ABA braces for LSC appropriations battle

House approves current-year cuts as president proposes FY 2012 budget

The ABA is bracing for a fight to preserve funding for the Legal Services Corporation (LSC), which is facing a $70 million cut as part of H.R. 1, legislation passed by the House Feb. 18 that would reduce current-year appropriations for programs across the federal government by approximately $60 billion.

Most federal programs are currently being funded at fiscal year 2010 levels through a continuing resolution that expires March 4, and the cuts in H.R. 1 would affect discretionary and non-security programs.

The LSC projects that the $70 million reduction in the LSC’s appropriation – which would come out of the $394.4 million allotted for basic field grants – would be “devastating” to the 136 nonprofit legal aid programs around the country that receive LSC funding. According to the LSC, approximately 160,000 fewer low-income people would receive civil legal assistance, and 80,000 fewer cases would be handled by LSC-funded programs. The LSC also projects layoffs for approximately 370 legal aid staff attorneys and the shutting down of many programs serving rural areas.

“Slashing funds that keep working class and poor people from falling into a legal and financial tailspin is not the right decision in this economy,” according to ABA President Stephen N. Zack. “Every cent spent helping families deal with crises such as eviction, child support and custody or a domestic violence restraining order ultimately saves taxpayer money. Legal providers in every area of the country are already hurting from years of underfunding, worsened by the effects of the recession,” he said.

The House faced several hundred proposed amendments during consideration of H.R. 1. Members sustained a point of order Feb. 15 against an amendment offered by Rep. Steve Cohen (D-Tenn.) that sought to increase the LSC amount in the bill by $70 million. The next day, the House rejected, by a 171-259 vote, an amendment that would have eliminated all $394.4 million in LSC basic field grant funding.

H.R. 1 now goes to the Senate for consideration.

Meanwhile, President Obama unveiled a proposed budget of $3.72 trillion for fiscal year 2012 on Feb. 14. That proposal would freeze overall domestic discretionary spending at fiscal year 2010 levels for the next five years but provide...
# LEGISLATIVE BOXSCORE

<table>
<thead>
<tr>
<th>ABA LEGISLATIVE PRIORITY</th>
<th>HOUSE</th>
<th>SENATE</th>
<th>FINAL</th>
<th>ABA POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independence of the Legal Profession.</strong> On 7/29/09, the Federal Trade Commission (FTC) announced a 90-day delay until 11/1/09 for a “Red Flags Rule” that would include attorneys in the definition of “creditor” and require lawyers to implement programs to detect, identify and respond to activities that could indicate identity theft. The ABA filed a lawsuit against the FTC on 8/27/09 and a motion for partial summary judgment on 9/23/09 to block the Rule’s application to lawyers. On 10/30/09, the court ruled that the FTC had exceeded its authority. The FTC appealed the decision and delayed implementation of the rule for all entities through 12/31/10. Oral arguments were 11/15/10. P.L. 111-219 (S. 3987) clarifies that lawyers are not creditors under the act. On 2/3/11, the ABA filed a supplemental brief in the case, and the FTC responded with a reply brief on 2/10/11.</td>
<td>House passed H.R. 2 on 1/19/11. Senate rejected health care repeal amendment to S. 223 on 2/2/11.</td>
<td>President signed P.L. 111-219 (S. 3987) on 12/18/10.</td>
<td>Opposes the application of the FTC’s “Red Flags Rule” to lawyers. Supports preservation of the attorney-client privilege and work product doctrine and opposes governmental policies, practices and procedures that erode these protections, including the routine practice by government officials of seeking to obtain a waiver of the attorney-client privilege or work product doctrine through the granting or denial of any benefit or advantage. See page 5.</td>
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<td><strong>Health Care Law.</strong> P.L. 111-148 (H.R. 3590), the Patient Protection and Affordable Care Act, and P.L. 111-152 (H.R. 4872), the Health Care and Education Reconciliation Act, overhaul the nation’s health care system. H.R. 2 would repeal health care reform law. An amendment proposed to S. 223 would have repealed the law. H.R. 5 would preempt state medical liability laws.</td>
<td>President signed P.L. 111-148 (H.R. 3590) on 3/23/10 and P.L. 111-152 (H.R. 4872) on 3/30/10.</td>
<td>Supports increased access to health care for all Americans. Opposes federal legislation to preempt state medical liability laws or legislation to require patients injured by malpractice to use &quot;health courts&quot; that take away jury trials. See page 3.</td>
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<td><strong>Judicial Independence.</strong> No cost-of-living adjustment was provided for federal judges in 2010 and 2011. S. 348 and H.R. 727 would establish an inspector general for the federal judiciary.</td>
<td>H.R. 727 was referred to the Judiciary Cmte. on 2/15/11. S. 348 was referred to the Judiciary Cmte. on 2/15/11.</td>
<td>Supports prompt filling of judicial vacancies. Opposes initiatives that infringe upon the separation of powers between Congress and the courts. See page 3.</td>
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<td><strong>Legal Services Corporation.</strong> P.L. 111-322 (H.R. 3082), a continuing resolution, includes $420 million, current funding, for the LSC through 3/4/11. H.R. 1, continuing fiscal year 2011 appropriations legislation, includes a $70 million cut in LSC funding for the current year.</td>
<td>House passed H.R. 1 on 2/19/11.</td>
<td>President signed P.L. 111-322 (H.R. 3082) on 12/22/10.</td>
<td>Supports an independent, well-funded LSC. See front page.</td>
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House panel approves medical liability bill

