UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA

Water Island Event-Driven Fund v. MaxLinear, Inc.

No. 3:23-cv-01607-CAB-VET (S.D. Cal. July 15, 2025) · No. 3:23-cv-01607-CAB-VET · Decided July 15, 2025

SUMMARY

The United States District Court for the Southern District of California granted motions to dismiss securities-fraud claims brought by SIMO shareholders against MaxLinear, SIMO, and related executives. The court held that plaintiffs failed to adequately plead falsity and scienter under Section 10(b), that SIMO defendants had no actionable duty to update prior statements, and that they did not make statements issued by MaxLinear. The court also reaffirmed its prior ruling that the plaintiffs lacked statutory standing to pursue Section 10(b) claims against MaxLinear based on alleged misrepresentations concerning MaxLinear rather than SIMO securities.

CASE DETAILS

COURT	United States District Court for the Southern District of California
WRITING FOR THE COURT	Cathy Ann Bencivengo
JURISDICTION	United States District Court for the Southern District of California
DECIDED	July 15, 2025
DOCKET	3:23-cv-01607-CAB-VET
DISPOSITION	dismissed
PROCEDURAL POSTURE	Plaintiffs filed a second amended securities-fraud complaint after the court dismissed the first amended complaint without prejudice. Defendants moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss the second amended complaint, and the court granted both motions and dismissed the action with prejudice.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true and determines whether the complaint states a facially plausible claim for relief. Section 10(b) claims must also satisfy Federal Rule of Civil Procedure 9(b) and the heightened pleading requirements of the PSLRA, including particularized allegations giving rise to a strong inference of scienter.
PRECEDENTIAL VALUE	unknown

PARTIES	Water Island Event-Driven Fund, on behalf of itself and all others similarly situated v. MaxLinear, Inc., Silicon Motion Technology Corporation, Kishore Seendripu, Steven Litchfield, Wallace Kou, Riyadh Lai

TOPICS

securities fraud · motions to dismiss · standing · mergers and acquisitions · civil procedure

PRACTICE AREAS

securities litigation · corporate law · commercial litigation · civil procedure · mergers and acquisitions

QUESTIONS PRESENTED

1. Whether the SIMO Defendants' statements concerning the status of the proposed merger were materially misleading because they omitted an alleged SIMO breach and MaxLinear's lack of integration activity.
2. Whether Plaintiffs adequately pleaded scienter against the SIMO Defendants under Section 10(b), including through a core-operations theory.
3. Whether the SIMO Defendants had a duty to update prior statements under the federal securities laws.
4. Whether the SIMO Defendants could be liable under Section 10(b) for statements made by MaxLinear's CEO and later filed by MaxLinear with the SEC.
5. Whether Plaintiffs, as purchasers of SIMO securities, had statutory standing to assert Section 10(b) claims based on alleged misrepresentations about MaxLinear's commitment to the merger.
6. Whether the Section 20(a) control-person claims could survive absent a properly pleaded primary Section 10(b) violation.

HOLDINGS

1. The challenged SIMO statements did not adequately support a Section 10(b) claim based on omission of the alleged breach. The statements were not necessarily false, did not create a materially misleading impression, and, even assuming falsity, Plaintiffs failed to plead scienter.
2. Plaintiffs failed to plead scienter against the SIMO Defendants based on the alleged omission of MaxLinear's lack of merger-integration activity.
3. The claim based on a purported federal duty to update failed because neither the Ninth Circuit nor the Supreme Court recognizes a general duty to correct, and Plaintiffs did not show that SIMO Defendants knew or should have known of the alleged information before MaxLinear terminated the merger.
4. The SIMO Defendants were not liable under Section 10(b) for the challenged statement initially made by MaxLinear CEO Kishore Seendripu and later filed by MaxLinear.
5. Plaintiffs lacked statutory standing under Section 10(b) to sue the MaxLinear Defendants because they purchased SIMO securities, while the alleged misrepresentations concerned MaxLinear's commitment to and evaluation of the merger.

6. The Section 20(a) control-person claims failed because Plaintiffs did not adequately plead a primary Section 10(b) violation.

