

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

CORINNE GONSALVES, et al.,
Plaintiffs,
v.
BLOCK, INC., et al.,
Defendants.

Case No. 25-cv-00642-NW

ORDER DENYING MOTION TO DISMISS

Re: ECF No. 108

This is a putative class action for securities fraud against Block, Inc., and two individual directors and officers, Jack Dorsey and Amrita Ahuja (collectively, Defendants). Block is the parent company of Cash App, a mobile-based financial platform. Lead Plaintiff NYC Funds filed a First Amended Consolidated Class Action Complaint (“FAC”) alleging that Defendants made materially false and misleading statements regarding Cash App’s compliance programming, which led to a series of enforcement actions and an 84% drop in Block’s stock price.¹ Plaintiff alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”) and Securities and Exchange Commission (“SEC”) Rule 10b-5. FAC, ECF No. 106.

² On July 30, 2025, Defendants filed a motion to dismiss. Mot., ECF No. 108.² Plaintiff

¹ Lead Plaintiff NYC Funds is made up of putative class members Teachers' Retirement System of the City of New York, New York City Employees' Retirement System, New York City Fire Pension Fund, New York City Board of Education Retirement System, Police Superior Officers' Variable Supplements Fund, Police Officers' Variable Supplements Fund, Firefighters' Variable Supplements Fund, Fire Officers' Variable Supplements Fund, New York City Fire Department Life Insurance Fund, and Teachers' Retirement System Variable A (collectively, the "NYC Funds"). Individual Plaintiff Corinne Gonsalves voluntarily dismissed her claims without prejudice to her ability to participate in the action as a putative class member. ECF No. 107.

² Having considered the parties' briefs and the relevant legal authority, the Court concluded oral argument was not required, *see* N.D. Cal. Civ. L.R. 7-1(b).

1 opposed, ECF No. 109, and Defendants filed a reply, ECF No. 114. For the reasons stated below,
2 the Court DENIES Defendants' motion to dismiss.

3 **I. BACKGROUND³**

4 Lead Plaintiff NYC Funds is a group of retirement pension funds in New York that
5 purchased Block's Class A common stock between February 26, 2020, to May 1, 2025, inclusive
6 (the "Class Period"). Plaintiff brings securities fraud claims on behalf of all entities and
7 individuals who purchased the Class A common stock during the Class Period.

8 Block is a financial technology company with its principal executive offices in Oakland,
9 California. Block owns a "suite of financial products," and its two main business units are Square
10 and Cash App, the latter of which is at issue in this action. FAC ¶ 17. Launched in 2013, Cash
11 App is "a mobile-based financial platform" intended for "individual consumers." *Id.* ¶ 20. Cash
12 App facilitates mobile "payments, banking, investing, cryptocurrency, tax filing, and small-dollar
13 lending." *Id.*

14 Jack Dorsey co-founded Block and is currently Block's Chief Executive Officer ("CEO")
15 and Chairman of its Board of Directors, positions he has served in throughout the Class Period.
16 Currently, Amrita Ahuja is Block's Foundational Lead, "overseeing the finance, legal, and people
17 functions." *Id.* ¶ 14. Ahuja formerly served as Block's Chief Financial Officer ("CFO"), a role
18 she held throughout the Class Period. She additionally served as Block's Chief Operating Officer
19 ("COO") starting in February 2023 through the Class Period. In their roles as an officer and/or
20 director of Block, Dorsey and Ahuja were "directly involved in the management and day-to-day
21 operations of [Block] at the highest levels and [were] privy to confidential proprietary information
22 concerning the Company and its business, operations, services, and present and future business
23 prospects." *Id.* ¶ 15. This includes Cash App's operations. Dorsey and Ahuja "were able to, and
24 did, control the content of the various SEC filings, press releases, and other public statements
25 pertaining to the Company during the Class Period." *Id.* ¶ 16.

26
27
28 ³ The factual background is drawn from Plaintiff's FAC. *See* ECF No. 106.

a. User Metrics

Plaintiff alleges that “Cash App’s business model relies on two primary levers for revenue growth: (1) acquiring new users, and (2) monetizing existing users by expanding their engagement across multiple products and encouraging higher fund inflows.” FAC ¶ 26. “For Block, the growth of [Cash App’s] user base is essential to its valuation as a company.” *Id.* ¶ 4. From 2019 to 2023, Block reported substantial growth in Cash App’s user base: “[i]n December 2019, Block reported 24 million monthly active users; by December 2020, it was 36 million users; and by December 2023, the Company touted 56 million users.” *Id.* ¶ 2. Block publicly attributed the growth in users to “viral adoption among customers and an intuitive, social network-like user experience,” while also touting Cash App’s “strong compliance infrastructure.” *Id.* Cash App’s user growth metric was important to investors for valuing Block’s “scalability and profitability.” *Id.* ¶ 4.

