

Securities Law News

This Week in Chancery Court: Atlas Energy Solutions, Masimo (1)

June 16, 2025, 2:00 AM PDT; Updated: June 16, 2025, 6:14 AM PDT

Atlas Energy Solutions Inc. will hear this week whether the Delaware Chancery Court will allow an investor to advance claims that its founder and directors shortchanged public stockholders when they reorganized the company.

Here's a look at what's on the calendars for the Chancery Court and Delaware Supreme Court:

Tuesday: Ayers v. Brigham, Del. Ch., No. 2024-0694, ruling 6/17/25.

At issue: Vice Chancellor J. Travis Laster will deliver his ruling on a motion to dismiss a lawsuit stemming from Atlas's reorganization from an Up-C into a traditional corporation shortly after its 2023 initial public offering. Atlas argued that its Class A shareholders held the same economic stake before and after the restructuring. An investor said the transaction was approved by a special board committee whose members' have strong personal and professional ties to Atlas's controlling stockholder, Texas oil tycoon Ben "Bud" Brigham.

Court action: Laster will deliver his ruling via teleconference.

Atlas Energy Solutions Defends Restructuring After Its IPO (1)

Tuesday: Masimo Corp. v. Kiani, Del. Ch., No. 2024-1086, hearing 6/17/25.

At issue: Masimo Corp. has moved to disqualify a law firm representing its ousted founder, Joe Kiani, Hueston Hennigan LLP, which previously represented both Masimo and Kiani in Chancery Court in prior litigation involving Politan Capital Management. Kiani also seeks to disqualify Quinn Emanuel Urquhart & Sullivan LLP from representing the medical equipment company in a pending Chancery Court lawsuit. Quinn Emanuel previously represented Kiani in the previous litigation, and now it's "switching sides in a substantially related matter," Kiani said in a brief. Kiani left Masimo in September after shareholders voted in Politan's two nominees to its board. The proxy battle has spawned parallel litigation in Delaware, New York, and California.

Court action: The hearing before Vice Chancellor Nathan A. Cook will take place in Wilmington, Del.

Masimo Sues Founder Over 'Empty Voting' Against Politan Takeover

Tuesday: Hillblom v. Wilmington Trust Co., Del. Ch., No. 2021-1034, hearing 6/17/25.

At issue: A trustee appointed to manage the inheritance for a son of DHL Worldwide Express founder Larry Hillblom seeks to disqualify an attorney from representing the son at an upcoming trial. The son sued Wilmington Trust Co. in 2021, alleging the trustee cost him \$1.1 million by mishandling his inheritance. The trustee cites the role of David Ribakoff of Los Angeles-based Ribakoff Law Firm in the case's underlying fee dispute, saying in a brief that since the attorney's "testimony will be necessary at trial, he should not be permitted to play the dual-role of trial counsel and fact witness." Wells Lory Hillblom says in an answering brief that "Ribakoff is not on trial in this case, and WTC's efforts to paint Ribakoff as a necessary witness so that it may badger him about how he handled the underlying arbitration proceedings is irrelevant to the claims here."

Court action: Vice Chancellor Morgan T. Zurn will conduct the hearing via teleconference.

Son of DHL Founder Lost at Sea Advances Claims Against Trustee

Tuesday: McKnight v. Alliance Ent. Holding Corp., Del. Ch., No. 2023-0383, settlement hearing 6/17/25.

At issue: Vice Chancellor Lori W. Will considers a \$511,000 cash settlement to resolve an ex-shareholder's lawsuit alleging sponsors of Alliance Entertainment Holding Corp.'s blank-check merger duped investors into approving the transaction. The accord would compensate investors for losing the "right to make a fully informed decision about whether to redeem their shares" of Adara Acquisition Corp. or to invest in Alliance by holding their Adara shares, according to a brief. The shareholder's attorneys seek roughly \$107,000 for fees and expenses.

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

Alliance Entertainment Hit With Investor Lawsuit Over SPAC Deal

Wednesday: Seafarers Pension Plan v. Moynihan, Del., No. 468,2024, oral arguments 6/18/25.

At issue: A pension fund seeks to reverse a Chancery Court ruling that tossed their lawsuit alleging Bank of America Corp.'s senior leaders reacted to a surge in fraud reports involving unemployment benefits disbursed through prepaid debit cards with a faulty automated program that made it "nearly impossible for legitimate card holders to access unemployment funds," according to a brief.

Court action: The Delaware Supreme Court hears oral arguments in Dover, Del.

BofA Board Sued for Pandemic Freeze of Unemployment Benefits (1)

Wednesday: Jacobs v. Akademos, Inc., Del., No. 499,2024, oral arguments 6/18/25.

At issue: Akademos Inc.'s founder, Brian Jacobs, has appealed a Chancery Court post-trial ruling that dismissed his challenge to Kohlberg Ventures LLC's buyout of the education technology business. Kohlberg argues in a brief that Jacobs's appeal "has no prospect of changing the practical outcome of the Court of Chancery's decision," which was that the value of his stock "was zero" and he wasn't entitled to any damages.

Court action: The Delaware Supreme Court hears oral arguments in Dover, Del.

Kohlberg Ventures Defeats Founder Lawsuit Over Edtech Buyout

(Updates second Tuesday item with information about Masimo's motion to disqualify.)

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Litigation

Energy Transfer Averts Trial With \$15 Million Investor Accord

June 16, 2025, 10:11AM PDT

Energy Transfer LP has agreed to a \$15 million settlement with investors, avoiding a trial on claims the gas distribution company misrepresented a planned pipeline's capacity, according to a federal court filing.

The class settlement warrants preliminary approval, the investors told Judge Gerald A. McHugh of the US District Court for the Eastern District of Pennsylvania on June 13. After the parties had a successful mediation session in April, McHugh scratched the anticipated May 28 start date for the trial.

- The trial was expected to focus on statements that led up to an alleged partial corrective disclosure in 2018 about the diameter and completion schedule of the company's Mariner East 2 pipeline, which allegedly caused stock losses
- McHugh ruled in August that investors established conclusively that certain company statements were misleading and made with intent, but trimmed away other issues
- The plaintiffs say they faced significant risks at trial, making the \$15 million recovery on maximum damages of \$40 million to \$80 million "a very favorable result" for the certified class

Bernstein Litowitz Berger & Grossmann LLP and Barrack Rodos & Bacine are class counsel. Energy Transfer is represented by Gibson, Dunn & Crutcher LLP, Morgan Lewis & Bockius LLP, and Manko, Gold, Katcher & Fox LLP.

The case is Allegheny Cnty. Employees' Ret. Sys. v. Energy Transfer LP , E.D. Pa., No. 2:20-cv-00200, motion 6/13/25 .