KEY QUOTATIONS

> *“To survive a motion to dismiss, a complaint must contain sufficient factual matter . . . to ‘state a claim to relief that is plausible on its face.’”* (at 2)

> *“An omission “is material if there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the total mix of information made available.””* (at 4)

> *“It is “unusual” and “exceedingly rare” to find the core operations inference—without any detailed allegations of actual knowledge—sufficient to clear a 12(b)(6) motion under the PSLRA.”* (at 10)

> *“For Section 10(b) purposes, “the maker of a statement is the person or entity with ultimate authority over the statement.””* (at 13)

> *“As Plaintiffs’ Section 10(b) claims fail, so do their Section 20(a) claims.”* (at 15)

FACTUAL BACKGROUND

MaxLinear and Silicon Motion Technology Corporation announced a proposed $3.8 billion merger in 2022. Plaintiffs, who purchased SIMO American Depository Shares during the May 5 to July 26, 2023 class period, alleged that the defendants misled investors by representing that the merger was progressing while omitting an alleged SIMO breach and MaxLinear's lack of integration planning. MaxLinear terminated the merger after Chinese antitrust approval on July 26, 2023, citing an alleged previously undisclosed breach by SIMO.

PROCEDURAL HISTORY

The court dismissed Plaintiffs' first amended complaint without prejudice on August 28, 2024. Plaintiffs filed a second amended complaint on September 18, 2024, alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act based on statements and omissions concerning a proposed MaxLinear-SIMO merger. The SIMO Defendants and MaxLinear Defendants separately moved to dismiss. The court granted both motions and dismissed the case with prejudice.

DISPOSITION

dismissed

CASES CITED

- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007)
- Desai v. Deutsche Bank Sec. Ltd., 573 F.3d 931, 938 (9th Cir. 2009)
- Ganino v. Citizens Utilities Co., 228 F.3d 154, 161 (2d Cir. 2000)
- In re: CCIV / Lucid Motors Securities Litigation, 110 F.4th 1181, 1184, 1186 (9th Cir. 2024)

- In re NVIDIA Corp. Sec. Litig., 768 F.3d 1046, 1052, 1056 (9th Cir. 2014)
- Zucco Partners, LLC v. Digimarc Corp., 552 F.3d 981, 990 (9th Cir. 2009), as amended (Feb. 10, 2009)
- Metzler Inv. GMBH v. Corinthian Colleges, Inc., 540 F.3d 1049, 1055 (9th Cir. 2008)
- Khoja v. Orexigen Therapeutics, Inc., 899 F.3d 988, 1008-09 (9th Cir. 2018)
- McCormick v. Fund Am. Companies, Inc., 26 F.3d 869, 876 (9th Cir. 1994)
- Basic Inc. v. Levinson, 485 U.S. 224, 231-32 (1988)
- Weston Fam. P'ship LLLP v. Twitter, Inc., 29 F.4th 611, 620, 623 (9th Cir. 2022)
- Brody v. Transitional Hosps. Corp., 280 F.3d 997, 1006 (9th Cir. 2002)
- Fecht v. Price Co., 70 F.3d 1078, 1081 (9th Cir. 1995)
- Prodanova v. H.C. Wainwright & Co., LLC, 993 F.3d 1097, 1106 (9th Cir. 2021)
- Glazer Cap. Mgmt., L.P. v. Forescout Techs., Inc., 63 F.4th 747, 779-80 (9th Cir. 2023)
- Hollinger v. Titan Cap. Corp., 914 F.2d 1564, 1569 (9th Cir. 1990)
- S. Ferry LP, No. 2 v. Killinger, 542 F.3d 776, 785-86 (9th Cir. 2008)
- Okla. Firefighters Pension & Ret. Sys. v. Snap Inc., 2024 WL 5182634, at *1-3 (9th Cir. Dec. 20, 2024)
- SEB Inv. Mgmt. AB v. Align Tech., Inc., 485 F. Supp. 3d 1113, 1133 (N.D. Cal. 2020)
- 3226701 Canada, Inc. v. Qualcomm, Inc., No. 15CV2678-MMA (WVG), 2017 WL 4759021, at *23 (S.D. Cal. Oct. 20, 2017)
- United Ass'n Nat'l Pension Fund v. Carvana Co., 759 F. Supp. 3d 926, 977 (D. Ariz. 2024)
- Reese v. Malone, 747 F.3d 557, 576 (9th Cir. 2014)
- City of Dearborn Heights Act 345 Police & Fire Ret. Sys. v. Align Tech., Inc., 856 F.3d 605 (9th Cir. 2017)
- In re Yahoo! Inc. Sec. Litig., 611 F. App'x 387, 389 (9th Cir. 2015)
- Stransky v. Cummins Engine Co., Inc., 51 F.3d 1329, 1331 (7th Cir. 1995)
- Janus Cap. Grp., Inc. v. First Derivative Traders, 564 U.S. 135, 142 (2011)