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Stanford Law School
Securities Class Action Clearinghouse
a collaboration with Cornerstone Research

Contact:

Jason Milch
Hellerman Baretz Communications
312.379.9406
jmilch@hellermanbaretz.com

Susan Wittner
Cornerstone Research
212.605.5002
swittner@cornerstone.com

NEWS RELEASE

FOR IMMEDIATE RELEASE

Securities Class Action Filings Dip in First Half of 2014
According to Report by Cornerstone Research and Stanford Law School

The number and average size of cases decrease compared with the previous semiannual period.

Boston, Mass., and Stanford, Calif., August 6, 2014—Plaintiffs filed 78 new federal class action securities cases in the first six months of 2014 according to *Securities Class Action Filings—2014 Midyear Assessment,* a report prepared by Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse. The number of filings dropped from 91 in the second half of 2013, and is 18 percent below the historical semiannual average of 95 between 1997 and 2013.

"Securities class actions filed in the first half of 2014 involve some of the lowest aggregate market capitalization losses in recent years," said Dr. John Gould, senior vice president of Cornerstone Research. "The maximum dollar loss for filings in the first half of 2014 is the lowest semiannual total in 16 years. If you look at filings against firms in the S&P 500, the number of securities class actions against companies with large market capitalizations has also declined. Not only that, but there were no mega filings with maximum dollar losses exceeding $10 billion during the first six months of 2014—this is the first time that has happened in a semiannual period since the second half of 1997."

The report also discusses two recent developments with important implications for securities class action filings: the *Halliburton Co. v. Erica P. John Fund* Supreme Court case decided in June 2014, and litigation related to high-frequency trading.

"The big news in this area is the Supreme Court's decision in *Halliburton II*, which preserved class action securities fraud litigation," said Professor Joseph Grundfest, director of the Stanford Law School Securities Class Action Clearinghouse. "Had that decision gone the other way, the already low numbers of class action filings would have been even lower, and would likely be trending toward zero."

"The most intriguing new trend in the market concerns high-frequency trading and allegations related to Michael Lewis's *Flash Boys*," Professor Grundfest continued. "These lawsuits are very much in the early stages, and raise issues with a degree of economic complexity that far surpass the challenges encountered in the typical class action securities fraud case as we know it."

Key Findings

- The 78 new federal class action securities cases in the first six months of 2014 is 13 fewer than in the second half of 2013, but slightly higher than the 75 filings in the first half of 2013.
- In the first six months of 2014, there were no mega filings—cases with a Dollar Disclosure Loss (DDL) of at least $5 billion, or a Maximum Dollar Loss (MDL) of at least $10 billion. The absence of mega filings plunged the total MDL in securities class action filings to its lowest semiannual level in 16 years.
- For the first six months of 2014, the MDL was $93 billion, or 70 percent below the historical semiannual average MDL of $315 billion.
- The DDL also remained at low levels. Total DDL was $30 billion in the first half of 2014, 52 percent below the historical semiannual average of $62 billion.
- Class actions continued to be filed shortly after the end of the class period. In the first half of 2014, the median lag time between the end of the alleged class period and the filing date of the lawsuit was 12 days.
- In the first half of 2014, approximately one in 60 companies listed on the major U.S. exchanges was the subject of a class action.
- Continuing a multiyear trend, in the first half of 2014 the number of filings declined against companies in the S&P 500. Filings against S&P 500 firms were at their lowest levels as tracked in the last 14 years.
- Healthcare, biotechnology, and pharmaceutical companies (included in the Consumer Non-Cyclical sector) together accounted for 21 percent of total filings in the first half of 2014. As in 2012 and 2013, companies in this industry grouping were most frequently the subject of a class action, with biotechnology firms being the most common targets of class actions so far in 2014.
- Filing activity in the first half of 2014 was less concentrated in the Second and Ninth Circuits than in the two most recent semiannual periods. Filings in the first six months of 2014 in the Sixth, Eighth, and Tenth Circuits have already equaled or eclipsed the number of filings in those circuits for the full year of 2013.
- Companies that went public after the financial crisis have had initially higher litigation exposure in the years following their IPOs than earlier listings.
- At the current pace, the number of IPOs in 2014 will be 43 percent greater than in 2013, which itself was more than 50 percent larger than the annual number of IPOs in the prior three years, but still much lower than the IPO activity in the latter half of the 1990s.

Dr. Gould is available to speak with the media about *Securities Class Action Filings—2014 Midyear Assessment*. The report can be downloaded from the Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse websites.

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Cornerstone Research provides high-quality 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. Staff consultants bring specialized knowledge and experience as well as a commitment to produce outstanding results. Currently marking its 25th anniversary, Cornerstone Research has more than 450 staff and offices in Boston, Chicago, 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 3,800 securities class action lawsuits filed since passage of the Private Securities Litigation Reform Act of 1995. The database also contains copies of more than 44,000 complaints, briefs, filings, and other litigation-related materials filed in these cases.

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