the rule of law. In a situation that portended disaster from the outset, hundreds of attorneys have worked selflessly, diligently and effectively. These attorneys did not know the women or the children involved, but they came to their aid at an important moment in our history, a time when the rule of law is being battered by changing politics.

Certainly, there are many chapters left in this story. But in a time when polemic debates disfavor the poor and unrepresented, the response by Texas attorneys embodies the nobility of this great American profession.

Ducloux, a lawyer, is past president of Austin Bar Association and past chairman of the Texas Bar Foundation. This commentary originally appeared in the Austin American Statesman. It is reprinted with permission from the author.
already bearing fruit. In May, Subsea7, an international pipeline and spool manufacturing company, announced that it would build a $32 million plant in Port Isabel, giving one of the world’s largest subsea engineering and construction companies access to the South Texas port. The project will bring nearly a hundred permanent jobs to South Texas. Only a year earlier, every Texas port was threatened with the cancellation of necessary dredging projects because of an avalanche of abusive lawsuits. Robert Cornielison, Director of the Port Isabel-San Benito Navigation District, observed that the Subsea7 project would not have been possible without the lawsuit reforms enacted in 2007: “This project and others to come are possible because of the maritime venue reforms that were passed in 2007.”

Lawsuit reform has also greatly improved Texans’ access to quality health care. There has been an increase of more than 11,000 doctors in Texas since the 2003 reforms. This is positive not only because of improved health care but also because the growing health care profession in Texas further boosts our economy. Dr. Perryman found that doctors experienced an average rate reduction of 21% in medical liability insurance costs since 2003, with some getting reductions of up to 50%, which plays a large role in why doctors are staying in Texas and other doctors are moving to our state.

Dr. Perryman notes that the increase in permanent jobs produced by lawsuit reform has allowed an additional 430,000 Texans to have health insurance who would not have it without the reforms. In addition, the Texas Medical Association estimates that savings from medical liability insurance costs is paying for a 24% increase in charity care.

Sister Michele O’Brien, representing Christus Health, a Catholic hospital system, informed lawmakers at a recent hearing that savings from lawsuit reforms made a wide range of program improvements possible, including a diabetes prevention program, a new clinic for the indigent in Corpus Christi, and the expansion of preventative care throughout the Christus system. Sister O’Brien further observed that improvements in obstetrics training and equipment have reduced delivery room errors and dramatically increased patient satisfaction rates, noting that liability claims have dropped 90%. She added that the Christus system has increased its charity care by $594 million as a result of the lawsuit reforms of 2003.

The Perryman Report notes that lawsuit reform improvements to the Texas economy span the entire state. For example, our largest metropolitan region, the Houston-Sugar Land-Baytown area, gained $39.1 billion in annual spending and 152,905 permanent jobs, while rural Texas has gained $4.01 billion in annual spending and approximately 20,000 new jobs. The border region experienced almost $3 billion in improved annual spending and almost 14,500 new jobs as a direct result of lawsuit reform.

Other recent economic data corroborate Dr. Perryman’s findings. On April 18, the Bureau of Labor Statistics released its job report which showed Texas with the highest employment gains in the United States last year -- 213,500 new jobs. New York, which came in second, only recorded 68,800 new jobs. And Texas is now home to more Fortune 500 companies than any other state, including California and New York.

Although there are still lawsuit abuses and distortions that demand TLR’s vigilant attention, the economic findings of Dr. Perryman’s report are extremely gratifying. The lawsuit reforms advocated by TLR and our allies are restoring respect for the law, making our civil justice system more fair and predictable, and improving economic opportunity and the quality of life for every Texan.
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is done in individual cases; equally importantly, the reform will effectively deter the rare but real population of unscrupulous litigants and lawyers who are willing to subvert the purposes of the civil justice system, secure in the knowledge that the current law tolerates their wrongdoing.

WHAT KIND OF CASES COULD THE UPDATED CAUSE OF ACTION APPLY TO?

Only the most reprehensible cases would fit the stringent requirements of the updated malicious prosecution tort. This is because the Restatement requires that a plaintiff who brings a Wrongful Use of Civil Proceedings lawsuit must cross a number of difficult hurdles, proving that the original plaintiffs: (1) initiated or continued a lawsuit, (2) without “probable cause”, (3) primarily for a purpose other than securing the proper adjudication of the claim on which the proceedings are based, and (4) that the original case was terminated in favor of the original defendant—who becomes the plaintiff in the Wrongful Use of Civil Proceedings damages case. Though such cases are rare, any lawyer with meaningful experience in civil trial practice can think of cases that would qualify.

