

Dura Pharmaceuticals v. Broudo
**—Reconstructing the Pleading Requirement of
Causation in Securities Fraud Cases and Its
Implications for Taiwan’s Securities Regulation**

Chun-Jen Chen

Department of Law, National Cheng Kung University
No. 1 University Road, Tainan 70101, Taiwan
E-mail: chenc4@mail.ncku.edu.tw

Abstract

Besides their remedial and deterrent functions, the anti-fraud provisions of securities regulation play an essential role in promoting the integrity of the securities market and investor confidence. Accordingly, framers of securities regulation in different jurisdictions share a view to balance “wrongdoer accountability” and “investor protection”. The pleading rules of “reliance” and “loss causation” in private securities fraud cases are crafted for this very purpose. After the Court’s adoption of the “efficient market hypothesis” and the “fraud-on-the-market theory”, there is a perceived trend to read “fraud-on-the-market theory” broadly in order to extend the presumption from “reliance” to “loss causation”. Without a doubt, this will be to the detriment of the development of securities regulation and creates confusion. The Supreme Court’s *Dura* decision effectively rectified the expansive reading and had profound implications for U.S. securities regulation and will henceforth serve as an influential and informative reference for securities law in Taiwan.

Key Words: securities fraud, causation, reliance, transaction causation, loss causation