

The 2025 Lawdragon 500 Leading Plaintiff Financial Lawyers

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Katrina Dewey

June 6, 2025



Caroline Robert of DiCello Levitt, Shawn Williams of Robbins Geller and Kathy Patrick of Gibbs & Bruns are among this year's honorees.

We're delighted to recognize The 2025 Lawdragon 500 Leading Plaintiff Financial Lawyers.

These are the lawyers and firms that give consumers, investors and businesses a fighting chance against corporations and other powerful entities that can sometimes seem too big to confront.

Not for these lawyers. They say bring it on.

They contest ridiculous pay packages on behalf of investors and face the ire of billionaires. They take on untouchable tech titans whose acquisition of personal data or construction of business processes have a few too many blurred lines. They challenge business moves that box out competitors.

Kathy D. Patrick joined Gibbs & Bruns determined to make a difference for those who were not treated fairly. In her remarkable career, she's done that time and again, winning more than \$20B in recoveries from financial institutions who engineered the residential mortgage-backed securities collapse. She has helped clients pursue those who committed securities fraud in Brazil, Thailand and Indonesia and has taken on the private prison and waste disposal industries. Currently, she's preparing for trial on behalf of Macy's, TJX and other retailers against Visa and Mastercard, seeking treble damages to remedy claims for billions of overcharges on swipe fees.

Robbins Geller partner Shawn A. Williams got his start trying 20 cases as an assistant district attorney in Manhattan before heading West to join Robbins Geller. There, he has served as lead counsel in numerous groundbreaking cases and recovered billions of dollars

for consumers and investors. He recovered more than \$490M against Apple for investors and was among lead counsel challenging Facebook's use of biometric information, recovering \$650M – the largest recovery in biometric litigation at that time.

Caroline M. Robert earned incredible experience suing financial institutions for their role in reverse mortgage backed securities, representing China Development Industrial Bank against Morgan Stanley. She's also represented international investors harmed by Volkswagen and Daimler's use of devices to defeat emissions standards. Born and raised in France, she plays a key role in DiCello's growing presence in securities and other financial litigation.

The firms represented here are remarkable. While some solely represent plaintiffs, others handle defense claims as well. As a whole they bring a level of assuredness and commitment to the justice system that can sometimes seem adrift. Susman Godfrey tops this guide with 55 partners whose understanding of their firm and its mission is clarion. They have company. Quinn Emanuel has amassed a worldwide fleet of tremendous advocates who can take on their adversaries, anytime, anywhere. Robbins Geller; Bernstein Litowitz; Pomerantz; Lieff Cabraser; Gibbs & Bruns; Seeger Weiss; Selendy Gay; Hausfeld; Cohen Milstein. All embody the professional defiance required to challenge the most powerful and are a source of inspiration.

We selected members of this guide through our time-honed process of submissions, independent research and vetting with friends and foes. We are extremely grateful for the wonderful submissions we received. Members of the Hall of Fame are denoted with an asterisk.

First	Last	Organization	Location	Practice
Mario	Alba Jr.	Robbins Geller	Melville, N.Y.	Complex Securities Litigation
Michael	Albert	Robbins Geller	San Diego	Complex Securities Litigation
Dory P.	Antullis	Robbins Geller	Boca Raton, Fla.	Complex Securities Litigation
A. Rick	Atwood Jr.	Robbins Geller	San Diego	Securities Litigation
Aelish Marie	Baig	Robbins Geller	San Francisco	Securities & Consumer Class Actions

First	Last	Organization	Location	Practice
Randall J.	Baron	Robbins Geller	San Diego	Securities Litigation
James	Barz	Robbins Geller	Chicago	Securities Litigation
Erin	Boardman	Robbins Geller	Melville, NY	Securities Litigation
Luke O.	Brooks	Robbins Geller	San Diego	Securities Litigation
Spencer	Burkholz	Robbins Geller	San Diego	Securities Litigation
Michael	Capeci	Robbins Geller	Melville, NY	Securities Litigation
Jennifer	Caringal	Robbins Geller	San Diego	Securities Litigation
Rachel	Cocalis	Robbins Geller	San Diego	Securities Litigation
Brian E.	Cochran	Robbins Geller	San Diego	Complex Litigation, inc. Securities, Consumer Protection, ERISA
Desiree	Cummings	Robbins Geller	New York	Securities Litigation
Stuart A.	Davidson	Robbins Geller	Boca Raton, Fla.	Class Actions, inc. Financial, Consumer, Privacy & Antitrust
Mark J.	Dearman	Robbins Geller	Boca Raton, Fla.	Securities & Antitrust Litigation
Michael J.	Dowd*	Robbins Geller	San Diego	Securities Litigation

First	Last	Organization	Location	Practice
Daniel S.	Drosman	Robbins Geller	San Diego	Securities Litigation
Jason A.	Forge	Robbins Geller	San Diego	Securities Litigation
Paul J.	Geller	Robbins Geller	Boca Raton, Fla.	Securities, Financial & Antitrust Litigation
Elise J.	Grace	Robbins Geller	San Diego	Securities Litigation
Tor	Gronborg	Robbins Geller	San Diego	Securities Litigation
Robert	Henssler Jr.	Robbins Geller	San Diego	Securities Litigation
James I.	Jaconette	Robbins Geller	San Diego	Securities Litigation
J. Marco	Janoski Gray	Robbins Geller	San Diego	Securities Litigation
Chad	Johnson	Robbins Geller	New York	Securities, Financial & Whistleblower Litigation
David A.	Knotts	Robbins Geller	San Diego	Securities Litigation, esp. M&A, Delaware
Laurie L.	Largent	Robbins Geller	San Diego	Securities Litigation
Ting H.	Liu	Robbins Geller	San Diego	Complex Securities Litigation
Christopher H.	Lyons	Robbins Geller	Wilmington, Del.	Complex Securities, M&A Litigation
Noam	Mandel	Robbins Geller	New York	Securities Litigation

First	Last	Organization	Location	Practice
Danielle S.	Myers	Robbins Geller	San Diego	Securities Litigation
Erika	Oliver	Robbins Geller	San Diego	Securities Litigation
Ashley M.	Price	Robbins Geller	San Diego	Securities Litigation
Willow	Radcliffe	Robbins Geller	San Francisco	Securities Litigation
Darren J.	Robbins	Robbins Geller	San Diego	Securities Litigation
Robert J.	Robbins	Robbins Geller	Boca Raton, Fla.	Securities Litigation
Robert M.	Rothman	Robbins Geller	Melville, NY	Securities Litigation
Samuel H.	Rudman	Robbins Geller	Melville, NY	Securities Litigation
Joseph	Russello	Robbins Geller	Melville, NY	Securities Litigation
Scott H.	Saham	Robbins Geller	San Diego	Securities Litigation
Juan Carlos	Sanchez	Robbins Geller	San Diego	Securities Litigation
Sam S.	Sheldon	Robbins Geller	San Diego	Securities Fraud, Complex Civil Litigation
Jessica	Shinnefield	Robbins Geller	San Diego	Securities Litigation
Mark	Solomon	Robbins Geller	San Diego	Securities Litigation

First	Last	Organization	Location	Practice
Laura S.	Stein	Robbins Geller	Philadelphia	Securities Class Action Litigation, Legislation
Shawn A.	Williams	Robbins Geller	San Francisco	Privacy & Securities Class Actions
Christopher M.	Wood	Robbins Geller	Nashville	Complex Securities Litigation
Debra J.	Wyman	Robbins Geller	San Diego	Securities Litigation

Securities Law News

Avis Budget Group Leaders Sued Over Rotation Strategy, Losses

June 6, 2025, 3:11 PM PDT

- **COURT:** D.N.J.
- **TRACK DOCKET:** [No. 2:25-cv-07934](#) (Bloomberg Law subscription)

Avis Budget Group directors and top executives failed to disclose the company was speeding up the rotation of its rental car fleets, causing a dramatic financial impact, an investor alleges.

The shift, which followed a Covid-19 pandemic slowdown in vehicle rotation, resulted in about \$2.5 billion in impairment and other charges, Andrew Jones says on behalf of the company. He filed his derivative suit Friday in the US District Court for the District of New Jersey.

"Fleet management, primarily fleet rotation, is critical to Avis's profitability," balancing usefulness, maintenance costs, and recoverable value, Jones says. The rotations shortened the useful life of the majority of the company's vehicles, he says.

"Avis has suffered and will continue to suffer significant financial and reputational harm" due to its leaders' actions, he says.

The derivative suit follows a proposed investor class action filed in the same district in April, alleging the charges caused a 6.8% stock drop Feb. 12, when the stock closed at \$83.59 per share.

Jones seeks restitution, disgorgement, and corporate governance reforms on his claims for breach of fiduciary duties and unjust enrichment.

Avis didn't immediately respond to an email requesting comment on behalf of the company and the individual defendants.

The Weiser Law Firm PC and John Gross, who practices in West Conshohocken, Pa., represent Jones.

The case is Jones v. Pahwa , D.N.J., No. 2:25-cv-07934, complaint 6/6/25 .

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Securities Law News

Compass Board Sued Over 62% Stock Plunge, Lugano Accounting News

June 6, 2025, 12:18 PM PDT

- **COURT:** C.D. Cal.
- **TRACK DOCKET:** No. [2:25-cv-05098](#) (Bloomberg Law subscription)

Compass Diversified Holdings leadership overstated its financials and internal controls before saying it needed to restate 2024 fiscal results while probing its luxury jewelry subsidiary, a shareholder lawsuit said.

Share prices dropped 62% the day after Compass said it would have to delay filing a federal report as it probed Lugano Holdings Inc.'s financing, accounting, and inventory practices, according to the complaint filed in the US District Court for the Central District of California. It was the stock's steepest single day slide since its 2006 market debut, according to data compiled by Bloomberg.

The company, which works to acquire and manage a group of small and middle-market North American businesses, also that day said Lugano's founder and CEO Moti Ferder had resigned from all of his positions and wouldn't receive severance. Compass, which trades under the ticker CODI, said it owned around 60% of Lugano.

Compass—which includes the Compass Diversified, Compass Group Diversified Holdings LLC, and Compass Group Management LLC—issued misleading statements about its fiscal performance and internal controls over financial reporting ahead of the May 7 announcement, said Thursday's shareholder derivative action, a complaint filed on a company's behalf against its corporate overseers.

Current and former executives and board members hurt Compass' wallet and reputation by causing it to issue misleading statements, said plaintiff Aaron Jones. They exposed Compass to potentially costly litigation and the need to remediate internal control deficiencies, Jones said.

And the board caused Compass to issue misleading proxy statements over the past couple years that sought certain shareholder votes, including to re-elect directors, Jones said. He alleged breach of fiduciary duty and a 1934 Securities Exchange Act violation by board members, plus a breach of fiduciary duty by current and former executives.

"The claims brought against CODI's leadership are meritless, and we will defend against them in court," a company spokesperson said in an email.



A pair of proposed class actions alleging similar issues against the company and certain current and former executives were filed in the same court last month.

Compass said May 27 it entered into a forbearance agreement with its lender group, reduced management fees, restricted investment in Lugano, and suspended quarterly cash distribution historically paid to common shareholders as it moved to enhance liquidity and cut costs while it investigates the jewelry subsidiary.

Rowley Law PLLC and Los Angeles-based attorney Francis J. Flynn, Jr. represent Jones, who seeks damages, restitution, and corporate governance reform for Compass, among other relief. Jones claimed wrongdoing from at least May 1, 2024—when it filed a quarterly federal report that attested to the accuracy of its financial reporting—through May 7, 2025.

The case is Jones v. Sabo , C.D. Cal., No. 2:25-cv-05098, complaint filed 6/5/25 .

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Securities Law News

Conflicts Tainted KnowBe4 Take-Private Merger, Investor Says

June 6, 2025, 10:24 AM PDT

- **COURT:** S.D. Fla.
- **TRACK DOCKET:** [No. 1:25-cv-22574](#) (Bloomberg Law subscription)

Most KnowBe4 Inc. investors received less value than they should have from the online security company's 2023 take-private merger into Vista Equity Partners Management LLC, according to a proposed class action.

"Vista acquired KnowBe4 at an unfairly discounted price" through a rushed, conflicted process that included misrepresentations to investors who weren't part of a controlling group of stockholders, the Water Island Event-Driven Fund says. The fund filed its complaint Thursday in the US District Court for the Southern District of Florida.

The transaction was structured to allow KnowBe4's founder and other controlling shareholders—KKR & Co., Elephant Partners, and their affiliates—"to have their cake and eat it too," Water Island says. Members of the group "both (i) monetized a portion of their respective stakes in KnowBe4 by selling interests to Vista, and (ii) at the same time rolled over (or purchased) nearly \$800 million in equity to maintain an upside benefit in the Company's future," the fund says. KKR, Elephant Partners, and several members of KnowBe4's leadership are named as defendants in the suit alongside KnowBe4 and Vista, a private equity firm.

Other shareholders received \$24.90 per share, which was a significantly lower price than an undisclosed valuation produced by conflicted financial advisers, Water Island says. The price "was below the \$25.00 per share floor the Special Committee had previously agreed on, and well below the target zone," it says.

There are hundreds or thousands of members of the proposed class, according to the complaint.

Water Island seeks damages on its claims for proxy misstatements and securities fraud.

KnowBe4 can't comment on pending litigation, it said in an email. KKR also declined to comment in an email. Elephant and Vista didn't immediately respond to requests for comment sent via LinkedIn and a web portal, respectively.

Kozyak Tropin & Throckmorton LLP and Entwistle & Cappucci LLP represent Water Island.

The case is Water Is. Event-Driven Fund v. KnowBe4, Inc. , S.D. Fla., No. 1:25-cv-22574, complaint 6/5/25 .

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Securities Law News

Reckitt Investor Sues Over Enfamil Formula Lawsuits (Correct)

June 6, 2025, 8:26 AM PDT; Updated: June 6, 2025, 3:13 PM PDT

- **COURT:** S.D.N.Y.
- **TRACK DOCKET:** No. [1:25-cv-04708](#) (Bloomberg Law subscription)

Reckitt Benckiser Group PLC was accused in a proposed class action of failing to warn investors and consumers that its Enfamil baby formula might be tied to a deadly health condition and related financial risks.

The company's US share prices fell after jury verdicts about cow's-milk based formulas' potential impact on premature infants, according to a retirement fund's complaint filed Thursday in the US District Court for the Southern District of New York.

The formula was good for bulking up low-weight infants quickly, but recent research has found strong links between cow-based products and necrotizing enterocolitis, a gastrointestinal condition in premature babies that can contribute to serious health complications or death, the Elevator Constructors Union Local No. 1 Annuity & 401(k) Fund said.

Reckitt instead touted Enfamil's safety, concealing that infants might be at an increased risk of developing NEC by drinking cow's-milk products, the retirement fund said. The company and top brass failed to warn investors that when potential risks were revealed, it would hurt Enfamil sales and expose the company to lawsuits, it said.

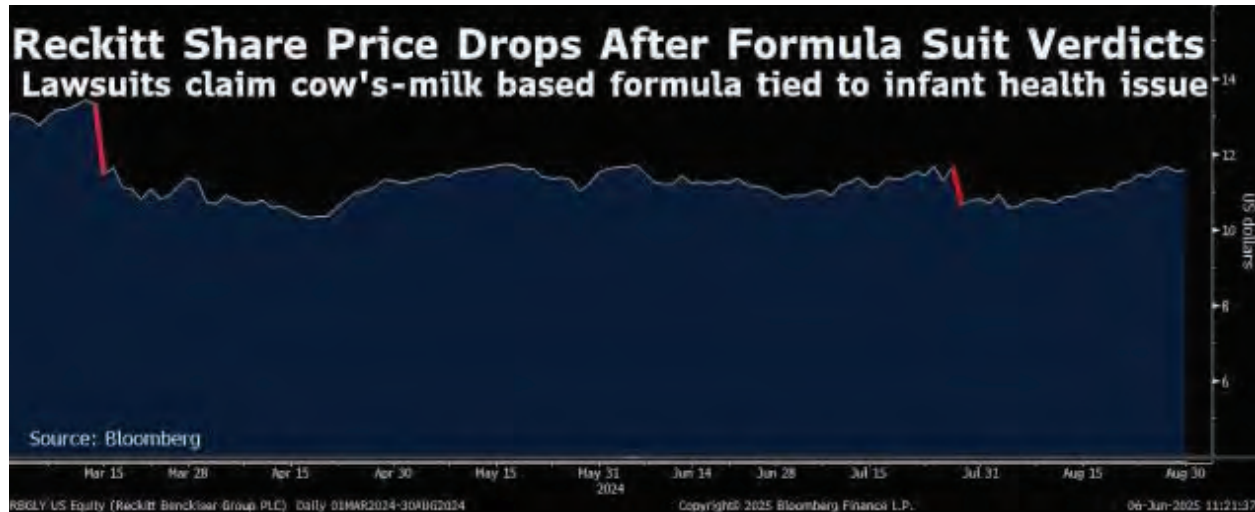
UK-based Reckitt, a consumer goods company with products ranging from cleaning supplies to nutritional supplements, acquired baby-formula maker Mead Johnson Nutrition in 2017.

In March 2024, an Illinois jury rendered a \$60 million verdict in favor of a mother, finding that Mead Johnson was negligent and failed to warn about the risk of an infant developing NEC from drinking the formula, the complaint said. Reckitt said March 15, 2024, that it stood by its products' safety after the verdict, rejecting the idea that any caused NEC.

That same day, Reckitt's American Depositary Share price dropped more than 14% to close at \$11.44.

Then in July, a Missouri jury awarded \$495 million in a case against Abbott Laboratories over its cow's-milk based formulas' alleged contribution to NEC in an infant. An Abbott spokesman said that day that the company "strongly disagreed" with the verdict.

Reckitt's share price dropped almost 9% to close at \$10.64 the next trading day, July 29, 2024.



This past March, a Missouri judge granted a new trial in a different case against Mead Johnson and Abbott. The companies have seen a deluge of legal complaints related to their infant formulas.

The Elevator Constructors Union fund is seeking to represent a class of those who obtained Reckitt American Depository Shares from Jan. 13, 2021, through July 28, 2024.

Scott+Scott Attorneys at Law LLP represents the fund, which is asking for damages and other relief for alleged Securities Exchange Act of 1934 violations by Reckitt and five current and former top executives.

Reckitt didn't immediately respond to an email seeking comment.

The case is Elevator Constructors Union Local No. 1 Annuity & 401(k) Fund v. Reckitt Benckiser Grp. plc , S.D.N.Y., No. 1:25-cv-04708, complaint filed 6/5/25 .

(Corrects lead photo on top of the story. An earlier version depicted retail products that are not the focus of litigation.)

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Securities Law News

DermTech Investors Advance Suit Over Cancer Test Device Revenue

June 6, 2025, 1:54 PM PDT

DermTech Inc. investors adequately alleged that the skin cancer test maker's statements about sales and revenue amounted to securities fraud, a federal court ruled after throwing out an earlier version of the complaint.

The investors can proceed with claims over three categories of statements, Judge Dana M. Sabraw said Thursday for the US District Court for the Southern District of California. And they provided sufficient support for their allegations of fraudulent intent by DermTech's top leaders, based on stock sales, changing language about coverage, and executives' knowledge about revenue-related metrics, Sabraw said.

- The investors allege the company's then-CEO, John Dobak, obtained more than \$5.5 million from selling stock while share prices were artificially inflated due to misrepresentations about Medicare coverage for a non-invasive melanoma detection patch, the item's price growth, and revenue accounting
- The investors have a plausible theory about how the price growth statements were misleading, and sufficiently allege revenue accounting violations, Sabraw said after ruling just one set of falsity allegations—about coverage—adequate in December
- In June 2024, San Diego-based DermTech filed a Chapter 11 petition in bankruptcy court in the District of Delaware, where the case is still pending

Glancy Prongay & Murray LLP is lead counsel for the investors. Mintz Levin Cohn Ferris Glovsky & Popeo PC represents DermTech and the individual defendants.

The case is *In re DermTech, Inc. Sec. Litig.*, S.D. Cal., No. 23-cv-1885, 6/5/25.

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Securities Law News

Delaware Corporate Law Changes Merit Fast Review, Judge Says (1)

June 6, 2025, 1:06 PM PDT

- Lawmaker push for deals safe harbor faces court challenges
- Delaware high court should take case on fast track, judge says

A major overhaul of Delaware's corporate laws, which set the nationwide tone for board battles and merger fights, moved closer Friday to expedited review by the state's top court.

A judge on its elite business court urged the state's supreme court justices to take a fast-tracked look at two provisions of state Senate Bill 21, signed by Gov. Matt Meyer (D) in late March after an aggressive six-week rollout. The legislation lowering judge-made guardrails around insider self-dealing divided the state's tight-knit legal community, with its corporate defense bar pushing the changes and shareholder firms opposed.

Vice Chancellor Lori W. Will made the decision Friday to "certify" questions about the bill presented by a case involving a joint venture between TotalEnergies SE and a BlackRock Inc. affiliate. The "unique circumstances" call for swift answers from the higher court, Will said. She noted that the request for immediate review, made by the shareholder leading the litigation, was unopposed.

The decision ultimately belongs to the justices, but they typically agree to review legal issues "certified" to them by the lower court's judges.

Shifting the case immediately to the Delaware high court would pave the way for a definitive resolution in the near term. It would also ramp up the pressure on a five-member tribunal that's currently weighing Elon Musk's closely watched appeal of a landmark \$56 billion ruling against him.

The world's wealthiest person has spent the last year and a half publicly attacking the judge in that case, including as recently as last month.

DExit Panic

The controversial legislation—introduced in mid-February—followed a panicked response to news that Dropbox Inc., Bill Ackman's Pershing Square Capital Management, and Meta Platforms Inc. were considering corporate "DExits" away from the state. Delaware funds more than a quarter of its budget with billions in fees on more than 2 million business entities registered there.

The bill was aimed largely at reining in the know-it-when-I-see-it discretion of Delaware's judiciary following a court crackdown on conflicts of interest. The coalition backing it included private equity lobbyists and the state's political establishment, sounding the alarm that unpredictable litigation outcomes were opening the DExit floodgates.

Scholars and institutional investors mobilized unsuccessfully against SB21, which ultimately sailed through the legislature. In the 10 weeks since its passage, several shareholder lawsuits challenging recent corporate transactions have taken direct aim at the statute's dealmaking safe harbor and a section making parts of the bill retroactive.

The retroactivity provision violates Delaware's due process clause, while the safe harbor goes against a state constitutional provision prescribing the jurisdiction of Delaware's Chancery Court, the leading US forum for corporate disputes, the suits say. Meyer has moved to intervene in one of the cases, a suit targeting Dropbox's move to Nevada.

That litigation is assigned to the court's chief judge, Chancellor Kathaleen St. J. McCormick, who said in late May that she favors giving the state supreme court a first crack at the constitutional questions. But McCormick—who delivered the January 2024 ruling that enraged Musk—held off on making a formal recommendation without hearing from both sides.

The shareholder leading the lawsuit over the BlackRock joint venture, Thomas Rutledge, is represented by Bernstein Litowitz Berger & Grossmann LLP, Equity Litigation Group LLP, and Morris Kandinov LLP. The joint venture, Clearway Energy Group LLC, is represented by Young Conaway Stargatt & Taylor LLP and Gibson, Dunn & Crutcher LLP.

The case is Rutledge v. Clearway Energy Grp. LLC , Del. Ch., No. 2025-0499, 6/6/25 .

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Securities Law News

This Week in Chancery Court: Squarespace Records, Prince Estate

June 9, 2025, 2:00 AM PDT

A dispute over the management of a company overseeing Prince's assets and legacy continues this week in the Delaware Chancery Court.

Here are more highlights from this week's court calendar:

Monday: Mich. Elec. Emp. Pension Fund v. Squarespace, Inc., Del. Ch., No. 2024-1041, bench ruling 6/9/25.

At issue: Senior Magistrate in Chancery Selena E. Molina will decide whether to order Squarespace Inc. to release CEO Anthony Casalena's emails related to the website publishing company's \$7.2 billion sale to Permira Advisers LLC. A ruling was expected last week, but Molina rescheduled the hearing. The Michigan Electrical Employees' Pension Fund took its books-and-records demand for the internal documents to trial May 29. The company said it produced over 5,000 pages of documents and it doesn't need to add Casalena's emails to them.

Court action: Molina will deliver her ruling via teleconference.

Squarespace's \$7 Billion Sale Draws Scrutiny From Pension Fund

Monday: McMillan v. Nelson, Del. Ch., No. 2024-0016, hearing 6/9/25.

At issue: Chancellor Kathaleen St. Jude McCormick previously ruled that control of Prince Legacy LLC must remain with two of the late musician's longtime friends, and not be transferred to Prince's half-siblings who seek to oust the managers. Among multiple pending motions now before McCormick is the relatives' request to stay the proceedings until parallel litigation brought by one of the managers in a Minnesota federal court is resolved.

Court action: The hearing will be held in Wilmington, Del.

Prince Siblings Lose Bid to Seize Estate Management Company (1)

Tuesday: Ayers v. Brigham, Del. Ch., No. 2024-0694, oral arguments 6/10/25.

At issue: Atlas Energy Solutions Inc.'s founder and members of its board seek the dismissal of an investor's lawsuit alleging they shortchanged public stockholders when they reorganized it from an Up-C into a traditional corporation. The investor didn't make any books-and-records demand first, so the complaint fails to allege that special committee members who approved the reorganization violated their duty of care or loyalty and "simply second-guesses their weighing of the transaction's pros and cons," according to a brief filed by the defendants. The investor contends the special committee included friends of Atlas's controlling stockholder, Texas oil tycoon Ben "Bud" Brigham, and they "deferred to management and management's conflicted advisors and failed to negotiate on behalf of minority stockholders."

Court action: Oral arguments will be held in Wilmington, Del.

Atlas Energy Solutions Reorganization Hit With Legal Challenge

Friday: Hightower v. Carlson, Del. Ch., No. 2023-0482, settlement hearing 6/13/25.

