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Stanford Law School

Securities Class Action Clearinghouse

a collaboration with Cornerstone Research

NEWS RELEASE

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Contact:

Jason Milch
Hellerman Baretz Communications
312.379.9406
jmilch@hellermanbaretz.com

Susan Wittner
Cornerstone Research
212.605.5002
swittner@cornerstone.com

Gus Sellitto
Byfield Consultancy
+44.020.7092.3999
gus@byfieldconsultancy.com

Securities Class Action Filings Rebound to Highest Levels Since 2008

New report by Cornerstone Research and Stanford Law School shows likelihood of suits against U.S. exchange-listed companies highest in almost two decades

Boston, Mass., and Stanford, Calif., January 26, 2016—Federal securities class action litigation rose to 189 filings in 2015, an 11 percent increase over 2014 levels, according to *Securities Class Action Filings—2015 Year in Review*, a report issued by [Cornerstone Research](#) and the [Stanford Law School Securities Class Action Clearinghouse](#). The market losses associated with these filings increased significantly from the depressed levels observed in 2014.

The Disclosure Dollar Loss (DDL) Index™, which calculates investor losses at the time that an alleged fraud is made public, rose 86 percent, from \$57 billion in 2014 to \$106 billion last year. This was the largest annual DDL increase since 2008, and was caused by the reappearance of filings with DDL values exceeding \$5 billion (mega filings). Mega filings returned to previous annual levels after sinking to historic lows in 2014. The litigation exposure of IPOs has also increased since the financial crisis in 2008.

“Companies on U.S. exchanges were more likely to be the target of a securities class action in 2015 than at any time since the Private Securities Litigation Reform Act took effect in the late 1990s,” said Dr. [John Gould](#), a senior vice president of Cornerstone Research. “Most measures of litigation activity increased distinctly in 2015, including filings against companies headquartered in China and other Asian countries.”

“To understand the 2015 data one must appreciate the remarkably low level of 2014 activity,” said Professor [Joseph Grundfest](#), director of the Stanford Law School Securities Class Action Clearinghouse and former SEC Commissioner. “Securities class actions are driven by monster cases, and those cases were almost completely lacking in 2014, where not a single filing had market losses over \$5 billion at the time when the alleged fraud was disclosed. Contrast that with five such cases in 2015. That’s all you really need to know to explain why 2015 looks so much more active than 2014—but still below the peaks observed in the past.”

Key Trends

- The Consumer Non-Cyclical sector again had the most filings in 2015. This sector is predominantly composed of Biotechnology, Healthcare, and Pharmaceutical firms, which collectively totaled 43 filings.
- For U.S. exchange-listed companies, 4 percent were subject to filings in 2015, up from 3.6 percent in 2014 and the third consecutive yearly increase.
- There were as many filings in the Ninth Circuit as at any time in the data period. The four largest industry subsectors by number of filings in the Ninth Circuit were Internet, Biotechnology, Pharmaceutical, and Semiconductor. Filings in the Second and Ninth Circuits together made up just over 60 percent of all filings in 2015.
- Filings against companies in the Financial sector were well below historical averages, declining from 26 in 2014 to 17 in 2015. For the first time since 2006, there were no filings against banks.
- The Maximum Dollar Loss (MDL) Index™, a measure of market capitalization losses during the class period, increased 73 percent in 2015 to \$371 billion, the largest annual dollar increase since 2007. MDL remains well below historical averages, however.
- IPOs fell from 207 in 2014 to 117 in 2015, but remained above post dot-com bubble levels.
- Beginning with the 2012 filing cohort and continuing through the 2014 filing cohort, evidence from the timing of dismissals in the first three years after filing indicates that dismissal rates have subsided.

Dr. Gould and Professor Grundfest are available to speak with the media about *Securities Class Action Filings—2015 Year in Review*. The report can be downloaded from the Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse websites.

About Cornerstone Research

Cornerstone Research provides economic and financial consulting and expert testimony in all phases of complex litigation and regulatory proceedings. The firm works with an extensive network of prominent faculty and industry practitioners to identify the best-qualified expert for each assignment. Cornerstone Research has earned a reputation for consistent high quality and effectiveness by delivering rigorous, state-of-the-art analysis for over 25 years. The firm has 600 staff and offices in Boston, Chicago, London, Los Angeles, Menlo Park, New York, San Francisco, and Washington.

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About the Stanford Law School Securities Class Action Clearinghouse

The Securities Class Action Clearinghouse (SCAC) is an authoritative source of data and analysis on the financial and economic characteristics of federal securities fraud class action litigation. The SCAC maintains a database of more than 4,000 securities class action lawsuits filed since passage of the Private Securities Litigation Reform Act of 1995. The database also contains copies of more than 45,000 complaints, briefs, filings, and other litigation-related materials filed in these cases.

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