

White Collar Update: Supreme Court Will Decide Reach of Insider Trading Law

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To be guilty of insider trading, a tipper of inside information must receive a “personal benefit” in exchange for his tips. On January 19, 2016, the Supreme Court granted *certiorari* in *Salman v. United States* to decide what the prosecution must prove to establish that a tipper received a “personal benefit.” In *Salman*, the Ninth Circuit held that a personal benefit is established when tips are made to a relative or friend as a gift. The Ninth Circuit disagreed with the Second Circuit’s opinion in *United States v. Newman*, which interpreted “personal benefit” to require more than a friendship or familial relationship between the tipper and tippee. In July 2015, the Department of Justice unsuccessfully

[petitioned](#)

the Supreme Court to hear and reverse *Newman*. United States Attorney Preet Bharara from the Southern District of New York has [said](#) that the *Newman* ruling will make it “very hard if not impossible to bring a certain kind of insider trading case.” Although the Supreme Court declined to hear *Newman*, that it has decided to hear *Salman* so soon after suggests that it wants to clarify the proper standard and that *Salman* provides the perfect opportunity to do so.

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