The House Judiciary Committee approved a bill Feb. 16 along party lines that would preempt state law to overhaul the medical liability system—a move long opposed by the ABA.

H.R. 5, which cleared the committee by a vote of 18-15, includes provisions that would:

• cap noneconomic damages at $250,000;
• create a “fair share rule” under which each party would be liable only for its share of any damages; and
• empower a court to reduce the contingent fees paid from a plaintiff’s damage award to an attorney, redirect damages to the plaintiff, cap contingent fees at certain limits, and further reduce contingent fees in cases involving minors and incompetent persons.

The ABA expressed concerns about the bill in a Feb. 8 letter to committee members, emphasizing that the states are the repositories of experience and expertise in medical liability matters.

“For over 200 years, the authority to determine medical liability law has rested with the states,” ABA Governmental Affairs Director Thomas M. Susman wrote. “This system, which allows each state the autonomy to regulate the resolution of medical liability actions within its borders, is a hallmark of our American justice system.”

In the letter, Susman specifically highlighted ABA policy that compensatory damages should not be capped at either the state or federal level, citing research showing that caps diminish access to the courts for low-wage earners—including the elderly, children and women—who would have more difficulty finding attorneys to represent them.

In the area of proportionate liability, the “fair share rule” proposed in the act would preempt existing state laws that provide for joint and several liability in medical liability cases. Susman explained that the ABA believes that at the state level the laws providing for joint and several liability should be modified to recognize that defendants whose responsibility is substantially disproportionate to liability for the entire loss suffered by the plaintiff are to be held liable for only their equitable share of the plaintiff’s noneconomic loss. The association opposes the provisions in H.R. 5 because they would preempt state law and also apply to all damages, not just noneconomic damages.

Susman also pointed out that the ABA has long opposed sliding scales for contingent fees and other special restrictions on such fees.

During markup of the legislation, the committee approved by voice vote an amendment to remove language that would have abolished the collateral source rule, a common law doctrine that prohibits evidence that a plaintiff has received compensation from other sources.

Panel addresses issues surrounding delays in judicial confirmations

Immediate Past President Carolyn B. Lamm (second from right) appeared Feb. 1 on an American Constitution Society (ACS) panel discussing delays in the federal judicial nomination and confirmation process. White House Counsel Robert F. Bauer (at podium) began the event by emphasizing the high number of federal judicial vacancies and said the Obama administration will do what it takes to work with Congress to break the confirmation gridlock that is “profoundly troubling.” The ABA has urged the administration and Congress to act promptly on nominations. Lamm, a partner at the law firm of White and Case, applauded efforts in that direction. She also acknowledged the concern of Chief Justice John Roberts, who focused on the issue in his recent Year-end Report on the Judiciary. Also participating in the event were (seated from left): moderator Caroline Fredrickson, ACS executive director; Makan Delrahim, a shareholder at the law firm of Brownstein Hyatt Farber Schreck and former staff director and chief counsel of the Senate Judiciary Committee; Lamm; and University of North Carolina law professor William P. Marshall, former deputy White House counsel and deputy assistant to President Clinton.
House committee examines U.N. funding issues

Witnesses appearing before a Jan. 25 House Committee on Foreign Affairs briefing to examine urgent problems at the United Nations overwhelmingly argued in favor of U.S. action to push for sweeping reforms of the international organization.

