UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

In re Palo Alto Networks, Inc. Securities Litigation

In re Palo Alto Networks Securities Litigation · No. 24-cv-01156-CRB · Decided August 19, 2025

SUMMARY

The United States District Court for the Northern District of California granted defendants' motion to dismiss the second amended complaint in a securities class action against Palo Alto Networks, Inc. and its executive officers. The court held that plaintiffs failed to plead falsity and scienter with the required particularity and that their scheme-liability allegations did not independently state a claim. The dismissal was with prejudice because further amendment would be futile.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	Charles R. Breyer
JURISDICTION	United States District Court for the Northern District of California
DECIDED	August 19, 2025
DOCKET	24-cv-01156-CRB
DISPOSITION	dismissed
PROCEDURAL POSTURE	Defendants moved to dismiss Plaintiffs' second amended complaint in a purported securities-fraud class action after the Court had previously dismissed the first amended complaint.
STANDARD OF REVIEW	The Court evaluated whether the second amended complaint stated a claim under the Securities Exchange Act, applying the heightened particularity requirement for fraud allegations under Federal Rule of Civil Procedure 9(b) and the requirement that scienter be pleaded with a strong inference. The Court also applied the Rule 12(b)(6) failure-to-state-a-claim standard.
PRECEDENTIAL VALUE	unpublished
PARTIES	Plaintiffs v. Palo Alto Networks, Inc., Palo Alto Networks, Inc.'s executive officers, Defendants

TOPICS

securities fraud · class actions · motions to dismiss · pleadings · civil procedure

PRACTICE AREAS

securities litigation · securities fraud · civil procedure · class actions

QUESTIONS PRESENTED

1. Whether Plaintiffs adequately alleged that Defendants' August and November 2023 statements were false or misleading when made.
2. Whether Plaintiffs adequately pleaded scienter based on the CEO's stock sales and allegations concerning SEC Rule 10b5-1.
3. Whether Plaintiffs could state scheme-liability claims under SEC Rules 10b-5(a) and (c) without identifying different misstatements, omissions, or deceptive conduct.
4. Whether Plaintiffs should be granted leave to amend after failing to cure the deficiencies in their prior complaint.

HOLDINGS

1. Plaintiffs failed to state a Securities Exchange Act claim because they did not plead particularized facts showing that Defendants' August and November 2023 statements were false or misleading when made.
2. Plaintiffs failed to plead the strong inference of scienter required for an Exchange Act violation.
3. Plaintiffs did not state scheme-liability claims under SEC Rules 10b-5(a) and (c) because they merely repackaged their deficient misstatement and omission claims without identifying a different deceptive scheme.
4. Dismissal with prejudice was appropriate because Plaintiffs' failure to allege any new facts in their third pleading attempt indicated that further amendment would be futile.

KEY QUOTATIONS

> *"The Court finds this matter suitable for resolution without oral argument under Civil Local Rule 7-1(b) and GRANTS Defendants' motion with prejudice."*

> *"Taken in context, the CEO's statements cut against, rather than in favor of, Plaintiffs' narrative that PANW and its executive officers were conspiring to hide PANW's poor platformization metrics from the company's investors."*

> *"Plaintiffs' failure to allege any new facts in their third attempt at a complaint indicates that leave to amend would be futile."*

FACTUAL BACKGROUND

Plaintiffs alleged that Palo Alto Networks and its executive officers made misleading statements in August and November 2023 concerning customer demand, platform products, the cost of money, deferred payments, discounts, and free products. Plaintiffs relied in part on the CEO's later February 2024 statements about programs intended to ease customer concerns regarding platformization. Plaintiffs also alleged that the CEO's stock sales supported scienter and attempted to assert scheme-liability claims based on the same alleged misstatements and omissions.

PROCEDURAL HISTORY

Plaintiffs sued Palo Alto Networks, Inc. and its executive officers under the Securities Exchange Act, alleging misleading statements concerning the company's financials and platformization metrics. The Court previously granted Defendants' motion to dismiss the first amended complaint. Plaintiffs filed a second amended complaint, and Defendants again moved to dismiss. The Court granted the motion and dismissed the action with prejudice, finding amendment would be futile.

