

Significant New York Court of Appeals Decisions

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New York Court of Appeals: Three-Year Statute of Limitations Applies to Martin Act Claims

On June 12, 2018, the New York Court of Appeals (the “Court of Appeals”) held that claims brought under the Martin Act, New York’s blue sky law, are governed by the three-year statute of limitations set forth in New York Civil Practice Law and Rules (“CPLR”) 214(2), which applies to actions “to recover upon a liability, penalty or forfeiture created or imposed by statute.” *People by Schneiderman v. Credit Suisse Sec. (USA)*, 31 N.Y.3d 622 (N.Y. 2018) (DiFiore, C.J.). The Court of Appeals reversed the ruling of the Appellate Division, First Department, which held that the six-year statute of limitations set forth in CPLR 213(8) for actions “based upon fraud” applies to Martin Act claims. The Court of Appeals also found CPLR 213(1), which establishes a six-year statute of limitations for actions “for which no limitation is specifically prescribed by law,” inapplicable to Martin Act claims.

The Court of Appeals explained that CPLR 214(2)’s three-year statute of limitations applies “where liability would not exist but for a statute.” CPLR 214(2) does not apply to “claims which, although provided for in a statute, merely codify or implement an existing common law liability.” The Court of Appeals found that “the Martin Act covers some fraudulent practices not prohibited elsewhere in statutory or common law.” Consequently, the Court of Appeals held that the three-year statute of limitations set forth in CPLR 214(2) “governs Martin Act claims.”

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