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PREEMPTION - NEW YORK

Town of Babylon, NY v. James

United States District Court, E.D. New York - December 19, 2023 - F.Supp.3d - 2023 WL 8734201

Incorporated towns of New York, which had sued opioid distributors and producers in state court seeking damages for financial losses suffered as a consequence of distributors' and producers' wrongdoings, brought action against Attorney General for state of New York, seeking declaratory relief that challenged statute, which created opioid settlement fund for settlements reached with certain distributors and producers and extinguished state court claims by towns and others, violated towns' rights to substantive due process, equal protection, and access to the courts under the U.S. and New York Constitutions and violated the home-rule restrictions under New York Constitution.

Attorney General moved to dismiss.

The District Court held that:

- Proprietary interest exception to capacity-to-sue rule under New York law did not apply to give towns capacity to sue Attorney General and challenge statute;
- Home rule exception to capacity-to-sue rule under New York law did not apply to give towns capacity to sue Attorney General and challenge statute;
- Court would take judicial notice of legislative materials supporting New York senate bill that was later codified into challenged statute;
- Towns lacked standing to pursue Fourteenth Amendment claims;
- Exercise of supplemental jurisdiction over towns' claims under New York Constitution would be declined; and
- Towns lacked necessary legal predicate to seek declaratory judgment.

Proprietary interest exception to capacity-to-sue rule under New York law, barring constitutional challenges by political subdivisions, did not apply to give incorporated towns capacity to sue New York Attorney General and challenge statute, which created opioid settlement fund for settlements reached with certain opioid distributors and producers and extinguished state court claims by towns and others; even though challenged statute affected towns' vested rights in continuing litigation against distributors and producers, there was no statute granting towns right to receive from any statutorily created fund based on their pre-existing lawsuits against producers and distributors, but rather, towns had only unadjudicated legal claims that may or may not have resulted in monetary recovery.

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