

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF
TEXAS, HOUSTON DIVISION

In re VeriSource Services, Inc. Data Breach Litigation

In re VeriSource Data Breach Litigation · No. 4:24-cv-03492 · Decided March 16, 2026

SUMMARY

The United States District Court for the Southern District of Texas adopted a magistrate judge’s Memorandum and Recommendation in litigation arising from an alleged VeriSource data breach. The court overruled defendants’ objections, held that plaintiffs plausibly alleged standing, damages, traceability, and negligent hiring, and denied dismissal of the negligence claim against VeriSource and the negligent hiring claim against Southwest Water Company and Planned Administrators. The court dismissed several other claims with prejudice, including negligence per se, contract, unjust enrichment, declaratory judgment, and injunctive relief claims.

CASE DETAILS

COURT	United States District Court for the Southern District of Texas, Houston Division
WRITING FOR THE COURT	Charles Eskridge
JURISDICTION	United States District Court for the Southern District of Texas, Houston Division
DECIDED	March 16, 2026
DOCKET	4:24-cv-03492
DISPOSITION	other
PROCEDURAL POSTURE	Order adopting a magistrate judge's Memorandum and Recommendation on motions to dismiss under Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6).
STANDARD OF REVIEW	De novo review of portions of a magistrate judge's Memorandum and Recommendation to which specific objections were made; clear-error review of unobjected-to portions.
PRECEDENTIAL VALUE	District court opinion; precedential status not stated and no reporter citation appears.

TOPICS

motions to dismiss

standing

negligence

negligent hiring

civil procedure

PRACTICE AREAS

civil procedure

data breach litigation

negligence

standing

commercial litigation

QUESTIONS PRESENTED

1. Whether plaintiffs sufficiently alleged damages to support negligence claims against VeriSource under Rule 12(b)(6).
2. Whether plaintiffs could pursue emotional-distress damages at the pleading stage.
3. Whether plaintiffs plausibly alleged injury in fact and traceability sufficient to establish Article III standing against Southwest Water and Planned Administrators under Rule 12(b)(1).
4. Whether plaintiffs plausibly alleged negligent hiring claims against Southwest Water and Planned Administrators based on their alleged failure to vet or investigate VeriSource's data-security protocols.
5. Which claims should be dismissed under Rule 12(b)(6).

HOLDINGS

1. Plaintiffs sufficiently alleged damages to support their negligence claims against VeriSource, so dismissal of those claims under Rule 12(b)(6) was denied.
2. The court declined to dismiss the claims based on the alleged availability of emotional-distress damages at this stage, while permitting defendants to renew the issue at summary judgment after discovery and development of an undisputed factual record.
3. Plaintiffs plausibly alleged injury in fact and traceability sufficient to survive the Rule 12(b)(1) standing challenge.
4. Plaintiffs plausibly alleged negligent hiring claims against Southwest Water and Planned Administrators, so dismissal of those claims under Rule 12(b)(6) was denied.
5. The claims for negligence per se, breach of implied contract, breach of third-party beneficiary contract, unjust enrichment, declaratory judgment, and injunctive relief against VeriSource were dismissed with prejudice. The claims for negligence, negligence per se, unjust enrichment, breach of implied contract, declaratory judgment, and injunctive relief against Southwest Water and Planned Administrators were dismissed with prejudice.

KEY QUOTATIONS

“The objections by Defendants to the Memorandum and Recommendation of the Magistrate Judge are OVERRULED.”

“The Memorandum and Recommendation of the Magistrate Judge is ADOPTED as the Memorandum and Order of this Court.”

FACTUAL BACKGROUND

Plaintiffs, current or former employees of companies using VeriSource services and their dependents, alleged that defendants failed to protect confidential information that was stolen by cybercriminals in February 2024. VeriSource provided employee benefit plan services, Southwest Water Company was a customer, and Planned Administrators was a benefits administrator using VeriSource's services. Plaintiffs alleged injuries including risk of harm, loss of the benefit of the bargain, mitigation costs, and emotional distress, and alleged that Southwest Water and Planned Administrators failed to vet and monitor VeriSource's data-security practices.

PROCEDURAL HISTORY

Plaintiffs asserted claims arising from an alleged February 2024 data breach involving VeriSource Services, Inc. VeriSource moved under Rule 12(b)(6), while Southwest Water Company, LLC, and Planned Administrators, Inc. moved under Rules 12(b)(1) and 12(b)(6). After referral, Magistrate Judge Christina A. Bryan recommended granting the motions in part and denying them in part. The district court conducted de novo review of the specifically objected-to portions, overruled the objections, adopted the Memorandum and Recommendation, and entered partial dismissals with prejudice while allowing negligence and negligent hiring claims to proceed.

DISPOSITION

other

CASES CITED

- United States v. Wilson, 864 F.2d 1219, 1221 (5th Cir. 1989) (per curiam)
- Guillory v. PPG Industries, Inc., 434 F.3d 303, 308 (5th Cir. 2005)
- Douglass v. United Services Automobile Association, 79 F.3d 1415, 1430 (5th Cir. 1996) (en banc)