At issue: McCormick must give final approval to a proposed \$4.6 million settlement to resolve a shareholder challenge to SharpSpring Inc.'s \$240 million sale to Constant Contact Inc. in 2021. With her sign-off, the accord also would end parallel investor litigation involving securities fraud claims in a Florida federal court. While McCormick ruled last year to allow the Delaware lawsuit to move forward, an appeal is pending in the Florida case, after a US district judge dismissed the case there. The lawsuits alleged SharpSpring's CEO, CFO, and other board members prioritized transaction-related bonuses for top executives over maximizing the overall sale price. Shareholders said they didn't know about those conflicts of interest when investors approved the acquisition of the sales automation platform.

Court action: The settlement hearing will be held in Wilmington, Del.

SharpSpring Settles Investor Suits Challenging \$240 Million Sale

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Securities Law News

Deep Dive

Alphabet's \$500 Million Settlement Shows Need for Risk Oversight

June 6, 2025, 8:06 AM PDT

- Google parent to use \$500 million for compliance changes
- Settlement shows need for active board monitoring, derivatives

Alphabet Inc. board's \$500 million commitment to improve its global regulatory compliance structure should alert companies to ensure their corporate overseers are actively and clearly monitoring risks, attorneys say.

And it's a reminder of the force of shareholder derivative actions such as the ones now settled by Google's corporate parent to compel internal reform, they add.

Alphabet shareholders last week asked a federal court to preliminarily approve the accord, which would include the creation of a new board committee dedicated to risk and compliance, as the company and its Google LLC face antitrust regulators' scrutiny.

The agreement lands as another US judge weighs how to curtail Google's dominance—potentially by divesting its Chrome browser—after finding it held an illegal monopoly of the online search market in a case brought by the US Justice Department. Another federal judge found Google had an illegal monopoly in two markets through its online advertisement technology in April. Meanwhile US regulators investigate whether Google violated antitrust law through a deal to use artificial intelligence technology from a popular chatbot maker.

Breaking out a separate risk committee from Alphabet's audit one "should help ensure that directors are not forced to divide their attention between financial oversight and compliance matters," said Veronica Root Martinez, a Duke University School of Law professor.

"More generally, I view the settlement as an interesting and potentially innovative example of how shareholder litigation can catalyze meaningful compliance reforms within a large, multinational corporation," she said.

The agreement is still subject to the approval of San Francisco federal court Judge Rita F. Lin. And it will likely come under heavy scrutiny from her and other shareholders, said Justin A. Kuehn, founder of Kuehn Law, adding that the US District Court for the Northern District of California is very familiar with stockholder litigation.

Ephemeral Communications

The investors' derivative suit, filed against Alphabet's leadership, ostensibly on the company's behalf, alleged those leaders let it engage in various anticompetitive practices. This put the company at risk for billions of dollars in fines, damaged its reputation, and exposed it to antitrust investigations and enforcement actions by the Justice Department, state attorneys general, federal lawmakers, foreign governments, and private plaintiffs.

As part of the agreement, Alphabet will spend about \$500 million over the next 10 years on its compliance and risk monitoring, including for new committees at different levels of the company and to preserve communications that the investors said were "previously ephemeral."

The massive funding commitment fits with Alphabet's size, but is unique, said the lead attorney for the shareholders. "The amount of money that Google/Alphabet has, if you compare that to the Facebook/Meta's of the world, it really sends a message that it's a commitment to be taken seriously," said Patrick Coughlin, who's with Scott & Scott Attorneys at Law LLP, the law firm that leads the litigation.

"Over the years, we have devoted substantial resources to building robust compliance processes," Google spokesperson Peter Schottenfels said in an email. "To avoid protracted litigation we're happy to make these commitments as we continue to prioritize our compliance obligations."

Board Committees

In context, the amount of money makes sense for a commitment at this large company "to have real teeth," Kuehn said. But what the deal demonstrates is potentially wider adoption of risk committees—which would be a good trend to help alleviate some of the responsibilities balanced by traditional audit committees, Kuehn said, noting his surprised that a company of Google's size didn't already have one.

Companies often monitor such undertakings of their peers, Martinez said. "One company's innovation is likely insufficient to establish industry practice, but if others adopt similar reforms, we may witness the emergence of Risk and Compliance Committees as a broader governance trend among large corporations," she said.

The deal is a reminder that board members should purposefully monitor evolving risks to the institution, which could "be different in the future based on the global economic environment, the geopolitical factors," said Jim Kramer, a partner at Orrick, Herrington & Sutcliffe LLP.

"Generally, the lesson here is board members need to be purposeful," Kramer said. "They need to consistently be aware of risks facing the company, ensure that information to allow them to monitor that risk is making its way to the board, and when it does, that there's a clear record that the board is going to own protecting the company from that risk."

And boards should pay attention to changes in international antitrust regulators' rules and enforcement. "Their boards should be updated on how this has changed—not just how the laws have changed, but how enforcement is approached," Kramer said.

Derivatives Outlook

Coughlin, who said the Alphabet settlement was hotly negotiated for well over a year, said he wasn't sure whether this would attract more shareholder derivative litigation, given the time and expense.

"First of all, you have to get by the demand, and everything else aside from making records' requests. So you can spend \$10 million and not be anywhere. It's not cheap litigation. So we're not necessarily sure this action will lead to more litigation," he said. "I think what it'll do is kind of wake up companies."

Working on remedies like this is difficult, Kuehn said, particularly with large companies that don't necessarily want to be told what to do: "To get any company to agree to governance is no small feat, but especially so with a company like Google."

Any state limitations on shareholder litigation pose serious risks for investors in being able to engage with a company, and this case "demonstrates the value of what can be accomplished," he said.

Still, boards should be prepared for it, because shareholder derivative litigation isn't likely to cool down, said Orrick's Kramer. "The Google case is a continuation of the trend that these cases are real, and the plaintiffs' lawyers are looking very hard at how boards are monitoring risk and responding to risk," he said.

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As SEC Rethinks Foreign Issuer Exemptions, Securities Lawyers Hope for Caution



law.com/nationallawjournal/2025/06/06/as-sec-rethinks-foreign-issuer-exemptions-securities-lawyers-hope-for-caution

Dan Novak

June 7, 2025

The U.S. Securities and Exchange Commission building in Washington. Credit: Diego Radzinski/ALM

News

As it considers new rules on foreign companies' disclosure requirements, the U.S. Securities and Exchange Commission risks placing onerous requirements on overseas businesses operating in good faith and already subject to strong securities oversight in their home countries, securities lawyers said.

June 06, 2025 at 06:43 PM

Capital Markets

The U.S. Securities and Exchange Commission, in soliciting public comment Wednesday on its definition of a foreign private issuer, singled out Chinese companies incorporated in the Cayman Islands as benefiting from reporting exemptions despite being traded solely in American markets.

But as it considers new rules on foreign companies' disclosure requirements, the SEC risks placing onerous requirements on overseas businesses operating in good faith and already subject to strong securities oversight in their home countries, securities lawyers said Friday.

"I think there's a little bit of concern that it could have some collateral consequences to some jurisdictions that, for decades, have had issuers cross listed on U.S. exchanges," said Troutman Pepper Locke partner Tom Rose. "So we shouldn't throw the baby out with the bathwater. But there's clearly an intention to focus some efforts and energies on companies from, or having an access to, certain jurisdictions."

Foreign private issuers are exempt from certain SEC disclosure requirements applied to domestic U.S. companies. A company is considered a foreign private issuer if it is not incorporated in the United States and either less than half of its outstanding voting securities are held by U.S. residents or most of its executives are non-U.S. citizens and most of its business operations are located outside the United States.

The rationale behind the exemptions is to avoid burdening foreign companies already subject to adequate securities regulations with duplicative or inconsistent SEC rules, said University of Pennsylvania securities professor Jill Fisch.

There have been significant changes in the makeup of foreign issuers since the foreign private issuer rules were last amended in 2003, according to SEC staff data.

In 2003, the most common places for incorporation and headquarters for foreign issuers were Canada and Britain, respectively. But in 2023 the most common jurisdiction for foreign companies to incorporate was the Cayman Islands, with most companies headquartered in China.

Commission staff also found that more than half of foreign issuers registered with the SEC trade exclusively in American markets and not in their home countries.

“We allow these companies—in large part Chinese companies incorporated in the Caymans—the benefit of our markets, regardless of whether their home rules provide the meaningful transparency and accountability that had been historically envisioned in connection with our foreign issuer framework,” Democratic SEC Commissioner Caroline Crenshaw said Wednesday.

Commission staff has proposed possible regulatory solutions, such as changing the foreign private issuer eligibility criteria, adding a requirement that a certain percentage of a foreign issuer’s trading volume occur outside the United States or requiring foreign issuers to be listed on a major foreign exchange.

Republican SEC Commissioner Hester Peirce derided as “particularly weak” a staff recommendation to mandate that foreign private issuers be incorporated in a country which has signed the International Organization of Securities Commissions Multilateral Memorandum of Understanding. Peirce said such a requirement would cede regulatory authority to an international organization.

Rose, of Troutman, said some SEC proposals would be significant changes and see pushback from market participants. But Troutman added he expects some “changes around the edges,” especially to tamp down on foreign issuers who have bypassed their home country exchange and gone directly to U.S. markets.

The SEC should approach changes to the foreign private issuers definition “with caution,” Rose said.

“You kind of have to sit and think about how these rules impact different issuers and different jurisdictions in different ways,” he added. “It’s certainly not uniform, and it can have unintended consequences.”

Sean Tate, managing partner of Tate Law Group, said any foreign company benefiting from U.S. markets and U.S. capital—regardless of jurisdiction—should be subject to the same reporting requirements as American companies.

But, he added, “I don’t think it’s going to have as big of an impact on the ones who have similar regulatory frameworks and funds that we do.”

Dechert partner Anna Tomczyk said she could see the SEC adopting a structure where companies had to fit one of several criteria that commission staff proposed. Tomczyk added that she expects the commission to treat companies in home countries with strong regulators differently.

“I’m sure some of our foreign private issuer clients will not be happy if they end up not being foreign private issuers, but I would be not be surprised if the SEC is accommodating to good-faith foreign private issuers,” Tomczyk said. “It’s likely that some changes are going to happen so I do think that foreign private issuers should be aware of them.”

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Trending

Who Got The Work

Alexander F. Koskey III of Baker, Donelson, Bearman, Caldwell & Berkowitz has entered an appearance for Nationwide Recovery Service in a pending data breach class action. The complaint, filed April 22 in Georgia Northern District Court by Mason LLP on behalf of Guy Truelove, arises from a July 2024 data breach. The complaint contends that the defendants failed to adhere to industry standards to safeguard the personally identifiable and private health information of patients and employees. Co-defendant Hamilton Health Care System is represented by Alston & Bird. The case, assigned to U.S. District Judge William M. Ray II, is 4:25-cv-00100, Truelove v. Hamilton Health Care System, Inc.

[Read More](#)

High Court Wrestles With Procedural 'Complication' During Oral Argument in Class Certification Case

 [law.com/thelegalintelligencer/2025/06/09/high-court-wrestles-with-procedural-complication-during-oral-argument-in-class-certification-case](https://www.law.com/thelegalintelligencer/2025/06/09/high-court-wrestles-with-procedural-complication-during-oral-argument-in-class-certification-case)

John Soumilas

June 9, 2025

Expert Opinion

Recently, the U.S. Supreme Court heard oral argument in *Labcorp v. Davis*. During oral arguments, the court appeared to get tripped up by a procedural “complication,” which could be an opportunity for the court to avoid a likely divided ruling on the merits.

7 minute read

Consumer Products

Federal circuit courts are split today on whether a federal court can certify a class action under Federal Rule of Civil Procedure 23(b)(3) when at least one member of the proposed class lacks an Article III injury. Some hold that certification is improper under Article III when the class would include at least one person who lacks standing. Others would allow certification under Rule 23(b)(3) if uninjured parties represent only a de minimis portion of the class. A third group puts it off until the post-certification stages of a case—unless a “great many” or “large portion” of class members lack standing.

Recently, the U.S. Supreme Court heard oral argument in *Labcorp v. Davis* (No. 24-304) to determine which of these approaches, if any, was the correct one. During oral arguments, the Court appeared to get tripped up by a procedural “complication,” which could be an opportunity for the court to avoid a likely divided ruling on the merits.

The plaintiffs in *Labcorp* are a group of legally blind individuals who allege they could not use the self-service check-in kiosks at Labcorp’s patient facilities. The plaintiffs alleged Labcorp’s kiosks violated the Americans with Disabilities Act, the Rehabilitation Act, the Patient Protection and Affordable Care Act, and California’s Unruh Act.

The district court in May 2022 initially certified a class of all legally blind individuals in California who visited a Labcorp facility and were “denied full and equal enjoyment of the goods, services, facilities, privileges, advantages, or accommodations due to Labcorp’s failure to make its e-check-in kiosks accessible to legally blind individuals.” However, the *Labcorp* plaintiffs later moved to change the class description to eliminate “fail safe” language from it to prevent having a class that would be defined by a determination on the merits of the case. The district court then redefined the class in August 2022 as including all legally blind individuals who had visited a Labcorp facility “but were unable to use the Labcorp express self-service kiosk.”

Labcorp filed an appeal from the district court's initial (May 2022) class certification order, arguing that the initial order included class members who lacked Article III standing because some legally blind individuals who visited Labcorp's facilities chose not to use the self-service kiosk and thus would not have been injured but would still be included in the class. The U.S. Court of Appeals for the Ninth Circuit affirmed the district court's order in February 2024, ruling that the lack of injury for some potential class members did not defeat commonality. Labcorp then successfully petitioned for a writ of certiorari to the U.S. Supreme Court.

Before the Supreme Court, Labcorp argued district courts should be required to address injury-based jurisdictional questions before certifying a class. Otherwise, Labcorp argued, corporate defendants could be forced to defend claims from parties who lacked standing, increasing the scope of litigation risk and unwarrantedly pressuring those defendants to settle for potentially larger sums of money. Labcorp also argued that courts would have to enter dispositive orders binding on unnamed class members who had suffered no injury. Alternatively, Labcorp argued that certifying a class including uninjured members would cause extensive litigation over who was actually injured, defeating the benefits of class action litigation.

According to Labcorp, courts should be required to address Article III standing by defining classes to include only those individuals who had suffered an injury-in-fact. However, Labcorp claimed that even if a class could be defined to exclude noninjured parties, the class should not be certified unless there was a way to separate noninjured parties from the class without conducting mini trials. Otherwise, a class could not meet the predominance and commonality requirements for class certification.

The plaintiffs/respondents contested Labcorp's positions, arguing that courts should not be required to address Article III standing questions at the class certification stage and that non-named class members should not be required to show standing until the court grants individual relief. The plaintiffs noted Supreme Court precedent suggests that class certification was "logically antecedent to Article III concerns" and thus should be addressed first.

The plaintiffs/respondents also argued that the district court's amendment of the class definition could moot Labcorp's appeal. Specifically, they noted that Labcorp's notice of appeal only challenged the initial class definition in May 2022, which was superseded by the district court's second order in August 2022 that amended the class definition. The plaintiffs argued that interlocutory appeals from superseded orders are moot.

At oral argument, the plaintiffs'/respondents' arguments that the procedural developments in the case may have mooted Labcorp's appeal—which weighed against issuing a merits ruling—were front and center. Labcorp tried to allay the justices' concerns about this issue,

arguing the district court had characterized its two class certification definitions as “identical,” and noting the Ninth Circuit had ruled on the merits of the initial order, allowing the court to reach the merits of Labcorp’s appeal.

Although some justices, such as Justice Brett Kavanaugh, appeared to accept the district court’s characterization of its orders, other justices expressed concern about issuing a merits ruling. Justice Samuel Alito noted that the Ninth Circuit’s handling of the case may have caused the procedural issues in the appeal.

Conversely, Justice Ketanji Brown Jackson suggested Labcorp was to blame for the procedural issues as it had challenged the initial class certification as an improper “fail-safe” class. Justice Neil Gorsuch characterized the procedural posture as a “squirrelly complication” and questioned Labcorp’s counsel whether a ruling by the court would merely be an advisory opinion—an impression echoed by Justice Sonia Sotomayor.

Turning to the merits, some justices sympathized with Labcorp’s arguments that corporate defendants would be pressured to settle litigation involving improperly broad classes. Chief Justice John Roberts Jr. noted that “the elephant in the room” was that “the possibility of facing the damages that are at issue in many of these cases is enough to prevent defendants, as a practical matter, from going to trial.” Kavanaugh appeared to agree with the chief justice.

Jackson noted that class plaintiffs usually only need to show that one named plaintiff has standing to proceed. Justice Sotomayor explained courts protect defendants’ rights by preventing uninjured class members from receiving payment for damages, and that she did not think absent class members become parties to the litigation at the class certification stage, but instead when judgment is entered. Gorsuch noted that defense counsel prefer broad class definitions because they guarantee their clients “peace.” Otherwise, litigation could devolve into “mass tort claims.”

The court is expected to issue a ruling in *Labcorp* in July. A merits ruling would offer federal courts clarity about whether they must address Article III issues for non-named class members during class certification. Even though some justices expressed concerns about the procedural issues in the case potentially mooting the appeal, the court’s grant of certiorari suggests it is interested in resolving the circuit split over Article III standing for class members at the class certification stage.

If the court rules in favor of Labcorp, consumers may face additional hurdles in pursuing class action litigation. Getting a class certified may require plaintiffs to develop class definitions that definitively exclude class members who have suffered no injury from a defendant’s alleged misconduct. If they do not, corporate defendants may have an easier time defeating class certification orders in district courts and on appeal.

However, if the court chooses not to issue a decision on the merits and instead issues one based on the procedural issues in the appeal, the circuit split over Article III standing for non-named class members will persist until a future appeal makes its way to the court. A decision based on a procedural issue would be to the chagrin of corporate defendants hoping for a bright line rule that would help them defeat class actions before class certification.

Two of the court's recent class action standing opinions, *TransUnion v. Ramirez*, 594 U.S. 413 (2021), and *Spokeo v. Robins*, 578 U.S. 330 (2016), were split decisions. Given what we heard at oral argument, it should surprise no one if a decision in *Labcorp*—on the merits or regarding a procedural issue—follows suit.

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Trending

New Suit - Shareholder Derivative

Steven Gottfried and his companies UtilizeCore, a cloud-based service management automation platform, and EquipID were sued for alleged misappropriation of intellectual property and breach of fiduciary duty in a shareholder derivative lawsuit on June 9 in New York Southern District Court. The suit, brought by Altman & Company on behalf of stockholder Crossing Bay Partners, claims Gottfried allegedly misappropriated EquipID's assets, taking them to UtilizeCore without due consideration and harming EquipID shareholders. The complaint submits that EquipID was a thriving business, securing contracts with major clients like Chipotle, Apple, and a \$40 million deal with Balfour Beatty. The shutdown caused significant financial harm to shareholders. The case is 1:25-cv-04834, Crossing Bay Partners, LLC v. Gottfried.

Litigation Trends to Watch: Claims Surge Over Settlement Administrator 'Kickbacks,' Spinal Cord Stimulators and Crypto Fraud

 [law.com/2025/06/06/litigation-trends-to-watch-claims-surge-over-settlement-administrator-kickbacks-spinal-cord-stimulators-and-crypto-fraud](https://www.law.com/2025/06/06/litigation-trends-to-watch-claims-surge-over-settlement-administrator-kickbacks-spinal-cord-stimulators-and-crypto-fraud)

Mike Neighbors

June 6, 2025

Settlement administrators are accused of taking kickbacks from banks.

Class Actions

Welcome to the Trend Detection Weekly Scan from [Law.com Radar](#). This weekly article highlights shifts and patterns in case filings that are surfaced by Law.com Radar's award-winning Trend Detection system.

New to Trend Detection? This proprietary system employs specialized algorithms to identify early signs of litigation trends in federal litigation filings. [Click here](#) to learn more about Law.com Radar's new suit alerting and trend detection capabilities.

Here are some noteworthy litigation patterns surfaced by the platform this week:

Settlement administrators are accused of taking kickbacks from banks.

Patients are demanding new FDA review of spinal cord devices.

Securities cases surged in the cryptocurrency sector.

Employment litigation is heating up in California.

A swarm of lawsuits hit the fintech industry in California.

► [Litigation Surge - Class Actions | Boies Schiller Flexner](#)

Settlement administrators Epiq Systems, Angeion Group and JND Legal Administration, along with Huntington National Bank and Western Alliance Bank, were hit with a surge of antitrust and civil RICO class actions on May 28 and 29. At least three federal lawsuits were filed in [California](#), [Florida](#) and [New York](#) accusing the banks of charging below-market interest rates on qualified settlement funds held on behalf of the administrators. According to the complaints, the administrators threatened to pull class action settlement funds if the banks did not guarantee below-market rates, and therefore the low rates constitute unlawful kickbacks resulting in lower recovery for settlement recipients. All three suits are backed by Boies Schiller Flexner.

The administrators were hit with a [similar class action](#) in April over claims of accepting kickbacks from fintech and banking companies that provide digital payment cards and gift cards to recipients of settlement funds. The complaint alleges that when those companies receive 'breakage,' or excess revenue from unredeemed cards, they share a portion of the breakage with the defendants as an unlawful inducement for using the companies' services. The suit was brought by Edelson Lechtzin in Pennsylvania Eastern District Court.

[View Surge Data](#)

► [Litigation Surge - Product Liability | U.S. Food and Drug Administration](#)

The U.S. Food and Drug Administration was hit with a surge of product liability cases in May. At least seven federal lawsuits were filed, six of which were brought by patients who allegedly suffered injuries after being implanted with spinal cord stimulators to treat chronic pain. The suits contend that although the original versions of the devices received FDA approval, numerous upgrades and modifications such as Bluetooth-enabled programming, waveform functions and new battery architecture materially transformed the devices and should have triggered new FDA review. [Abbott Laboratories](#), [Boston Scientific](#) and [Nevro](#) are also named as defendants. All six cases were brought by the Wilhite Law Firm; other plaintiffs firms include Wallace Miller and the Carlson Law Firm.

[View Surge Data](#)

► [Litigation Surge - Cryptocurrency | Securities](#)

Law.com Radar detected a surge of securities litigation in the cryptocurrency sector in May. Nine federal lawsuits were surfaced by the platform, triple the usual monthly average. Most of the suits accuse companies and individuals of defrauding investors, including a trio of lawsuits launched by the U.S. Securities and Exchange Commission. For instance, Amalgam Capital Ventures CEO Jeremy Jordan-Jones was sued by the SEC for allegedly misappropriating investment funds intended for a blockchain-based [payment processing platform](#), and Zero Edge CEO Richard T. Kim was sued by the agency for allegedly using investment funds to engage in risky crypto trading and gambling rather than developing a blockchain-based [online casino](#).

[View Surge Data](#)

► [Litigation Trend - California | Labor & Employment](#)

Employment litigation is trending upward in California federal courts. At least 261 federal employment suits were initiated last month in the Golden State, about 20% higher than the typical monthly average and continuing a rising trend which traces back roughly one year. Most of the suits allege discrimination on the basis of race, age, gender or disability. The

most active plaintiffs firms include the Moon Law Group, D. Law and the Bibiyan Law Group. Who got the work? Go-to defense firms include Littler Mendelson, Ogletree Deakins and Jackson Lewis.

[View Surge Data](#)

► [Litigation Surge - Fintech | California](#)

Law.com Radar detected a surge of lawsuits in the fintech sector in California during the week of May 26. Six cases were filed by or against entities on Radar's sector watchlist, most of which center on cryptocurrency exchange Coinbase. Of note, the crypto platform filed two petitions seeking to confirm arbitration awards dismissing securities claims by individuals who allegedly suffered losses after the May 2022 collapse of the TerraUSD stablecoin or 'UST.' According to the [complaints](#), the arbitrators ruled Coinbase could not be held liable as a 'seller' of UST under securities laws because title to UST did not transfer to Coinbase under its user agreements. The suits are backed by Bryan Cave Leighton Paisner.

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[Read More](#)

New Suit - Copyright

Zynga was hit with a copyright infringement lawsuit on June 9 in California Northern District Court. The action, brought by Sanders Law Group on behalf of Jason Chatterley Design, stems from Zynga's alleged unauthorized use of a copyrighted photograph featuring a Mitsubishi automobile on its CSR Racing Facebook page in July 2021. The case is 4:25-cv-04846, Jason Chatterley Design, LLC v. Zynga Inc.

[Read More](#)

New Suit - Copyright

Hong Kong Leyuzhen Technology filed a copyright infringement lawsuit on June 9 in Illinois Northern District Court. The lawsuit, filed by Bayramoglu Law Offices, takes aim at e-commerce operators over the alleged use of the plaintiff's copyrighted photographs from its Rotita-brand marketing materials to sell counterfeit products. The case is 1:25-cv-06388, Hong Kong Leyuzhen Technology Co. Limited v. The Individuals, Corporations, Limited Liability Companies, Partnerships and Unincorporated Associations Identified in Schedule A.

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Sacramento firm sued over data breach exposure of client records

DJ [dailyjournal.com/articles/386024](https://www.dailyjournal.com/articles/386024)

Jun. 6, 2025

A prominent Sacramento civil firm has been hit with a proposed class action alleging a data breach exposed a client's private medical records.

John J. Nelson filed the complaint, stating that Kronick, Moskovitz, Tiedemann & Girard PC discovered the breach in August but did not notify clients until last month.

Nelson, a partner with Milberg Coleman Bryson Phillips Grossman PLLC in San Diego, added that the compromised data included "name, Social Security number, date of birth, driver's license number, medical and health insurance information."

"Plaintiff and Class Members have lost the ability to control their private information and are subject to an increased risk of identity theft. ... Defendant had an obligation to disclose the Data Breach in a timely and accurate fashion as mandated by Cal. Civ. Code § 1798.82," Nelson wrote in the Thursday filing.

