

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 604 (Senator Hughes)

Judicial Proceedings

Civil Actions - Year 2000 Liability

This bill generally addresses the “Y2K problem.” The bill provides that a person whose product or service is not “year 2000-ready” is liable for damages proximately caused by the failure of the product/service to be year 2000-ready. It is not a defense that: (1) the person exercised due diligence to ensure that it was year 2000-ready; or (2) the person determined and implemented actions necessary to become year 2000-ready in accordance with the requirements and standards of care set forth for a director of a corporation. Any provision of a contract entered into after June 2, 1999 that waives or limits the liability of a person for damages caused by the failure of the person’s product/service to be year 2000-ready is void and unenforceable. A year 2000-ready cause of action arises on the date that the product/service fails to operate in a manner consistent with its design requirements and causes damage or loss.

Fiscal Summary

State Effect: None. Article 1 §15 defines “person” to include corporations, partnerships, business trusts, or limited liability companies, but does not include the State. Thus, it is presumed that the bill would not affect State finances.

Local Effect: None. Article 1 §15 defines “person” to include corporations, partnerships, business trusts, or limited liability companies, but does not include the local governments. Thus, it is presumed that the bill would not affect local government finances.

Small Business Effect: Meaningful. The bill eliminates the “due diligence” defense, and increases the likelihood that plaintiffs will bring suits for damages associated with the Y2K problem. This bill exposes small businesses to increased litigation to the extent that a small business product or service fails to operate in a manner consistent with its design

requirements.

Information Source(s): Department of Budget and Management, Judiciary

Fiscal Note History: First Reader - March 1, 1999

dmm/jr

Analysis by: Jo Ellan Jordan

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510