

# Democrats side with lawyers over small-business owners

The state Assembly's dominant Democrats had a choice Thursday: help the thousands of small-business owners who have been clobbered by extortionate lawsuits or lawsuit threats under the state's broad unfair competition law, or stand with personal injury attorneys who are among the Democrats' most reliable campaign contributors.

The attorneys, to the utter surprise of no one, emerged as victors in a showdown hearing of the Assembly Judiciary Committee.

Voting largely along party lines, in what was clearly a scripted scenario, the committee killed three bills that would have imposed some reforms on the unfair competition law - UCL, as it's called - and approved a lawyer-backed substitute that contains only superficial changes and, if enacted, would actually make it easier to collect money in UCL cases.

The scandalous misuse of the UCL across the state to shake down small businesses, many of them owned by

recent immigrants, emerged as a political issue late last year. Typically, owners of nail salons, auto repair shops, restaurants and other small businesses would receive letters from attorneys threaten-

ing suits based on tiny violations of state regulatory laws, but allowing the targeted defendants to buy their way out of the suits with quick payments of a few thousand dollars to attorneys.

The Trevor Law Group, which was the most obvious practitioner of the UCL trade, was hit with a State Bar investigation and a lawsuit by Attorney General Bill Lockyer. However, while those actions put a dent in the practice, other law firms have been pursuing other cases, and several bills changing the UCL were introduced. It became a firestorm in the Capitol's perpetual struggle between personal-



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injury attorneys and business- and insurance-backed groups over the rules governing lawsuits. Attorneys often use the UCL as the basis of lawsuits on behalf of consumers, labor unions, environmentalists and others, and they resisted any changes that would inhibit their activities. But the business groups seized on the small-business owners' plight to demand a broad UCL overhaul, saying that it is often misused to extract settlements from defendants on flimsy pretexts.

Two Republican-authored bills would, in fact, have made major changes in the UCL, but Democratic Assemblyman Lou Correa, whose Orange County district contains many of the immigrant-owned businesses hit by the lawsuits, crafted a measure aimed specifically at the extortionate misuse of the law with the help of

Robert Fellmeth, executive director of the Center for Public Interest Law at the University of San Diego. Then, at virtually the last moment, Assembly Judiciary Committee Chairwoman Ellen Corbett, D-San Leandro, unveiled a measure written by the personal injury attorneys lobby, Consumer Attorneys of California.

The Corbett bill, in conjunction with another lawyer-written measure in the Senate, would impose very mild new requirements on attorneys filing UCL suits, but it would also add a provision, called "disgorgement," that would allow more money to be obtained from UCL defendants and thus increase plaintiffs' leverage. Recent state Supreme Court decisions had barred "disgorgement" in UCL suits.

The Judiciary Committee took up the bills Thursday afternoon at a hastily called meeting, approved Corbett's bill and rejected the other three, including Correa's. "Trevor is just the tip of the iceberg," Fellmeth, one of the state's major authorities on UCL,

warned the committee as he urged passage of Correa's measure. Among other things, it would have required courts to approve UCL settlements. What happened is not surprising: anyone who knows of the close ties between the trial attorneys and the Democratic Party, but it is instructive nonetheless. It reveals who really counts when a well-heeled special interest lobby collides with struggling small-business owners who don't contribute to politicians' campaign treasuries - notwithstanding the very rhetoric about protecting the lower end of the economic scale.

Clarification: A recent column described the California Budget Project as being "labor-backed." Although liberal group often sides with labor unions on political issues, it received most of its support from foundation.     
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