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Real estate firm Opendoor to pay \$39 million to settle US investor class action



reuters.com/legal/government/real-estate-firm-opendoor-pay-39-million-settle-us-investor-class-action-2025-06-16

Mike Scarcella

June 16, 2025

A 'sale' sign advertises a home in Alexandria, Virginia July 22, 2010. REUTERS/Molly Riley/File Photo [Purchase Licensing Rights, opens new tab](#)

June 16 (Reuters) - Online residential real estate platform Opendoor ([OPEN.O](#)), [opens new tab](#) has agreed to pay \$39 million to resolve a securities lawsuit accusing it of duping investors about the capabilities of proprietary pricing technology it uses to buy and sell homes.

Lawyers representing Opendoor investors filed the [preliminary settlement, opens new tab](#) on Friday in the federal court in Arizona. The deal requires approval by U.S. District Judge Michael Liburdi.

Opendoor, founded in 2014, markets itself as a fast, reliable platform for Americans to buy and sell homes. Investors sued the company in 2022, claiming it failed to disclose that its pricing algorithms could not adjust to changing real estate market conditions.

Opendoor and its lawyers at A&O Shearman did not immediately respond to requests for comment, and neither did attorneys for the plaintiffs.

San Francisco-based Opendoor denied any wrongdoing in agreeing to settle. The company said in a court filing it was settling to avoid the expense, risk and uncertainty of further litigation.

The company in May reported \$1.2 billion in revenue for the first quarter, with 2,946 total homes sold.

The plaintiffs in a court filing said Opendoor misleadingly portrayed the company "as a tech disruptor that used AI-powered algorithms to buy and sell homes more profitably and efficiently than other traditional real estate companies."

Opendoor instead relied on an undisclosed human-driven process for pricing houses that made the platform "just as susceptible to changing economic conditions as any other traditional real estate company," according to the plaintiffs.

Opendoor's stock price dropped more than 94% from its December 2020 initial offering to November 2022, investors alleged.

In their new filing, the plaintiffs called the settlement amount “a prompt and substantial tangible recovery.”

Lawyers for the plaintiffs said they would ask a judge to award them legal fees of up to 30% of the settlement, or \$11.7 million.

The case is In re Opendoor Technologies Inc Securities Litigation, U.S. District Court, District of Arizona, No. 2:22-CV-01717-MTL.

For plaintiffs: Michael Canty and James Christie of Labaton Keller Sucharow

For Opendoor: Lyle Roberts of A&O Shearman

Read more:

[Real estate broker Compass sues listing service over marketing rules](#)

[US Justice Dept says \\$4 million settlement in real estate commission case falls short](#)

[Home listing service ends antitrust lawsuit against US realtors' group](#)

Our Standards: [The Thomson Reuters Trust Principles., opens new tab](#)

Litigation

GWG Bondholders Sue Over Ex-Bankruptcy Judge's Secret Romance

June 13, 2025, 11:12 AM PDT

- **Girlfriend's trustee role was 'golden parachute,' suit says**
- **GWG case being probed by New York prosecutors, attorney says**

Former GWG Holdings Inc. bondholders sued over an undisclosed relationship between a onetime bankruptcy judge and an attorney involved in the life insurance company's bankruptcy, alleging "unprecedented and systemic corruption."

The once-secret relationship between former Houston bankruptcy judge David R. Jones and ex-Jackson Walker LLP partner Elizabeth Freeman allowed them and others to manipulate the company's Chapter 11 case, secure lucrative appointments and fees, deplete GWG's assets, and render bondholder investments nearly worthless, the plaintiffs alleged in a suit filed Thursday in the US District Court for the Southern District of Texas.

Jones, Freeman, Jackson Walker, and others deliberately kept the long-term relationship secret to "bolster prestige and collect millions of dollars in fees at the expense of those affected by the bankruptcies," the lawsuit said.

The suit is one of several lodged in response to the scandal surrounding Jones, Freeman, and her former firm. Jones resigned in 2023 after his relationship with Freeman, with whom he lived and owned a home, was revealed. Freeman worked at Jackson Walker while Jones approved fees for the firm and, in some cases, for work Freeman individually performed.

Jones also mediated several bankruptcies in which Jackson Walker or Freeman took part, including GWG.

The suit names Jackson Walker, Jones, Freeman, and Texas firm Porter Hedges LLP as defendants. The suit was also brought alternatively as class action on behalf of roughly 27,000 holders of GWG bonds.

The complaint brings claims under Racketeer Influenced and Corrupt Organizations Act, common law fraud, breach of fiduciary duty, negligent misrepresentation, civil conspiracy, professional negligence, and unjust enrichment.

GWG, which historically bought life insurance policies and sold bonds backed by those policies to retail investors, filed for Chapter 11 in 2022. A US Securities and Exchange Commission probe into its accounting policies and sales practices that precipitated the bankruptcy was dropped in 2024.

Its bankruptcy wind-down plan was approved by Judge Marvin Isgur in June 2023. Freeman was appointed as wind-down trustee.

The bondholders' complaint was filed as a separate trustee tasked with pursuing post-bankruptcy litigation has reached several settlements that are expected to bring about \$91 million into the estate. The litigation trustee said Friday that certain GWG issues are being investigated by Southern District of New York prosecutors.

'Golden Parachute'

Freeman's appointment as the wind-down trustee was arranged as part of her planned departure from Jackson Walker to avoid required disclosures that the firm's attorneys "could no longer delude themselves into avoiding if Freeman remained a partner," the suit said.

The day before Freeman left Jackson Walker in late 2022, the firm sought to appoint Jones as a mediator to GWG's bankruptcy, according to the complaint. Jackson Walker continued to retain Freeman as contract counsel after she left and let her use its office at times.

"Jones' insistence on liquidation was followed by the appointment—as one of Jones' personal suggestions—of none other than Freeman as the Wind Down Trustee for the liquidating estate," the suit said. "Jackson Walker, Freeman, and Jones engineered an immensely valuable golden parachute for Freeman to launch her new solo career," providing \$100,000 per month for the first six months and \$50,000 per month thereafter, the suit alleged.

Freeman, representing GWG, told Isgur in December 2022 she would take "comfort" if Jones were appointed as mediator, according to court transcripts.

Jones, during mediation, "swept in like a firestorm" and advised that Isgur, who was overseeing the GWG bankruptcy, "was an old, dear friend who would do whatever Jones suggested," the suit said.

Porter Hedges, one of the firms that represented the bondholder committee in the bankruptcy, should also have also disclosed the relationship, the suit said. A partner at the firm who didn't work on GWG but is Freeman's ex-husband was aware of the relationship, so his knowledge should be imputed to the whole firm, the suit said.

The defendants didn't immediately respond to requests for comment Friday.

The former bondholders are represented by Bandas Law Firm PC and Jordan & Ortiz PC.

The case is Peterson et al v. Jones et al , S.D. Tex., No. 25-02761, complaint 6/12/25 .

