



Katten Wins Dismissal of Proposed Class Action Suit

April 21, 2016

Katten successfully won a dismissal of a proposed class action alleging that Philadelphia Stock Exchange market makers had conspired with the Exchange against smaller, non-member options traders. Reported in Law360, the complaint was originally filed in February 2015 by lead investor I. Stephen Rabin against the Exchange and unidentified member firms. It was later updated to name more than 12 trading firms, including Katten's clients.

U.S. District Judge Gerald A. McHugh stated, "This case takes me far down the rabbit hole of securities litigation, an area of law that can be as opaque as some of the investment vehicles it seeks to regulate." The judge ruled that he did not find the use of any tactics to inject false information into the marketplace. He said, "It is not enough for plaintiff to allege defendants were engaging in dividend plays; plaintiff must allege they intended to deceive him by placing their trades."

Financial Services Litigation co-head David Bohan stated, "The court correctly held that the dividend capture strategy alleged in the complaint does not constitute market manipulation under the securities laws. . . . [Also,] the court properly reaffirmed that [the Securities Litigation Uniform Standards Act] must be broadly construed if it is to achieve the purpose Congress intended."

David—along with Patrick Smith, partner, and Hannah Koesterer, associate—represented Bedrock Trading Ltd., First Derivative Traders LP, HAP Trading LLC and Largo Trading LP. ("[Investor Can't Prove Market Makers' Option Plan Was Illegal](#)," April 21, 2016)

CONTACTS

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