

MEMO# 11108

July 9, 1999

CONGRESS APPROVES LITIGATION LIMITS ON YEAR 2000 LIABILITY

[11108] July 9, 1999 TO: BOARD OF GOVERNORS No. 46-99 FEDERAL LEGISLATION
MEMBERS No. 19-99 PRIMARY CONTACTS - MEMBER COMPLEX No. 69-99 PUBLIC
INFORMATION COMMITTEE No. 32-99 RE: CONGRESS APPROVES LITIGATION LIMITS ON
YEAR 2000 LIABILITY

Both the House of Representatives and the Senate passed legislation that provides protection for businesses against Year 2000-related lawsuits. H.R. 775, the "Y2K Act," was approved by overwhelming majorities. However, the protections of the bill do not apply to any Y2K action that arises under federal securities laws. H.R. 775 limits Y2K litigation by: ! capping punitive damages for companies with fewer than 50 employees at the lesser of \$250,000 or three times the amount of compensatory damages, ! granting companies a 90-day period to fix Y2K problems before litigation can commence, and ! specifying that no company can be assessed damages greater than its proportional responsibility for a failure, absent specific intent to injure or commit fraud. The legislation also requires claims involving 100 or more plaintiffs or seeking more than \$10 million in damages to be filed in federal court. The president is expected to sign this measure. Matthew P. Fink

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