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Securities Law News

Ichor CEO Profited on Short-Swing Transactions, Investors Say

June 13, 2025, 1:58 PM PDT

- **COURT:** S.D.N.Y.
- **TRACK DOCKET:** [No. 1:25-cv-04993](#) (Bloomberg Law subscription)

Ichor Holdings Ltd. CEO Jeff Andreson made about \$177,000 in profit through trades of the company's stock within a six-month period, investors allege in a suit filed Friday.

That money "is now Ichor's lawful property" under Section 16(b) of the Securities Exchange Act, which governs such "short-swing" trades by company insiders, Calenture LLC and Dennis Donoghue say on behalf of the company. They filed their derivative suit in the US District Court for the Southern District of New York.

After the investors made demands on Ichor for action to recover the money, the company notified Andreson of his liability, they say. Andreson then allegedly amended a Securities and Exchange Commission filing to indicate in a footnote that one of the transactions "was promptly cancelled before consideration was paid and no ordinary shares changed hands."

"This footnote was inaccurate," Calenture and Donoghue say. An assignment to a broker "had no bearing on Andreson's liability," they say.

The investors bring a single claim under the short-swing profit provision and seek to have Andreson account for the profit and pay it to Ichor, a Fremont, Calif.-based company that designs and manufactures fluid delivery components for semiconductor-making equipment.

Ichor didn't immediately respond to an email to its investor relations address or to a message sent through its web portal, seeking comment on behalf of the company and Andreson.

Miriam Tauber, who practices in New York; James Hunter, who practices in Rednor, Pa.; and David Lopez, who practices in Southampton, N.Y., represent the investors.

The case is Calenture, LLC v. Ichor Holdings, Ltd. , S.D.N.Y., No. 1:25-cv-04993, complaint 6/13/25 .

Securities Law News

Mystery Ad Spotlights Looming Tax Fight for Litigation Financers

June 16, 2025, 2:00 AM PDT

- Groups pose tort reform as pocketbook issue for consumers
- Ad urges support for bill to impose 41% tax on litigation funders

During the June 1 episode of The Totally Football Show with James Richardson, a podcast produced by The New York Times' The Athletic, listeners in the Washington, DC-area heard a mysterious ad.

"Shadowy overseas funders are paying to sue American companies in our courts," a voice said, "and they don't pay a dime in US taxes if there is an award or settlement."

The 60-second spot highlights an emerging strategy, seeking to turn consumers against the plaintiffs' bar and litigation finance—a niche industry in which investors fund lawsuits and receive a portion of awards and settlements. It comes as Republicans on Capitol Hill are pushing to include a measure in their "big, beautiful" spending bill to lob a 41% tax on litigation finance profits.

The source of the ad is unknown: It didn't include the "paid for by" disclosure required by federal law. The Athletic and the producers of a separate national security podcast that also aired the ad, blamed a vendor and said they asked for it to be removed. The vendor did not respond to questions about who purchased the ad time.

The ad appears to support Sen. Thom Tillis' (R-NC) bill to establish the litigation finance tax. "A new proposal before Congress would close this loophole and ensure these foreign investors pay taxes just like the actual plaintiffs have to," the voice said, urging listeners to contact lawmakers. "Only President Trump and Congressional Republicans can deliver this win for America."



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LISTEN: Third-Party Litigation Funding Ad

"We have no idea about this," a Tills staffer said of the ad. The US Chamber of Commerce, a leading critic of outside money behind lawsuits, and a newer group partially backed by Uber Technologies Inc. said they were not involved, although they support the message.

"This administration presents an opportunity for us to get lawsuit abuse reform at the federal level," said Lauren Zelt, the executive director for Protecting American Consumers Together. PACT, launched in January, is also focusing on states including California, Texas, and Florida.

'Family Pocketbook' Focus

Massive companies and Republicans have long used the "tort reform" banner to rail against plaintiffs' lawyers, seeking to impose limits on their ability to sue on behalf of large groups of consumers allegedly injured by harmful products or business actions. They're more recently turning their attention to the \$15.2 billion litigation finance industry.

"Our strategy is to communicate to consumers in a way that they understand how lawsuit abuse reform affects their lives overall, especially their family pocketbook," said Zelt, who worked for the Republican National Committee and Mitt Romney's 2012 presidential campaign.

PACT notched a win in April, when Georgia Gov. Brian Kemp signed tort reform legislation. The law allows funding agreements to be discoverable in court and bans funders from directing the cases they bankroll.

The Chamber of Commerce last year estimated that US tort system costs—compensation to plaintiffs, legal expenses, and insurance—reached \$529 billion in 2022. The chamber said that equates to about \$4,200 per household.

Uber has faced thousands of lawsuits from riders who allege they were sexually assaulted by drivers, as well as drivers arguing they're entitled to certain employee rights. Intel, which has faced sweeping lawsuits backed by outside funders, and manufacturing industry group US Made lobbied on litigation issues in the first quarter, disclosures show. Google, Amazon.com Inc., and Johnson & Johnson, which faces billions of dollars in liability for talc-cancer cases backed by outside funders, supported an earlier effort to require outside funding disclosures in federal lawsuits.

"These corporations have always created AstroTurf front groups to try and prevent regular people from holding the corporations accountable," said Dan Newman, a political consultant for the Consumer Attorneys of California, which recently launched digital ads targeting PACT. "The names change, but the story doesn't. It's some of the world's biggest corporate special interests using their wealth and power to rig the system to avoid accountability and make more money."

Make America Affordable Again

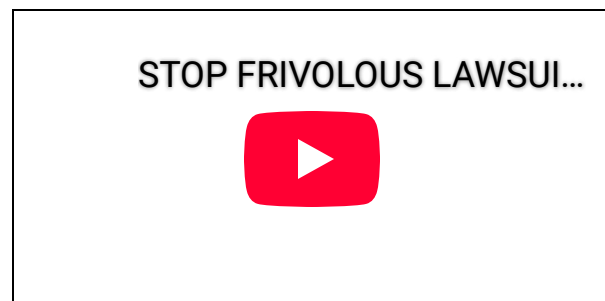
Another group, Make America Affordable Again, is pushing legislation to require plaintiffs' attorneys to pay the legal bills for people and entities they sue in cases they lose. The group, which has not publicly disclosed its funding, is run by former Trump campaign staffers Chris LaCivita and Tony Fabrizio, according to Axios.

"Frivolous lawsuits" are "driving up the cost of your auto, home, and health insurance," the group said in one ad posted in May, and in another that "left-wing lawyers" contributed millions to Democratic campaigns.

Republican lawmakers last month introduced a plan to require plaintiffs who lose suits against the government to cover defense costs. President Donald Trump has directed the Justice Department to demand bonds from court challengers when judges temporarily halt his policies.

"If you did 'loser pays' you could cut your courts, you could cut them down about 90%," Trump said during a January press conference about the California wildfires.

LaCivita and Fabrizio didn't respond to comment requests.



WATCH: Make America Affordable Again video

The Chamber of Commerce welcomes the additional firepower, said Stephen Waguespack, president of its Institute for Legal Reform.

