

Kyverna Shareholder Sues Over Kidney Therapy Trial Data Post IPO

- **COURT:** N.D. Cal.
- **TRACK DOCKET:** No. [5:25-cv-04163](#) (Bloomberg Law subscription)

Kyverna Therapeutics Inc. management hid from its in its 2024 initial public offering paperwork that one of its kidney therapy's test patients had relapsed, a shareholder lawsuit said.

Share prices fell 34% to close at \$9.53 June 14, the day Kyverna revealed that disappointing data point from a clinical trial of its lead product candidate, a stockholder told the US District Court for the Northern District of California in a complaint filed Wednesday.

Current and former executives and board members harmed Kyverna's reputation and wallet by having it issue misleading statements about the drug therapy designated KYV-101, including in the January and February IPO filings, and ignoring internal control issues, plaintiff Isis Perez's filing said.

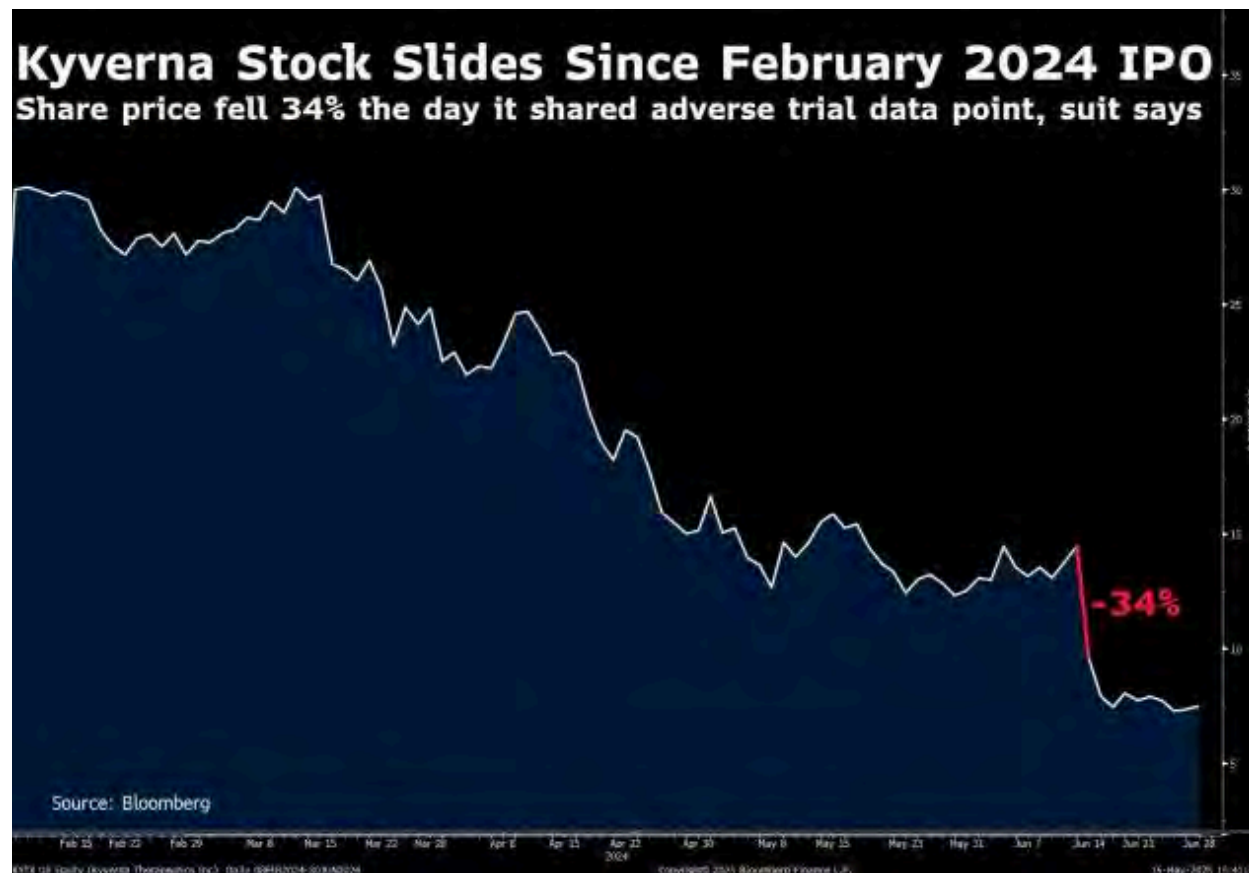
Kyverna, which develops cell therapies for autoimmune diseases, had started two clinical trials of KYV-101 to test treating a lupus-related kidney disorder well before its February 2024 IPO, Perez said in a derivative action, a lawsuit filed on behalf of a company against its corporate overseers.

The biopharmaceutical company's IPO paperwork said only that early results at the end of 2023 from the first two adults in one trial and the first adult in the second trial showed improvement in a key metric of kidney function, without mentioning the relapse Perez said.

Its former chief medical officer said in a June 14 investor presentation that a patient had shown initial improvement, allowing her to stop immunosuppressants, but between the fifth and sixth month post-infusion, her disease returned and she was put back on them, according to Perez. The patient was dosed in July 2023, meaning the relapse would've occurred before the IPO, the complaint said.

And a chart in the investor presentation showed another patient's disease-measuring levels had also increased. IPO documents hadn't mentioned that despite sharing data from after that time point, Perez said.

Given there were only three patients, any adverse data “would be of significant investor concern,” the complaint said.



Kyverna went public in February 2024 at \$22 a share, with shares sinking ever since, the complaint said. The stock price closed at \$2.15 Wednesday, according to Bloomberg data.

Perez alleged wrongdoing by 11 current and former executives and board members from at least Jan. 16, 2024—when it filed its IPO registration statement—through June 14. She alleged breach of fiduciary duty, aiding and abetting of those breaches, unjust enrichment, waste of corporate assets, and securities law violations.

A proposed class action alleging similar issues against the company, those same officers and directors, and four IPO underwriters is pending in the same court.

Wolf Haldenstein Adler Freeman & Herz LLP, Rigrodsky Law PA, and Grabar Law Office represent Perez, who seeks damages and corporate governance reform for Kyverna, among other relief.

Kyverna didn't immediately respond to an email seeking comment. Nor did the law firm representing it in the pending proposed class action, Paul Hastings LLP.

The case is *Perez v. Seidenberg*, N.D. Cal., No. 5:25-cv-04163, complaint filed 5/14/25.

Class Action

May 16, 2025, 7:47 AM PDT

Grab's \$80 Million Investor SPAC Suit Settlement Gets Court's OK

Grab Holdings Ltd. won federal court clearance of its \$80 million settlement resolving investor claims about inadequate proxy disclosures in the runup to its 2021 special purpose acquisition company merger.

Judge Jennifer L. Rochon gave final approval of the ride and food delivery app operator's accord Thursday, with one third of that sum allocated to class counsel in attorneys fees and almost \$225,000 in reimbursement for their expenses. The US District Court for the Southern District of New York judge awarded each of the three lead plaintiffs \$15,000, dismissing allegations with finality and ordering the combined cases closed.

- Shareholders had sued Grab in 2022, alleging securities law violations after the company announced a fourth-quarter 2021 year-over-year revenue decline
- After the company reported those results on March 3, 2022, the stock price dropped 37% in a day—its sharpest single-day drop since it went public upon its December 2021 merger with Altimeter Growth Corp., according to Bloomberg data
- Investors had advanced allegations the app maker omitted some key information about marketing expenses in its SPAC merger proxy, the Southern District of New York ruled in March 2024

Pomerantz LLP and Levi & Korsinsky LLP were co-lead class counsel. Skadden, Arps, Slate, Meagher & Flom LLP represented Grab. Neither side's attorneys immediately responded to emails seeking comment.

The case is *In re Grab Holdings Ltd. Sec. Litig.*, S.D.N.Y., No. 1:22-cv-02189, closed 5/15/25 .

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Value of Public Company Audits at Stake in BDO High Court Appeal

- Auditor warns expanded liability sets 'dangerous precedent'
- Second Circuit deemed BDO's misstatements material to investors

Investor trust in audits of US-listed companies is at stake as BDO USA P.C. asks the US Supreme Court to decide whether the firm should face shareholder fraud claims over its work for an insurance company.

BDO wants the justices to review a circuit court ruling that found AmTrust Financial Services Inc. investors could sue the accounting firm over its faulty audits for the insurance company. The firm's petition to the high court argues that "innocent" mistakes or misstatements by auditors aren't "material," or sufficient to sway shareholder investment decisions.

A decision supporting BDO's position could undermine the value of the audit report to investors and creditors, who rely on auditors' assessment to determine if corporate accounting for revenue and asset values is reliable, said Steven Mintz, a professor emeritus of accounting at California Polytechnic State University.

"The audit profession would have to go back and revisit the whole format of the audit report. Because if they agree with BDO, they are lessening the importance of the audit report," Mintz said of the justices.

BDO declined to comment.

Audit reports inform investors whether a company's financial statements provide a fair picture of its performance. They also detail which standards the auditor relied on to complete its assessment, among other details.

BDO shouldn't face the shareholders' claims because its work, which initially fell short of US audit standards, didn't alter the audit's ultimate conclusions or the information available to investors about AmTrust's financial health, the auditor argued in its petition to the Supreme Court.

The Second Circuit Court of Appeals decision also deviates from past Supreme Court rulings on a materiality standard that prevents "auditors from being exposed to crushing liability for innocent and anodyne mistakes," BDO argued.

Allowing the appeals court ruling to stand would set a “dangerous precedent” expanding accounting firms’ liability in the Manhattan-based circuit, where securities fraud claims are typically filed, BDO said in its petition.

Lawyers representing shareholders who brought the original suit declined to comment on BDO’s challenge.

Investors sued AmTrust, BDO, and several underwriters for misleading them about the company’s financial health after the insurer restated five years of results—spanning 2012 through 2016—to correct revenue recognition for warranties and other accounting errors. They also accused BDO of sloppy auditing for not detecting AmTrust’s accounting errors.

“We’ve got one of the biggest firms in the US saying ‘I can lie to you in my audit report and you can’t sue me,’” said Lynn Turner, a former chief accountant for the Securities and Exchange Commission and a frequent critic of the audit industry. “We pay over \$17 billion a year for these audits. Why would anyone want to continue to pay that \$17 billion if BDO was to prevail?”

Turner joined a legal brief asking the Second Circuit to reconsider a prior ruling. The SEC filed its own related brief on the appeals court ruling that found audit reports were too generic to be meaningful to investors.

The commission suspended three BDO auditors for their work on AmTrust’s 2013 audit, finding that they didn’t complete key steps in the audit until after the insurer filed its annual financial statements.

A Second Circuit panel found in an October ruling that BDO had issued a “false certification” that its work for AmTrust met Public Company Accounting Oversight Board standards. The judges determined that such “misstatements” in the auditor’s opinion were material to investors.

The full appeals court in January declined BDO’s petition to review the panel’s decision.

The case is BDO USA LLP vs. New England Carpenters Guaranteed Annuity and Pension Funds et al , U.S., No. 24-1151, petition docketed 5/9/25 .

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No En Banc for 14a-8. Yet.

 [businesslawprofessors.com/2025/05/no-en-banc-for-14a-8-yet](https://www.businesslawprofessors.com/2025/05/no-en-banc-for-14a-8-yet)

Ann Lipton

May 16, 2025



Just checking in on *NCPPR v. SEC*, which I previously blogged about here.

In that case, the SEC issued Kroger a no-action letter allowing it to exclude a conservative shareholder proposal from its proxy materials. The shareholders sued, claiming that the SEC had engaged in unconstitutional viewpoint discrimination against conservatives; meanwhile, intervenors National Association of Manufacturers argued that Rule 14a-8 itself was unconstitutional. The SEC argued that its no-action decisions are not final orders subject to review.

A Dem-majority panel held that the issue was moot – not because the meeting date had passed, but because Kroger had voluntarily agreed to include the proposal in its materials, and the shareholders had soundly rejected it, which meant that should NCPPR seek to advance the proposal again in the near future, it would be excludable for failure to meet resubmission thresholds. But the panel *also* held that no-action letters are not final orders and cannot be reviewed.

Judge Jones dissented on both points, and further wrote that she would have reversed the no-action decision on the ground that the SEC had engaged in viewpoint discrimination. Since the Fifth Circuit tends to holistically lean more toward Jones than toward the Democrats, I thought en banc review was a realistic possibility.

But apparently not! The court rejected the petition. But at the same time, the panel *revised its opinion* to exclude the bit about no-action letters being unreviewable; now, the decision rests solely on mootness, and the original panel decision has been disappeared. (For nostalgia purposes, I uploaded it here).

So I can't help but suspect that these two events are linked; i.e., that there is some appetite at the Fifth Circuit for an en banc consideration of whether no-action letters are reviewable, but not in this particular case, so long as the panel decision (which is unpublished) solely addresses mootness.

