



FOR IMMEDIATE RELEASE

September 18, 2017

Media Contact: Grace Galvin | ggalvin@wlf.org | 202-588-0302

WLF Reminds Ninth Circuit of Congressional Intent When Applying the PSLRA's Safe Harbor

(*In re: Quality Systems, Inc. Securities Litigation*)

“The Ninth Circuit’s watered-down construction of the PSLRA’s Safe Harbor, if allowed to stand, will inject greater uncertainty into federal securities law and deter companies from disclosing earnings projections and other useful information about future prospects.”—Cory Andrews, WLF Senior Litigation Counsel

WASHINGTON, DC—Washington Legal Foundation filed an *amicus* brief Friday, Sept. 15, 2017, with the US Court of Appeals for the Ninth Circuit supporting the petition for *en banc* rehearing in *In re: Quality Systems, Inc. Securities Litigation*.

The case arises from a putative securities class action in which the plaintiffs allege that Quality Systems, Inc. (QSI), a developer of electronic record software for medical providers, made false or misleading statements about the company’s economic performance in violation of § 10(b) of the Securities Exchange Act. Most of the challenged statements were forward-looking projections of QSI’s financial performance for the 2012 and 2013 fiscal years.

The trial court granted the defendants’ motion to dismiss the action, concluding that QSI’s forward-looking statements were protected under the “Safe Harbor” of the Private Securities Litigation Reform Act (PSLRA) because they were accompanied by meaningful cautionary language. A Ninth Circuit panel subsequently reversed that decision, prompting WLF to support QSI’s petition for *en banc* rehearing to ensure “an unambiguous, objective, and workable standard for applying the Safe Harbor that is consistent with the congressional intent behind it.”

WLF’s brief demonstrates that, in creating the Safe Harbor, Congress made a determination that incentivizing companies to provide forward-looking information—qualified by meaningful cautions—outweighed any risk that companies would commit deliberate fraud in doing so. WLF encourages the Ninth Circuit to respect Congress’s judgment, not to supplant it with its own.

WLF further argues that, consistent with congressional intent, the court must construe the Safe Harbor’s cautionary-language prong as an objective standard without inquiring into the speaker’s state of mind. Such a standard would determine the meaningfulness and importance of cautionary language by examining the content and quality of that language alone, providing clear guidance for companies to follow.

Douglas W. Greene, Peter D. Hawkes, and Aaron Brecher of Lane Powell PC provided valuable *pro bono* assistance to WLF in filing its *amicus* brief.

Celebrating its 40th year, WLF is America’s premier public-interest law firm and policy center advocating for free-market principles, limited government, individual liberty, and the rule of law.