

# Fifth Circuit Securities Litigation Quarterly

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JANUARY 2026



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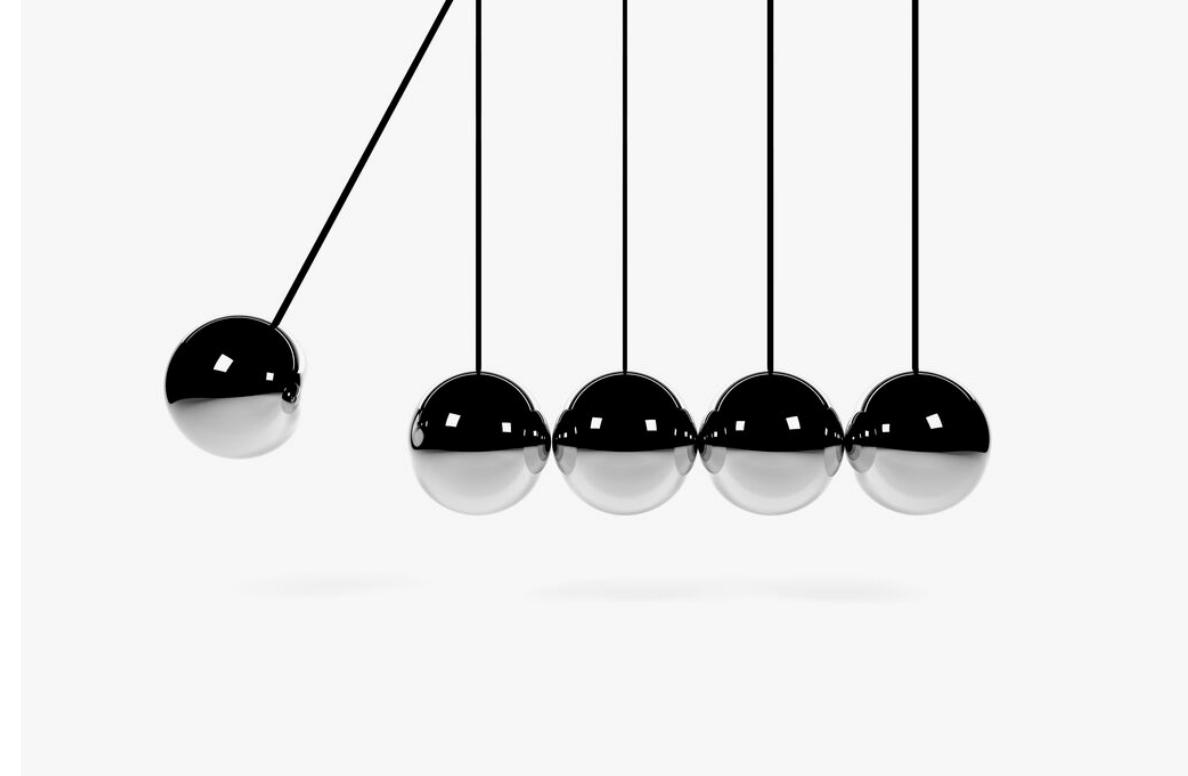
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Securities Litigation in  
Texas – Chambers USA**

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# *Welcome* to the Q4 2025 edition of A&O Shearman's Fifth Circuit Securities Litigation Quarterly.

As public companies and financial institutions continue to migrate to Texas, our Texas-based securities litigation team continues to monitor key developments and help our clients navigate the unique landscape for federal securities litigation in the Fifth Circuit.

In our Q4 edition, we cover one new case filing, three district court decisions on pleading stage and class certification issues, and other decisions of note.