To acquire new users, Block designed Cash App to have “frictionless onboarding,” where the “signup process was intentionally designed to require minimal information—just a ZIP Code and an email address or phone number.” *Id.* ¶¶ 3, 21. Plaintiff contends that “Cash App’s ‘frictionless’ user experience—paired with its failure to implement” compliance programming “transformed the platform into a magnet for bad actors.” *Id.* ¶ 29. The “bad actors” created multiple Cash App accounts per user, conflating the number of users and the number of accounts.

Plaintiff states that “Cash App’s user base was materially smaller than publicly represented, because the reported numbers were inflated by duplicate, fraudulent, and illicit accounts enabled by Cash App’s lack of adequate compliance.” *Id.* ¶ 4. Additionally, in February 2022, Block changed how it described user counts from “transacting active cash app customers” to “transacting actives.” *Id.* ¶ 94. This new descriptor obscured the number of duplicate accounts per user.

b. Compliance

During the same period that Block was investing in “frictionless onboarding,” Block was also dealing with a series of compliance concerns. For example, “in 2022 Block discovered that approximately 30 members of a Russian criminal network opened **8,359** Cash App accounts using

1 falsified information, adding thousands of bogus, prohibited users to Cash App’s publicly reported
2 user base totals.” *Id.* ¶ 32 (emphasis in original). Plaintiff submits that, “Block deliberately
3 underinvested in its compliance infrastructure” to facilitate its “frictionless onboarding” processes.
4 *Id.* ¶ 31. Plaintiff points to a recurring compliance problem: “[e]ven when Block closed an
5 account due to problematic activity, it often permitted the same user to open new accounts,” which
6 in turn led to allegedly inflated user account numbers. *Id.* ¶ 32. Additionally, Block had a
7 substantial challenge with reviewing transaction monitoring alerts, and by 2020 Block had
8 amassed a backlog of 169,000 unreviewed alerts. These compliance concerns led to “major U.S.
9 sanctions [for] compliance deficiencies that Block failed to remedy in a prompt or thorough
10 manner, even after they were identified.” *Id.*

c. Public Reporting and Stock Drop

12 On March 23, 2023, after interviewing former Block employees, Hindenburg Research
13 published a report titled “*Block: How Inflated User Metrics and ‘Frictionless’ Fraud Facilitation*
14 *Enabled Insiders to Cash Out Over \$1 Billion*” (“Hindenburg Report”). FAC ¶ 171. The report
15 estimated that “between 40% and 75% of the Cash App accounts” Hindenburg reviewed “were
16 fake, involved in fraud, or tied to a single user opening multiple accounts.” *Id.* ¶ 34. The day after
17 the Hindenburg Report was published, “the price of Block Class A common stock fell from \$72.65
18 per share at market close on March 22, 2023, to \$61.88 per share at market close on March 23,
19 2023—a decline of nearly 15% on unusually heavy trading volume of over 140 million shares
20 traded—and continued to fall the next trading day.” *Id.* ¶ 173.

21 In the months following the Hindenburg Report, state and federal enforcement agencies
22 initiated investigations and eventually assessed costly penalties against Block. During this period,
23 “Block’s stock price collapsed from its Class Period high of \$289 per share to just \$46 per share—
24 an 84% decline that inflicted massive losses on investors.” *Id.* ¶ 6. Plaintiff asserts that Block’s
25 stock price collapsed when it was revealed that user growth metrics were inflated, and when Block
26 had to address persistent compliance concerns — concerns that also contributed to inflated user
27 counts.

28 || On June 18, 2025, NYC Funds filed an amended consolidated class action complaint on

1 behalf all persons and entities who purchased or acquired Block's Class A publicly traded
2 common stock during the Class Period and who were damaged.⁴ FAC, ECF No. 106. Plaintiff
3 brings two claims: (1) Violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5(b)
4 against Block, Dorsey, and Ahuja; and (2) Violation of Section 20(a) of the Exchange Act against
5 Dorsey and Ahuja. Plaintiff challenges statements and omissions related to Block's user metrics
6 and compliance programming.

7 **II. REQUEST FOR JUDICIAL NOTICE**

8 In connection with their motion to dismiss, Defendants ask the Court to take judicial notice
9 of or incorporate by reference 16 separate exhibits. Request for Judicial Notice, ECF No. 108-19
10 ("RJN"); Declaration of Brian M. Lutz, Exs. A-P, ECF No. 108-2.

