
The Supreme Court Rejects Scheme Liability Under §10(b) and Rule 10b-5

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On January 15, 2008, the U.S. Supreme Court issued a 5-3 decision in *Stoneridge Investment Partners, LLC v. Scientific-Atlanta, Inc.*, delineating the parameters of the private right of action implied in §10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5.1 The Court declined to impose liability thereunder on secondary actors who have not themselves issued misleading financial statements to the investing public. The Court reasoned that a recognition of “scheme liability” — a theory plaintiffs’ lawyers have advanced to assert 10b-5 claims against secondary actors such as accountants, underwriters and lawyers — would subject secondary actors to liability without the requisite showing that investors relied upon those actors’ statements or actions. The *Stoneridge* decision, authored by Justice Kennedy, resolved what had been a circuit split on the issue of scheme liability.2

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