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Loss & Cowett: Blue Sky Law

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RECENT BOOKS

BLUE SKY LAW. By *Louis Loss* and *Edward W. Cowett*. Boston: Little, Brown. 1958. Pp. xix, 503. \$15.

The need for the general enactment of a uniform Blue Sky law has been pressing for many years. At the request of the National Conference of Commissioners on Uniform Laws, the authors of this volume drafted the Uniform Securities Act and it now has the approval of the National Conference of Commissioners on Uniform Laws, as well as the approval of the American Bar Association and the National Association of Securities Administrators. The act has been adopted in almost complete form in three jurisdictions, and in seven others one or more provisions of the act have been passed. If any volume can be the "bible" of the Uniform Act, this one surely is.

Blue Sky legislation in many forms has been adopted by all but two of the states, and no two of the states have identical laws. There has grown up meanwhile a jungle of laws and administrative rulings concerning the issuance and sale of securities and the regulation and activities of those who sell them. Unquestionably the securities industry is one of the most highly regulated businesses in the United States. Violations of the Blue Sky laws call for severe penalties, not alone in the civil but in the criminal field as well. Unfortunately, administrative rulings take on so many forms that it is incredibly difficult to keep up with them. This is especially true in those instances where the rulings are oral or, for that matter, are devised for the security in question without prior warning to anyone. Some administrators have pet hates—some don't like oil issues; others don't like uranium. So bad has been this tangle that the lawyer can conclude that in some instances, at least, the rulings represent a government of men and not of laws.

The result of these exceedingly varied laws and rulings and of greatly different interpretations of similar laws and rulings by state administrators has been to make Blue Sky practice by lawyers a highly specialized one. The authors note (p. 44): "The general practitioner would be a brave man indeed to try on his own to 'blue-sky' an issue in a substantial number of states so that it could be offered everywhere concurrently with the effectiveness of the S.E.C. registration statement."

The growing need for uniformity in Blue Sky practice would be filled by the enactment of the Uniform Securities Act, governing the issuance and sale of securities and the regulation of administrators.

This book relates the history of Blue Sky legislation and discusses the administration of the many acts of those states which have them in force. Particularly valuable are the chapters on civil liabilities and the problems of conflict of laws. Although the volume will be looked upon primarily as an essential handbook in the understanding and interpretation of the Uniform Act, it nevertheless will be found almost essential in its dis-

cussion of civil liability phases of Blue Sky offerings and in the difficult problems in the conflict of laws field.

The appendices form a major part of the book. In Appendix I the act itself is set out with official comment and draftsmen's comments concerning each section. This material is essential to an understanding of the act's provisions and can be of major assistance to those who are working for the adoption of the act. Cross reference tables showing the extent of the adoption of the act are set out in Appendix II, concerning those three jurisdictions which have adopted the act in large part and the seven jurisdictions which have adopted it partially. The remaining three appendices refer to citations of Blue Sky laws in each jurisdiction which has them, a bibliography of Blue Sky laws by state, and a valuable table of approximately 1300 known Blue Sky cases listed by states.

The Uniform Sale of Securities Act will not be adopted without a struggle. Many phases of it have been criticized, particularly by those administrators who apparently feel they have a vested interest in the administration of their own particular form of Blue Sky law. Indeed, some of the criticism has been very harsh.¹ Nevertheless, the fact remains that there is a compelling reason for the simplification of procedures relating to the sale and issuance of securities and the regulation of those who offer and issue them. The book will be of major assistance to those who are working for simplification and uniformity in the securities field.

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¹ Pearce, "California Corporate Securities Law v. Proposed Uniform Securities Law," 9 HASTINGS L. J. 1 (1957). See reply, Loss, "The Uniform Securities Act and the Bar," 13 THE BUSINESS LAWYER 609 at 613 (1958).