"We've noticed, we've talked to those groups and, quite frankly, we're appreciative," Waguespack said. "You've got a predatory plaintiff bar group that is exploiting our legal system."

Litigation funders are trying to counter the narrative. The International Legal Finance Association last week hired GOP lobbyist Pete Kirkham, according to a disclosure. Kirkham previously led the National Republican Congressional Committee and was chief of staff for Rep. Tom Cole (R-OK), the House's top appropriator.

"Corporations don't want to be held accountable when they've done something wrong," said Julia Duncan, a spokeswoman for the American Association for Justice, a prominent trial lawyers group. "Instead of making their products, workplaces, and services safer, they'd rather manipulate the legal system to their advantage and infringe on Americans' rights."

As for the ad, Acast, the vendor for both podcasts, said it didn't generate or sell the campaign. It ended after Acast told partners to take down the ad, the company said.

—Justin Wise also contributed to this story.

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Purdue Pharma \$7.4 billion opioid settlement wins broad support from US states



reuters.com/business/healthcare-pharmaceuticals/all-us-state-attorneys-general-agree-74-billion-purdue-pharma-settlement-2025-06-16

Jonathan Stempel

June 16, 2025

Bottles of prescription painkiller OxyContin made by Purdue Pharma LP sit on a shelf at a local pharmacy in Provo, Utah, U.S., April 25, 2017. REUTERS/George Frey/File Photo [Purchase Licensing Rights, opens new tab](#)

NEW YORK, June 16 (Reuters) - Purdue Pharma has won support from the attorneys general of 55 U.S. states and territories for its \$7.4 billion settlement to resolve thousands of opioid lawsuits against the drugmaker and its owners, members of the Sackler family.

A framework for the settlement had been [announced](#) in January by New York Attorney General Letitia James and other states, and the support announced on Monday could help Purdue Pharma win court approval for its bankruptcy reorganization.

The \$7.4 billion payment is intended to resolve claims that the drugmaker's pain medication OxyContin caused a nationwide opioid addiction crisis.

It includes about \$6.5 billion from the Sacklers and about \$900 million from Purdue Pharma.

Payouts would begin after the drugmaker wins sufficient creditor support for its Chapter 11 plan. Money would go to individuals, state and local governments, and Native American tribes, and the Sacklers would cede control of Purdue.

"For decades, the Sacklers put profits over people, and played a leading role in fueling the epidemic," James said in a statement. "While no amount of money can fully heal the destruction they caused, these funds will save lives and help our communities fight back against the opioid crisis."

According to several attorneys general, Monday's agreements do not include Oklahoma, which in 2019 reached a [\\$270 million](#) settlement with Purdue Pharma and the Sacklers to resolve opioid-related claims.

Last June, the U.S. Supreme Court [rejected](#) an earlier settlement that would have given the Sacklers broad immunity from opioid-related civil lawsuits. The Sacklers would have paid about \$6 billion under that settlement.

More than 850,000 people have died from opioid-related overdoses since 1999, according to the U.S. Centers for Disease Control and Prevention, though deaths have recently [declined](#), [opens new tab](#).

Reporting by Jonathan Stempel in New York; Editing by Chizu Nomiyama and Bill Berkrot

News | **Bankruptcy**

'Momentous and Insufficient:' AGs Support \$7.4 Billion Purdue Pharma Settlement

June 16, 2025 | By  **Emily Cousins**



Credit: JHVEPhoto/Adobe Stock.

Connecticut Attorney General William Tong announced all 55 attorneys general representing states and U.S. territories signed on to a \$7.4 billion settlement with Purdue Pharma and its founders, the Sackler family.

Connecticut, New York, California, Colorado, Delaware, Florida, Illinois, Massachusetts, Oregon, Pennsylvania, Tennessee, Texas, Vermont, Virginia and West Virginia worked together on a bipartisan team to negotiate the settlement.

The settlement was announced on Jan. 23, and is pending approval. Now that the attorneys general have agreed to the resolution, local governments will be asked to join the settlement.

"Today's announcement of unanimous support among the states and territories is a critical milestone towards confirming a Plan of Reorganization that will provide billions of dollars to compensate victims, abate the opioid crisis, and deliver opioid use disorder and overdose rescue medicines that will save American lives," Purdue said in a statement. "We appreciate the extraordinarily hard work of the state attorneys general and our other creditors in getting us to this point, and we look forward to soliciting creditor votes on the Plan after the disclosure statement is approved."

If the settlement is approved, the \$7.4 billion result would resolve allegations against Purdue and the Sacklers for their alleged role in the opioid crisis.

"There will never be enough justice, accountability or money to restore the families whose lives have been wrecked or to right the terrible consequences of the Sackler family's craven misconduct," Tong said.

The U.S. Supreme Court shut down a prior \$6 billion bankruptcy plan with Purdue on June 27, 2024. In a 5-4 decision, the high court determined the Chapter 11 plan unlawfully protected the Sackler family from future litigation from victims of the opioid crisis. However, the court said consensual third-party releases could occur.



Connecticut Attorney General William Tong, pictured at mic, along with Governor Ned Lamont, and Lt. Governor Susan Bysiewicz, held a press conference on June 10 at the offices of the attorney general to

show solidarity with California and opposition to activation of U.S. military in response to the Los Angeles protests. Photo: Michael Marciano/ALM

"What we announce today is both momentous and insufficient, the culmination of years of tumultuous negotiations and legal battles all the way up to the U.S. Supreme Court," Tong said. "Today, every single attorney general, representing all states and territories nationwide, has signed onto an historic settlement that permanently ends the Sacklers' control over Purdue and their ability to ever sell opioids again, and forces the company and the family to pay \$7.4 billion for their role in igniting one of the most devastating public health crises in American history."

Much of the settlement is set to be distributed within three years. The Sacklers will pay \$1.5 billion, while Purdue will pay \$900 million in the first payment, followed by \$1.4 billion divided over three years.

In addition to the \$7.4 billion, more than 30 million documents involving the Sacklers' and Purdue's opioid business will be made public.

Tong said he wants the \$64 million set aside for Connecticut to be "used to save lives through opioid treatment and prevention, as well as to provide direct support to victims and their families."

In New York, which will receive around \$250 million from the settlement, state lawmakers are concerned the money will be diverted to the state's general fund instead of the state's Opioid Settlement Fund, and are seeking to pass a bill to stop the potential redirection. Since the Sacklers are individuals, not manufacturers, a loophole could prevent the settlement funds from being used to help communities affected by the opioid crisis.

New Jersey is set to obtain \$124.5 million from the settlement and has overall collected \$1.3 billion in settlement funds involving the opioid crisis.

"While we know that no amount of money can erase the pain for those who lost loved ones to this crisis, this settlement will help prevent future tragedies through education, prevention, and other resources," Attorney General Matthew Platkin said. "The Sacklers put greed and profit over human lives, and with this settlement, they will never be allowed to sell these drugs again in the United States."

