Securities Class Action Filings Jump by 9 Percent in 2013
According to Report by Cornerstone Research and Stanford Law School

Despite 2013 increase, filings remain below historical average

Boston, Mass., and Stanford, Calif., January 28, 2014—Plaintiffs filed 166 new federal securities class actions in 2013, a 9 percent increase over 2012, according to *Securities Class Action Filings—2013 Year in Review*, an annual report prepared by Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse. The 2013 filings, although boosted by a second-half surge, are still 13 percent below the historical average from 1997 to 2012.

One possible explanation for filings remaining below the historical average in recent years is the decline in the number of unique companies listed on the NYSE and NASDAQ. A new analysis in the report shows that the number of companies on these exchanges has decreased 46 percent since 1998, providing fewer companies for plaintiffs to target as the subject of federal securities class actions.

The report also analyzes the recent increase in IPOs on major U.S. exchanges. The 150 IPOs in 2013 represent the highest number in the last five years. In addition, there has been an increase in larger companies undertaking IPOs in recent years, particularly in 2013.

“While the almost 50 percent decrease in listed companies has played a part in the recent trend of low numbers of class action filings, the sharp increase in IPOs in 2013 may provide fuel for a new wave of filings in the next few years,” noted Dr. John Gould, senior vice president of Cornerstone Research.

A new analysis of class certification rulings for filings between 2002 and 2010 reveals that class certification was denied in less than 2 percent of cases due to a decision based on the merits of the motion. During the same period, increasing proportions of cases were dismissed before class certification motions were filed.

The report also examines factors that could influence future securities class action filings, specifically *Halliburton v. Erica P. John Fund*, a closely watched U.S. Supreme Court case scheduled for oral arguments in March.

“If Halliburton prevails in its case before the U.S. Supreme Court, then the entire market for class action securities fraud litigation is likely to be disrupted because it will become impossible to certify a large number of Section 10(b) class actions,” said Professor Joseph Grundfest, director of the Stanford Law School Securities Class Action Clearinghouse. “Large investors with substantial losses in the biggest of the frauds will likely be able to litigate their claims on an individual basis, but small investors will then have to look to Congress to fashion an alternative remedy.”

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Key Findings

- Filing activity increased by 21 percent in the second half of 2013, with the largest number of non-merger-and-acquisition filings in recent years.
- Rule 10b-5 claims continued at heightened rates in 2013.
- Approximately one in 29 companies in the S&P 500 was a defendant in a class action filed during the year.
- There was no new filing activity in the Financials sector of the S&P 500 for the first time in the last 14 years.
- Healthcare, biotechnology, and pharmaceutical companies together accounted for 21 percent of total filings in 2013. As in 2012, companies in this industry grouping were most commonly the subject of a class action.
- Foreign filings, led by filings against Chinese companies, continued in 2013 at historically high rates. Filings against Canadian companies picked up in 2013.
- In 2013 there was a return to the more typical mix of filings in which NASDAQ companies were more frequently the subject of class action filings than NYSE companies.
- Filing activity in 2013 was more concentrated in the Second and Ninth Circuits than in most years.
- In three of the last four years, the median lag time between the end of the alleged class period and the filing date has been markedly shorter than the historical average.
- The total Disclosure Dollar Loss™ (DDL) of $104 billion in 2013 increased 7 percent from 2012, but is still 17 percent below the historical average of $126 billion.
- The total Maximum Dollar Loss™ (MDL) decreased significantly in 2013, and is at its lowest level since 1998. MDL was $279 billion in 2013; 31 percent below the total MDL in 2012, and 57 percent below the historical average MDL.

Dr. Gould and Professor Grundfest are available to speak with the media about Securities Class Action Filings—2013 Year in Review. The report can be downloaded from Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse.


The Securities Class Action Clearinghouse is an authoritative source of data and analysis on the financial and economic characteristics of federal securities fraud class action litigation.