

SCOTUS Opinion: Court Fine-Tunes Review Standard For Securities Class Actions

21 Jun 2021

In *Goldman Sachs Group, Inc. v. Arkansas Teacher Retirement System*, shareholders alleged securities fraud by Goldman Sachs and sought a class action certification. The shareholders invoked a presumption under *Basic Inc. v. Levinson*, 485 U.S. 224 (1988), that investors are presumed to rely on the market price of a company's security, which is presumed to reflect all of the company's public statements, including its misrepresentations, in order to convince the district court to certify the case as a class action. Goldman Sachs sought to rebut that presumption by arguing that its alleged misrepresentations were so generic as to have had no effect on the market price. The district court certified the class, holding that Goldman Sachs failed to prove its rebuttal by a preponderance of the evidence, and the Second Circuit affirmed.

The Court, in a decision by Justice Barrett, vacated and remanded the matter for further consideration. First, the majority held that generic misrepresentations can have an impact on price and thus may be material to a class certification in a securities fraud case. The majority determined that the Second Circuit did not fully address that issue, and so remanded for further consideration. The majority also held that the Second Circuit correctly gave Goldman Sachs the burden of persuasion to prove a lack of price impact by a preponderance of the evidence at the class certification stage. Justice Gorsuch, joined by Justices Thomas and Alito, agreed with the majority decision except on the burden of proof issue, arguing that a defendant only has a burden of production, leaving the burden of persuasion always with the plaintiff. Justice Sotomayor filed a concurrence largely agreeing with the majority, but objecting to a remand, arguing that the Second Circuit's ruling should simply be affirmed.SC

A link to the opinion is here: https://www.supremecourt.gov/opinions/20pdf/20-222_2c83.pdf

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TAGGED: Class Actions, Presumption, Goldman Sachs Group, Inc. v. Arkansas Teacher Retirement System, Basic Inc. v. Levinson, preponderance of the evidence, burden of persuasion