Overall, the Connecticut Attorney General's Office stated it has helped secure more than \$50 billion nationwide in response to the opioid epidemic, including \$600 million for the state alone. This money has gone into Connecticut's Opioid Settlement Advisory Committee, which is made up of health professionals, individuals affected by the crisis, and state and municipal leaders. The committee will determine how to distribute the opioid settlement funds.

W.Va. gets up to \$53M as Purdue Pharma settlement finalized



[legalnewsline.com/west-virginia-record/w-va-gets-up-to-53m-as-purdue-pharma-settlement-finalized/article_6248b570-1a18-46dd-bee2-3ab290bdfa21.html](https://www.legalnewsline.com/west-virginia-record/w-va-gets-up-to-53m-as-purdue-pharma-settlement-finalized/article_6248b570-1a18-46dd-bee2-3ab290bdfa21.html)

Chris Dickerson

June 16, 2025

File photo

CHARLESTON -- West Virginia Attorney General J.B. McCuskey and 54 other AGs have agreed to a \$7.4 billion settlement with Purdue Pharma and the Sackler family.

McCuskey's office says West Virginia will receive up to \$53 million of the settlement. Local governments soon will be asked to join the settlement contingent on bankruptcy court proceedings.

McCuskey

File photo

McCuskey's office also says the Sackler family has informed the attorneys general of its plan to proceed with the settlement, which would resolve litigation against Purdue and Sacklers for their role in the creating and worsening the opioid crisis across the country.

"The Sacklers aggressively marketed their drugs to communities like ours, without a care in the world about the lives they were destroying, only focused on their bottom line," McCuskey said. "The settlement holds the Sacklers and Purdue Pharma accountable for the pain they've caused our state and our country.

"Now, hopefully, we can start to recover and turn the page on the opioid crisis."

The settlement ends the Sacklers' control of Purdue and their ability to sell opioids in the United States. The AGs claim that under the Sacklers' ownership, Purdue made and aggressively marketed opioid products for decades, fueling the largest drug crisis in the nation's history.

Communities across the country will directly receive funds over the next 15 years to support addiction treatment, prevention, and recovery. This settlement in principle is the nation's largest settlement to date with individuals responsible for the opioid crisis.

While most other states will receive their settlement payments over the 15 years, West Virginia will receive as much as \$53 million from this settlement on an accelerated payment schedule over the next nine years because of the disproportionate impact opioids have had on the state.

Most of the settlement funds will be distributed in the first three years. The Sacklers will pay \$1.5 billion, and Purdue will pay roughly \$900 million in the first payment. That will be followed by \$500 million after one year, an additional \$500 million after two years and \$400 million after three years.

Like prior opioid settlements, the settlement with Purdue and the Sacklers will involve resolution of legal claims by state and local governments. The local government sign-on and voting solicitation process for this settlement moving forward will be contingent on bankruptcy court approval. A hearing is scheduled on that matter in the coming days.

Including this new settlement, West Virginia has obtained settlements totaling more than \$1 billion from companies that helped fuel the opioid epidemic.

In addition to all 50 states except Oklahoma, the other AGs who joined in securing the settlement are from American Samoa, the District of Columbia, Guam, Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands. Oklahoma previously settled with Purdue Pharma in 2019.

Maryland State Judge Overrules 'Grossly Excessive' \$266M Jury Verdict in Opioid Trial



law.com/nationallawjournal/2025/06/13/maryland-state-judge-overrules-grossly-excessive-266m-jury-verdict-in-opioid-trial

Sulaiman Abdur-Rahman

June 13, 2025

- Judge Lawrence Fletcher-Hill of the Baltimore City Circuit Court granted a remittitur substantially reducing a trial jury damages award against two Big Pharma defendants.
- Covington & Burling represented defendant McKesson Corp.
- Reed Smith represented defendant Cencora Inc., formerly known as AmerisourceBergen.

A Maryland state judge overruled a trial jury's \$266 million damages award as "grossly excessive" Thursday in Baltimore's opioid public nuisance case against two defendant drug companies.

Judge Lawrence P. Fletcher-Hill of the Baltimore City Circuit Court ordered a new trial unless the plaintiff accepts a remittitur substantially reducing the damages liability to \$51.8 million.

"The Court concludes, based only on the scope of causation that the City had the burden to prove, that the jury's verdict was grossly excessive and cannot be supported by the evidence introduced at trial," Fletcher-Hill wrote in his 96-page memorandum opinion filed Thursday. "The Court concludes that a new trial on limited issues is necessary, but the Court also finds it appropriate to order a remittitur that could avoid the need for a new trial."

Susman Godfrey represented Baltimore as outside counsel in the opioid litigation and helped the city secure a damages award last November of \$192.2 million against McKesson Corp. and \$74.1 million against Cencora Inc.

Fletcher-Hill gave Baltimore until July 7 to accept a remittitur that would reduce McKesson's damages to \$37.4 million and Cencora's damages to \$14.4 million.

"This decision is disappointing to say the least," Baltimore Mayor Brandon M. Scott said Thursday in a statement. "We are evaluating the decision and considering all of our options."

Covington & Burling partner Andrew Stanner represented McKesson, while Reed Smith partner Robert A. Nicholas represented Cencora, the drug company formerly known as AmerisourceBergen.

Other counsel representing Cencora include Reed Smith partners Joseph Mahady, Lou Schack, Abigail Pierce and Michelle Mitchell of Wharton Levin.

Fletcher-Hill on Thursday refused to exonerate the defendants of all liability, denying their motions for judgment notwithstanding the verdict.

But Fletcher-Hill granted the defendants' motions for remittitur, which substantially reduced the jury's damages award from \$266 million to \$51.8 million. He also granted the defendants' motions for a new trial if Baltimore rejects the remittitur.

"We are reviewing the judge's decision and evaluating next steps," Cencora said Friday in a statement.

McKesson did not immediately respond to a request for comment on this article.

Allergan, Cardinal Health, CVS, Johnson & Johnson, Teva Pharmaceuticals and Walgreens previously reached settlement agreements with Baltimore in the opioid litigation.

Fletcher-Hill deferred fashioning an abatement remedy in the pending case against McKesson and Cencora. A ruling on abatement costs could require the defendants to pay a certain amount of money to help Baltimore recover from the opioid crisis.

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ESG and Insider Trading



businesslawprofessors.com/2025/06/esg-and-insider-trading

Joan Heminway

June 16, 2025



My work and travel schedules this spring have led to a decrease in my substantive (and other) blogging of late. (I am reminded of [a blog post I wrote years ago on a similarly busy travel summer](#), with a follow-up post [here](#)) I hope to slowly catch up in the coming weeks. This week, I am in Prague and Budapest, the latter for an international remedies forum at which I will share some work emanating out of my ongoing research on blockchain fraud. More on that another time

Today, however, I want to follow up on [my blog post from last May on ESG Greenwashing](#). The article I referenced in that post was recently published. Entitled [ESG and Insider Trading: Legal and Practical Considerations](#), the SSRN abstract is set forth below.