DISPOSITION

dismissed

CASES CITED

- In re Cloudera, Inc., 121 F.4th 1180, 1189 (9th Cir. 2024)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Vess v. Ciba-Geigy Corp. USA, 317 F.3d 1097, 1106 (9th Cir. 2003)
- Berson v. Applied Signal Tech., Inc., 527 F.3d 982, 985 (9th Cir. 2008)
- In re Intuitive Surgical Sec. Litig., 65 F. Supp. 3d 821, 833 (N.D. Cal. 2014)
- Evanston Police Pension Fund v. McKesson Corp., 411 F. Supp. 3d 580, 598–99 (N.D. Cal. 2019)
- Mulderrig v. Amyris, Inc., 492 F. Supp. 3d 999, 1006–07 (N.D. Cal. 2020)
- Laborers Dist. Council Constr. Indus. Pension Fund v. Sea Ltd., 743 F. Supp. 3d 1083, 1106–07 (D. Ariz. 2024)
- Pardi v. Tricida, Inc., No. 21-cv-76-HSG, 2022 WL 3018144, at *12–13 (N.D. Cal. July 29, 2022)
- Tellabs, Inc. v. Makor Issues & Rights, Ltd., 551 U.S. 308, 323 (2007)
- Kang v. PayPal Holdings, Inc., 620 F. Supp. 3d 884, 902 (N.D. Cal. 2022)
- Pearson v. California, No. 20-cv-5726-CRB, 2022 WL 1225014, at *2–3 (N.D. Cal. Apr. 26, 2022)

OPINION

1 2 3 4 5 IN THE UNITED STATES DISTRICT COURT 6 FOR THE NORTHERN DISTRICT OF CALIFORNIA 7 8 IN RE PALO ALTO NETWORKS, Lead Case No. 24-cv-01156-CRB INC. SECURITIES LITIGATION 9 This Document relates to: ORDER GRANTING MOTION TO 10 DISMISS ALL ACTIONS 11 12 13 Plaintiffs have brought this purported class action against Palo Alto Networks, Inc. 14 (or PANW) alleging that the company and its executive officers violated the Securities 15 Exchange Act by making misleading statements to investors about its financials.

16 Defendants successfully moved to dismiss Plaintiffs’ first amended complaint, so Plaintiffs 17 filed their operative second amended complaint, which Defendants now move to dismiss. 18 The

Court finds this matter suitable for resolution without oral argument under Civil Local Rule 7-1(b) and GRANTS Defendants' motion with prejudice. As the Court explained in its order granting Defendants' first motion to dismiss, the core failure of Plaintiffs' first amended complaint is that Plaintiffs did not allege particular facts that would establish that Defendants' statements were misleading when they were made.

MTD Order (dkt. 75) at 8–12. More specifically, Plaintiffs did not allege facts to support their assertions (1) that general demand was declining in August and November 2023, (2) that demand for platform products was declining in August and November 2023, (3) that demand for platform products was low relative to demand for other products in August and November 2023, or (4) that PANW had already decided to give away free the-fact statements made by PANW's CEO, but as the Court has already explained, Plaintiffs' reliance on those statements stripped them of context.

Id. at 11–12. Taken in context, the CEO's statements cut against, rather than in favor of, Plaintiffs' narrative that PANW and its executive officers were conspiring to hide PANW's poor platformization metrics from the company's investors. Id. Plaintiffs' second amended complaint fails to remedy these flaws in their first amended complaint.

For instance, Plaintiffs insist that Defendants' 2023 statements that the cost of money, rather than clients' concerns about paying for multiple products simultaneously, was the primary friction point for platformization, and that deferred payments, rather than discounts or free products, would alleviate customers' concerns. Id. ¶¶ 73–78; Opp. (dkt.

80) at 5. But these statements are not backed up by factual allegations to show that, in August and November 2023, PANW's customers were already expressing concerns about paying for multiple products simultaneously, or that PANW at that time already needed to offer discounts or free products to keep up demand for platformization. Plaintiffs continue to rely heavily on PANW's CEO's February 2024 statements that PANW had been "quietly working to develop programs" that would ease customers' concerns about platformization, but those statements do not prove that PANW's August and November 2023 statements were false when made.

