UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE

In re Stem, Inc. Derivative Litigation

In re Stem Derivative Litigation · No. C.A. No. 23-1011-MN (Consolidated) · Decided March 31, 2026

SUMMARY

The United States District Court for the District of Delaware dismissed with prejudice an amended shareholder derivative complaint against Stem, Inc. and its directors. The court held that the plaintiffs failed to plead demand futility with particularity under Federal Rule of Civil Procedure 23.1 and Delaware law, particularly as to one director, thereby defeating derivative standing. The court declined to exercise supplemental jurisdiction over the remaining state-law claims and denied the individual defendants' motion to dismiss as moot.

CASE DETAILS

COURT	United States District Court for the District of Delaware
JURISDICTION	United States District Court for the District of Delaware
DECIDED	March 31, 2026
DOCKET	C.A. No. 23-1011-MN (Consolidated)
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiffs brought a shareholder derivative action alleging violations of Sections 10(b), 11(f), 14(a), and 21D of the Securities Exchange Act, along with state-law claims. After the court dismissed the prior complaint, plaintiffs filed an amended complaint asserting a Section 14(a) claim and related state-law claims. Defendants moved to dismiss under Federal Rule of Civil Procedure 12(b)(6) and Rule 23.1(b).
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. Under Rule 23.1(b), demand-futility allegations in a derivative action must be pleaded with particularity.
PRECEDENTIAL VALUE	Unpublished district court memorandum opinion; persuasive authority only within the district and not binding precedent outside applicable rules.
PARTIES	Hanna, Gera, Bhavsar v. Stem, Inc., John Carrington, Eric Scheyer, William Bush, Michael C. Morgan, Adam E. Daley, Alec Litowitz, Desirée Rogers, C. Park Shaper, David Buzby, Anil Tammineedi, Lisa

L. Troe, Laura D'Andrea Tyson, Jane Woodward, Larsh Johnson, Prakesh Patel, Alan Russo, Bryan Ho, Craig Rohr, Dain F. DeGroff, Star Peak Sponsor LLC

TOPICS

shareholder derivative suits | motions to dismiss | pleadings | securities fraud | civil procedure

PRACTICE AREAS

Securities litigation | Corporate law | Civil procedure

QUESTIONS PRESENTED

1. Whether plaintiffs adequately pleaded demand futility under Federal Rule of Civil Procedure 23.1(b) and Delaware law for their derivative Section 14(a) claim.
2. Whether the court should exercise supplemental jurisdiction over plaintiffs' state-law claims after dismissal of the federal claim.
3. Whether the amended complaint stated a viable federal cause of action under Section 14(a).

HOLDINGS

1. Plaintiffs failed to plead demand futility with particularity because they did not adequately allege that Director Defendant Laura D'Andrea Tyson received a material personal benefit, lacked independence, or faced a substantial likelihood of liability under Section 14(a). Because plaintiffs alleged futility as to only four directors, failure to establish futility as to Tyson meant they did not plead futility as to a majority of the board.
2. The court dismissed the derivative Section 14(a) claim because plaintiffs failed to satisfy the derivative-action demand-futility pleading requirement. The court expressly declined to decide whether Section 14(a) independently authorizes a derivative cause of action.
3. The court declined to exercise supplemental jurisdiction over plaintiffs' state-law claims after dismissing the federal claim.

KEY QUOTATIONS

> *"As a result, Plaintiffs have failed to plead futility, the Amended Complaint fails to reach the pleading requirement for derivative actions, and the Section 14(a) claim must be dismissed."*

> *"Because the remaining federal claim fails the Court will decline to exercise supplemental jurisdiction over Plaintiffs' state law claims."*

FACTUAL BACKGROUND

Stem, Inc. is a Delaware corporation that resulted from the April 28, 2021 merger of Star Peak Energy Transition Corp., a special purpose acquisition company, and Legacy Stem, Inc. The plaintiffs are Stem shareholders who sued derivatively on behalf of Stem, while the individual defendants were current or former directors, officers, or affiliates of Stem or Star Peak. Plaintiffs alleged that defendants made misleading statements in connection with the merger and asserted a Section 14(a) claim, but their demand-futility allegations focused on only four directors, including Laura D'Andrea Tyson.

PROCEDURAL HISTORY

The action was filed in the Northern District of California on August 26, 2023, and transferred by agreement to the District of Delaware on September 13, 2023. The Delaware court dismissed most claims with prejudice and dismissed the Section 14(a) claim without prejudice, permitting amendment. Plaintiffs filed an amended complaint, and defendants renewed their motions to dismiss. The court granted Stem's motion, dismissed the amended complaint with prejudice, and denied the Individual Defendants' motion as moot.

DISPOSITION

other

CASES CITED

- Iqbal, 556 U.S. at 678
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007)
- Mayer v. Belichick, 605 F.3d 223, 230 (3d Cir. 2010)
- Morse v. Lower Merion Sch. Dist., 132 F.3d 902, 906 n.8 (3d Cir. 1997)
- Wilkerson v. New Media Tech. Charter Sch. Inc., 522 F.3d 315, 321 (3d Cir. 2008)
- Tellabs, Inc. v. Makor Issues & Rts., Ltd., 551 U.S. 308, 313 (2007)
- J.I. Case Co. v. Borak, 377 U.S. 426, 431 (1964)
- Lee v. Fisher, 70 F.4th 1129, 1146-1149 (9th Cir. 2023) (en banc)
- Seafarers Pension Plan on behalf of Boeing Co. v. Bradway, 23 F.4th 714, 719-722 (7th Cir. 2022)
- Cramer v. General Telephone & Electronics Corp., 582 F.2d 259 (3d Cir. 1978)
- General Elec. Co. by Levit v. Cathcart, 980 F.2d 927 (3d Cir. 1992)
- Kamen v. Kemper Fin. Servs., Inc., 500 U.S. 90, 95 (1991)
- In re Cognizant Tech. Sols. Corp. Derivative Litig., 101 F.4th 250, 257 (3d Cir. 2024)
- United Food & Com. Workers Union & Participating Food Indus. Emps. Tri-State Pension Fund v. Zuckerberg, 262 A.3d 1034, 1059-1060 (Del. 2021)
- Tracinda Corp. v. DaimlerChrysler AG, 502 F.3d 212, 228 (3d Cir. 2007)
- Jacobs v. Yang, Civ. No. 206 (SPL), 2004 WL 1728521, at *4 (Del. Ch. Aug. 2, 2004), aff'd, 867 A.2d 902 (Del. 2005)
- In re Ltd., Inc., S'holders Litig., Civ. No. 17148 (JWN), 2002 WL 537692, at *4 (Del. Ch. Mar. 27, 2002)
- SDF Funding v. Fry, Civ. No. 2017-0732 (KSJM), 2022 WL 1511594, at *13 (Del. Ch. May 13, 2022)
- Kooker ex rel. Hecla Mining Co. v. Baker, 497 F. Supp. 3d 1, 6 (D. Del. 2020)
- Arbaugh v. Y&H Corp., 546 U.S. 500, 506 (2006)