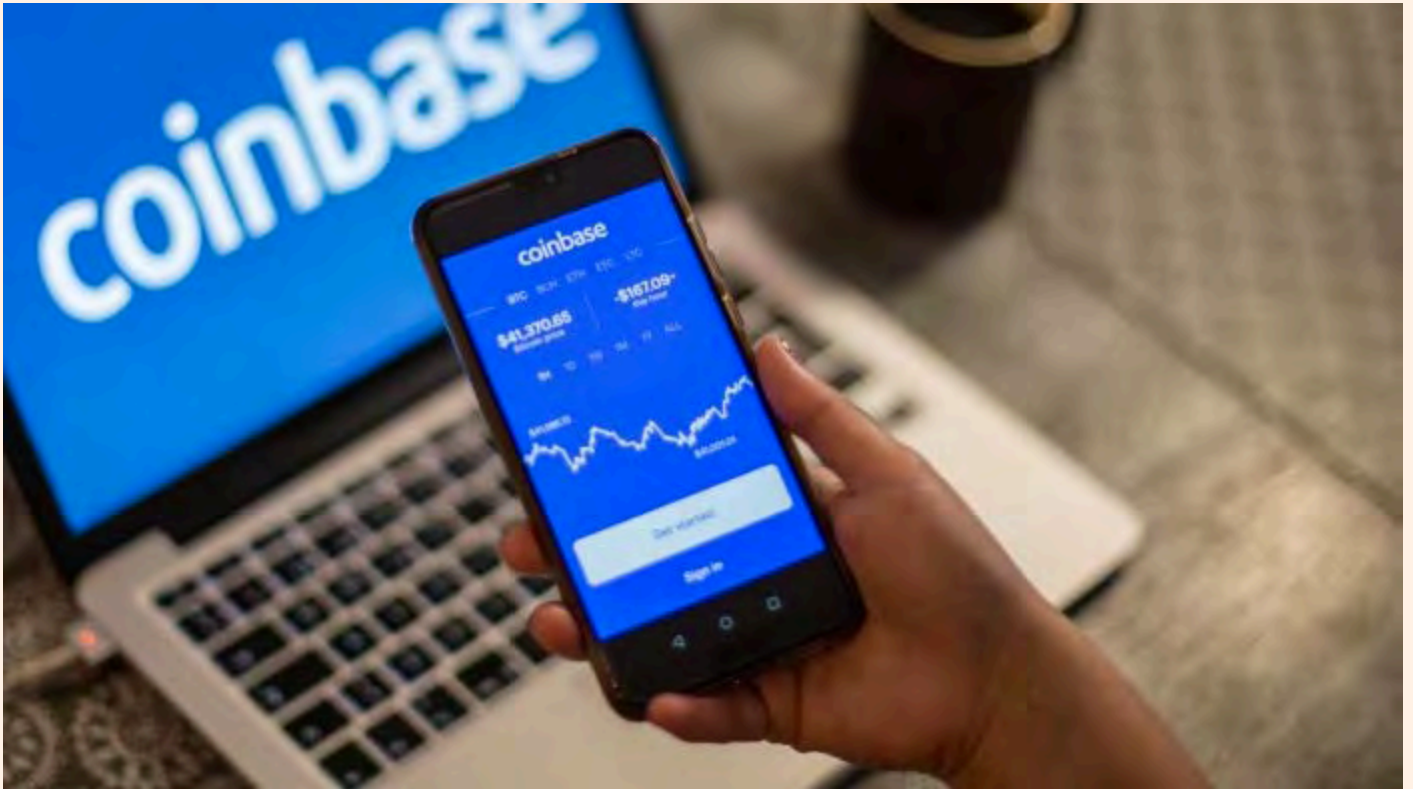
Which means we could see movement on this at some point, though with the SEC now acting under a conservative administration – and hostile to shareholder proposals generally – the politics of it are a lot more complicated than they were under Biden. (Notably, the Trump administration opposed rehearing en banc and maintained the view that no-action letters cannot be reviewed).

And another thing. On this week's *Shareholder Primacy* podcast, Mike Levin and I talk about earnout disputes, and the latest Glass Lewis dustup. Here at Apple, here at Spotify, and here at YouTube.

Coinbase

US crypto group Coinbase targeted by hackers

Shares fall 7% after exchange says demands were made for \$20mn to prevent public disclosure of stolen customer data



Coinbase said criminals had 'bribed and recruited' support agents working outside the US to steal its customer data © SOPA Images/Alamy

Philip Stafford in London

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US cryptocurrency exchange Coinbase said on Thursday it was targeted by hackers who stole customer data and demanded \$20mn to prevent its public disclosure.

The group, which is set to become the first crypto exchange to join the S&P 500 on May 19, said the cyber demands were made on Sunday.

The California-based exchange has promised to pay a \$20mn reward — the amount demanded — for information leading to the arrest and conviction of those responsible.

Its shares closed down 7.2 per cent in New York. They had soared by a quarter on Tuesday after the announcement of its inclusion in the US blue-chip stock index.

“Their aim was to gather a customer list they could contact while pretending to be Coinbase — tricking people into handing over their crypto. They then tried to extort Coinbase for \$20mn to cover this up. We said no,” the group said in a statement on its website.

Cyber criminals have frequently launched attacks on the [cryptocurrency](#) industry, searching for weaknesses in poorly written code as well as targeting executives in the sector.

This year hackers [stole about \\$1.5bn](#) in crypto tokens from Bybit, in a heist the digital asset exchange described as the biggest theft to hit the industry.

Chainalysis, the blockchain data group, estimated that hacks on crypto exchanges climbed 21 per cent last year to more than \$2.2bn, with most of the activity centred on the Asia-Pacific region. Hackers linked to the North Korean government stole \$1.3bn of that total, it found.

[Coinbase](#) said criminals had “bribed and recruited” support agents working outside the US to steal its customer data. Staff involved in the scandal had been fired immediately.

The stolen data accounted for a “small subset” of customers, it added, and included partial social security, bank account details, account data and identity images, such as passports and driving licences. However, they did not secure passwords, keys or funds from accounts.

Coinbase said it would reimburse customers who were tricked into sending funds to the attackers, which could be in the range of \$180mn to \$400mn.

The industry has undergone a revival since US President Donald Trump’s election victory. Bitcoin has climbed by a third in the past month to more than \$100,000, its highest level since January.

Dovile Silenskyte, director of digital assets research at WisdomTree, described Coinbase’s inclusion in the S&P 500 as “more than symbolic” because it would help push some of the trillions of dollars in funds that track the benchmark into the stock.

“Crypto is no longer a volatile sideshow. It is being hard-wired into the financial system’s core architecture,” she said.

Separately on Thursday, the company said it was co-operating with the Securities and Exchange Commission over a long-running investigation into the company’s use of a metric for customer growth in its securities filings, including its listing in 2021. Its statement followed a report on the topic from The New York Times.

“This is a holdover investigation from the prior administration about a metric we stopped reporting two and a half years ago, which was fully disclosed to the public,” said Paul Grewal, the group’s chief legal officer.

He said the company had fully disclosed the metric and why it was discontinuing its use in 2023. “While we strongly believe this investigation should not continue, we remain committed to working with the SEC to bring this matter to a close.”

Trump promised to end the SEC’s hardline stance against the crypto industry. And since his inauguration in January the regulator has closed or settled more than a dozen cases against some of the biggest names. Among them included a lawsuit against Coinbase for allegedly violating securities laws.

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Coinbase Sued in Nationwide Class Actions Over Data Breach



law.com/nationallawjournal/2025/05/15/coinbase-sued-in-nationwide-class-action-over-data-breach

Michael A. Mora

May 15, 2025

- Crypto exchange Coinbase was sued in nationwide data breach class actions in California and New York federal courts.
- Coinbase had confirmed the hack on a blog post earlier on the same day it was sued.
- Coinbase is also facing \$400 million in damages, a \$20 million Bitcoin ransom demand and mounting concerns about the security of centralized crypto exchanges.

Coinbase was hit with nationwide class action lawsuits in California and New York federal courts on Thursday, the same day it earlier confirmed in a blog post that cyber criminals had bribed and recruited a group of rogue overseas support agents to steal the cryptocurrency exchange's customer data to facilitate social engineering attacks.

G.B., the representative plaintiff, alleged in the class action complaint filed in the U.S District Court for the Northern District of California that Coinbase Global Inc. and Coinbase Inc. failed to safeguard the data of the potential class and immediately inform the exchange's users of the data breach.

"While Defendants claim to have discovered the breach as early as May 11, 2025, Representative Plaintiff and Class Members were wholly unaware of the Data Breach until they learned of it in the media on May 15, 2025," wrote Anderson Berry of the Arnold Law Firm on behalf of G.B. in the complaint.

Meanwhile, Zaal Panthaki and Alexander Crous, the plaintiffs in the class action complaint filed in the U.S. District Court for the Southern District of New York and penned by Israel David of the law firm in his name, alleged that Coinbase "had the resources to take seriously the obligation to protect private information."

"Upon information and belief, Coinbase failed to implement practices and systems to mitigate against the risks posed by Coinbase's negligent (if not reckless) IT practices," the plaintiffs wrote. "As a result of these failures, plaintiffs and class members face a litany of harms that accompany data breaches of this magnitude and severity."

Coinbase did not immediately respond to a request for comment.

In a legally required filing with U.S. regulators, Coinbase revealed that a hacker told the exchange on Sunday that a person obtained information about the company's customer accounts, as well as internal documentation, including materials related to customer service and account management.

"They used cash offers to convince a small group of insiders to copy data in our customer support tools for less than 1% of Coinbase monthly transacting users," the company added in the blog post. "Their aim was to gather a customer list they could contact while pretending to be Coinbase—tricking people into handing over their crypto."

Now, Coinbase is facing \$400 million in damages, a \$20 million Bitcoin ransom demand, mounting concerns about the security of centralized crypto exchanges, and at least two nationwide class action lawsuits.

In addition, the exchange, which will join the S&P 500 next week, saw its stock drop on the NASDAQ by over 7% at the market's close. However, ahead of the complaint, the exchange announced that it is taking immediate steps in connection with its customers and the hackers.

In response to the hacking, Coinbase said that: (1) it will reimburse the customers who were tricked into sending the funds to the "attacker due to social engineering attacks"; (2) it has flagged accounts that will require additional customer safeguards; (3) it will open a new support hub in the U.S.; (4) it will strengthen its defenses; and (5) it will continue to remain transparent about this hacking incident and similar future matters.

Coinbase's response to the activities of the alleged criminals is that it will trace stolen funds through its work with industry partners and law enforcement, and noted that the insiders were "fired on the spot and referred to U.S. and international law enforcement." And along with pressing charges against those insiders, Coinbase will offer a \$20 million bounty on the hackers.

"Instead of paying the \$20 million ransom," the exchange said, "we're establishing a \$20 million reward fund for information leading to the arrest and conviction of the attackers."

Justin Daniels, a faculty member at IANS Research, a cybersecurity research and advisory firm, and an equity partner at Am Law 100 firm Baker, Donelson, Bearman, Caldwell & Berkowitz, observed a larger trend in which threat actors identify and target "weak link" employees such as in the \$100 million MGM Casino hack, the Coinbase hack, and the \$1.5 billion Bybit hack.

"Whether through impersonation, bribery, or social engineering, the endgame is the same: gaining access to corporate IT systems or sensitive data," said Daniels, who is not involved in the case. "It's a reminder that cybersecurity continues to be a people issue, highlighting

Coinbase Sued Over Bribed Workers' Disclosure of User Data (1)

- **COURT:** N.D. Cal.
- **TRACK DOCKET:** [No. 25-cv-04171](#) (Bloomberg Law subscription)

Coinbase Global Inc. was hit with a proposed class action Thursday shortly after revealing in an SEC filing that scammers bribed foreign employees to disclose customer information.

The breach didn't compromise passwords or private keys, but resulted in the disclosure of names, physical and email addresses, phone numbers, the last four digits of Social Security numbers, partial bank account numbers, government ID images, account data, and corporate data, according to the Form 8-K filed May 15 with the Securities and Exchange Commission.

The company expects to pay between \$180 million and \$400 million in remediation costs and customer reimbursements related to the incident, the filing said.

The lawsuit, filed by an anonymous plaintiff in the US District Court for the Northern District of California, brings claims of negligence, breach of confidence, breach of the implied covenant of good faith and fair dealing, breach of implied contract, breach of fiduciary duty, and unjust enrichment.

The company breached its duties under common law and state and federal statutes to protect users' data from unauthorized disclosure, it said.

The cybercriminals used cash offers to bribe a "small group of insiders" to copy data for around 1% of the company's monthly transacting users that was held in the company's customer-support tools, according to a notification on the Coinbase website.

Their goal was to contact users with the stolen information and trick them into handing over their crypto assets, the post said. The hackers also demanded \$20 million from Coinbase to cover up the theft, which the company refused to pay, it said.

The company will reimburse customers who lost funds as a result of the "social engineering attacks," and is now requiring additional ID checks prior to large withdrawals from flagged accounts, it said.

Srourian Law Firm PC, Milberg Coleman Bryson Phillips Grossman PLLC, and Arnold Law Firm represent the plaintiff and the proposed class.

The case is G.B. v. Coinbase Glob. Inc. , N.D. Cal., No. 3:25-cv-04171, complaint filed 5/15/25 .

(Updates story with additional reporting beginning in paragraph 5)

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Coinbase Hack Rocks Company That Led Crypto Into Mainstream (1)

On the long list of crypto companies that have been hacked, there are plenty of examples of financial losses that are much more painful than what Coinbase Global Inc. appears to be facing from the attack it disclosed on Thursday.

Yet this one stands out for significance far beyond the \$400 million the company expects it will cost: This time, the victim was arguably the most influential US company in the industry.

Coinbase is the firm that led the digital-asset industry's march into the mainstream financial system as the first publicly traded crypto exchange. It's the company that safeguards the lion's share of the \$122 billion worth of tokens owned by spot-Bitcoin exchange-traded funds. And it's the firm that did much of the heavy lifting when it came to the industry's campaign spending spree to send a platoon of pro-crypto lawmakers to Washington this year.

[Read More: How Coinbase Went From DC 'Kids Table' to Political Power Seat](#)

Indeed, the revelation of the hack comes just three days after the company's crowning achievement in mainstreaming the digital asset class with its addition to the S&P 500 Index, a development that will land its shares into trillions of dollars worth of retirement plans and other investment products that track the benchmark gauge. The hack, plus subsequent news of a lingering Securities and Exchange Commission investigation into how the company reported its user numbers, sent the shares down more than 7% on Thursday.

While the company says the Coinbase Prime service that custodies crypto for ETF issuers and services other institutional investors was not affected, the hackers did have near-constant access to some of Coinbase Global Inc.'s most valuable customer data since January, according to a person familiar with the incident who asked not to be named discussing company matters.

The hackers' scheme was brazen, if not especially impressive from a technology standpoint: They bribed customer representatives to steal client data and then demanded a \$20 million ransom to delete it. Coinbase began noticing unusual activity from some of these representatives as far back as January, the company confirmed in an interview with Bloomberg News.



Coinbase CEO Brian Armstrong speaks during a "Stand With Crypto" get-out-the-vote rally in Los Angeles last year.

Photographer: Mark Abramson/Bloomberg

The bribed reps got access to names, dates of birth, addresses, nationalities, government-issued ID numbers, some banking information as well as details about when customer accounts were created and their balances, the person familiar with the situation said. This information could be used to attempt to impersonate Coinbase and convince customers to let the hackers into their account. It could also be used to impersonate the victims with other service providers to attempt to convince them to let hackers into other financial accounts they maintain.

