
Shaw Group: Fifth Circuit Defines "Strong Inferences" for Pleading Scienter Under the PLSRA

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On July 29, 2008, the Fifth Circuit dismissed plaintiff's securities fraud class action suit filed against defendants, Shaw Group Inc., and four individuals, reversing on interlocutory appeal the District Court for the Eastern District of Louisiana. Interpreting the heightened pleading standards required for securities fraud actions by the Private Securities Litigation Reform Act ("PSLRA") and for fraud claims in general by Rule 9(b) of the Federal Rules of Civil Procedure, the Court of Appeals found that plaintiffs did not plead scienter with sufficient particularity as to connect the individuals charged with the alleged fraud and thus did not fulfill the requirement that the inference of scienter be "cogent and compelling."

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