11 First, Defendants ask the Court to incorporate by reference documents cited and quoted in
12 the FAC, including Block's SEC filings, shareholder letters, earnings call transcripts, and
13 published responses to recent investor questions (Exhibits A-D, F, H-L, and N-P). Plaintiff does
14 not contest Defendants' request for incorporation by reference. Opp'n to RJN, 1, ECF No. 110.

15 Second, Defendants ask the Court to take judicial notice of additional Block SEC filings
16 that were not referenced in the complaint (Exhibits E, G, and M). Plaintiff opposes Defendants'
17 request for judicial notice of Exhibits E, G, and M "to the extent Defendants seek to introduce"
18 these documents "to assume the truth of the matters asserted therein." *Id.*

19 Plaintiff correctly notes that when assessing the sufficiency of the complaint under Federal
20 Rule of Civil Procedure 12(b)(6), the Court generally cannot consider material outside of the
21 pleadings. *Khoja v. Orexigen Therapeutics, Inc.*, 899 F.3d 988, 998 (9th Cir. 2018); *Tellabs, Inc.*
22 v. *Makor Issues & Rts., Ltd.*, 551 U.S. 308, 322 (2007). Once a document is incorporated by
23 reference or judicially noticed, the Court "may assume that its contents are true for purposes of a
24 motion to dismiss under Rule 12(b)(6)," but the Court may not "assume the truth of an
25 incorporated document if such assumptions only serve to dispute facts stated in a well-pleaded

26
27 ⁴ On April 30, 2025, the Court granted NYC Funds' motion to be lead plaintiff and appointed
28 Lieff Cabraser and Cohen Milstein as co-lead counsel. ECF No. 102.

1 complaint.” *Khoja*, 899 F.3d at 1003. Accordingly, the Court GRANTS Defendants’ motion and
2 incorporates by reference Exhibits A-D, F, H-L, and N-P, and takes judicial notice of Exhibits E,
3 G, and M, subject to *Khoja*’s restrictions.

4 **III. LEGAL STANDARD**

5 To survive a motion to dismiss, a plaintiff must plead “enough facts to state a claim to
6 relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). The
7 Court must “accept all factual allegations in the complaint as true and construe the pleadings in the
8 light most favorable to the [plaintiff].” *Knievel v. ESPN*, 393 F.3d 1068, 1072 (9th Cir. 2005).
9 However, the tenet that a court must accept a complaint’s allegations as true “is inapplicable to . . .
10 [t]hreadbare recitals of a cause of action’s elements, supported by mere conclusory statements.”
11 *Ashcroft v. Iqbal*, 556 U.S. 662, 663 (2009).

12 “Securities fraud class actions must [also] meet the higher, exacting pleading standards of
13 Federal Rule of Civil Procedure 9(b) and the Private Securities Litigation Reform Act (PSLRA).”
14 *Oregon Pub. Emps. Ret. Fund v. Apollo Grp. Inc.*, 774 F.3d 598, 604 (9th Cir. 2014). Under Rule
15 9(b) and the PSLRA, a complaint must “state with particularity facts giving rise to a strong
16 inference that the defendant acted with the required state of mind” with respect to the alleged false
17 statements or omissions, and a party must “state with particularity the circumstances constituting
18 fraud or mistake.” 15 U.S.C. § 78u-4(b)(2)(A); Fed. R. Civ. P. 9(b). If the complaint does not
19 satisfy the PSLRA’s pleading requirements, the Court must grant a motion to dismiss the
20 complaint. 15 U.S.C. § 78u-4(b)(3)(A).

21 **IV. DISCUSSION**

22 Plaintiff brings two claims: (1) violation of Section 10(b) of the Exchange Act and SEC
23 Rule 10b-5(b) and (2) violation of Section 20(a) of the Exchange Act. Defendants move to
24 dismiss both claims.

25 **A. Violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5(b)**

26 Section 10(b) of the Exchange Act prohibits any act or omission resulting in fraud or deceit
27 in connection with the purchase or sale of any security. 15 U.S.C. § 78j(b) (declaring it unlawful
28 to “use or employ, in connection with the purchase or sale of any security . . . any manipulative or

1 deceptive device or contrivance in contravention of such rules and regulations as the [SEC] may
2 prescribe as necessary.”). 15 U.S.C. § 78j(b). SEC Rule 10b-5 implements Section 10(b) by
3 making it unlawful to “make any untrue statement of a material fact” or to “omit to state a material
4 fact necessary” to make a statement not misleading, “in the light of the circumstances under which
5 they were made.” 17 C.F.R. § 240.10b-5.