The complaint claimed negligence, breach of implied contract and violations of California's Unfair Competition and Customer Records Acts. Nelson added that that breach was "foreseeable" and that the online sale of private medical records is a growing problem. Kronick has significant health care practice. *Roseanne Scroggins v. Kronick, Moskovitz, Tiedemann & Girard, P.C.*, 25CV013376 (Sac. Super. Ct., filed June 5, 2025).

"Kronick takes any threat to our information security seriously," the firm said in an emailed statement. "We engaged external counsel who in turn engaged third-party cybersecurity experts to support our investigation and remediation process, which included evaluating additional security enhancements to our network. Beyond that, we cannot comment specifically on pending litigation."

Cyberattacks are increasing against law firms and health care providers. According to a report from the American Bar Association released at the end of 2023, 29% of firms polled suffered a cybersecurity breach that year, up from 27% the year before. That was despite growing spending on cybersecurity. Meanwhile, the percentage of firms with cybersecurity insurance dropped from 46% to 40%, apparently because of the rising cost of these policies and the security steps providers require before they offer coverage.

"Law firms are particularly susceptible to cybercrime due to the gold mine of confidential information that lawyers store," wrote the cyber-insurance provider Embroker in an April report. "With details on trade secrets, medical records, intellectual property, and all kinds of information and secrets that individuals would rather not have exposed, a hacker is drawn to a lawyer's hard drive like a moth to a flame."

Meanwhile, cyberattacks against health care providers have become a widely documented phenomenon. According to an October report from the American Hospital Association, the number of people whose data was compromised--the so-called "blast radius" of a breach--grew nearly fourfold between 2022 and 2023. Health care providers are often subjected to data theft and denial of service attacks and are made more vulnerable by outdated technology.

#386024

Malcolm Maclachlan

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Litigation

Meta, Google Android Defect Revealed User Information, Suit Says

June 9, 2025, 10:01 AM PDT

- **COURT:** N.D. Cal.
- **TRACK DOCKET:** [No. 3:25-cv-04822](#) (Bloomberg Law subscription)

Meta Platforms and Alphabet Inc have been sued over Android vulnerabilities that allowed the Facebook operator and a Russian company to deanonymize users, according to a proposed class action.

Meta, alongside Yandex Metrica, violated one of the web's "'fundamental security principles'" by making a linkage between Android web browsers and locally-installed applications, the complaint filed Friday in the US District Court for the Northern District of California said. Under the sandboxing principle, websites and mobile applications shouldn't interact, according to the suit.

However, Meta was able to make a connection without user consent that bypassed incognito browsing, cookie clearing, and Android permission mechanisms, the complaint said.

Since Alphabet, the Google operator, failed to secure its Android software, its promises that users could control their privacy were false, the complaint alleged.

Meta's tracking Pixel—an online code that's part of the social media company's advertising business—collects vast amounts of user data such as interests, behavior, and demographics, according to the complaint. The code has been central to lawsuits against many of the websites that have installed it.

Meta declined to comment on this lawsuit, but said the company is "in discussions with Google to address a potential miscommunication regarding the application of their policies."

The complaint sought to represent a class of Android users in the US who had Meta or Yandex applications installed on their devices and were tracked by the companies. The complaint had two California subclasses, including one for state residents who recently purchased an Android.

Against Meta, the complaint asserted claims of invasion of privacy as well as claims that fall under the California Computer Data Access and Fraud Act, the California Invasion of Privacy Act, and the Electronic Communications Privacy Act.

Google was also hit with the invasion of privacy claim. It also faces claims of negligence and violations of California's Unfair Competition Law and Consumer Legal Remedies Act.

The plaintiffs sought damages, injunctive relief, and attorneys' fees.

Google didn't immediately respond to a request for comment.

Freed Kanner London & Millen LLC and Carroll Shamberg LLC represent the plaintiffs and the proposed class.

The case is Vincent v. Meta Platforms Inc , N.D. Cal., No. 3:25-cv-04822, complaint filed 6/6/25 .

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USAA, AAA Sued for Alleged 'Systemic' Insurance Fraud in Wake of Los Angeles Wildfires

 [law.com/therecorder/2025/06/06/usaa-aaa-sued-for-alleged-systemic-insurance-fraud-in-wake-of-los-angeles-wildfires-](https://www.law.com/therecorder/2025/06/06/usaa-aaa-sued-for-alleged-systemic-insurance-fraud-in-wake-of-los-angeles-wildfires/)

Kat Black

June 7, 2025

- Bentley & More filed two suits on behalf of California homeowners alleging insurance fraud by USAA and AAA in the wake of the Los Angeles wildfires.
- The plaintiffs claim that the companies left them under-insured by hundreds of thousands of dollars and, at times, over \$1 million, which made rebuilding or replacing their homes after the fires unaffordable.
- Bentley & More said the suits are "just the beginning" of many more they plan to file against multiple insurance carriers.

Southern California homeowners affected by the Palisades and Eaton wildfires in Los Angeles County sued the United Services Automobile Association (USAA) and American Automobile Association (AAA) on Wednesday, contending that they both committed "systemic" fraud by deceiving policyholders about the extent of their coverage.

This left members under-insured by hundreds of thousands of dollars and—in some cases—over \$1 million in the aftermath of the catastrophe, leaving them unable to rebuild or replace their homes after the fires leveled the Palisades neighborhood of Los Angeles and the unincorporated community of Altadena, the plaintiffs claimed.

Bentley & More filed the complaints—captioned *Alexander v. United Services Automobile Association* and *Fulker v. Interinsurance Exchange of the Automobile Club*—in Los Angeles Superior Court on Wednesday. The plaintiffs are seeking punitive and exemplary damages and injunctive relief.

Causes of action in both suits include breach of contract, negligence, breach of the implied covenant of good faith and fair dealing, negligent misrepresentation, fraud, unfair competition and reformation.

The firm plans to file additional cases against USAA and AAA, according to Greg Bentley, a co-founder at Bentley & More who is representing plaintiffs in both cases.

Bentley said that he has handled insurance bad faith cases for 25 years and sued companies over under-insurance issues dating back to 2006.

The unprecedented nature of the Palisades and Eaton wildfires have exposed the "systemic" problem of under-insurance baked into the insurance industry business model for decades, he said. The combined damage from the fires resulted in the destruction of more than 18,000 residences and structures, dozens of deaths and more than 200,000 evacuations, according to the complaints.

"When you have thousands and thousands of homes that are lost ... everybody starts realizing, 'Well, wait a minute; we can't rebuild back this community because we don't have enough money to rebuild a home,'" he said in an interview. "My agent gave me this number as far as what the coverage should be, and sent me literature that didn't disclose that it's really low.' That's when the problem becomes known."

Bentley said the firm has received "hundreds" of calls from people who were impacted by the Palisades and Eaton fires, and that these complaints are "just the beginning" of lawsuits the firm plans to file against multiple carriers.

The complaints alleged a decadeslong scheme by USAA and AAA to strategically promote market share and reduce claims payouts by failing to adjust their coverage estimates in line with accelerating wildfire risks and construction costs across the state.

In both suits, the plaintiffs argued that the companies' coverage limits were frequently 50% or more below the actual cost of reconstruction and that USAA and AAA prevented members from purchasing additional insurance and refused to release additional funds to homeowners after the wildfires, claiming they were already fully protected—which left them to shoulder hundreds of thousands of dollars in out-of-pocket costs, they said.

According to the complaint against USAA, a Targeted Market Conduct Examination by the California Department of Insurance had previously revealed that "USAA would be required to make millions in additional payments due to pervasive underinsurance of California residents."

In addition, stated the complaints, USAA and AAA both relied on faulty cost estimating software to calculate home replacement cost estimates and churn out recommended coverage limits within "a few minutes"—a "pernicious" issue, they said, that can be traced to the late 1990s, when insurers started partnering with software companies that purveyed the then-emerging technology. The majority of California residents have reported they were underinsured in every major wildfire that has ravaged the state since at least 2007, they said.

"The industry's known for years that the software they use to calculate what the coverage limits should be is woefully undervalued," Bentley said. "And they've known it and they don't disclose it, and they're fraudulent in their representations to the insureds, giving them peace of mind. ... And they also want to avoid insuring against a catastrophe, like a major wildfire. And so they're not properly disclosing to insureds in their representations that the estimate that the carriers provide these people is not even close to what it would take to rebuild them.

"And then insureds don't find out about it until after there's a catastrophe just like this. It's happened over and over again—once they switched away in the late nineties, early 2000s from guaranteed replacement costs and they put limits on it, and they contracted with the software companies. It's a repeated pattern that they've known about. Departments of insurance have investigated it, have given guidelines about it, and yet the carriers do nothing to change."

The suits join a surge of post-wildfire insurance litigation in California targeting companies for systemically failing to adequately insure policyholders, including antitrust suits that allege major carriers colluded to eliminate competition by forcing homeowners to accept fire insurance coverage from the state's insurer "of last resort," the California FAIR Plan and breach-of-contract and insurance bad faith claims filed jointly by Edelson and Kerley Schaffer against the FAIR Plan itself.

A USAA spokesperson said in an email that the company had just been notified of the lawsuit and was currently reviewing the details.

"When wildfires struck Southern California, our teams were on the ground within days, working to support our members in their time of need," the spokesperson said.

"To date, we have paid nearly \$1.4 billion to help members recover from their losses. USAA has made payments on more than 90% of wildfire-related homeowners claims, and we remain committed to working with every member until all claims are settled."

A representative for AAA declined to comment on pending litigation.

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[Latest](#)

Trending

Who Got The Work

Alexander F. Koskey III of Baker, Donelson, Bearman, Caldwell & Berkowitz has entered an appearance for Nationwide Recovery Service in a pending data breach class action. The complaint, filed April 22 in Georgia Northern District Court by Mason LLP on behalf of Guy Truelove, arises from a July 2024 data breach. The complaint contends that the defendants

Class Action

NCAA Wins Final Approval of \$2.8 Billion Player-Pay Deal (2)

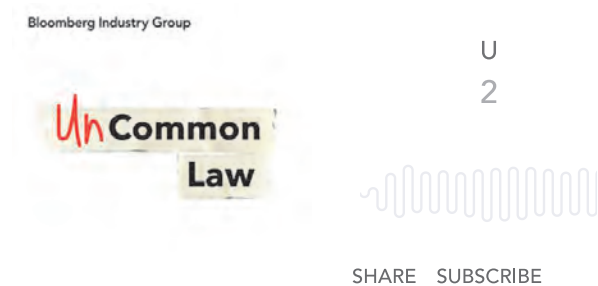
June 6, 2025, 6:37 PM PDT; Updated: June 6, 2025, 7:25 PM PDT

- Deal will allow schools to share revenue with athletes
- Settlement had been modified over roster-limit issue

The NCAA and its power conferences got final approval Friday of a nearly \$2.8 billion antitrust deal allowing colleges to pay student-athletes directly for the first time, a milestone in yearslong litigation also designed to quell future suits over name, image, and likeness.

Judge Claudia Wilken of the US District Court for the Northern District of California said the deal as a whole was adequate and that pro-competitiveness justifications outweighed any downsides.

She approved the deal after sparring with the NCAA and athlete plaintiffs over a provision that limited roster spots on college teams in exchange for more athlete scholarships.



LISTEN: Beyond NIL: Will College Sports Become a Free Market?

"Approving the agreement reached by the NCAA, the defendant conferences and student-athletes in the settlement opens a pathway to begin stabilizing college sports," NCAA President Charlie Baker said in a statement Friday. "This new framework that enables schools to provide direct financial benefits to student-athletes and establishes clear and specific rules to regulate third-party NIL agreements marks a huge step forward for college sports."

Roster Limits, Revenues

The NCAA and the plaintiffs submitted revisions on May 7 to exempt some Division I athletes from roster restrictions to help satisfy Wilken.

"These modifications negate any harm that the roster limits could have caused to class members who were or will be impacted by the immediate implementation of the roster limits, because they enable Designated Student-Athletes to be eligible for roster spots without the roster limits provisions posing an obstacle," Wilken said Friday.

Approval of the deal means participating schools can begin sharing revenue with athletes as early as this summer. Under the deal, Power Five schools can share payments worth up to 22% of their average athletic revenue, which is projected to be roughly \$20 million per school annually.

The NCAA and the conferences will, over a 10-year period, pay \$2.75 billion in back damages to thousands of Division I athletes who played since 2016.

Wilken also backed the length of the deal and its treatment of future student-athletes. "The ten-year term is essential for providing stability for Division I college sports," the judge said.

The approval comes roughly a year after the NCAA and conferences including the Big Ten and Atlantic Coast Conference agreed to the deal, calling it a major step in reforming college sports. Wilken preliminarily approved the settlement last year.

"We could not be more pleased with this decision or happier for the athletes," plaintiffs' attorney Jeffrey Kessler of Winston & Strawn LLP said. "Hundred of thousands of Division I athletes will now have the opportunity to benefit from the tens of billions of dollars in new benefits and compensation that will be available. It is a new era in college sports and a just one for the athletes."

Deal Challenges

Objectors, including social-media star and former LSU gymnast Olivia Dunne, had raised various other issues with the settlement proposal, but Wilken turned them aside in Friday's ruling.

Some athletes argued the settlement still illegally capped compensation, included unfair limits on the number of spots on a team roster, and failed to provide equal pay to female athletes.

They also took issue with NCAA's oversight of NIL payments offered to athletes worth more than \$600.

During a hearing on the deal, Wilken also raised concerns over roster limits as well a provision that bound future college athletes to an agreement they didn't have a hand in negotiating.

In response, the NCAA and athlete plaintiffs submitted revisions in April clarifying that future Division I athletes won't release their injunctive and declaratory relief claims until they have received notice and an opportunity to object to the settlement agreement.

The NCAA noted that less than 0.1% of the approximately 389,700 potential class members objected.

Continuing Litigation

Litigation against the sports organization is expected to continue despite the deal, which covers claims in three antitrust suits, including one brought by swimmer Grant House, that were combined.

Several former athletes who weren't covered by the deal and played decades ago continue to pursue litigation over past NIL.

"Significant challenges remain, including attempts to force student-athletes to be classified as employees despite their leadership at all levels opposing this," Baker's statement said. "In addition, attacks persist on college sports' ability to set national rules regarding years of eligibility—the policies that enable the next generation of young people to access educational and athletics opportunities.

"And states continue to undercut one another in a race to the bottom by challenging the ability of the NCAA and conferences to establish and enforce rules that maintain level playing fields," Baker said.

Plaintiffs are also represented by Hagens Berman Sobol Shapiro LLP. The NCAA is represented by Wilkinson Stekloff LLP.

The case is *In re College Athlete NIL Litig.*, N.D. Cal., No. 4:20-cv-03919, final approval 6/6/25 .

(Adds NCAA statement beginning in fourth paragraph.)

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US judge approves settlement allowing NCAA schools to pay athletes

 [reuters.com/sports/us-judge-approves-landmark-28-billion-ncaa-settlement-with-athletes-2025-06-07](https://www.reuters.com/sports/us-judge-approves-landmark-28-billion-ncaa-settlement-with-athletes-2025-06-07)

Mike Scarcella

June 7, 2025

Nov 8, 2024; College Station, Texas, USA; A detailed view of an official game ball with the NCAA logo prior to a game. Credit: Maria Lysaker-Imagn Images/File photo Purchase Licensing Rights, opens new tab

June 6 (Reuters) - A U.S. judge on Friday granted final approval to a \$2.8 billion settlement with the National Collegiate Athletic Association that will allow schools for the first time to compensate student athletes for past and future commercial use of their names, images and likenesses.

The settlement, approved in a ruling, opens new tab by U.S. District Judge Claudia Wilken in the Oakland, California, federal court, resolves long-running litigation between the NCAA and student athletes.

"Despite some compromises, the settlement agreement nevertheless will result in extraordinary relief for members of the settlement classes," Wilken wrote. She said the deal will "permit levels and types of student-athlete compensation that have never been permitted in the history of college sports."

The ruling marked a "historic day for college sports and the rights of athletes," the lead attorneys for the plaintiffs, Steve Berman and Jeffrey Kessler, said in a statement.

In a statement, opens new tab, NCAA President Charlie Baker welcomed the judge's ruling. "Student-athletes will benefit from the rich opportunities they enjoy now, plus far more scholarship opportunities, landmark financial benefits and a streamlined NCAA to support them," Baker said.

The NCAA denied any wrongdoing in agreeing to settle.

The deal faced dozens of objections that it didn't adequately compensate athletes or was unfair in other ways. Objectors to the deal now can appeal to the San Francisco-based 9th U.S. Circuit Court of Appeals.

The settlement, covering hundreds of thousands of current and former students since 2016, resolved three lawsuits that claimed NCAA rules barring payments to athletes violated U.S. antitrust law. The \$2.8 billion will cover past damages.

The plaintiffs' lawyers previously estimated the deal would provide tens of billions of dollars to class members over the next 10 years. Schools will be allowed to pay athletes from funds that universities receive from broadcasts and other commercial sources.

The NCAA in April convinced a federal judge in Manhattan to dismiss a lawsuit seeking compensation for thousands of former student athletes who played team sports in college prior to 2016. Those students have filed an appeal.

Reporting by Mike Scarcella; Editing by David Barrio, Edwina Gibbs and Tom Hogue

Our Standards: The Thomson Reuters Trust Principles., opens new tab

BlackRock, Republican states clash over evidence in climate-investing case

 [reuters.com/sustainability/boards-policy-regulation/blackrock-calls-antitrust-claims-unprecedented-unsound-unsupported-2025-06-09](https://www.reuters.com/sustainability/boards-policy-regulation/blackrock-calls-antitrust-claims-unprecedented-unsound-unsupported-2025-06-09)

Ross Kerber, Niket Nishant

June 9, 2025

A trader works as a screen displays the trading information for BlackRock on the floor of the New York Stock Exchange (NYSE) in New York City, U.S., October 14, 2022.

REUTERS/Brendan McDermid/File Photo Purchase Licensing Rights, opens new tab

June 9 (Reuters) - A lawyer for BlackRock said on Monday that Republican states' claim that asset managers violated antitrust law through industry climate groups was not "plausible," as the firms pressed to have the case dismissed.

But a lawyer for the states, which include Texas and 12 others, told the U.S. District Judge Jeremy Kernodle that even calling attention to environmental matters, such as by signing on to industry agreements, could have an impact.

BlackRock (BLK.N), opens new tab, the world's largest asset manager, Vanguard and State Street (STT.N), opens new tab are seeking to dismiss the claims in the closely watched antitrust case. The case, filed last November, claims the firms violated antitrust law through climate activism that reduced coal production and boosted energy prices.

In pressing for dismissal, Gregg Costa, an attorney for BlackRock, said on Monday that, among other things, the fund firms never voted against the same coal company directors during the years in question, weakening the case. Nor did the plaintiffs bring forward any material such as from a whistleblower showing direct talks among the companies to coordinate their activities.

"It's hard to see how this alleged conspiracy is even possible, let alone plausible," Costa said.

Speaking for the states, Cooper & Kirk attorney Brian Barnes said the firms' actions could still have a market impact.

"Jawboning by these defendants as to decisions about market strategy just very clearly has the potential to influence output decisions at the coal company," Barnes said.

The outcome of the lawsuit could have major implications for how the companies, which together manage some \$27 trillion, manage their holdings and passive funds.

One possible remedy sought by the plaintiffs would be for the fund firms to divest holdings in coal companies, which BlackRock has said would harm the companies' access to capital and likely raise energy prices.

Kernodle, of the U.S. District Court for the Eastern District of Texas, said he would take the matter under advisement. He also said that like many Americans he owns shares in various index funds from the firms, including the Vanguard S&P 500 ETF (VOO.P), opens new tab and the BlackRock iShares Core S&P Small Cap fund.(IJR.P), opens new tab.

While the ownership would not seem to require his recusal, Kernodle said parties who disagree should file their objections within two weeks.

Reporting by Ross Kerber and Niket Nishant; Editing by Mark Porter, Chizu Nomiya and Leslie Adler

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Ross Kerber
Thomson Reuters

Ross Kerber is U.S. Sustainable Business Correspondent for Reuters News, a beat he created to cover investors' growing concern for environmental, social and governance (ESG) issues, and the response from executives and policymakers. Ross joined Reuters in 2009 after a decade at The Boston Globe and has written on topics including proxy voting by the largest asset managers, the corporate response to social movements like Black Lives Matter, and the backlash to ESG efforts by conservatives. He writes the weekly Reuters Sustainable Finance Newsletter.

Niket Nishant
Thomson Reuters

Niket Nishant reports on breaking news and the quarterly earnings of Wall Street's largest banks, card companies, financial technology upstarts and asset managers. He also covers the biggest IPOs on U.S. exchanges, and late-stage venture capital funding alongside news and regulatory developments in the cryptocurrency industry. His writing appears on the finance, business, markets and future of money sections of the website. He did his post-graduation from the Indian Institute of Journalism and New Media (IIJNM) in Bengaluru.

Securities Law News

BlackRock, Vanguard Fight High-Stakes Collusion Case in Texas

June 8, 2025, 12:00 PM PDT

The world's largest asset managers are heading to court over a lawsuit brought by Republican state attorneys general claiming they colluded to reduce coal output, in a case that threatens how US firms oversee trillions of dollars.

Lawyers for BlackRock Inc., Vanguard Group Inc. and the asset management arm of State Street Corp. are set to urge a federal judge at a hearing on Monday to dismiss the lawsuit, which claims the firms coordinated to pressure coal producers to reduce their output. The firms have large stakes in coal producers and profited when energy prices soared, according to the suit, which claims the firms used environmental goals as cover.

The lawsuit led by Texas Attorney General **Ken Paxton** lacks evidence and "spins a farfetched theory" that would rewrite antitrust law, the firms said in a court filing. Separately, the Investment Company Institute, a trade group for money managers, said the case "could harm millions of American investors, companies, and capital markets."

Vanguard, State Street and BlackRock had no further comment ahead of the hearing. A spokesperson for the Texas attorney general didn't respond to a request for comment.

US District Judge **Jeremy Kernodle**, appointed by President Donald Trump during his first term, is presiding over the case.



Larry Fink, chief executive officer of BlackRock Inc.

Photographer: F. Carter Smith/Bloomberg

If the court rules that the companies colluded, it could spur more antitrust litigation and prompt dramatic changes to their businesses. The firms may also have to exit billions of dollars worth of investments in coal companies.

A victory for the companies would remove a major source of legal and political pressure.

The asset managers have spent the past several years defending against allegations that they use their size — about \$25 trillion in combined assets and top holdings in almost every company in the S&P 500 — to influence corporate America through environmental, social investing goals and votes at shareholder meetings.

In their complaint, Texas and other Republican-led states accused the companies of colluding to pressure coal producers to reduce production based on ESG strategies. The states point to the investment firms' participation in carbon-reduction alliances as evidence of a "syndicate."

The stakes were raised after Trump administration officials at the Justice Department and Federal Trade Commission said last month that the case should move forward. A lawyer for the department is also set to participate in Monday's arguments.

Republican state politicians have pulled billions of dollars from BlackRock investment funds, while conservative activists have repeatedly criticized the firms for their voting and investment policies. More recently, the firms have retreated from ESG in the US as well as international climate-change organizations like Climate Action 100+ and Net Zero Asset Managers Initiative. This month, Texas removed BlackRock from its blacklist of companies that boycott fossil fuels.

Still, the lawsuit filed in November said that formal withdrawal from Climate 100+ “does not change the reality that defendants’ holdings threaten to substantially reduce competition in violation” of US antitrust law.

The three firms have argued that the suit is an improper use of antitrust laws because they’re passive investors who don’t exercise any control over the coal companies. The government’s legal theory implies “that asset managers harm competition across all sectors of the economy,” the firms said in a joint filing.

Common Ownership

The case highlights an antitrust theory known as common ownership that percolated for more than a decade but remains untested in court. Institutional shareholders such as the three defendants own large chunks of stock in the biggest players in industries across the economy. And while the firms maintain their holdings are passive, some enforcers, academics and other observers say the investments could be used to facilitate illegal coordination between companies that should be competing.

“Based on what’s public it seems worth investigating,” said Florian Ederer, an economics professor at Boston University’s business school who has studied whether asset managers’ investments across competing companies raise antitrust concerns. “Was there a network of investors that coordinated in any way?”

The three asset managers argued that the lawsuit contains no evidence that they coordinated investment decisions or that the firms told any coal producer to cut output. They also said they weren’t committed to any policies by participating in the climate groups and that coal output rose in the years covered by the lawsuit.

A study released this month by the Committee on Capital Markets Regulation, whose members include executives from BlackRock and Vanguard, said there’s no impact on prices from competing companies with common shareholders. A Bloomberg LP representative is a member of the CCMR.

At this early stage in the case, Texas and the other states don’t need to prove their allegations. They must only convince a judge they are plausible. But if Kernodle signs off on the underlying legal theory, it could open the door to litigation in any industry in which one of the investment firms owns equity stakes in multiple competitors.

A win by the states “would embolden and encourage others to bring similar lawsuits,” Ederer said.

The case is State of Texas et al v. BlackRock Inc. et al, 24-cv-00437, US District Court, Eastern District of Texas (Tyler).

UC researchers sue Trump administration over canceled federal grants

DJ [dailyjournal.com/articles/386017](https://www.dailyjournal.com/articles/386017)

Government,

Constitutional Law,

Class Action

Jun. 9, 2025

The putative class action comes as the administration reportedly plans to halt billions more in funding to California and its public universities -- threatening the future of research institutions like UC and CSU.

As the Trump administration gears up to try to take away federal grant money from California, including the University of California and the California State University system, UC faculty members and researchers filed a putative class action last week over funding that already has been canceled.

The complaint - by UC Berkeley School of Law professor Claudia Polsky, Lieff Cabraser Heimann & Bernstein LLP partner Elizabeth J. Cabraser and Farella Braun & Martel LLP partner Anthony P. Schoenberg - was filed in San Francisco and asks a judge to declare government agencies' termination notices to UC researchers unlawful.

