

Goulston & Storrs Wins Stay of Sogou Class Action Litigation in California

October 7, 2019

On October 7, 2019, Goulston & Storrs obtained a stay of a putative class action filed in California state court against clients Sogou Inc. (Sogou) and Sohu.com (Sohu). Sogou's Sogou Search is the second largest search engine in China by mobile queries.

The class action complaint alleged that Sogou and others made misrepresentations and omissions in connection with Sogou's 2017 initial public offering (IPO) in violation of Section 11 of the 1933 Securities Act. A putative class action alleging similar violations was filed and is pending in federal court in New York. Goulston is defending Sogou and Sohu in both the New York and California actions.

Goulston moved to stay the California action in favor of the pending New York action and to dismiss for lack of personal jurisdiction on the grounds (among others) that the alleged claims lacked any substantial connection to California. The IPO was prepared and conducted primarily in China, New York and/or Boston, and Sogou's American depositary shares (ADSs) were listed on the New York Stock Exchange. In granting Sogou's request for a stay, the court found that "the balance of interests weighs heavily in favor of adjudicating this lawsuit in New York, rather than California," concluding that "the evidence is strong that the locus of the claims regarding the IPO and the ADSs and the location of the Defendants (and potential witnesses) are in China and New York."

Given the trend of securities class actions being filed in California state court, this important ruling highlights the need for careful consideration of forum and personal jurisdiction related issues when defending Section 11 claims filed in state court.

The Goulston & Storrs team is led by Directors Richard Rosensweig and Nicholas Cutaia, and included Counsel Andrew O'Connor and Associates Josh Looney and Joel Antwi.