6 “To plead a claim under [S]ection 10(b) and Rule 10b-5, the Plaintiff[] must allege: (1) a
7 material misrepresentation or omission; (2) scienter; (3) a connection between the
8 misrepresentation or omission and the purchase or sale of a security; (4) reliance; (5) economic
9 loss; and (6) loss causation.” *City of Dearborn Heights Act 345 Police & Fire Ret. Sys. v. Align*
10 *Tech., Inc.*, 856 F.3d 605, 613 (9th Cir. 2017) (quoting *Oregon Pub. Emps. Ret. Fund*, 774 F.3d at
11 603). Federal Rule of Civil Procedure 9(b) requires a plaintiff who alleges fraud or mistake,
12 including for securities fraud claims, to “state with particularity the circumstances constituting
13 fraud or mistake.” Fed. R. Civ. P. 9(b); *see Zucco Partners, LLC v. Digimarc Corp.*, 552 F.3d
14 981, 990 (9th Cir. 2009).

15 Defendants contend that Plaintiff fails to adequately plead falsity, scienter, and loss
16 causation as required under the Exchange Act. For the reasons stated below, the Court finds that
17 the Plaintiff has alleged sufficient facts to support each element and accordingly denies
18 Defendants’ motion to dismiss Plaintiff’s first claim.

19 1. Falsity

20 Under the PSLRA, a statement is false if it “directly contradict[s] what the defendant knew
21 at that time.” *Weston Fam. P’ship LLLP v. Twitter, Inc.*, 29 F.4th 611, 619 (9th Cir. 2022). “Even
22 if a statement is not false, it may be misleading if it omits material information.” *Khoja*, 899 F.3d
23 at 1008–09. Put another way, “a statement is misleading if it would give a reasonable investor the
24 impression of a state of affairs that differs in a material way from the one that actually exists.”
25 *Retail Wholesale & Dep’t Store Union Loc. 338 Ret. Fund v. Hewlett-Packard Co.*, 845 F.3d 1268,
26 1275 (9th Cir. 2017). To meet the PSLRA and 9(b) pleading standard, “plaintiffs must allege a
27 misrepresentation or a misleading omission with particularity and explain why it is misleading.”
28 *Id.* at 1274.

1 Plaintiff challenges two categories of statements made by Block: (a) statements regarding
2 Block's compliance programming; and (b) statements regarding user metrics.

3 **a. Statements Regarding Block's Compliance Programming**

4 Plaintiff argues that Defendants made a series of material misrepresentations or omissions
5 regarding Block's and Cash App's compliance programs, specifically the level of investment in
6 and robustness of the compliance program. *See, e.g.*, FAC ¶¶ 71, 81, 83, 91, 92, 110, 117, 126,
7 127.⁵ For example, Plaintiff points to the following statements from Defendants about
8 compliance:

- 9 • *"We have implemented an [anti-money laundering ("AML")] program
10 designed to prevent our payments network from being used to facilitate
11 money laundering, terrorist financing, and other illicit activity. . . . Our
12 AML compliance program includes policies, procedures, reporting
13 protocols, and internal controls, including the designation of an AML
14 compliance officer, and is designed to address these legal and regulatory
15 requirements and to assist in managing risk associated with money
16 laundering and terrorist financing."* *Id.* ¶ 71 (statement in Block's 2019
17 10-K filing).
- 18 • *"[Block is] aware that there has been a recent rise in scammers trying to
19 take advantage of customers using financial products, including Cash
20 App. We've taken a number of proactive steps and made it our top
21 priority."* *Id.* ¶ 81 (statement from Block spokesperson in response to
22 October 11, 2020 New York Times article).
- 23 • *"In order to do that, we must maintain a culture of compliance and
24 responsible risk management, including through investment in
25 programs, processes, controls and teams with deep compliance
26 expertise, prioritizing compliance ultimately helps us drive trust to their
27 customers with regulators and external partners, and that enables us to
28 then develop innovative products responsibly. We have significantly
grown our investment in compliance over the last few years. At a
company level, we expect to invest approximately \$160 million in
compliance in 2023, which represents an increase in our investment
dollars of more than 5x since 2020, outpacing OpEx growth by
approximately 2x during that same period. Specifically within Cash App,
the pace of growth on compliance investment has been even faster than
that."* *Id.* ¶ 127 (statement from Ahuja during Block's May 4, 2023
earnings call).

