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7 **UNITED STATES DISTRICT COURT**
8 **WESTERN DISTRICT OF WASHINGTON**

9 _____, Individually and On
10 Behalf of All Others Similarly
11 Situated,

11 Plaintiff,

12 v.

13 ATHIRA PHARMA, INC., DR. LEEN
14 KAWAS, GLENNA MILESON,
15 TADATAKA YAMADA, JOSEPH
16 EDELMAN, JOHN M. FLUKE, JR., JAMES
17 A. JOHNSON, GOLDMAN SACHS & CO.
18 LLC, JEFFERIES LLC, STIFEL,
19 NICOLAUS & COMPANY,
20 INCORPORATED, and JMP SECURITIES
21 LLC,

18 Defendants.

Civil Action No.

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

19 Plaintiff _____ (“Plaintiff”), individually and on behalf of all others
20 similarly situated, by and through his attorneys, alleges the following upon information and
21 belief, except as to those allegations concerning Plaintiff, which are alleged upon personal
22 knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s
23 investigation, which includes without limitation: (a) review and analysis of regulatory filings
24 made by Athira Pharma, Inc. (“Athira” or the “Company”) with the United States (“U.S.”)
25 Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and
26 media reports issued by and disseminated by Athira; and (c) review of other publicly available
27 information concerning Athira.

1 **NATURE OF THE ACTION AND OVERVIEW**

2 1. This is a class action on behalf of persons and entities that purchased or otherwise
3 acquired Athira common stock pursuant and/or traceable to the registration statement and
4 prospectus (collectively, the “Registration Statement”) issued in connection with the Company’s
5 September 2020 initial public offering (“IPO” or the “Offering”). Plaintiff pursues claims against
6 the Defendants under the Securities Act of 1933 (the “Securities Act”).

7 2. Athira is a late-stage clinical biopharmaceutical company that is focused on
8 developing small molecules to restore neuronal health and stop neurodegeneration.

9 3. On September 18, 2020, the Company filed its prospectus on Form 424B4 with the
10 SEC, which forms part of the Registration Statement. In the IPO, the Company sold approximately
11 13,397,712 shares of common stock at a price of \$17.00 per share. The Company received
12 proceeds of approximately \$208.5 million from the Offering, net of underwriting discounts and
13 commissions. The proceeds from the IPO were purportedly to be used to fund clinical trials for its
14 product candidates for the treatment of mild-to-moderate Alzheimer’s disease, Parkinson’s disease
15 dementia, and neuropathy, as well as research and development activities, working capital, and
16 other general corporate purposes.

17 4. On June 17, 2021, after the market closed, Athira announced that it had placed its
18 president and Chief Executive Officer, Dr. Leen Kawas (“Kawas”), on leave pending a review of
19 actions stemming from doctoral research she conducted while at Washington State University.

20 5. On this news, the Company’s share price fell \$7.09, or approximately 39%, to close
21 at \$11.15 per share on June 18, 2021, on unusually heavy trading volume.

22 6. By the commencement of this action, the Company’s stock was trading as low as
23 \$10.34 per share, a nearly 40% decline from the \$17 per share IPO price.

24 7. The Registration Statement was materially false and misleading and omitted to
25 state: (1) that Kawas had published research papers containing improperly altered images while
26 she was a graduate student; (2) that this purported research was foundational to Athira’s efforts to
27 develop treatments for Alzheimer’s because it laid the biological groundwork that Athira was using

1 in its approach to treating Alzheimer's; (3) that, as a result, Athira's intellectual property and
2 product development for the treatment of Alzheimer's were based on invalid research; and (4) that,
3 as a result of the foregoing, Defendants' positive statements about the Company's business,
4 operations, and prospects, were materially misleading and/or lacked a reasonable basis.

5 8. As a result of Defendants' wrongful acts and omissions, and the precipitous decline
6 in the market value of the Company's securities, Plaintiff and other Class members have suffered
7 significant losses and damages.

8 JURISDICTION AND VENUE

9 9. The claims asserted herein arise under and pursuant to Sections 11 and 15 of the
10 Securities Act (15 U.S.C. §§ 77k and 77o).

