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PRECEDENTIAL VALUE	unpublished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)