

Sonny Joyce v. Amazon.com Inc., et al.

COURT: United States District Court for the Western District of Washington
CASE NUMBER: 2:22-cv-00617-JHC
CLASS PERIOD: 02/01/2019 - 04/28/2022
CASE LEADERS: James A. Harrod, Avi Josefson
CASE TEAM: Timothy G. Fleming

This is a securities fraud class action filed on behalf of all other persons and entities, who purchased or otherwise acquired the publicly traded common stock of Amazon.com, Inc. (“Amazon” or the “Company”) during the period between February 1, 2019 and April 28, 2022, inclusive (the “Class Period”), against Amazon and certain of its senior executives (collectively, Defendants).

On July 6, 2022, BLB&G filed an initial complaint on behalf of its client, Asbestos Workers Philadelphia Welfare and Pension Fund (“Asbestos Workers”), captioned *Asbestos Workers Philadelphia Welfare and Pension Fund v. Amazon.com, Inc.*, No. 2:22-cv-00934 (W.D. Wash.). That case was subsequently consolidated with other cases against Amazon pending in the District.

On September 20, 2022, Asbestos Workers, along with Court-appointed Lead Plaintiffs Universal-Investment-Gesellschaft mbH, Universal-Investment-Luxembourg S.A., Menora Mivtachim Insurance Ltd., Menora Mivtachim Pensions and Gemel Ltd., The Phoenix Insurance Company, Ltd., and The Phoenix Provident Pension Fund Ltd., and additional named plaintiff Detectives Endowment Association Annuity Fund filed the Consolidated Class Action Complaint (“Complaint”) in the consolidated action under the lead case *Joyce v. Amazon.com Inc.*, No.: 2:22-cv-00617-JH (W.D. Wash.). The Complaint is based on an extensive investigation and a careful evaluation of the merits of this case.

Amazon is a multinational technology company with multiple business lines, including e-commerce services and distribution, website development and hosting, inventory and supply chain management, and fulfillment and logistics. The action arises from allegations that the Defendants concealed material information and made two categories of false and misleading statements concerning: (i) the way Amazon sells third-party merchandise and Amazon’s own private-label products on its e-commerce platform, and (ii) Amazon’s over-expansion of the infrastructure and fulfillment network for its e-commerce business.

Third Party Seller Allegations

In June 2019, the U.S. House Committee on the Judiciary initiated an investigation into online competition by U.S. tech giants—such as Amazon—led by the Subcommittee on Antitrust, Commercial and Administrative Law. The Subcommittee’s *Online Platforms and Market Power* hearings focused in part on Amazon’s use of third-party sales data to sell its own branded products, in direct competition with those third-party sellers.

The Complaint alleges that throughout the Class Period, Defendants made materially false and misleading statements regarding the Company’s business, operations, and compliance policies. Specifically, Defendants failed to disclose that: (i) Amazon engaged in anticompetitive conduct through its private-label business practices, including giving preference to Amazon products and using third-party sellers’ non-public data to compete with them; (ii) this exposed Amazon to a heightened risk of regulatory scrutiny and enforcement actions; and (iii) certain of Amazon’s revenues were based on this impermissible conduct and thus unsustainable.

The truth gradually emerged that Amazon exploited its third-party sellers. On April 28, 2020, CNBC published an article entitled *GOP Sen. Hawley asks DOJ to open a criminal investigation into Amazon*. According to the article, Senator Hawley requested that the DOJ open a criminal investigation into Amazon, citing claims that the Company engaged in “predatory and exclusionary data practices to build and maintain a monopoly.” On this news, Amazon’s stock price fell \$61.92 per share, or 2.61%, to close at \$2,314.08 per share on April 28, 2020.

On March 9, 2022, media outlets reported that the House Judiciary Committee had requested that the U.S. Department of Justice open a criminal investigation into Amazon and certain of its executives for allegedly lying to Congress about its business practices during the course of the Subcommittee’s investigation. In response, Amazon asserted that there was “no factual basis” for the House Judiciary Committee’s allegations.

Then, on April 6, 2022, the *Wall Street Journal* published an article entitled *SEC Is Investigating How Amazon Disclosed Business Practices*. The article reported, *inter alia*, that the SEC’s probe has been underway for more than a year and focused on Amazon’s disclosures regarding its use of third-party seller data for its own private-label business. On this news, Amazon’s stock price fell \$105.98 per share, or 3.2%, to close at \$3,175.12 per share on April 6, 2022.

Fulfillment Capacity Allegations

In early 2020, prior to the onset of the COVID pandemic, a key priority for Amazon was increasing its ability to provide its e-commerce customers with shortened delivery times, including same-day delivery. To meet that goal, Amazon invested significant capital to aggressively expand its infrastructure and fulfillment networks. When the COVID pandemic (and related lockdowns and other restrictions) hit in early 2020, consumer demand for online shopping and delivery skyrocketed. In response, Amazon continued expanding its infrastructure and fulfillment network capacity. Indeed, between the end of 2019 and the end of 2021, Amazon more than doubled its warehouse, distribution, and data center space.

Throughout the Class Period, Defendants made numerous false and misleading statements to investors concerning Amazon’s continued investments to expand its infrastructure and fulfillment network capacity. Specifically, Defendants repeatedly assured investors that the Company’s continued infrastructure and fulfillment investments were driven not just by recent increased demand related to the pandemic, but also “long-term trends” and “strong multiyear demand.” In reality, Defendants knew or recklessly disregarded that these investments substantially outpaced demand and capacity requirements—generating a massive, self-imposed, and undue drain on Amazon’s financial condition. Indeed, contrary to Defendants’ public statements during the Class Period, by July 2021, Defendants had already implemented cutbacks to Amazon’s fulfillment capacity without disclosing that critical information to investors.

On April 28, 2022, the truth emerged when Amazon reported a \$3.8 billion net quarterly loss—its first reported net quarterly loss since 2015. After months of falsely representing that Amazon’s expansion of its fulfillment capacity and infrastructure was necessary and appropriate to meet both short-term and long-term customer demand, Defendants disclosed that day that Amazon was “no longer chasing physical or staffing capacity.” Defendants disclosed \$6 billion of “incremental costs,” including \$2 billion due to “overcapacity” in Amazon’s “fulfillment and transportation network.” As a result of these disclosures, Amazon’s share price declined from a closing price of \$2,891.93 per share on April 28, 2022 to a closing price of \$2,485.63 per share on April 29, 2022, a decline of \$406.30 per share, or 14.05%.

As a result of Defendants' misrepresentations and omissions, Plaintiffs and the Class purchased Amazon common stock at artificially inflated prices during the Class Period.

Case Documents

- September 20, 2022 - Consolidated Class Action Complaint
- July 6, 2022 - Initial Complaint
- July 6, 2022 - PSLRA Notice