UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

In re Stem, Inc. Securities Litigation

In re Stem Securities Litigation · No. 23-cv-02329-MMC · Decided December 17, 2025

SUMMARY

The document is a United States District Court for the Northern District of California order addressing defendants' motion to dismiss the First Amended Consolidated Complaint in securities litigation involving Stem, Inc. The court analyzes claims under Sections 10(b), 14(a), 20(a), and 20A of the Securities Exchange Act, focusing on alleged misstatements concerning Stem's Athena software and its success in front-of-the-meter energy markets. The excerpt discusses pleading standards under Rules 8(a), 9(b), and 12(b)(6), as well as the reliability and personal knowledge of confidential witnesses.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	Maxine M. Chesney
JURISDICTION	United States District Court for the Northern District of California
DECIDED	December 17, 2025
DOCKET	23-cv-02329-MMC
DISPOSITION	dismissed
PROCEDURAL POSTURE	Defendants moved under Federal Rules of Civil Procedure 12(b)(6), 8(a), and 9(b) to dismiss plaintiffs' First Amended Consolidated Complaint asserting Exchange Act claims. The court granted the motion and dismissed the complaint without further leave to amend.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts material allegations as true and construes them in the light most favorable to the nonmoving party, but requires sufficient factual matter to state a plausible claim. Fraud allegations must satisfy Rule 9(b) and, for securities-fraud claims, the PSLRA's particularity and strong-inference requirements.
PRECEDENTIAL VALUE	unpublished district court opinion

PARTIES	Vishal Lawale, Vishale Thakkar, putative class members v. Stem, Inc., John Carrington, William Bush, Larsh Johnson, Prakesh Patel, Alan Russo, Bryan Ho, Star Peak Energy Transition Corp., Eric Scheyer, Michael C. Morgan, Alec Litowitz, Adam E. Daley

TOPICS

securities fraud · motions to dismiss · pleadings · class actions · civil procedure

PRACTICE AREAS

securities litigation · securities fraud · federal civil procedure · corporate law

QUESTIONS PRESENTED

1. Whether the amended complaint plausibly alleged that defendants made false or misleading statements actionable under Exchange Act section 10(b) and Rule 10b-5.
2. Whether the amended complaint adequately pleaded scheme liability under Rules 10b-5(a) and (c).
3. Whether plaintiffs adequately pleaded a section 14(a) and Rule 14a-9 claim with the particularity required by Rule 9(b).
4. Whether plaintiffs' section 20(a) control-person and section 20A insider-trading claims could proceed absent an adequately pleaded independent Exchange Act violation.
5. Whether the complaint should be dismissed without further leave to amend.

HOLDINGS

1. The amended complaint failed to plead that any challenged statement was false or misleading when made. Statements describing particular automated functions of Athena did not represent that all of Athena's functions were automated, and the allegations based on confidential witnesses, a later statement by Carrington, and Stem's financial results did not establish contemporaneous falsity.
2. The amended complaint failed to state a claim for scheme liability under Rules 10b-5(a) and (c). The alleged conduct either depended on the failed false-statement theory or was not adequately alleged to have occurred outside defendants' normal course of business or to have created a false appearance of fact.
3. The amended complaint failed to state a section 14(a) and Rule 14a-9 claim because it relied on the same allegedly false or misleading statements underlying the section 10(b) claim, and those statements were not pleaded with Rule 9(b) particularity.
4. The section 20(a) and section 20A claims failed because plaintiffs did not adequately plead an independent underlying violation of the Exchange Act.
5. Dismissal was without further leave to amend because plaintiffs had previously been advised of the pleading deficiencies and failed to correct them in the amended complaint.

