Supreme Court Hears Arguments on What's a 'Reasonable Basis' for IPO Statements

The Supreme Court heard arguments Monday in a securities class action against pharmaceutical giant Omnicare, asking to what extent, if any, a corporation needs a "reasonable basis" for opinions in its SEC registration statement, reports Courthouse News Service.

Omnicare, the largest provider of pharmaceutical services for residents of long-term care facilities in the United States and Canada, raised $750 million in a public stock offering in 2005, after filing a registration statement with the Securities and Exchange Commission. But litigation around the offering accused Omnicare of taking kickbacks from pharmaceutical companies to promote certain drugs, and submitting false claims to Medicare and Medicaid.

Omnicare attorney Kannon Shanmugam, with Williams & Connolly, told the court that the company can be held liable for a false statement in its registration statement only if the person who signed the statement did not actually hold the stated belief – regardless of whether it was reasonable, Courthouse News reports.

Read the story.