
Seventh Circuit Addresses Certification of Securities Class Actions in Wake of Recent Supreme Court Opinions

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In *In re: Allstate Corporation Securities Litigation*, 2020 WL 4013360 (7th Cir. July 16, 2020), the U.S. Court of Appeals for the Seventh Circuit vacated a district court's ruling on class certification because the district court failed to consider evidence of price impact to rebut the Basic presumption. The Court held that the district court erred in determining that the evidence was relevant only to merits questions. The opinion is likely to be relied upon by district courts attempting the challenging task of ruling on securities fraud class certification motions, while abiding by the Supreme Court's recent precedents of *Amgen*, *Halliburton I*, and *Halliburton II*. Significantly, the Seventh Circuit also (1) affirmed the viability of the "inflation maintenance" theory (the theory that misrepresentations can have a price impact by preventing a previously-inflated stock price from falling) in the Seventh Circuit and (2) limited the use of "back-end price impact" evidence (evidence of the stock price's reaction or lack of reaction to the alleged corrective disclosures).

Attorneys

- Joel Kurtzberg
- Lauren Perlmut
- Jason D. Rozbruch