Republican and Democratic members of the committee concurred that some level of reform at the U.N. is necessary, but disagreed on the appropriate approach. In her opening statement, Chairwoman Ileana Ros-Lehtinen (R-Fla.) stated she will be reintroducing legislation similar to that which she sponsored in the last Congress, H.R. 557, which would, among other things, make U.S. payment of most of its annual U.N. dues voluntary and conditioned on reforms.

The ABA has consistently acknowledged that certain reforms at the U.N. are needed, but has opposed the conditioning of U.S. contributions on reform. In previous correspondence to Congress and the State Department, the ABA has reiterated that “payment of assessed contributions to the United Nations is a legal obligation owed by all member states under Article 17 of the UN Charter” and that it would be “inconsistent with that legal obligation to condition payment of the U.S. assessments on either reform or reorganization at the United Nations.”

According to the ABA, failure on behalf of the United States to pay its financial obligations “damages U.S. political credibility and marginalizes U.S. influence on the very reforms it seeks to implement at the U.N.”

One of the ABA’s primary goals is to advance the rule of law internationally. The Jan. 25 briefing included testimony from Peter Yeo, vice president for public policy and public affairs at the United Nations Foundation. He echoed the ABA’s sentiment by stating that “the UN serves a purpose to advance U.S. interests,” and “reform and progress will not happen unless the United States is at the table” paying its dues and playing an active role in the organization.

Claudia Rosett, from the Foundation for Defense of Democracies, emphasized pushing for enhanced financial disclosure, transparency and accountability. Rosett also added that Congress must hold more oversight hearings to track the progress of reform.

The ABA will oppose any future legislation to restrict the United States’ legally obliged contributions to the U.N. The legislation is likely to be introduced in the very near future, along with other efforts to cut foreign-aid programs as the Republicans seek to push through an initiative to cut overall government spending.

In related action, the House failed Feb. 9 to pass H.R. 519, a bill introduced by Ros-Lehtinen to retrieve $179 million in overpayments to the U.N. Tax Equalization Fund.

The Obama administration has proposed using the overpayments to offset future dues.

Appropriations battles begin

continued from front page

increases in some education programs, transportation and clean energy efforts in an attempt to make the country more competitive.

The ABA President Zack discussed the challenges ahead with respect to providing civil legal services for the poor. He emphasized that holding the line against cuts in LSC funding is paramount and explained that in the current economic climate other sources of revenue to support legal services programs are in decline. For example, Interest on Lawyers’ Trust Accounts (IOLTA) programs are producing 57 percent less revenues nationally than in prior years.

He vowed that the ABA and the organized bar as a whole will continue vigorous efforts to stimulate an even greater outpouring of generosity by private lawyers in donating services to address the legal needs of the poor. He cited numerous examples of pro bono programs developed by the ABA and state and local bar associations as well as the pro bono services of individual lawyers and of those in large law firms who choose to channel their pro bono work toward important local or national causes. The association, he said, will sponsor a National Pro Bono Summit in Washington this fall to determine how to improve and expand the network of pro bono programs.

Zack concluded, however, that the LSC is the core of the nation’s system for providing legal services to the poor, and pro bono efforts cannot replace government support for civil legal services.
ABA files supplemental brief in Red Flags case

In a supplemental brief filed Feb. 3 with the U.S. Court of Appeals for the District of Columbia Circuit, the ABA maintained that the Red Flag Program Clarification Act of 2010 (P.L. 111-319), signed into law in December, reflects that Congress never intended to include lawyers in the practice of law as “creditors” under the Fair and Accurate Credit Transactions Act of 2003 (FACT Act).

Despite enactment of the clarification act, the Federal Trade Commission (FTC) is continuing its appeal of a decision issued by the U.S. District Court for the District of Columbia last fall that concluded that the commission had exceeded its authority by applying its “Red Flags Rule” to practicing lawyers.

