

City of Sunrise Firefighters' Pension Fund, et al. v. Oracle Corporation, et al.

COURT: United States District Court for the Northern District of California
CASE NUMBER: 3:18-cv-04844
CLASS PERIOD: 03/15/2017 - 06/19/2018
CASE LEADERS: John Rizio-Hamilton, Mark Lebovitch, Jonathan D. Uslaner, Abe Alexander
CASE TEAM: R. Ryan Dykhouse, Nicole Santoro, Jonathan G. D'Errico, Ryan Candee, Christina Suarez Papp

This action asserts claims under Sections 10(b), 20(a), and 20A of the Securities Exchange Act of 1934, and SEC Rule 10b-5 promulgated thereunder on behalf of a class of persons and entities who purchased or otherwise acquired shares in Oracle Corporation (“Oracle” or the “Company”) between March 15, 2017 and June 19, 2018, inclusive (the “Class Period”). Defendants include the Company and certain of the Company’s current and former senior executives (collectively, “Defendants”).

The Court appointed Union Asset Management Holding AG as Lead Plaintiff, and BLB&G as Lead Counsel, on December 21, 2018.

Oracle is one of the world’s largest software companies. Among other things, the Company offers both on-premises and cloud solutions to a variety of end users. Historically, Oracle’s revenues were driven by the sale of the Company’s on-premises software services, but those revenues stagnated in recent years, forcing Oracle to shift to cloud-based programs.

Throughout the Class Period, Defendants reported that Oracle’s cloud revenues were growing at extremely rapid rates, and repeatedly emphasized that the “hypergrowth” in Oracle’s all-important cloud business demonstrated that it had successfully pivoted its business model to cloud-based technology. In addition, Defendants attributed that growth to a variety of supposedly legitimate factors and initiatives, including that its “products are better” its “sales force is better” and its “ability to implement is better.” In truth, Oracle drove sales of cloud products in two ways: (i) by threatening its customers with very costly “audits” of their use of the Company’s non-cloud software unless the customers agreed to shift their business to Oracle’s cloud programs; and (ii) offering customers large discounts on on-premise products if they accepted short-term cloud contracts that they did not want and would likely not use. The use of such tactics concealed the lack of real demand for Oracle’s cloud services, making Oracle’s cloud growth unsustainable and ultimately driving away customers.

The truth was revealed starting on December 14, 2017, when the Company disclosed that cloud revenue growth had stagnated and forecasted significantly slower sales growth for its cloud business. On March 19, 2018, Oracle reported even slower cloud growth, heightening the market’s concern regarding Oracle’s cloud business. On June 14, 2018, JP Morgan issued a report indicating that it had performed a large-scale survey of Chief Information Officers and found that Oracle was highly unpopular due to its business tactics and the lack of value in its cloud products. Finally, on June 19, 2018, Oracle reported that it would no longer separately report financial results or guidance for its cloud business, decreasing transparency as to cloud revenue growth. As a result of these disclosures, the price of the Company’s stock declined significantly.

Lead Plaintiff filed its amended complaint on March 8, 2019 and Defendants filed a motion to dismiss on April 19, 2019. Lead Plaintiff filed its opposition on May 31, 2019, and Defendants filed their reply on June 21, 2019. Oral argument on the motion to dismiss was heard on October 17, 2019. The Court dismissed Plaintiff's claims on December 17, 2019 with leave to amend its complaint. Lead Plaintiff filed its second amended complaint on February 17, 2020. Defendants' filed their motion to dismiss on April 23, 2020. Lead Plaintiff filed its opposition on June 30, 2020. The Court heard oral argument on the renewed motion to dismiss on September 24, 2020.

On March 22, 2021, the Court granted in part and denied in part Defendants' motion to dismiss, and the case is now in discovery. On October 8, 2021, Lead Plaintiff filed its motion for class certification. Defendants filed their opposition to Lead Plaintiff's motion on December 9, 2021. On February 9, 2022, Lead Plaintiff filed its reply brief in further support of its motion for class certification. Oral argument on the motion for class certification was heard on March 24, 2022. On May 9, 2022, the Court granted Lead Plaintiff's motion for class certification.

Case Documents

- February 17, 2020 - Amended Consolidated Class Action Complaint for Violations of the Federal Securities Laws
- March 8, 2019 - Consolidated Class Action Complaint for Violations of the Federal Securities Laws