

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE

Naadam Inc. v. Brian Linton

Civil Action No. 25-557-GBW (D. Del. May 7, 2026) · No. Civil Action No. 25-557-GBW; 1:25-cv-00557 ·
Decided May 7, 2026

SUMMARY

The United States District Court for the District of Delaware considers Brian Linton’s motion to dismiss Naadam Inc.’s claims arising from Naadam’s investment in Sand Shack, LLC. The court holds that Naadam has standing and sufficiently pleads fraudulent inducement and negligent misrepresentation, but dismisses its fraudulent concealment claim without prejudice for failure to satisfy the heightened pleading standard. The motion to dismiss is granted in part and denied in part.

CASE DETAILS

COURT	United States District Court for the District of Delaware
WRITING FOR THE COURT	Gregory B. Williams
JURISDICTION	United States District Court for the District of Delaware
DECIDED	May 7, 2026
DOCKET	Civil Action No. 25-557-GBW; 1:25-cv-00557
DISPOSITION	other
PROCEDURAL POSTURE	Defendant moved under Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6) to dismiss Plaintiff's claims for fraudulent inducement, fraudulent concealment, negligent misrepresentation, and breach of fiduciary duty. The court denied dismissal of the fraudulent inducement and negligent misrepresentation claims and granted dismissal without prejudice of the fraudulent concealment and breach of fiduciary duty claims.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true, views them in the light most favorable to the plaintiff, disregards legal conclusions and conclusory recitals, and asks whether the complaint plausibly states a claim. On a facial Rule 12(b)(1) standing challenge, the court treats the complaint's jurisdictional allegations as true and determines whether the plaintiff has Article III standing.

PRECEDENTIAL VALUE

unpublished district court memorandum opinion; precedential status unknown

TOPICS

motions to dismiss

standing

fraud

negligent misrepresentation

breach of fiduciary duty

PRACTICE AREAS

commercial litigation

torts

corporate law

civil procedure

QUESTIONS PRESENTED

1. Whether Naadam had Article III and prudential standing to assert direct claims against Linton or whether the claims belonged derivatively to Sand Shack.
2. Whether Naadam sufficiently pleaded fraudulent inducement under Federal Rule of Civil Procedure 9(b).
3. Whether Naadam sufficiently pleaded fraudulent concealment under Rule 9(b), including scienter as to undisclosed loan defaults, collection notices, and debt renegotiations.
4. Whether Naadam sufficiently pleaded negligent misrepresentation, including a pecuniary duty and pecuniary loss.
5. Whether Naadam sufficiently pleaded that Linton owed it a fiduciary duty.

HOLDINGS

1. Naadam adequately pleaded standing because its claims arose from injuries independent of its status as a shareholder, including alleged misrepresentations made in connection with its purchase of an investment in Sand Shack.
2. Naadam sufficiently pleaded fraudulent inducement because it alleged with particularity materially false financial projections, Linton's knowledge or reckless indifference, intent to induce investment, reliance, and resulting damages.
3. Naadam did not sufficiently plead fraudulent concealment because it failed to allege with particularity when Linton received the default and collection notices and did not plead sufficient facts showing that the debt-renegotiation allegations constituted actionable concealment with the requisite scienter and causation.
4. Naadam sufficiently pleaded negligent misrepresentation because it alleged that Linton had a pecuniary duty to provide accurate information, supplied false information without reasonable care, and caused Naadam a pecuniary loss through justified reliance.
5. Naadam did not sufficiently plead that Linton owed it a fiduciary duty because it did not allege that Linton was a manager of Sand Shack after Naadam's investment.

KEY QUOTATIONS

“Absent Article III standing, a federal court does not have subject matter jurisdiction to address a plaintiff’s claims, and they must be dismissed.” (8)

“The Complaint outlines specific facts that support the inference that Defendant knew the financial projections he provided to Plaintiff were false.” (10)

“Thus, Defendant’s motion to dismiss Plaintiff’s fraudulent concealment claim is granted. However, because the Court concludes that amendment may cure the above deficiencies, Plaintiff’s fraudulent concealment claim is dismissed without prejudice.” (13)

“For the above reasons, the Court denies Defendant’s Motion with respect to Counts I & III. The Court grants Defendant’s Motion with respect to Counts II & IV without prejudice.” (18)

FACTUAL BACKGROUND

Naadam invested in Sand Shack, LLC after its CEO, Brian Linton, allegedly promoted Sand Shack and its United By Blue brand as a lucrative and time-sensitive opportunity and provided financial projections. The complaint alleged that the projections materially overstated revenue and profitability and that Linton pressured Naadam to close while renegotiating Sand Shack debts and repayment dates. After the investment, Naadam learned of numerous default and collection notices, foreclosure proceedings, and the sale of Sand Shack’s intellectual property. The complaint also alleged that after leaving Sand Shack, Linton continued accessing its accounts and withdrew \$100,000.