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# New securities class action filings

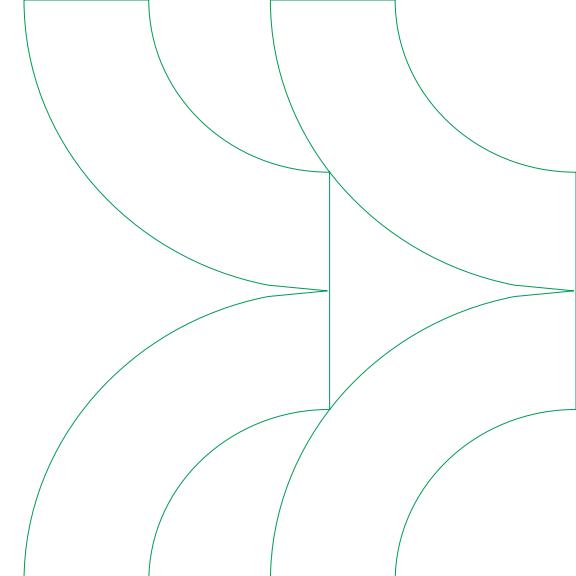
## **FIREFLY AEROSPACE (W.D. TEX., 1:25-CV-01812, FILED NOVEMBER 11, 2025)**

- Filed on behalf of a putative class of investors who purchased or otherwise acquired Firefly Aerospace, Inc. securities between August 7, 2025, and September 29, 2025, inclusive
- Asserts claims under the Securities Act of 1933 and Securities Exchange Act of 1934
- Alleges Defendants “made false and/or misleading statements and/or failed to disclose that: (i) Firefly had overstated the demand and growth prospects for its Spacecraft Solutions offerings; (ii) Firefly had overstated the operational readiness and commercial viability of its Alpha rocket program; (iii) the foregoing, once revealed, would likely have a material negative impact on the Company; and (iv) as a result, the Offering Documents and Defendants’ public statements throughout the Class Period were materially false and/or misleading and failed to state information required to be stated therein.”

# Decisions of note

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***McDermott***: Fifth Circuit Affirms District Court's Decision on Class Certification After Interlocutory Appeals From Both Plaintiff and Defendants



***American Airlines***: N.D. Tex. Grants Motion to Dismiss with Prejudice for Failure to Plead Material Misstatements and Scienter

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***CS Disco***: W.D. Tex. Magistrate Recommends Denial of Class Certification, Concluding Defendants Rebutted Any Presumption of Reliance

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**Other Cases of Note**: W.D. Tex. adopts magistrate's recommendation to deny class certification in *Goldovsky v. Rauld*; Fifth Circuit grants leave to appeal class certification in *Cassava Sciences*; SCOTX finds shareholders do not have standing to bring direct claims against third party in *UMTH Gen. Servs.*

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# *Nova Scotia Health Emps.' Pension Plan v. McDermott Int'l, Inc.,* 2025 WL 2814735 (5th Cir. Oct. 3, 2025)

- The Fifth Circuit considered an interlocutory appeal pursuant to Fed. R. Civ. P. 23(f) regarding an order from the Southern District of Texas that partially granted and partially denied class certification, as reported in our prior quarterly reviews.
- Each side appealed various issues. The Fifth Circuit affirmed the district court in all respects.
- The court rejected Plaintiff's argument that the district court had improperly modified its class certification opinion while a Rule 23(f) petition was *pending* because a district court is only divested of jurisdiction once a Rule 23(f) petition is *granted*.
- The Fifth Circuit also rejected Defendants' argument that the lead Plaintiff lacked standing because it held shares of CB&I stock that were converted to McDermott stock in a merger. The court found Defendants' argument that holders of CB&I shares actually benefited from the alleged fraud had yet to be proven with evidence.
- The court also upheld the district court's conclusion that the lead Plaintiff who exchanged shares in the merger had a conflict with other class members who only purchased shares. Accordingly, the court held that the lead Plaintiff can only represent exchangers, and another class representative would have to be found to represent purchasers.



