CONGRESSIONAL RECORD for October 13, 1998 and concludes on page H10775 where the names of the House and Senate Managers appear. The material on page H10775 that follows the names of the Managers, although printed in the same typeface, is not part of the Joint Explanatory Statement. It does not represent the views of the Managers.

Mr. SARBANES. So the correct version of the Joint Explanatory Statement is that which will appear in today's Senate RECORD?

Mr. D'AMATO. The Senator is correct.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

THE SECURITIES LITIGATION UNIFORM STANDARDS ACT OF 1998

UNIFORM STANDARDS

Title I of S. 1260, the Securities Litigation Uniform Standards Act of 1998, makes Federal court the exclusive venue for most securities class action lawsuits. The purpose of this title is to prevent plaintiffs from seeking to evade the protections that Federal law provides against abusive litigation by filing suit in State, rather than in Federal, court. The legislation is designed to protect the interests of shareholders and employees of public companies that are the target of meritless ''strike'' suits. The purpose of these strike suits is to extract a sizeable settlement from companies that are forced to settle, regardless of the lack of merits of the suit, simply to avoid the potentially bankrupting expense of litigating.

Additionally, consistent with the determination that Congress made in the National Securities Markets Improvement Act[1] (NSMIA), this legislation establishes uniform national rules for securities class action litigation involving our national capital markets. Under the legislation, class actions relating to a ''covered security'' (as defined by section 18(b) of the Securities Act of 1933, which was added to that Act by NSMIA) alleging fraud or manipulation must be maintained pursuant to the provisions of Federal securities law, in Federal court (subject to certain exceptions).

''Class actions'' that the legislation bars from State court include actions brought on behalf of more than 50 persons, actions brought on behalf of one or more unnamed parties, and so-called ''mass actions,'' in which a group of lawsuits filed in the same court are joined or otherwise proceed as a single action.

The legislation provides for certain exceptions for specific types of actions. The legislation preserves State jurisdiction over: (1) certain actions that are based upon the law of the State in which the issuer of the security in question is incorporated[2]; (2) actions brought by States and political subdivisions, and State pension plans, so long as the plaintiffs are named and have authorized participation in the action; and (3) actions by a party to a contractual agreement (such as an indenture trustee) seeking to enforce provisions of the indenture.

Additionally, the legislation provides for an exception from the definition of ''class action'' for certain shareholder derivative actions.

Title II of the legislation reauthorizes the Securities and Exchange Commission (SEC or Commission) for Fiscal Year 1999. This title also includes authority for the SEC to pay economists above the general services scale.

Title III of the legislation provides for corrections to certain clerical and technical errors in the Federal securities laws arising from changes made by the Private Securities Litigation Reform Act of 1995[3] (the ''Reform Act'') and NSMIA.

The managers note that a report and statistical analysis of securities class actions lawsuits authored by Joseph A. Grundfest and Michael A. Perino reached the following conclusion:

The evidence presented in this report suggests that the level of class action securities fraud litigation has declined by about a third in federal courts, but that there has been an almost equal increase in the level of state court activity, largely as a result of a ''substition effect'' whereby plaintiffs resort to state court to avoid the new, more stringent requirements of federal cases. There has also been an increase in parallel litigation between state and federal courts in an apparent effort to avoid the federal discovery stay or other provisions of the Act. This increase in state activity has the potential not only to undermine the intent of the Act, but to increase the overall cost of litigation to the extent that the Act encourages the filing of parallel claims.[4]

Prior to the passage of the Reform Act, there was essentially no significant securities class action litigation brought in State court.[5] In its Report to the President and the Congress on the First Year of Practice Under the Private Securities Litigation Reform Act of 1995, the SEC called the shift of securities fraud cases from Federal to State court ''potentially the most significant development in securities litigation'' since passage of the Reform Act.[6]

The managers also determined that, since passage of the Reform Act, plaintiffs' lawyers have sought to circumvent the Act's provisions by exploiting differences between Federal and State laws by filing frivolous and speculative lawsuits in State court, where essentially none of the Reform Act's procedural or substantive protections against abusive suits are available.[7] In California, State securities class action filings in the first six months of 1996 went up roughly five-fold compared to the first six months of 1995, prior to passage of the Reform Act.[8] Furthermore, as a state securities commissioner has observed:

It is important to note that companies can not control where their securities are traded after an initial public offering. * * * As a result, companies with publicly-traded securities can not choose to avoid jurisdictions which present unreasonable litigation costs. Thus, a single state can impose the risks and costs of its peculiar litigation system on all national issuers.[9]

The solution to this problem is to make Federal court the exclusive venue for most securities fraud class action litigation involving nationally traded securities.

SCIENTER

It is the clear understanding of the managers that Congress did not, in adopting the Reform Act, intend to alter the standards of liability under the Exchange Act.

The managers understand, however, that certain Federal district courts have interpreted the Reform Act as having altered the scienter requirement. In that regard, the managers again emphasize that the clear intent in 1995 and our continuing intent in this legislation is that neither the Reform Act nor S. 1260 in any way alters the scienter standard in Federal securities fraud suits.

