UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

In re SentinelOne, Inc. Securities Litigation

No. 23-cv-02786-HSG (N.D. Cal. Oct. 2, 2025) · No. 23-cv-02786-HSG · Decided October 2, 2025

SUMMARY

The United States District Court for the Northern District of California grants Defendants' second motion to dismiss a putative securities class action concerning SentinelOne's reporting of Annualized Recurring Revenue. The Court concludes that the Second Amended Complaint fails to plead a strong inference of scienter under the heightened requirements applicable to Exchange Act claims, including based on alleged ARR methodology changes, accounting errors, insider trading, the Attivo merger, and the core operations doctrine.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	Haywood S. Gilliam, Jr.
JURISDICTION	United States District Court for the Northern District of California
DECIDED	October 2, 2025
DOCKET	23-cv-02786-HSG
DISPOSITION	dismissed
PROCEDURAL POSTURE	Defendants moved to dismiss the second amended complaint in a consolidated putative securities class action under Section 10(b) of the Securities Exchange Act, Rule 10b-5, and Section 20(a).
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true and construes the pleadings in the nonmoving party's favor, but disregards conclusory allegations, unwarranted factual deductions, and unreasonable inferences. Securities-fraud claims must satisfy Rules 8 and 9(b) and the PSLRA's heightened requirements to plead falsity and scienter with particularity. To survive, the complaint must state a facially plausible claim and, for scienter, must give rise to a strong inference at least as compelling as opposing innocent inferences.
PRECEDENTIAL VALUE	unpublished district court order; persuasive only

TOPICS

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

PRACTICE AREAS

securities litigation · federal civil procedure · corporate and securities law

QUESTIONS PRESENTED

1. Whether the Second Amended Complaint adequately pleaded scienter under Section 10(b), Rule 10b-5, and the PSLRA based on SentinelOne's ARR methodology, alleged double counting, insider stock sales, the Attivo merger, and the core operations doctrine.
2. Whether Plaintiff's Section 20(a) control-person claim survived when the complaint failed to adequately plead a primary Section 10(b) violation.
3. Whether Plaintiff should be granted leave to amend after previously receiving an opportunity to cure pleading deficiencies.

HOLDINGS

1. The complaint did not adequately plead a strong inference of scienter merely by alleging that SentinelOne later corrected ARR calculations or had changed its ARR methodology without disclosure. Those allegations supported, at most, the possibility of accounting errors or unintentional misleading conduct, not knowing or deliberate recklessness.
2. The alleged stock sales by Tomer Weingarten and David Bernhardt did not support a strong inference of scienter because the allegations did not show that the sales were dramatically out of line with prior trading practices or timed to maximize the benefits of undisclosed information.
3. The alleged motive to inflate SentinelOne's stock price in connection with the Attivo merger did not support a strong inference of scienter.
4. The core operations doctrine did not establish scienter because Plaintiff failed to allege specific admissions or witness accounts showing that the individual defendants were involved in creating the allegedly false ARR reports or knew of the underlying inaccuracies.
5. The Section 20(a) claim failed because Plaintiff failed to adequately plead the necessary primary violation of Section 10(b).
6. Leave to amend was denied because Plaintiff had already received an opportunity to amend and had failed to cure the previously identified pleading deficiencies.

KEY QUOTATIONS

> *"This is not enough, and the Court declines the invitation to transform every accounting correction into an inference of scienter."* (III.A.i)

> *"The more convincing theory is that Defendants failed to catch certain accounting errors and at most might unintentionally have misled investors by defining ARR with less than ideal clarity."* (III.A.i)

> *“Lead Plaintiff now has had ample opportunity to amend the complaint and has failed to cure the deficiencies that the Court previously identified.”* (IV)

FACTUAL BACKGROUND

SentinelOne, a cybersecurity company, reported Annualized Recurring Revenue (ARR) as a non-GAAP metric. Plaintiff alleged that the company began including consumption and usage revenue in ARR without disclosing the methodological change, and that it double-counted revenue in some upgraded or renewed contracts. After SentinelOne revised downward its previously reported ARR and growth projections on June 1, 2023, its stock price fell by more than 35 percent the next day. Plaintiff alleged securities-fraud claims based on the ARR statements and related conduct.

PROCEDURAL HISTORY

The court previously granted Defendants’ first motion to dismiss and permitted Plaintiff to amend. Plaintiff filed a Second Amended Complaint, and Defendants filed a second motion to dismiss. The court granted the motion, dismissed the action without leave to amend, directed entry of judgment for Defendants, and ordered the case closed.

DISPOSITION

dismissed

CASES CITED

- Mendiondo v. Centinela Hosp. Med. Ctr., 521 F.3d 1097, 1104 (9th Cir. 2008)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Manzarek v. St. Paul Fire & Marine Ins. Co., 519 F.3d 1025, 1031 (9th Cir. 2008)
- In re Gilead Scis. Secs. Litig., 536 F.3d 1049, 1055 (9th Cir. 2008)
- In re Rigel Pharm., Inc. Sec. Litig., 697 F.3d 869, 876 (9th Cir. 2012)
- Zucco Partners, LLC v. Digimarc Corp., 552 F.3d 981, 990–91, 1007 (9th Cir. 2009), as amended (Feb. 10, 2009)
- Stoneridge Inv. Partners, LLC v. Scientific-Atlanta, Inc., 552 U.S. 148, 157 (2008)
- Schueneman v. Arena Pharm. Inc., 840 F.3d 698, 705 (9th Cir. 2016)
- Tellabs, Inc. v. Makor Issues & Rights, Ltd., 551 U.S. 308, 324 (2007)
- Glazer Cap. Mgmt., L.P. v. Forescout Techs., Inc., 63 F.4th 747, 766 (9th Cir. 2023)
- Metzler Inv. GMBH v. Corinthian Colleges, Inc., 540 F.3d 1049, 1066–67 (9th Cir. 2008)
- Nursing Home Pension Fund, Loc. 144 v. Oracle Corp., 380 F.3d 1226, 1231–33 (9th Cir. 2004)
- Johnson v. Aljian, 394 F. Supp. 2d 1184, 1199–1200 (C.D. Cal. 2004), aff’d in part, 490 F.3d 778 (9th Cir. 2007)

- In re Questcor Securities Litigation, No. SA CV 12-01623 DMG, 2013 WL 5486762, at *5, *15–18 (C.D. Cal. Oct. 1, 2013)
- In re Omnivision Techs., Inc., No. C-04-2297 SC, 2005 WL 1867717, at *4 (N.D. Cal. July 29, 2005)
- Glazer Cap. Mgmt., LP v. Magistri, 549 F.3d 736, 748 (9th Cir. 2008)
- Police Ret. Sys. of St. Louis v. Intuitive Surgical, Inc., 759 F.3d 1051, 1062–63 (9th Cir. 2014)
- Ramirez v. Galaza, 334 F.3d 850, 860 (9th Cir. 2003)