The judge’s ruling was the result of a lawsuit filed by the ABA asking the district court to bar the FTC from including lawyers under the rule, which requires “financial institutions” and “creditors” to implement programs to detect, identify and respond to activities that signal possible identity theft. The FTC maintains that the term “creditor,” as defined by the act, covers all entities – including lawyers – that regularly provide services or goods before seeking payment.

In the supplemental brief, the ABA emphasized that the Clarification Act added several new requirements to the definition of “creditor” that narrowed the permissible scope of the Red Flags Rule. The brief explained that the law of the circuit provides that the commission may not regulate lawyers engaged in the practice of law unless Congress provides the commission with an unmistakable clear grant of statutory authority to do so. The text of the Clarification Act “contains not a single mention of lawyers or the practice of law,” resulting in the “inescapable conclusion that Congress agreed with the district court’s holding that lawyers were never intended to be covered,” according to the brief.

In a supplemental reply brief filed Feb. 10, the FTC stated that the Clarification Act narrowed the scope of entities subject to the FACT Act’s identity theft prevention provisions, but provided no categorical exemption for lawyers. The FTC argued that lawyers may still be “creditors” under the Clarification Act in certain circumstances, including when they are acting as debt collectors. The ABA, according to the FTC brief, failed to rebut the commission’s showing that there are clearly legitimate applications of the Red Flags Rule to lawyers.

Oral arguments in the appeal were heard just days before the Clarification Act was enacted. The ABA is urging the appeals court to affirm the district court’s judgment in ABA’s favor.

FTC takes action against notario fraud

ABA President Stephen N. Zack applauded the Federal Trade Commission (FTC) earlier this month for filing a complaint in the U.S. District Court of Nevada against the alleged unauthorized practice of immigration law and notario fraud, which is becoming an increasingly serious problem within the immigrant communities throughout the United States.

“The FTC’s action sends a strong signal that our country will not tolerate when those seeking legal help are, instead, being hurt,” Zack said after the FTC asked a federal judge to shut down an operation that duped consumers into paying fees they were told covered U.S. immigration services.

According to the FTC, the defendant, Immigration Center and Immigration Forms and Publications Inc., set up websites that mimicked the official government site of the U.S. Citizenship and Immigration Service (USCIS) and used the fake sites to steer immigrants to a deceptive marketing operation. The sites offered counseling and application forms and directed consumers to a toll-free number where they talked to individuals they believed worked for USCIS. The business charged processing fees ranging from $200 to $2,500 – the same fees charged by USCIS.

The judge froze the defendant’s assets and appointed a receiver to take over the business until the case is resolved in the district court.

The ABA strongly supports pursuing those involved in notario fraud, and the association’s FightNotarioFraud project, housed in the ABA Commission on Immigration, has three main goals in putting an end to immigration consulting fraud: providing attorneys with information on how to take action against notarios; providing a depository of pleadings and other forms that might be useful in reporting or pursuing a case against an immigration consultant; and facilitating the referral of victims of immigration consulting fraud to litigation and consumer protection attorneys interested in representing them pro bono in civil litigation against the fraudulent immigration consultants.
ABA urges Congress to ensure availability of USPTO fees

ABA President Stephen N. Zack expressed the association’s concerns to House appropriators Feb. 4 about funding for the U.S. Patent and Trademark Office (USPTO), which operates entirely on user fee collections but is currently in a crisis.

In a letter to Reps. Frank Wolf, chairman of the House Appropriations Subcommittee on Commerce, Justice, Science and Related Agencies, and Chaka Fat-tah, the panel’s ranking member, Zack emphasized that a combination of events has produced the present dire circumstances in which the USPTO must operate on funding that is more than $1 million less per day than the full funding that Congress determined was needed.

For the past six years, congressional appropriations have provided full funding of the USPTO in the amounts equal to the agency’s projected fee collections. Zack said that “a perfect storm began gathering” when the agency underestimated its fee collections in fiscal year 2010, and as a result the appropriations level for fiscal year 2010 did not include approximately $50 million in additional collections. Since Congress did not agree on fiscal year 2011 funding measures before the Oct. 1, 2010, beginning of the fiscal year, most of the federal government, including the USPTO, has been functioning at fiscal year 2010 levels through several continuing resolutions.

