In re NVIDIA Corporation Securities Litigation

COURT: United States District Court for the Northern District of California
CASE NUMBER: 18-cv-07669-HSG
CLASS PERIOD: 05/10/2017 - 11/14/2018
CASE LEADERS: Jeroen van Kwawegen, Jonathan D. Uslaner
CASE TEAM: Michael Mathai, Lauren M. Cruz

This is a securities class action lawsuit filed against NVIDIA Corporation ("NVIDIA" or the "Company"), and certain of its executives (collectively, "Defendants"). The action asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5, on behalf of investors who purchased NVIDIA's stock between May 10, 2017, and November 14, 2018, inclusive (the "Class Period").

The Complaint alleges that, during the Class Period, Defendants violated provisions of the Exchange Act by issuing false and misleading press releases, filings with the U.S. Securities and Exchange Commission ("SEC"), and statements during investor and analyst conference calls.

NVIDIA designs, develops, and markets graphics processing units ("GPUs") and related software. Although traditionally used in connection with computer gaming, demand for the Company's GPUs surged as NVIDIA's GPUs became widely used in connection with cryptocurrencies. Given the volatility in the cryptocurrency market, the Company's ability to adapt to the ever-changing cryptocurrency landscape was critical to investors.

Throughout the Class Period, Defendants assured investors that the Company followed the market closely and could adjust to rapid changes in the cryptocurrency markets. Even as analysts increasingly began to question the Company's ability to manage inventory in the face of an uncertain cryptocurrency market, Defendants touted that NVIDIA and its executives are "masters at managing our channel, and we understand the channel very well." NVIDIA also repeatedly assured investors that surging demand for GPUs among cryptocurrency miners would not have a negative impact on the Company because of strong demand for GPUs by NVIDIA's core customer base of computer gamers. As a result of these misrepresentations, NVIDIA shares traded at artificially inflated prices throughout the Class Period.

The truth began to be disclosed on August 16, 2018, when NVIDIA lowered its revenue guidance for the third quarter of 2018 and reported that it no longer expected a meaningful contribution from cryptocurrency miners for the remainder of the year. NVIDIA also reported that its GPU inventory had ballooned by over 30% from the prior quarter, which investors feared could be a sign of slowing demand for NVIDIA's GPUs. Then, on November 15, 2018, NVIDIA significantly cut its revenue guidance for the fiscal fourth quarter, revealing that revenue would decline by over 7% in the quarter. NVIDIA attributed its poor financial results to surging inventory of midrange GPUs that built up in the channel before the rapid fade of cryptocurrency mining. As a result of these disclosures, the price of the Company's stock declined significantly.

On May 2, 2019, the Honorable Haywood S. Gilliam, Jr., of the Northern District of California, appointed E. Öhman J:or Fonder AB ("Öhman Fonder") and Stichting Pensioenfonds PGB ("PGB") as Co-Lead Plaintiffs, and Bernstein Litowitz Berger & Grossmann LLP as Co-Lead Counsel, in the action. Lead Plaintiffs filed a consolidated class action complaint on June 21, 2019. Defendants moved to dismiss the complaint, and Plaintiffs opposed their motion. On

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March 16, 2020, the district court granted Defendants' motion to dismiss the complaint, but permitted Lead Plaintiffs to file an amended complaint.

Lead Plaintiffs filed their amended complaint on May 13, 2020. Defendants moved to dismiss the amended complaint on June 29, 2020. Lead Plaintiffs opposed Defendants' motion on August 13, 2020. Defendants replied in support of their motion on September 14, 2020. Defendants' motion was heard on November 19, 2020. The Honorable Haywood S. Gilliam dismissed the amended complaint on March 2, 2021.

On April 1, 2021, Lead Plaintiffs appealed to the 9th Circuit Court of Appeals. Lead Plaintiffs submitted their appeal brief on August 11, 2021. Defendants filed their answering brief on November 10, 2021, and Lead Plaintiffs filed their reply brief on January 3, 2022. Oral argument was held on May 10, 2022.

On August 25, 2023, after briefing and oral argument, the Ninth Circuit reversed the district court's dismissal of the amended complaint, concluding that a series of false and misleading statements by Defendants NVIDIA and its CEO support a claim under Section 10(b) of the Exchange Act and Rule 10b-5. Defendants sought a rehearing of the Ninth Circuit's decision, and the Ninth Circuit denied the petition. Defendants sought a stay of the mandate to return the case to the District Court, pending their planned cert. petition for review to the Supreme Court of the United States. Defendants' request to stay the mandate was granted. Defendants' cert petition is due March 4, 2024.

Case Documents

- August 25, 2023 - Filed Opinion
- May 13, 2020 - Amended Complaint
- June 21, 2019 - Consolidated Class Action Complaint for Violations of the Federal Securities Laws
- May 2, 2019 - Order Granting E. Öhman J:or Fonder AB and Stichting Pensioenfonds PGB's Motion Re: Appointment as Lead Plaintiffs and Approval of Lead Counsel
- December 21, 2018 - Class Action Complaint

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