The plaintiffs' attorneys say the administration's actions violate their First and Fifth Amendment protections of free speech and due process, the Impoundment Control Act, agency regulations, congressional appropriations and the Administrative Procedure Act.

The complaint cites more than \$4 billion in federal grant money UC researchers received in fiscal year 2024 from agencies ranging from the National Institutes of Health to the Department of Defense.

"Without the UC System's research, for example, the world would not have the internet, plug-in hybrid cars, or the world's largest 3-D map of the universe," the lawyers wrote.

"These stable federal funding sources, and the research talent they attract and empower, have enabled the UC System to make its outsize contributions to human progress for decades," the lawyers wrote. "Because the very nature of research requires years of ongoing work, the UC system has operated research programs across presidential administrations for generations."

The lawyers representing the UC researchers say some of that grant money was abruptly canceled after President Donald Trump took office. *Thakur et al. v. Trump et al.*, 25-cv-04737 (N.D. Cal., filed June 4, 2025).

And based on statements by Trump administration officials and published reports, things are about to get a lot more dire for California's public universities.

CNN cited anonymous sources in a Friday report that said federal agencies "are being told to start identifying grants the administration can withhold from California," including "full termination of federal grant funding for the University of California and California State University systems."

Justice Department civil rights division nominee Leo J. Terrell, a Los Angeles attorney, said last month in an interview on Fox News to expect "massive lawsuits against [the] UC system."

"We're going to go after them where it hurts them financially," he added.

The Trump administration has targeted Harvard University, by cutting off federal grant money and by halting its ability to admit international students, because officials say the college has not done enough to combat antisemitism.

The university persuaded U.S. District Judge Allison D. Burroughs of the District of Massachusetts, an appointee of President Barack Obama, to block the move to bar Harvard students from foreign countries from entering the country, while a challenge to the funding cutoff is pending before her.

The University of California is not involved in the class action by its researchers.

The case has been assigned to U.S. District Judge Rita F. Lin, an appointee of President Joe Biden. Attorneys with the U.S. Department of Justice and those representing the plaintiffs could not be reached for comment Friday.

#386017

Securities Law

Opinion

Matt Levine's Money Stuff: Bankruptcy Was Good for 23andMe (2)

June 9, 2025, 7:21AM PDT

23andMe

Sometimes a public company has a controlling shareholder who wants to take it private by buying out all of the other shareholders, and that's always messy. The controlling shareholder will to some extent be negotiating with herself: She will want to buy the company for a low price, but the company's shareholders will want to get a high price, but she's the controlling shareholder and can vote for the low price. There are standard solutions to the problem, but they are only partial solutions:

1. The company's board of directors negotiates the deal with the controlling shareholder, and has fiduciary duties to the minority shareholders. It will generally appoint a special committee of independent directors to negotiate with her, and empower that committee to reject a deal that isn't in the best interests of shareholders. But of course if the controlling shareholder is unhappy with the board's negotiating position, she can fire the directors and elect new ones, which undermines their negotiating leverage.
- 2. The company can try to shop itself to other potential buyers, but any sale would have to be approved by shareholders, which means that the controlling shareholder can block any deal she doesn't like. That undermines any other potential buyer's incentive to make a bid.
- 3. If the minority shareholders are unhappy with the deal, they can [always sue](#) , but that's sort of a roll of the dice.

In the past few months, I have written a few times about 23andMe Holding Co. as an illustration of these problems. 23andMe is a publicly traded genetic testing company that was once worth about \$6 billion, but it has now fallen on hard times. Its founder, Anne Wojcicki, owns about 49% of the voting power of the stock, making her effectively a controlling shareholder. She [offered to buy](#) all the stock she didn't own, to take the company private and fix its problems "outside of the short term pressures of the public markets." But the board of directors, [whose job was to find](#) an "actionable proposal that is in the best interests of the non-affiliated shareholders," didn't think her offer was good enough.

But they were in a tough situation: They couldn't force Wojcicki to offer more, and she could always fire them. (Update: Wojcicki couldn't actually fire the directors outright, because under 23andMe's charter they can only be removed for cause and serve staggered three-year terms. But as controlling shareholder she could get rid of them eventually.) [So they all quit](#) , leaving Wojcicki as the sole director. That was awkward! And she went and appointed a new board of directors, and the new board created a new special committee to negotiate with her, and she put in a new bid that was *lower* than her first proposal – just 41 cents per share, down from a previous bid of \$2.53 – and the new board [once again said no](#) .

But they were still in a tough situation. What could they do? Well they came up with a pretty clever answer. Or perhaps I should say: They were forced into choosing a terrible answer that actually turned out to be pretty clever. But in any case, what they did was *file for bankruptcy* in March.

Filing for bankruptcy is generally a bad sign, but it has some advantages. One thing it does is buy breathing room from creditors. But another thing it does is put the company under court supervision: The company can still go out and try to find someone to buy its assets, but now a judge is involved and gets to supervise the bidding process and approve the final deal. If you are the board of directors, the controlling shareholder is effectively your boss, and you can't really overrule her. But once you're in bankruptcy, there is a new, higher boss – the judge – and maybe he will be on your side. "We have determined that a court-supervised sale process is the best path forward to maximize the value of the business," said the board chairman.

We [talked about this at the time](#), and what I said was: "Whoops!" Because one interpretation of this outcome was that Wojcicki was offering 41 cents per share, the board was holding out for more, but in fact the company was a melting ice cube and, by holding out for more, the shareholders ended up with zero. Bankruptcy is usually bad! Shareholders normally do end up with zero in bankruptcy. Wojcicki said that she would still try to buy the company's assets, and I wrote:

I assume that her next bid will come out to \$0.00 per share, but that is not investment advice and the stock was trading at about \$0.89 at noon today so who knows.

Well, I was wrong and the shareholders were right. 23andMe found a buyer, and now:

23andMe has a path to a higher purchase price than the \$256 million offered by biotech giant Regeneron after the genetic-testing company's former chief executive pushed a bankruptcy court to reopen its sale process.

23andMe was set to sell itself in bankruptcy to Regeneron before former CEO Anne Wojcicki bid \$305 million after the auction ended through her recently founded nonprofit TTAM Research Institute. Wojcicki's bid dwarfs her previous offer to acquire the company for \$40 million just ahead of its March bankruptcy filing. ...

Because 23andMe has a relatively small amount of debt on its balance sheet, its equity holders could walk away with a recovery, a relative rarity after bankruptcy. Its stock has rallied to a market capitalization of over \$100 million.

There will be a new auction that might get a higher price, but the \$305 million seems like a floor. The stock – again, in bankruptcy – traded at \$4.91 per share at noon today, a roughly 1,100% premium to Wojcicki's last pre-bankruptcy bid. As Julian Klymochko tweeted:

A phenomenal job done by 23andMe's board of directors that will become a case study on how to deal with a coercive and shareholder-unfriendly bid from a controlling shareholder.

A masterful bankruptcy filing led to a 663% increased offer from the company's founder.

You never really want to be on a board of directors where the clever strategic move is to file for bankruptcy, but sometimes it really is the right move.

Builder.ai

The great arbitrage is that nobody cares about a hot startup's *profits*, but everybody cares about its *revenue*. If you sell \$5 billion of artificial intelligence widgets, that's amazing: It means that you have found product-market fit, that people love your AI widgets, that you will be able to scale and achieve a leading position in the AI widget space. If you have \$6 billion of research and marketing costs, that's *fine*, that's *great*, venture capitalists will love you, they will understand that you have to invest a lot now to build the business; the profits can wait.

Whereas if you sell \$10 million of AI widgets and have \$5 million of costs, that is a higher net income, but not as exciting to investors looking for a home run.

And so if you are in the business of selling AI widgets, you might go to your mom and say "hey mom would you buy \$1 billion of AI widgets from me," and she would say "I'd love to honey but I don't have \$1 billion," and you would say "that's okay I'll just buy \$1 billion of cookies from you, which will give you the money to buy the widgets," and she would say "but I'd have to bake a lot of cookies," and you would say "no just bake one, the cookies are so good that I'll pay a billion dollars for one," and she would say "okay but do you have \$1 billion," and you would say "no but it's fine we'll just net the transactions." Or variations on that theme. We have [discussed](#) some of those [variations](#), which play a crucial role in a lot of tech market bubbles. As long as investors are investing on revenue rather than profitability, someone will find a way to pay for revenue.

It would be very weird if there was *none* of this in the AI boom. Here's the Financial Times on Builder.ai:

London-based Builder.ai collapsed last month after an internal investigation found evidence of potentially bogus sales, with revenues previously reported under [founder Sachin Dev] Duggal's watch restated to just a quarter of previous estimates. ...

Now, interviews with former employees and documents seen by the FT suggest that Builder.ai is suspected of using a broader range of methods to inflate some of its revenues, including improperly booked discounts, tiny upfront deposits and seemingly circular transactions with key customers. ...

Several ex-employees said it was commonplace for staff at Builder.ai to offer large discounts to customers while booking the full value of the contract under its sales.

One said they saw revenues based on these inflated prices presented in a company-wide meeting and a slide deck given to shareholders, who were seemingly unaware that the figures did not account for discounts. ...

Former employees said that Builder.ai sometimes booked discounts as a marketing or sales cost.

There are also claims of circular transactions with customers. If you can find someone willing to pay you \$1 for an AI widget, and you bill them \$1 million and then pay them \$999,999 out of your marketing budget, that's better than just billing them \$1. But also worse.

Strategy widowmaker

As I often write around here, right now the US stock market will pay \$2 for \$1 worth of Bitcoin. This is most famously demonstrated by [MicroStrategy Inc.](#) (or just Strategy), a company with a \$60 billion pot of Bitcoins and a \$118 billion equity market capitalization, but we have [talked](#) about lots of other " [Bitcoin treasury companies](#) " (or other crypto treasury companies) that also trade at premiums to their Bitcoin stashes.

I talk about this a lot, because it is weird and I have no good explanation for it. But if you think "this is weird and there is no good explanation for it," you can do more than just talk about it. You can do something about it: You can *bet* that, if it's weird and there is no good explanation for it, it has to stop. Specifically, you can buy \$2 worth of actual Bitcoin and short \$2 worth of Bitcoin treasury company stock. If this anomaly stops, the Bitcoin treasury company stock will go down to \$1, and you will make money. This is not investment advice! Not at all! This is a famous widowmaker trade – Strategy's premium has been really persistent – but [here's Jim Chanos doing it](#) :

"I haven't seen an arbitrage like this in this size in years, years and years," Chanos said during a recent interview on the Risk and Return podcast, referencing the trade he disclosed on CNBC in early May. ...

Chanos, known for his prescient bet against Enron Corp. 20 years ago, emphasized that his current favored trade isn't a wager against Bitcoin or Strategy, but rather a mirror of Saylor's own playbook: selling equity and raising capital to buy more digital assets. The core opportunity, he said, lies in the divergence between Strategy's market price and the company's Bitcoin-adjusted book value.

"The fact of the matter is, this is a Bitcoin holding company," Chanos said on the podcast explaining the premium dislocation. Buying Strategy shares at their current price of around \$400, he said, is effectively equivalent to buying Bitcoin at about two times its value – "paying around \$220,000 for Bitcoin that trades at \$110,000. But the company is doing everything it can to close that spread, which is great – there's a catalyst."

Ahahaha he's kind of right about that: The very biggest player in this trade, the trader who buys the most Bitcoin while selling the most Strategy stock, [is Strategy itself](#) . In theory, as Strategy sells stock to buy Bitcoin, that should bring down the premium (bringing up the price of Bitcoin and bringing down the price of Strategy). In practice, [as I have written](#) , even "selling as fast as it possibly can, MicroStrategy *still* can't sell enough stock to close the premium."

To be fair, I wrote that in December. Since then, Strategy has stopped selling much common stock; now it is selling weird convertible preferred shares ("perpetual strike" and "perpetual strife" preferred stock, which are less equity-sensitive), and its latest thing is a non-convertible 10% preferred stock ("perpetual stride," why not). Strategy is *not* doing the simple arbitrage – sell MSTR, buy Bitcoin – anymore. On the other hand tons of other companies really are doing a related trade – selling *their* stock at a premium to buy Bitcoin – and maybe that will bring down the premium for everyone. Or maybe not. This whole thing is weird and I have no good explanation for it, which means that I have no good intuition for when it will stop.

Limits to arbitrage

Here's a fascinating post by Eric Neyman from March that has been making the rounds recently. Polymarket, the prediction market, lists a contract on "Will Jesus Christ return in 2025?" It trades today at what is conventionally called a "3% chance": You can bet about 3 cents on "Yes" and get \$1.00 on Dec. 31 if Christ returns, or you can bet about 97 cents on "No" and get \$1.00 on Dec. 31 if he doesn't.

Nothing in this newsletter is ever eschatological advice, but that 3% chance seems high. For one thing, over the last few centuries, the realized probability of Jesus Christ returning is considerably below 3% per year. Also, if Jesus Christ does return this year, are you really going to want to go to the online crypto prediction market to collect your gambling winnings?

So let's say you think the actual probability is lower. Say you are completely confident that the actual probability of Christ returning this year is exactly 0%. How should you bet on that? What is the *correct* price of the No contract?

Well, the bet is that you put some money in now, and on Dec. 31, 2025, if you're right, you get back \$1. There's a US Treasury bill that matures on Dec. 26, 2025, that has a yield of about 4.07%, meaning you can buy it for 97.7 cents today and get back \$1 at the end of December. Surely you should not be willing to put *more* into a Polymarket bet today to get back \$1 at the end of December. So 97 cents on the dollar – about a 5.2% yield – feels like a plausible price for this contract, if you're sure you're right.

That is a function of interest rates, though. In a world of zero or near-zero interest rates, you might pay 99 or 100 cents on the dollar; a dollar in seven months would be worth as much as a dollar now. In a world of very high interest rates, you might pay only 93 or 95 cents today for a dollar in seven months.

If 97 is the correct price to pay for the No contract, what is the correct price to pay for the Yes? Again, let's assume that you are completely confident that the correct probability is zero. An intuitive answer would be "zero dollars": There's no reason to pay 3 cents today to get back 0 cents in seven months. But there is an important no-arbitrage condition, which is that the price of the No contract and the price of the Yes contract sort of have to add up to \$1 (ignoring fees and bid/ask spreads). From Polymarket's documentation: "Holding 1 'Yes' share and 1 'No' share is equivalent to having \$1.00 (minus trading fees). As a result, Polymarket allows you to merge these shares back into USDC." USDC is the Circle dollar stablecoin, and it seems fair to assume that it's worth exactly a dollar.

And so if the No contract traded at \$0.97 and the Yes contract traded at zero, then you could buy one No and one Yes for \$0.97, combine them, and get back \$1 *immediately* (not in seven months), which is 3 cents of free money. You'd do this until you arbitrated the Yes contract up to its correct price, which is \$0.03.

One (dumb, but funny) way to put this is that the "Yes, Jesus Christ will return in 2025" contract is a *bet on interest rates going up*: If short-term interest rates went up to 8%, the No contract would be worth about \$0.95, so the Yes contract would be worth about \$0.05 and you'd make a 40% profit.

Another (somewhat less dumb) way to put this is that the Yes contract is a way to bet on *Polymarket discount rates* going up. Those discount rates are related to short-term risk-free US dollar interest rates, but they're not the same thing. Neyman writes:

The Yes traders are betting that the time value of Polymarket cash will go up unexpectedly: that other traders will be short on cash to place bets with, and will at some point be willing to pay a premium to free up the cash that they spent betting against Jesus.

Has this galaxy-brained trade ever gone well? Yes! In late October of last year – a week before the election – Kamala Harris was trading around 0.3% in safe red states like Kentucky, while Donald Trump was trading around 0.3% in safe blue states like Massachusetts. On election day, these prices skyrocketed to about 1.5%, because "No" bettors desperately needed cash to place other bets on the election. Traders who bought "Yes" for 0.3% in late October and sold at 1.5% on election day made a 5x profit!

The point here is that it is intuitive and conventional to say that prediction-market prices directly represent probabilities. If there is some contract where Yes trades at 80 and No at 20, you say that (the market says that) Yes has an 80% probability. But to make that interpretation plausible, the market needs to make some design choices, particularly about the time value of money. If Polymarket *didn't* allow you to combine a No and a Yes and cash out \$1, then long-term contracts would trade at a discount to their implied probability: If an event had an 80% probability, the Yes contract might trade at 77.6 cents today (and the No at 19.4), the prices would creep up over time as the contract approached expiration, and it would be sort of annoying to convert the prices back into probabilities. So Polymarket's design creates a no-arbitrage condition that forces the total prices to add up to 100, for ease of converting into probabilities, but the result is that the No contract is not a pure bet on the probability but also an interest-rates arbitrage.

Elsewhere here's a fun post from Dave White at Paradigm about "Multiverse Finance":

This paper introduces Multiverse Finance, which splits the financial system into parallel universes so you can short the market today only if your favorite candidate is going to lose the next election.

A "verse" is a parallel universe where some event we care about has happened or will happen at some point in the future. ...

Today's universe, where the regular financial system exists, corresponds to the event containing the whole sample space.

We call a verse a “parent” to another verse if the child verse is a subset of the parent, meaning every outcome in the child verse is also in the parent verse. ...

We call a set of child verses a partition of their parent verse if the child verses are disjoint (non-overlapping) and their union makes up the entire parent verse. ...

The high-level intuition when working with verses in Multiverse Finance is that owners can choose to push ownership down to a partition, or pull it up from a partition.

In other words, let’s say we have a verse V and some partition P_1, P_2, P_3 of V .

If I own 1 unit of a given token T in V , I can choose to “push down” my ownership to the partition, meaning I give up my ownership of T in V and instead now own 1 unit of T in each of P_1, P_2 and P_3 . This is equivalent to how you can always take \$1 and mint one YES and one NO token for a given prediction market. ...

Conversely, if I own 1 of token T in each of P_1, P_2 and P_3 , I can choose to “pull up” my ownership of T to V , losing my ownership of it in each of those partition verses. This is equivalent to how you can take a YES and a NO token for a given prediction market and get back \$1.

Verses, like prediction markets, rely on some underlying oracle for resolution. ... At the time of resolution, any verse that does not contain the observed outcome reported by the oracle immediately disappears, together with all of its state.

One thing you could imagine doing with this is solving the time value problems of prediction markets by paying conditional interest. You have 100 dollars, and you split them into 100 Jesus>Returns-Yes-Dollars and 100 Jesus>Returns-No-Dollars, you sell the Yes-Dollars to someone else for (a little) actual cash, and you deposit the No-Dollars at a crypto bank that pays you interest in No-Dollars. The contract resolves, and if Jesus does not return your No-Dollars – principal and interest – convert back into, say, 103 actual dollars (your original 100, plus interest). If he does return, the No-Dollars go poof, the bank owes you nothing and presumably whoever bought the Yes-Dollars is happy.

Resolution problems

Elsewhere in prediction markets, here is a weird story about a contract on Manifold, a play-money prediction market, on “Who will be the prime minister of Canada after the next election?” “By the beginning of May, 2025, after the Canadian voters had handed the Liberal party a mandate to form a government, and Carney was all-but-formally the prime minister, the market settled at 99% odds for Carney.” And then shenanigans:

On May 4, 2025, the market creator, Peter Njeim, decided to embroil himself in these shenanigans. He swapped human-readable labels for the two options “Pierre Poilievre” and “Mark Carney”; the shares were still attached to their original, unique outcome identifiers so that traders who bought NO on the former could see “NO | Mark Carney” in their portfolios which was not in fact how they had traded! Almost immediately after swapping the labels, Njeim resolved the market to the outcome originally representing Pierre Poilievre, but which now displayed the label “Mark Carney.”

This kind of resolution meant that traders who chose the correct answer did not get their payouts.

Honestly swapping the labels is kind of elegant nonsense. It was eventually fixed, but a very levered (in play money!) bettor on the wrong side (called "Tumbles") was "nuked," leaving him with negative play-money balances and "potentially making a few select election markets less liquid and more directionally accurate."

Anyway there is also a separate Manifold market about whether this story will be "covered by a 'large' podcast or news outlet," with Money Stuff specifically mentioned as a qualifying outlet, so several readers sent it to me and disclosed that they had bets on that market. Incentives!

Things happen

Bill Ackman Is Tweeting Through It . UK fintech Wise to switch main listing to New York. Citigroup lays off 3,500 tech staff in China. Allianz in Talks to Buy Private Credit Manager [Capital Four](#) . Boeing Agrees to Pay \$1.1 Billion to Avoid Prosecution for 737 MAX Crashes. Reddit Sues Anthropic, Alleges Unauthorized Use of Site's Data. Santander scraps plan to appoint executive under criminal investigation. Powerful new cannabis outstrips dangers of 'Woodstock pot.' "Bbq Into Bankruptcy."

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(Corrects description of controlling shareholder's power to remove directors in sixth paragraph of first item.)

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- 1. See: Toyota Industries, [Endeavor](#) , kind of sort of [Paramount](#) .
- 2. That is: 312,778,000 fully diluted shares outstanding (see slide 41 here) times \$378.10 per share (yesterday's closing price) is \$118.3 billion of fully diluted equity market capitalization; 580,955 total Bitcoin holdings (as of June 1) times about \$104,250 per Bitcoin is \$60.6 billion. This is not exact – Strategy keeps selling new weird securities to buy more Bitcoin – but the premium has consistently been around 100%.
- 3. And [some that](#) , arguably, sort of, don't.
- 4. Or buy \$1 worth of actual Bitcoin? I'm not sure what the right hedge ratio is here.
- 5. No science there, just a 0.97 discount factor (5.2% yield for seven months) times 80 and 20.

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News from Bloomberg Terminal
The Banks Are Re-Tranching
June 9, 2025, 11:02 AM PDT

By Matt Levine

(Bloomberg Opinion) --

The re-tranching of banking

A bank is a special kind of company because of its funding model. Compared to normal companies, banks:

1. *Borrow* much more money. JPMorgan Chase & Co., for instance, has \$4.36 trillion of assets and \$4 trillion of liabilities; 92% of its financing comes from debt. Compare Meta Platforms Inc. (\$280 billion of assets, \$95 billion of liabilities, so 34% debt financed) or Walmart Inc. (\$262 billion, \$103 billion, 39%). Those book values understate the difference: Meta and Walmart have equity market values of \$1.76 trillion and \$775 billion, respectively. Their liabilities represent about 5% and 13%, respectively, of their equity values; almost all of the value of those companies belongs to shareholders. JPMorgan's market capitalization is about \$740 billion; its liabilities represent about 540% of its equity value. Almost all of the value of JPMorgan belongs to its *creditors*.
2. Borrow with much *shorter terms*. Regular companies borrow by taking out multi-year bonds or loans. Banks borrow by issuing *deposits*, and many of their depositors can ask for their money back at any time. JPMorgan's liabilities include \$2.5 trillion of deposits, \$533 billion of "Federal funds purchased and securities loaned or sold under repurchase agreements" (also in large part demand money) and \$65 billion of "short-term borrowings." Roughly three-quarters of JPMorgan's assets are financed with short-term money that could disappear fairly quickly.
3. Borrow *risk-free*: Generally speaking, most depositors do not conduct careful credit evaluations of their banks before depositing money. Nobody says "I have deposited \$100 in my bank, but there is some risk of them not paying me back, so I have marked my bank account at \$90." A dollar in a bank just *is* a dollar. The deposits may or not pay interest, but they won't pay *much* interest, because the depositors are not expecting to be compensated much for credit risk.

Those facts – the funding model, lots of short-term borrowing that the counterparties treat as approximately risk-free – are what make a bank a bank.

And then there is the other side of the balance sheet. If you have the ability to borrow lots of short-term money from lenders who do not supervise your activities closely, what should you do with that money? One possible answer is, like, “use all of it to make risky venture-capital-style investments in hot startups.” That is a *bad answer*. It’s not a bad answer because *no one* should do it: Some people do make risky venture capital investments, and often it works out quite well. It’s a bad answer because *banks, specifically* should not do it. Banks should not do it because of their funding model. Because banks issue short-term risk-free deposits, it is very important that they not take too many risks. Making investments that could go up a lot, or that could go to zero, is not what a bank is for; banks are supposed to make investments that are *safe*, because it is very important that they always have the money.

But in fact the history of banking involves a lot of people who think “ooh I have all this cheap short-term funding, and my depositors never actually *do* ask for all of their money back at once, so I can treat it like long-term funding and invest in cool stuff that will make me a lot of money.” And then the history of bank regulation involves a lot of regulators saying “no, don’t do that.” You can see some of this history repeat itself in crypto, which reinvented (1) banks (in the form of exchanges and lending platforms that took customer money, promised to give it back whenever, and were treated by depositors as fairly safe) and (2) bank failures (in the form of the exchanges yeeting the customer money into venture capital investments or much dumber trades).

But real banks are not supposed to do that. More broadly, they are supposed to do only “banking”: A bank, with its deposit funding, is not supposed to use the money to do any sort of business it wants; it is supposed to do the sorts of business that are traditionally banking. Those sorts of business are somewhat miscellaneous and historically contingent, but if there is a single core *idea* about how banks should invest their money, the idea is “diversified pools of senior claims.” The idea is:

1. There is a lot of economic activity in the world, and lots of people can profitably do lots of it.
2. Banks should not do that activity, though.
3. Instead, banks should *lend* money to the people who do that economic activity, and get paid back with interest.
4. The banks should have *senior claims* on the economic activity: The people doing the activity should promise to pay their bank back *first*. The bank has limited upside: If the activity works out really well, the bank only gets paid back with interest. But it also has limited downside: If the activity works out poorly, the bank still probably gets paid back with interest.
5. Banks should lend money to lots of different people, so that if some of them work out really poorly the bank still gets most of its loans paid back.

