**Case Name and Number:** *Slack Technologies, LLC* v. *Pirani*, No. 22-200

**Introduction:** Today, the Supreme Court held in a unanimous decision that a shareholder suing a company under Section 11(a) of the Securities Act of 1933 over misrepresentations in a registration statement must allege that he purchased securities issued pursuant to that statement. The Court rejected the argument that liability sweeps more broadly to include other securities.

**Background:** The Securities Act generally requires companies to register the securities that they intend to offer to the public. The registration typically discloses information about the firm's overall financial health. Slack Technologies conducted a direct listing and issued a registration statement for a specified number of registered shares that it intended to offer. Because Slack used a direct listing rather than an initial public offering, holders of preexisting *un*registered shares were also free to sell those shares to the public.

An individual who purchased shares in Slack soon after the company went public filed a class action suit when those shares declined in value. He alleged that Slack had filed a materially misleading registration statement. Slack sought dismissal, arguing that the shareholder failed to allege that he had purchased registered shares. The Ninth Circuit held that Section 11(a) of the Securities Act encompasses securities besides those issued pursuant to an allegedly misleading registration statement.

**Issue:** Whether to state a claim under Section 11(a) of the Securities Act a plaintiff must allege that he purchased a security issued pursuant to a materially misleading registration statement.

**Court's Holding:** In a unanimous opinion authored by Justice Gorsuch, the Supreme Court held that Section 11(a) of the Securities Act requires a plaintiff to plead that the securities were issued pursuant to the allegedly misleading registration statement. The Court looked to the statutory text and context to hold that the phrase "such security" in Section 11(a) "speaks to a security registered under the particular registration statement alleged to contain a falsehood or misleading omission." The Court also observed that although direct issuances are new, the question of "how far [Section] 11(a) liability extends is not." The Court pointed to a half-century of case law adopting a narrow reading of Section 11.

Read the opinion here.