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Supreme Court to hear securities cases this week

By [Robert Schroeder](#), MarketWatch
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WASHINGTON (MarketWatch) -- The Supreme Court is set to hear two cases this week that may clarify how far investors can take class-action lawsuits against public companies.

The Bush administration and the U.S. Chamber of Commerce are arguing for limits on plaintiffs' suits. Opponents argue that allowing the suits to go forward will imperil capital formation in the U.S. and that the Securities and Exchange Commission already strongly regulates the IPO process.

One of the cases stems from a suit that charges Credit Suisse ([CS](#)) and other investment banks with manipulating initial public offerings of tech companies in the 1990s. Plaintiffs objected to the way banks shared information during the offering periods and say they broke antitrust law.

Oral arguments are scheduled for Tuesday in the Credit Suisse case. Defendants in the case also include units of Morgan Stanley ([MS](#)), Lehman Brothers ([LEH](#)) and Goldman Sachs ([GS](#)).

In a case to be heard Wednesday, investors sued Tellabs Inc. ([TLAB](#)), a supplier of fiber-optic telecommunications gear, after its stock price fell by about 25% following an announcement almost six years ago about weak sales of a key product, in contrast with positive statements made earlier.

Tellabs is calling on the plaintiffs to show more specificity in their charges that the company intended to commit fraud.

Glenn Lammi, the chief counsel of the legal studies division at the [Washington Legal Foundation](#), predicted the court will rule in favor of the companies in both cases.

"They've been trending towards higher standards for filing a lawsuit," Lammi said. "The Supreme Court is very cognizant, especially in this case, of the burdens of litigation," he said about the Tellabs case.

He also said the high court is "troubled" by efforts to equate securities fraud law with antitrust law.

Both cases are heading to the Supreme Court after the companies involved were dealt defeats in federal appeals courts. Decisions are due by the end of June in both cases. ■

Robert Schroeder is a reporter for MarketWatch in Washington.



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