UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Hayes v. Enphase Energy, Inc.

No. 24-cv-04249-JD (N.D. Cal. Mar. 31, 2025) · No. 24-cv-04249-JD · Decided March 31, 2025

SUMMARY

The United States District Court for the Northern District of California appoints Lon D. Praytor as lead plaintiff in a putative securities fraud class action against Enphase Energy, Inc. and its officers. The court finds that Praytor has the greatest LIFO financial loss and satisfies the applicable Rule 23 requirements, and appoints Charles H. Linehan of Glancy Prongay & Murray LLP as lead counsel. The court also directs the parties to propose a schedule for an amended complaint and related responses.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	James Donato
JURISDICTION	United States District Court for the Northern District of California
DECIDED	March 31, 2025
DOCKET	24-cv-04249-JD
DISPOSITION	other
PROCEDURAL POSTURE	In a putative shareholder securities-fraud class action, the district court considered competing motions by three shareholders for appointment as lead plaintiff and requests for approval of lead counsel under the Private Securities Litigation Reform Act.
STANDARD OF REVIEW	The court applied the PSLRA's lead-plaintiff selection procedure, comparing the competing movants' financial interests and evaluating the presumptive lead plaintiff's Rule 23(a) typicality and adequacy, with rebuttal requiring evidence of inadequacy or atypicality.
PRECEDENTIAL VALUE	unpublished district court order; precedential status unknown

TOPICS

class actions · securities fraud · pleadings · civil procedure · commercial litigation

PRACTICE AREAS

securities litigation · class actions · civil procedure · corporate law

QUESTIONS PRESENTED

1. Which competing shareholder had the largest financial interest and was therefore presumptively entitled to appointment as lead plaintiff under the PSLRA?
2. Whether the presumptive lead plaintiff satisfied Rule 23(a)'s typicality and adequacy requirements and whether competing movants rebutted that showing with evidence.
3. Whether the court should approve the lead plaintiff's selection of lead counsel under the PSLRA.

HOLDINGS

1. Under the PSLRA, the court must compare the competing movants' financial interests and select as presumptive lead plaintiff the movant with the largest financial interest who otherwise satisfies Rule 23(a). Praytor was the presumptive most adequate plaintiff because he had the largest asserted LIFO loss.
2. Praytor satisfied his prima facie burden to show typicality and adequacy under Rule 23(a), and the competing movants did not rebut that showing because they identified no controlling authority or evidence establishing that his alleged day trading or short selling made him inadequate or atypical.
3. The court approved Praytor's selection of Charles H. Linehan of Glancy Prongay & Murray LLP as lead counsel.

KEY QUOTATIONS

> *"The presumptive lead plaintiff is "the one who 'has the largest financial interest in the relief sought by the class' and 'otherwise satisfies the requirements of Rule 23 of the Federal Rules of Civil Procedure.'""*

> *"Competing movants must point to evidence of inadequacy."*

> *"The Reform Act clearly leaves the choice of class counsel in the hands of the lead plaintiff."*

FACTUAL BACKGROUND

The action is a putative shareholder class action alleging securities fraud by Enphase Energy, Inc. and its officers. Three shareholders—Daniel C. Smith, Lon D. Praytor, and Andrey Ponomarchuk—competed for lead-plaintiff status. Their asserted LIFO losses were $144,972.85, $340,462.86, and $282,176.13, respectively. Smith and Ponomarchuk challenged Praytor's adequacy and typicality based on alleged day trading and short selling, but offered no evidence showing that his trading practices disqualified him at that stage.

PROCEDURAL HISTORY

Six shareholders initially sought lead-plaintiff status; three remained in contention. The court determined that Lon D. Praytor had the largest financial interest, found that he made a prima facie showing of typicality and adequacy under Federal Rule of Civil Procedure 23(a), rejected the other movants' attempts to rebut that showing, appointed Praytor lead plaintiff, and approved his selection of Charles H. Linehan as lead counsel. The court also directed the parties to propose a schedule for an amended complaint or supplemental securities-fraud allegations.

DISPOSITION

other

CASES CITED

- In re Stitch Fix, Inc. Sec. Litig., 393 F. Supp. 3d 833 (N.D. Cal. 2019)
- In re Cavanaugh, 306 F.3d 726, 729-34 (9th Cir. 2002)
- Nicolow v. Hewlett Packard Co., No. 12-05980 CRB, 2013 WL 792642, at *4 (N.D. Cal. Mar. 4, 2013)
- Dura Pharmaceuticals v. Broudo, 544 U.S. 336 (2005)
- Ferreira v. Funko, Inc., No. 2:20-cv-02319-VAP-PJWx, 2020 WL 3246328, at *7 (C.D. Cal. June 11, 2020)
- In re SVB Fin. Grp. Sec. Litig., No. 3:23-cv-01097-JD, 2023 WL 8367938, at *2 (N.D. Cal. Nov. 30, 2023)
- In re Mersho, 6 F.4th 891, 901 (9th Cir. 2021)