WHAT ARE SOME EXAMPLES OF CASES THAT MIGHT MEET THE TEST?

There are several areas in which lawsuit abuses occur today, which might qualify as an abuse of civil proceedings under the Restatement Proposal. One common example involves the filing of suits against innocent parties in order to artificially create state court venue. This “forum shopping” venue abuse involves naming an innocent party as a defendant in a targeted Texas county for the sole purpose of dragging the true defendant to that county. For example, the true target of a plaintiff might be an international pharmaceutical company, but the plaintiffs’ lawyer might also sue a local drugstore owner or doctor in order to establish venue for the case before a particular judge, even though the plaintiff has no reasonable claim against the drugstore or physician. Should not the doctor or the drugstore owner have a remedy to recover legal fees and other damages against the parties and lawyers who pursued the lawsuit against him without probable cause and primarily for the cynical purpose of obtaining venue against some unrelated party?

Another fairly common case takes the form of suits against ordinary people by a deep-pocket plaintiff, such as an unscrupulous land developer, who hopes to suppress legitimate public opposition to a development by threatening opponents with financial ruin. These and other similar suits designed to discourage public participation or quell free speech—which have come to be called “Strategic Lawsuits Against Public Participation” (or “SLAPP” suits)—are examples of cases that are initiated without probable cause and for a purpose other than securing the proper adjudication of the claim. In the 2007 legislative session, the House Civil Practices Committee heard compelling testimony from several persons who had been the target of such lawsuits and who demonstrated the absence of effective recourse against the parties and lawyers who prosecuted those actions.

THIS IS NOT “LOSER PAYS”

The most common question that TLR speakers receive from supporters and general audiences is why Texas has not adopted the remedy of “Loser Pays” to take care of these kinds of abuses. A “Loser Pays” system is one in which the losing party in a lawsuit is required to pay the opposing party’s attorney’s fees. In theory, “Loser Pays,” as it exists in other nations such as Great Britain, would remedy the problem of abusive lawsuits—but only in theory. The reason “Loser Pays” has generally not been adopted in the U.S. is that very few litigants, especially individuals and small business owners, have the financial ability to actually pay the high costs of the opposing party’s lawyer. There are specific areas of Texas law where the plaintiff’s attorney’s fees and costs are shifted to the losing defendant, such as in contract litigation and Deceptive Trade Practices Act cases, but the effectiveness of these “fee shifting” rules depend on the probability of defendants in those particular cases having the ability to pay.

Texas should adopt an adequate remedy for a party who must defend a lawsuit that was primarily filed for an improper purpose and when it is clear that there are no facts or no law to justify the lawsuit.

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CONCLUSION

In summary, the Restatement model allows liability for damages against “a party who takes an active part in the initiation, continuation or procurement of civil proceedings against another,” subject to the following stringent requirements:

(a) the party bringing the abusive lawsuit acts without probable cause and primarily for a purpose other than that of securing the proper adjudication of the claim on which the proceedings are based, and

(b) except when they are ex parte (that is, unusual proceedings governed by special rules), the proceedings have terminated in favor of the person against whom they are brought.

Such cases are common enough to expose an important gap in Texas law. Sound public policy and fairness to litigants require that Texas establish a realistic remedy in cases in which such egregious wrongdoing has occurred. At the same time, the supporting sections of the Restatement make clear that the “probable cause,” “improper purpose,” and other technical requirements of the model have been carefully worked out, heading off any new abuses that might otherwise occur when the limits of a tort cause of action are expanded. The balanced and judicious approach of the Restatement Proposal is also demonstrated by the successful record of courts in the majority of states that have already modernized their malicious prosecution cause of action.

“Free society requires some confidence in the ability of men to reach tentative and tolerable adjustments between their competing interests and to arrive at some common notions of justice which transcend all partial interests.”

– Reinhold Niebuhr

TLR’s Houston Office: Glenda & Kristie

The thousands of TLR supporters around the state are a critical component of the success of our legislative initiatives and our public information campaigns.

In TLR’s Houston office, Glenda Hovey, Director of Administrative Services and Kristie Vasquez, Director of Membership Services, play key roles in making sure every TLR supporter has the most current information about lawsuit reform.

