
<i>Public Employees' Retirement Association of Colorado v. Deloitte & Touche, LLP</i>- Dismissal of 10b(5) Claims Affirmed Where Auditor's Investigation Negates Finding Scienter

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In *Public Employees' Retirement Association of Colorado v. Deloitte & Touche, LLP*, (1) the Fourth Circuit added new precedent to the line of cases interpreting a plaintiff's burden of pleading scienter under the Supreme Court's decision in *Tellabs, Inc. v. Makor Issues & Rights, Ltd.* (2) The court found that the plaintiffs failed to allege with sufficient particularity that an auditor had the necessary scienter for a claim under Securities Exchange Act § 10(b) where the auditor had taken steps to uncover two separate accounting frauds perpetrated by its clients.(3) While the plaintiffs alleged that the auditor, Deloitte & Touche, LLP, (4) should have uncovered the frauds earlier, the Fourth Circuit found that the Deloitte's investigation of its clients' characterization of two different types of transactions was sufficient to negate "any competing inference that [Deloitte] knowingly or recklessly perpetrated a fraud on [its clients'] investors." (5)

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