Additionally, it was the intent of Congress, as was expressly stated during the legislative debate on the Reform Act, and particularly during the debate on overriding the President's veto, that the Reform Act establish a heightened uniform Federal standard on pleading requirements based upon the pleading standard applied by the Second Circuit Court of Appeals. Indeed, the express language of the Reform Act itself carefully provides that plaintiffs must ''state with particularity facts giving rise to a strong inference that the defendant acted with the required state of mind.'' The Managers emphasize that neither the Reform Act nor S. 1260 makes any attempt to define that state of mind.

The managers note that in Ernst and Ernst v. Hochfelder,[10] the Supreme Court left open the question of whether conduct that was not intentional was sufficient for liability under the Federal securities laws. The Supreme Court has never answered that question. The Court expressly reserved the question of whether reckless behavior is sufficient for civil liability under section 10(b) and Rule 10b–5 in a subsequent case, Herman & Maclean v. Huddleston,[11] where it stated, ''We have explicitly left open the question of whether recklessness satisfies the scienter requirement.''

The managers note that since the passage of the Reform Act, a data base containing many of the complaints, responses and judicial decisions on securities class actions since enactment of the Reform Act has been established on the Internet. This data base, the Securities Class Action Clearinghouse, is an extremely useful source of information on securities class actions. It can be accessed on the world wide web at http://securities.stanford.edu. The managers urge other Federal courts to adopt rules, similar to those in effect in the Northern District of California, to facilitate maintenance of this and similar data bases.

TRIBUTE TO DANA TASCHNER

Mr. DASCHLE. Mr. President, I rise today to call attention to the outstanding achievements of a Nevadan who has dedicated himself to helping individuals who often lack the means to help themselves. Dana Taschner has achieved national recognition as a champion for victims of domestic violence and civil rights abuses. He is a 38 year-old lawyer from Reno who chooses cases that are relatively small-scale,

[1] Public Law 104–290 (October 11, 1996).

[2] It is the intention of the managers that the suits under this exception be limited to the state in which issuer of the security is incorporated, in the case of a corporation, or state of organization, in the case of any other entity.

[3] Public Law 104–67 (December 22, 1995).

[4] Grundfest, Joseph A. & Perino, Michael A., Securities Litigation Reform: The First Year's Experience: A Statistical and Legal Analysis of Class Action Securities Fraud Litigation under the Private Securities Litigation Reform Act of 1995, Stanford Law School (February 27, 1997).

[5] *Id.* n. 18.

[6] *Report to the President and the Congress on the First Year of Practice Under the Private Securities Litigation Reform Act of 1995*, U.S. Securities and Exchange Commission, Office of the General Counsel, April 1997 at 61.

[7] Testimony of Mr. Jack G. Levin before the Subcommittee on Finance and Hazardous Materials of the Committee on Commerce, House of Representatives, Serial No. 105–85, at 41–45 (May 19, 1998).

[8] *Id.* at 4.

[9] Written statement of Hon. Keith Paul Bishop, Commissioner, California Department of Corporations, submitted to the Senate Committee on Banking, Housing and Urban Affairs' Subcommittee on Securities'' ''Oversight Hearing on the Private Securities Litigation Reform Act of 1995,'' Serial No. 105–182, at 3 (July 27, 1998).

[10] 425 U.S. 185 (1976).

[11] 459 U.S. 375 (1983).

but representative of many of the problems facing Americans. Time and again, Mr. Taschner has had the courage and initiative to take on cases that more prominent firms are hesitant to handle for political or monetary reasons. Dana Taschner truly brings honor to his profession.

Mr. Taschner's devotion to fighting oppression recently earned him the American Bar Association's Lawyer of the Year award. He was chosen from a pool of approximately 245,000 other lawyers in North America, competing with litigators with much higher profiles and greater wealth. In 1993, Mr. Taschner took on the Los Angeles Police Department and succeeded in forcing them to change their policy regarding police officers who commit domestic violence. In this case, he represented 3 orphans whose father, an L.A. police officer, murdered their mother and then took his own life. Taschner was able to overcome his own painful childhood memories of domestic abuse and secure the orphans a settlement. He argued that the department should not have returned the officer's gun after he had beaten his wife and threatened to kill her. He also forced the department to treat these matters as criminal cases, rather than internal affairs.

In this era of cynicism and self-promotion, I believe we must take steps to encourage and reward sincerity. Dana Taschner's unwavering dedication to his clients can be seen in his personal relationships with them, relationships that often outlive the outcome of the case. As an attorney myself, I have seen firsthand how much our country needs people in my field who care enough about their clients to commit themselves personally, as well as professionally. Many litigators find it much easier to take the cases that bring financial gain, rather than attempting to help the true victims of injustice.

I am proud that his colleagues have lavished accolades upon Mr. Taschner, but I believe it is a much greater sign of his success that his clients put their faith in him. Dana Taschner, whose integrity and selfless devotion to fairness truly embody our American justice system, is a role model for us all.