In addition to handling administrative operations for TLR, Glenda and Kristie maintain our massive data base which includes our 16,000 supporters, every elected official in the state, community leaders, judges, law professors, members of the press and other opinion leaders interested in the civil justice system.

They provide the logistical coordination for the distribution of all our public communications, from newsletters and e-mail alerts to our more extensive reports.

Working behind the scenes, Glenda and Kristie also provide administrative support for the leadership team and the Speakers Bureau, coordinating the details of meetings and events.

Glenda and her husband Duane have three grown children and six grandchildren. Glenda is a devoted dog lover who volunteers for the local animal shelter and fosters dogs waiting to be adopted. When she is not making sure that TLR runs at tip top efficiency, Glenda also enjoys camping, hiking, kayaking and “ghost tours.” “I love my job. It’s very challenging and keeps me hopping. That’s why I love working at TLR,” Glenda says.

Kristie and her husband Dan are the parents of two young boys, Zachry and Braden, ages six and three. Kristie teaches Sunday school, volunteers for her son’s school, is a soccer and baseball mom, and enjoys salsa lessons and bike riding. In addition, she and Dan play on a softball team that won first place in their league last season. “It is a pleasure to work with everyone in TLR, because they are very genuine and truly care about the people of Texas.”
Mary Tipps, Beverly Kishpaugh and Glenda Hovey of TLR attended the Texas Federation of Republican Women’s Meeting in El Paso for the purpose of providing information about lawsuit reform to thousands of politically active women around the state.

In the spring campaign season, TLR PAC was actively engaged in working for the election of candidates who support lawsuit reform. We would particularly note the victories of two exceptionally able and energetic young women in Democratic primaries for the Texas House of Representatives, each of whom defeated anti-reform incumbents: Marisa Marquez, who will represent El Paso’s HD 77, and Tara Rios Ybarra, who will represent HD 43, a South Texas district that runs from South Padre Island through Harlingen to Kingsville.

TLR was pleased to present State Rep. Phil King with our Civil Justice Leadership Award for his consistent leadership on important lawsuit reforms that have been passed by the Legislature in the past three sessions. In a standing-room only luncheon at the Parson’s Table in Aledo, TLR President Dick Trabulsi recognized Rep. King “for his strong commitment to lawsuit reform in Texas, which has helped to dramatically enhance the state’s economy, has created hundreds of thousands of new jobs for Texans, and has significantly improved access to high-quality health care in our state.”

In April, TLR’s volunteer leaders made presentations in an interim hearing of the Texas Senate State Affairs Committee, chaired by Senator Robert Duncan (R-Lubbock). TLR’s Senior Chairman Leo Linbeck discussed the concept of no-fault liability to protect workers in a construction environment. Chairman and CEO Dick Weekley introduced the noted Texas economist Ray Perryman, who summarized the report he provided to the Texans for Lawsuit Reform Foundation showing that lawsuit reform has greatly boosted the Texas economy and job creation, and has significantly improved access to health care and has enhanced charity medical care to those in need. General Counsel Hugh Rice Kelly explained the need in Texas to establish a cause of action for wrongful prosecution of a civil case, so that those who have been damaged by a lawsuit that should never have been brought can have recourse against the parties and lawyers who prosecute a clearly meritless lawsuit.

In May, Lee Parsley, one of TLR’s lead attorneys, appeared in interim hearings of the House Civil Practices Committee and in an interim hearing conducted jointly by the House Insurance Committee and the House Business and Industry Committee. Lee covered a number of topics of interest to those committees, including discussions of proportionate responsibility and various Texas Supreme Court decisions that have attracted the attention of some Members of the Legislature.

In June, TLR hosted a table at Latino Vote 2008, the annual gala of the non-partisan Southwest Voter Registration Education Project, an organization that has been working for over twenty years to register Latinos and other minorities to increase participation in elections, a worthwhile and necessary goal in our representative democracy.

Also in June, various TLR staffers manned TLR’s Information Booth at the Texas Republican Convention in Houston, which was one of the most visited sites at the Convention. With more than 8,000 delegates, the Texas Republicans hold the largest political convention in the country and TLR staffers worked hard to make sure that participants received information and updates about the fight for lawsuit reform in Texas.

TLR’s Speakers Bureau never takes a vacation. Every day or so, it is likely that somewhere in Texas a group of community and opinion leaders are attending a speech given by a member of TLR’s volunteer Speakers Bureau. From January to June, TLR gave 61 speeches in cities and towns around Texas.