Merholz, et al. v. McMahon, et al.

COURT: United States District Court for the District of Connecticut
CASE NUMBER: 3:20-cv-00557-VAB
CASE TEAM: Daniel Meyer

Various stockholders filed derivative actions on behalf of nominal defendant World Wrestling Entertainment, Inc. ("WWE" or the "Company") against certain of its current and former officers and directors for breaches of fiduciary duty and unjust enrichment. In particular, the complaints allege that Company insiders offloaded hundreds of millions of dollars of personally held WWE stock ahead of disclosure of devastating news about its business in the Middle East.

In recent years, WWE had entered into a multiyear television distribution rights agreement with Saudi-controlled Orbit Showcase Network ("OSN") and a partnership with the Saudi General Sports Authority to host live events in Saudi Arabia. However ideological differences between the Company and the Saudi government led to the Saudi government's refusal to pay millions of dollars it owed to WWE and OSN's early termination of its agreement with WWE. Prior to the release of this news, WWE insiders sold over $313 million worth of artificially inflated Company stock. Then, on February 6, 2020, WWE disclosed its disappointing financial performance due to its inability to secure a favorable broadcasting deal with the Saudi government, revealing that the Saudi media rights deal was no longer part of WWE's financial forecast. Following all of its disclosures, WWE's stock traded as low as $32.38 on March 12, 2020, representing a staggering 67% decline from its class period high of more than $100.

BLB&G conducted a books and records investigation on behalf of Dennis Palkon. Following this investigation (which other WWE stockholder plaintiffs did not conduct), on October 23, 2020, BLB&G moved for (a) permissive intervention into the pending actions in the District of Connecticut, (b) appointment of lead counsel, and (c) denial of defendants' motions to dismiss the complaints as moot. On November 6, 2020, the court granted the motions to dismiss but withheld its decision whether dismissal would be with prejudice, pending a ruling on Palkon's motion to intervene.

Before the court ruled on the motion to intervene, the parties agreed to settle the various actions. The settlement includes corporate governance reforms focused on WWE's insider trading policy. On October 20, 2021, the court preliminarily approved the settlement, and it scheduled a settlement hearing for December 22, 2021.

Case Documents

- October 29, 2021 – Notice of Pendency and Stip. & Agreement of Settlement

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