
Securities Fraud Case Heading to Supremes

Washington (March 27, 2007) - The U.S. Supreme Court will hear a case that could clarify whether outside vendors can be sued under securities laws for participating in transactions that were part of another company's accounting fraud.

The lawsuit before the court was brought against suppliers for St. Louis, Mo.-based Charter Communications Inc., a cable company which was tied to a \$17-million revenue-inflation scheme in the late-1990s. Charter paid cable box vendors extra cash for their boxes, if the companies promised to purchase advertising from the company in return. Several of the company's top executives were later indicted on accounting fraud charges.

Previously, the Supreme Court barred lawsuits against organizations that aid and abet securities fraud, but in its opinion, did not deal with the question of whether private securities suits could be brought against outside parties for participating in deceptive conduct. Citing that precedent, a U.S. trial judge had dismissed the private lawsuit against Charter suppliers, saying that lawsuits were limited to primary violators of federal securities laws. The 8th U.S. Circuit Court of Appeals affirmed that decision.

The case is Stoneridge Investment Partners v. Scientific-Atlanta and Motorola. Cable-box manufacturer Scientific-Atlanta is now a unit of Cisco Systems Inc. and Motorola.

The Supreme Court will hear arguments concerning the case during its next term, set to begin in October.

— WebCPA staff

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