For some traders with big balances on the exchange, the incident was alarming for reasons that go beyond the potential financial losses, considering the kidnapping and mutilation of a crypto startup co-founder earlier this year and reports of other similar incidents.

"It's a major breach, the amount of personal information shared is staggering," said Mike Dudas, managing partner of web3 firm 6MV, who said he was targeted by the Coinbase hackers. "It will make people have to consider their personal physical security, especially with the things happening in France and elsewhere."

The UK's Information Commissioner's Office, which regulates how companies handle customer data, said it received a report on the incident from Coinbase's local entity and is "assessing the information provided." The watchdog can issue penalties of up to 4% of a company's global annual revenue in cases where it's identified serious breaches of data protection laws.

Workers in India Bribed

The hackers had bribed enough customer service representatives to achieve effectively on-demand access to Coinbase customer information in the past five months, the person said. Coinbase Chief Security Officer Philip Martin disputed the assertion of near constant access, saying in an interview with Bloomberg News that the company pulled the agents' access as soon as it was discovered that they were improperly sharing information. Therefore the hackers "did not have persistent access over the course of the entire period," he said.

"What these attackers were doing was finding Coinbase employees and contractors based in India who were associated with our business process outsourcing or support operations, that kind of thing, and bribing them in order to obtain customer data," Martin said.

Coinbase detected the agents, quarantined them and fired them, as soon as the company noticed the activity.

"So there were a number of specific bribery incidents that this attack, that this threat actor is claiming credit for throughout the course of that time, but they did not have persistent access over the course of the entire period," he said.

The hackers had access to this data as recently as Wednesday, the person familiar with the incident said. Martin said "we have no reason to believe that is true at all" but could not "prove a negative."

Bloomberg News is aware of one notable, high net worth individual's data being accessed, whom Bloomberg is not disclosing for privacy reasons.

David Jeong, a crypto founder in New York, said he received a text from unidentified number on April 3, in which he was asked to verify the login for his personal account. He then received another text from a different number on May 4. Jeong said he hasn't used a one-time password from Coinbase for two years.

Coinbase said in a regulatory filing that it received an anonymous email from the hackers making their ransom demand on May 11. It added that in the months leading up to that email it had detected instances of customer support agents outside of the US collecting data from internal systems. Last weekend, some premium customers received emails suggesting that their information had been accessed.

"At Coinbase, we actively monitor our systems to ensure customer information is only accessed when necessary and in accordance with our strict security standards. We wanted to let you know that we detected activity suggesting that information related to your account may have been accessed in a way that did not align with our internal policies," the company said in a customer email reviewed by Bloomberg. "The information did not involve your password, seed phrase, or any other information that would have allowed someone to directly access your account or your funds."

In the email, Coinbase recommended that customers ensure they're "regularly monitoring your account, using a strong and unique password."

Less than 1% of the exchange's monthly transacting users were affected, Coinbase said Thursday. In addition to ramping up security controls for those affected, Coinbase said it would reimburse in full anyone who lost money. Instead of paying the ransom, the exchange is offering a \$20 million bounty to anyone with information leading to the attackers' arrest and conviction.

Hacks have long plagued the crypto industry, thanks to its heavy reliance on user anonymity and complex digital software. Around \$2.2 billion was lost to such incidents in 2024, according to researcher Chainalysis. Operating under the threat of attack has been particularly painful for crypto exchanges, which are often major targets and face high ongoing costs to maintain tight security.

This type of so-called social engineering attack — in which criminals use people to gain unauthorized access to data, rather than exploiting flaws in computer code — is a type of threat that has become increasingly popular in crypto, resulting in recent major incidents like the \$1.5 billion hack of crypto exchange Bybit in February. With a price tag of \$400 million to cover the cost of repaying users, among other charges, the incident ranks as the eighth biggest hack crypto hack ever, according to Elliptic data.

Read More: North Korea's \$1.5 Billion Heist Puts the Crypto World on Notice

"Unfortunately as our nascent industry grows rapidly, it draws the eye of bad actors, who are becoming increasingly sophisticated in the scope of their attacks and harnessing new AI tools and techniques to bypass fraud prevention measures," said Nick Jones, founder and CEO at crypto technology platform Zumo. "This is understandably a huge blow for a company that has had a pivotal few weeks."

Meanwhile, the New York Times reported that the Securities and Exchange Commission has been investigating whether Coinbase misstated its user numbers in past disclosures as part of an inquiry that began during the Biden administration.

"This is a hold-over investigation from the prior administration about a metric we stopped reporting two and a half years ago, which was fully disclosed to the public," Paul Grewal, Coinbase's chief legal officer, said in a statement. "While we strongly believe this investigation should not continue, we remain committed to working with the SEC to bring this matter to a close."

(Updates with comment from UK's data regulator in 10th paragraph.)

--With assistance from **Muyao Shen** and **Olga Kharif**.

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Coinbase Says It's Cooperating With SEC on User Metrics Probe

Coinbase Global Inc. is cooperating with the US Securities and Exchange Commission on an agency probe into its previously reported user metrics, the company said Thursday.

"This is a hold-over investigation from the prior administration about a metric we stopped reporting two and a half years ago, which was fully disclosed to the public," Paul Grewal, Coinbase's chief legal officer, said in a statement. "While we strongly believe this investigation should not continue, we remain committed to working with the SEC to bring this matter to a close."

Grewal noted that Coinbase's "verified users metric" might have overstated the number of unique customers and that the company continues to disclose "the more relevant metric of 'monthly transacting users'" on the platform.

The SEC declined to comment.

The New York Times, citing people familiar with the matter, reported earlier Thursday that the agency has been investigating whether Coinbase had misstated user numbers in disclosures.

Under the Trump administration, the SEC has dropped more than 10 high-profile crypto-enforcement cases, including a lawsuit against Coinbase.

Separately, the company said earlier Thursday that hackers had offered cash to Coinbase customer support agents to steal sensitive data and demanded a \$20 million ransom, which the company refused to pay. It estimated the incident could cost the firm up to \$400 million to remedy.

--With assistance from **Nicola M White**.

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Megan Howard, Stephanie Stoughton

Hey! Siri AI features delay brings putative class action

DJ [dailyjournal.com/articles/385491-hey-siri-ai-features-delay-brings-putative-class-action](https://www.dailyjournal.com/articles/385491-hey-siri-ai-features-delay-brings-putative-class-action)

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May 16, 2025

iPhone 16 users sue Apple, alleging misrepresentation of delayed Siri AI features promised last year. The class action claims Apple misled consumers about Apple Intelligence availability.

Jennifer Pafiti of Pomerantz LLP

Apple, Inc.'s legal troubles are mounting over its voice activated assistant Siri. The company was hit with a putative class action lawsuit on Thursday by iPhone 16 users accusing the tech giant of misrepresenting the availability of advanced AI features for Siri voice in the latest fleet of smartphones.

The lawsuit, filed in federal in San Jose court by Jennifer Pafiti of Pomerantz LLP in Los Angeles, claims that the promised advancements in AI based Siri features - known as Apple Intelligence - were "a primary reason for customers to buy the iPhone 16." The complaint accuses the company of "misleading even the most sophisticated institutional followers of Apple." *Accardi et al v. Apple Inc.*, 5:25-cv-04160 (N.D. Cal. filed May 15, 2025).

The company is advertising the features on its website, saying this latest version of Siri helps streamline tasks and can "tap into ChatGPT when it might be helpful to answer your question."

Neither Pafiti nor Apple's media relations office could be reached for comment on Thursday. Apple's rollout for the advanced AI Siri features has been hamstrung by delays since the company announced the improvements in June 2024 at the Worldwide Developer Conference.

In a public statement to news outlets on March 7, Apple's media relations office announced that the launch of Apple Intelligence for Siri would be delayed due to ongoing improvements to the software.

"Siri helps our users find what they need and get things done quickly, and in just the past six months, we've made Siri more conversational, introduced new features like type to Siri and product knowledge, and added an integration with ChatGPT," the company stated. "We've also been working on a more personalized Siri, giving it more awareness of your personal context, as well as the ability to take action for you within and across your apps. It's going to take us longer than we thought to deliver on these features and we anticipate rolling them out in the coming year."

Since June 2024, Pafiti's clients claim, Apple had "no reasonable basis" for promising consumers that the new features would be available for the iPhone 16.

"At the time Apple made these promises at the 2024 WWDC, Apple was nowhere near realizing these features and remains far from realizing them to this day. ... Indeed, some sources at Apple predict that the next-generation Siri promised by Apple will not be ready until 2027 at the earliest, three years after the Apple Intelligence announcement in 2024," the complaint stated.

According to the company's website, Apple Intelligence is available in beta version for all iPhone 16 models and other devices in several languages. However, the company states, "Features are subject to change. Some features, applications, and services may not be available in all regions or all languages."

Additionally on Thursday, U.S. Magistrate Judge Susan Van Keulen recused herself from the case. It was reassigned to U.S. Magistrate Judge Virginia K. DeMarchi. The plaintiffs' attorneys and Apple's media relations office did not respond to requests for comment regarding the reasons for the judge's recusal.

Pafiti's colleagues from Pomerantz LLP in New York City serve as co-counsel in the case: Jeremy A. Lieberman and Austin P. Van.

Apple has battled other class actions in California courts over its Siri feature in recent years.

The new case comes three months after Apple's \$95 million settlement with iPhone users who claimed Siri was eavesdropping on their conversations was approved on Feb. 10. Apple denied wrongdoing in the settlement's terms. *Lopez v. Apple, Inc.*, 4:19-cv-04577 (N.D. Cal. filed Aug. 7, 2019).

#385491

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Energy company claims use of private prosecutors in Illinois violates due process

 [reuters.com/legal/government/energy-company-claims-use-private-prosecutors-illinois-violates-due-process-2025-05-15](https://www.reuters.com/legal/government/energy-company-claims-use-private-prosecutors-illinois-violates-due-process-2025-05-15)

Diana Jones

May 15, 2025

A gavel and a block is seen in this illustration picture taken in Manhattan, New York City, U.S., August 18, 2020. REUTERS/Andrew Kelly/Illustration Purchase Licensing Rights, opens new tab

May 15 (Reuters) - A Texas energy company facing a consumer fraud lawsuit brought by Illinois Attorney General Kwame Raoul has filed its own lawsuit against Raoul, claiming his office's use of outside counsel to pursue the fraud case is a violation of due process rights.

In a lawsuit filed on Wednesday in U.S. District Court for the Central District of Illinois, Spark Energy said Raoul's use of lawyers from private law firms as "Special Assistant Attorneys General" in the case against the company is barred by the U.S. Constitution because they are not neutral public officials. The lawsuit also argues that the Illinois Constitution requires officers of the state's executive branch to be compensated with state salaries.

Representatives for Raoul's office did not immediately respond to requests for comment, nor did an attorney for Spark.

Spark's lawsuit seeks a declaration that the Illinois Attorney General can't rely on outside counsel in its case against Spark, plus punitive damages.

Raoul's office filed the lawsuit against two Spark units in January in Cook County, Illinois Circuit Court, claiming the companies conned consumers into purchasing their electricity and natural gas from Spark instead of the public utility with misleading telemarketing. The lawsuit seeks at least \$50,000 per deceptive act or practice.

Raoul filed the lawsuit with help from Special Assistant Attorneys General from private law firms Edelson, Hughes Socol Piers Resnick & Dym and Miner, Barnhill & Galland, court records show.

Attorneys at the firms working on the Spark litigation did not respond to requests for comment.

Spark has moved to dismiss the AG's lawsuit, according to court records, arguing among other things that the Illinois attorney general improperly has relied on private law firms to pursue the case. In a footnote, Spark said it had filed public information requests seeking details of the fee agreement between the firms and the state.

Spark argued that if the private lawyers were to be paid based on a contingency, it would be a violation of the state's constitution.

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Diana Novak Jones
Thomson Reuters

Co-author of the Daily Docket, Reuters' daily legal industry newsletter. Diana reports on litigation, mass torts and the plaintiffs' bar. She previously worked at Law360 and the Chicago Sun-Times.

Anthropic's lawyers take blame for AI 'hallucination' in music publishers' lawsuit

 [reuters.com/legal/legalindustry/anthropics-lawyers-take-blame-ai-hallucination-music-publishers-lawsuit-2025-05-15](https://www.reuters.com/legal/legalindustry/anthropics-lawyers-take-blame-ai-hallucination-music-publishers-lawsuit-2025-05-15)

Blake Brittain

May 15, 2025

Anthropic logo is seen in this illustration taken May 20, 2024. REUTERS/Dado Ruvic/Illustration Purchase Licensing Rights, opens new tab

May 15 (Reuters) - An attorney defending artificial-intelligence company Anthropic in a copyright lawsuit over music lyrics told a California federal judge on Thursday that her law firm Latham & Watkins was responsible for an incorrect footnote in an expert report caused by an AI "hallucination."

Ivana Dukanovic said in a court filing, opens new tab that the expert had relied on a legitimate academic journal article, but Dukanovic created a citation for it using Anthropic's chatbot Claude, which made up a fake title and authors in what the attorney called "an embarrassing and unintentional mistake."

"Unfortunately, although providing the correct publication title, publication year, and link to the provided source, the returned citation included an inaccurate title and incorrect authors," Dukanovic said.

The lawsuit from music publishers Universal Music Group (UMG.AS), opens new tab, Concord and ABKCO over Anthropic's alleged misuse of their lyrics to train Claude is one of several high-stakes disputes between copyright owners and tech companies over the use of their work to train AI systems.

The publishers' attorney Matt Oppenheim of Oppenheim + Zebrak told the court during a hearing on Tuesday that Anthropic data scientist Olivia Chen may have used an AI-fabricated source to bolster the company's argument in a dispute over evidence.

U.S. Magistrate Judge Susan van Keulen said at the hearing that the allegation raised "a very serious and grave issue," and that there was "a world of difference between a missed citation and a hallucination generated by AI."

Dukanovic responded on Thursday that Chen had cited a real article from the journal American Statistician that supported her argument, but the attorneys had missed that Claude introduced an incorrect title and authors.

A spokesperson for the plaintiffs declined to comment on the new filing. Dukanovic and a spokesperson for Anthropic did not immediately respond to requests for comment.