This Article preliminarily explores the contours of ESG information as a potential basis for unlawful insider trading under Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 adopted by the U.S. Securities and Exchange Commission under Section 10(b). Insider trading violations under Section 10(b) and Rule 10b-5 are rooted in a person's (1) trading of securities while in possession of material nonpublic information or (2) tipping another with material nonpublic information. ESG information has the capacity to be both material and nonpublic. ESG information, like other significant information, may be at the heart of insider trading and related enforcement activity if trading or tipping is effected with the requisite knowing state of mind.

The Article anticipates and prognosticates on this enforcement activity, investigating core legal questions and offering related analyses and observations. The reflections offered may be useful to those who may possess ESG information and desire to trade or tip (and their advisors); policymakers in the U.S. Congress and at the SEC; enforcement agents in the U.S. Department of Justice and at the SEC; the judiciary; and business firms (and their advisors). For example, prospective and actual securities traders and tippers may gain awareness of the liability-generating capacity of ESG information in an insider trading context. Moreover, the Article may support government and regulatory officials and judges in efficient and effective rulemaking, enforcement activities, and adjudication of related cases and controversies. Takeaways for business firms may include, for example, wisdom about best practices for the retention of material nonpublic ESG information and refining the contents of insider trading compliance plans.

I had some fun writing this to honor our fabulous colleague Jill Fisch. Her work, of course, spans both topics at the core of my article—environmental, social, and governance issues and insider trading. I have enjoyed and cited to her work in both areas over the years.

This article follows on [my earlier piece on ESG information and materiality doctrine, which I blogged about last summer](#). I had some interesting conversations about that work last week at the [2025 Annual Conference on Legal Issues in Social Entrepreneurship and Impact Investing—In the US and Beyond](#), hosted at NYU Law by the Grunin Center for Law and Social Entrepreneurship and the Impact Investing Legal Working Group. Folks from outside the United States also are looking at issues relating to the materiality of ESG information and impacts and want to understand more about materiality doctrine here in the United States.

The next piece in that line of my scholarship is on the effect of ESG information on compliance programs, plans, and policies. If any of you are working in that space, please let me know. I already know that Diane Lourdes Dick and Joe Yockey are working on a piece of interest on the governance of toxic data. (They presented it at the Law and Society Association Annual Meeting in Chicago last month. Joe's LinkedIn post on their work can be found [here](#).) But I remain interested in knowing if others have recent or ongoing research to which I can cite.

Analysis | **Litigation**

Showdown Over Latest Boeing 737 Max Settlement Puts Judge in Pickle

June 16, 2025 | By  **Chris O'Malley**



Two 737 Max crashes five months apart threw intense scrutiny on Boeing's safety practices. Photo: Luke MacGregor/Bloomberg

Families of 346 passengers killed in two 737 Max crashes six years ago have until Wednesday to file their last plea for justice.

Last month, the Justice Department asked Texas federal Judge Reed O'Connor to vacate a criminal fraud trial that was scheduled to begin June 23. Instead, the agency asked the judge to approve an agreement it struck with Boeing under which prosecutors would drop their case in return for \$445 million in additional payments to crash victims' families.

The deal, known as a non-prosecution agreement, infuriated families of the victims, most of whom desperately want Boeing to stand trial, viewing that public process as the only means to fully

expose the safety shortcuts and blame-shifting they believe were part of what their attorneys call the deadliest corporate crime in U.S. history.

Lawyers for the families must file their responses by the end of Wednesday. The Justice Department and Boeing have until June 25 to file any replies.

"I think this is it," said Peter Reilly, a professor of law at Texas A&M University said of what appears to be the final opportunity to press for a criminal trial.

"The families think the only way to get justice in this case is to have a jury trial," added Reilly.

Reilly has consulted for University of Utah criminal law professor and former judge Paul Cassell, who represents more than a dozen families pro bono.

Surprising Twists

The Justice Department agreed to the non-prosecution agreement even though the agency concluded last year that Boeing had violated an earlier deal that essentially gave the aircraft maker one more chance to avoid criminal prosecution.

Under that pact, struck in 2021 and known as a deferred prosecution agreement, Boeing agreed to pay \$2.5 billion and launch sweeping quality-control and compliance improvements. In return, the Justice Department agreed not to charge Boeing with defrauding the Federal Aviation Administration in connection with the two crashes—Lion Air Flight 610 in October 2018 and Ethiopian Airlines Flight 302 in March 2019.

The deferred prosecution agreement was just days away from expiring when, on Jan. 5, 2024, a door blew out of a nearly new Alaska Airlines 737 Max midflight. The incident—later found to have been caused by the absence of four key bolts that were meant to secure it—renewed concerns that Boeing had failed to fix deep-seated safety and cultural problems.

By May, the Justice Department had concluded Boeing violated the deferred prosecution agreement, setting off a new round of negotiations that culminated in July with Boeing agreeing to plead guilty to one felony fraud count and to consent to three years of oversight by a corporate monitor.

But in December, Judge O'Connor rejected the deal, saying diversity requirements in place at Boeing and the federal government might make race a factor in choosing the monitor. "In a case of this magnitude, it is in the utmost interest of justice that the public is confident this monitor selection is done based solely on competency," the judge ruled.

O'Connor's decision appeared to be yet another setback for Boeing in its years-long quest to move on from the crashes. But it proved to be a blessing, thanks to President Donald Trump's return to

the White House in January. After determining that Boeing violated its deferred prosecution agreement, President Joe Biden's Justice Department told the company it would either have to plead guilty to fraud or go to trial.

But Trump's Justice Department took a softer stance.

The Justice Department's about-face burdens O'Connor with having to decide between forcing prosecutors who apparently have no appetite to go to trial to do so anyway, or further tormenting long-suffering families who see a trial as their salvation.

As a father of one of the Ethiopian Airlines crash victims put it in a letter to the Justice Department last month, "The current charge is insufficiently severe considering that 346 people died as a result of admitted negligence. The DOJ must press the fraud charge to trial."

"If the U.S. justice system (is) to retain any credibility in the eyes of the world, nothing short of a court trial is acceptable," he added.

O'Connor, a federal judge for 18 years who was nominated for the role by President George W. Bush, has acknowledged the gravity of the matter, declaring last year that "Boeing's crime may properly be considered the deadliest corporate crime in U.S. history."

But how he will rule is unclear.

'Lenient Treatment'

In a letter to the Justice Department last month, Cassell said the government's non-prosecution agreement is an attempt "to marginalize Judge O'Connor even further" by preventing any court supervision.

"Instead of this special and extraordinary lenient treatment for Boeing, your prosecution should simply follow that normal prosecution track the Department uses in thousands of criminal prosecutions every year," Cassell wrote.

