

Decision in Matrixx Initiatives, Inc. v. Siracusano Rejects Bright-Line Rule in Securities Fraud Action Based on Pharmaceutical Company's Failure to Disclose Adverse Event

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Earlier today, the Supreme Court issued an opinion in *Matrixx Initiatives, Inc. v. Siracusano*. The case involved Matrixx's lack of disclosure of reports that its Zicam nasal spray products, which amounted to 70% of product revenues, caused a loss of the sense of smell (anosmia). The respondents in the case, owners of Matrixx's securities which allegedly lost value once the suspected link between the Zicam nasal products and anosmia was publicly reported, brought suit against Matrixx for failing to disclose a possible link between Zicam and anosmia. Matrixx argued that the Court should adopt a bright-line test for determining whether plaintiffs had sufficiently pled that the company had made material misstatements and omissions—that is, that unless there was an allegation that there was a statistically significant risk that its product caused the adverse events, the lack of disclosure of the adverse event reports could not be material. The Supreme Court declined to adopt such a standard.

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