

Legislator Proposes Treble Damages And Unilateral Attorneys' Fee For Securities Claims

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Assembly Member Al Muratsuchi recently introduced a bill, [AB 2069](#), that would grant courts the discretion to award treble damages for violations of the qualification requirements of the Corporate Securities Law of 1968. Courts would also gain the discretion to award treble damages for violation of Corporations Code Section 25401 which declares it unlawful for any person to offer or sell a security in California, or to buy or offer to buy a security in California, by means of any written or oral communication that includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements made, in the light of the circumstances under which the statements were made, not misleading. Before awarding treble damages, the court must determine that the violation was willful. The bill would also requires the court to award reasonable attorneys' fees to a prevailing purchaser or seller.

Both Corporations Code Section 25501 (specifying the remedies for violations of Section 25401) and Section 25503 (specifying the remedies for failure to qualify) provide for rescission if the purchaser still has the security or damages if the purchaser no longer has the security. Imagine two plaintiffs successfully sue an issuer for failing to qualify the offer and sale of securities and that one plaintiff still has the security while the other has not. The former could not get treble damages while the latter could. Why does that make sense?

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