"While plea bargaining often occurs in other less serious and weaker cases, in this case any further concessions to Boeing would be utterly inappropriate," Cassell said.

Reilly, the Texas A&M professor, agrees. He argues that the Justice Department has no business using non-prosecution agreements, deferred prosecution agreements or other alternative-dispute-resolution tools "in a case like this that comes along every half-century."

"My question for the Department of Justice in this case is why don't you use the most effective tool to get the highest caliber justice in this case, which is a jury trial?"

Only one Boeing employee has been criminally prosecuted—former Boeing test pilot Mark Forkner. A jury found him not guilty in 2022 after just two hours of deliberations.

Based mostly on instant messaging conversations with colleagues, federal prosecutors alleged Forkner hid from the FAA the existence of the now-infamous Maneuvering Characteristics Augmentation System, or MCAS.

The 737 Max has bigger engines mounted further forward and higher on the wing, creating a tendency for the plane to pitch up under certain circumstances.

To avoid forcing airlines to incur training on these new flight characteristics, Boeing's MCAS emulated handling characteristics of older 737s by automatically countering the pitch-up effect.

But MCAS relied on a signal from only one of the plane's two angle-of-attack sensors, removing a comparative check against bad data from a single malfunctioning sensor.

And the MCAS fought pilots by repeatedly moving the horizontal stabilizer to push down the nose despite their efforts.

Following the crashes, Boeing updated the MCAS with multiple angle-of-attack sensor inputs, improved a stabilizer cutoff switch and stopped the system from repeatedly activating.

In Forkner's trial, his attorneys said engineers had not fully apprised Forkner of the MCAS features and that he had been made a scapegoat by higher-ups.

'Meaningful Accountability'

That allegation is one reason that many families of crash victims argue that prosecutors should more closely scrutinize the role of the company's top brass, especially former CEO Dennis Muilenburg, who is an aerospace engineer by trade.

Families see a trial as their best hope of learning what really happened in the C-suite and boardroom as the crisis unfolded.

But in a May 29 filing defending its non-prosecution agreement, the Justice Department said that while there might be a "presumption by families" that it could present a case "that reveals a criminal conspiracy that reached to the highest levels of the Company, and proves that Boeing is criminally responsible" for the deaths of their loved ones, that was not necessarily so.

"The reality presented by the evidence and the law is that the Government could not, consistent with Department policy and its ethical and professional obligations, put on such a case."

The Justice Department cited the not-guilty verdict in the Forkner trial as demonstrating the uncertainty inherent with jury trials.

"While the Government appreciates the significance of a felony conviction in its own right, the Government has taken into consideration that the conviction the Government could secure at trial would not be the same conviction that the objecting Families actually envision or want."

The Justice Department said the non-prosecution agreement secures "meaningful accountability" while bringing finality to "a difficult and complex case whose outcome would otherwise be uncertain."

In addition to providing an additional \$445 million for families of the crash victims, the agreement would force Boeing to invest \$455 million in compliance and safety programs that will benefit the public, the Justice Department noted.

But money isn't the point, some families told the Justice Department.

"On behalf of my family, we have no intention of accepting the bribe offered by Boeing as restitution in the NPA. No one should be able to pay people off to escape criminal accountability," stated a letter written last month by a father whose 21-year-old son died in the Ethiopian Airlines crash.

"I find it truly disgusting that this money was seen by you as a positive outcome of your negotiations with Boeing," the father added in his letter.

"I refuse your solution (in) the Boeing criminal case. We the victims will never see any justice if you stop the criminal charge," wrote the eldest son of a woman who died in the Lion Air crash.

"The settlement money that you guys propose cannot bring back my mom. At least let us get some justice. For us this is not about money, anymore. We want justice to be served. ... If you stop right now we will never be able to recover."

However, not all families agree.

A mother who lost her son told the Justice Department that she supported the non-prosecution agreement.

"Although this decision does not lessen the immense pain this tragedy has caused our family, we feel it is in our best interest spiritually and emotionally, to resolve this matter once and for all and concentrate on healing."

The Herrman Law Group, which represents 153 family members, told the Justice Department that its clients "are unanimous in their conviction that Boeing should be found guilty, either by admission or verdict" for crashes that "were spawned by a corporate culture ... that prioritized profit over human life."

But after enduring six years of "interminable U.S. civil and criminal justice systems" many want closure, wrote partners Charles Herrmann and Aryna Anderson.

"Therefore, primarily because of their desire for closure, 47 families have instructed us to communicate their reluctant approval of the NPA."

Page printed from: <https://www.law.com/corpocounsel/2025/06/16/showdown-over-latest-boeing-737-max-settlement-puts-judge-in-pickle/>

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3M lawsuit says attorneys falsified black lung claims to pressure settlement



reuters.com/legal/legalindustry/3m-lawsuit-says-attorneys-falsified-black-lung-claims-pressure-settlement-2025-06-13

Diana Jones

June 13, 2025

The 3M logo is seen at its global headquarters in Maplewood, Minnesota, U.S. on March 4, 2020. The company has been contracted by the U.S. government to produce extra masks in response to the country's novel coronavirus outbreak. Picture taken March 4, 2020.

REUTERS/Nicholas Pfosi [Purchase Licensing Rights, opens new tab](#)

CHICAGO, June 13 (Reuters) - 3M sued three plaintiffs' attorneys in federal court on Friday, accusing them of running a racketeering scheme to file dozens of dubious lawsuits over its respirators and then use the claims to pressure the company to settle.

The Minnesota-based company sued attorneys Glenn Hammond, Michael Martin and John Givens in Kentucky federal court, accusing them of conspiring to file more than 20 fraudulent complaints on behalf of more than 850 people over the alleged failure of 3M's respirators to protect coal miners from a disease commonly known as black lung.

Hammond's law office is in Kentucky, Martin's is in Texas and Givens' is in Mississippi.

A law assistant answered an email sent to Martin, saying he was not immediately available to comment on the allegations.

Neither Hammond nor Givens immediately responded to requests for comment.

A spokesperson for 3M declined to comment.

The company is seeking reimbursement of its costs to defend against the lawyers' claims, as well as "the ill-gotten gains from the defendants' unlawful scheme."

3M has faced hundreds of millions of dollars in litigation costs related to lawsuits brought by coal miners over its "dust masks," or respirators, which can be worn in mines as a protective measure against dust, according to filings with the U.S. Securities and Exchange Commission.

Advertisement · Scroll to continue

In 2018, a jury awarded two coal miners \$65 million after finding that 3M's respirators failed to protect them from coal mine dust. The next year, the company settled the majority of the then-pending coal mine lawsuits in Kentucky and West Virginia for \$340 million, according to the filings.

In the filings, 3M said its respirators are "effective as claimed when used in the intended manner and in the intended circumstances."

The 110-page complaint lays out what 3M says was a years-long plot, beginning in 2020, to pump up the pressure on the company by filing claims the lawyers knew were for people who didn't have black lung, hadn't worn a 3M respirator or were outside of the statute of limitations. 3M says the lawyers falsely attested that the claims were valid.