25 Plaintiff posits that the statements are misleading or false because Block's "compliance
26 infrastructure was chronically under-resourced, fundamentally flawed, and reliant on substandard
27

28 ⁵ Plaintiff specifically focuses on the bold and italicized phrases in the statements.

1 systems and processes for customer due diligence, identity verification, and transaction
2 monitoring.” *Id.* ¶ 25. These alleged failures led to violations of “sanctions laws and enabled
3 widespread fraud, illegal activity, and the creation of duplicate accounts.” *Id.* ¶ 69. Plaintiff
4 further alleges that “Block’s senior leadership knowingly deprioritized compliance in favor of
5 growth, as evidenced by a large backlog of unresolved alerts and a persistent failure to shut down
6 accounts involved in illicit conduct.” *Id.*

7 Defendants argue that Plaintiff fails to show that the statements made about Block’s
8 compliance efforts were untrue; for example, Plaintiff did not allege that “Block did *not* design
9 anti-money laundering programs, that Block did *not* take efforts to combat wrongdoing on Cash
10 App, or that Block did *not* invest in compliance.” Mot. at 9. Further, Defendants maintain that the
11 statements regarding compliance efforts were not misleading by omission because the facts
12 referenced in the statements were previously disclosed or not pled with particularity in the FAC.
13 The Court disagrees.

14 Plaintiff has pled sufficient facts, taken as a whole, to support an inference that Block’s
15 compliance program was not capable of meeting regulatory requirements, and Block did not take
16 timely steps to strengthen compliance tools; collectively, these pleaded facts support Plaintiff’s
17 allegations that Block’s assurances about the design and implementation of its compliance
18 programming were misleading. First, Block’s public assurances that Block had “taken a number
19 of proactive steps and made it our top priority” to address “recent rise in scammers” on Cash App,
20 does not align with Block’s lack of investment into compliance programming, namely an
21 understaffed compliance team with a growing number of unaddressed scam alerts, or Block’s
22 “frictionless” and “lax onboarding protocols.” FAC ¶¶ 81, 111. Second, Block made assurances
23 that, for “identity-theft or account take-over scams,” Block will “***review the account in question.***
24 If deemed fraudulent, ***we will take the necessary action starting with account closure and***
25 ***disabling of all applicable products.***” *Id.* ¶ 110. These statements do not align with Block’s
26 “large backlog of unresolved alerts.” *Id.* ¶ 111. Block continued to make similar assurances
27 regarding compliance being a top priority through 2024 – “***the pace of growth on compliance***
28 ***investment has been even faster***” – while internally, Defendants were advocating for user on-

1 boarding systems that necessarily were at odds with compliance efforts. *Id.* ¶ 127. Drawing all
2 reasonable inferences from the above facts in favor of Plaintiff, as the Court must, Plaintiff has
3 adequately pled misrepresentation or a misleading omission.

4 **b. Statements Regarding User Metrics**

5 Plaintiff additionally states that Defendants made a series of material misrepresentations or
6 omissions regarding Cash App's user metrics, including the number of user accounts and user
7 growth. *See, e.g.*, ¶¶ 73, 75, 76, 77, 78, 79, 85, 86, 87, 88, 89, 94, 96, 100, 103, 104, 105, 106,
8 112, 114, 119, 120, 121, 122, 123, 124, 129, 130, 143. For example, Plaintiff challenges the
9 following statements from Defendants about user metrics:

- 10 • In a 2020 letter to shareholders, “Defendants discussed the growth and
11 strength of Cash App through the metric of ‘**active Cash App customers**,’
12 which the Company defined as a ‘**customer [with] at least one cash**
inflow or outflow during the specified period.’ Defendants represented
13 that ‘**Cash App had approximately 24 million monthly active customers**
in December 2019, achieving 60% year-over-year growth.’” *Id.* ¶ 73
(statement in a February 26, 2020 letter to shareholders).
- 14 • “Our Cash App Customers: As of December 2020, Cash App had more
15 than **36 million monthly transacting active customers** across the United
16 States and Europe who had at least one financial transaction using any
17 Cash App product or service during the specified period.” *Id.* ¶ 86
(statement in Block’s 2020 10-K filing).
- 18 • “So, we do believe Cash App has reached a mainstream scale, and that’s
19 with over 30 million monthly active customers in June. **And these are**
monthly active customers, not overall accounts.” *Id.* ¶ 143 (statement
20 from Dorsey in an August 2020 earnings call).