Several attorneys have been criticized or sanctioned by courts in recent months for mistakenly citing nonexistent cases and other incorrect information hallucinated by AI in their

filings.

Dukanovic said in Thursday's court filing that Latham had implemented "multiple levels of additional review to work to ensure that this does not occur again."

The case is Concord Music Group Inc v. Anthropic PBC, U.S. District Court for the Northern District of California, No. 5:24-cv-03811.

For the music publishers: Matt Oppenheim of Oppenheim + Zebrak

For Anthropic: Sy Damle of Latham & Watkins

Read more:

Music publishers sue AI company Anthropic over song lyrics

Anthropic reaches deal on AI 'guardrails' in lawsuit over music lyrics

Anthropic expert accused of using AI-fabricated source in copyright case

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Blake Brittain reports on intellectual property law, including patents, trademarks, copyrights and trade secrets, for Reuters Legal. He has previously written for Bloomberg Law and Thomson Reuters Practical Law and practiced as an attorney.

Claude AI tool misstates citation in case about its training

DJ [dailyjournal.com/articles/385496-claude-ai-tool-misstates-citation-in-case-about-its-training](https://www.dailyjournal.com/articles/385496-claude-ai-tool-misstates-citation-in-case-about-its-training)

May 16, 2025

Claude is at the center of a putative class action by some of the largest music labels and publishers, which say Anthropic committed copyright infringement to train the AI tool.

Anthropic PBC's legal team from Latham & Watkins LLP apologized to a federal judge in San Jose on Thursday for an "embarrassing" mistake - an incorrect citation of authorities made by Anthropic's own AI-powered virtual assistant, Claude.

Ironically, Claude is at the center of the case - a putative class action by some of the largest music labels and publishers, including Capitol Records and Universal Music Group. They accuse Anthropic of committing "widespread" copyright infringement to train the large language model powering Claude. *Concord Music Group, Inc. et al. v. Anthropic PBC*, 5:24-cv-03811 (N.D. Cal. filed June 26, 2024).

Ivana Dukanovic, an associate at Latham & Watkins' San Francisco office, admitted in her declaration Thursday that she asked Claude to properly cite an authority referenced in an April 30 declaration from one of the company's data scientists, Olivia Chen. Chen opined on the parties' ongoing dispute over sample sizes to be produced by Anthropic in discovery.

Dukanovic stated that Claude provided the incorrect title and author of the sourced article and that the firm missed the error on its manual review of the declaration. She said the mistake was genuine and "not a fabrication of authority."

"This was an embarrassing and unintentional mistake. The article in question genuinely exists, was reviewed by Ms. Chen and supports her opinion on the proper margin of error to use for sampling. The insinuation that Ms. Chen's opinion was influenced by false or fabricated information is thus incorrect," Dukanovic wrote. "As is the insinuation that Ms. Chen lacks support for her opinion. Moreover, the link provided both to this Court and to Plaintiffs was accurate and, when pasted into a browser, calls up the correct article upon which Ms. Chen had relied. Had plaintiffs' counsel raised the citation issue when they first discovered it, we could and would have confirmed that the article cited was the one upon which Ms. Chen relied and corrected the citation mistake."

Dukanovic could not be reached for comment Thursday.

The plaintiffs' legal team from Oppenheim + Zebrok LLP, Cowan, Liebowitz & Latman PC and Coblentz Patch Duffy & Bass LLP declined to comment on Thursday.

Chen's declaration is at the center of a discovery dispute over sample size of text prompts to be put into Claude's system which the parties will rely on to prove their cases going forward. The plaintiffs want to use a sample of 24.5 million records while Anthropic wants to use 1 million records, arguing that the plaintiffs' proposed sample size is too large and burdensome.

Thursday's filing comes two days after U.S. Magistrate Judge Susan van Keulen ordered Anthropic to respond following a discovery hearing on Tuesday.

#385496

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Blake E. Reid

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+ Follow

Resist the urge to dunk on the irony and realize that these are well-informed lawyers with a ton to lose, reputation-wise, from mistakes like this, particularly in this case. If these lawyers can't use these tools effectively then query what we hope 1Ls and pro se litigants are going to manage.

Gabriel Malor @gabrielmalor.bsky.social · 1h

Oh, sweet merciful fire, two notes:

(1) Even Latham & Watkins, ya'll.

(2) The lawyer defending an AI company for using stolen IP to train their AI/LLM used the company's AI/LLM to cite check her brief, which hallucinated results.

fingfx.thomsonreuters.com/gfx/legaldoc...

6. After the Latham & Watkins team identified the source as potential additional support for Ms. Chen's testimony, I asked Claude ai to provide a properly formatted legal citation for that source using the link to the correct article. Unfortunately, although providing the correct publication title, publication year, and link to the provided source, the returned citation included an inaccurate title and incorrect authors. Our manual citation check did not catch that error. Our citation check also missed additional wording errors introduced in the citations during the formatting process using Claude ai. These wording errors are: (1) that the correct title of the source in footnote 2 of Ms. Chen's declaration is *Computing Necessary Sample Size*, not, as listed in footnote 2, *Sample Size Estimation*, and (2) the author/preparer of the third source cited in footnote 3 is "Windward Environmental LLC", not "Lower Windward Environmental LLC." Again, we apologize for these citation errors.

ALT

May 15, 2025 at 1:17 PM Everybody can reply

15 reposts 2 quotes 43 likes



2



17



43



...



Blake E. Reid @chup.blakereid.org · 32m

"This tool will radically improve your efficiency" and "you cannot trust this tool to perform even extremely simple tasks without manually verifying its work in excruciating detail" are not consistent propositions.

1 15 43 ...



Blake E. Reid @chup.blakereid.org · 24m

The problems are with the affordances of the technology and how they mislead even sophisticated professionals: these tools work extremely quickly and dispense superficially coherent and confident output. These qualities override skepticism and promote reliance.

2 3 14 ...



Blake E. Reid @chup.blakereid.org · 20m

Attorneys that use them can be easily lulled into unbundling their own critical thinking facilities and handing them off to the tool while still holding the bag on all the risk.

1 5 ...



Blake E. Reid @chup.blakereid.org · 2m

Aside: agree w/Sean that the mistake isn't the end of the world. On the other hand, the utility of the tool if it works *correctly* is minuscule. Properly formatting citations as you write isn't like doing advanced calculus without calculator; it's trivial with practice and a clipboard manager.

Sean Marotta @smmarotta.bsky.social · 57m

This isn't as bad as the vast majority of these things, but might as well just try to do your own cites or ask a paralegal than fire up the AI.

1 ...



Jennifer Romig @jennifermromig.bsky.social · 21m

My class (LRW, 2 credits fall and 2 credits spring) has never been more relevant or important. This has to stop!

1 1 ...



Blake E. Reid @chup.blakereid.org · 17m

Godspeed! But I worry that the pressure and superficial appeal of these things is soon going to outpace our capacity to help our students build a critical framework for making good choices about them

1 ...



WndIB @wndib.bsky.social · 8m

What happened to Michael Cohen's lawyers?

...

Southwest Airlines likely to pay 1 cent to end DEI-related lawsuit

 [reuters.com/legal/southwest-airlines-likely-pay-1-cent-end-dei-related-lawsuit-2025-05-15](https://www.reuters.com/legal/southwest-airlines-likely-pay-1-cent-end-dei-related-lawsuit-2025-05-15)

Jonathan Stempel

May 15, 2025

A Southwest commercial airliner takes off from Las Vegas International Airport in Las Vegas, Nevada, U.S., February 8, 2024. REUTERS/Mike Blake/File Photo Purchase Licensing Rights, opens new tab

May 15 (Reuters) - A U.S. judge signaled he will order Southwest Airlines (LUV.N), opens new tab to pay 1 cent to end a lawsuit by a conservative group alleging that a now-defunct program awarding free flights to Hispanic college students was discriminatory.

U.S. District Judge Sidney Fitzwater on Wednesday rejected a request by Edward Blum's American Alliance for Equal Rights to address the merits of its case, after Southwest "unconditionally surrendered" by scrapping its ¡Lánzate! program.

Blum has tried for decades to remove racial considerations from parts of American life, including a successful push to essentially end affirmative action in college admissions.

U.S. President Donald Trump, meanwhile, has made removing diversity, equity and inclusion policies from society a hallmark of his second White House term.

Southwest's ¡Lánzate! program had since 2004 provided assistance to 1,500 Hispanic undergraduate and graduate students who lived at least 200 miles (322 km) from campus.

Fitzwater said it would waste time and money to keep litigating whether the program violated a Civil War-era law barring racial bias in contracting, because the plaintiff achieved "total victory" after Southwest effectively gave up.

"Granting an obstinate plaintiff total victory upon the defendant's unconditional surrender is a reasonable response to the problems and needs confronting the court's fair administration of justice," the Dallas-based judge wrote.

Fitzwater gave both sides until May 28 to object.

Southwest, based in Dallas, had no immediate comment on Thursday. Lawyers for the plaintiff did not immediately respond to requests for comment.

While the plaintiff had sought 1 cent in damages, its lawyers said the case's merits should be addressed because it concerned "issues of substantial public importance" regarding intentional ethnic discrimination by a major company.

"Southwest cannot avoid liability by paying the Alliance via a judgment that's not really a judgment, any more than it could avoid liability by paying the Alliance via no judgment," the lawyers wrote.

The case is American Alliance for Equal Rights v Southwest Airlines Co, U.S. District Court, Northern District of Texas, No. 24-01209.

Reporting by Jonathan Stempel in New York Editing by Bill Berkrot

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<https://www.wsj.com/business/airlines/justice-department-wants-to-spare-boeing-from-guilty-plea-over-737-max-charges-0bccc00>

BUSINESS | AIRLINES

Justice Department Wants to Spare Boeing From Guilty Plea Over 737 MAX Charges

Prosecutors are proposing a nonprosecution agreement to resolve Boeing's violation of an earlier settlement

By [Dave Michaels](#) [Follow](#) and [Andrew Tangel](#) [Follow](#)

May 16, 2025 11:24 am ET



A Boeing 737 MAX 8 airplane PHOTO: DAVID RYDER/BLOOMBERG NEWS

WASHINGTON—[Boeing](#) won't be prosecuted over violating an earlier criminal settlement under a tentative deal with the Justice Department that would allow America's biggest exporter to avoid being labeled a felon, according to people familiar with the matter.

The aerospace company would receive a nonprosecution agreement instead of [having to plead guilty](#), which it had agreed to do toward the end of the Biden administration, the people said. The reversal would be one of the most stark examples of how the Trump administration has taken [a less aggressive approach](#) to enforcing the law against big companies.

The case stems from Boeing's admission that former employees deceived air-safety regulators before [two deadly crashes](#) of 737 MAX jets in 2018 and 2019. Boeing [resolved the criminal investigation](#) in January 2021 and was placed on a form of corporate probation. But prosecutors said last year that Boeing [violated that settlement](#), which had required it to improve its antifraud compliance program.

Write to Dave Michaels at dave.michaels@wsj.com and Andrew Tangel at andrew.tangel@wsj.com

Videos

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<https://www.wsj.com/tech/meta-fraud-facebook-instagram-813363c8>

TECHNOLOGY

Meta Battles an 'Epidemic of Scams' as Criminals Flood Instagram and Facebook

Fake puppies and phony offers of mouthwatering bargains are often seeded by overseas crime networks; employees say company is reluctant to impede its advertising juggernaut



Edgar Guzman, CEO of Half-Off Wholesale, takes a call at his Atlanta warehouse. PHOTO: NIOCLE CRAINE FOR WSJ

By [Jeff Horwitz](#) [Follow](#) and [Angel Au-Yeung](#) [Follow](#)

May 15, 2025 9:00 pm ET

For almost two years, Edgar Guzman has been getting calls from irate customers who responded to his ads on Instagram and [Facebook](#) META **-1.59%** ▼ . Or at least they thought they were his ads.

Guzman's company, called "Half-Off Wholesale," offers home-improvement supplies and garden equipment in bulk out of a suburban Atlanta warehouse. The ads offer steep discounts that are mouthwatering to bargain hunters: \$29 for a pallet of power tools, and mixed boxes of returned [Amazon.com](#) merchandise with a starting bid of just \$1, for example.

But when people send their payments, the products never arrive. When they call Guzman to complain, he has to deliver the bad news: They've been swindled.

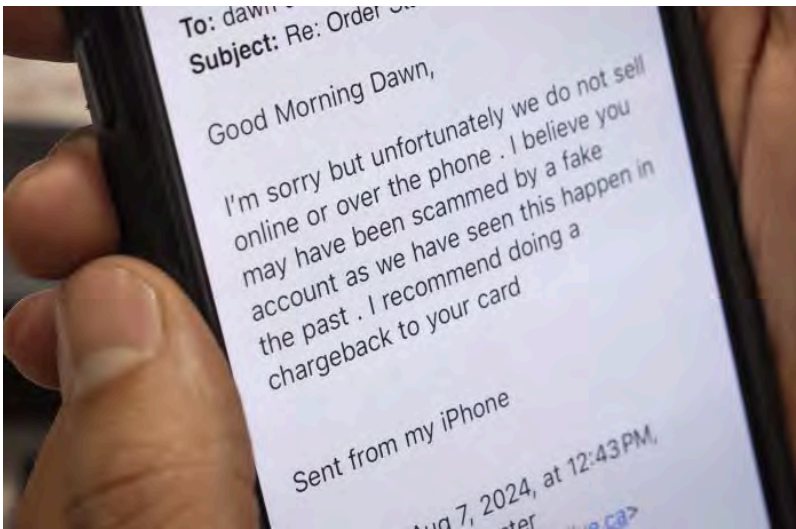
“What sucks is we have to break it to people that they’ve been scammed—we don’t even do online sales,” he said, noting that customer complaints about the rip-offs generate bad online reviews for his real business. “We keep reporting pages to Meta, but nothing ever happens.”

Guzman’s experience is not unusual.

Meta Platforms, the parent company of Facebook and Instagram, is increasingly a cornerstone of the internet fraud economy, according to regulators, banks and internal documents reviewed by The Wall Street Journal.