So in practice banks make a lot of mortgage loans: You borrow money from the bank, you buy a house, you own the equity but the bank gets paid back first. They make lots of business loans: You borrow money from the bank, you build a factory, you own the equity but the bank gets paid back first. Etc. The bank facilitates a lot of economic activity – it provides the money to buy houses and build factories – but not by doing it directly. It takes the senior claim, so that its deposits are not too much at risk.

But if you run a bank this will often feel boring, and you will look for ways to do stuff that takes more risk and gets more upside. You will want to do some equity investing, maybe make some venture-capital bets, own some infrastructure. You will get into the securities trading business and think about ways to make money by buying low and selling high. Much of this stuff will be allowed by regulators, in reasonable amounts, with reasonable capital against it. Sometimes it will end badly. Often it won't; the banks will employ smart people and do a good job doing various economic activities that are adjacent to, but different from, taking senior claims.

This is so naturally the history of banking that it is the story everyone expects all the time. And what is interesting about our present moment is that it is the opposite: Most of the big stories about banks in the US in 2025 are about banks doing *less other stuff*, and doing more *taking senior claims on economic activity*. The big modern story is about banks becoming *narrower*, about them letting other people take the risks and taking only safer senior claims for themselves.

Here is an International Financing Review story about Goldman Sachs Group Inc.'s securities financing business. The article refers to this trend as "the re-tranching of banking":

Financing represented over a third of Goldman's markets revenue last year, up from 20% in 2020. ...

"The interesting thing about financing is that it truly benefits from a lack of volatility," said [Ashok Varadhan, Goldman's co-head of global banking and markets]. "Not doing enough financing is why we lost market share in 2014 to 2016 when markets weren't volatile. We were too reliant on market-making."

Goldman's financing push reflects a broader transformation that some have dubbed the "re-tranching" of the banking system in the wake of the 2008 financial crisis. Regulators forced banks to hold more capital against risky activities, prompting much of this business to migrate to the so-called shadow banking system of private equity and hedge funds.

The rise of private debt funds is a case in point. These investors have seen their assets nearly quadruple over the past decade to about US\$2trn, according to PitchBook, as they have taken over parts of the traditional bank business of lending money directly to companies. They also frequently require leverage to boost their returns - and banks are happy to oblige.

Crucially for banks, regulators treat this senior form of financing secured against a client's assets far more favourably than if banks were engaging in those activities themselves, whether that's making risky mid-market loans, owning chunky private equity stakes or harbouring large trading exposures on their balance sheets.

"What's happened is we've moved from the riskier part of the capital structure to the safer part of the capital structure," said Varadhan. "In simple terms, we became less of an investor and more of a financier of people doing these activities because of the capital rules."

We have talked about this trend before: Big banks' trading desks used to be essentially in the business of *buying and selling securities*; they made money by buying low and selling high, except when they lost money by buying high and selling low. Increasingly, though, the banks' trading businesses are in the business of *lending money to people who buy and sell securities*; those people take the market risk, and Goldman just has a senior claim on their winnings.

As the IFR points out, the trend is the same in private credit. Big banks used to be in the business of lending to companies, taking a senior claim on their risky economic activities. Now the big banks are increasingly at one further remove: They lend to *private credit funds* that lend to companies, taking a senior claim on the private credit funds' senior claims on risky activities. At FT Alphaville last month, Robin Wigglesworth discussed this trend:

As a percentage of bank assets and relative to the size of the US economy, C&I [commercial and industrial] loans have now been shrinking for half a decade.

That's not because US companies have suddenly discovered the virtues of resilient balance sheets and begun to borrow less. No, it's because banks have begun to lend indirectly to many of the same companies by instead making loans to "non-bank financial institutions". ...

According to a new report published by Barclays' macro, credit and bank research analysts, US bank lending to these NBFIs has quintupled over the past decade to well over \$1tn, and now accounts for more than 10 per cent of all US banking loans (and nearly 5 per cent of all assets).

He quotes the Barclays report:

Banks are required to risk-weight their assets when calculating their capital requirements. In the US, risk weights are highly standardized, with most commercial exposures attracting 100% treatment. However, NBFI loans are eligible for much lower risk weights, as low as 20%. The lower RWA density of NBFI lending reflects a number of factors, including high collateral requirements (ie, low LTVs) and in some cases covenant protections. Many NBFI loans are structured, allowing banks to take senior exposure to a relatively diversified pool of assets. This lending format is similar to the standard in the investment grade securitized credit market. Collateralizing obligations in this fashion ensures that loans to NBFIs have a defined amount of equity beneath them to absorb loss. This generally results in NBFI loans having relatively low loan-to-values (LTVs). These creditor protections support lower risk-weighting of NBFI loans, which makes them less capital-intensive assets in the calculation of regulatory capital ratios (ie, CET1/RWA).

This is not a weird regulatory arbitrage; this is just *true*. Having a low-LTV senior claim on a diversified pool of loans *is safer* than lending money directly to risky companies, so banks are encouraged to do it. We have discussed this trend as well: Private credit is a form of *narrower* banking, where private credit funds make loans with a lot of equity funding, and where banks have “moved from the riskier part of the capital structure to the safer part of the capital structure.” The banks are taking the safer, more senior tranche of a lot of activities, even traditional *banking* activities like making loans to companies and consumers. The financial world is becoming more tranced, sliced, with other big firms – asset managers, hedge funds, proprietary trading firms – taking the junior, riskier, higher-reward tranches and the banks taking the senior, safer, more boring tranches.

You could imagine some conservation laws here. If in the olden days banks made \$100 of loans to companies, and in the modern days banks make \$100 of loans to non-banks that add some of their own money to make \$200 of loans to companies, then plausibly *those companies are riskier*: There is more money for loans, so riskier companies can get loans, and safer companies can borrow more money and thus become riskier. The risk falls, in the first instance, on the investors in private credit funds, who know what they’re getting into (they are *not* depositors who expect their dollars to be risk-free). But it falls, in the second instance, on the banks: A senior claim on a senior claim on very risky activity (bank loans to private credit funds lending to highly leveraged buyout targets) might not be any safer than a senior claim on less risky activity (direct bank loans to stable boring companies). Here is a recent Moody’s report on “Private Credit & Systemic Risk,” worrying about this:

Reforms implemented in the wake of the [global financial crisis] have shifted nonfinancial corporate debt off bank balance sheets, reducing banks’ leverage but creating new transmission channels via nonbanks. Today’s network of interconnections in the financial system is more distributed, with a denser web of connections than it had pre-crisis, when the system operated more like a “hub and spoke” model with banks at the center of the network and nonbanks at the periphery.

While a more distributed network of financial institutions may enhance efficiency and capital allocation in normal times, the increased number of connections can act as a shock amplifier during periods of market stress. The same linkages that facilitate risk-sharing in calm conditions can become conduits for contagion under strain, especially when involving more opaque segments of the network—such as private credit—where risks are harder to monitor. This dynamic is evident in periods of elevated correlation and tighter network connectivity when markets come under pressure.

While the scale of private credit is still small and fund leverage appears modest, the direction of travel points toward growing systemic importance as it expands beyond middle-market corporate lending and begins to tap retail funding and explore liquidity features that could create fragility.

And that could all be true. Arguably the 2008 financial crisis could be read as a similar sort of story. Back then, banks also re-tranced themselves by securitizing mortgages: Instead of lending money to people to buy houses and hoping to get paid back, banks would lend people the money, slice the mortgages into tranches, sell some of them to investors and keep the most senior claims for themselves. The result was that the banks could make more and riskier mortgages using less of their own money and capital. And that ended poorly.

Still there is something culturally interesting about this moment in banking, something that is hard to appreciate because everyone is so used to the traditional story of “over time, banks try to do more risky stuff unless you stop them.” The story now is that the banks are moving up the capital structure, doing *less* risky stuff and more lending of money to the people doing the risky stuff. The post-crisis push to make banks more boring is essentially working. That doesn’t make *the financial system* boring. There is at least a conservation law for interestingness, and if banks don’t do fun stuff then someone else will. And the banks will lend them money.

On-cycle recruiting

Everyone knows that entry-level private equity hiring is bad. The way it works is that big private equity firms mostly hire their junior employees out of investment banking analyst programs: You graduate college, you spend two or three years in banking, you learn how to build financial models and evaluate deals and be professional, and then you graduate to private equity. At some point in the mythical past, I assume the private equity firms interviewed junior bankers at the end of their analyst programs, and then hired the ones they liked, the ones who had done the best work and learned the most and demonstrated the most enthusiasm for doing deals over their two years in banking. You know, like a normal interview, for a job.

But then some private equity firm realized that, if it interviewed bankers two months before the end of their analyst programs, it could get to candidates first, make offers early, and snap up the best candidates before its rivals even got started interviewing. So it started interviewing a bit early, and 20 minutes later all of its rivals also scrambled to schedule interviews so as not to be left behind. And they interviewed candidates and picked the best ones and made offers that would start in two months, when the analyst programs ended.

And then the next year some firm realized it could be first by interviewing *three* months in advance, and so forth, in a race to the bottom that now results in private equity interviews happening before the analyst programs even start. Actually now the private equity interviews start before the analysts graduate college: You can start interviewing in May 2025 for a private equity job that will start in the summer of 2027. There is no theoretical limit to this. Private equity firms could interview college juniors for jobs that will start in three years, contingent on them graduating college and successfully completing a banking analyst program. They could interview high school juniors for jobs that will start in seven years, contingent on graduating high school and going to a target college and doing banking successfully. Eventually you will put your child’s name on the KKR waiting list the moment she is conceived, though the list of contingencies will get longer.

As far as I can tell, nobody likes this. The private equity firms get less information by interviewing early than they would by waiting until the candidates have a year or two of banking under their belts. The candidates have stressful interviews before they even know if they *like* doing deals. The banks are mostly pretty happy to train junior people to go off to work in private equity – it is useful to have alumni as clients – but they would prefer to have more time with their analysts before they accept new jobs. The banks would like at least a fighting chance to *keep* their best analysts, and they would prefer that the analysts have undivided loyalties. If you spend two years working at JPMorgan Chase & Co. when you've already accepted a job at KKR, then (1) you probably shouldn't work on any deals involving KKR, for conflicts reasons, and (2) your heart might not be in any of your other deals either, because your long-term loyalties are not with JPMorgan.

And so everyone involved wishes the system was different, but nobody can make it different. If private equity firms decided to wait two years to recruit new associates, one firm could get an advantage by defecting and hiring early. (And if every private equity firm *signed an agreement* to wait, they'd all get in antitrust trouble.) If candidates refused to interview before their analyst programs started, the candidates who defected and interviewed early would get all the plum jobs. If banks refused to let their analysts interview with private equity, they wouldn't attract many analysts, because the analysts all want to end up in private equity.

On the other hand Jamie Dimon can do whatever he wants so I guess he can give it a go. The Financial Times reported last week:

JPMorgan Chase has told its incoming graduates that if they accept future-dated job offers elsewhere within 18 months of starting their analyst programme they will be fired.

The revised policy, included in a letter sent to recruits due to start the bank's US analyst training programme later this summer, is the latest escalation of the Wall Street giant's battle with private equity firms over junior talent.

"If you accept a position with another company before joining us or within your first 18 months, you will be provided notice and your employment with the firm will end," the note from global banking co-heads Filippo Gori and John Simmons said.

While JPMorgan does not single out private equity firms, there is an implicit reference to "on-cycle" recruitment during which buyout groups hand out jobs to graduates two years ahead of their expected start dates, to allow them to complete an analyst training programme at an investment bank first. ...

"To succeed in the investment banking analyst programme, your full attention and participation are essential," the note stated.

Training sessions, meetings and obligations are described as mandatory, and the bank warned in the letter that analysts who miss any part of the programme may have their roles terminated.

This is all very reasonable on its own terms and I assume they will quietly forget about it in six months, which is probably when on-cycle recruiting for 2028 will start. But maybe not! Maybe JPMorgan will be an outlier, and will attract good analysts who *don't* want to go into private equity. Maybe JPMorgan will be an outlier in a different way, and private equity firms will reserve some spots for JPMorgan analysts and just wait longer to fill them. Or maybe everyone else will see this move and say "yes obviously this is better," and everyone will hold off on recruiting until the analyst programs end. But, no, probably they'll forget about it.

Golden powers

Generally speaking, the more shares of a company you own, the more power you have over the company. If you own 0.01% of the stock, you can't do much. If you own 2%, you can probably get a meeting with management to lay out your grievances. If you own 20%, you can probably get a representative or two on the board of directors. If you own 60% – or, for most practical purposes, 45% – you can probably pick the whole board of directors and tell the company what to do. Therefore, if the board of directors doesn't like you, they will probably look for ways to keep you from increasing your stake.

There are exceptions, though. There are occasional break points where, by owning *more* shares, you get *less* power, or at least less flexibility. In the US, for instance, there are rather annoying "Section 16" rules that limit the flexibility of shareholders who own more than 10% of a public company's stock: If you go over 10%, you might be stuck holding the stock for six months; if you sell it before then you can be forced to give up your profits. Activist shareholders in the US will often try to stay below 10% to avoid those restrictions. But if you're at 9.9% and the board doesn't like you, they might try buying back some stock from other shareholders, leaving you at 10.1% and restricted. You had more flexibility at 9.9% than at 10.1%, so the board might try to push your ownership *up* to give you less power.

Bloomberg's Daniele Lepido has a fun story about an alleged spying scandal at Ferretti SpA, the Italian yacht maker, apparently triggered by a stock buyback plan:

The relationship between senior managers at Ferretti – one of the world's leading designers of yachts for the super-rich – and its biggest shareholder, had soured over a share buyback program. ... The plan, which was withdrawn, briefly triggered the scrutiny of the Italian government under a special "golden" veto power over deals involving strategic companies. ...

Weichai [Group, a Chinese conglomerate] currently owns a 37.5% stake in Ferretti. An alleged rift between Ferretti's Chief Executive Officer Alberto Galassi and some of the board opened in February 2024, when they voted on a share buyback plan, which would have seen the company repurchasing as much as 10% of its own shares, according to people with knowledge of management discussions, who did not want to be identified because they were discussing confidential matters. ...

A 2012 piece of legislation gives the Italian government a so-called "golden power" over companies of strategic importance, which means the authorities have broad powers to intervene in mergers and acquisitions, share buybacks and other transactions. ...

"The current, wide application of the golden power law effectively could sometimes serve as a tool for economic protectionism under Italy's right-wing government," said Luca Picotti, a lawyer specializing in foreign investment rules. The rule has led to friction at Italian companies with non-European boards, Picotti added.

The facts are disputed, but one possible reading might be something like "the Italian managers thought that, by *increasing* their Chinese controlling shareholder's stake, they could *reduce* its power, by attracting more attention from the Italian government."

Fake Goldman

There are tens of thousands of people named Goldman in the US, and thousands more named Sachs, and surely somewhere there's a Goldman who's friends with a Sachs. They could have fun together. Start a company, call it "Goldman, Sachs & Co.," set up some meetings. "If you give us your money we will manage it using proprietary Goldman Sachs algorithms," that sort of thing. That name carries some cachet,¹ and you could probably free-ride off that cachet with people who aren't paying too much attention.

We have talked about this sort of thing before – a guy named Rob Goldman published a research note touting a penny stock under the name "Goldman Small Cap Research" – but I guess you don't even need to be named Goldman. As long as your company is. The Wall Street Journal reports:

A Southern California businessman has emerged in a series of bankruptcy cases as a trustee and representative of creditors while operating a side business named Goldman Sachs Capital LLC that has no connection to the famed Wall Street bank.

Arian Eghbali, 40 years old, has been involved in dozens of recent chapter 11 cases, including Forever 21, Hooters and Virgin Orbit, representing trade creditors through his firm Olympus Guardians. Eghbali has also won an assignment as the liquidating trustee of Plenty Unlimited, a vertical farming startup that was backed by Jeff Bezos and SoftBank before it filed for bankruptcy this year, and serves as the trustee for unsecured creditors in Zips Car Wash, one of the nation's largest privately owned carwash chains. ...

In September 2022, Eghbali registered Goldman Sachs Capital LLC with the California Secretary of State's office, listing himself as the organizer. A separate document with the same office that Eghbali signed in 2024 showed him as Goldman Sachs Capital LLC's chief executive officer, using the same address on Ventura Boulevard in Tarzana, Calif., as his other firms, Olympus Guardians and Enrich Financial. ...

In an interview, Eghbali said that years ago he explored doing a business venture that he expected would receive funding from Goldman Sachs, the investment bank. So he registered Goldman Sachs Capital LLC because he thought the source of funds would be from Goldman. However, he didn't move forward with that venture, and instead used Goldman Sachs Capital LLC to conduct ERC-related business activities, Eghbali said.

Good for him. I have to say that if you are in talks with Goldman to have them fund your business venture, and you *name that venture Goldman Sachs Capital LLC*, they will probably stop talking to you. But there are other uses for that name.

Musk v. Trump

You know this, but last week Elon Musk and Donald Trump got into an online spat on their respective social media sites. Musk and Trump are not just (1) powerful political figures, (2) billionaires, (3) owners of social media platforms and (4) mad online; they are also shareholders and figureheads of various meme assets, which mostly went down. Bloomberg's Denitsa Tsekova and Alexandra Semenova reported:

In a matter of hours, a loosely connected web of Musk-linked trades – and a few tied to Trump – cratered as the public feud escalated. Dogecoin sank 10%; a publicly traded fund dangling SpaceX exploration for retail consumption slid 13%; leveraged bets amping up returns on Musk-related ventures lost a quarter of their value or more. Shares of Trump's media company slid.

The spat – ignited by the deficit-expanding tax bill threatening Tesla's electric-vehicle subsidies – cooled on Friday and asset valuations steadied. But by then, investors had gotten the message loud and clear. "You can go from being an incredible beneficiary one moment and then being bludgeoned the next," said Peter Atwater, founder of Financial Insyghts. "Anytime you are investing in something that is as crowded as these Elon Musk-related vehicles, you are going to be either the beneficiary or the victim of his standing."

I guess I would make three points:

1. "I feel bad for our country but this is tremendous content."
2. I wrote last month that, for an assortment of tax and accounting reasons that it's not worth getting into, it would be good for Tesla Inc. and for Elon Musk if Tesla's stock price were to (1) collapse and then (2) recover. Does Musk read Money Stuff? Honestly I have no idea. I will say that, for my plan to work, Tesla would have to *grant Musk a big slug of new options at the lows*, and so far I have seen no sign that the board is racing to do that. But "start an online fight with Trump, drive down the stock, get new options, make up with Trump and drive the stock back up" would be, you know, something.
3. If you own Tesla stock ... look Tesla's SEC filings do not currently include a risk factor saying "Elon Musk is a loose cannon who will alienate approximately all of our customers by going all-in on Donald Trump, and then also alienate Donald Trump." Is that securities fraud? If there is one essential theme of this column (that is not legal advice) it is that everything is securities fraud, and hoo boy.

I often have occasion to see a stock drop and think "ahh that'll be a fun lawsuit," but I have never looked forward to a securities fraud lawsuit more than this one. These ones. Bloomberg's Rick Clough reports:

Ross Gerber, the CEO of Tesla shareholder Gerber Kawasaki, sharply criticized Musk's behavior in a Bloomberg TV interview Thursday, saying it could lead to lawsuits from the automaker's investors and cut the value of SpaceX in half.

"Elon isn't functioning to the benefit of his shareholders," said Gerber, whose firm has substantially reduced its Tesla holdings over the last few years. The meltdown is leading to the "dismantling of the Musk empire in real time."

There's just a lot of material, you know?

Things happen

Quant Firm's \$1 Billion Code Is Focus of Rare Criminal Case. Ken Moelis to Step Down as CEO of His Investment Bank. S&P Dow Jones Leaves S&P 500 Unchanged in Rebalance. Barclays Cuts More Than 200 Investment Bank Jobs to Reduce Costs. Bitcoin's Rally Means All of Strategy's Purchases Are Profitable. Warner Discovery Splits Cable From Marquee Streaming, Studio Businesses. Norway's oil fund calls for urgent reform of European capital markets. World's smallest violin.

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. Disclosure, I used to work at the other Goldman Sachs & Co.

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Opinion **Unhedged**

Tesla after Trump

Plus IPOs and American exceptionalism

ROBERT ARMSTRONG



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Robert Armstrong, Aiden Reiter and Hakyung Kim

Published YESTERDAY



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Good morning. On Friday, the May jobs report came in much better than feared. The US private sector added 139,000 jobs and the unemployment rate held steady at 4.2 per cent. There were soft spots, including downward revisions for March and April. But broadly speaking, this was a good report. The US stock market approved, rising 1 per cent on Friday. The Fed looks set to hold rates steady for a while longer — despite the president's [demands](#). Email us: unhedged@ft.com.

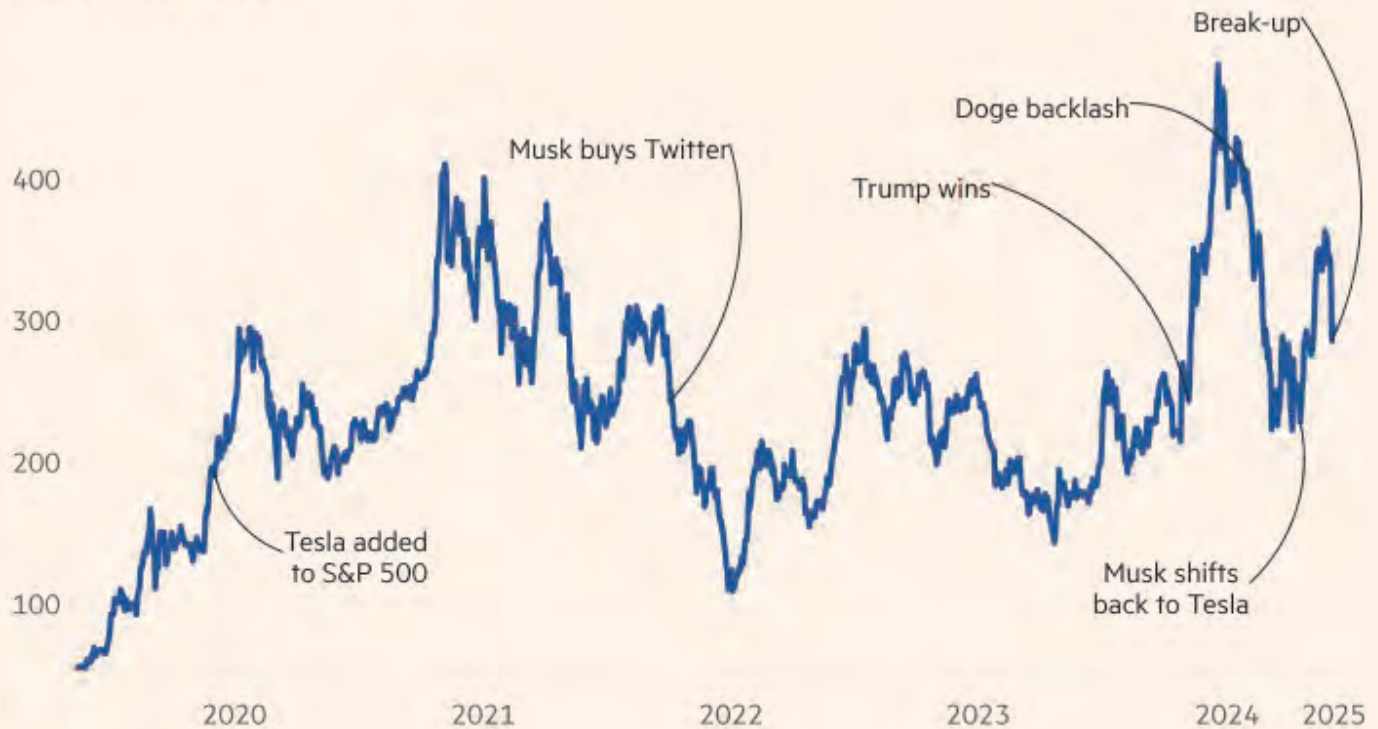
Tesla

Everyone saw it coming. When Donald Trump and Elon Musk made their pact ahead of the 2024 election, it was widely assumed that the partnership would be shortlived. But this was even shorter than we expected. And the break-up was a spectacle.

