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# GOS Legal Update: Statute of Limitations for Liquidator Claims Against Company D&O

## New Supreme Court Ruling Sets Precedent

The Israeli Supreme Court has issued a new binding precedent establishing principles for examining the statute of limitations for .liquidator claims and claims against company's D&Os

**Key Points:**

**1. Standard Limitation Period Applies:** The Supreme Court rejected the argument that the limitation period should only begin from the appointment of trustees to the company or liquidators.

**2. Early Examination of Limitation Claims:** The Supreme Court emphasized the importance of examining limitation contention as a preliminary issue when there is no dispute about relevant facts.

**3. Objective Test for Late Discovery:** The Supreme Court ruled that the test for late discovery of cause of action is not purely subjective. It also includes an objective element - whether the plaintiff could have known the facts establishing the cause of action.

**4. Liquidation Order Does Not Reset Limitation Period:** The Supreme Court stressed that a liquidation order and appointment of an officer of the court do not create a new cause of action or reset the limitation period.

**5. Bondholders' Trustee Appointment is Crucial:** The Supreme Court ruled that the appointment of a bondholders' trustee is a relevant date for examining the limitation period. This is because the bondholders' trustee has the authority and duty to monitor the company's conduct and protect bondholders' rights.

**6. "Thread of Evidence" Test:** The Supreme Court established that the limitation period begins when there is a "thread of evidence" that could raise suspicion or provide a basis for belief about facts establishing the cause of action.

**7. Relevant Party Knowledge:** The Supreme Court ruled that the limitation period starts when facts are discovered or could have been discovered with due diligence by any relevant party not involved in the events of the claim.

**8. Definition of 'Relevant Party':** This includes anyone who could initiate proceedings based on a thread of evidence, including minority shareholders, creditors, or officers of the court.

**9. Public vs. Private Companies:** The Supreme Court discussed, without rendering a definitive ruling, the question whether a distinction should be made between private companies and public companies for statute of limitations purposes. One of the Supreme Court's judges suggested that in public companies, the ability of any minority shareholder to file a derivative action might limit the extension of the limitation period beyond 7 years.

**Summary of Limitation Periods**

• Standard period: 7 years from the date of the transaction, decision, or events being the subject matter of the claim.

• Extended period: Up to 10 years in cases where no "uninvolved" party knew even some of the facts.

• No extension: If an uninvolved party (e.g., officer of the court, bondholders' trustee, creditor, or uninvolved shareholder) had or should have had a thread of evidence of the relevant facts.

This ruling provides important clarification on the application of limitation periods in corporate litigation, particularly for claims brought by liquidators in general and in particular against company's D&Os.

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