21 Plaintiff argues that the statements are misleading or false because they “materially misled
22 investors by creating the false impression that Cash App’s reported user metrics were accurate and
23 reliable because they were supported by sound compliance practices,” when in reality the user
24 metrics were inflated due to “misuse by bad actors,” who could create multiple accounts. *Id.* ¶ 69.
25 Defendants insist that the statements Plaintiff points to are not false or misleading because the
26 metrics were not inflated.

27 Plaintiff has pled sufficient facts, viewed collectively, to support an inference that Block
28 reported user metrics that included substantial numbers of fraudulent accounts, and relatedly that

1 Block's statements regarding the number and growth of users was misleading. Block regularly
2 made statements about the number of "transacting active customers" or "transacting actives," and
3 regardless of the terminology used, Block did not disclose the substantial number of fraudulent
4 Cash App users, which significantly inflated Block's metrics. *Id.* ¶ 94. Additionally, Plaintiff
5 alleges that Block's switch in terminology – from "transacting active customers" to "transacting
6 actives" – is itself misleading because of the prevalence of multiple "actives" per "customer."
7 Block claims that despite the switch in terminology, it never altered how it calculated the metric.
8 While Defendants may be able to rebut these allegations through discovery, at this stage, the Court
9 must view all pleadings in the light most favorable to Plaintiff. The Court finds that Plaintiff has
10 sufficiently pled facts to support the allegation that Defendants misled investors by counting
11 fraudulent accounts in user metrics and by switch the methodology of counting users without
12 adequate explanation.

13 **c. Materiality**

14 The materiality of the misrepresentations or misleading omissions are also sufficiently
15 pled. Materiality is established when there is "a substantial likelihood that the disclosure of the
16 omitted fact would have been viewed by the reasonable investor as having significantly altered the
17 'total mix' of information made available." *Matrixx Initiatives, Inc. v. Siracusano*, 563 U.S. 27,
18 131 (2011). Plaintiff stressed that the market's reaction (15% stock drop on the first day of
19 reporting) and frequency of questions posed to Block regarding compliance after the Hindenburg
20 Report was published show that investors were interested in Block's compliance program and user
21 account metrics. Other courts in this District have found assurances regarding the effectiveness of
22 internal controls, as well as statements about inflated user accounts, to be material. See,
23 e.g., *Mulderrig v. Amyris, Inc.*, 492 F. Supp. 3d 999, 1024 (N.D. Cal. 2020) (holding that
24 defendants' statements "left investors with the false or misleading impression" that the company
25 "was curing its prior internal controls weaknesses and no new concerns needed to be disclosed");
26 *In re Wells Fargo & Co. S'holder Derivative Litig.*, 282 F. Supp. 3d 1074, 1096 (N.D. Cal. 2017)
27 (holding that "[t]he fact that a critical performance metric was based on a significant number of
28 fraudulent accounts" was material because it "would certainly 'give a reasonable investor the

1 impression of a state of affairs that differs in a material way from the one that actually exists.”’).
 2 The Court finds that Plaintiff has sufficiently pled materiality.⁶

3 **2. Scienter**

4 Plaintiff must allege, “with particularity,” facts that give “rise to a strong inference that the
 5 defendant acted with the required state of mind.”’ *New Mexico State Inv. Council v. Ernst &*
 6 *Young LLP*, 641 F.3d 1089, 1095 (9th Cir. 2011) (quoting 15 U.S.C. § 78u-4(b)(2)(A)). “A
 7 complaint can plead scienter by raising a strong inference that the defendant possessed actual
 8 knowledge or acted with deliberate recklessness.” *Id.* The Court first determines whether any
 9 allegations, standing alone, “are sufficient to create a strong inference of scienter.” *Zucco*
 10 *Partners, LLC v. Digimarc Corp.*, 552 F.3d 981, 992 (9th Cir. 2009), *as amended* (Feb. 10, 2009).
 11 If no individual allegations are sufficient, the Court “conduct[s] a ‘holistic’ review of the same
 12 allegations to determine whether the insufficient allegations combine to create a strong inference
 13 of intentional conduct or deliberate recklessness.” *Id.* In reviewing the sufficiency of the
 14 complaint, the Court must “take into account plausible opposing inferences.” *Tellabs, Inc. v.*
 15 *Makor Issues & Rts., Ltd.*, 551 U.S. 308, 323 (2007). “A complaint will survive . . . only if a
 16 reasonable person would deem the inference of scienter cogent and at least as compelling as any
 17 opposing inference one could draw from the facts alleged.” *Id.*

