

Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION—E.D. Pa.: Shareholder goes after purported COVID-19 vaccine provider, (Mar. 20, 2020)

Securities Regulation Daily Wrap Up

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By [Amy Leisinger, J.D.](#)

The biotech firm falsely represented that it had developed a treatment within hours to raise its stock price, according to the plaintiff.

A shareholder in a biotechnology company has filed a complaint alleging that the company capitalized on coronavirus/COVID-19 fears by falsely claiming that it had developed a vaccine. When the truth came to light, according to the complaint, the company's stock price fell by 71 percent ([McDermid v. Inovio Pharmaceuticals, Inc.](#), March 12, 2020).

Fraudulent activity. Inovio Pharmaceuticals is a biotechnology company that focuses on bringing to market medicines to treat and/or protect people from infectious diseases. According to the shareholder, Inovio's CEO appeared on television stating that Inovio had developed a COVID-19 vaccine "in a matter of about three hours once we had the DNA sequence from the virus," and Inovio's stock price jumped more than 10 percent over the next few days. Two weeks later, Inovio's CEO reiterated the claim, and the company's stock price continued to increase. Amidst the hype, Inovio entered into an agreement to sell an aggregate \$50 million of its shares of common stock on the open market.

However, the shareholder alleges, Inovio had not developed a COVID-19 vaccine, and Citron Research exposed the defendants' misstatements and called for an SEC investigation. Inovio's stock price plummeted, wiping out approximately \$643 million in market capitalization for the company. According to the complaint, Inovio attempted to stave off the problem by admitting that it had not "developed" a COVID-19 vaccine but rather had merely "designed a vaccine construct."

The shareholder alleges that Inovio and its CEO knew of, and were deliberately reckless as to, the falsity of their claims that the company had rapidly developed a vaccine for the virus. Specifically, they falsely described the product as "a fully completed vaccine when it was nothing of the sort" and falsely stated that trials would begin in April 2020, the complaint states.

Relief. By this conduct, the plaintiff alleges, Inovio violated the antifraud provisions of the federal securities laws and the company's CEO violated Exchange Act Section 20(a) as a controlling person. The plaintiff requests class certification on behalf of Inovio stock purchasers from February 14, 2020, and March 9, 2020, and status as class representative. The complaint seeks compensatory and punitive damages and costs and expenses.

The case is [No. 2:20-cv-01402-GJP](#).

Attorneys: Michael C. Dell'Angelo (Berger & Montague, P.C.) for Patrick McDermid.

Companies: Inovio Pharmaceuticals, Inc.

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