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

NEWS RELEASE

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Securities Class Action Filings against Large Companies Drop to Lowest Levels Since 2000

New report by Cornerstone Research and Stanford Law School shows modest increase in the number of filings in 2014, other measures decline sharply

Boston, Mass., and Stanford, Calif., January 27, 2015—The likelihood of securities class action litigation against companies in the S&P 500 declined to the lowest levels since 2000, according to *Securities Class Action Filings—2014 Year in Review*, a report prepared by Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse. About one in 45 of these companies was a defendant in a new class action during the year, compared with the historical average of approximately one in 17. In addition, only 1.3 percent of S&P 500 market capitalization was subject to new filings in 2014, compared with the historical average of 10.1 percent.

Other measures of case size were also at or near historic lows, even though the total number of securities class actions filed by plaintiffs increased slightly to 170 in 2014, from 166 in 2013. The total Maximum Dollar Loss (MDL) for filings, a measure of the largest amount that plaintiffs might seek to recover, sank to its lowest level since 1997. The Disclosure Dollar Loss (DDL) Index, which calculates investor losses at the time that an alleged fraud is disclosed, decreased 45 percent from 2013 to 2014.

"For the first time since 1997, there were no mega filings with investor losses of greater than $5 billion at disclosure," observed Dr. John Gould, senior vice president of Cornerstone Research. "In addition, there were only two mega filings with a maximum dollar loss over the class period of $10 billion or more, and both were in the oil and gas industry. Overall, class actions against energy companies spiked as energy prices dropped toward the end of the year."

"It seems that 2014 was a tough year for plaintiff class action attorneys, but a good year for investors," said Professor Joseph Grundfest, director of the Stanford Law School Securities Class Action Clearinghouse and a former SEC commissioner. "Although the number of lawsuits filed is little changed, the cases filed are much smaller and will lead to smaller recoveries for the plaintiff class down the road. These data raise an interesting question as to whether large-scale securities class actions against corporate America are on the decline. Only time will tell."

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Key Trends

- The likelihood that a public company was the subject of a filing remained above the historical average, continuing a five-year trend. In 2014, approximately one in 28 companies listed on U.S. exchanges was the subject of a class action.
- The number of companies listed on U.S. exchanges increased recently after a 15-year decline. IPOs increased 31 percent over the previous year.
- Filings increasingly targeted firms in the pharmaceutical and biotechnology industries.
- Six class actions were filed against energy companies in the fourth quarter of 2014, as oil and gas prices slumped.
- Dismissals of securities class actions continued to increase for recent years, with dismissal rates at 59 and 58 percent of cases filed in 2010 and 2011, respectively.
- The percentage of filings against foreign issuers increased in 2014 for the first time in three years, with a distinct increase in suits against firms headquartered in Europe.
- Collectively, filings in the Second and Ninth Circuits decreased and were more consistent with historical averages in 2014 than in 2013. The number of filings in the Third Circuit was 38 percent higher than the historical average.

Dr. Gould and Professor Grundfest are available to speak with the media about *Securities Class Action Filings—2014 Year in Review*. The report may be downloaded from Cornerstone Research and 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 more than 500 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 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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