THE HEALTHCARE QUALITY ENHANCEMENT ACT

Mr. FRIST. Mr. President, I rise today to express my continued support for S. 2208, the Healthcare Quality Enhancement Act, which seeks to reform and improve the Agency for Healthcare Policy and Research (AHCPR).

Studies show that health care quality is dictated more by where you live than by scientific evidence or what is the best practice in medicine. Today, we have more biomedical research results than ever before, yet we are falling short in our success to disseminate our findings and to influence practice behavior. In 1843, Dr. Holmes published his famous article on hand washing for the prevention of puerperal fever in the New England Quarterly Journal of Medicine and Surgery. While it is an accepted and expected practice today, it took several decades before his recommendation became a universally accepted practice.

The landmark Early Treatment Diabetic Retinopathy Study was published in 1985. Then, three years later, the American Diabetes Association published its eye care guidelines for patients with diabetes. Unfortunately, however, today the national rates for annual diabetic eye exam is still only 38.4 percent. Clearly, the practical application of scientifically sound diabetic eye care recommendations has not fared much better than the highly beneficial and very important hand washing theory. While there are more scientific discoveries than ever before, the practical introduction of these new scientific discoveries does not appear to be much faster today than it was more than 100 years ago.

Through S. 2208, I am seeking to close the gap between what we know and what we do in health care. The expired statute of AHCPR represented an outdated approach to health care quality improvement. S. 2208 would establish the Agency for Healthcare Quality Research (AHQR), whose mission is the overall improvement in health care quality.

Built upon the current AHCPR, the Agency for Healthcare Quality Research is refocused and enhanced to become both the hub and driving force of federal efforts to improve quality of health care in all practice environments. The Agency will assist, not burden physicians in four specific ways. First, it will aggressively support state-of-the-art information systems for health care quality. Improved computer systems will advance quality scoring and facilitate quality-based decision making in patient care. Next, it will support research in areas of primary care delivery, priority populations and access in under served areas. The Agency's authority is expanded to support health care improvement in all types of office practice—both solo practitioners and managed care. In addition, it will promote data collection that makes sense. Physicians want information on quality to enable them to compare their outcomes with their peers. Statistically accurate, sample-based national surveys based on existing structures will efficiently provide reliable and affordable data. And finally, the Agency will promote quality by sharing information with doctors, not the federal government. While proven medical advances are made daily, patients wait too long to benefit from these discoveries. We must get the science to the people who use it—physicians.

I would like to point out that S. 2208 does not create a new bureaucracy, nor does it expand the federal government. Rather, it refocuses an existing agency, the AHCPR, on a research mission that can better serve the health and health care of all Americans. The reauthorization of the AHCPR and the creation of the Agency for Healthcare Quality Research enjoys broad-based support. By taking leadership in supporting research on health care quality improvement, eight Senators, including myself, are co-sponsoring this bill. They are Senators COLLINS, FAIRCLOTH, JEFFORDS, INOUYE, MACK, BREAUX, and LIEBERMAN. In addition, S. 2208 was later incorporated in another bill which received co-sponsorship from 49 Senators. Also, I am pleased to report that 44 leading organizations, consisting of health care professionals, patient advocates, major health care organizations and health services researchers, have also lent their support for this measure.

Americans want and deserve better health care. For this compelling reason, I will reintroduce S. 2208 in the 106th Congress. I urge my colleagues to support health care quality improvement and to refocus the federal government's role in this vitally important area of research.

NOMINATION OF JEFFREY S. MERRIFIELD

Mr. SMITH of New Hampshire. Mr. President, I rise today in support of Mr. Jeff Merrifield to the position of U.S. Nuclear Regulatory Commissioner.

Mr. Merrifield was born in Westerly, Rhode Island and spent most of his childhood in Antrim, New Hampshire. In 1985, Jeff graduated Magna Cum Laude with his B.A. from Tufts University. In 1986, he joined Senator Gordon Humphrey's staff and handled energy and environmental issues. I first came to the Senate in 1990 and I was fortunate that Jeff was one of several staffers who carried over from Senator Humphrey's staff to mine.

While working for Senator Humphrey and me, Jeff put himself through Georgetown Law School. He graduated in 1992 after which he began work for the Washington D.C. based law firm of McKenna and Cuneo. There, he practiced environmental and government contracts law until 1995. I was very pleased to have Jeff returned to my staff in 1995 to be my counsel for the Senate Subcommittee on Superfund, Waste Control and Risk Assessment. He was the lead staffer in developing my Superfund reauthorization legislation.

During his time with the Senate, Jeff has been involved with all aspects of solid and hazardous waste disposal and cleanup regulation. He took part in a number of bills including the Price Anderson reauthorization, the Oil Pollution Control Act, the Clean Air Act reauthorization, efforts to reauthorize both Superfund and RCRA, and the Intermodal Surface Transportation Act (ISTEA I).

In addition to his duties on the Committee, Jeff has also been extensively