

Case To Watch – Chadbourne & Parke LLP V. Troice – Has The Supreme Court Undermined The Misappropriation Theory Of Insider Trading?

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In the recent decision by the United States Supreme Court, *Chadbourne & Parke LLP v. Troice*, the dissent suggested that the Supreme Court may have unwittingly undermined the misappropriation theory of insider trading liability. In that case, the Supreme Court, analyzing the Securities Litigation Uniform Standards Act of 1998, held that “[a] fraudulent misrepresentation or omission is not made ‘in connection with’” a security “unless it is material to a decision by one or more individuals (other than the fraudster) to buy or sell” the security. Under misappropriation theory, however, the fraudster’s omission plays no role in the decision by another individual to buy or sell a security. Consequently, Troice may vitiate misappropriation theory. The opinion is available [here](#).

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