

Key Trends in Federal Filings: An Excerpt from Securities Class Action Filings—2019 Year in Review

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Companies on U.S. exchanges were more likely to be sued in 2019 than in any previous year whether measured solely on core filings or on total filings. Core filings in federal courts (core federal filings) against non-U.S. issuers (i.e., companies headquartered outside the United States with securities trading on U.S. exchanges) also reached record levels.

U.S. Companies

- In 2019, 5.5 percent of **U.S. exchange-listed companies** were the subject of core filings.
- Core federal filings against **S&P 500 firms** in 2019 occurred at a rate of 7.2 percent.

Non-U.S. Companies

- Core federal filings against **non-U.S. companies** rose to 57, the highest level on record.
- The likelihood of a core federal filing against a non-U.S. company increased from 4.8 percent in 2018 to 5.6 percent in 2019.

By Industry

- In 2019, 66 core federal filings were brought against companies in the **Technology** and **Communications** sectors combined, up 32 percent from 2018.
- Core federal filings in the **Consumer Non-Cyclical** sector jumped from 67 in 2018 to 88 in 2019. Within this sector, combined filings against biotechnology, pharmaceutical, and healthcare companies also increased.

By Circuit

- There were 103 and 52 core federal filings in the **Second** and **Ninth Circuits**, respectively. Second Circuit core federal filings were at historically high levels, 45 percent greater than 2018.
- **Third Circuit** filings remained at elevated levels with 28 in 2019 compared with the 1997–2018 historical average of 17.

M&A Filings

- Federal filings of merger-objection class actions—those involving M&A transactions with Section 14 claims but no Rule 10b-5, Section 11, or Section 12(2) claims—decreased again, from 182 in 2018 to 160 in 2019.
- M&A filings were concentrated in the Third Circuit. In 2019, 127 of the 160 M&A filings were in the Third Circuit, including 126 in Delaware federal court.
- M&A filings had a much higher rate of dismissal (89 percent) than core federal filings (47 percent) from 2009 to 2018.

Filings by Lead Plaintiff

- For 2019 core federal filings, individuals were appointed lead plaintiff more often than institutional investors, a pattern that has persisted since 2013.

Appointment of Plaintiff Lead Counsel

- The growth in core federal filings over the last seven years has coincided with the activity of three plaintiff law firms that have increasingly been involved in securities class actions.

New Developments

- There has been an increased number of core filings involving companies in and related to the cannabis industry.
- The forum selection case, *Sciabacucchi v. Salzberg*, is currently before the Delaware Supreme Court.

Annual Rank of Filing Intensity

Filing activity in federal and state courts accelerated in 2019. Each of the last three years—2017 through 2019—has been more active than any previous year. More core filings in federal and state courts occurred in 2019 than in any other year. Unlike in earlier years with heightened levels of filings (e.g., at the time of the dot-com bust or the financial crisis), the current peaks have occurred despite a lack of financial market turbulence.

Core federal filings against S&P 500 companies occurred with slightly lower frequency than in 2018, but remained elevated compared with historical measures. Given the number of filings and the frequency of filings involving larger companies, historically large amounts of market capitalization losses (as measured by DDL and MDL) are being litigated.

Table: Annual Rank of Measurements of Federal and State Filing Intensity

	2017	2018
Number of Total Filings	3rd	2nd
Core Filings	8th	3rd
M&A Filings	1st	2nd
Size of Core Filings		

Disclosure Dollar Loss	10th	1st
Maximum Dollar Loss	12th	3rd
Percentage of U.S. Exchange-Listed Companies Sued		
Total Filings	3rd	2nd
Core Filings	3rd	2nd
Percentage of S&P 500 Companies Subject to Core Federal Filings	8th	2nd

Note: Rankings cover 1997 through 2019 with the exceptions of M&A filings, which have been tracked as a separate category since 2009, and analysis of the litigation likelihood of S&P 500 companies, which began in 2001. Core filings are those excluding M&A claims. State 1933 Act filings filed

exclusively in state courts are included in the rankings in all categories beginning in 2010, except the Percentage of S&P 500 Companies Subject to

Core Federal Filings.

Read an excerpt of the report on [1933 Act Filings](#).

Read the report, [Securities Class Action Filings—2019 Year in Review](#).

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