KEY QUOTATIONS

> *"For the reasons stated above, defendants' motion to dismiss is hereby GRANTED, and the FACC is hereby DISMISSED without further leave to amend."* (Conclusion)

> *"There is no language in any statement identified by plaintiffs, however, that would lead a reasonable investor to believe Athena's functions were exclusively automated."* (Discussion I)

FACTUAL BACKGROUND

Star Peak Energy Transition Corp., a SPAC, merged with Stem, Inc. in April 2021, after which Star Peak renamed itself Stem, Inc. and operated Stem's energy-storage business. Plaintiffs alleged that defendants made false or misleading statements concerning Stem's Athena software, its automation capabilities, its success in the front-of-the-meter energy-storage market, and related business risks. Plaintiffs also alleged scheme liability based on Stem's acquisition of AlsoEnergy, a large front-of-the-meter project, and revenue recognition associated with batteries sold to REX and Lullwater.

PROCEDURAL HISTORY

The court had previously dismissed plaintiffs' initial Consolidated Complaint and directed plaintiffs to replead their securities-fraud allegations in chart form. Plaintiffs filed a First Amended Consolidated Complaint asserting claims under Exchange Act sections 10(b), 14(a), 20(a), and 20A, and defendants renewed their motion to dismiss. The court concluded that the amended pleading still failed to allege actionable false or misleading statements, scheme liability, or an independent Exchange Act violation, and dismissed the complaint without leave to amend.

DISPOSITION

dismissed

CASES CITED

- Balistreri v. Pacifica Police Dep't., 901 F.2d 696, 699 (9th Cir. 1990)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 555, 570 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- NL Indus., Inc. v. Kaplan, 792 F.2d 896, 898 (9th Cir. 1986)
- In re GlenFed, Inc. Sec. Litig., 42 F.3d 1541, 1553 (9th Cir. 1994) (en banc)
- Cafasso, U.S. ex rel. v. Gen. Dynamics C4 Sys., Inc., 637 F.3d 1047, 1055 (9th Cir. 2011)
- Oregon Pub. Emps. Ret. Fund v. Apollo Grp. Inc., 774 F.3d 598, 603 (9th Cir. 2014)
- Zucco Partners, LLC v. Digimarc Co., 552 F.3d 981, 990-91, 995, 997 n.4, 1007 (9th Cir. 2009)
- Sneed v. Talphera, Inc., 147 F.4th 1123, 1131 (9th Cir. 2025)
- In re Rigel Pharms., Inc. Sec. Litig., 697 F.3d 869, 876, 886 (9th Cir. 2012)
- In re Pivotal Sec. Litig., No. 3:19-CV-03589-CRB, 2020 WL 4193384, at *13 (N.D. Cal. July 21, 2020)

- Lopes v. Fitbit, Inc., No. 18-CV-06665-JST, 2020 WL 1465932, at *11 (N.D. Cal. Mar. 23, 2020), aff'd, 848 F. App'x 278 (9th Cir. 2021)
- Cooper v. Pickett, 137 F.3d 616, 624 (9th Cir. 1998)
- Lorenzo v. Securities and Exchange Commission, 587 U.S. 71, 80 (2019)
- Kang v. PayPal Holdings, Inc., 620 F. Supp. 3d 884, 902 (N.D. Cal. 2022)
- Simpson v. AOL Time Warner Inc., 452 F.3d 1040, 1048, 1050 (9th Cir. 2006), vacated on other grounds, 519 F.3d 1041 (9th Cir. 2008)
- Veal v. LendingClub Corp., 423 F. Supp. 3d 785, 812 (N.D. Cal. 2019)
- Kelley v. Rambus, Inc., No. C 07-1238 JF (HRL), 2008 WL 5170598, at *3 (N.D. Cal. Dec. 9, 2008), aff'd, 384 F. App'x 570 (9th Cir. 2010)
- In re Finjan Holdings, Inc., 58 F.4th 1048, 1057 (9th Cir. 2023)
- Mehedi v. View, No. 21-cv-06374-BLF, 2023 WL 3592098, at *14 (N.D. Cal. May 22, 2023)
- In re VeriFone Sec. Litig., 11 F.3d 865, 872 (9th Cir. 1993)