The company accounted for nearly half of all reported scams on Zelle for [JPMorgan Chase](#) between the summers of 2023 and 2024, according to a person familiar with the service. The peer-to-peer payment platform is owned by several banking giants, including JPMorgan, the country’s biggest bank, and [Wells Fargo](#). Other banks that offer Zelle have experienced similarly high fraud claims originating on Meta, according to people familiar with the matter.

British and Australian regulators have found similar levels of fraud originating on Meta’s platforms. An internal analysis from 2022 described in company documents likewise found that 70% of newly active advertisers on the platform are promoting scams, illicit goods or “low quality” products.



When people contact Guzman to complain that they haven’t received products they thought they had ordered from his company, he has to break the news to them that they’ve been scammed. PHOTO:

NICOLE CRAINE FOR WSJ

In Guzman’s case, a search of Meta’s ad library this spring showed that more than 4,400 different ads listing the address of his business have run on Meta’s platforms over the last year. Guzman’s actual business was responsible for 15 of them.

Account information for the scam pages shows they are run out of China, Sri Lanka, Vietnam and the Philippines, but they use stolen pictures of Half-Off's warehouse and list its address.

With more than 3 billion daily users on Meta's platforms, fraud is hardly a new phenomenon for the company. But fed by the rise of cryptocurrencies, generative AI and vast overseas crime networks based out of Southeast Asia, the immensity of Meta's scam problem is growing and has been regularly flagged by employees over the past several years.

Current and former employees say Meta is reluctant to add impediments for ad-buying clients who drove a 22% increase in its advertising business last year to over \$160 billion. Even after users demonstrate a history of scamming, Meta balks at removing them.

One late 2024 document reviewed by the Journal shows that the company will allow advertisers to accrue between eight and 32 automated "strikes" for financial fraud before it bans their accounts. In instances where Meta employees personally escalate the problem, the limit can drop to between four and 16 strikes.

Adding to the problem is Marketplace, its online secondhand-market that in less than a decade since its launch has surpassed Craigslist to become the internet's most heavily used repository of free classified ads. Its peer-to-peer model has also made Marketplace a popular hunting ground for scammers.

A Meta spokesman said that the company is working to address "an epidemic of scams" that has grown in scale and complexity in recent years, driven by cross-border criminal networks.

"As this scam activity has become more persistent and sophisticated, so have our efforts," he said. He added that Meta is testing the use of facial-recognition technology, adding warnings to users on its platforms and building partnerships with banks and tech companies "since this crime affects many industries and cuts across different parts of society."

Meta has also argued in U.S. federal court that it bears no legal responsibility to address the issue.

"The alleged underenforcement of Meta's monitoring policies cannot give rise to liability," the company wrote last year in a motion to dismiss a lawsuit alleging negligence in removing cryptocurrency impersonation scams, adding that it "does not owe a duty to users" to address fraud on its platforms.

The spokesman said the company nonetheless makes efforts to do so.

“We of course don’t want scammy activity on our platform and nothing about this statement—a nuanced legal argument—should be read to suggest otherwise,” he said.

Fake giveaways

Meta chief [Mark Zuckerberg’s recent move to scale back](#) fact checking and policing of hate speech and other problem content has infuriated some and pleased others. But his company’s ongoing ineffectiveness at governing fraud on its platforms has drawn less scrutiny—even though it causes widespread and tangible problems for consumers and businesses.

Meta’s lax approach has helped fuel the professionalization of social-media fraud by international criminal networks in Southeast Asia, says Erin West, a recently retired Santa Clara County prosecutor who helped author a U.S. Institute for Peace report last year on such activity.

The report estimated organized scamming operations—often called “pig butchering” groups—comprise hundreds of thousands of people, many trafficked after falling for fraudulent social-media employment ads. Kept in prisonlike compounds, the workers are forced to work under threat of “extreme forms of torture and abuse.”

West said the growth of this nightmarish industry stems directly from the inaction of Meta and, to a lesser extent, its social-media peers.

“If there’s anybody who could make a huge dent here, it’s Meta,” she said. “But there’s no hammer over their head.”

Erin West, a recently retired Santa Clara County prosecutor, has investigated social-media fraud by international criminal networks. PHOTO: GELOY CONCEPCION FOR WSJ

Losses to scams on Meta can range into the hundreds of thousands of dollars, but there's seemingly no target too small.

Some of the frauds reflect substantial complexity and effort. In recent months, accounts featuring grandmotherly photos have been running Facebook and Instagram ads for a supposed giveaway of a [McCormick](#) & Co. spice rack and a selection of its products. Users are asked to provide only a nominal \$9.99 shipping fee via a website featuring McCormick branding, a user survey and a game to win prizes.

Marah Johnson of Orange County, Calif., has regularly encountered and reported scams on Facebook for years. But she fell for this one. After she entered her credit card information on the McCormick-branded website, she was billed for a series of fraudulent purchases totaling hundreds of dollars.

"If their revenue is coming from fraud, what is their incentive to protect people?" asked Johnson, a 58-year-old artist and jewelry-maker. "It feels like Meta is helping the scammers out."

The scam is sufficiently widespread that McCormick Brands warned its 2 million followers on Facebook and Instagram of it on Jan. 31, eliciting hundreds of comments from users who said they'd been scammed.

"I feel so stupid," wrote one.

"I got hit for \$70 I can't afford," responded another.

"Why can't Facebook police these scammers?" asked a third.

A McCormick spokesperson declined to comment.

Puppies for sale

One of the most common scams seen by banks involves the sale of pets, despite Meta's rules banning "peer-to-peer sales or trade" of live animals outside of narrow contexts.

A recent search for "puppies" over several days yielded thousands of ads, most stating no affiliation with a known dog breeder or rescue organization as Meta's rules require.

Other red flags abounded. Many of the results displayed common hallmarks of scams, including stolen photos of specific pets and ads from sellers supposedly "near me" who were actually

operating out of Cameroon.

An ad for bulldogs on Facebook.

JPMorgan has repeatedly raised concerns with Meta about its policing of scams, according to a person familiar with the matter. The person said the volume of scams attributable to Meta has shown some improvement in recent months.

During that period both Meta and Zelle began issuing warnings to their respective users about scam risks arising from peer-to-peer payments.

Documents reviewed by the Journal show that Meta has deprioritized scam enforcement in recent years, emphasizing the avoidance of erroneous ad takedowns over safety concerns. The company has also been cutting costs and shifting resources to other issues in the reshuffling.

The company abandoned plans for advertiser verification requirements similar to what it mandates for political ads, people familiar with the matter say, on the grounds that it worried about losing revenue from marketers unwilling or unable to pass identity checks.

Meta has periodically declared “site events”—company slang for internal emergencies of varying severity—for spikes in scams. But the company has generally treated scams as what documents describe as a “low severity” user experience issue rather than a significant threat to vulnerable people or vector for organized international crime.

One 2022 document described “a lack of investment” in building automated tools to identify scams. The work’s low priority within Meta was codified in an update that year of its content moderation processes that put more resources into addressing human trafficking and content promoting suicide and self-harm, and less on anti-scam measures.

A mid-2022 analysis of the reprioritization found that it resulted in a 46% drop in likely scams reviewed within Facebook Groups.

The Meta spokesman said that the documents seen by the Journal are old and that the company has been ramping up its investments in anti-scam work since the second half of 2022. He said it took down more than 2 million accounts linked to organized fraud operations last year. Of the advertiser accounts it shut down, he said, nearly 70% were caught within a week of their creation.

Because of a safe harbor in U.S. telecommunications law known as section 230, platforms are generally shielded from liability for user-created content. Whether those protections apply to Meta’s ads is now being tested by Andrew Forrest, an Australian mining billionaire and philanthropist who became frustrated in 2019 with Meta’s failure to remove fraudulent investment advertisements using his image and AI-cloned voice.

In a motion to dismiss the case last year, Meta argued that it is under no obligation to require investment advertisers to verify their identities or demonstrate that they’re licensed to sell such products.

“Because Meta has no duty to protect users from third-party content on its platform, Plaintiff cannot state a negligence claim,” the company said.

Write to Jeff Horwitz at jeff.horwitz@wsj.com and Angel Au-Yeung at angel.au-yeung@wsj.com

Tesla to add Chipotle executive Jack Hartung to board

 [reuters.com/sustainability/boards-policy-regulation/tesla-add-chipotle-executive-jack-hartung-board-2025-05-16](https://www.reuters.com/sustainability/boards-policy-regulation/tesla-add-chipotle-executive-jack-hartung-board-2025-05-16)

Reuters

May 16, 2025

An exterior view of Chipotle in SoHo in New York City, U.S., October 4, 2024.

REUTERS/Kent J. Edwards/File Photo Purchase Licensing Rights, opens new tab

(TSLA.O), opens new tab will add Chipotle (CMG.N), opens new tab executive Jack Hartung to its board of directors and audit committee in June, the electric vehicle maker said on Friday.

Hartung's addition will expand Tesla's board to nine members. Joe Gebbia, the co-founder of Airbnb was the last addition to the board in 2022.

Tesla's board has come under scrutiny amid reports that it is exploring a potential replacement for CEO Elon Musk. Earlier this week, the company formed a special committee to review Musk's compensation, which could result in a new stock options package for him. Hartung will retire from his positions as president and chief strategy officer at Chipotle next month and transition to a senior advisor's role at the restaurant chain, Tesla said.

He has previously served as the finance and accounting chief of Chipotle and was responsible for its strategy and supply chain, among other functions.

(This story has been refiled to remove an extraneous word in paragraph 5)

Reporting by Akash Sriram in Bengaluru; Editing by Shinjini Ganguli

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Accounting Board Update Clarifies Deal-Sweetener Reporting (1)

Companies received greater clarity Thursday from the US accounting standard-setter on how to report certain share-based financial incentives they offer to customers.

The Financial Accounting Standards Board published a final update to the accounting rulebook aimed at streamlining financial reporting for these deal sweeteners following concerns that current guidance can lead to diverse accounting outcomes.

The draft plan for the project, issued last September, received general support from state societies, professional associations, and accounting practitioners. FASB advanced the plan in February.

The update affects the timing of revenue recognition for entities that offer to pay share-based consideration, a form of sales incentives that can involve equity instruments like warrants.

FASB's changes clarify rules for share-based consideration payable to a customer that vests upon the customer buying a certain amount of goods or services.

Grant Thornton LLP told FASB's emerging issues advisory panel in a November 2023 letter that businesses needed help determining how to account for situations such as when they offer warrants to customers as incentives to reach certain revenue targets. The firm asked the panel whether meeting those targets is a service condition or performance condition under accounting rules.

Board members decided to explicitly say that conditions based on customer purchases are performance conditions. Under the update, companies are expected to conclude that more awards contain this type of condition.

RSM US LLP and others supported revising the definition of a performance condition in comment letters due last November. The firm said vesting conditions based on customers' purchases are "more akin to performance conditions" because they're the result of achieving specific monetary or volume thresholds.

FASB's updates are effective for all entities for annual reporting periods—and interim reporting periods within those periods—beginning after Dec. 15, 2026. Early adoption is permitted.

(Updated with additional background throughout.)

German Regulator Questions Logic of Plan to Scrap US Audit Board

- House GOP budget bill would reassign auditor oversight to SEC
- German audit board warns cooperation deal with PCAOB at risk

A proposal to end independent oversight of auditors in the US “bewildered” officials with Germany’s audit agency, according to a letter seen by Bloomberg Tax.

The German regulator informed its US counterpart last week that a House Republican plan to eliminate the Public Company Accounting Oversight Board could jeopardize cooperation agreements that allow the agencies to share information and conduct inspections. Those routine reviews vet the work of auditors responsible for checking the financial statements of US-listed stocks worth \$400 billion.

“We fail to understand how the intended measures would be beneficial to audit quality, the U.S. financial market or the public interest,” Germany’s Auditor Oversight Body said in the letter to its US counterpart, which it said has served as a model to similar regulators around the world.

The PCAOB declined to comment Thursday.

A Republican-backed budget measure working its way through the House would sunset the PCAOB’s funding and reassign its watchdog role to the Securities and Exchange Commission. The move aligns with the Trump administration’s deregulatory agenda, which has targeted a wide range of federal agencies for elimination.

Lawmakers included the language eliminating the audit board in a reconciliation bill that will be rolled into a sweeping tax and spending package that would enact President Donald Trump’s agenda. The House Budget Committee could take up the package as soon as Friday.

The Congressional Budget Office issued a report that found eliminating fees that currently fund the PCAOB would decrease direct spending by \$3.2 billion over eight years and would result in a net revenue decrease of \$2.4 billion. The report didn’t assess the cost for the SEC to adopt the new auditor oversight mandate.

PCAOB Chair Erica Williams has warned that the GOP plan could halt the board's now-global inspections reach. The SEC isn't part of agreements the board has reached with countries around the world allowing the PCAOB to inspect the work of foreign auditors and to investigate violations of US rules.

That includes a hard-won agreement that exposed the work of auditors in China and Hong Kong to the board's oversight for the first time.

Congress created the PCAOB in 2002 to restore investor trust in corporate accounting after a series of scandals toppled Enron Corp. and WorldCom Inc. The board was set up to be independent of the US government, but lawmakers gave the SEC the job of appointing its board members and approving its rules.

Changes in US political leadership led to two overhauls of the board's membership since 2017, creating dramatic swings in priorities and approach to auditor oversight. A sudden push to rewrite the board's outdated rules under Williams frustrated auditors as they struggled to convince the board to address their concerns and to keep up with the volume of changes.

But the PCAOB's independence has been a key component of its oversight, serving as a "benchmark for effective and competent" oversight of auditors, according to the German board.

"The power and assertiveness of the PCAOB is no small part owed to its independence and the ability to pay competitive salaries to attract the best people for its unique and complex oversight tasks," its letter said.

The Financial Times previously reported the German audit board's letter.

To contact the reporter on this story: Amanda Iacone in Washington at aiacone@bloombergtax.com

To contact the editor responsible for this story: Andrea Vittorio at avittorio@bloombergindustry.com

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Ex-Ohio Speaker Wins More Time To Retool Bribery Appeal

By **Ryan Harroff**

Law360 (May 15, 2025, 4:50 PM EDT) -- The Sixth Circuit Thursday granted former Ohio House of Representatives Speaker Larry Householder more time to iron out his bid for the court to reconsider its **refusal to vacate** his bribery conviction over the FirstEnergy nuclear bailout scandal that got him sentenced to 20 years in prison.