That spectacle undid much of the boost Tesla stock received from Musk announcing that he would step back from his government work and focus on business. Since Musk's late April announcement, Tesla had risen nearly 45 per cent. On Thursday, during the mud-throwing contest, the shares went down 14 per cent, and only gained back a little on Friday. Interestingly, that fall leaves Tesla's shares essentially flat since 2022. Here's the chart:

Round trippin'

Tesla share price (\$)



Source: Bloomberg

Tesla is not a stock that — how to put this? — responds much to fundamentals. While it was already down for 2025, even that fall may have been understating the significant troubles at the automaker. Sales have been plummeting in the US and abroad, as Musk's personal brand has turned off buyers and as the company has lost ground to other EV makers, particularly cheap Chinese competitors. Analysts had already been steadily downgrading expected sales over the past three years, and are now predicting a steeper decline at the end of this year and in 2026:

Autonomous diving

Consensus estimate for # of Tesla vehicles sold (mn)

— 2025 — 2026



Source: Bloomberg

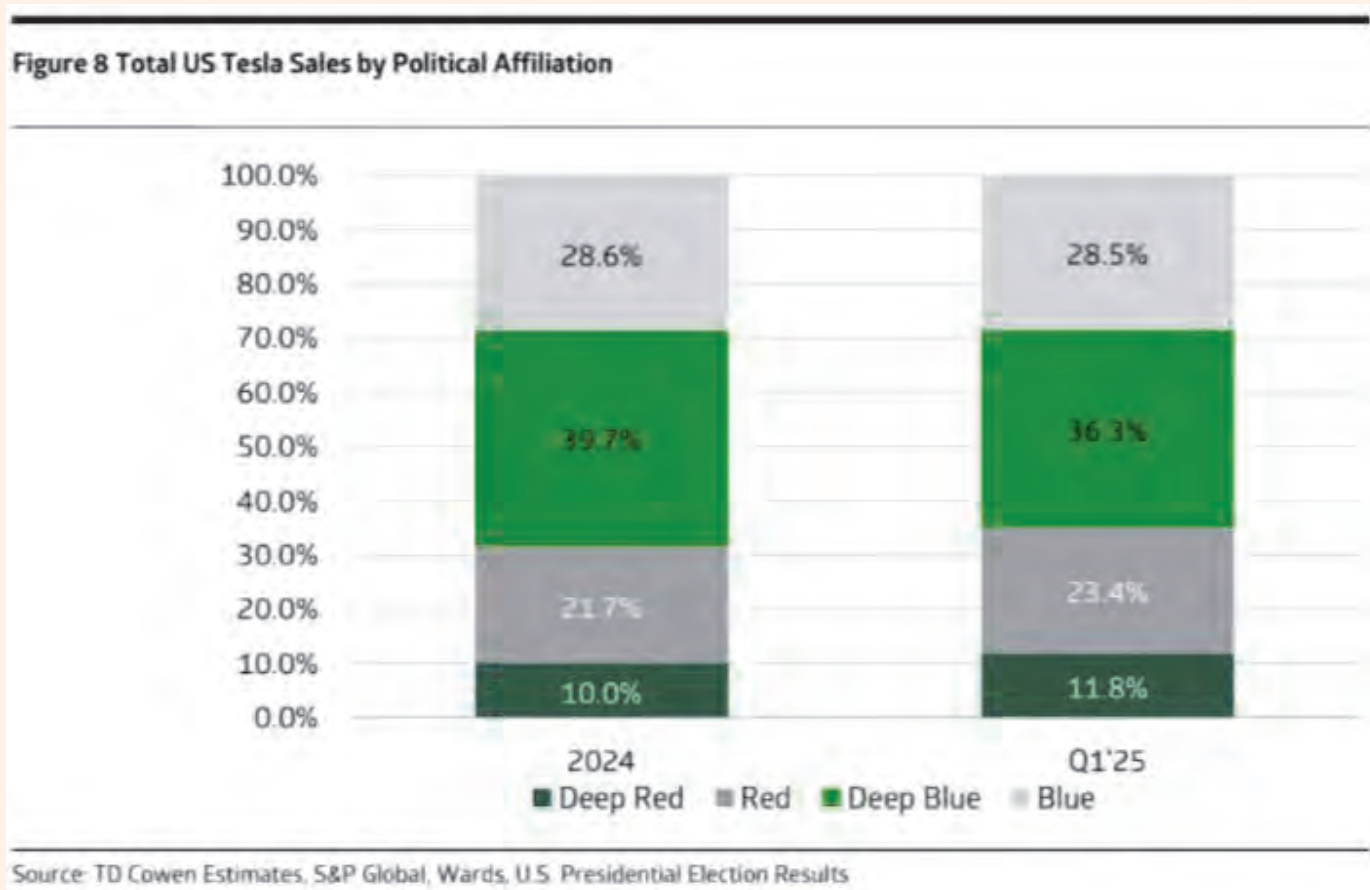
Its gross profit margins have eroded as volumes have fallen, and they are expected to go lower still. And the other parts of its business have had major obstacles: its higher-margin battery business has been disrupted by tariffs, while its robotaxi fleet is falling behind competitors like Waymo.

But that brings us to the big question. What does the big drop last Thursday mean? What is the market thinking, as it were?

We have three (not mutually exclusive) theories. The first is that the market is reacting to the provisions of Trump's big beautiful bill. A bearish JPMorgan note making the rounds suggests that the bill could cut Tesla's operating earnings in half. They estimate a \$1.2bn drop from the end of the consumer EV tax credit, and a \$2.0bn hit from the end of carbon tax credits. Those proposals have been on the books now for a week or two, and have not moved the stock all that much. With Trump and Musk no longer on good terms, it seems unlikely that Musk can convince Republicans to amend the bill.

The next possibility is that the premium built into Tesla's stock is about more than just the car business. Up until last week, it seemed that Musk's companies outside of Tesla were getting a boost from his work in the federal government: X debt sold [well](#), and [SpaceX](#) and [Starlink](#) got various perks. Tesla investors might have been expecting something similar for Tesla. Not now.

A final factor is partisanship. TD Cowen created a breakdown of Tesla's US sales by each counties' political leanings. Since the Trump-Musk partnership started, sales in red counties have picked up and are a larger share of the total, while sales have fallen in blue ones:



Itay Michaeli and his colleagues at TD Cowen note that if all red counties were to reach the same level of EV penetration as red counties in Texas, which saw a big bump in the first quarter, there would be a 39 per cent jump in EV sales this year (not just for Tesla). But with Musk now on Trump's bad side, Republican enthusiasm for EVs — Tesla's EVs in particular — may wane.

There is a range of views about what could happen from here. While analyst estimates are mostly ticking down, more bullish assessments are out there. Emmanuel Rosner at Wolfe Research argues that the hit from the budget bill could be less severe than predicted by JPMorgan. He breaks it down as follows:

“

a) TSLA's US tariff rate is effectively zero, below competitors . . . in the ~\$2000-\$6000+ range (creates a pricing umbrella); b) [Management] plans to launch an affordable line-up [likely leading to] healthy margins at scale; and c) medium-term, with federal & state emission standards easing, several automakers will be less inclined to “push” EVs on to the market just for compliance purposes [making a better EV pricing environment]

And who knows where the relationship between the two billionaires will wind up. Their [love](#) turned to hate quicker than we imagined. But love and hate are always two sides of the same coin. The bromance could be rekindled.

(Reiter)

The IPO market

American exceptionalism has been cast into doubt. We are told that global investors are turning against dollar assets, or at least hedging them much more carefully; that long-neglected stock markets in the rest of the world are having a moment; that fiscal profligacy puts US Treasuries' status as the pre-eminent global safe asset into question. And so on. Unhedged is a bit [sceptical](#) about all this — while the talk is about revolution, what is happening in markets, looked at carefully, appears incremental.

Nowhere is the persistence of US exceptionalism more apparent than in the IPO market. When companies need to tap markets for equity funding, it remains America or bust.

In just the last week, the FT reported on two foreign companies seeking to switch their primary listings to the US: the big Brazilian meat processor [JBS](#), whose shareholders have already approved the plan, and UK fintech [Wise](#). They aren't the only ones considering the jump. South Korean fintech company Viva Republica and Chinese electric truck start-up Windrose are also opting for US IPOs.

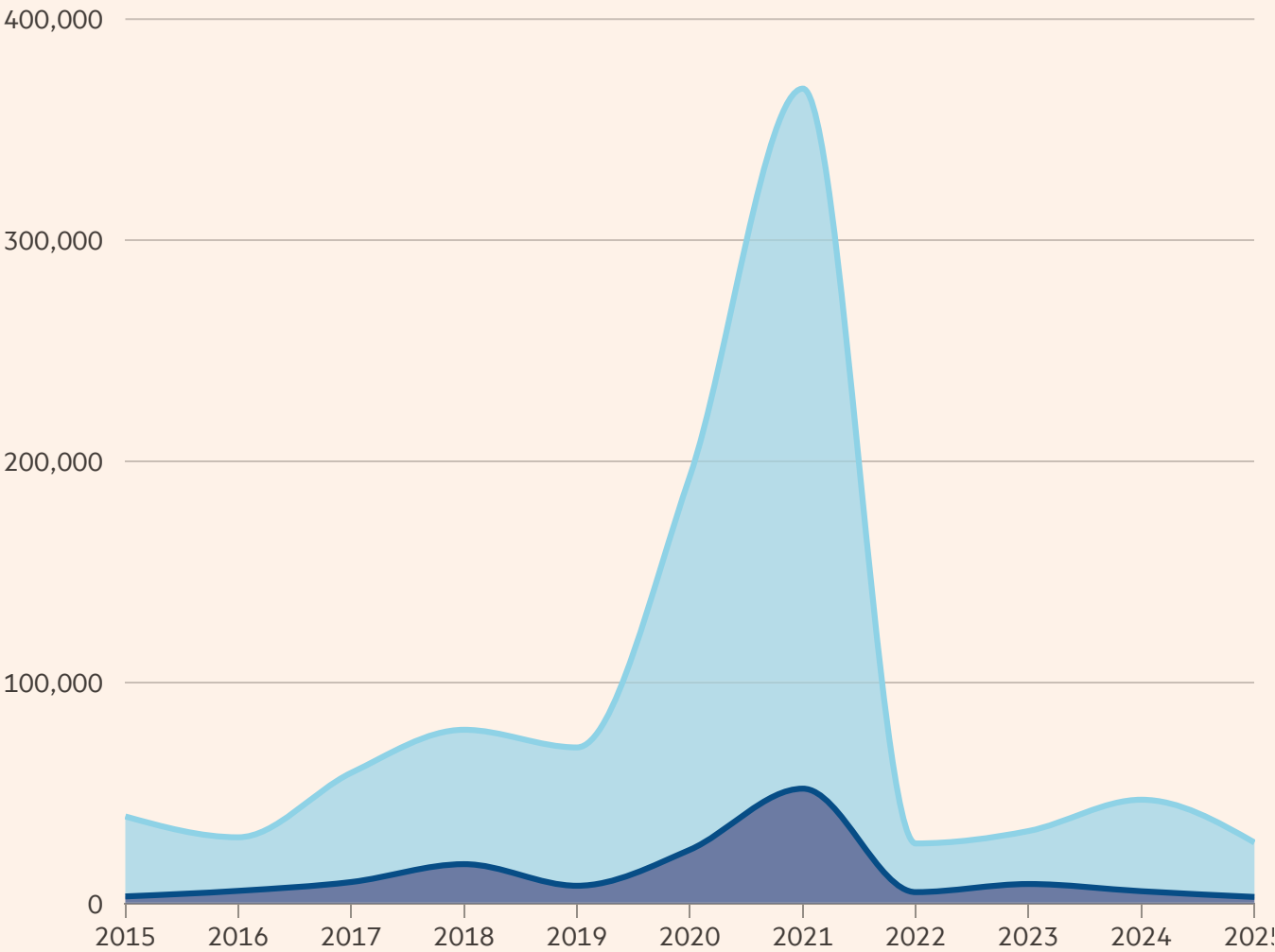
Over the past 10 years, foreign companies have only made up a modest share of US IPOs, as measured by deal value. Foreign share did go as high as 36 per cent in 2021, but that year is anomalous due to the big Arm Holdings deal.



Legal immigration

US IPO volume (\$mn)

Non US Companies Total US IPO deal value



FINANCIAL TIMES

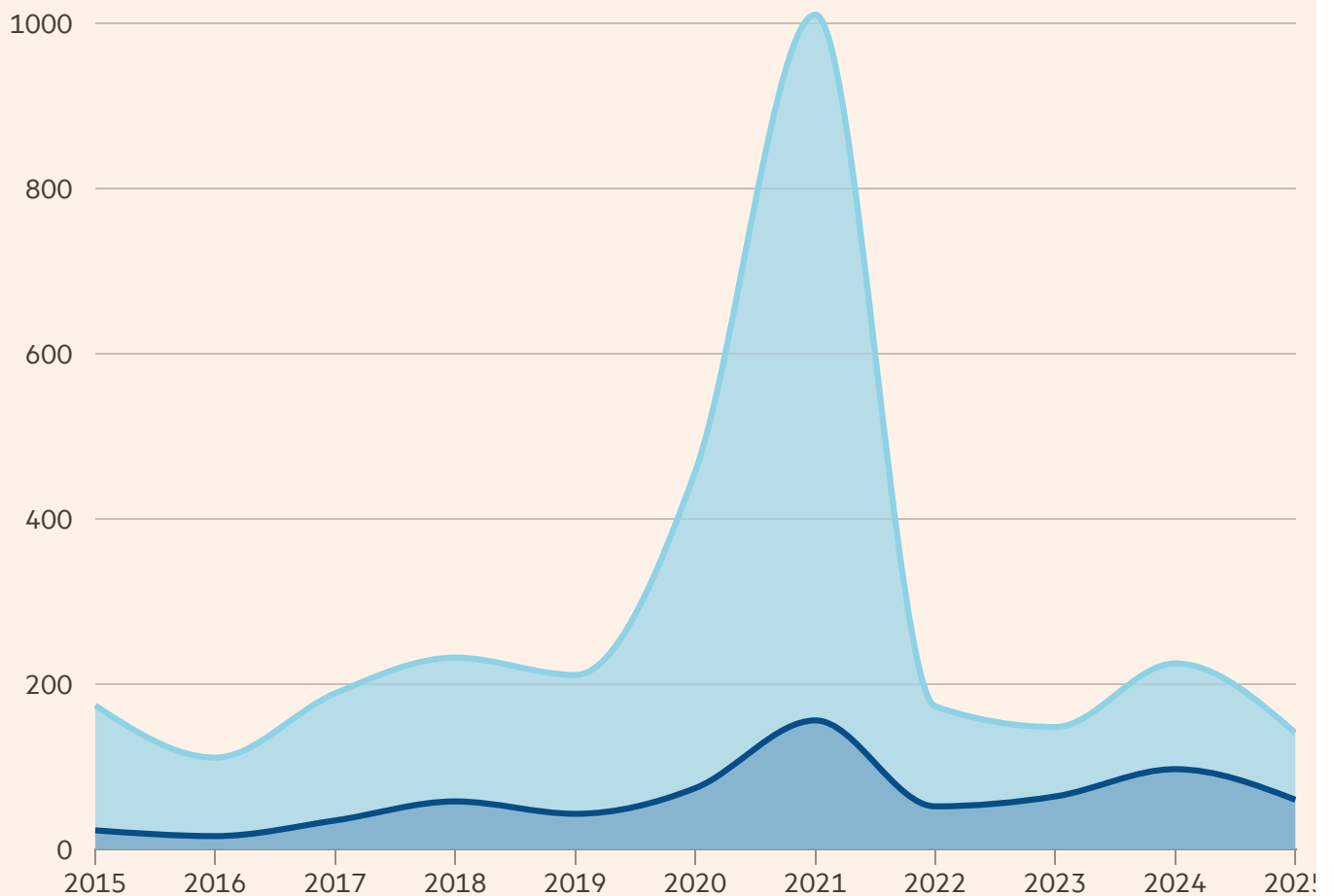
Source: Dealog

But looking at the number of deals, rather than dollar volume, the picture is different — since 2023, overseas companies have made up more than 40 per cent of all the IPO listings in the US. So far this year, 60 non-US companies have listed IPOs in the US, making up 43 per cent of the listings and 12 per cent of the total deal value.

Still exceptional

Number of US-listed IPOs

Non US Companies All Companies



FINANCIAL TIMES

Source: Dealog

US companies are staying private longer, avoiding regulation and scrutiny, and taking advantage of the easy availability of private funding. Volatility from Trump's tariffs has also made it harder for companies to list — recently, both Klarna and StubHub have had to pause their debuts.

Foreign companies, however, appear undeterred by the policy chaos in the US. And with good reason. Valuations in the US remain high, in relative terms, despite weakness in the US equity markets and strong performance from global markets. Europe's Stoxx 600, for example, trades at an average price/earnings ratio of 17 versus 26 for the S&P 500. There is less restriction on executive pay in the US, in terms of both regulation and culture. And the US provides high liquidity, a bigger investor base that brings greater passive investment flows, and the prestige of being associated with the world's largest exchanges. No other market is truly competitive on these fronts.

Julian McManus at Janus Henderson thinks growth is the key:

“

More volatility, usually all things equal, will tend to mean a higher equity risk premium and a lower valuation multiple; the US has managed to escape that rule until now. This is the exceptionalism part. And the reason why it's been able to be exceptional is because the growth rates that people expect in the US are higher, and compensate investors for that higher volatility. What remains to be seen is whether that continues to be the case.

American exceptionalism may degrade gradually over years. It has not disappeared overnight.

(Kim)

One good read

[Let's eat.](#)



Ann M. Lipton

@annmlipton.bsky.social

i mean, i've seen commentary to the effect that musk is just an ungovernable loose cannon but he always managed to control himself when it came to china ... and hey, look what's happened with trump



Judd Legum @juddlegum.bsky.social · 3h

A few days ago, Musk called for Trump to be impeached and suggested he was involved in pedophilia.

Then Trump threatened to terminate Musk's federal contracts.

Now Musk is back to promoting Trump.



Elon Musk @elonmusk · 12h



11.4



JD Vance @JDVance · 12h

This moment calls for decisive leadership. The president will not tolerate rioting and violence.



Donald J. Trump

@realDonaldTrump

A once great American City, Los Angeles, has been invaded and occupied by Illegal Aliens and Criminals. Now violent, insurrectionist mobs are swarming and attacking our Federal Agents to try and stop our deportation operations — But these lawless riots only strengthen our resolve. I am directing Secretary of Homeland Security Kristi Noem, Secretary of Defense Pete Hegseth, and Attorney General Pam Bondi, in coordination with all other relevant Departments and Agencies, to take all such action necessary to liberate Los Angeles from the Migrant Invasion, and put an end to these Migrant riots. Order will be restored, the illegals will be expelled, and Los Angeles will be set free. Thank you for your attention to this matter!

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June 9, 2025 at 10:12 AM Everybody can reply

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12



Securities Law

Tesla Hit With a Pair of Downgrades Amid Fallout From Trump Feud

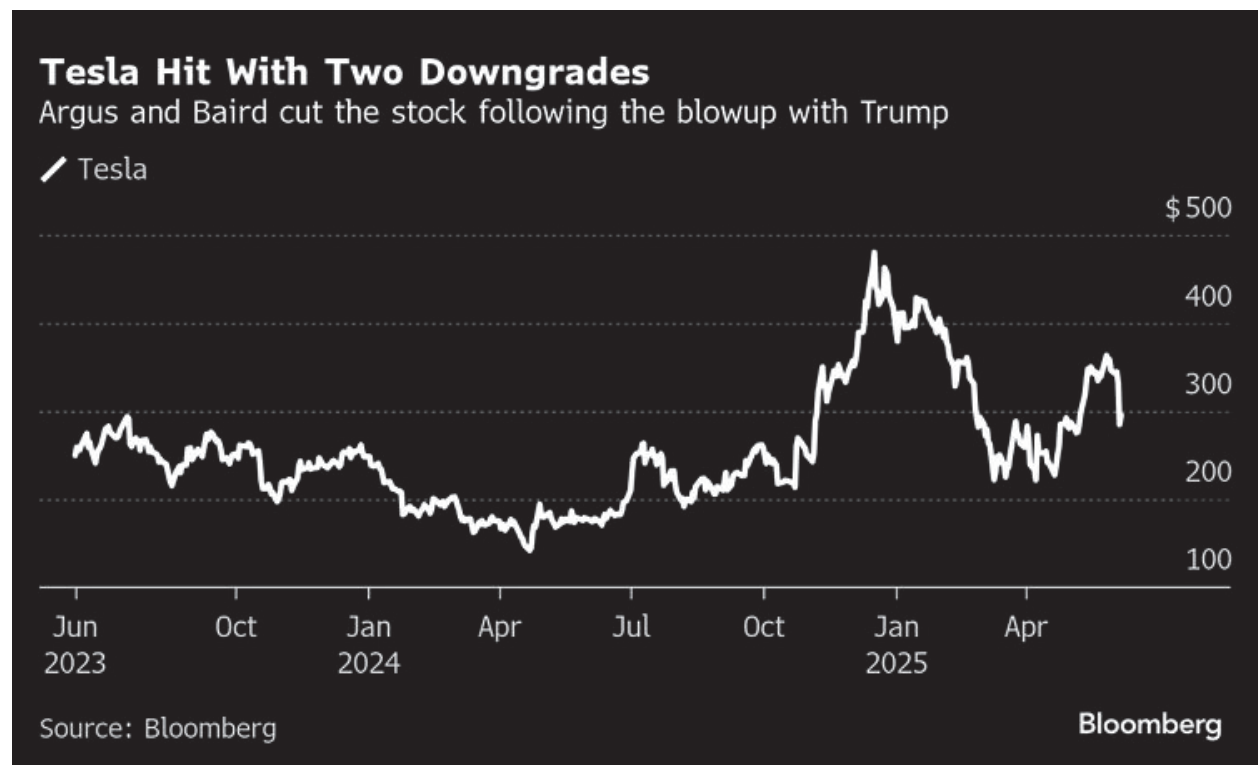
June 9, 2025, 6:13AM PDT

Tesla Inc. was hit with a pair of downgrades on Monday, underscoring mounting concerns on Wall Street about the electric-vehicle maker's outlook following last week's clash between Chief Executive Elon Musk and President Donald Trump.

Both Argus Research and Baird cut the stock to the equivalent of hold ratings, cementing Tesla's reputation as the least-loved megacap stock among analysts. Shares fell 1.6% in premarket trading.

The downgrades mark the latest hurdle for Tesla, shares of which are down about 27% in 2025, making it the weakest performer of the so-called Magnificent Seven stocks. Tesla shares had rallied in the wake of Trump's reelection, which Musk vigorously supported, but are down almost 40% off their peak in December.

Much of the stock's recent decline came after the high-profile [blowup](#) between Musk and Trump last week. While Musk subsequently suggested he was open to making amends, the tensions are seen as a significant headwind overhanging the shares.



[Read more: Wall Street Calls Trump-Musk Spat 'Disaster' for Embattled Tesla](#)

"Looking ahead, we are concerned that the war of words between President Trump and Elon Musk, along with expiration of EV credits, could further weaken demand for new Teslas," wrote analysts at Argus Research, who downgraded the stock to hold from buy.

The feud, they added, is emblematic of how the stock "appears to be currently trading on non-fundamentals events." This view was echoed by Baird, which cut the stock to neutral from outperform.

"The recent incident between Musk and President Trump exemplifies key-person risk associated with Musk's political activities," analyst **Ben Kallo** wrote. "While we have no indication of how the relationship may change or what either will do, we see the situation as adding uncertainty to TSLA's outlook. Additionally, we believe this may heighten questions regarding brand damage, which we expect will persist until sustained evidence of volume growth avails itself."

Musk's comments about Tesla's robotaxi program "are a bit too optimistic, and we believe this excitement has been priced into shares," Baird said. The service, which focuses on driverless vehicles and artificial intelligence, is [scheduled to launch](#) in Austin this week.

[Related: A Fatal Tesla Crash Shows the Limits of Full Self-Driving](#)

The two downgrades underline how Tesla is the megacap viewed most skeptically by Wall Street. Fewer than half of the analysts tracked by Bloomberg recommend buying the shares, by far the weakest such ratio among the market's biggest companies.

To be sure, the stock still has 30 buy ratings, compared with 18 hold ratings and 13 analysts who recommend selling. Tesla trades basically in line with the average price target for the stock, suggesting analysts aren't looking for a rebound in shares.

(Updates trading, provides additional information on ratings.)

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Nina Trentmann, Brandon Harden

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Bloomberg Law

DC Bar Overwhelmingly Chooses Veteran Member Over Bondi (1)

June 9, 2025, 9:09 AM PDT; Updated: June 9, 2025, 9:55 AM PDT

- **More than 38,000 members voted**
- **Voting for the office closed June 4**

DC attorneys rejected Brad Bondi's bid to lead the local bar association and instead chose board member Diane Seltzer.

Seltzer received more than 34,000 votes compared to 3,490 for Bondi, the DC Bar announced Monday. "I trusted that our members would elect a president-elect who they know will be fierce for them and hear them with respect to the issues that matter," Seltzer said in a statement.

The contentious race for the three-year term was unusual for the professional association of the 120,000 lawyers licensed to practice in Washington. The bar's chief executive officer Robert Spagnoletti described the voter engagement as "extraordinary" at a briefing on Monday. More than 38,000 votes were cast starting April 15.

Bondi, a securities lawyer at Paul Hastings whose sister is Attorney General Pam Bondi, drove turnout as attorneys worried he would interfere with disciplinary proceedings to benefit President Donald Trump. He called such claims "politicized cheap shots."

"I am disgusted by how rabid partisans lurched this election into the political gutter, turning a professional campaign into baseless attacks, identity politics, and partisan recrimination," Bondi said in a statement on Monday. "Never before has a DC Bar election been leveraged along partisan lines in this way, an explicit call for members to vote based not on what's best for the institution but according to their political affiliations."

Bondi, the co-chair of Paul Hastings' investigations and white collar defense practice, has his own ties to Trump. He was part of a team that represented a blank-check company as it combined with Trump Media & Technology Group Corp., which operates Trump's Truth Social media platform. He also advised Elon Musk's Tesla, Inc. in matters before the Securities and Exchange Commission. Bondi was recently hired by YouTube personality "MrBeast" Jimmy Donaldson and a group of investors for legal advice on a bid to buy TikTok Inc.

Seltzer, an employment lawyer, has been volunteering for the DC Bar for more than two decades and spent the past five years on the board. She faulted Bondi's lack of leadership experience at the organization.

The new president will serve a three-year tenure replacing Shaun Snyder, the current bar president and the CEO of the National Association of State Treasurers. Presidents preside over board meetings and attend committee meetings. They typically craft their own agendas during their term.

(Adds bar, Bondi comments starting in third paragraph.)

Securities Law News

Trump Crypto-Wallet Spat Ends With World Liberty Buying Memecoin

June 6, 2025, 2:10 PM PDT

Eric Trump signaled that the tension between the competing factions of Donald Trump's crypto empire has cooled and the family's World Liberty Financial will buy a "substantial" amount of the memecoin at the center of the dispute.

The president's son said in a post on X on Friday that the company responsible for the Trump memecoin isn't moving forward with a digital-wallet offering that has caused a fissure with World Liberty Financial, the crypto company owned in part by the Trump family.

Bloomberg News reported Thursday that World Liberty Financial had sent a cease-and-desist letter to Fight Fight Fight, the organization behind the president's lucrative memecoin, over the development of a digital wallet called "\$TRUMP Wallet," according to a person familiar with the matter who asked for anonymity because the letter hasn't been made public. World Liberty said it was launching its own wallet.

