



Perspective on the CrowdStrike outage: an update on the class action lawsuit

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In our [recent article](#), we analysed the CrowdStrike outage from the perspective of potential insurance claims that could be made by businesses affected by the outage. This week, news outlets began reporting on the US cyber security firm being sued by its investors. The class action lawsuit filed in Austin, Texas, alleges that false and misleading statements were made to investors regarding the efficacy of the software platform.

[Read the details of the class action lawsuit.](#)

Material misrepresentations

The basis of the complaint, led by pension fund Plymouth County Retirement Association, is that CrowdStrike misrepresented to investors the adequacy of its Falcon software. The update to this software caused "substantial legal liability and massive reputational damages" to CrowdStrike, the lawsuit alleges. CrowdStrike's share price fell by 32% in the 12 days following the incident.

The complaint places blame on CEO George Kurtz for comments made in March 2024 that the software was "validated, tested and certified". The investors claim that this statement was false and misleading in circumstances where CrowdStrike had deficient controls in place to update its software and where such deficiency created a "substantial risk" that a major IT outage could occur.

The ultimate financial and reputational harm suffered has led its investors to seek compensatory damages arising from CrowdStrike's wrongdoing. A CrowdStrike spokesperson has stated that the company will "vigorously defend" the case.

Insurance claims

In a recent article, we analysed the CrowdStrike outage from the perspective of potential

insurance claims that could be made by businesses affected by the outage. The investor lawsuit may pique the interest of CrowdStrike users, who similarly feel that they are entitled to compensation for losses suffered as a result of the IT disruption. Many companies may, however, have likely signed up to CrowdStrike's standard terms and conditions, which limits liability to fees paid by the user.

Further proceedings

Larger companies with bespoke agreements with CrowdStrike, which do not limit liability in such a comprehensive manner, may be considering proceedings. With CrowdStrike now being pursued by its own investors, organisations around the world are likely to take notice.

US airline Delta Air Lines has already threatened litigation against CrowdStrike and Microsoft, claiming that the outage cost the company \$500 million. This figure represents both lost revenue and compensation awarded to passengers affected by flight cancellations and delays.

CrowdStrike responded strongly to the threat, labelling it a "meritless" claim which creates a "misleading narrative". They have also insisted that any liability is contractually capped "at an amount in the single-digit millions" which, if true, gives some insight into the terms and conditions in place between CrowdStrike and its larger corporate users. Microsoft has claimed publicly that Delta's ageing systems caused the airline to recover slower than its airline rivals.

Conclusion

There is much to consider for insurers and users of CrowdStrike software following the global IT outage. Insurers should examine their policy wording to assess potential exposure to events of this nature. Meanwhile, the lawsuit filed by investors could stimulate businesses to bring proceedings of their own, as threatened by Delta. The merits of such proceedings will depend on the merits of each case but a significant factor will be what liability cap was agreed with CrowdStrike.

For more information about cyber matters, contact a member of our team via their contact details below.

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Key Contacts



Ultán Anderson

Associate

Ireland

E: ultan.anderson@ogier.com

T: [+353 1 232 0287](tel:+35312320287)



Stephen O'Connor

Partner

Ireland

E: stephen.oconnor@ogier.com

T: [+353 1 232 1074](tel:+35312321074)



Matthew Shaxson

Group Partner, Ogier Legal L.P.

Jersey

E: matthew.shaxson@ogier.com

T: [+44 1534 514064](tel:+441534514064)



Richard Sharp

Partner

Guernsey

E: richard.sharp@ogier.com

T: [+44 1481 752257](tel:+441481752257)



Cathal Keane

Trainee Solicitor

Ireland

E: cathal.keane@ogier.com

T: +353 1 584 6308

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