

Ninth Circuit affirms dismissal of securities class action against H.C. Wainwright & Co., LLC

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On April 8, 2021, the Ninth Circuit issued a decision affirming the dismissal of a putative securities fraud class action against an investment bank accused of fraudulently attempting to inflate the stock price of one of its clients. An analyst at the bank issued a buy recommendation about a biotech company with a price target well above the current stock price, triggering the stock to move up. Within 24 hours, the company announced a dilutive offering for which the bank was serving as exclusive agent. The offering was at a materially lower price than the target, triggering the stock to drop. The Ninth Circuit panel concluded that the plaintiffs had failed to plead that the bank—even if potentially caught in an embarrassing situation—had any motive to commit fraud, or that there was any other strong basis to infer scienter.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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