

## Supreme Court Ruling on SEC Liability Requirement



The US Supreme Court issued a narrow ruling siding with businesses regarding Securities and Exchange Commission (SEC) liability requirements. Justice Sonia Sotomayor delivered the unanimous decision, emphasizing that a securities class action cannot be based solely on a "pure omission" in an SEC filing without any misleading statement to reference.

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### Background of the Case

The case revolves around Item 303 of the SEC's Regulation S-K, also known as Management's Discussion and Analysis (MD&A), which mandates that management provide investors with insights into trends or events potentially impacting the business's financial condition.

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### Plaintiff Allegations

Moab Partners filed a lawsuit against Macquarie Infrastructure Corp., now Macquarie Infrastructure Holdings LLP, alleging failure to disclose a new rule that would significantly impact its business, leading to substantial losses for shareholders.

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### Court's Interpretation

The Supreme Court, in its ruling for Macquarie, distinguished between "half-truths" and "pure omissions." It clarified that liability under Regulation S-K only applies to "half-truths," where statements are made but critical information is omitted. "Pure omissions," where no meaningful statement is made, do not incur liability.

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### Implications of the Decision

While the court clarified the requirement for statements to support securities class actions, it did not specify how detailed these statements must be. Plaintiffs are now tasked with identifying "affirmative assertions" to establish misleading conduct before further legal consideration.

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### Conclusion

The case underscores the nuanced interpretation of SEC regulations and highlights the importance of clarity in corporate disclosures. The ruling sets a precedent for future cases involving SEC filings and shareholder lawsuits.

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### Case Details

Case Title: Macquarie Infrastructure Corp. v. Moab Partners

Case Number: No. 22-1165

