

UPTICK IN INVESTOR CLASS ACTION LAWSUITS EXPECTED DUE TO COVID-19

Hodgson Russ Class Action Litigation Alert
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The legal fallout of the COVID-19 pandemic is rippling through the courts in the form of new class action lawsuit filings. In what is likely the first wave of a surge of class action activity, several recent class action filings show where trends may be headed.

Investor and shareholder suits have made their way to center stage this week with two new cases. Carnival Cruises and some of its executives were sued in a shareholder class action on May 27. Carnival is accused of concealing facts related to proliferation of COVID-19 cases, transmission of the virus, and violations of port-of-call regulations. The institutional investor who brought the suit claims Carnival violated securities laws and that shareholders purchased at artificially-inflated prices. There are also several class actions pending where passengers are alleging exposure to COVID-19 while on board cruise ships; see previous alert.

Just one day earlier, on May 26, Sorrento Therapeutics was sued in a stock-drop case by an investor over allegedly fraudulent statements its CEO made about a breakthrough in the company's COVID-19 research. In mid-May, Sorrento announced the discovery of an antibody that "demonstrated 100% inhibition of SARS-CoV-2 virus infections." The CEO was quoted on Fox News as saying, "We want to emphasize there is a cure. There is a solution that works 100 percent ...". The stock price shot up that day and remained high until five days later when other researchers criticized the claims.

Both cases resemble the first-filed class actions against Inovio Pharmaceuticals for its claims in February and early March of having developed a vaccine for coronavirus in just three hours. The early March claim occurred at the White House at a U.S. Coronavirus Task Force Meeting. The share price spiked immediately after the meeting. According to the complaints, the price was artificially inflated by these false statements. Investors then suffered significant losses after an independent research paper debunked the vaccine claim and share prices plummeted.

Shareholder suits like the cases against Carnival and Sorrento are certain to proliferate. In coming months, the Courts are likely to see a swell of both consumer class actions and workplace claims. Consumer claims already being made are related to event cancellations and loss of services at facilities like gyms and colleges. Workplace claims are likely to include claims of exposure and failure to provide a

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safe work environment.

If you have any questions about this alert or need assistance with responding to a class action lawsuit, please contact Jodyann Galvin (716.848.1520), Catherine Cooley (716.848.1456), or any member of our Class Action Litigation Practice.

Please check our Coronavirus Resource Center and our CARES Act page to access information related to both of these rapidly evolving topics.

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