

ZOOMING INTO COURT: NEW COMPLAINT FILED AGAINST ZOOM RELATED TO COVID-19

Hodgson Russ Securities/Directors & Officers Litigation Alert
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New investor lawsuits are popping up across the country as investors suffer losses they claim are due to COVID-19. One of the most recent suits accuses Zoom, the popular videoconferencing platform, and its directors of contributing to the recent decline of the company's stock.

Zoom Video Communications, Inc. was sued by a shareholder on June 11, 2020 in Delaware. The shareholder alleges that the directors of Zoom breached their fiduciary duties, abused control and grossly mismanaged the business from April 2019 to the present. The claim centers around allegations that security problems with the videoconference platform were known for almost a year and not properly addressed, and the problems were concealed from investors. Then, when the COVID-19 pandemic struck, the use of the video platform soared as did its stock price. But in late March 2020, Zoom's security vulnerabilities were revealed through public articles and Zoom's own admissions. This prompted investigations by the FBI and several state attorney generals and consumer lawsuits now pending in California federal court under the action, *In re Zoom Video Communications Inc. Privacy Litigation*.

The new shareholder suit, entitled *Gervat v. Yuan*, alleges that Zoom violated federal securities laws by making false and misleading statements to the investing public while the true security weaknesses were known by Zoom and its directors. The shareholder alleges that the true situation was not known until the wave of complaints and negative publicity brought about the increased use of the platform by shelter-in-place orders in response to the COVID-19 pandemic. The most significant drop in share price — a decline of \$29.77 per share — occurred between March 27 and April 2, 2020 when multiple public complaints and disclosures were made.

The Zoom case highlights the scrutiny over director and officer conduct leading up to and during the COVID-19 pandemic and demonstrates a trend toward increased shareholder filings.

If you need assistance with responding to investor or shareholder inquiries or lawsuits, please contact Jodyann Galvin (716.848.1520) or any member of our Securities/Directors & Officers Litigation Practice.

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