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# *Qawasmi v. American Airlines Group Inc., 2025 WL 3201639* (N.D. Tex. Nov. 15, 2025)

- Judge O'Connor granted Defendants' motion to dismiss with prejudice.
- Plaintiffs brought Exchange Act claims alleging that Defendants "attempted to conceal negative effects of American's changes to its distribution and sales strategy by issuing a series of material misstatements and omitting material facts [from] American's public statements."
- The court heavily discounted confidential sources, former American employees, that Plaintiffs relied upon in the complaint, noting that they "were only exposed to a limited part of American's business" and "did not have access to the information regarding the alleged misstatements" for the portion of the putative class period that followed their departure from the company.
- The court held that some of the alleged material misstatements were non-actionable corporate puffery, agreeing with Plaintiffs in part and Defendants in part. The court contrasted statements that were "imprecise, positive statements about American's competitive spirit and future prospects" with "[s]tatements about American's actual performance[.]"
- The court further held that these latter statements, however, did not meet the statutory definition of a material misrepresentation or omission because they were not adequately alleged to be false or misleading.
- The court also held that Plaintiffs did not adequately allege Defendants possessed the scienter required by the PSLRA, noting the scienter allegations were based on hindsight, a news article quoting an anonymous source, and confidential witnesses who had no contact with the individual Defendants.

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# *Gambrill v. CS Disco, Inc., 2025 U.S. Dist. LEXIS 259789* (W.D. Tex. Dec. 16, 2025)

- Magistrate Judge Lane recommended denying certification of an Exchange Act class with a class period of September 3, 2021, to August 11, 2022, inclusive.
- Following the dismissal of some challenged statements at the pleading stage, the statements at issue at the class certification stage concerned allegations that Defendants downplayed to investors the risk of volatility from revenues relying on a small number of clients who spent an outsized amount.
- The court held that Defendants met their burden to rebut the fraud-on-the-market presumption of reliance by showing a lack of price impact from the challenged statements. Accordingly, Plaintiff failed to satisfy the predominance requirement for certifying a class.
- The court found there was a significant mismatch between the alleged misrepresentations and the alleged corrective disclosures. The corrective disclosures allegedly “reveal[ed] that [CS Disco’s] previous projections relied on the assumption that CS Disco would continue to receive seven figure per quarter revenues from a small number of large Review matters,” but the alleged misrepresentations instead discussed “the growth of usage by one client,” “the general adoption of Disco’s services by typical clients,” “the expectation that as Disco grows, fluctuations in usage by any one client will become less impactful,” and “that larger companies are consistently dealing with litigation and budget accordingly.”
- The magistrate also concluded that the explanation in Plaintiff’s expert report for why CS Disco’s stock price dropped was “entirely conclusory” and offered no comparison between the alleged misrepresentations and the alleged corrective disclosures.

# Other decisions of note



***Goldovsky v. Rauld, 2025 WL 2940723 (W.D. Tex. Oct. 16, 2025):*** Judge Albright denied class certification in a Texas Securities Act case arising from an alleged Ponzi scheme. The court adopted the magistrate's opinion. As covered in our Q3 review, the magistrate found there was no presumption of reliance under *Affiliated Ute*, and the causation and reliance elements of plaintiffs' claims raised substantial individualized issues regarding the uniformity of the alleged representations and plaintiffs' degree of reliance.



***In re Cassava Sciences, Inc. Sec. Litig., No. 25-90021 (5th Cir. Oct. 21, 2025):*** The Fifth Circuit granted Cassava's Rule 23(f) petition seeking leave to appeal the district court's certification of a class, raising issues regarding the effect of meme stock dynamics on a market efficiency analysis and Plaintiffs' ability to establish classwide damages.



***In re UMTH Gen. Servs., L.P., --- S.W.3d ---, 2025 WL 3180859 (Tex. Nov. 14, 2025):*** In a mandamus proceeding, the Texas Supreme Court held that shareholders of an entity did not have standing to bring direct claims against a third party based on the third party's agreement with the shareholders' corporate entity. The agreement did not create duties to shareholders rather than the entity.

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