11 10. This Court has jurisdiction over the subject matter of this action pursuant to 28
12 U.S.C. § 1331 and Section 22 of the Securities Act (15 U.S.C. § 77v).

13 11. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b).

14 12. In connection with the acts, transactions, and conduct alleged herein, Defendants
15 directly and indirectly used the means and instrumentalities of interstate commerce, including the
16 United States mail, interstate telephone communications, and the facilities of a national securities
17 exchange.

18 PARTIES

19 13. Plaintiff _____, as set forth in the accompanying certification,
20 incorporated by reference herein, purchased or otherwise acquired Athira common stock pursuant
21 and/or traceable to the Registration Statement issued in connection with the Company's IPO, and
22 suffered damages as a result of the federal securities law violations and false and/or misleading
23 statements and/or material omissions alleged herein.

24 14. Defendant Athira is incorporated under the laws of Delaware with its principal
25 executive offices located in Bothell, Washington. Athira's common stock trades on the NASDAQ
26 exchange under the symbol "ATHA."
27

1 15. Defendant Dr. Leen Kawas was, at all relevant times, the President, Chief
2 Executive Officer (“CEO”), and a director of the Company, and signed or authorized the signing
3 of the Company’s Registration Statement filed with the SEC.

4 16. Defendant Glenna Mileson (“Mileson”) was, at all relevant times, the Chief
5 Financial Officer of the Company, and signed or authorized the signing of the Company’s
6 Registration Statement filed with the SEC.

7 17. Defendant Tadataka Yamada (“Yamada”) was a director of the Company and
8 signed or authorized the signing of the Company’s Registration Statement filed with the SEC.

9 18. Defendant Joseph Edelman (“Edelman”) was a director of the Company and signed
10 or authorized the signing of the Company’s Registration Statement filed with the SEC.

11 19. Defendant John M. Fluke, Jr. (“Fluke”) was a director of the Company and signed
12 or authorized the signing of the Company’s Registration Statement filed with the SEC.

13 20. Defendant James A. Johnson (“Johnson”) was a director of the Company and
14 signed or authorized the signing of the Company’s Registration Statement filed with the SEC

15 21. Defendants Kawas, Mileson, Yamada, Edelman, Fluke, and Johnson are
16 collectively referred to hereinafter as the “Individual Defendants.”

17 22. Defendant Goldman Sachs & Co. LLC (“Goldman Sachs”) served as an
18 underwriter for the Company’s IPO.

19 23. Defendant Jefferies LLC (“Jefferies”) served as an underwriter for the Company’s
20 IPO.

21 24. Defendant Stifel, Nicolaus & Company, Incorporated (“Stifel”) served as an
22 underwriter for the Company’s IPO.

23 25. Defendant JMP Securities LLC (“JMP”) served as an underwriter for the
24 Company’s IPO.

25 26. Defendants Goldman Sachs, Jefferies, Stifel, and JMP are collectively referred to
26 hereinafter as the “Underwriter Defendants.”

27

1 **CLASS ACTION ALLEGATIONS**

2 27. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
3 Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased
4 or otherwise acquired Athira common stock issued in connection with the Company's IPO.
5 Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant
6 times, members of their immediate families and their legal representatives, heirs, successors, or
7 assigns, and any entity in which Defendants have or had a controlling interest.

8 28. The members of the Class are so numerous that joinder of all members is
9 impracticable. Throughout the Class Period, Athira's shares actively traded on the NASDAQ.
10 While the exact number of Class members is unknown to Plaintiff at this time and can only be
11 ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or
12 thousands of members in the proposed Class. Millions of Athira shares were traded publicly during
13 the Class Period on the NASDAQ. Record owners and other members of the Class may be
14 identified from records maintained by Athira or its transfer agent and may be notified of the
15 pendency of this action by mail, using the form of notice similar to that customarily used in
16 securities class actions.

17 29. Plaintiff's claims are typical of the claims of the members of the Class as all
18 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
19 federal law that is complained of herein.

20 30. Plaintiff will fairly and adequately protect the interests of the members of the Class
21 and has retained counsel competent and experienced in class and securities litigation.