This situation has produced an unrealistically lower level of spending authority for the USPTO based on the underestimated fee collections for 2010. Meanwhile, fee collections and the corresponding workload of the USPTO continue to rise, but the office has no access to those additional funds under the continuing resolution funding mechanism.

Zack strongly urged that Congress include an appropriate “buffer” provision in the appropriation for the USPTO for the rest of the year that would make available to the office actual fee collections that exceed the amount provided in the appropriation. Without the buffer, Zack said, the resulting underfunding of approximately $400 million would “trigger a downward spiral in productivity and quality of the patent and trademarks systems, with crippling effects on the engines of innovation, investment and job creation that drive our nation’s economy and improve the lives of our citizens.”

Medical liability continued from page 3

received monetary benefits, such as private health or liability insurance, from third parties. The amendment, offered by Rep. Robert C. “Bobby” Scott (D-Va.), also deleted language that would have prohibited providers of collateral source benefits from recovering any amounts paid after a court award is made to the plaintiff. The ABA supports, at the state level, retention of the collateral source rule while allowing third parties who have furnished monetary benefits to plaintiffs to seek reimbursement out of the recovery.

H.R. 5 now goes to the Republican-controlled House for consideration, where it is expected to pass. The bill is likely to face stronger opposition in the Senate.
FINANCIAL ACTION TASK FORCE: The ABA submitted comments Jan. 7 to the Financial Action Task Force (FATF), an intergovernmental body created in 1989 to develop and promote polices at the national and international levels to combat money laundering and terrorist financing. The ABA comments offered recommendations for further improving the FATF’s “Consultation Paper,” which seeks to update and refine the entity’s existing anti-money laundering and terrorism financing (AML/CFT) standards. In the ABA comments, Kevin L. Shepherd, chair of the ABA Task Force on Gatekeeper Regulation and the Profession, urged the FATF to modify its proposals in numerous ways to ensure that the new AML/CFT standards are consistent with the Voluntary Good Practices Guidance for Lawyers to Detect and Combat Money Laundering and Terrorist Financing adopted by the ABA last August. Shepherd cautioned in his letter that any changes in the risk-based approach to combating money laundering should respect the considerable time the legal profession spent to develop the carefully balanced system outlined in the ABA Good Practices Guidance. In addition to his comments on a number of issues in the consultation paper, Shepherd suggested ways to make the consultative process more reflective of the interests, goals and concerns of the private and public sectors by providing more opportunity for dialogue before deciding on a course of action. He also expressed concerns that the timetable for the proposed reforms is too compressed and requested that FATF allow more time for consultation between the private and public sectors. Completion of the standards is set for October 2011.

WEBSITE ACCESSIBILITY: The ABA submitted comments Jan. 21 to the Department of Justice (DOJ) Civil Rights Division expressing the association’s position that all legal websites should be made fully accessible whether they are publicly or privately owned or supported. The comments were in response to an advance notice of proposed rulemaking entitled Nondiscrimination on the Basis of Disability; Accessibility of Web Information and Services of State and Local Government Entities and Public Accommodations. The DOJ solicited the comments as it develops standards for accessibility of websites for individuals with disabilities, focusing on a proposed time frame for compliance, burdens and costs related to compliance, and any potential unintended consequences of website accessibility requirements. Katherine H. O’Neil, chair of the ABA Commission on Mental and Physical Disability Law, noted in the ABA comments the “obvious link between the accessibility of legal websites and the ability of people with disabilities to find employment as lawyers and paralegals, to access legal information and services, and to obtain competent legal representation.” She emphasized that the ABA, which does not support mandatory rules with the force of law on accessibility of websites, proposes that the first step in the process of migration to fully accessible websites should be the creation of standards and encouragement of their use. O’Neil suggested that the DOJ be mindful of the more limited resources that ordinarily characterize smaller public entities in the legal profession that may require additional time to comply with any new regulations. She also encouraged the government to lead the way in use and support for development of relevant technology for consumer products that make websites accessible.