In a **ruling letter**, the appeals court told Householder counsel Steven Bradley of Marein & Bradley LLC he can take until June 20 to file a petition for an en banc rehearing on behalf of his client, but added, "No further extensions will be granted." Bradley had asked the court to extend the original May 20 deadline in a **Wednesday motion**.

Bradley had told the court that while he and his client understood that extensions like they one they sought were generally "not favored" by the court, scheduling issues and another attorney's recent death justified the delay.

According to the motion, Nicholas Oleski, Bradley's co-counsel **for Householder's appeal**, died in a car accident in November. Without Oleski, the motion stated, Householder's legal team is missing one of the attorneys "familiar with the voluminous record and issues in this case."

Additionally, the motion states Bradley is set to begin a trial on May 19 over a separate, unrelated client's felonious assault charges. That trial will divide his attention, and without the extension Bradley argued his client would be disadvantaged in his petition.

The Sixth Circuit's ruling letter did not detail its reasons for granting the extension.

Householder is represented by Steven L. Bradley of Marein & Bradley LLC.

The government is represented by Alexis J. Zouhary of the U.S. Department of Justice.

The cases are USA v. Larry Householder, case number 23-3565, in the U.S. Court of Appeals for the Sixth Circuit.

--Editing by Robert Rudinger.

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Semiconductor Co. Fights Investors' Pandemic Demand Suit

By **Sydney Price**

Law360 (May 15, 2025, 9:34 PM EDT) -- Semiconductor maker STMicroelectronics has urged a federal judge to boot an investor suit alleging the company and its executives failed to predict pandemic-related demand declines, arguing the suit is flawed with "fraud-by-hindsight" logic.

In a motion to dismiss filed Tuesday, STMicroelectronics NV says the latest version of the suit again fails to identify actionable statements made by the company and its executives regarding market demand after the height of the pandemic. STM "reasonably predicted" moderate revenue growth into 2023 and 2024 for its automotive segment, the company claims.

"Following a drop in demand and challenges at some large customers, ST reduced its automotive revenue projections twice in early 2024," the company says. "After each reduced projection, ST's stock price predictably fell."

According to the suit, STM's shares fell 15% in July 2024 when the company released its second quarter earnings and downwardly revised its revenue guidance for the remainder of the year. Several months later, shares declined by 6% when STM again announced "poor" financial results and "signaled that the deterioration in the business and the industry would continue through the fourth quarter of 2024 and the beginning of 2025," the suit claims.

But STM argues that the challenged "positive" statements made during the class period regarding demand and outlook are opinions or puffery.

STM says descriptors like "very clear," "solid" and "very strong" used to describe automotive demand and backlog are too vague to give rise to a securities claim.

In addition to STM, its CEO Jean-Marc Chery and Chief Financial Officer Lorenzo Grandi are named individual defendants in the suit.

STM also says in its Tuesday motion that the plaintiffs' assertion Chery was motivated to commit fraud because he hoped to be reappointed CEO is unfounded.

"[M]erely identifying that 'executives aim to prolong the benefits of the positions they hold' does not allege scienter," the defendants argue.

Additionally, STM says the suit's confidential witness testimonies, several of which come from employees who left the company during the relevant period, do not establish wrongdoing or scienter by the defendants.

"Moreover, to the extent those [confidential witnesses] allege developments at ST after they left, they rely on 'hearsay that [is] sourced second- or even third-hand' and should not be credited," STM argues.

Counsel for the parties did not immediately respond to requests for comment Thursday.

The investors are represented by Omar Jafri, Joshua B. Silverman, Brian O'Connell, Diego Martinez-Krippner, Jianan Jiang, Jeremy A. Lieberman, J. Alexander Hood II and Thomas H. Przybylowski of Pomerantz LLP, Adam M. Apton and Devyn Glass of Levi & Korsinsky LLP, and Eitan Kimelman of

Bronstein Gewirtz & Grossman LLC.

STM and the individual defendants are represented by Robert J. Giuffra Jr., David M.J. Rein, Julia A. Malkina and Maxwell F. Gottschall of Sullivan & Cromwell LLP.

The case is In Re STMicroelectronics N.V. Securities Litigation, case number 1:24-cv-06370, in the U.S. District Court for the Southern District of New York.

--Editing by Kristen Becker.

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\$60.5M In Settlements Get Final OK In RTX No-Poach Case

By **Brian Steele**

Law360 (May 15, 2025, 7:27 PM EDT) -- A Connecticut federal judge has granted final approval to \$60.5 million worth of settlements to resolve accusations that RTX Corp.'s Pratt & Whitney division and five contractors colluded to avoid hiring one another's workers, with RTX paying more than half of the total and attorneys taking nearly \$20.2 million in fees.

Class counsel DiCello Levitt and Quinn Emanuel Urquhart & Sullivan LLP, and local counsel at two Connecticut firms — Hurwitz Sagarin Slossberg & Knuff LLC and Garrison Levin-Epstein Fitzgerald & Pirrotti PC — stand to **divvy up** the fees, plus \$2.65 million in expenses, for their role in securing settlements that U.S. District Judge Sarala V. Nagala approved Wednesday. Nine class representatives will receive service awards of \$20,000 each.

"Class counsel conducted the litigation with skill, perseverance, and diligent advocacy. At the time of the settlements, multiple complex issues of law and fact were contested," Judge Nagala wrote in her **fee order**. "Plaintiffs would need to prevail on every one of these issues, whereas defendants need only prevail on a single defense. The settlements eliminated the significant risk that continued litigation would result in a smaller recovery or no recovery at all."

The judge wrote that class counsel devoted 24,000 hours to the antitrust case, which was filed by engineers in 2021 after the U.S. Department of Justice brought criminal charges accusing executives at all six companies of colluding to restrict hiring to avoid paying competitive wages. A different federal judge **threw out** the criminal case mid-trial in April 2023, finding that based on the evidence, no reasonable juror could have concluded that there was an illegal restraint on the labor market.

RTX's settlement is **worth** \$34 million. Agilis Engineering Inc., Belcan Engineering Group LLC, Cyient Inc. and Quest Global Services NA Inc. together account for the **remaining** \$26.5 million, while bankrupt Parametric Solutions Inc. previously agreed to provide additional discovery and cooperation in the case instead of a payment.

The class consists of all aerospace workers at each company or their wholly owned subsidiaries who were employed between Jan. 1, 2011, and Jan. 3, 2025. A.B. Data Ltd. will serve as the claims administrator.

A May 7 plaintiffs' memo in support of final approval said A.B. Data expects the number of claims will "rise to as high as 24,000 once the process of verifying submitted claims and removing fraudulent or duplicative ones is complete."

Judge Nagala gave her **preliminary approval** Jan. 3.

Counsel for the parties did not immediately respond to requests for comment Thursday.

The class is represented by Daniel L. Brockett, Manisha M. Sheth, Steig D. Olson, Thomas Lepri, Daniel F. Loud and Justin Reinheimer of Quinn Emanuel Urquhart & Sullivan LLP, Gregory S. Asciolla and John M. Shaw of DiCello Levitt, David A. Slossberg, Erica Oates Nolan and Timothy C. Cowan of Hurwitz Sagarin Slossberg & Knuff LLC, and Joseph D. Garrison, Stephen J. Fitzgerald, Joshua R. Goodbaum and Amanda M. DeMatteis of Garrison Levin-Epstein Fitzgerald & Pirrotti PC.

RTX is represented by Amy Pauli, Chahira Solh and Ashley Lydia McMahon of Crowell & Moring LLP,

and John W. Cerreta of Day Pitney LLP.

Agilis is represented by James T. Shearin and Meagan A. Cauda of Pullman & Comley LLC, and Marguerite S. Willis, Michael Antonio Parente and Travis C. Wheeler of Maynard Nexsen PC.

Belcan is represented by Catie Ventura, Molly Kelley and Taylor Rothman of Kirkland & Ellis LLP, James M. Moriarty of Zeisler & Zeisler PC, and Patrick A. Klingman of Klingman Law LLC.

Cyient is represented by Ann O'Brien, Kunchok Dolma, Micaela Manley, Robert S. Friedman, Leo Caseria and Sascha Henry of Sheppard Mullin Richter & Hampton LLP, and James M. Moriarty of Zeisler & Zeisler PC.

Parametric Solutions Inc. is represented by James M. Moriarty of Zeisler & Zeisler PC, and John J. Robinson, Kelcie Burns Reid and Mitchell L. Fishberg of Gordon Rees Scully Mansukhani LLP.

Quest is represented by Elizabeth Prewitt, Niall E. Lynch, Anna M. Rathbun and Daniel J. Blackman of Latham & Watkins LLP, James M. Moriarty of Zeisler & Zeisler PC, and Thomas V. Daily of Reid & Riege-Htfd.

The case is *Borozny v. RTX Corp., Pratt & Whitney division et al.*, case number 3:21-cv-01657, in the U.S. District Court for the District of Connecticut.

--Additional reporting by Aaron Keller and Rae Ann Varona. Editing by Amy French.

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Apple Accused Of False iPhone AI Promises In 50-State Suit

By **Lauren Berg**

Law360 (May 15, 2025, 6:12 PM EDT) -- Apple pulled a bait-and-switch on phone buyers when it promised that new artificial intelligence features would be available on the iPhone 16, despite knowing it hadn't yet developed those features, according to a sprawling proposed class action that brings claims under consumer protection laws in all 50 states.

Between June 10, 2024, and March 7, 2025, Apple touted its groundbreaking "Apple Intelligence" features for the forthcoming iPhone model, despite the fact it was "nowhere near to having been developed," according to the **complaint filed Wednesday** in California federal court.

For instance, when Apple began selling the iPhone 16 in September 2024, the company told consumers that its Apple Intelligence would allow Siri to "draw on a user's personal context to answer questions," the suit states. But at the time, that capability had yet to be invented, and even now remains unavailable, the plaintiffs said.

What's more, because of Apple's misrepresentations about the promised introduction of these AI-based Siri features, investors widely expected that iPhone sales would be particularly strong in 2024 and 2025, according to the complaint.

Internally, however, Apple executives and employees were concerned that the features didn't work and that the promised technology wouldn't be ready until 2027 at the earliest, the suit states. And in March, the company confessed that the new Siri features had not yet been developed and would not be introduced for the iPhone 16, according to the complaint.

The company then stopped running advertisements promoting the features and pulled ads from its website and YouTube account, the suit states.

"In promising that advanced AI-based Siri features would be available during the iPhone 16 product cycle and advertising iPhone 16 Devices on the basis of that promise, Apple violated numerous laws designed to prevent exactly this sort of consumer deception," the plaintiffs said. "Consumers relied on Apple's promises in purchasing iPhone 16 Devices."

"Consumers would not have purchased iPhone 16 Devices, or would not have paid as much for them, had Apple not misled them to believe that these Devices would be able to do things they could not do, and would not be able to do for years, if ever," they said.

The plaintiffs — Nevada resident Michael Accardi, Florida resident Linda Andrews, New York resident Brian Beach, New Mexico resident Patricia Bush, Wyoming resident Devin Lloyd and South Carolina resident Adam Ragsdale — want to represent a nationwide class of potentially millions of people who brought an iPhone 16 from Sept. 13, 2024, to March 7, 2025. They also want to represent subclasses for each state.

The suit includes claims of fraud, negligent misrepresentation and unjust enrichment, as well as violations of consumer protection laws in all 50 states and the District of Columbia.

It seeks injunctive relief, damages, interest, attorney fees and litigation costs, among other things.

Representatives for the parties did not immediately respond to requests for comment Thursday.

This is not the first suit to accuse Apple of tricking people into buying the iPhone 16 with promises of AI technology.

The tech company was **hit last month** by a proposed class action alleging it touted the promised technology to get people to buy the new iPhone model before quietly deleting the advertisements when the features didn't pan out.

This means customers paid for a phone that they would not have otherwise bought — at least not at the price of \$799 to more than \$1,000 — if Apple had been honest about the iPhone 16's artificial intelligence capabilities, according to the suit filed by Christian Varbanovski.

Now, Varbanovski said, he's stuck with an iPhone that is "virtually indistinguishable" from earlier iterations.

The consumers are represented in the instant suit by Jennifer Pafiti, Jeremy A. Lieberman and Austin P. Van of Pomerantz LLP.

Counsel information for Apple was not immediately available.

The suit is Michael Accardi et al. v. Apple Inc., case number 5:25-cv-04160, in the U.S. District Court for the Northern District of California.

--Additional reporting by Nadia Dreid. Editing by Michael Watanabe.

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Coinbase Confirms SEC Probe, Discloses User Data Breach

By **Aislinn Keely**

Law360 (May 15, 2025, 10:56 PM EDT) -- Crypto exchange Coinbase said Thursday that it's cooperating with a U.S. Securities and Exchange Commission investigation over concerns about how it reported its user metrics in past disclosures, addressing the matter hours after it separately disclosed that it had been extorted over stolen user data.

Coinbase legal chief Paul Grewal said in a Thursday statement that the SEC scrutiny is a "hold-over" investigation that began under the Biden administration relating to its past reporting of the number of "verified users." The figure could overstate the number of unique customers, which Grewal noted Coinbase addressed when it publicly disclosed that it would no longer report the metric two and a half years ago.

"While we strongly believe this investigation should not continue, we remain committed to working with the SEC to bring this matter to a close," said Grewal.

The SEC declined to comment on the existence or nonexistence of any investigation on Thursday.

The verified users metric covered all those who verified their email address or phone number with Coinbase, but Coinbase said in a 2023 SEC filing that it no longer felt the metric provided useful insights into its business performance since it didn't capture activity that was clearly linked to revenue.

The firm continues to report the number of people who use the platform in a given month, or "monthly transacting users," which Grewal said was the "more relevant metric."

The SEC in February **walked away** from its high-profile enforcement action against the firm, which claimed it should've registered its platform under securities laws. The agency dropped its case amid a policy shift under then-acting Chairman Mark Uyeda, who pledged to "rectify" the agency's approach to crypto with more rules of the road and fewer enforcement suits.

