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Federal Class Action Securities Fraud Filings Continue at Near-Record Pace Core filings increase substantially in the first half of 2019.

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Securities Class Action Filings—2019 Midyear Assessment

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About Cornerstone Research

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Boston, Mass., and Stanford, Calif.—Plaintiffs continued the rapid pace of securities fraud case filings with 198 new federal class actions in the first half of 2019. According to a new report, *Securities Class Action Filings—2019 Midyear Assessment*, released today by Cornerstone Research and the Stanford Law School Securities Class Action Clearinghouse, plaintiffs have filed more than 1,000 securities class actions in the last two and a half years, accounting for more than 20% of the total number of cases filed since 1997.

The core filings increase is largely attributable to a delayed effect of market volatility in the last quarter of 2018 and to an uptick in filings in the consumer non-cyclical sector and against internet and high-tech firms.

The 126 core filings (those excluding M&A claims) were just one shy of the record set in the first half of 2017. The number of filings involving M&A transactions, however, dropped below 90 for the first time since the second half of 2016. In the first half of 2019, M&A-related filings declined more than 20% to 72 from 91 in the second half of 2018.

Six mega dollar disclosure loss (DDL) filings (at least \$5 billion) and 11 mega maximum dollar loss (MDL) filings (at least \$10 billion) propelled aggregate market capitalization losses to the highest and fourth-highest levels on record, respectively. The total \$180 billion DDL during the first half of 2019 was the highest on record. Total MDL increased by 17% to \$781 billion, a level more than double the historical average.

“In addition to large overall litigation volume, plaintiffs continue to shift securities fraud claims against IPOs from federal to state court,” observed [Joseph A. Grundfest](#), Stanford Law Professor, former SEC Commissioner, and founder of Stanford’s Securities Class Action Clearinghouse. “Other data show that state courts dismiss fewer of these claims than do federal courts, suggesting that plaintiffs can successfully file weaker claims in state rather than federal court.”

Key Trends

- **Non-U.S. companies:** In the first half of 2019, core filings against non-U.S. issuers as a percentage of all core filings remained relatively stable at 23 percent—the third-highest percentage on record. The number of core filings against European firms increased to its second-highest level on record for a semiannual period, with 13 filings.
- **State and federal courts:** In March 2018, the U.S. Supreme Court issued a unanimous opinion in *Cyan Inc. v. Beaver County Employees Retirement Fund* allowing plaintiffs to assert 1933 Act claims in state court. To date, 61 new 1933 Act filings have appeared post-*Cyan*: 23 parallel filings, 12 filings in federal courts only, and 26 filings in state courts only.
- **Industries:** The Consumer Non-Cyclical sector again had the greatest number of filings with 47. Of these, 32 were against biotechnology, pharmaceutical, and healthcare companies. The 19 filings in the Communications sector were all against internet and telecommunications companies.
- **S&P 500 firms:** Core filings against S&P 500 firms in the first half of 2019 occurred at an annualized rate of 6.4%.
- **Cryptocurrencies:** There were three core filings involving initial coin offerings (ICOs) or cryptocurrencies in the first half of 2019. There was only one such filing in the second half of 2018, after a flurry of ICO and cryptocurrency filings at the end of 2017 and beginning of 2018.

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