22 31. Common questions of law and fact exist as to all members of the Class and
23 predominate over any questions solely affecting individual members of the Class. Among the
24 questions of law and fact common to the Class are:

25 (a) whether the federal securities laws were violated by Defendants' acts as
26 alleged herein;

1 (b) whether statements made by Defendants to the investing public during the
2 Class Period omitted and/or misrepresented material facts about the business, operations, and
3 prospects of Athira; and

4 (c) to what extent the members of the Class have sustained damages and the
5 proper measure of damages.

6 32. A class action is superior to all other available methods for the fair and efficient
7 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
8 damages suffered by individual Class members may be relatively small, the expense and burden
9 of individual litigation makes it impossible for members of the Class to individually redress the
10 wrongs done to them. There will be no difficulty in the management of this action as a class action.

11 **SUBSTANTIVE ALLEGATIONS**

12 **Background**

13 33. Athira is a late-stage clinical biopharmaceutical company that is focused on
14 developing small molecules to restore neuronal health and stop neurodegeneration. Its approach is
15 “designed to augment neuronal growth factor signaling through HGF/MET [hepatocyte growth
16 factor/MET], a naturally occurring regenerative system.” Its proprietary drug discovery platform,
17 or ATH platform, consists of a series of small molecules that are designed to overcome challenges
18 posed by traditional methods, such as delivery of large proteins or gene therapy, to augment
19 HGF/MET.

20 **The Company’s False and/or Misleading** 21 **Registration Statement and Prospectus**

22 34. On August 26, 2020, the Company filed its Registration Statement on Form S-1
23 with the SEC, which forms part of the Registration Statement.

24 35. On September 17, 2020, the Company filed its final amendment to the Registration
25 Statement with the SEC on Form S-1MEF, which forms part of the Registration Statement. The
26 Registration Statement was declared effective the same day.

1 36. On September 18, 2020, the Company filed its prospectus on Form 424B4 with the
2 SEC, which forms part of the Registration Statement. In the IPO, the Company sold approximately
3 13,397,712 shares of common stock at a price of \$17.00 per share. The Company received
4 proceeds of approximately \$208.5 million from the Offering, net of underwriting discounts and
5 commissions. The proceeds from the IPO were purportedly to be used to fund clinical trials for its
6 product candidates for the treatment of mild-to-moderate Alzheimer’s disease, Parkinson’s disease
7 dementia, and neuropathy, as well as research and development activities, working capital, and
8 other general corporate purposes.

9 37. The Registration Statement was negligently prepared and, as a result, contained
10 untrue statements of material facts or omitted to state other facts necessary to make the statements
11 made not misleading, and was not prepared in accordance with the rules and regulations governing
12 its preparation.

13 38. Under applicable SEC rules and regulations, the Registration Statement was
14 required to disclose known trends, events or uncertainties that were having, and were reasonably
15 likely to have, an impact on the Company’s continuing operations.

16 39. Regarding the research and development underlying Athira’s approach, the
17 Registration Statement stated that Athira had licensed certain patents from Washington State
18 University (“WSU”). Specifically, it stated: “Under this [license] agreement, WSU granted us an
19 exclusive license to make, use, sell, and offer for sale licensed products and licensed processes that
20 embody the licensed patents (including WSU’s rights to a patent jointly owned with Pacific
21 Northwest Biotechnology, Inc.) and *that form the underlying technology of the drug therapies*
22 *we are developing.*”¹ Regarding risks to this technology, the Registration Statement claimed, in
23 relevant part:

24 ***Our approach to targeting brain growth factors through the use of small***
25 ***molecules is based on a novel therapeutic approach, which exposes us to***
26 ***unforeseen risks.***

27 ¹ Unless otherwise stated, all emphasis in bold and italics is added.

1 We have discovered and are developing a platform of small molecule product
2 candidates from which we have selected our lead product candidate, ATH-1017,
3 which is under development to treat AD and other CNS disorders. Our product
4 candidates target a brain growth factor which is expected to increase synaptic
5 density, recovery in the network and information transmission in the brain, which
6 we believe could ultimately result in improvement in cognition and clinical
7 symptoms. The therapeutic promise of brain growth factors in neurodegenerative
8 disorders had been hampered in earlier therapies by the lack of efficient and non-
9 invasive delivery to the brain. ***Our small molecule product candidates are
10 designed to penetrate the blood brain barrier and enhance the activity of a brain
11 growth factor, but we cannot be certain that our clinical trials will provide
12 sufficient evidence that our design approach results in the intended therapeutic
13 effect.***

8 [First emphasis in original.]