18 Here, Plaintiff claims that Defendants acted with scienter because they “promoted
 19 misleading Cash App user metrics despite having direct access to internal data and information
 20 revealing materially lower verified user and unique SSN counts and pervasive fraud and illicit

22 ⁶ The Court finds Defendants’ alternative argument that the challenged statements are mere
 23 corporate puffery unavailing. “Puffery” is not actionable under the PSLRA because the law
 24 deems such statements so amorphous as to be immaterial. *See In re Omni Vision Techs., Inc. Sec.*
Litig., 937 F.Supp.2d 1090, 1102 (N.D. Cal. 2013). Determining whether a given statement is
 25 material “entail[s] fact-intensive assessments that are more properly left to the jury,” and
 26 therefore, “[i]n deeming a statement puffery at the motion to dismiss stage, courts must exercise
 27 great caution.” *Mulligan v. Impax Lab’ys, Inc.*, 36 F. Supp. 3d 942, 966 (N.D. Cal. 2014) (citing
Bricklayers & Masons Local Union No. 5 Ohio Pension Fund v. Transocean Ltd., 866 F. Supp. 2d
 223, 244 (S.D.N.Y. 2012)). Accordingly, to dismiss claims on the ground that the statements are
 28 “puffery,” the Court must conclude that the statement is “so obviously unimportant to a reasonable
 investor that reasonable minds could not differ on the question of their unimportance.” *Id.* (citing
In re Ford Motor Co. Sec. Litig., 381 F.3d 563, 570 (6th Cir. 2004) (citation omitted). The Court
 does not reach that conclusion here.

1 activity on the platform including criminals’ and others’ use of multiple accounts.” FAC ¶ 132.
2 Plaintiff contends that Dorsey and Ahuja were in leadership positions and had “access to
3 contemporaneous contradictory information,” and “knew the public statements at issue were
4 materially false or acted with severe recklessness in ignoring the substantial risk of misleading
5 investors.” *Id.* Plaintiff argues that the scienter is also attributable to Block because of the
6 conduct of senior executives, including Dorsey and Ahuja.

7 Defendants deny that Dorsey and Ahuja’s leadership roles support inferences of fraud.
8 Mot. at 20. The Court disagrees. While correct that as “a general matter, ‘corporate
9 management’s general awareness of the day-to-day workings of the company’s business’” does
10 not on its own establish scienter, “management’s role in a company may be relevant and help to
11 satisfy the PSLRA scienter requirement.” *S. Ferry LP*, No. 2, 542 F.3d at 784-85. “[S]uch
12 allegations may independently satisfy the PSLRA where they are particular and suggest that
13 defendants had actual access to the disputed information.” *Id.* at 785-86. Additionally, “such
14 allegations may conceivably satisfy the PSLRA standard in a more bare form, without
15 accompanying particularized allegations, in rare circumstances where the nature of the relevant
16 fact is of such prominence that it would be ‘absurd to suggest that management was without
17 knowledge of the matter.’” *Id.* (citations omitted).

18 Plaintiff notes that “acquiring new users” was one of the “primary levers for revenue
19 growth,” and that “Block measured the expansion of its user base by publicly reporting to
20 investors the number of active Cash App users.” FAC ¶¶ 27-28. Plaintiff alleges that, as senior
21 executives, Dorsey and Ahuja “repeatedly received specific findings—via Board-level reports,
22 internal compliance meetings, and employee feedback—highlighting persistent deficiencies in
23 Block’s” compliance and sanctions programs. FAC ¶¶ 134-137. Both Dorsey (co-founder, CEO,
24 and Chairman) and Ahuja (CFO and COO) held key roles that regularly engaged with and
25 oversaw reporting and compliance obligations. And, despite their knowledge of the compliance
26 concerns allegedly inflating user metrics, Dorsey and Ahuja “continued to publicly promote
27 inflated user metrics and endorsed or permitted strategic decisions that prioritized business growth
28 over regulatory compliance.” *Id.*

1 These facts, taken together, raise a “strong inference” that Defendants were aware of facts
2 that made their public assurances misleading. Under the alleged circumstances, “it would be
3 ‘absurd’ to suggest that management was without knowledge of the matter.” *South Ferry*, 542
4 F.3d at 786.