Read more: [Trump Crypto Feud Heats Up With Cease-and-Desist Letter](#)

Eric Trump added that World Liberty plans to buy a "substantial" amount of the Trump memecoin for its own holdings.

Both World Liberty and the memecoin have been lightning rods for criticism from Democratic lawmakers, who accuse Trump of using the crypto projects as vehicles to enrich himself and his family by selling influence and access to the president. The White House and the president's sons Eric and Donald Trump Jr. have repeatedly denied the allegations.

Fight Fight Fight is run by the president's long-time friend and promoter, Bill Zanker.

Wallets have traditionally acted as gateways into crypto trading, lending and other functions. Many successful crypto wallets also run their own crypto exchanges and offer a slew of other services. Both projects are vying for the attention of Trump fans, many of whom are venturing into the volatile world of digital assets for the first time.

The Zanker-linked company has been integral to building the Trump family's crypto wealth. In January, Fight Fight Fight launched the Trump memecoin, which has generated more than \$300 million in fees for the company's owners, according to data firm Chainalysis. Fight Fight Fight and another Trump affiliate, CIC Digital LLC, retained 80% of the token supply. Their memecoins are currently worth about \$2 billion, according to crypto tracker CoinMarketCap.com.

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Michael P. Regan, Dave Liedtka

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News from Bloomberg Terminal

CEOs Hate Critics But They Make Them Better Leaders

June 9, 2025, 4:00 AM PDT

By Beth Kowitt

(Bloomberg Opinion) --



Keeping an eye out for haters.

Photographer: Brent Lewin/Bloomberg

The titans of corporate America have had enough of their critics.

At Goldman Sachs Group Inc., Chief Executive Officer David Solomon has reportedly pushed out troublemakers who criticized his leadership and leaked to the press about problems in the bank's consumer lending business.

At Meta Platforms Inc., the newly MAGA-ified Mark Zuckerberg grew jealous of how Elon Musk evaded criticism – leading to what insiders called “Elon envy.” Zuckerberg is now channeling that Musk energy, less willing to take advice or listen to employee concerns over policy changes around issues such as diversity, equity and inclusion and content moderation.

JPMorgan Chase & Co. shut down comments on an internal webpage announcing the bank's five-day-a-week return-to-office policy after dozens balked. And CEO Jamie Dimon told workers who started a petition asking him to reconsider his RTO demands, “Don't waste time on it. I don't care how many people sign that f**king petition.” Employees who don't like it can get a job elsewhere, he's said.

Alphabet Inc.'s Google made big changes to its internal online message board Memegen, neutering what, for more than a decade, had been a forum for employees to express displeasure with their bosses and corporate policies.

Quashing dissent appears to be the next step in the CEO playbook for re-exerting authority after a pandemic that shifted power into the hands of workers. As CEOs return to command-and-control mode, they have only become more emboldened – perhaps even inspired – by a White House with zero tolerance for anyone unwilling to toe the party line.

We can all understand the impulse to silence critics. They can slow decision making, create conflict and decimate morale. Admit it: We think they're idiots and annoying troublemakers.

But there are good reasons that everyone – and especially CEOs – should not just tolerate dissenters but encourage them. That's the argument Charlan Nemeth makes in her 2018 book *In Defense of Troublemakers*. The retired University of California, Berkeley psychology professor has made studying the value of dissent her life's work, and she summed it up to me this way: "Fear consensus and welcome dissent."

Consensus holds a power over us that is difficult to break. We believe so deeply that the consensus opinion must be right that one of Nemeth's studies found that people follow the majority as much as 70% of the time – even when that majority is wrong.

But the bigger problem is what that group-think does to our own thinking, she argues. We have a harder time seeing alternative solutions and problems that could be right in front of us. We adopt the strategies and mindset of the majority and look for information that supports its position. That all leads to bad decision making.

Everything changes when we are presented with a dissenting viewpoint. It breaks the majority's hold by broadening our thinking. We consider more information, options and problem-solving strategies. We become more original, curious and independent.

"Dissent stimulates the kind of thinking we know is related to good decision making that, frankly, you can't teach people," Nemeth told me.

In just one of many examples in her book, Nemeth cites a study of the Supreme Court's decisions that analyzed its written opinions for "integrative complexity" – the ability to see and process different perspectives and ideas. The researchers found that when the Court's majority faced a dissenting opinion, the integrative complexity of its written opinions was high. But when the Court was unanimous, its written opinions were less complex and more one-sided.

Perhaps Nemeth's most important conclusion is that dissent has value even when it's wrong. In the 1950s, psychologist Solomon Asch conducted a study in which participants were shown two slides side by side. One slide pictured a single line meant to act as a standard, and the other slide had three lines. The subjects had to pick the line on the second slide that was the same length as the standard. The answer was so obvious that alone they had no problem picking the correct line. But when they were told a unanimous group had picked one of the incorrect lines, 37% of agreed with the majority's incorrect answer.

However, a later study building upon that work found that if just one person breaks from the group and picks the other wrong line, agreement with majority's incorrect answer dropped from 37% to 9%. "Even if a dissenter is wrong, and even if she is not an ally, she is of major value because she breaks the majority's power," Nemeth writes.

Dissent changes opinions, even if we don't acknowledge or realize it. Nemeth told me people will resist publicly agreeing with dissenters, even when they've privately been persuaded. We may have seen a flavor of that within Goldman. Executives who criticized Solomon's consumer lending expansion are gone, but the board launched a review and the bank is now exiting the consumer business.

In reality, leaders shouldn't worry that much about quashing dissent; it's already quashed. One study Nemeth points to found that around 70% of employees don't speak up when they see problems because they think they'll be ignored or fear the consequences of breaking with the majority.

That's a statistic that should frighten the CEOs more than any critic.

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The CEO **Luis Von Ahn**

Duolingo CEO on going AI-first: 'I did not expect the blowback'

Luis von Ahn says criticism over strategy change shows 'anxiety' about technology replacing jobs

Emma Jacobs

Published JUN 7 2025



Is Luis von Ahn's job as chief executive of Duolingo vulnerable to displacement by artificial intelligence?

"I'm not going to claim CEOs are that special," he says. "It's just somebody has to tell others . . . 'This is where we're going.' And AI is not particularly good at that yet."

Judging by recent controversy around the gamified language-learning app he co-founded, it is not just AI that can misjudge communication. Last month, von Ahn shared on LinkedIn an email he had sent to all staff announcing Duolingo was going "AI-first". "I did not expect the amount of blowback," he admits.

“Unbelievable,” wrote one LinkedIn commenter, “Cancelling my account NOW.” “Well, there goes my 1,098 day streak,” posted another.

The chief executive says many social media users mischaracterised the changes as though “Duolingo has no employees, we have fired everyone and everything is being controlled by a massive AI”.

He attributes this anger to a general “anxiety” about [technology](#) replacing jobs. “I should have been more clear to the external world,” he reflects on a video call from his office in Pittsburgh. “Every tech company is doing similar things [but] we were open about it.”

He insists the reaction from staff and contractors was far more measured. “Nobody misunderstood”, he says, because when Duolingo started 14 years ago, “we knew this was going to be a technology-forward company”. Staff raised most questions over the proposal that their performance review was to include an evaluation of their use of [AI](#). The details have yet to be worked out.

Since the furore, von Ahn has reassured customers that AI is not going to replace the company’s workforce. There will be a “very small number of hourly contractors who are doing repetitive tasks that we no longer need”, he says. “Many of these people are probably going to be offered contractor jobs for other stuff.”

Duolingo is still recruiting if it is satisfied the role cannot be automated. Graduates who make up half the people it hires every year “come with a different mindset” because they are using AI at university.

The thrust of the AI-first strategy, the 46-year-old says, is overhauling work processes. He personally is already outsourcing some tasks to AI, including Excel calculations. He wants staff to explore whether their tasks “can be entirely done by AI or with the help of AI. It’s just a mind shift that people first try AI. It may be that AI doesn’t actually solve the problem you’re trying to solve . . . that’s fine.”

The aim is to automate repetitive tasks to free up time for more creative or strategic work.

Examples where it is making a difference include technology and illustration. Engineers will spend less time writing code. “Some of it they’ll need to but we want it to be mediated by AI,” von Ahn says. In exchange for productivity gains, they will be expected to devote 10 per cent of their time to learning. Similarly, designers will have more of a supervisory role, with AI helping to create artwork that fits Duolingo’s “very specific style”. “You no longer do the details and are more of a creative director. For the vast majority of jobs, this is what’s going to happen.”

He insists AI is primarily about speed. “Part of the reason we only [teach] 40 languages is because adding another language is a lot of work. Pretty soon we’ll be able to multiply the number of languages we teach by a lot.” The technology is changing “very fast . . . A lot of things are becoming possible on a daily basis.” That means putting up with imperfections in the short term, with the expectation they will be ironed out. In Duolingo’s early days it used automated speech instead of actors to sound out words. “It sounded a little robotic,” he explains. But over time, the technology improved.

Last year, Duolingo introduced a new feature to its premium (Max) subscribers, enabling users to converse with an avatar called Lily, a fictional moody teenager with a “sassy personality”, “signature sarcasm” and eye rolls. Over time, the chatbot learns more about the user’s preferences and abilities, so the relationship becomes more personalised. Von Ahn is open-minded about the future of such para-social interactions, mentioning a recent trip to China, where he saw that “a lot of people are talking to their AI friend . . . and it didn’t seem that bad, honestly.

“You can always think of these *Black Mirror* [the dystopian science fiction series] episode-type situations, right? Some people are going to spend a significant amount of time socially talking to AI, that’s just inevitable.”

Other societal implications for AI, such as the ethics of stealing creators’ copyright, are “a real concern”. “A lot of times you don’t even know how [the large language model] was trained. We should be careful.” When it comes to artwork, he says Duolingo is “ensuring that the entirety of the model is trained just with our own illustrations”. He is less worried about translation because sentences are usually common language, such as “the boy runs”, rather than excerpts from authored books.

Duolingo has grown rapidly since it listed in the US four years ago. Its first-quarter results showed it had 10.3mn paying subscribers, a 40 per cent increase on the year before, helping lift revenues 38 per cent to \$230mn, and net income up 30 per cent to \$35.1mn. Users fall into two camps: those learning a language to get a job or move to another country, and those doing it as a hobby. The enjoyment factor means he sees his main competitors as TikTok and Instagram, rather than other language apps. Duolingo has expanded to offer chess, music and maths.

Raised in Guatemala City by his single mother, a paediatrician, von Ahn speaks English and Spanish “perfectly well”. His French is good enough to understand TV shows without subtitles “but my pronunciation sucks”. He is “pretty good at Portuguese” and a beginner in Swedish “because my wife is Swedish” and in Japanese.

Von Ahn moved to the US to study maths, followed by a PhD in computer science at Carnegie Mellon University, and research in cryptography. He started a business, ReCaptcha, which screens for bots and spam, and sold it in 2009 to Google for a figure enabling retirement before realising, as he later told the Financial Times, he “[would get bored](#)”.

Perhaps his personal wealth contributed to his lack of urgency to make money at Duolingo? It took him about six years to tell staff the company’s losses were unsustainable. “You would be surprised how difficult that was. It took about six months to convince this early group of employees that a, making money is not evil, and b, we need to do that if we’re a company. I took the whole social warrior/communist thing too far, and the reality is had we started monetising three years early, we would be much ahead.”

The shift to going public has “been great”, he says. The rigour required has improved processes such as financial forecasting. His mother, who now lives in one of his properties in Pittsburgh, “doesn’t really understand what my company does [but] she somehow knows the stock price.”

Aside from its soft toy owl merchandise, which is made in China, Duolingo is unaffected by US tariffs. “We have two options: either increase the price or make the owl smaller. It’ll probably be smaller.” While the Trump administration is on a campaign to roll back employer initiatives on race and gender, von Ahn says a diverse workforce is essential because “we have users in every single country in the world.” He says its international employees are “nervous because who knows what’s going to happen?”

After we speak, von Ahn returns to LinkedIn to apologise for his previous lack of clarity. “I don’t know exactly what’s going to happen with AI,” he writes. “But I do know it’s going to fundamentally change the way we work . . . AI is creating uncertainty for all of us, and we can respond to this with fear or curiosity.”

A day in the life of Luis von Ahn

I’m not a great sleeper and tend to wake up around 2am or 3am, usually thinking about the business or something that’s going on in my life. I’ve learned the key to falling back asleep is to stay in bed. Then I wake up again around 5am and start my day.

Every morning I check the “Luis Metrics” dashboard to get a sense of what’s going on around the world in our business.

I work out every single day, it’s probably my most consistent habit, other than daily Duolingo lessons. I used to just do an intense cardio workout for exactly 16 minutes, but now I also do some weightlifting.

I’m in the office around 9am and it’s nonstop meetings most of the day. One of my favourites is “product review”, where we review and approve every change to the Duolingo app. I think it’s really important to be hands-on. I have two Duolingo accounts, one as a free user, and one as a paid subscriber, so I can stay connected to the user experience of both.

I stop work for lunch every day and it’s an important part of our culture. We have lunch at the office but everyone stops working and eats together, for the most part.

I try to wrap up work by 6pm-7pm and head home to eat dinner with my wife.

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Luis Von Ahn

Securities Law News

Credit Suisse Execs Slammed in Private Swiss Greensill Probe (1)

June 6, 2025, 4:05 AM PDT

Former Credit Suisse executives were accused of misleading the bank and the regulator in a previously undisclosed report by Switzerland's financial watchdog into the collapse of Greensill Capital, court documents showed at a London trial.

Credit Suisse has sued SoftBank Group Corp. in London alleging that a series of transactions with Greensill lost investors in funds it ran a total of \$440 million. Lawyers for SoftBank said they have obtained a copy of the Finma report and disclosed selective parts of it at the trial to boost its defense.

Softbank Lays Blame on Credit Suisse for Fund's Greensill Loss

Eric Varvel, ex-global head of the lender's asset management division, and Michel Degen, who led the Swiss asset management business, are named in the court filings as being among those singled out by Finma in the report that was never made public.



Eric Varvel in 2014.

Photographer: Jerome Favre/Bloomberg

In a statement in Feb. 2023, Finma declared that the lender “seriously breached” its risk-management obligations over the \$10 billion fund strategy without referring to individual managers.

The implosion of Greensill Capital in March 2021 saw Credit Suisse freeze and wind down a \$10 billion group of funds that the Swiss bank had marketed to clients as safe investments.

SoftBank’s lawyers said that the Swiss regulator found that Varvel gave “a completely false picture” of an internal report to the the asset management unit’s board of directors, according to the court filing. In another section Degen is said to have misled the regulator about the trade finance funds’ exposure levels, Finma said according to SoftBank.

SoftBank Distrusted Greensill, Feared Being Used as ‘Piggy Bank’

Both Varvel and Degen left the bank in December 2021. Varvel, who is set to testify in the trial next week, didn’t respond to a message on LinkedIn and to his current employer Global Infrastructure Partners requesting comment. Degen declined to comment.

Credit Suisse said previously that actions had been taken against a number of individuals where the board deemed it was appropriate.

UBS Group AG, which is pursuing the case on behalf of its former Swiss rival, declined to comment on the Finma report. A Finma spokesperson declined to comment.

In its 2023 statement, Finma criticized the Swiss bank for its approach to risk management. Credit Suisse used employees who managed the business relationship with Greensill to deal with critical questions and warnings. They were “not independent,” the regulator said.

Lex Greensill Says His Investors Knew What They Were Buying

In the aftermath of the Greensill collapse, Credit Suisse commissioned an external investigation carried out by Deloitte and Swiss law firm Walder Wyss into the failings around the Greensill funds. The report, concluded in late 2021, was shared with the bank’s board of directors and Finma.

But the bank announced in February 2022 that it did not plan to make the report public “in light of the ongoing recovery process and the legal complexities of the matter.”

The London lawsuit will look at the way that Greensill restructured its relationship with Kattera Inc., a US-based construction company in which SoftBank was a major investor. Credit Suisse alleges SoftBank concocted the restructuring in 2020 so that it could pull its own money out of the firm, knowing full well that Greensill, already in free-fall, would be unable to repay the \$440 million it owed to Credit Suisse.

SoftBank argues that the Credit Suisse case has always been an attempt to shift blame “for its own poor investment decisions.” The allegations are “entirely without merit,” it said previously. SoftBank’s lawyers said that the \$440 million was provided by the Vision Fund on the basis that it would be used to repay the Credit Suisse notes.

Greensill’s demise was one of several major scandals that knocked confidence in the Swiss lender, left clients with hundreds of millions of dollars of losses and ultimately led to its forced takeover by UBS.

(Updates with Finma spokesperson in the ninth paragraph)

--With assistance from **Hugo Miller** and **Jan-Henrik Förster**.

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Exclusive: UnitedHealth eyes \$1 billion deal to exit Latin America as insurer refocuses on US, sources say

 [reuters.com/business/healthcare-pharmaceuticals/unitedhealth-eyes-1-billion-deal-exit-latin-america-insurer-refocuses-us-sources-2025-06-09](https://www.reuters.com/business/healthcare-pharmaceuticals/unitedhealth-eyes-1-billion-deal-exit-latin-america-insurer-refocuses-us-sources-2025-06-09)

Tatiana Bautzer, Sabrina Valle

June 9, 2025

The corporate logo of the UnitedHealth Group appears on the side of one of their office buildings in Santa Ana, California, U.S., April 13, 2020. REUTERS/Mike Blake/ File Photo Purchase Licensing Rights, opens new tab

- Shares are 40% down this year amid a multi-layered crisis
- Company has been trying to divest from Latin America since 2022
- Four U.S. and Latin American groups interested in Banmedica and deal may be reached during summer, sources say

NEW YORK, June 9 (Reuters) - UnitedHealth Group (UNH.N), opens new tab is weighing multiple bids for its Latin American operations, according to two people with direct knowledge of the matter, as the insurer buckles down after a series of unprecedented missteps that include the ouster of its CEO and a reported criminal accounting probe.

The largest U.S. health insurer has been trying to exit Latin America since 2022, but the sale of Banmedica has taken on increasing urgency in recent months as the insurer took hits on multiple fronts, according to one of the people.

New CEO Steve Hemsley told shareholders last week that he was determined to earn back their trust after an earnings miss and a Wall Street Journal report that the company was under criminal investigation for alleged Medicare fraud. UnitedHealth has said it was not notified by the Department of Justice and that it stands by the integrity of its operations. Hemsley replaced Andrew Witty just a few months after the murder of the executive Brian Thompson, the CEO of UnitedHealthcare, in New York in December while on his way to a meeting with investors. Witty had been UnitedHealth Group CEO since 2021.

The company has four non-binding bids for its Banmedica subsidiary, which operates in Colombia and Chile, for about \$1 billion, according to both people, who asked not to be identified because the talks are private.

UnitedHealth's shares tumbled 25.5% in May alone and year-to-date are down 40%. UnitedHealth left Brazil in 2023 and Peru in March. It's aiming to get around \$1 billion for Banmedica's operations in Colombia and Chile, the people said.

The two people said the company expects to set a deadline for binding proposals as soon as July.

UnitedHealth received bids from Washington, D.C.-based private equity firm Acon Investments; Sao Paulo-based private equity firm Patria Investments (PAX.O), opens new tab; Texas non-profit health firm Christus Health; and Lima-based healthcare and insurance provider Auna (GZ4.F), opens new tab, the people said. Auna is in talks with a financial partner, one of the sources added.

Banmedica's annual earnings before income taxes, depreciation and amortization, or EBITDA, are more than \$200 million a year.

Patria, UnitedHealth Group and Christus Health declined to comment. Acon and Auna did not respond to requests for comment.

FAILED EXPANSION PLANS

UnitedHealth bought Banmedica in 2018, opens new tab, with CEO David Wichmann saying he was "establishing a foundation for growth in South America for the next decades."

At the time, UnitedHealth paid around 12 times Banmedica's EBITDA, according to one of the people. Three years later, the insurer decided to leave Latin America as it grappled with losses in its largest operation in the region, Brazil's Amil, which had been acquired a decade earlier. It divested from its Brazilian operations in late 2023.

Banmedica is currently profitable, but is considered too small by UnitedHealth. It serves over 2.1 million consumers through its health insurance programs and has around 4 million patient visits annually across its network of 13 hospitals and 143 medical centers.

UnitedHealth booked an \$8.3 billion loss last year related to the sale of its South American operations - \$7.1 billion stemming from the Brazil exit and \$1.2 billion from Banmedica.

"These losses relate to our strategic exit of South American markets and include significant losses related to foreign currency translation effects," the company said in a February filing.

Brazilian investment bank BTG Pactual (BPAC3.SA), opens new tab is advising UnitedHealth on the sale.

(This story has been corrected to clarify that Brian Thompson was the CEO of UnitedHealthcare and was not replaced by Andrew Witty, CEO of UnitedHealth Group, in paragraph 4; and to fix former UnitedHealth CEO's last name to Wichmann from Scott, in paragraph 11)

Reporting by Tatiana Bautzer and Sabrina Valle; Editing by Leslie Adler

Our Standards: The Thomson Reuters Trust Principles., opens new tab

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Thomson Reuters

Tatiana Bautzer is a U.S. banking correspondent at Reuters in New York. She previously covered banks in Brazil, breaking news on deals by major global corporations, initial public offerings and bankruptcies. She has also delved into corruption scandals at Brazilian conglomerates and business disputes between billionaires. Prior to joining Reuters in 2015, Bautzer worked for business magazines Exame and Istoe Dinheiro and newspapers Valor Economico and O Estado de S. Paulo. She previously served as international correspondent for Valor Economico in Washington, D.C., covering multilateral institutions and trade. Bautzer holds a B.A. in Journalism and an MBA from the University of Sao Paulo.

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Execs Hid Jewelry Co. Accounting Issues, Suit Says

By Sarah Jarvis

Law360 (June 6, 2025, 6:57 PM EDT) -- Executives of Compass Diversified Holdings have been hit with a derivative shareholder suit in a California federal court for allegedly making misleading statements about the investment firm's financial condition, stemming from accounting irregularities at a jewelry company the firm acquired.

Shareholder Aaron Jones alleged in his Thursday **complaint** that directors of Compass "were utterly failing in their oversight duties" by letting the company operate with inadequate internal controls. That led Compass to issue false and misleading financial filings from May 2024 until last month, according to the complaint.

Counsel for Jones and a representative of Compass didn't immediately respond to requests for comment Friday.

According to the complaint, Compass is a holding company and trust that aims to acquire and manage small- and middle-market businesses with long-term growth potential, positive and stable cash flows and strong management teams.

"Defendants represent that Compass offers investors a unique opportunity to own a diverse group of leading middle-market businesses in the branded-consumer, industrial, and healthcare and critical outsourced services sectors that they might not otherwise have access to outside the private equity industry," Thursday's complaint reads.

Jones alleged Compass' officers and directors are on the hook for not adequately disclosing information about Lugano, a jewelry company Compass had acquired for \$256 million in 2021. Compass announced May 7 that an investigation into Lugano had found irregularities in its financing, accounting and inventory practices, and that its founder and CEO had been fired.

As part of its May 7 announcement, Compass said its 2024 financial statements "should no longer be relied upon," according to the suit. The announcement sent Compass' stock price sliding 62% the following day, "on an abnormally high trading volume of over 14 million shares traded," Jones said.

According to the complaint, Compass' acquisition of Lugano "substantially increased" the management fees that Compass paid to its management company, Compass Group Management LLC, and, thus, to the individual officer and director defendants. Lugano sales contributed to almost \$75 million in management fees that Compass Group Management received in 2024, which was a "significant increase" compared to previous years, Jones said.

Among other things, Jones said Lugano accounted for more than 57% of Compass' total operating income in fiscal year 2024.

Jones alleged the conduct of Compass' brass has damaged the company's reputation and caused financial harm through the costs of defending a separate securities class action the company is facing in a California federal court, and the costs of remediation the company will have to undertake to improve its internal controls.

Jones is seeking unspecified damages on the company's behalf, as well as the institution of corporate governance measures, restitution, disgorgement, costs and attorney fees.

Jones is represented by Francis J. "Casey" Flynn Jr. of the Law Office of Francis J. Flynn Jr. and Shane

T. Rowley and Danielle Rowland Lindahl of Rowley Law PLLC.

Counsel information for the defendants wasn't available Friday.

The case is Aaron Jones v. Elias J. Sabo et al., case number 2:25-cv-05098, in the U.S. District Court for the Central District of California.

--Editing by Jay Jackson Jr.

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Fox Stockholders Press For Election Suit Docs In Chancery

By **Jeff Montgomery**

Law360 (June 6, 2025, 8:37 PM EDT) -- Attorneys for Fox Corp. shareholders are accusing the company of unjustifiably withholding documents sought in Delaware's Court of Chancery related to a derivative suit over the alleged defamation of vote tabulation companies in the midst of the 2020 election.

The new claims, filed on Thursday, accused Fox of attempting to delay the release of documents it has already produced defending itself against claims launched by voting technology companies Smartmatic and Dominion Voting Systems, purportedly to allow it to avoid "massively expensive" and potentially needless discovery.

"Defendants' real goal is to freeze the record respecting plaintiffs' various unadjudicated, liability-based grounds" for asserting it would be futile to ask Fox's board for the documents in question, among other issues, the complaint said.

The shareholders filed their since-amended, two-count complaint in April 2023, alleging breaches of fiduciary duty by directors and officers in connection with reports regarding Dominion, Smartmatic and the 2020 election. Fox's reports were described as part of an illegal business model, with the company accused of operating without mechanisms to mitigate defamation risks.

Vice Chancellor Bonnie M. David on Monday approved an unprecedented call for a targeted summary judgment proceeding focused on a single Fox director's independence after a different jurist rejected, in November, dismissal of the suit. The stockholders are seeking hundreds of millions of dollars in defamation damages in connection with broadcasts of bogus 2020 election claims.

The vice chancellor ruled at the time that "whether to stage discovery" and permit the isolated summary judgment bid is within the court's discretion.