9 40. Regarding Leen Kawas, the Registration Statement stated, in relevant part:

10 Leen Kawas, Ph.D., has served as our chief executive officer and as a member of
11 our board of directors since January 2014. Previously, Dr. Kawas served as our vice
12 president. Dr. Kawas serves on multiple boards, including the Washington
13 Governor's Life Science Advisory Board, Scientific Review Board for the
14 Alzheimer's Drug Discovery Foundation, and Alzheimer's Association –
15 Washington Chapter Board. She also served as the co-chair of the International
16 Alzheimer's Association Business Consortium. Dr. Kawas earned a Ph.D. in
17 molecular pharmacology from Washington State University in 2011 and a
18 pharmacy degree from the University of Jordan in 2008. ***We believe Dr. Kawas's
19 scientific and professional training, her instrumental role in building Athira
20 Pharma, Inc., and her extensive understanding of our business, operations and
21 strategy qualify her to serve on our board of directors.***

17 41. Regarding risks to Athira's intellectual property, the Registration Statement stated,
18 in relevant part:

19 ***We may be subject to claims challenging the inventorship or ownership of our
20 patents and other intellectual property.***

20 We may also be subject to claims that former employees or other third parties have
21 an ownership interest in our patents or other intellectual property. ***Litigation may
22 be necessary to defend against these and other claims challenging inventorship
23 or ownership. If we fail in defending any such claims, in addition to paying
24 monetary damages, we may lose valuable intellectual property rights.*** Such an
25 outcome could have a material adverse effect on our business. Even if we are
26 successful in defending against such claims, litigation could result in substantial
27 costs and distraction to management and other employees.

24 42. The Registration Statement was materially false and misleading and omitted to
25 state: (1) that Kawas had published research papers containing improperly altered images while
26 she was a graduate student; (2) that this purported research was foundational to Athira's efforts to
27 develop treatments for Alzheimer's because it laid the biological groundwork that Athira was using

1 in its approach to treating Alzheimer's; (3) that, as a result, Athira's intellectual property and
2 product development for the treatment of Alzheimer's was based on invalid research; and (4) that,
3 as a result of the foregoing, Defendants' positive statements about the Company's business,
4 operations, and prospects, were materially misleading and/or lacked a reasonable basis.

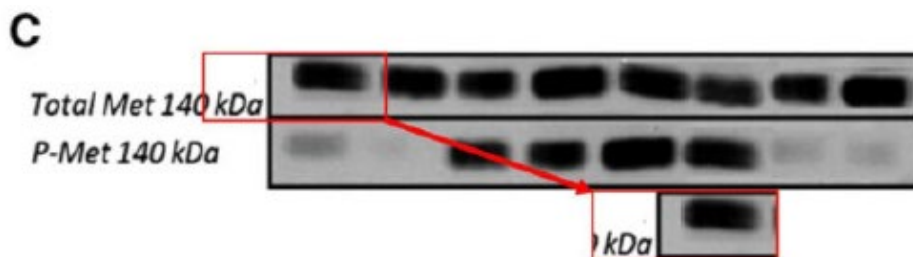
5 The Subsequent Disclosures

6 43. On June 17, 2021, after the market closed, Athira announced that it had placed its
7 president and Chief Executive Officer, Dr. Leen Kawas, on leave pending a review of actions
8 stemming from doctoral research she conducted while at Washington State University ("WSU").
9 According to the Company's press release, Athira's Board "formed an independent special
10 committee to undertake this review."

11 44. The same day, *STAT* published an article stating that WSU was investigating claims
12 that Dr. Kawas "published several papers containing altered images while she was a graduate
13 student." These papers "are foundational to Athira's efforts to treat Alzheimer's" because they
14 "established that a particular molecule affects the activity of HGF." Though Athiras is developing
15 a different molecule than the one Kawas examined in the papers at issue, her "doctoral work laid
16 the biological groundwork that Athira continues to use in their approach to treating Alzheimer's."