SAC (dkt. 76) ¶¶ 6–7, 79–94; see MTD Order at 11–12 (citing In re Cloudera, Inc., 121 F.4th 1180, 1189 (9th Cir. 2024) ("'[L]ater, sobering revelations' do not by themselves 'make [an] earlier, cheerier statement a falsehood.'" (citation omitted))).

Thus, Plaintiffs' allegations that Defendants' 2023 statements were false when they were made are conclusory and fail to state a claim. SAC ¶¶ 74, 78; see also Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (courts "not bound to accept as true a legal conclusion couched as a factual allegation"); Vess v. Ciba-Geigy Corp. USA, 317 F.3d 1097, 1106 (9th Cir.

2003) (Rule 9(b) requires a plaintiff 26 to set forth the “who, what, when, where, and how” of the alleged fraud). 27 Plaintiffs’ cited authority does not remedy their failure to plead with particularity 1 courts found—contrary to the Court’s conclusion above—that the challenged statements 2 were actually false when they were made. See Berson v. Applied Signal Tech., Inc., 527 3 F.3d 982, 985 (9th Cir.

2008) (statements about company’s backlog omitted risk of 4 cancellation of backlogged projects); In re Intuitive Surgical Sec. Litig., 65 F. Supp. 3d 5 821, 833 (N.D. Cal. 2014) (defendants misclassified adverse FDA reports to avoid 6 reporting them); Evanston Police Pension Fund v. McKesson Corp., 411 F. Supp. 3d 580, 7 598–99 (N.D. Cal. 2019) (defendants omitted information about known illegal price-fixing 8 schemes); Mulderrig v. Amyris, Inc., 492 F. Supp. 3d 999, 1006–07 (N.D.

Cal. 2020) 9 (statements about augmenting accounting policies omitted fact that accounting department 10 was not increasing or improving); Laborers Dist. Council Constr. Indus. Pension Fund v. 11 Sea Ltd., 743 F. Supp. 3d 1083, 1106–07 (D. Ariz. 2024) (statement that metrics were 12 consistent and “in line with” previous quarters misleading because there was actually a 13 decline in the relevant metrics); Pardi v. Tricida, Inc., No. 21-cv-76-HSG, 2022 WL 14 3018144, at *12–13 (N.D.

Cal. July 29, 2022) (statement that FDA raised one issue with 15 product omitted that FDA actually raised three issues to defendants). If Plaintiffs had 16 adequately alleged that, in August and November 2023, platformization already had the 17 problems that it ultimately did, these cases might be relevant. But Plaintiffs did not so 18 adequately allege, so this precedent does not help them.

19 The Court also explained in its earlier order that there was an independent ground 20 for dismissal: Plaintiffs had not adequately alleged scienter because PANW’s CEO’s stock 21 sales were not so suspicious as to give rise to an inference of scienter. MTD Order at 18– 22 19. Plaintiffs offer no new evidence regarding the CEO’s stock sales, instead adding 23 various allegations about the history and purpose of SEC Rule 10b5-1.

SAC ¶¶ 97–111. 24 Nothing in this new material creates the strong inference of scienter that is required to 25 establish an Exchange Act violation. Tellabs, Inc. v. Makor Issues & Rights, Ltd., 551 26 U.S. 308, 323 (2007). 27 Finally, Plaintiffs attempt in their second amended complaint to bring a new 1 claims fail. Plaintiffs cannot remedy their failure to plead falsity or scienter by 2 repackaging their claims as “scheme liability” claims under SEC Rules 10b-5(a) and (c).

3 See Kang v. PayPal Holdings, Inc., 620 F. Supp. 3d 884, 902 (N.D. Cal. 2022). Plaintiffs 4 do not explain how their proposed scheme relies on any different alleged misstatements or 5 omissions than their primary claims, so their scheme allegations do not state a claim either. 6 For

the foregoing reasons, the Court GRANTS Defendants' motion to dismiss. Plaintiffs' failure to allege any new facts in their third attempt at a complaint indicates that leave to amend would be futile, so this dismissal is with prejudice.

See Pearson v. California, No. 20-cv-5726-CRB, 2022 WL 1225014, at *2–3 (N.D. Cal. Apr. 26, 2022) (repeated failure to allege specific facts justifies denial of leave to amend as futile). IT IS SO ORDERED. Dated: August 19, 2025 CHARLES R. BREYER United States District Judge