

In re Seagate Technology Holdings plc Securities Litigation

COURT: United States District Court for the Northern District of California
CASE NUMBER: 23-cv-03431-VC
CLASS PERIOD: 09/14/2020 - 04/19/2023
CASE LEADERS: Hannah Ross, Avi Josefson, Scott R. Foglietta, Salvatore J. Graziano
CASE TEAM: Aasiya Glover, Sarah Schmidt

On July 26, 2023, Bernstein Litowitz Berger & Grossmann LLP (“BLB&G”) filed a class action lawsuit in the U.S. District Court for the Northern District of California alleging violations of federal securities laws by Seagate Technology Holdings plc (“Seagate” or the “Company”) and certain of the Company’s senior executives (collectively, “Defendants”). The action is brought on behalf of all persons or entities that purchased or otherwise acquired Seagate common stock between September 14, 2020, and April 19, 2023, inclusive (the “Class Period”). The complaint expands the allegations that were asserted in a previously filed related securities class action pending against Seagate captioned *UA Local 38 Defined Contribution Pension Plan v. Seagate Technology Holdings plc*, No. 3:23-cv-03431 (N.D. Cal.)

On October 19, 2023, BLB&G filed a Consolidated Class Action Complaint on behalf of its clients, the Public Employees’ Retirement System of Mississippi and Arkansas Public Employees’ Retirement System, and the case is captioned *In re Seagate Technology Holdings plc Securities Litigation*, No. 23-cv-03431-VC (N.D. Cal.). The consolidated complaint is based on an extensive investigation and a careful evaluation of the merits of this case. On September 12, 2024, BLB&G filed a Consolidated Amended Class Action Complaint with additional details based on further investigation. To view the consolidated complaint, see the **Case Documents** section of this page.

Seagate’s Alleged Fraud

Headquartered in Fremont, California, Seagate is a provider of data storage technology and infrastructure solutions. Among other things, Seagate manufactures and designs mass-capacity hard disk drives (“HDDs”), which contain sensitive U.S. semiconductor components.

On May 16, 2019, telecommunications company Huawei Technologies Co. Ltd. (“Huawei”) was added to the U.S. Department of Commerce’s Bureau of Industry and Security’s (“BIS”) Entity List (“Entity List”), following a determination that the administration had deemed Huawei a threat to national security. Huawei’s designation on the Entity List meant that companies manufacturing products containing certain U.S.-origin components that were subject to the Export Administration Regulations were required to obtain a special license from BIS for the export, reexport, and transfer of all such products, where Huawei or any of its affiliates were end users in the transaction. In August of 2020, BIS amended its restrictions to “narrowly and strategically target Huawei’s acquisition of semiconductors that are the direct product of certain U.S. software and technology.”

The complaint alleges that throughout the Class Period, Seagate repeatedly assured investors that the Company was in compliance with all U.S. export control and sanctions laws. Seagate maintained that its HDDs were not subject to the U.S. Department of Commerce’s sanctions against Huawei, even as its only competitors, Western Digital and Toshiba, had ceased HDD sales to Huawei to comply with the sanctions. Seagate also reported

significant growth in HDD sales, which it attributed to significant and growing demand for HDDs and other legitimate business factors, and downplayed Seagate's reliance on its HDD sales to Huawei. These misrepresentations caused the price of Seagate common stock to trade at artificially inflated prices throughout the Class Period.

The truth emerged through a series of disclosures beginning on October 26, 2021, when a group of U.S. senators from the Senate Committee on Commerce, Science, and Transportation (the "Senate Committee") released a report urging BIS to take action against Seagate for its illicit sales to Huawei. In response, Seagate announced that the Company had ceased HDD sales to Huawei. Throughout 2022, Seagate repeatedly reported earnings that were below expectations and lowered revenue and earnings guidance, which the Company attributed to "disruption in the Chinese market" and lower demand in China. Then, on October 26, 2022, Seagate announced that it had received a Proposed Charging Letter from BIS alleging violations of the U.S. export controls and sanctions laws. That same day, Seagate reported that its HDD sales had plummeted by 26% for its fiscal first quarter ended September 30, 2022. These disclosures caused the price of Seagate common stock to decline by \$4.61 per share, or nearly 8%.

Then, after the end of the Class Period, on April 19, 2023, BIS announced that it had imposed a \$300 million civil penalty against Seagate for violating the ban on HDD sales to Huawei—the largest standalone administrative resolution in the agency's history. According to the order that BIS issued imposing the civil penalty, through its investigation BIS determined that between August 2020 and September 2021, Seagate sold 7.4 million HDDs to Huawei, which were valued at more than \$1.1 billion.

The filing of this action does not alter the previously established deadline to seek appointment as Lead Plaintiff. Pursuant to the July 10, 2023 notice published in connection with the UA Local 38 action, under the Private Securities Litigation Reform Act of 1995, investors who purchased or otherwise acquired Seagate common stock during the Class Period may, no later than September 8, 2023, seek to be appointed as Lead Plaintiff for the Class.

Defendants moved to dismiss the amended complaint on November 13, 2023. On August 8, 2024, Judge Rita F. Lin granted Defendants' motion to dismiss with leave to amend, and on September 12, 2024, BLB&G filed a further amended complaint. The Defendants' deadline to move to dismiss the September 12 Complaint is October 28, 2024.

Case Documents

- September 12, 2024 - Consolidated Amended Class Action Complaint
- October 19, 2023 - Consolidated Class Action Complaint
- July 26, 2023 - Initial Complaint
- July 26, 2023 - PSLRA Notice