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LITIGATION NEWS

U.S. Court of Appeals Clarifies Application of the Puerto Rico Dealers' Act Statute of Limitations

On July 21, 2015, the U.S. Court of Appeals for the First Circuit issued an Opinion affirming dismissal of a complaint under the three-year statute of limitations governing claims under the Puerto Rico Dealers' Act, Law No. 75 of June 24, 1964 as amended. The case is [Quality Cleaning Products R.C. v. SCA Tissue North America, LLC](#), Case No. 14-1405.

In the Complaint, the plaintiff distributor claimed that the defendant principal had breached a clause of the distribution agreement requiring the principal to offer it all promotions and discounts extended to any other Puerto Rican distributor. Although the purported breach began in 2001, plaintiff argued that each transaction in breach of the clause constituted a "continuing violation" that tolled the three-year statute of limitations. The Court of Appeals rejected this argument.

The Opinion is noteworthy for two reasons. First, the Court of Appeals clarified that when a Federal Court exercises diversity of citizenship jurisdiction it must apply both the relevant state statute of limitations and its statute's accrual rules, that is, the rules on when the plaintiff has a claim and the statute of limitations begins to run. Second, in an issue of first impression, the Court of Appeals held that Law 75's statute of limitations cannot be tolled by recourse to the "continuing violation" theory.

The case was handled by [Alejandro J. Cepeda](#) and by [Raúl M. Arias-Marxuach](#), who chairs the Distribution and Franchising Practice Team.

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