UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Keith Hollingsworth v. Nextdoor Holdings, Inc., et al.

No. 5:24-cv-01213-EJD, United States District Court for the Northern District of California (May 19, 2025)

SUMMARY

The United States District Court for the Northern District of California grants defendants' motions to dismiss a securities-fraud class action brought by Keith Hollingsworth against Nextdoor Holdings, Inc. and related defendants. The court holds that the plaintiff lacks standing to challenge statements about Nextdoor Private made before the merger because he purchased securities of the acquiring SPAC, not Nextdoor Private, and also lacks standing to challenge statements made after his final purchase. The court dismisses the claims with leave to amend.

CASE DETAILS

COURT	United States District Court for the Northern District of California
JURISDICTION	United States District Court for the Northern District of California
DECIDED	May 19, 2025
DOCKET	5:24-cv-01213-EJD
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff brought a securities-fraud class action under Sections 10(b), 14(a), and 20(a) of the Securities Exchange Act of 1934. Defendants moved to dismiss under Federal Rule of Civil Procedure 12(b)(6).
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true and construes the complaint in the light most favorable to the nonmoving party, but need not accept legal conclusions couched as factual allegations. The complaint must satisfy Rules 8(a) and 9(b), and securities-fraud claims must also satisfy the PSLRA's particularity and scienter requirements.
PRECEDENTIAL VALUE	unpublished district court order; precedential status unknown
PARTIES	Keith Hollingsworth v. Nextdoor Holdings, Inc., Sarah J. Friar, Michael Doyle, Vinod Khosla, Samir Kaul, Peter Buckland, Khosla Ventures LLC, Khosla Ventures SPAC Sponsor II LLC

TOPICS

securities fraud | class actions | motions to dismiss | standing | pleadings

PRACTICE AREAS

securities litigation | civil procedure | class actions

QUESTIONS PRESENTED

1. Whether Hollingsworth had standing under Section 10(b) and Rule 10b-5 to challenge statements about Nextdoor Private made before the merger when he purchased KV Acquisition securities rather than Nextdoor Private securities.
2. Whether Hollingsworth had standing to challenge statements made after his last purchase of Nextdoor securities.
3. Whether the May 10, 2022, statement concerning Nextdoor's active users adequately alleged a material misstatement or omission under Section 10(b) and Rule 10b-5.
4. Whether the Section 20(a) control-person claim could proceed without a well-pleaded predicate securities-law violation.
5. Whether dismissal should be with leave to amend.

HOLDINGS

1. A plaintiff lacks standing under Section 10(b) and Rule 10b-5 to challenge misrepresentations about a security that the plaintiff never purchased or sold. Hollingsworth therefore lacked standing to assert claims based on statements about Nextdoor Private made before the merger because he purchased KV Acquisition securities, not Nextdoor Private securities.
2. A plaintiff may not pursue Rule 10b-5 claims based on allegedly false statements made after the plaintiff's last purchase of the securities. Hollingsworth therefore lacked standing to challenge statements made after his final purchase of Nextdoor securities on May 11, 2022, including the August 2022 statements.
3. The complaint failed to adequately allege that Nextdoor's May 10, 2022, statement about active users was materially misleading. Nextdoor had expressly defined an active user to include a person who engaged with an email containing monetizable content, so the complaint did not plausibly show that investors would reasonably understand the term to exclude such users.
4. The Section 20(a) claim failed because the complaint did not adequately plead a predicate violation of the securities laws.
5. Dismissal was entered with leave to amend because the court did not determine that the pleading could not possibly be cured by alleging additional facts.

KEY QUOTATIONS

> *"conduct actionable under Rule 10b-5 must occur before investors purchase the securities."* (at 10)

> *“Nextdoor explicitly defines an “active user” as a person who “opens our application, logs on to our website, or engages with an email with monetizable content at least once during a defined . . . period.””* (at 14)

FACTUAL BACKGROUND

Nextdoor Private operated a neighborhood-focused social-networking platform, and its user base and average revenue per user grew substantially during 2020 and 2021. KV Acquisition announced a merger with Nextdoor Private on July 6, 2021, and the merger closed on November 5, 2021, after which the combined company generated virtually all of its revenue from advertising. Keith Hollingsworth purchased KV Acquisition Class A common stock three days before the merger and later purchased Nextdoor Class A common stock through May 11, 2022. He alleged that defendants misled investors about the definition and engagement of Nextdoor's active users and about the company's growth and monetization prospects.

PROCEDURAL HISTORY

Plaintiff filed a first amended complaint alleging that defendants made material misrepresentations and omissions concerning Nextdoor Private's projected profitability, user metrics, and monetization potential before and after its merger with KV Acquisition. Plaintiff abandoned his Section 14(a) claim, scheme-liability claim, and certain Section 10(b) theories in opposition to the motions. The court granted both motions to dismiss all remaining claims, with leave to amend.

DISPOSITION

other

CASES CITED

- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555–57 (2007)
- Mendiondo v. Centinela Hosp. Med. Ctr., 521 F.3d 1097, 1104 (9th Cir. 2008)
- Balistreri v. Pacifica Police Dep't, 901 F.2d 696, 699 (9th Cir. 1988)
- Reese, 643 F.3d at 690
- Ashcroft v. Iqbal, 556 U.S. 662, 664 (2009)
- Levitt v. Yelp! Inc., 765 F.3d 1123, 1135 (9th Cir. 2014)
- Starr v. Baca, 652 F.3d 1202, 1216 (9th Cir. 2011)
- Kearns v. Ford Motor Co., 567 F.3d 1120, 1124 (9th Cir. 2009)
- Vess v. Ciba-Geigy Corp. USA, 317 F.3d 1097, 1106 (9th Cir. 2003)
- Lopez v. Smith, 203 F.3d 1122, 1127 (9th Cir. 2000)
- Khoja v. Orexigen Therapeutics, Inc., 899 F.3d 988, 998 (9th Cir. 2018)
- Matrixx Initiatives, Inc. v. Siracusano, 563 U.S. 27, 37–38 (2011)
- Blue Chip Stamps v. Manor Drug Stores, 421 U.S. 723, 738–39, 755 (1975)
- In re: CCIV / Lucid Motors Sec. Litig., 110 F.4th 1181, 1183, 1185–87 (9th Cir. 2024)
- HBK Master Fund L.P. v. MaxLinear, Inc., 2025 WL 20438, at *4 (S.D. Cal. Jan. 2, 2025)

- Butala v. Owlet, Inc., 2024 WL 4560173, at *3 (C.D. Cal. Sept. 26, 2024)
- Wanca v. Super Micro Computer, Inc., 2018 WL 3145649, at *7–8 (N.D. Cal. June 27, 2018)
- Binder v. Gillespie, 184 F.3d 1059, 1066 (9th Cir. 1999)
- In re Daou Sys., Inc. Sec. Litig., 411 F.3d 1006, 1014 (9th Cir. 2005)
- Glazer Cap. Mgmt., L.P. v. Forescout Techs., Inc., 63 F.4th 747, 2023 WL 2532061, at *11 (9th Cir. Mar. 16, 2023)
- Brody v. Transitional Hosps. Corp., 280 F.3d 997, 1006 (9th Cir. 2002)
- Wochos, 985 F.3d at 1194
- Kelly v. Elec. Arts, Inc., 2015 WL 1967233, at *7–8 (N.D. Cal. Apr. 30, 2015)

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