

NEWS



Morgan Lewis Scores Third Big Litigation Win in a Row *Litigators Lead CDnow to Victory in Securities Fraud Case*

Philadelphia, PA - The US District Court for the Eastern District of Pennsylvania has dismissed a securities fraud case against client **CDnow, Inc.** and four of its former directors and officers. The putative class action was brought on behalf of investors who purchased CDnow shares between February 13 and March 28, 2000.

The complaint alleged that CDnow and certain officers misled investors about a proposed merger with Columbia House owned by Sony and Time Warner and that CDnow failed to disclose in a timely manner that its auditors, Arthur Andersen, would issue a report raising substantial doubt about its ability to continue as a going concern. In August 2000, CDnow was acquired by Bertelsmann, Inc.

In a 32-page decision, the court found as a matter of law that CDnow and its officers did not make material omissions or materially misleading statements and that CDnow did not have a duty to disclose that it might receive a "going concern qualification" prior to Arthur Andersen issuing one. As an alternate basis for its conclusion, the court applied the heightened pleading standard of the Private Securities Litigation Reform Act of 1995, and concluded that the complaint was inadequately pled.

The Morgan Lewis team included Philadelphia Litigation partner **Marc J. Sonnenfeld** and Litigation of counsel **Karen Pieslak Pohlmann**, with assistance from Litigation associate **Eva Robertson**, legal assistant **Patricia Dematos** and New York litigation partner **Stuart Sarnoff**. This was the third Morgan Lewis securities litigation victory in the past six months, following closely on the heels of the dismissal pursuant to the Private Securities Litigation Reform Act of two putative securities fraud class actions against firm clients FreeMarkets and StaffMark, in federal courts in Pittsburgh and Little Rock, Arkansas respectively.

To read the entire CDnow opinion, please click [here](#).

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