Separate from the ongoing investigation into its disclosures, Coinbase shared in a Wednesday filing with the regulator that it had received an extortion threat from an unknown source earlier this week. The perpetrator requested \$20 million in exchange for not disclosing customer information a Coinbase investigation later revealed had been stolen via bribes to overseas customer support agents working for the crypto exchange.

The firm said in an accompanying blog post that personal data of under 1% of monthly transacting users had been exposed, but information like login credentials and private keys were not part of the exploit. The perpetrators appear to have sought information like phone, email, transaction history and masked account and social security numbers for subsequent social engineering scams, which impersonate accounts or authorities to convince victims to hand over funds.

Instead of paying the \$20 million ransom, Coinbase said it's allocating that sum to a reward fund for anyone who provides information that leads to an arrest and conviction of the perpetrators. It also fired insiders "on the spot" and referred them to stateside and international law enforcement with the intent to press criminal charges, the firm said in its blog post.

In its SEC filing disclosing the incident, Coinbase said it's estimated it expects to spend "within the

range of approximately \$180 million to \$400 million" on "remediation costs" and its plans to reimburse customers who are scammed as a result of the breach.

"The Company plans to aggressively pursue all remedies," the filing said.

It noted that the firm is cooperating with law enforcement. It's also working with industry partners to recover assets for Coinbase users who may have already been scammed.

--Editing by Emily Kokoll.

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Coinbase May Avoid BiT Global's \$1B Antitrust Suit, For Now

By **Bonnie Eslinger**

Law360 (May 15, 2025, 10:33 PM EDT) -- A California federal judge indicated Thursday she'll likely toss a \$1 billion antitrust case against Coinbase claiming the cryptocurrency exchange delisted BiT Global after launching a competing "wrapped" bitcoin product for trading on decentralized exchanges, saying the suit didn't plausibly allege that Coinbase gave false justifications for dropping the rival.

U.S. District Judge Araceli Martínez-Olguin began Thursday's hearing in San Francisco by saying her "inclination is to grant the motion to dismiss," but said she was open to giving BiT Global Digital Limited leave to amend.

The suit needs to plausibly plead that statements Coinbase Global Inc. made about why it delisted BiT Global are false.

"At this point, based on the statements themselves, I'm not convinced they are," the judge said.

BiT Global's lawyer, Kevin Kneupper of Kneupper & Covey PC, said his client's Lanham Act claim doesn't need to show falsity. The claims are also based on false implications made by Coinbase, he said.

"That's an important distinction for these claims and these theories, not just whether these words are literally false as uttered but was there an implication," Kneupper said.

The judge asked that should BiT Global be given leave to amend, if it could add anything to the complaint to address her concerns about falsity.

Kneupper said Coinbase made a false statement when it said it delisted BiT Global after an internal review process.

He said the court should consider the timing between the events at issue.

"Is this a plausible explanation that right after they decide to launch their competing product, they do this delisting?" Kneupper said. "This, even just from temporal proximity, does suggest that there could be other motivations behind this."

The lawyer for BiT Global said a reasonable juror could agree with his client's position that Coinbase's justification was false.

"I think that what we plead in there is more than sufficient to get over that hurdle," Kneupper said.

He said if given leave to amend, there are also additional facts, information on what happened after the complaint was filed that could be added, including details contained within email exchanges between the two companies.

Kneupper also noted that when Coinbase filed its opposition to BiT Global's motion for a temporary restraining order, Coinbase had said it made its decision to delist wBTC — BiT Global's wrapped bitcoin product — due to the risk that control of wBTC would fall into the hands of Justin Sun, the founder of China-based blockchain software developer Tron Foundation.

"The whole brief is sort of a launching into insinuations and innuendo," Kneupper said. "Could a jury believe they're not telling the truth when they say this?"

A lawyer for Coinbase, Sonal Mehta of WilmerHale, told Judge Martínez-Olguin that Ninth Circuit case law holds that for something to be plausibly alleged, it has to allege facts "that tend to exclude the possibility that the alternative explanation is true."

That alternative explanation is that Coinbase made a decision to delist BiT Global because of concerns that arose after Sun's involvement.

"That is the obvious alternative explanation for everything that happened here," Mehta said. "And Your Honor can look at your experience and common sense in judging that question."

That leaves BiT Global's assertion that Coinbase's claims about Sun was nothing more than a pretext to cover its anticompetitive actions, she said.

"All that you have is a false assertion of pretext with no actual evidence or facts to suggest falsity," Mehta added.

With regard to BiT Global's contention that its Lanham Act claim could rely on the alleged false implication that there was something risky about BiT Global's digital asset, that, "at best," is "a non-actionable opinion," Mehta told the court.

Kneupper shot back that if a statement is true — or opinion — but it makes implications, then the statement is still actionable.

In its written motion to dismiss, Coinbase noted the U.S. Securities and Exchange Commission brought a case against Sun in 2023.

"When BiT decided to share control of wBTC with accused fraudster Justin Sun, it ran the risk that responsible actors like Coinbase would stop doing business with it," Coinbase said in its motion.

In February of this year, the SEC asked the New York federal judge **overseeing the fraud suit** against Sun to stay the case, joining the growing list of cryptocurrency cases being abandoned or sidelined under the new Trump administration.

BiT Global is a company that "wraps" bitcoin so the cryptocurrency can be traded on decentralized exchanges. In its lawsuit, **first filed in December**, it claimed Coinbase delisted its product after creating a competing knockoff.

BiT Global said Coinbase publicly announced on Nov. 18 that it would suspend wBTC trading.

BiT Global partner BitGo began issuing its wrapped bitcoins in January 2019. Coinbase — the largest U.S.-based cryptocurrency exchange — has allowed the trading of wBTC on the Coinbase exchange since at least October 2020, according to BiT Global's complaint. In September 2024, Coinbase announced it was releasing its own wrapped product, Coinbase Wrapped BTC.

The suit alleges violations of the Sherman Act for monopolization and "attempted monopolization" of the wrapped bitcoin market in the U.S., violation of the Lanham Act, violation of California's Unfair Competition Law, intentional interference with prospective economic advantage, negligent interference with prospective economic advantage and trade libel.

In December, Judge Martínez-Olguin **refused** BiT Global's request for a temporary restraining order to block Coinbase from delisting its digital product, saying the company's evidence of "irreparable harm" in its \$1 billion litigation was "mostly speculative."

BiT Global Digital Ltd. is represented by Kevin Kneupper and A. Cyclone Covey of Kneupper & Covey PC.

Coinbase is represented by Sonal N. Mehta, David Z. Gringer and Paul T. Vanderslice of WilmerHale.

The case is BiT Global Digital Ltd. v Coinbase Global Inc., case number 5:24-cv-09019, in the U.S. District Court for the Northern District of California.

--Additional reporting by Hailey Konnath. Editing by Lakshna Mehta.

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Consumer Bid To Block Capital One-Discover Deal Falters

By **Jon Hill**

Law360 (May 15, 2025, 8:34 PM EDT) -- A California federal judge Wednesday rejected a group of consumers' last-minute bid to delay Capital One Financial Corp.'s impending purchase of Discover Financial Services, unpersuaded that the deal poses serious enough potential antitrust concerns to support a preliminary injunction.

U.S. District Judge Haywood S. Gilliam denied the requested injunction with just days to spare before the expected May 18 consummation of the \$35.3 billion transaction, which more than a dozen Capital One customers sued late last month to block.

Their lawsuit, filed shortly after the deal received final **regulatory approvals**, claims the mega-merger will supercharge Capital One in ways that will hurt credit card competition and facilitate swipe fee collusion, violating federal antitrust laws in the process.

To buy time for their challenge to be heard, the plaintiffs asked earlier this month for a preliminary injunction that would have barred Capital One from closing on the deal pending a trial on the merits.

But Judge Gilliam took a dim view of those merits in his Wednesday ruling, saying the plaintiffs hadn't even "come close" to making the necessary showing to justify the "extraordinary relief" of postponing the merger.

"The court finds that plaintiffs' request is cursory, unsupported by any record evidence, and falls far short of meeting the standard for a preliminary injunction," the judge said.

Virginia-based Capital One's purchase of Illinois-based Discover will mark one of the largest bank mergers since the 2008 financial crisis. **Unveiled last year**, it has been closely watched as a microcosm of broader policy debates over rising corporate concentration and bigness in banking.

The deal is set to blend a major credit card issuer with a major card processor, creating a new payment giant that will hold the nation's largest credit card portfolio and will elevate the Discover network as a rival to Visa Inc. and Mastercard Inc.

Proponents say this combination will boost competition in payments and be a boon for consumers, merchants and small businesses, but Democrats and consumer advocates say they **fear it will lead** to reduced consumer choice, higher pricing and increased systemic risk.

Federal regulators largely dismissed those concerns in approving Capital One's merger bid last month. The Federal Reserve, for one, found the deal wouldn't have a "significantly adverse effect on competition or on the concentration of resources in any relevant market."

But Democratic lawmakers have **continued to push back** since then. In recent days, Sen. Elizabeth Warren, D-Mass., has even urged the U.S. Department of Justice to step in and sue, arguing the deal is unlawful "because it would substantially lessen competition in critical credit card markets."

The Capital One customers arguing their suit before Judge Gilliam took similar positions, casting their bank's purchase of Discover as an "imminent direct threat to competition in the credit card issuing and processing marketplace."

Not only will the transaction "eliminate the direct competition between Discover and Capital One," the consumer plaintiffs say, but it also will "allow Capital One to buy its way into the general payment card network market, rather than enter through competition."

"The merger of firms with such market shares is alone sufficient to show that the merger may result in market concentration and substantially lessen competition," the customers argue. "Indeed, such facts are sufficient to show 'prima facie unlawfulness' under Section 7 [of the Clayton Act]."

According to the plaintiffs, this antitrust law and its precedents set an "exceptionally low" bar for litigants to prove that a merger should be blocked as anticompetitive, requiring them to show "merely a reasonable probability of lessening competition" in a given market.

But Judge Gilliam said this "lax framing" mischaracterized and "substantially" understated the applicable legal standard. Although the plaintiffs' predictions about the merger's competitive effects don't "need to be certain to succeed on the merits," he said, they do "have to be reasonably probable, rather than merely possible."

The plaintiffs accordingly "must proffer evidence that is at least sufficient to raise serious questions regarding whether the proposed merger is likely to substantially lessen competition in the alleged relevant markets," Judge Gilliam stated.

Under that standard, the judge said, the plaintiffs hadn't met their burden. They offered "no evidentiary support" for their assertions that the merger would reduce credit-card and card-processing competition, he said, describing their case as based more on theory and "general allegations."

"Such conclusory statements, unaccompanied by specific or verifiable facts, provide no basis on which the court can plausibly find that the claimed substantial anticompetitive effects are likely, or that plaintiffs have raised serious questions regarding the likelihood of such effects," Judge Gilliam said.

He also contrasted the plaintiffs' claims with what he said was the "persuasive evidence" from the Federal Reserve's merger approval order that the Capital One-Discover deal wouldn't significantly decrease competition. Further, their claims "entirely ignore" the Fed's overall finding that the merger would be a net-positive for the public, he added.

The plaintiffs don't attempt to rebut the Fed's findings "with any analysis or evidence of their own," the judge stated. "Instead, they repeat conclusions (not facts) and deficient legal arguments from their opening brief, and maintain that [Capital One] 'seeks to rely' on the merger guidelines that the Federal Reserve follows to 'avoid the law.'"

"But it is plaintiffs who simply fail to meet their prima facie burden under controlling law," he said.

Counsel for the plaintiffs and a Capital One spokesperson did not immediately return requests for comment Thursday.

The plaintiffs are represented by Joseph M. Alioto and Tatiana V. Wallace of the Alioto Law Firm, Christopher A. Nedeau of Nedeau Law PC, and Jeffery K. Perkins.

Capital One is represented by Ryan A. Shores, David I. Gelfand, Jacob M. Coate, Heather S. Nyong'o and Matthew M. Yelovich of Cleary Gottlieb Steen & Hamilton LLP.

The case is Donald Fry et al. v. Capital One Financial Corp. et al., case number 4:25-cv-03769, in the U.S. District Court for the Northern District of California.

--Editing by Kristen Becker.



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Student Clearinghouse Gets Final OK For \$10M Breach Deal

By **Hailey Konnath**

Law360 (May 15, 2025, 10:43 PM EDT) -- A Massachusetts federal judge has granted final approval to National Student Clearinghouse's proposed \$9.95 million settlement resolving allegations that the student data company's lax security practices exposed Social Security numbers and personal information in the hack of Progress Software's MOVEit file transfer tool.

U.S. District Judge Allison D. Burroughs certified a nationwide settlement class of all individuals whose Social Security number was exposed in the 2023 incident. The deal allows National Student Clearinghouse to exit sprawling multidistrict litigation over the breach and creates a \$9.95 million fund that pays class members for two years of credit monitoring. Class members can also recoup losses from the breach of up to \$12,500 or a cash payment of \$100, which could be increased or decreased depending on the number of claims made.

In her May 13 order, Judge Burroughs said the "uncertainties of continued litigation" weigh in favor of approving the agreement.

"The court finds that the parties faced significant risks, expenses, delays and uncertainties, including as to the outcome, of continued litigation of this complex matter, which further supports the court's finding that the settlement is fair, reasonable, adequate and in the best interests of the settlement class members," Judge Burroughs said.

Judge Burroughs also awarded \$2.5 million in fees and expenses to the plaintiffs' attorneys with Berger Montague PC, Lynch Carpenter LLP, Cohen Milstein Sellers & Toll PLLC, Lockridge Grindal Nauen PLLP and Levin Sedran & Berman LLP. And she awarded a \$5,000 service fee to class representative Michael Evangelista.

National Student Clearinghouse, based in Herndon, Virginia, operates as a service provider to higher education clients and receives data from the schools.

According to Evangelista's suit, ransomware cybercriminals stole the Social Security numbers and personal information of about 1.5 million people in the breach.

Under the agreement, class members can get reimbursement for things like fraud, telephone or cellphone charges, internet usage charges, credit monitoring, costs of credit reports or fraudulent bank or financial institution charges.

The deal, which was **first announced** last year, resolves the class action claims against the National Student Clearinghouse, but does not end the case against Progress Software.

National Student Clearinghouse didn't immediately respond to a request for comment late Thursday, and counsel for the plaintiffs declined to comment.

