

Securities Litigation Alert

Stoneridge Investment Partners LLC v. Scientific-Atlanta, Inc.

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On October 9, 2007, the United States Supreme Court heard oral argument in *Stoneridge Investment Partners, LLC v. Scientific-Atlanta, Inc.*, which centers on how wide a net plaintiffs may cast in securities class action suits. In particular, the issue in *Stoneridge* is whether shareholders can bring suit against third parties who are alleged to have made no misstatements themselves, but rather are claimed to have engaged in deceptive conduct in furtherance of a fraudulent scheme (*i.e.*, by supposedly helping the issuer make false and misleading statements).

The bulk of the justices' questioning focused on two broad issues: 1) whether there exists an implied private right of action under Section 10(b) to pursue damages for deceptive conduct intended to further a fraudulent scheme (or whether enforcement of such a cause of action was limited to the government); and 2) whether, and to what extent allegedly deceptive conduct by a party that did not issue a misstatement could be differentiated from "aiding and abetting" liability, which was eliminated by the Supreme Court's decision in *Central Bank, N.A., v. First Interstate Bank*, 511 U.S. 164 (1994).

A number of justices appeared reluctant to find or create a private right of action for the deceptive practices at issue, deeming such action to be more properly in the realm of Congress. Several justices also questioned whether the deceptive practices alleged were in actuality aiding and abetting claims that were barred under *Central Bank*, and expressed skepticism as to whether any meaningful distinction could be drawn between the two. Only Justice Ginsberg seemed to suggest that there may be a third category of liability that falls between primary liability and aiding and abetting liability, that nonetheless remains actionable by shareholders under Section 10(b). (Justice Breyer recused himself from the case.)

The transcript of the oral argument can be viewed [here](#). A decision is expected early next year.

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