

1
2
3
4
5
6
7 **UNITED STATES DISTRICT COURT**
8 **WESTERN DISTRICT OF WASHINGTON**
9 **AT SEATTLE**

10 FAN WANG and HANG GAO, Individually
11 and on Behalf of All Others Similarly
12 Situated,

13 Plaintiff,

14 v.

15 ATHIRA PHARMA, INC., a Delaware
16 Corporation, and LEEN KAWAS,

17 Defendants.

Case No.:

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

Jury Trial Demanded

18 Plaintiffs Fan Wang and Hang Gao (“Plaintiffs”), individually and on behalf of all others
19 similarly situated, by and through their attorneys, allege upon personal knowledge as to their own
20 acts, and upon information and belief as to all other matters, based upon the investigation
21 conducted by and through their attorneys, which included, among other things, a review of
22 documents filed by Defendants (as defined below) with the United States Securities and Exchange
23 Commission (the “SEC”), news reports, press releases issued by Defendants, and other publicly
24 available documents as follows:
25
26
27
28

NATURE AND SUMMARY OF THE ACTION

1
2 1. This is a federal securities class action on behalf of all investors who purchased or
3 otherwise acquired Athira Pharma, Inc. (“Athira” or the “Company”) securities between
4 September 18, 2020 and June 17, 2021, inclusive (the “Class Period”). This action is brought on
5 behalf of the Class for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of
6 1934 (the “Exchange Act”), 15 U.S.C. §§ 78j(b) and 78t(a) and Rule 10b-5 promulgated
7 thereunder by the SEC, 17 C.F.R. § 240.10b-5.
8

9 2. Athira is a clinical-stage biopharmaceutical company focused on developing small
10 molecules to restore neuronal health and stop neurodegeneration for those suffering from
11 devastating neurological diseases, including Alzheimer’s disease. The Company’s product
12 candidates aim to provide rapid cognitive improvement and alter the course of neurological
13 diseases with their novel mechanism of action.
14

15 3. On June 17, 2021, after the market closed, Athira issued a press release announcing
16 that the Company’s Board of Directors had placed Leen Kawas, Athira’s President and Chief
17 Executive Officer, on temporary leave pending a review of actions stemming from doctoral
18 research Kawas conducted while at Washington State University.
19

20 4. An article published in *STAT News* later that day revealed that the investigation of
21 Kawas relates to allegations that she altered images in four separate papers relating to her research
22 on hepatocyte growth factor (HGF), a protein with the potential to treat Alzheimer’s disease and
23 other neurological disorders. The article noted that although Athira “has since moved on to a
24 different molecule than the one Kawas was working on, it still aims to target HGF. And so Kawas’
25 doctoral work laid the biological groundwork that Athira continues to use in their approach to
26 treating Alzheimer’s.”
27
28

5. Paul Matteis, a securities analyst at Stifel, highlighted the significance of the allegations, writing in a note that “The scientific hypothesis behind Athira came out of the work [that] Dr. Kawas did in graduate school so there is risk here that whatever comes out of this investigation could have clear negative implications for how we/investors view the asset, and/or management credibility.”

6. On this news, Athira's stock price fell \$7.09 per share, or nearly 39%, to close at \$11.15 per share on June 18, 2021, on unusually heavy trading volume.

7. Throughout the Class Period, Defendants made materially false and misleading statements and omitted to material adverse facts regarding the Company’s business. Specifically, Defendants failed to disclose to investors: (1) that the research conducted by Kawas, which formed the foundation for Athira’s product candidates and intellectual property, was tainted by Kawas’ scientific misconduct, including the manipulation of key data; and (2) that, as a result of the foregoing, Defendants’ positive statements about the Company’s business, operations, and prospects were materially misleading and omitted material facts necessary in order to make the statements made not misleading.

JURISDICTION AND VENUE

8. The federal law claims asserted herein arise under §§10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. §240.10b-5, as well as under the common law.

9. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331, and § 27 of the Exchange Act, 15 U.S.C. § 78aa.

10. This Court has jurisdiction over each Defendant named herein because each Defendant is an individual or corporation who has sufficient minimum contacts with this District

1 so as to render the exercise of jurisdiction by the District Court permissible under traditional
2 notions of fair play and substantial justice.

3 11. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C.
4 § 78aa and 28 U.S.C. § 1391(b), because Defendants maintain their principal office in this District,
5 and many of the acts and omissions complained of herein occurred in substantial part in this
6 District.

7
8 12. In connection with the acts, omissions, conduct and other wrongs alleged in this
9 Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate
10 commerce, including but not limited to, the United States mail, interstate telephone
11 communications and the facilities of a national securities exchange.

12 **PARTIES**

13
14 13. Plaintiffs Fan Wang and Hang Gao, as set forth in the attached Certifications,
15 acquired and held shares of Athira at artificially inflated prices during the Class Period, and have
16 been damaged by the revelation of the Company's material misrepresentations and material
17 omissions.

18
19 14. Defendant Athira is a Delaware corporation with principal executive offices located
20 at 18706 North Creek Parkway, Suite 104, Bothell, Washington 98011. Athira's common stock
21 trades on the NASDAQ Stock Market ("NASDAQ") under the ticker symbol "ATHA."

22
23 15. Defendant Leen Kawas, Ph.D. ("Kawas") has served as Athira's President, Chief
24 Executive Officer and a member of the Company's Board of Directors at all relevant times. On
25 June 17, 2021, the Company announced that Kawas had been placed on temporary leave pending
26 an investigation by the Board of Directors, but would remain a Director of the Company.

16. Kawas, because of her positions at the Company, possessed the power and authority to control the content and form of the Company's annual reports, quarterly reports, press releases, investor presentations, and other materials provided to the SEC, securities analysts, money and portfolio managers and investors, *i.e.*, the market. Kawas authorized the publication of the documents, presentations, and materials alleged herein to be misleading prior to its issuance and had the ability and opportunity to prevent the issuance of these false statements or to cause them to be corrected. Because of her position with the Company and access to material non-public information available to her but not to the public, Kawas knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were false and misleading. Kawas is liable for the false statements pleaded herein.

SUBSTANTIVE ALLEGATIONS

17. Athira describes itself as a late clinical-stage biopharmaceutical company focused on developing small molecules to restore neuronal health and stop neurodegeneration for those suffering from devastating neurological diseases, including Alzheimer's disease. The Company's product candidates aim to provide rapid cognitive improvement and alter the course of neurological diseases with their novel mechanism of action.

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.