The plaintiffs are represented by Kristen A. Johnson of Hagens Berman Sobol Shapiro LLP, E. Michelle Drake of Berger Montague PC, Gary F. Lynch of Lynch Carpenter LLP, Douglas J. McNamara of Cohen Milstein Sellers & Toll PLLC, Karen H. Riebel of Lockridge Grindal Nauen PLLP and Charles E. Schaffer of Levin Sedran & Berman LLP.

National Student Clearinghouse is represented by Jacob J. Struck, Neil K. Gilman, Leslie W. Kostyshak

and Perie Reiko Koyama of Hunton Andrews Kurth LLP.

The case is Michael Evangelista v. National Student Clearinghouse et al., case number 1:23-cv-12993, in the U.S. District Court for the District of Massachusetts. The MDL is In re: MoveIt Customer Data Security Breach Litigation, case number 1:23-md-03083, in the U.S. District Court for the District of Massachusetts.

--Additional reporting by Brian Dowling. Editing by Kelly Duncan.

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Wells Fargo Opposes Atty Fee Bid After \$22M ADA Verdict

By **Sydney Price**

Law360 (May 15, 2025, 7:21 PM EDT) -- Wells Fargo said it is "vigorously" contesting an attorney's request for at least \$1.4 million in fees after winning a \$22.1 million verdict in an Americans with Disabilities Act case against the bank, telling the court the request to double the lodestar amount is unsupported.

The bank said it will not dispute the requested lodestar amount of \$685,724 — although it claims the court would be "well within its discretion" to reduce the figure by 10% to 15% — but says plaintiff Christopher Billesdon's attorneys' request of at least a double multiplier "rests on a fundamental misunderstanding of the governing standards."

Only "rare and exceptional" circumstances justify multiplying the lodestar amount, and Billesdon has not met the burden to show the upward adjustment is warranted, Wells Fargo claims.

"Plaintiff points to nothing more than Wells Fargo's zealous defense, but routine litigation delays, including the time required to litigate a case through trial and appeal, are not 'rare' or 'exceptional,' nor are they 'unjustifiable,'" Wells Fargo said.

Billesdon sued the company in March 2023, claiming he was laid off as it began bringing workers back to the office following the COVID-19 pandemic. He said the move was a cover-up for disability discrimination because Wells Fargo did not want to accommodate his request to continue working from home so that he could manage his paralyzed colon and bladder.

Last month, Wells Fargo announced its **plans to appeal** in the Fourth Circuit the March order largely denying its motion for judgment as a matter of law or for a new trial in the suit, as well as the \$22.1 million verdict handed down by a jury in the former employee's favor in July 2024.

Wells Fargo argued in August 2024 that the court should scrap the verdict, stating the evidence presented at trial did not support the jury's conclusions. The company said it put forward evidence that Billesdon was being considered for layoffs even before he filed his accommodation request, and that other employees were also laid off after he left the company.

It also argued that monetary award should be pared down, pointing to Fourth Circuit precedent that the ADA doesn't allow for compensatory or punitive damages for retaliation claims, and that Billesdon's claim for front pay was lacking.

On March 31, U.S. District Judge Frank D. Whitney **reduced the overall award** slightly but kept the judgment intact. The judge found the jury's \$1 million punitive damages award for ADA claims exceeded the \$300,000 statutory cap, but he also added 8% in prejudgment interest onto the jury's award of \$6.1 million in compensatory damages, resulting in an additional \$673,841 for Billesdon.

Representatives of the parties did not immediately respond to requests for comment on Thursday.

Billesdon is represented by L. Michelle Gessner of GessnerLaw PLLC.

Wells Fargo is represented by Terri L. Chase of Jones Day and David I. Klass and Suzanne K. Michael of Fisher Phillips.

The case is Billesdon v. Wells Fargo Securities LLC, case number 3:23-cv-00160, in the U.S. District Court for the Western District of North Carolina.

--Additional reporting by Hayley Fowler and Grace Elletson. Editing by Jay Jackson Jr.

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Zuckerberg Can't Avoid Deposition In Meta Health Privacy Suit

By **Hailey Konnath**

Law360 (May 15, 2025, 10:45 PM EDT) -- A California federal judge on Wednesday refused to rethink her earlier order forcing Meta CEO Mark Zuckerberg to give a limited deposition in privacy litigation over a Facebook tool's alleged collection of patient health information, rejecting Meta's arguments that other executives are better suited to testify.

U.S. Magistrate Judge Virginia K. DeMarchi noted that in an April 10 order, she already held that Zuckerberg probably has "at least some unique first-hand knowledge of facts relevant to a claim or defense" in the litigation, which centers on Meta's Pixel tool. She cited Zuckerberg's role "as a decision maker regarding certain privacy-related matters at issue in this case," the judge said.

Judge DeMarchi said she's not convinced that assessment was incorrect. For one, Zuckerberg hasn't denied that he has that knowledge, the judge said. And neither of the other executives made available to give depositions — Vice President of Product Development Fred Leach and Deputy Chief Privacy Officer Robert Sherman — claim to be the "final decision maker regarding the specific matters plaintiffs identify," she said.

"If Mr. Zuckerberg indeed has unique information, as the court has found, it is difficult to understand how another executive or employee could testify about how Mr. Zuckerberg arrived at the decisions attributed to him, what factors he considered, or why he decided as he did, without engaging in speculation," Judge DeMarchi said.

The judge also acknowledged that the deposition "presents an opportunity for abuse or harassment."

"That is one of the reasons the court imposed limitations on both the subject matter and duration of his deposition," she said.

The Pixel tool allegedly captures data about patient portal logins and the online scheduling of medical appointments by tracking when a patient clicks buttons on healthcare websites. The plaintiffs claim that Meta, which owns Facebook, isn't allowed to have that information under state and federal law as well as under its own terms of service.

In Wednesday's order, Judge DeMarchi also shot down Meta's argument that the information plaintiffs seek should be obtained from other sources rather than from Zuckerberg. Last month's order specifies that the deposition must be limited, Judge DeMarchi said.

"Meta's suggestion that information uniquely known to Mr. Zuckerberg should instead be obtained from other witnesses is simply not persuasive," she said. "Even so, the parties' briefing on reconsideration reflects that plaintiffs have made several attempts to obtain discovery through other means regarding Meta's privacy practices, including whether and how Meta obtains consent."

Meta has objected to many of those efforts, and only recently identified Sherman and Leach, "neither of whom is a document custodian," as witnesses, according to the order.

The plaintiffs have already obtained documents from Zuckerberg's custodial files, and now they want to depose Zuckerberg in light of those documents as well as testimony from other witnesses, Judge DeMarchi said.

"It is not clear to the court what other less intrusive means Meta believes plaintiffs should have employed earlier in the discovery period to obtain this information from Mr. Zuckerberg, and the court finds that plaintiffs have made a sufficient showing on this point," she said.

In the litigation, the patients claim they've **uncovered more than 600 healthcare web properties** "from which Meta collected sensitive information and believe thousands of additional healthcare web properties will be included." The suit zeroes in on Meta's health marketing division and the filter the company uses to screen out sensitive health data.

Last year, U.S. District Judge William H. Orrick **denied Meta's motion to dismiss** the suit, in particular rejecting Meta's argument that the patients' privacy claims are foreclosed at this stage in the litigation just because their communications with their healthcare providers may have been conducted via publicly available webpages.

Meta declined to comment, and counsel for the plaintiffs didn't immediately respond to a request for comment late Thursday.

The plaintiffs are represented by Geoffrey Graber of Cohen Milstein Sellers & Toll PLLC, Jason "Jay" Barnes of Simmons Hanly Conroy LLC, Jeffrey A. Koncius of Kiesel Law LLP, Beth E. Terrell of Terrell Marshall Law Group PLLC and Andre M. Mura of Gibbs Law Group LLP.

Meta is represented by Lauren R. Goldman, Darcy C. Harris, Elizabeth K. McCloskey and Abigail A. Barrera of Gibson Dunn & Crutcher LLP.

The case is In Re: Meta Pixel Healthcare Litigation, case number 3:22-cv-03580, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bonnie Eslinger and Ali Sullivan. Editing by Alanna Weissman.

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Trump Media Pushes Presidential Immunity In Del. Hearing

By **Katryna Perera**

Law360 (May 15, 2025, 10:43 PM EDT) -- President Donald Trump's social media company on Thursday continued to urge the Delaware Chancery Court to, at a minimum, pause a lawsuit brought by investors alleging that the platform going public cheated them out of their shares, arguing that "the power to sue the president, is the power to destroy the presidency."

The Chancery Court held a three-hour-long hearing on Trump Media & Technology Group Corp.'s **pending motions** to dismiss or stay the suit, which was brought by TMTG investor United Atlantic Ventures LLC. TMTG is the parent company of Trump's Truth Social website.

In addition to the president, the suit names as defendants Republican former Congressman Devin Nunes, who currently serves as TMTG's chairman and chief executive, and FBI Director Kash Patel, among others.

John L. Reed of DLA Piper, counsel for TMTG and Trump, argued before Vice Chancellor Lori W. Will that a stay of the litigation should be granted to advance the interests of the nation by allowing the sitting president to carry out the duties of the executive branch uninhibited by the "burdens" of civil litigation.

There are also immense burdens that come with serving as commander-in-chief, Reed noted, and the litigation would benefit from waiting until 2029, when Trump leaves office and will be no longer devoted to an executive branch "that never sleeps."

Another counsel for Trump and TMTG, Josh Halpern of DLA Piper, told the court that the president does not seek to extinguish any of the claims against him, but simply defer them so he can carry out his presidential duties "without the constant threat of distraction and harassment."

"Private lawsuits against a sitting president pose a clear and present danger to the operations of our national government," Halpern said. "Today, President Trump faces not just one case but a deluge of cases. ... If the president is forced to sit for depositions, produce documents and consult with counsel in each of those cases, it will interfere with his ability to do the job that the American people elected him to do."

According to Halpern, the suit also violates the supremacy clause of the U.S. Constitution, which bars states from taking any action that could substantially interfere with the executive branch.

Halpern also referenced the 1997 case of [Clinton v. Jones](#) , saying that in its ruling, the U.S. Supreme Court recognized that federal courts can sometimes burden the president's time, specifically related to damages actions challenging unofficial acts, but it drew a clear line against state courts doing the same.

Vice Chancellor Will asked how the burden argument applies to the other defendants in the case, given that they are not members of the executive branch. Halpern said if a stay were granted, it should extend to all the defendants because there is, essentially, no case without Trump.

"The entire case is about the president," Halpern said. "The other side claims that all the defendants acted at his direction ... and that they conspired to execute a scheme that he orchestrated. There is no way that this case could proceed in any respect against any of the defendants without the

president's ongoing participation.... He is, in their words, a key witness."

There could also be a risk of duplicative proceedings and inconsistent judgments if the litigation continued against the other defendants but proceedings involving Trump were held off until he leaves office, Halpern said.

Christopher Clark of Clark Smith Villazor LLP, counsel for United Atlantic Ventures, pushed back against the defendants' immunity argument, saying it has been rejected numerous times by other courts, including the U.S. Supreme Court, especially because the current suit involves Trump's alleged action when he was not president.

He also referenced *Clinton v. Jones*, in which the U.S. Supreme Court held that a sitting president isn't immune from civil litigation on claims that don't involve official duties, and that occurred before taking office.

Clark also pointed out that the defendants brought their own suit, in Florida federal court, against UAV, asserting breaches of fiduciary duty and other claims related to the underlying merger, which is "completely inequitable."

"If Mr. Trump does not have to litigate this case as president of the United States, why on Earth should he and his companies be allowed to prosecute a case aggressively against us?" Clark said.

Clark argued that the court should not endorse the defendants' action by granting a dismissal or stay of the case, but said UAV would agree to a stay of the current action if the Florida case were also paused.

"We're not looking to burden the presidency. We're looking for our remedy and a fair playing field," Clark said.

"[Trump] is an active, aggressive litigator as a person, and that is a choice he's made," he continued. "But the courts shouldn't allow him ... and he shouldn't be empowered to go out and sue people with impunity and then be able to say on counterclaims, 'I'm immune.'"

On rebuttal, however, Halpern argued that a federal judge in the Florida suit already ruled that no "substantially similar elements" existed between the suits.

The vice chancellor also heard arguments on the defendants' dismissal motion about the crux of the suit, which accuses TMTG and the president of variously seeking to lock up, dilute or pressure a giveaway of UAV's purported 8% stake, reducing it to 1%.

TMTG and Trump's counsel Ronald N. Brown III of DLA Piper told Vice Chancellor Will on Thursday that UAV's claims fail because UAV received its new TMTG shares after the lock-up restriction was adopted, and therefore, it does not violate UAV's shareholder rights.

Brown also pushed back against UAV's claim that there was no legitimate business purpose for the lock-up restriction, saying it was adopted to stabilize the share price of the new company, among other things.

UAV holds an 8.6% equity stake in Truth Social, owned by the Trump-controlled TMTG. It **sued** in February 2024 over a plan for the special purpose acquisition company Digital World Acquisition Corp. to merge with TMTG, which **won regulatory approval** from the U.S. Securities and Exchange Commission, and closed in March 2024.

Court papers said United Atlantic Ventures was co-founded by Andy Litinsky and Wes Moss, two former "Apprentice" contestants who say they helped Trump launch Truth Social in 2021 in exchange for equity in Trump Media & Technology Group.

Earlier this month, TMTG "redomesticated" **from Delaware to Florida**, joining other businesses that have taken what's become known as a "DExit" to other states.

United Atlantic Ventures LLC is represented by Richard I.G. Jones Jr., David B. Anthony and Harry W.

Shenton of Berger McDermott LLP and Christopher Clark and Benjamin Dozier of Clark Smith Villazor LLP.

President Donald J. Trump and Trump Media & Technology Group Corp. et al. are represented by John L. Reed, Ronald N. Brown, Caryn G. Schechtman, Josh Halpern and M. David Josefovits of DLA Piper US LLP.

The case is United Atlantic Ventures LLC v. Trump Media & Technology Group Corp. et al., case number 2024-0184, in the Court of Chancery of the State of Delaware.

--Additional reporting by Lauren Berg and Jeff Montgomery. Editing by Bruce Goldman.

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