Fox agreed to pay Dominion Voting Systems Inc. \$787.5 million in April 2023 to settle similar defamation claims, hours before the start of a jury trial in Delaware. Smartmatic, which operated only in Los Angeles County during the 2020 race, has continued separate litigation in the Supreme Court of the State of New York against Fox.

"Fox agreed to produce the documents in question. Fox cannot articulate a cognizable burden in producing them. There is no blanket stay of discovery after the denial of defendants' motion to dismiss," attorneys for the stockholders argued.

Counsel for Fox's stockholders have asserted three liability theories, including a so-called "Massey" claim alleging Fox adopted an illegal business model in which "actionable defamation" was carried out in pursuit of profits.

In addition, according to the suit, Fox's board made no good-faith efforts to "minimize, mitigate or monitor" risks, and ignored "red flag" warnings of potential liability. In all cases, according to the suit, conflicts on the board made stockholder demands for company action futile.

Fox Corp., in a court filing, argued the shareholders do "not even attempt" to argue their discovery demands are essential to opposing the summary judgment motion. That issue, Fox said, is confined to whether Jacques Nasser, a former Fox director and former Ford Motor Co. CEO, is not independent

of Rupert Murdoch and unable to objectively consider the stockholder claims.

"Plaintiffs will receive the evidence relevant to the issue raised in the forthcoming motion for summary judgment," Fox argued. "And if that motion is denied and this case proceeds to plenary discovery on the remaining issues in the case, the Smartmatic discovery will be available to plaintiffs then."

Counsel for the stockholders argued those named in the suit "want to prevent plaintiffs and this court from seeing the deposition transcripts and contemporaneous documents already produced to Smartmatic."

Those documents, the motion said, "will shed additional light on what the directors knew and what controls they failed to implement before and during Fox News's repeated broadcasts about Dominion and Smartmatic."

It added: "In the event that the court determines that Nasser lacks independence, the Smartmatic production will be among the most important documents respecting the potential liability of the Murdochs and the outside directors."

Attorneys for Fox said attorneys for the stockholders are wrong to minimize the potential cost of continuing discovery pending the proceedings involving Nasser.

"What plaintiffs apparently have in mind is overwhelming the narrow issue currently authorized for summary judgment practice with a broad evidentiary inquiry" into unsettled liability-based arguments that potentially would continue even if Nasser is determined to be independent.

The stockholders are represented by Joel Friedlander, Jeffrey M. Gorris and Christopher M. Foulds of Friedlander & Gorris PA, as well as Oregon Attorney General Dan Rayfield and Senior Assistant Attorney General Brian A. de Hahn of the Oregon Department of Justice.

The Fox Corp. parties are represented by Blake Rohrbacher, Kevin M. Gallagher, Kyle H. Lachmund and Morgan R. Harrison of Richard Layton & Finger PA and William A. Savitt, Anitha Reddy, Cynthia Fernandez Lumermann, Won S. Shin and Jane Park of Wachtell Lipton Rosen & Katz.

Fox Corporation is represented by A. Thompson Bayliss, John M. Seaman, Christopher Fitzpatrick Cannataro and Nicholas F. Mastria of Abrams & Bayliss LLP and John Spiegel, John Gildersleeve, Brian Rivas Boessenecker and Henry D. Shreffler of Munger Tolles & Olson LLP.

The case is *In re Fox Corporation Derivative Litigation*, case number 2023-0418, in the Court of Chancery of the State of Delaware.

--Editing by Philip Shea.



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Chancery Pauses Meta Privacy Suit For EU, Ireland Actions

By **Jeff Montgomery**

Law360 (June 6, 2025, 8:37 PM EDT) -- A Delaware court on Friday paused a pension fund stockholder suit seeking documents on data privacy violations made by Meta Platforms Inc. that led to a €1.2 billion (\$1.4 billion) fine from European authorities.

Senior Magistrate in Chancery Selena E. Molina released the decision hours after Meta filed a final brief on Friday ahead of a June 17 trial on the document demands by pension funds The Northern California Pipe Trades Trust Funds and Employees' Retirement System of Rhode Island.

In her decision, Magistrate Molina said both funds wanted to investigate potential breaches of fiduciary duty by the social media giant's directors and senior executives.

"The action is hereby stayed until 90 days after both the Irish court and the [European Union] court have issued their final determinations on all legal challenges pursued by Meta Ireland related to the inquiry," the magistrate wrote.

In its brief, Meta branded the Delaware suit as "a textbook example of overreaching" books and records demands "that disregard both the substantial production already made and the well-established limits of Delaware law."

At issue are potential duty failures tied to Meta being assessed with the largest fine ever levied for infringing the E.U.'s General Data Protection Regulation.

The fine came after Meta sent European Facebook users' data to the U.S. using a mechanism known as a standard contractual clause without ensuring that adequate privacy safeguards were in place to protect the information.

Attorneys for the plaintiffs alleged that Meta has "a long and well-documented history of mishandling its users' private information and obscuring details about how the company shares that information."

Meta said in its brief that it already had produced thousands of pages and 179 documents on the issue. The company argued that the suit failed to show a credible basis for seeking the materials or a showing that they were essential.

"Section 220 is not a license for plaintiffs to conduct a wholesale audit of the company or to demand every document that might conceivably touch on a broad subject matter," the brief said.

The stockholders in an earlier brief denied engaging in a fishing expedition, and asserted that the issues raised "are at the heart of plaintiffs' demands and will be vital to the plaintiffs' investigation into potential misconduct among Meta's fiduciaries."

The parties did not immediately respond to a request for comment Friday.

The stockholders are represented by Christine M. Mackintosh, Edward M. Lilly and Demetrius M. Davis of Grant & Eisenhofer PA.

Meta is represented by David E. Ross, R. Garrett Rice and Holly E. Newell of Ross Aronstam & Moritz LLP, and Charles S. Duggan and Paulina Perlin of Davis Polk & Wardwell LLP.

The case is Northern California Pipe Trades Trust Funds et al. v. Meta Platforms Inc., case number 2025-0291, in the Court of Chancery of the State of Delaware.

--Editing by Melissa Treolo.

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Masimo Fights Ex-CEO's Bid To Ax Suit Over \$450M Demand

By **Bonnie Eslinger**

Law360 (June 6, 2025, 11:04 PM EDT) -- Masimo Corp. fought back against founder Joe Kiani's motion to dismiss the company's Delaware Chancery Court suit seeking a declaration that he's not due a \$450 million payout after his ouster as CEO, arguing that bid is an "improper attempt to evade" the Delaware court's jurisdiction.

In a public version of its **answering brief** filed Thursday, Masimo also argued that it did not wait too long to file its Oct. 24, 2024, complaint — as asserted by Kiani in his motion to dismiss — noting that it commenced the action the same day the company terminated Kiani for cause, and promptly effectuated service four days later.

Masimo's answering brief in opposition to the motion to dismiss is the latest development in the ongoing legal battles between the former Biden appointee to the President's Council of Advisors on Science and Technology and the multibillion-dollar health technology company he founded.

The provisions of Kiani's employment agreement at issue "deliberately stripped Masimo's board of its statutory oversight authority, entrenched Kiani's control over Masimo for nearly a decade, and, if upheld, would impose a half-billion-dollar tax on stockholders' exercise of their fundamental franchise rights," the Thursday filing from Masimo states.

Kiani contended in his motion to dismiss that the forum selection clause in his employment agreement overrides company bylaws that say Delaware is the forum for disputes involving its internal affairs. The assertion contradicts "fundamental principles" of Delaware corporate law, Masimo argued in its Thursday filing.

"Kiani's motion represents an improper attempt to evade this court's jurisdiction over matters at the heart of Delaware corporate law: breaches of fiduciary duty, corporate waste, and the abdication of director responsibility," the answering brief states.

Although the employment agreement identifies California as the forum for disputes arising under its terms, that doesn't sweep into its scope Masimo's fiduciary duty and other internal affairs claims, the company argued.

The former CEO also improperly argued that the Delaware case should be binned because he holds "first-filed" priority, having filed a suit against Masimo in California a month before the company filed its suit in Delaware.

"Kiani made the strategic decision to file his complaint in the Kiani Action on September 19, 2024," the day on which stockholders declined to re-elect him to the board, Masimo said. "Realizing that he had jumped the gun, given that the stockholder vote had not yet been certified and he was still Masimo's CEO, Kiani did not serve the complaint on Masimo. "

Kiani waited nearly two months, until Nov. 12, 2024, to serve the complaint in the California state court action, Masimo underscored.

"Here, Kiani's delay disqualifies his action from first-filed treatment," the company stated.

The Delaware court has the authority – and responsibility – to adjudicate the company's claims, said

Masimo.

"For at least the last decade, Kiani maintained complete control over Masimo through provisions in his employment agreement specifically designed to prevent the board from exercising its oversight duties," the answering brief states.

Further, the California court has yet to address the merits of the case, Masimo added.

"Thus, the California court has yet to expend substantial judicial resources and may, in fact, refuse to expend any altogether until this court has resolved Masimo's threshold claims," Masimo said.

Finally, Kiani's contention that Masimo's complaint was filed too late also fails, the company said.

Masimo argued that Kiani incorrectly contends that the company's asserted claims accrued in 2017 — the year the board amended his employment agreement — so under the three-year statute of limitations for breaches of fiduciary duty, they expired in 2020.

But, the "Kiani-controlled board's breaches of fiduciary duties did not end until the 2024 annual meeting," Masimo said in its Thursday filing.

In its complaint, the health technology company claims that since founding Masimo in 1989, Kiani exercised "virtually absolute control" over every aspect of the company and handpicked a board of directors that did his bidding for decades.

The company alleges that Kiani engineered his employment agreement to vastly benefit himself by first installing his ally, Craig Reynolds, as Masimo's compensation committee chair in 2015.

The handpicked board subsequently adopted an amended employment agreement for the former executive that "included provisions that went well beyond those necessary to align a CEO with the company's best interests, and instead were designed for the purpose of divesting the board of its ability to oversee Mr. Kiani, erecting nearly insurmountable barriers to replacing him, and extorting a penalty from any stockholders that dared to do so," the complaint states.

Kiani, operating without checks on his authority, also harmed shareholders, Masimo's suit claims.

It took some time for Masimo stockholders to wrestle control from Kiani, the complaint alleges, and now that shareholders have done so, Kiani is trying to "tax them hundreds of millions of dollars for the privilege of voting for directors of their choosing."

The company also filed a complaint against Kiani in New York federal court in 2024 alleging **he conspired** with an investment firm and company stockholder to manipulate a shareholder vote to maintain his seat on the board. In April, the New York district judge **transferred the suit** to California federal court, finding that the "locus of operative facts" warranted the move.

Kiani also filed a new California state court suit in May against six Masimo **directors**, claiming they orchestrated his wrongful termination and denied him the compensation he is now owed.

Representatives for the two sides did not immediately respond to requests for comment Friday.

Masimo is represented by Michael E. Swartz, Peter H. Fountain and Lauren N. Beck of Quinn Emanuel Urquhart & Sullivan LLP and John P. DiTomo, Alexandra M. Cumings and Alec F. Hoeschel of Morris Nichols Arsht & Tunnell LLP.

Kiani is represented by John C. Hueston, Allison L. Libeu, Marshall A. Camp, Joseph Aronsohn and Adam Minchew of Hueston Hennigan LLP, and Garrett B. Moritz and Thomas C. Mandracchia of Ross Aronstam & Moritz LLP.

The case is Masimo Corporation v. Joe E. Kiani, case number 2024-1086, in the Court of Chancery of the State of Delaware.

--Additional reporting by Sarah Jarvis and Katryna Perera. Editing by Linda Voorhis.



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Google Must Face Bulk Of Healthcare Data Tracking Suit

By **Rae Ann Varona**

Law360 (June 6, 2025, 10:22 PM EDT) -- A California federal judge allowed a proposed class action accusing Google of illicitly scooping up users' personal data from healthcare providers' websites to continue Friday, but only for certain claims based on communications made before the company started instructing healthcare provider clients not to send it their health information.

U.S. District Judge Vince Chhabria refused to dismiss most claims a group of anonymous consumers lodged against Google LLC, but only insofar that the claims related to information collected before Google, at some point in 2023, updated its help pages to explain to healthcare providers how they can and must avoid sending the company health information.

Judge Chhabria said that Google, for instance, explained that Google Analytics may only be used on web pages that aren't covered by the Health Insurance Portability and Accountability Act, or HIPAA.

"That language creates only one plausible inference: Google, aware of how its products operate and the information that it is constantly collecting regardless of selection by its customers, took measures to prevent itself from receiving communications containing private health information by clearly instructing health providers not to put Google Analytics on the wrong webpages," Judge Chhabria wrote.

In allowing the lawsuit to proceed with claims concerning information collected before the 2023 update, the judge said it was "reasonable to infer" from the allegations that Google "intended to receive communications containing individually identifiable health information."

Judge Chhabria did express skepticism, saying it seemed more likely that Google was negligent or reckless.

"But judicial skepticism is not a reason to throw out the claims," he said. "And it's plausible to infer, given how obvious this problem was before 2023, that Google actually intended to capitalize on the problem."

The putative class action, first filed in May 2023, alleges that when individuals visit a healthcare provider website, their personal information is transmitted to Google, which uses the data to bolster its advertising offerings. Several anonymous individuals referred to as Jane and John Doe are the plaintiffs.

The latest amended complaint, filed in August, asserts violations of the federal Wiretap Act, the California Invasion of Privacy Act and common law privacy. They also assert breach of contract, and breach of implied covenant for good faith, fair dealing and unjust enrichment.

The district court threw out the first amended complaint in July on the grounds that it failed to adequately allege Google was intentionally receiving communications between health providers and patients that contained private health information that could be linked to an identifiable person.

Judge Chhabria, however, gave the plaintiffs "one last chance" to amend their suit.

Google moved to dismiss the second amended complaint in September, arguing that they "still can't plausibly allege misconduct" and that it was thus "now time to dismiss" the suit with prejudice.

During a hearing in December, Judge Chhabria, when asked if there was anything he thought he might rule against the plaintiffs, told their counsel that he thinks he "**might rule against you on all of it**, but I'm not sure yet."

He said he had "a lot more thinking to do."

On Friday, Judge Chhabria said that the plaintiffs have "improved their allegations," as well as their explanation for them.

The judge wrote that the improvements "get them barely over the line" in alleging Google, until some point in 2023, intentionally obtained the health information.

Judge Chhabria ruled that "to the extent that the plaintiffs' claims under the Wiretap Act, CIPA, intrusion upon seclusion, and common law privacy can survive this motion to dismiss, it would only be for communications obtained before the publication of the updated language in 2023."

On the Wiretap Act claim, for instance, Google had argued that the plaintiffs' claim failed because the websites consented to the use of Google's products by incorporating the source code on their websites.

Judge Chhabria wrote Friday that it was plausible to infer that while the providers consented to the installation of Google source code, "they did not consent to the collection of individually identifiable health information because they did not understand (at a minimum) that automatic collection of certain information, such as IP address, was rendering the communications 'individually identifiable' under HIPAA."

"So consent is a factual issue that cannot be resolved on the pleadings," he wrote.

As for a CIPA claim, Judge Chhabria shot down Google's contention that the plaintiffs failed to establish that it, not the providers, "recorded" data.

"But while the providers in some circumstances chose which events to capture, Google did the actual recording, and the plaintiffs allege that Google sent all interceptions to Google endpoints and then used the information for its own purposes," he wrote.

Judge Chhabria dismissed the breach of contract claim in part and the breach of implied covenant claim in full.

An attorney for the plaintiffs declined to comment Friday. Counsel for Google did not respond to a request for comment.

The consumers are represented by Jason Barnes and An V. Truong of Simmons Hanly Conroy LLC, Christian Levis and Amanda Fiorilla of Lowey Dannenberg PC, Michael W. Sobol, Melissa A. Gardner, Jallé H. Dafa and Douglas Cuthbertson of Lieff Cabraser Heimann & Bernstein LLP, Jeffrey A. Koncius, Nicole Ramirez and Mahnam Ghorbani of Kiesel Law LLP, and Hal D. Cunningham, Sean Russell, Joseph P. Guglielmo and Ethan Binder of Scott + Scott Attorneys at Law LLP.

Google is represented by Eduardo E. Santacana, Benedict Y. Hur, Simona Agnolucci, Joshua D. Anderson, David D. Doak, Tiffany M. Lin, Nadim Houssain, Harris Mateen and Naiara Toker of Willkie Farr & Gallagher LLP.

The case is Doe et al. v. Google LLC, case number 3:23-cv-02431, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bonnie Eslinger.



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Judge Approves NCAA's \$2.8B Athlete Revenue Settlement

By **David Steele**

Law360 (June 8, 2025, 6:19 PM EDT) -- The NCAA's \$2.78 billion class action settlement that will for the first time provide for revenue sharing with college athletes was given final approval late Friday by a California federal judge.

The settlement approved by U.S. District Judge Claudia Wilken, which was first announced in May 2024, will reimburse previously withheld name, image and likeness compensation to the class of about 184,000 former athletes, led by former Arizona State University swimmer Grant House. It also creates a system for the NCAA's Division I institutions to share billions of dollars in revenue with the athletes over the next 10 years.

Judge Wilken asked attorneys for the NCAA and the athletes to **revise** the settlement April 7 after a final approval hearing that day in Oakland, California. Several parties at the hearing had objected to the imposition of roster limits on college teams that could take away opportunities for athletes to compete, and to the provisions for future athletes to opt out of or contest the settlement. The first revision **submitted** to the judge on April 14 did not include changes to the roster limits, prompting her to order another revision on April 23, directing the NCAA and the athletes to meet with representatives of the objectors and a mediator.

The version submitted on May 7 gave athletes who lost roster spots to the new rule **exemptions** to play at their current schools or at a school they transferred to — a change that the objecting athletes **argued** still did not correct the problem.

Final approval was granted nearly two months to the day of the original approval hearing. In the introduction to the 76-page opinion accompanying the approval, Judge Wilken referred to the landmark court decisions that preceded the settlement and said it "would permit levels and types of student-athlete compensation that have never been permitted in the history of college sports, while also very generously compensating Division I student-athletes who suffered past harms."

"The reaction of settlement class members has been very favorable, as only a very small fraction of them have opted out or objected," the judge wrote.

In a statement that followed the court's approval Friday, NCAA President Charlie Baker said, "Many looked to April's hearing about the House settlement as a culmination of sorts, but the court's final approval of the settlement in fact marks a new beginning for Division I student-athletes and for the NCAA."

Describing the court battles, maze of state regulations and actions by athletes and schools over the years as "a sense of chaos," Baker added: "Approving the agreement reached by the NCAA, the defendant conferences and student-athletes in the settlement opens a pathway to begin stabilizing college sports. This new framework that enables schools to provide direct financial benefits to student-athletes and establishes clear and specific rules to regulate third-party NIL agreements marks a huge step forward for college sports."

Steve Berman of Hagens Berman Sobol Shapiro LLP, a co-lead counsel for the athlete plaintiffs, also lauded the deal in a statement issued Friday.

"Major changes don't happen overnight, and we thank the court for its careful consideration of what

is a monumental shift in college sports that will bring the NCAA into the modern age," Berman said. "We hope this settlement inspires all to see the capabilities of class-action law to bring about tangible benefits and change. Not to be forgotten are the brave efforts of Sedona Prince and Grant House who were the original class representatives who stood up to take on this fight."

Prince, one of House's co-lead plaintiffs, played her final season of college basketball this year at Texas Christian University.

The proposed settlement provided for college athletes to begin receiving revenue in the coming 2025-26 academic year. It brings to an end the decades-long ban by the NCAA on athletes receiving payments from revenue for their sports — primarily the billions generated by the media rights for college football and men's and women's basketball — or for their own NIL rights. The NCAA fought off attempts to overturn those bans in court for years and still faces suits challenging their policies and their enforcement, which a settlement would not resolve.

The House class action was first filed in 2020, naming as defendants the NCAA and the then-Power Five major college athletic conferences: the Southeastern Conference, Big Ten, Big 12, Atlantic Coast Conference and Pac-12. Along with Prince, House's other co-lead plaintiff was former University of Illinois football player Tymir Oliver. The antitrust suit came one year before the U.S. Supreme Court unanimously ruled to overturn the NCAA's long-standing ban on educational compensation for college athletes in [NCAA v. Alston](#) .

The NCAA has faced a wave of antitrust suits since the Alston decision, filed by athletes, institutions and state officials that argued that the NCAA and the colleges did not have the right to override state laws allowing NIL and other compensation to athletes either before or during their college enrollment.

Judge Wilken certified the class in September 2023, and additional classes were consolidated into the House class in November 2023. The NCAA and the conferences **announced** the settlement in May 2024 and **submitted** it to Judge Wilken in July.

The settlement received **preliminary approval** in October, after Judge Wilken ordered the NCAA to revise language that put limits on compensation to the athletes. After objections to the settlement were sent to the court — largely centered on **limitations** imposed by the institutions and their affiliates, and on women athletes' **compensation** falling far short of those earmarked for male athletes — the two sides told Judge Wilken in March that the class members informed of the settlement terms "overwhelmingly" **supported** them. Only a tiny fraction of the class objected, they said.

The athletes are represented by Steve W. Berman, Emilee N. Sisco, Stephanie Verdoia, Meredith Simons and Benjamin J. Siegel of Hagens Berman Sobol Shapiro LLP, Jeffrey L. Kessler, David G. Feher, David L. Greenspan, Adam I. Dale, Neha Vyas and Jeanifer E. Parsigian of Winston & Strawn LLP and Jeffrey L. Kodroff and Eugene A. Spector of Spector Roseman & Kodroff PC.

The NCAA is represented by Rakesh N. Kilaru, Beth A. Wilkinson, Kieran Gostin, Calanthe Arat and Matthew R. Skanchy of Wilkinson Stekloff LLP and Jacob K. Danziger of ArentFox Schiff LLP.

The Pac-12 is represented by Whitty Somvichian, Kathleen R. Hartnett, Ashley Kemper Corkery, Mark Lambert and Dee Bansal of Cooley LLP.

The Big Ten is represented by Britt Marie Miller, Christopher John Kelly and Daniel T. Fenske of Mayer Brown LLP.

The Big 12 is represented by David L. Anderson, Angela C. Zambrano, Natali Wyson and Chelsea A. Priest of Sidley Austin LLP.

The ACC is represented by David Erik Albright, Gregory G. Holland and Jonathan P. Heyl of Fox Rothschild LLP and Christopher S. Yates, Aaron T. Chiu and Anna N. Rathbun of Latham & Watkins LLP.

The SEC is represented by Amanda Pickens Nitto, Lawrence C. Moore III, Travis S. Hinman, Patrick H. Hill and Robert Walker Fuller III of Robinson Bradshaw & Hinson PA, Kathryn Reilly and Michael

Williams of Wheeler Trigg O'Donnell LLP and Mark J. Seifert of Seifert Zuromski LLP.

The case is In re: College Athlete NIL Litigation, case number 4:20-cv-03919, in the U.S. District Court for the Northern District of California.

--Editing by Haylee Pearl.

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Truist's Negligence Led To Hackers Hijacking Deal, Firm Says

By Hailey Konnath

Law360 (June 6, 2025, 9:26 PM EDT) -- Delaware-based Rhodunda Williams & Kondraschow LLC is claiming in a new lawsuit that hackers used the law firm's email to hijack a real estate transaction and have funds wired to their account at Truist Financial Corp., which lacked the needed security measures to prevent the alleged fraud.

Rhodunda Williams said that North Carolina-based Truist allowed the "fraudsters" to open an account at the bank in early 2023. At some point, the account was deemed "suspicious," but the bank never further investigated it, the firm said in a suit filed Thursday in Delaware federal court.

Meanwhile, in June of that year, one or more "unscrupulous individuals" associated with the account used the firm's email to manipulate the communications between the parties to a real estate transaction, the complaint states. The hackers were able to alter wire instructions so that roughly \$208,000 in funds related to the transaction were removed from the firm's account at another bank and sent to the fraudulent account at Truist, the firm said.

Rhodunda Williams learned about the incident when the seller of the real estate contacted the firm to say she hadn't received the funds from the sale of her property, it said.

"This case represents a shining example of the victimization that can and does occur when a bank fails to take proper safety precautions against fraudsters," the firm said.

Specifically, Rhodunda Williams said when its bank reached out to Truist about the ordeal, Truist provided "conflicting information." At one point the firm's bank was advised that there wasn't any money in the hackers' account, it said. At another point, the firm's bank was told to submit a request for the money to be returned, but no money was returned in response to that request, the firm said.

Law enforcement agencies eventually determined that the hackers had opened the bank account using a fraudulent LLC, that the name on the fraudulent account didn't match the name of the person or entity who received the sellers' funds and the account remained open from January 2023 until June 2023, according to the complaint. They also were able to see one or more individuals "on film withdrawing (or attempting to withdraw) money from the fraudulent account at defendant's bank," the firm said.

Ultimately, a partial repayment of \$114,271 was made in October 2023, the firm said.

None of this would've happened if the bank did its due diligence when the hackers were opening up the fraudulent account and generally maintained adequate cybersecurity safeguards, Rhodunda Williams said. It also shouldn't have allowed the account to stay open and active, the firm added.

"As a result of the fact that the defendant permitted the fraudulent entity to maintain an account at defendant's bank during the approximate 7-month period from January 5, 2023 through and including June 21, 2023, the fraudulent entity was permitted to engage in numerous acts of fraud," the firm said.

Rhodunda Williams is alleging negligence and violations of the Patriot Act and the Uniform Commercial Code. It's seeking at least \$94,000 in damages plus court costs, attorney fees and interest.

The firm and Truist didn't immediately respond to requests for comment late Friday.

The firm is represented by its own Chandra J. Williams and William J. Rhodunda Jr.

Counsel information for Truist wasn't immediately available.

The case is Rhodunda Williams & Kondraschow LLC v. Truist Financial Corp., case number 1:25-cv-00703, in the U.S. District Court for the District of Delaware.

--Editing by Emily Kokoll.

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