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Stanford Law School

Securities Class Action Clearinghouse

a collaboration with Cornerstone Research

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NEWS RELEASE

FOR IMMEDIATE RELEASE

Number of Securities Class Action Filings Rises, Fueled by M&A-Related Challenges *Percentage of S&P 500 companies subject to filings increases in first half of 2016*

Boston, Mass., and Stanford, Calif., July 26, 2016—Plaintiffs filed 119 new federal securities class action cases in the first half of 2016, a 17 percent increase over the last half of 2015, according to [*Securities Class Action Filings—2016 Midyear Assessment*](#), a new report released today by [Cornerstone Research](#) and the [Stanford Law School Securities Class Action Clearinghouse](#).

The total represents an increase of 17 cases from the second half of 2015, and 32 more than the first half of 2015. The 119 filings were 27 percent higher than the semiannual average of 94 filings observed between 1997 and 2015.

Federal filings of class actions involving mergers and acquisitions increased to 24 in the first half of 2016—167 percent above the second half of 2015, and significantly higher than the semiannual range of five to nine filings from 2012 to 2015.

“At the current pace, M&A-related filings in federal courts will double the annual numbers we have observed in the last four years. The January 2016 Delaware Court of Chancery decision in *Trulia*, which makes disclosure-only settlements more difficult to obtain, may have increased the likelihood that plaintiffs will again seek federal jurisdiction for M&A-related class actions,” said Dr. [John Gould](#), a senior vice president of Cornerstone Research. “We are releasing a report next week that looks in greater detail at M&A-related shareholder actions in both federal and state venues.”

“The data also show an interesting shift in Section 11 litigation from federal to state court, an issue that could soon wind up before the U.S. Supreme Court,” according to Professor [Joseph A. Grundfest](#), director of the Stanford Law School Securities Class Action Clearinghouse and former SEC Commissioner. “Plaintiffs have obviously calculated that they are likely to achieve more plaintiff-friendly outcomes in state court than in federal court, and are using a range of jurisdictional maneuvers to try to steer an increasing number of cases away from the federal forum. One defendant who has been shut out of federal court has petitioned the Supreme Court for a hearing, and if the Court grants the petition its ruling could have a major effect on the future evolution of Section 11 litigation.”

In the first half of 2016, filings against S&P 500 companies were more frequent than the historical average. If the current pace continues, one in 16 companies (6 percent) would be the target of a lawsuit by year end, the highest annual rate since 2008.

The Consumer Non-Cyclical sector again had the most filings with 43. The sector predominantly comprises biotechnology, pharmaceutical, and healthcare companies. There were 32 filings against companies in these subsectors.

Key Trends:

- Disclosure Dollar Loss (DDL), a measure of market capitalization losses at the end of the class period, declined in contrast to the increase in the number of class action filings. Total DDL was \$43 billion in the first half of 2016, 39 percent below the second half of 2015 and 28 percent below the historical semiannual average of \$60 billion.
- Maximum Dollar Loss (MDL), a measure of market capitalization losses during the class period, was \$331 billion, 11 percent above the historical semiannual average MDL of \$297 billion. For the first time in the last 12 semiannual periods, MDL exceeded the historical average.
- In the first half of 2016, two mega filings made up 27 percent of DDL and 10 mega filings made up 58 percent of MDL, respectively. (Filings with a DDL of at least \$5 billion or an MDL of at least \$10 billion are considered mega filings.)
- On an annualized basis, filings against foreign issuers increased from 2015 levels in spite of an absence of filings against Chinese issuers, the most common foreign companies targeted by class actions in recent years.
- The Ninth and Second Circuits made up 62 percent of filings in the first six months of 2016. There were 38 filings in the Ninth Circuit and 36 in the Second Circuit.
- Dismissal rates for 2013, 2014, and 2015 filing cohorts increased over the first six months of 2016 compared to 2015 year-end. The 2014 filing cohorts showed the most substantial increase, from 14 percent at the end of 2015 to 34 percent currently.

Dr. Gould and Professor Grundfest are available to speak with the media about *Securities Class Action Filings—2016 Midyear Assessment*. 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, New York, San Francisco, Silicon Valley, and Washington. Please visit Cornerstone Research's [website](#) for more information about the firm's capabilities in [economic and financial consulting](#) and [expert testimony](#).

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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 4,200 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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