



Companies Face Increased Exposure to Class Actions in the Wake of Shady Grove v. Allstate

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As a response to the burgeoning abuses of class action lawsuits, several states enacted legislation specifying that certain claims were categorically ineligible for class action treatment. New York was one of these states. In 1975, New York enacted N.Y. C.P.L.R. § 901(b), which reads that unless otherwise authorized under statute "an action to recover a penalty, forfeiture or minimum measure of recovery created or imposed by statute may not be maintained as a class action." The purpose of the provision was to prevent the "excessively harsh results" that may obtain if statutory penalties, which had been calibrated to individual lawsuits, were made recoverable in a class action.

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