

CORNERSTONE RESEARCH

ECONOMIC AND FINANCIAL CONSULTING AND EXPERT TESTIMONY

Stanford Law School

Securities Class Action Clearinghouse

a collaboration with Cornerstone Research

Contact:

Jason Milch
Baretz+Brunelle
312.379.9406
jmilch@baretzbrunelle.com

Terri Viera
Cornerstone Research
650.470.7117
tviera@cornerstone.com

NEWS RELEASE

FOR IMMEDIATE RELEASE

Securities Class Action Filings Rise to Highest Levels in 20 Years

New report looks at increase of Section 11 cases in California state courts

Boston, Mass., and Stanford, Calif., January 31, 2017—Federal securities class action litigation filings rose to their highest level in 20 years, according to *Securities Class Action Filings—2016 Year in Review*, a report issued by [Cornerstone Research](#) and the [Stanford Law School Securities Class Action Clearinghouse](#).

The record 270 filings in 2016—82 more than in 2015—was 44 percent above the 1997–2015 historical average. The increase was largely due to 80 filings related to merger and acquisition transactions. This was the largest number of M&A filings since 2009 (when the report began separately identifying these filings).

“M&A filings increased markedly after the Delaware Chancery Court’s rejection in January 2016 of a disclosure-only settlement in *Trulia*, shifting several merger-objection lawsuits from state to federal venues,” said Dr. John Gould, a senior vice president at Cornerstone Research. “But this is just part of the story. Traditional filings maintained their momentum from 2015 and the first half of 2016. The previous three semiannual periods have all had more than 90 such filings, including 94 in the second half of 2016.”

In recent years, Section 11 claims have migrated from federal venues to California state courts, primarily in the San Francisco Bay Area. A new analysis in this year’s report shows these state court filings reached a seven-year high of 18 in 2016, exceeding last year’s previous high of 15. Before 2015, these types of state filings occurred infrequently, ranging from one to five per year.

“Plaintiffs’ lawyers are getting creative,” observed Professor Joseph Grundfest, director of the Stanford Law School Securities Class Action Clearinghouse. “They recognize that federal courts are more likely to toss their Section 11 claims, so they funnel that litigation to California courts. And, when the Delaware judiciary shuts the door on merger settlements that provide no measurable benefit for shareholders, they file in federal court by bringing claims that can’t be moved back to state court. This is rational forum shopping behavior by plaintiffs’ lawyers trying to maximize their returns.”

Key Trends

- This was the first year since the 2008 credit crisis that the Maximum Dollar Loss Index[®] (MDL Index[®]) exceeded the historical average of \$595 billion. In 2016, MDL was \$823 billion compared to \$371 billion in 2015.
- The number of filings against foreign issuers increased, despite few filings against Chinese issuers, which in prior years were a common target of class actions. Filings against European issuers increased to record levels.
- Filings against companies in the Financial sector doubled to 34 in 2016 after dropping to 17 in 2015.
- In 2016, approximately one in 25 companies listed on U.S. exchanges was the subject of a “traditional” class action—the highest in 20 years.
- Among S&P 500 companies, 8.4 percent were the target of a class action in 2016—the highest percentage since 2008.
- Filings in the Ninth Circuit increased to a record 86 in 2016. Of these, 24 were M&A filings. The Second and Ninth Circuits combined for 56 percent of all filings.
- The number of filings against biotechnology and healthcare firms more than doubled in 2016.

Dr. Gould and Professor Grundfest are available to speak with the media about *Securities Class Action Filings—2016 Year in Review*. The report can be downloaded from [Cornerstone Research](#) and the [Stanford Law School Securities Class Action Clearinghouse](#).

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 700 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](#).

www.cornerstone.com

Twitter at [@Cornerstone_Res](#)

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 securities class action lawsuits filed since passage of the Private Securities Litigation Reform Act of 1995. The database also contains copies of complaints, briefs, filings, and other litigation-related materials filed in these cases.

securities.stanford.edu