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Section 1: 10-K (10-K)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission file number: 001-36355

Aerohive Networks, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization) 20-4524700 (I.R.S. Employer Identification Number)

330 Gibraltar Drive Sunnyvale, California 94089 (408) 510-6100

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u> Common Stock, par value \$0.001 per share Name of Exchange on Which Registered New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes 🗆 No 🗵

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). Yes 🗖 No 🗵

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes IN NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 🗵 No

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (\$229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes D No 🗵

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act,



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AirTight Networks, or AirTight, has alleged that the Company's products infringe U.S. Patent #7,339,914, or the '914 Patent. On January 23, 2013, in light of AirTight's allegations, the Company filed in the U.S. District Court, Northern District of California, a Complaint for Declaratory Judgment against AirTight asserting that the Company's products do not infringe the '914 Patent and that the '914 Patent is, in any case, invalid and not enforceable. AirTight field a separate action asserting infringement of the '914 Patent by some or all of the Company's products, which has been related to the Company's initial action for declaratory judgment. Both of the related court actions are currently stayed based on pending re-examination, which the Company initiated with the U.S. Patent and Trademark Office, or PTO, regarding the '914 Patent. All claims are currently rejected and Airtight has appealed the final rejection of all claims of the '914 Patent.

Linex Technologies, or Linex, filed on March 19, 2013 a Complaint in the U.S. District Court, Southern District of Florida asserting that some or all of the Company's products infringe U.S. Patents #6,493,377, or the '377 Patent, and #7,167,503, or the '503 Patent. The Company filed an answer and counterclaims for declaratory judgment against Linex asserting that the Company's products do not infringe the '377 and '503 Patents, and that the '377 and '503 Patents are, in any case, invalid and not enforceable. The Company separately filed with the PTO petitions to initiate reexamination of the '377 and '503 Patents, which petitions the PTO granted. In the PTO reexaminations, all claims under the '377 Patent are currently rejected and Linex has appealed the final rejections of the claims, and the petition regarding the claims subject to the '503 Patent is still pending. The case before the U.S. District Court, Southern District of Florida is currently stayed pending the reexamination.

Chrimar Systems, or Chrimar, filed in July 2015 a complaint in the U.S. District Court, Eastern District of Texas, asserting that certain of the Company's products which utilize Power over Ethemet (PoE) functionality infringe United States Patent Nos. 8,155,012, 8,942,107, 8,902,760 and 9,019,838. The complainant has since also named one of the Company's customers as a co-defendant and, in at least one instance, filed a separate action against a channel partner based on that partner's sale of Company products. The Company continues to evaluate the allegations and its possible obligations to the Company's customer and partners under mitten indemnification commitments.

The Company is also currently in litigation asserting claims under federal securities laws.

In June 2015, a class action complaint was filed in the Superior Court of the State of California, County of San Mateo, against the Company and certain of its current and former officers and directors. This action was subsequently related and consolidated with two identical, follow-on complaints and is captioned *Hunter v. Aerohive Networks, Inc., et al., Shareholder Litigation,* Master File No. 534070. The consolidated complaint alleges claims under federal securities laws that the Registration Statement which the Company filed with the Securities and Exchange Commission on Form S-1 in connection with its initial public offering in March 2014 contained false and/or misleading statements or omissions. The consolidated action also names as defendants the investment firms who underwrote the Company's initial public offering.

The consolidated complaint alleges that the Registration Statement failed to disclose, among other things, product deficiencies, poor sales, and a decline in sales-related personnel. The complaint additionally alleges that the Company improperly recognized revenue, including by booking certain sales with rights of return. The consolidated complaint seeks unspecified compensatory damages and other relief. The Company is advancing certain defense costs with respect to individual defendants, including the underwriting investment firms, under written indemnification agreements.

The Company intends to defend these lawsuits vigorously.

The Company is not able to predict or estimate any range of reasonably possible loss related to these lawsuits. If these matters have an adverse outcome, they may have an impact on the Company's financial position, results of operations or cash flows.

In October 2015, we resolved the pending lawsuit brought by JSDQ Mesh Technologies LLC, filed in June 2015 in the U.S. District Court, District of Delaware, asserting that certain of our products which utilize a so-called wireless mesh transmission feature infringe United States Patent Nos. 7,286,828, 7,916,648, RE43,675 and RE44,607. The complaint also named one of our customers as a co-defendant. Our settlement payment regarding this matter was not material.

Export Compliance

DOCKET

Our products are subject to U.S. export controls, specifically the Export Administration Regulations, and economic sanctions enforced by the Office of Foreign Assets Control. We incorporate standard encryption algorithms into our products, which, along with the underlying technology may be exported outside of the United States only with the required export authorizations, including by license, license exception or other appropriate government authorizations. Each of these authorizations may require the filing of an encryption registration and classification request. Furthermore, U.S. export control

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