PROCEDURAL HISTORY

Naadam filed the action on May 6, 2025. Linton moved to dismiss on July 24, 2025, and the motion was fully briefed. The court concluded that Naadam had standing and that Counts I and III were adequately pleaded, but Counts II and IV were insufficiently pleaded and could potentially be cured by amendment.

DISPOSITION

other

CASES CITED

- Doe v. Princeton Univ., 30 F.4th 335, 342 (3d Cir. 2022)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 557 (2007)
- Klotz v. Celentano Stadtmauer & Walentowicz LLP, 991 F.3d 458, 462 (3d Cir. 2021)
- In re Burlington Coat Factory Sec. Litig., 114 F.3d 1410, 1420 (3d Cir. 1997)
- Scheuer v. Rhodes, 416 U.S. 232, 236 (1974)
- TransUnion LLC v. Ramirez, 594 U.S. 413, 423 (2021)
- Spokeo, Inc. v. Robins, 578 U.S. 330, 339 (2016)
- Boley v. Universal Health Servs., Inc., 36 F.4th 124, 130-31 (3d Cir. 2022)
- Franchise Tax Bd. of California v. Alcan Aluminum Ltd., 493 U.S. 331, 336 (1990)

- Willekes v. Serengeti Trading Co., 783 F. App'x 179, 183-84 (3d Cir. 2019)
- In re Kaplan, 143 F.3d 807, 812 (3d Cir. 1998)
- Potter v. Cozen & O'Connor, 46 F.4th 148, 154 (3d Cir. 2022)
- Wise v. Biowish Techs., Inc., 2019 WL 192876, at *3 (D. Del. Jan. 11, 2019)
- In re Sunrise Sec. Litig., 916 F.2d 874, 879-82 (3d Cir. 1990)
- In re Activision Blizzard, Inc. S'holder Litig., 124 A.3d 1025, 1056 (Del. Ch. 2015)
- Chapter 7 Tr. Constantino Flores v. Strauss Water Ltd., 2016 WL 5243950, at *7 n.34 (Del. Ch. Sept. 22, 2016)
- Duffield Assocs., Inc. v. Meridian Architects & Eng'rs, LLC, 2010 WL 2802409, at *4 (Del. Super. July 12, 2010)
- Wildenberg v. Sign-Zone Holdings L.P., 350 A.3d 637 (Del. 2025)
- Agspring Holdco, LLC v. NGP X US Holdings, L.P., 2020 WL 4355555, at *17-18 (Del. Ch. July 30, 2020)
- Nicolet, Inc. v. Nutt, 525 A.2d 146 (Del. 1987)
- Stephenson v. Capano Development, Inc., 462 A.2d 1069, 1074 (Del. 1983)
- Banks v. E.I. du Pont de Nemours & Co., 2022 WL 3139087, at *12 (D. Del. Aug. 4, 2022)
- United States ex rel. Petras v. Simparel, Inc., 857 F.3d 497, 502 (3d Cir. 2017)
- Trenwick Am. Litig. Tr. v. Ernst & Young, L.L.P., 906 A.2d 168, 208 n.121 (Del. Ch. 2006)
- Alvarez v. Ins. Co. of N. Am., 313 F. App'x 465, 467-68 (3d Cir. 2008)
- Tracinda Corp. v. DaimlerChrysler AG, 364 F. Supp. 2d 362, 413 (D. Del. 2005)
- PR Acquisitions, LLC v. Midland Funding LLC, 2018 WL 2041521 (Del. Ch. Apr. 30, 2018)
- Lieberman v. BeyondTrust Corp., 2020 WL 1815547, at *4-5 (D. Del. Apr. 9, 2020)
- Envo, Inc. v. Walters, 2009 WL 5173807, at *7 (Del. Ch. Dec. 30, 2009)
- Marino v. Grupo Mundial Tenedora, S.A., 810 F. Supp. 2d 601, 608 (S.D.N.Y. 2011)
- In re S. Canaan Cellular Invs., LLC, 427 B.R. 85, 102-03 (Bankr. E.D. Pa. 2010)
- Kuroda v. SPJS Holdings, L.L.C., 2010 WL 925853, at *7 n.28 (Del. Ch. Mar. 16, 2010)
- Kelly v. Blum, 2010 WL 629850, at *1 (Del. Ch. Feb. 24, 2010)