ATTORNEY-CLIENT PRIVILEGE: ABA President Stephen N. Zack urged the U.S. Department of Housing and Urban Development (HUD) Feb. 8 to reconsider and revise their policies that have had the effect of eroding fundamental attorney-client privilege and work product protections. In a letter to HUD Secretary Shaun Donovan and HUD Acting Inspector General Michael P. Stephens, Zack urged the department to rescind its existing guidance that pressures public housing agencies (PHAs) and other grantees to execute an upfront waiver of their attorney-client privilege and work product protection, and to stop penalizing grantees that decline to follow the guidance. According to Zack, the current HUD guidance “urges” all PHAs to attach an Addendum to contracts with outside counsel for professional legal services that restricts the ability of the PHA’s lawyers to assert the attorney-client privilege, the work product doctrine, or any other discovery privileges on behalf of their PHA clients during HUD inspector general information requests, reviews, investigations and enforcement proceedings. Zack emphasized that even though the use of the Addendum is not required, HUD and Office of Inspector General (OIG) staff continue to issue direct requests for PHAs and other grantees to waive their attorney-client privilege and work product protections. HUD recently has been suspending its approval of contracts with legal counsel, including litigation contracts, when PHAs decline to waive the privilege. The ABA believes there should be a clear directive to HUD and OIG employees prohibiting them from requesting waivers. Zack noted that the ABA’s request is consistent with actions already taken by a number of federal agencies, including the Justice Department, that have replaced their previous privilege waiver guidelines with ones that specifically direct their officials “not to pressure companies and other organizations to waive their attorney-client privilege and work product protections during investigations.”
Bill would extend USA PATRIOT Act provisions

The House cleared legislation Feb. 17 to extend the “library,” “lone wolf” and “roving wiretap” anti-terrorism provisions of the USA PATRIOT Act through May 27 after agreement could not be reached on proposals to either make the provisions permanent or extend them through 2013.

The provisions had been scheduled to expire Feb. 28 under a one-year extension enacted in February 2010. H.R. 514, which provides for a 90-day extension, passed the House Feb. 17 by a 297-143 vote two days after the Senate approved the bill by an 86-12 vote.

The “library” provision allows the government to seek surveillance orders from the Foreign Intelligence Surveillance Court for tangible things, including medical and library records that it states are related to a terrorism investigation. Under the “lone wolf” provision, the government may apply to the court to conduct surveillance on suspected terrorists who are not connected to larger terrorist organizations. The “roving wiretap” provision authorizes court-approved roving wiretaps of terrorism suspects using multiple communications devices.

Earlier this month, the Senate Judiciary Committee began marking up S. 193, a bill introduced by committee Chairman Patrick J. Leahy (D-Vt.), to extend the expiring provisions through 2013. The bill is similar to legislation approved by the committee during the last Congress, and markup is scheduled to continue March 3.

In introducing the bill, Leahy emphasized that the legislation would codify steps that Attorney General Eric H. Holder Jr. took in December to implement many of the privacy and civil liberties provisions of the bill administratively.

In correspondence to Leahy, Holder wrote that the department had determined that many of the privacy and civil liberties of the legislation could be implemented without legislation.

“We believe these measures will enhance standards, oversight and accountability, especially with respect to how information about U.S. persons is retained and disseminated, without sacrificing the operational effectiveness and flexibility needed to protect our citizens from terrorism and facilitate the collection of vital foreign intelligence and counterintelligence information,” Holder said.

In the House, Rep. F. James Sensenbrenner (R-Wis.) is planning to hold hearings on the issue before the House Judiciary Subcommittee on Crime, Terrorism and Homeland Security, which he chairs. Sensenbrenner supports making the provisions permanent.

The ABA has urged Congress to thoroughly review executive branch powers under the USA PATRIOT Act and to conduct regular oversight of the government’s use of the Foreign Intelligence Surveillance Act.

ABA remembers Bob Evans

Robert D. Evans, who headed the ABA Governmental Affairs Office for 25 years during his 35-year career at the association, died Jan. 16.

Evans, who retired in 2007, was a graduate of Yale University and the University of Michigan Law School. He was recognized as one of Washington’s top lobbyists and honored numerous times for his efforts toward equal justice for America’s poor.

A life fellow of the American Bar foundation and a member of the American Law Institute, Evans was listed in Who’s Who in America and Who’s Who in American Law.