

OHIO REDUCES STATUTE OF LIMITATIONS FOR CONTRACT CLAIMS

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On March 16, 2021, Governor DeWine signed into law Senate Bill 13, shortening the statute of limitations period for lawsuits based on breach of contract.

Specifically, by amending Ohio Revised Code 2305.06 and Ohio Revised Code 2305.07, Senate Bill 13 reduces the statute of limitations from eight (8) years to six (6) years for written contracts and from six (6) years to four (4) years for oral contracts. Senate Bill 13 also creates a new six (6) year statute of limitations for claims arising out of a consumer transaction incurred primarily for “personal, family, or household purposes.” One example of a “consumer transaction” is the purchase of a motor vehicle for non-business use.

However, the new statute of limitations does not apply to all contract-based claims. The prior statute of limitations remains for the following claims:

1. Actions against the State (other than unclaimed funds) — five (5) years;
2. Actions under UCC Article 2 for the sale of goods — four (4) years;
3. Actions on a Note under the UCC — six (6) years;
4. Actions under the Consumer Sales Practices Act (CSPA) — two (2) years; and,
5. Actions to recover title or possession of real estate — 21 years;
6. Actions for liability created by statute other than a forfeiture or penalty — six (6) years.

Senate Bill 13 will take effect June 14, 2021.

What is a statute of limitations?

A statute of limitations sets a time limit in which a party must file a civil lawsuit based on the date that the claim accrued. Ohio law generally provides that a cause of action accrues for a contract claim at the time the breach of the contract occurred. For example, assume ABC Co. signs a written contract with XYZ Co. to purchase 10,000 widgets for \$1 each. XYZ Co. delivers the widgets and invoices ABC Co. for \$10,000, but ABC Co. refuses to pay. The statute of limitations would govern the period in which

XYZ Co. must bring file a lawsuit to obtain damages for ABC Co.'s breach of contract (i.e., under the new statute of limitations, six (6) years from the date ABC Co. failed to pay the invoice).

How does Senate Bill 13 impact you?

For written contracts, effective June 14, 2021, Ohio Revised Code 2305.06 will require parties to assert breach of contracts claims within six (6) years after the cause of action accrues. However, claims that have accrued before the June 14, 2021 effective date must be brought before June 14, 2027 or the remaining period under the prior 8-year statute of limitations, whichever comes sooner.

For oral contracts, effective June 14, 2021, Ohio Revised Code 2305.07(A) will require parties to assert breach of contracts claims within four (4) years after the cause of action accrues. However, claims that accrued before June 14, 2021, must be brought before June 14, 2025 or the remaining period under the prior 6-year statute of limitations, whichever comes sooner.

Lastly, effective June 14, 2021, Ohio Revised Code 2305.07(C) will require parties to assert for breach of contracts claims arising out of a consumer transaction incurred primarily for “personal, family, or household purposes” within six (6) years after the cause of action accrued. Consumer transaction claims that have accrued before June 14, 2021, must be brought by the earlier of June 14, 2027, or the remaining period under the prior applicable statute of limitations, whichever is shorter.

The bottom line is the enactment of Senate Bill 13 shortens the time period a litigant has to file a lawsuit for a breach of contract. Parties with contract claims should not delay bringing suit or they may be barred. At the same time, the result of a shorter limitations period also provides the parties with certainty about the finality of their agreements and may reduce recordkeeping burdens.

Should you believe you have a cause of action that needs to be filed in the immediate future, please do not hesitate to contact attorney Nicholas M. Vento at 216-696-4200. We are also available via email or video conference to assist you in any way we can.