
The Supreme Court Applies SLUSA Federal Pre-Emption State Court Securities "Holder" Class Actions

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In *Merrill Lynch, Pierce Fenner & Smith, Inc. v. Shadi Dabit*, No. 04-1371 (U.S. Mar. 21, 2006) ("*Dabit*") (an 8-0 decision, opinion by Justice Stevens), the Supreme Court extended the "primacy" of the federal securities laws with respect to class actions involving nationally traded securities by ruling that the pre-emption provisions of the Securities Litigation Uniform Standards Act of 1998 ("SLUSA") apply to class actions under state law brought on behalf of persons who neither purchased or sold, but who allegedly were induced to continue to hold, such securities in reliance on an material misrepresentation or omission ("holder class actions"). In so holding, the Court made clear that "[t]he magnitude of the federal interest in protecting the integrity and efficient operation of the market for nationally traded securities cannot be overstated." (slip op. at 5) *Dabit* is notable for several reasons.

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