5 **3. Loss Causation**

6 The PSLRA requires the plaintiff to prove “that the act or omission of the defendant . . .
7 caused the loss for which the plaintiff seeks to recover damages.” 15 U.S.C. § 78u-4(b)(4). “Loss
8 causation” refers to the “causal connection between the material misrepresentation and the loss.”
9 *Dura Pharms., Inc. v. Broudo*, 544 U.S. 336, 342 (2005). “To prove loss causation, plaintiffs need
10 only show a ‘causal connection’ between the fraud and the loss . . . by tracing the loss back to ‘the
11 very facts about which the defendant lied.’” *Mineworkers’ Pension Scheme v. First Solar Inc.*,
12 881 F.3d 750, 753 (9th Cir. 2018) (internal citations omitted). Stated another way “[t]o establish
13 loss causation in a fraud-on-the-market case, the plaintiff must show that after purchasing her
14 shares and before selling, the following occurred: (1) ‘the truth became known,’ and (2) the
15 revelation caused the fraud-induced inflation in the stock’s price to be reduced or eliminated.” *In*
16 *re BofI Holding, Inc. Sec. Litig.*, 977 F.3d 781, 789 (9th Cir. 2020). “So long as the complaint
17 alleges facts that, if taken as true, plausibly establish loss causation, a Rule 12(b)(6) dismissal is
18 inappropriate.” *In re Gilead Scis. Sec. Litig.*, 536 F.3d 1049, 1057 (9th Cir. 2008). The
19 requirement “simply calls for enough fact to raise a reasonable expectation that discovery will
20 reveal evidence of loss causation.” *Id.* (quoting *Twombly*, 550 U.S. at 555).

21 Plaintiff has properly alleged that Defendants made misleading statements that led to
22 inflated stock prices, specifically, that Block’s compliance program permitted bad actors to create
23 multiple accounts, which in turn inflated the user account metrics. Plaintiff has also alleged that
24 the fraud became known to the market following the release of the March 23, 2023 Hindenburg
25 Report. *See* FAC ¶¶ 53, 173. Finally, Plaintiff alleges that “[o]n this news, the price of Block
26 Class A common stock fell from \$72.65 per share at market close on March 22, 2023, to \$61.88
27 per share at market close on March 23, 2023—a decline of nearly 15%.” *Id.* ¶ 173. Taken
28 together, these facts sufficiently allege loss causation.

1 The Court finds that Plaintiff has adequately pled falsity, scienter, and loss causation as
2 required under the Exchange Act. Therefore, Plaintiff has adequately alleged a claim under
3 Section 10(b) and Rule 10b-5. The Court DENIES Defendant's motion to dismiss Plaintiff's first
4 claim.

5 **B. Violation of Section 20(a) of the Exchange Act**

6 Plaintiff additionally alleges that Dorsey and Ahuja are liable under Section 20(a) of the
7 Exchange Act. To state a *prima facie* Section 20(a) claim, a plaintiff must plead: (1) "a primary
8 violation of federal securities laws"; and (2) "that the defendant exercised actual power or control
9 over the primary violator." *Howard v. Everex Sys., Inc.*, 228 F.3d 1057, 1065 (9th Cir. 2000).
10 Whether an individual defendant is a "controlling person" is an intensely factual question,
11 involving scrutiny of the defendant's participation in the day-to-day affairs of the corporation and
12 the defendant's power to control corporate actions." *Flood v. Miller*, 35 F. App'x 701, 703 (9th
13 Cir. 2002) (citing *Kaplan v. Rose*, 49 F.3d 1363, 1382 (9th Cir. 1994)). The plaintiff need not
14 show the controlling person's *scienter* or that they 'culpably participated' in the alleged
15 wrongdoing." *Paracor Fin., Inc. v. Gen. Elec. Capital Corp.*, 96 F.3d 1151, 1161 (9th Cir. 1996).
16 At the motion to dismiss stage, "[c]ourts have found general allegations concerning an
17 individual's title and responsibilities to be sufficient to establish control." *Kyung Cho v. UCBH*
18 *Holdings, Inc.*, 890 F.Supp.2d 1190, 1205 (N.D. Cal. 2012) (internal citations omitted).

19 Here, Plaintiff has alleged that Dorsey and Ahuja were officers and/or directors of Block—the
20 Chairman and CEO, and the CFO and COO, respectively. FAC at 1. Plaintiff has further
21 alleged that Dorsey and Ahuja personally made some of the challenged statements. *See, e.g., id.*
22 ¶¶ 78, 143.

23 These allegations suffice to state a claim for violation of Section 20(a). Accordingly, the
24 Court DENIES Defendant's motion to dismiss Plaintiff's second claim.

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V. CONCLUSION

For the foregoing reasons, Defendants' motion to dismiss is DENIED. Defendants shall file an answer to the FAC within 21 days.

IT IS SO ORDERED.

Dated: January 6, 2026

Noël Wise
Noël Wise
United States District Judge

United States District Court
Northern District of California