17 45. Specifically, "[i]mages of Western blots, used to determine the presence of specific
18 proteins in biological samples, look as though they've been altered from their original state." And
19 according to experts cited in the article, "If the Western blots are inaccurate, then the whole study
20 must be redone." According to the *STAT* article:

21 In all four papers led by Kawas, Western blots are surrounded by faint lines. "These
22 suggest that some parts of the photo might have been derived from elsewhere, and



27 The highlighted band on the left of the top Western blot appears to be the same as the rightmost dark band of the bottom Western blot.

1 that this was not the blot as it was originally obtained,” said Elisabeth Bik, a
2 microbiologist and science consultant who focuses on image authenticity.

3 In eight different images in four different papers, the same Western blot bands
4 seemingly appear repeatedly. “That’s highly unlikely that came about
5 accidentally,” said Paul Brookes, professor at the University of Rochester Medical
6 Center, who has also worked on exposing scientific errors. Some researchers
7 previously found to have edited images said they did so because the originals were
8 too unattractive. “It’s impossible to assign intent,” Brookes said. “But generally,
9 you ask what are the chances this could have happened by accident?” The chances,
10 he added, are “slim.”

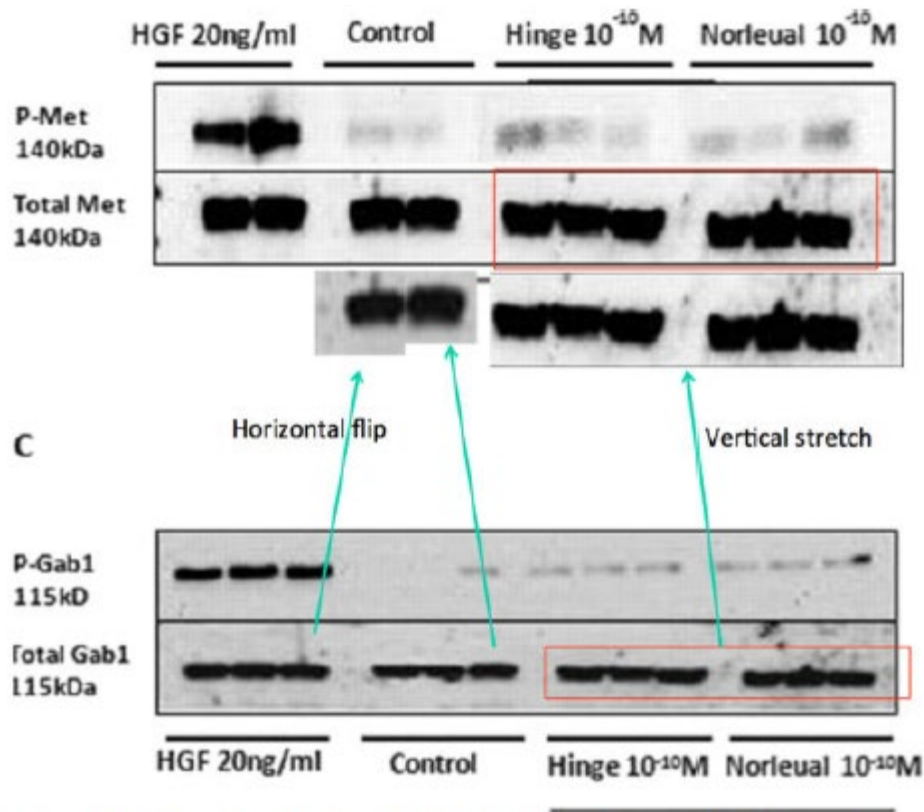


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12 Two more bands appear to be repeated in these Western blots, which are the same as in the above image.

13 In two instances, the same image seems to be used to show the results of two
14 different experiments published in different papers. And in a 2011 paper in the
15 Journal of Pharmacology and Experimental Therapeutics, the same series of
16 Western blot bands is seemingly used twice to represent two different proteins, and
17 is stretched out for one of the proteins.

18 “That’s even more potentially problematic,” said Bik. *Such an inaccuracy is*
19 *potentially reason to retract the paper*, she said. “That’s very misleading.”

