Doximity Securities Litigation

COURT: United States District Court for the Northern District of California
CASE NUMBER: 3:24-cv-02281
CASE LEADERS: John Rizio-Hamilton, Jonathan D. Uslaner
CASE TEAM: Timothy G. Fleming, Sarah Schmidt

Doximity is a social media platform that has referred to itself as the "LinkedIn for doctors." Doximity invites all U.S. physicians to join its platform, which provides its members with free access to its "Newsfeed" and "telehealth" tools. The Newsfeed, which is the "foundation" of the platform, consists of curated medical articles, videos, and paid advertisements. The telehealth tools include a free "scheduler" and "dialer" that assist doctors in conducting remote visits with their patients. Because Doximity is free to join and use, Doximity's revenue is almost entirely dependent on advertising dollars from its customers, who include some of the largest pharmaceutical companies in the world. These companies pay Doximity to host advertisements on its Newsfeed, which accounts for more than 90% of the Company's revenue.

Doximity can only attract and retain the advertising customers it relies on for its revenues if those advertisements reach enough members on its platform. Thus, the number of Doximity members who actually use (and, thus, are "engaged") on the platform—and particularly its Newsfeed—is central to the Company's profitability. To evaluate engagement, Defendants directed investors to Doximity's level of "active members."

Doximity's pitch to advertisers and investors alike focused on its ability to deliver high member engagement. Defendants characterized the Company's member base as its greatest asset and repeatedly represented that this member base included "over 80% of all U.S. physicians as active members." Defendants additionally told investors each quarter that its member engagement had "increased" across the platform, reaching a new "all-time high."

Unfortunately for investors, these representations were false and highly misleading. In truth, Doximity's base of active members was far less than the "over 80%" that the Company repeatedly touted. In addition, member engagement was not increasing, but rather was declining—including on Newsfeed, the only portion of the platform driving meaningful revenues.

The Class Period begins on June 24, 2021, the day Doximity shares began publicly trading. Defendant Tangney, Doximity's CEO, started the day by ringing the bell on the New York Stock Exchange to announce Doximity's launch as a public company. The same morning, he went on CNBC's TechCheck to tout his newly-public Company to investors. When asked to describe Doximity, one of the first things he said was that "today, we have over 80% of all U.S. physicians as active members on the platform." He deemed that representation so important that he repeated it just minutes later during the same televised CNBC interview. Doximity's stock doubled in price that day, with its market capitalization eclipsing $9 billion.

The truth concealed by Defendants' Class Period misrepresentations was revealed on August 8, 2023, when Doximity reported that it was slashing its revenue guidance for fiscal year 2024. On the investor earnings call that day, Defendants admitted that the reduction in guidance was due to a decline in upsells. They further admitted that customers were increasingly spending their advertising dollars on cheaper banner ads on other social media platforms—a sign that customers did not believe Doximity could deliver the engaged user base it promised. On this

news, Doximity's share price plummeted by nearly 23% in a single day, wiping out over $900 million in shareholder value.

On July 3, 2024, the Honorable Jon S. Tigar appointed New York City District Council of Carpenters Pension Fund as Lead Plaintiff and BLB&G as Lead Counsel for the potential class. On October 4, 2024, Lead Plaintiff filed the Consolidated Class Action Complaint, which can be found in the Case Documents section immediately to the right of this description.

Case Documents

- October 4, 2024 - Consolidated Class Action Complaint
- April 17, 2024 - Initial Complaint