

Client Alert: Halliburton: The Supreme Court Upholds Fraud-on-the-Market but Allows Defendants to Disprove Price Impact

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This client alert examines the implications of *Halliburton Co. v. Erica P. John Fund, Inc.*, in which the Supreme Court declined to overrule or modify the 1988 case that enshrined the “fraud-on-the-market” presumption that has allowed securities fraud cases to proceed as class actions on the premise that purchasers of securities that trade on an efficient market generally rely on the integrity of market prices. The authors explain that the Supreme Court’s decision did give defendants a new weapon for defeating such cases at the class certification stage by allowing a defendant to rebut the fraud-on-the-market presumption if it can prove that the alleged misrepresentations did not affect the price of the security. They observe that the “middle-ground ruling” will likely lead to increased use of financial consultant experts.

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