20 The Journal of Pharmacology and Experimental Therapeutics published a
21 correction to the paper in 2014, highlighting duplicated labels, but without
22 addressing the repeated use of the same Western blot to represent different proteins,
23 nor the use of the Western blot images that also appear in a separate Kawas paper.
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In these Western blots from the 2011 paper, the highlighted bands appear to be the same, though they are labeled as representing different proteins.

* * *

The allegedly altered images call into question the validity of the entire studies, said several Alzheimer’s experts. ***If the Western blots are inaccurate, then the whole study must be redone, said Perry. The images are an important method of determining how the compound interacts with HGF. “If there is a question about key data, all must be questioned,” he said.***

46. On this news, the Company’s share price fell \$7.09, or approximately 39%, to close at \$11.15 per share on June 18, 2021, on unusually heavy trading volume.

47. According to an article by *Puget Sound Business Journal*, questions about Dr. Kawas’ research had surfaced in the scientific community as early as 2016 through PubPeer, a site that allows users to discuss and critique academic journals. The first comments had been posted in June 2016, and the study authors were sent email alerts of the comments.

48. By the commencement of this action, the Company’s stock was trading as low as \$10.34 per share, a nearly 40% decline from the \$17 per share IPO price..

1 **FIRST CLAIM**

2 **Violation of Section 11 of the Securities Act**

3 **(Against All Defendants)**

4 49. Plaintiff repeats and re-alleges each and every allegation contained above as if fully
5 set forth herein, except any allegation of fraud, recklessness or intentional misconduct.

6 50. This Count is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k,
7 on behalf of the Class, against the Defendants.

8 51. The Registration Statement for the IPO was inaccurate and misleading, contained
9 untrue statements of material facts, omitted to state other facts necessary to make the statements
10 made not misleading, and omitted to state material facts required to be stated therein.

11 52. Athira is the registrant for the IPO. The Defendants named herein were responsible
12 for the contents and dissemination of the Registration Statement.

13 53. As issuer of the shares, Athira is strictly liable to Plaintiff and the Class for the
14 misstatements and omissions.

15 54. None of the Defendants named herein made a reasonable investigation or possessed
16 reasonable grounds for the belief that the statements contained in the Registration Statement was
17 true and without omissions of any material facts and were not misleading.

18 55. By reasons of the conduct herein alleged, each Defendant violated, and/or
19 controlled a person who violated Section 11 of the Securities Act.

20 56. Plaintiff acquired Athira shares pursuant and/or traceable to the Registration
21 Statement for the IPO.

22 57. Plaintiff and the Class have sustained damages. The value of Athira shares has
23 declined substantially subsequent to and due to the Defendants' violations.

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1 **SECOND CLAIM**

2 **Violation of Section 15 of the Securities Act**

3 **(Against the Individual Defendants)**

4 58. Plaintiff repeats and re-alleges each and every allegation contained above as if fully
5 set forth herein, except any allegation of fraud, recklessness or intentional misconduct.

6 59. This count is asserted against the Individual Defendants and is based upon Section
7 15 of the Securities Act.

8 60. The Individual Defendants, by virtue of their offices, directorship, and specific acts
9 were, at the time of the wrongs alleged herein and as set forth herein, controlling persons of Athira
10 within the meaning of Section 15 of the Securities Act. The Individual Defendants had the power
11 and influence and exercised the same to cause Athira to engage in the acts described herein.

12 61. The Individual Defendants' positions made them privy to and provided them with
13 actual knowledge of the material facts concealed from Plaintiff and the Class.

14 62. By virtue of the conduct alleged herein, the Individual Defendants are liable for the
15 aforesaid wrongful conduct and are liable to Plaintiff and the Class for damages suffered.

16 **PRAYER FOR RELIEF**

17 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

18 (a) Determining that this action is a proper class action under Rule 23 of the Federal
19 Rules of Civil Procedure;

20 (b) Awarding compensatory damages in favor of Plaintiff and the other Class members
21 against all defendants, jointly and severally, for all damages sustained as a result of Defendants'
22 wrongdoing, in an amount to be proven at trial, including interest thereon;

23 (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in
24 this action, including counsel fees and expert fees; and

25 (d) Such other and further relief as the Court may deem just and proper.

26 **JURY TRIAL DEMANDED**

27 Plaintiff hereby demands a trial by jury.