Hammond was responsible for recruiting coal miners to their scheme, often cold-calling them and then coaching them on what to say to make their cases seem viable, the lawsuit said. Hammond would file the claims, and then Martin would litigate them and apply pressure on 3M to settle, the lawsuit said. Givens was the "work engine" of the plot, doing whatever was needed to move things forward, according to the filing.

The plan was to pressure the company to settle the claims en masse, without litigating each case and revealing its problems, the lawsuit claims.

At least some of the lawsuits the group brought against 3M are still pending, according to the lawsuit.

Reporting by Diana Novak Jones

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[Diana Novak Jones](#)

Thomson Reuters

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

Litigation

Country Artist Sues AI Firms in Settlement Talks With Labels

June 16, 2025, 7:43 AM PDT

- **COURT:** S.D.N.Y., D. Mass.
- **TRACK DOCKET:** [No. 1:25-cv-05026](#) (S.D.N.Y) and [No. 1:25-cv-11739](#) (D. Mass) (Bloomberg Law subscription)

An independent country music artist sued AI companies Uncharted Labs Inc. and Suno Inc.—two companies already facing a lawsuit from major record labels—to ensure smaller artists are represented in the battle playing out over training AI on copyrighted works.

Artist Anthony Justice and his recording company 5th Wheel Records Inc. filed proposed class actions against Uncharted Labs, doing business as Udio.com, on Monday in the US District Court for the Southern District of New York and against Suno on June 14 in the US District Court for the District of Massachusetts. The lawsuits accuse the AI firms of copying songs for a “commercial purpose” that is “deriving revenue directly proportional to the number of music files it generates, which weighs against a finding of fair use.”

Music industry giants Universal Music Group, Sony Music Entertainment, and Warner Music Group sued Udio and Suno in June last year, accusing them of using massive numbers of copyrighted sound recordings to train their AI models. The record labels are in talks to settle the lawsuits, Bloomberg News reported.

“While this high-profile Lawsuit continues to draw attention in the fight to protect major label music, independent artists, whose rights have been trampled the most, are the ones left without a seat at the table, unrepresented, and without a meaningful remedy,” Justice wrote in both complaints.

Since Udio’s launch in April 2024 and Suno’s launch in December 2023, there have been “many allegations” of songs “resembling or otherwise almost exactly mimicking” Justice’s and fellow class members’ work, according to the complaints. Suno and Udio couldn’t have built a model capable of generating “look-alike” songs without an initial act of copying that music, Justice alleged, and the companies have effectively admitted to copying songs in their answers to the record labels’ lawsuits.

Udio’s users generate roughly 6 million songs a week and it’s attracted more than \$10 million from investors, Justice wrote. Suno is estimated to have roughly 10 million users creating music and is valued at around \$500 million, he said.

Delgado Entertainment Law PLLC and EKSM LLP represent Justice and 5th Wheel in both cases. The plaintiffs are also represented by Frekhtman & Associates in the Udio case and Brody, Hardoon, Perkins & Kesen LLP in the Suno case.

The cases are Justice v. Uncharted Labs Inc. , S.D.N.Y., No. 1:25-cv-05026, complaint filed 6/16/25 ; Justice v. Suno Inc. , D. Mass., No. 1:25-cv-11739, complaint filed 6/14/25 .

Class Action

DNA Tester Sequencing Agrees to \$365,000 Genetic Privacy Deal

June 16, 2025, 10:05 AM PDT

DNA-testing company Sequencing LLC would pay \$356,500 to settle a class action alleging it shared consumers' genetic information with third parties in violation of the Illinois Genetic Information Privacy Act, under a proposed deal filed in federal court.

Each member of the class would receive around \$300 after deduction from the settlement fund of attorneys' fees and costs, settlement expenses, and a service award for the class representative, according to a motion for preliminary approval of the settlement filed June 13 in the US District Court for the Northern District of California.

- The complaint alleged that Sequencing shared consumers' genetic information without their consent with third-party developers it contracted with to produce the genetic reports available for purchase on its website
- Lead plaintiff David Melvin filed the lawsuit in 2021, and Judge Elaine E. Bucklo in August 2023 certified a class of Illinois residents who had their genetic test results disclosed to a third party
- Attorneys intend to seek 35 percent of the settlement fund after the deduction of the settlement costs and the service award, the motion said

Edelson PC represents Melvin and the class. Baker & Hostetler LLP represents Sequencing.

The case is Melvin v. Sequencing LLC , N.D. Ill., No. 1:21-cv-02194, motion filed 6/13/25 .

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Americans don't see Supreme Court as politically neutral, Reuters/Ipsos poll finds



reuters.com/world/us/americans-dont-see-supreme-court-politically-neutral-reutersipsos-poll-finds-2025-06-15

Andrew Goudswaard, John Kruzel, Jason Lange

June 15, 2025

A general view of the U.S. Supreme Court building in Washington, U.S., June 1, 2024.

REUTERS/Will Dunham/File Photo [Purchase Licensing Rights, opens new tab](#)

- 20% agree Supreme Court is neutral while 58% disagree
- 67% of Republicans, 26% of Democrats view court favorably
- Poll finds Americans divided on transgender care laws
- Poll respondents oppose Trump on birthright citizenship

WASHINGTON, June 15 (Reuters) - Americans are divided on major issues that the [U.S. Supreme Court](#) is due to rule on in the coming weeks, but most agree on one thing - neither Republicans nor Democrats see the nation's top judicial body as politically neutral, according to a Reuters/Ipsos poll.

Just 20% of respondents to the poll agreed that the Supreme Court is politically neutral while 58% disagreed and the rest either said they did not know or did not respond. Among people who described themselves as Democrats, only 10% agreed it was politically neutral and 74% disagreed, while among Republicans 29% agreed and 54% disagreed.

The two-day poll, which closed on Thursday, was based on responses from 1,136 U.S. adults. It had a margin of error of plus or minus 3 percentage points.

The court has issued major rulings in recent years including in cases rolling back abortion rights, expanding gun rights, recognizing presidential immunity from prosecution for official acts, rejecting race-conscious collegiate admissions and curbing the power of federal agencies. Its 6-3 conservative majority includes three justices appointed by Republican President [Donald Trump](#) in his first term in office.

In the Reuters/Ipsos poll, 44% of respondents expressed a favorable view of the court, including 67% of Republicans and 26% of Democrats.

The Supreme Court's popularity has declined since its June 2022 decision to overturn the 1973 Roe v. Wade ruling that had legalized abortion nationwide. Some 57% of respondents in a Reuters/Ipsos poll conducted at the end of 2021 expressed a favorable opinion of the court. By the end of June 2022, that figure had fallen to 43%.

The justices are expected to issue rulings in major cases in the coming weeks as they near the end of their current term that began in October. Among these cases are one on the legality of Tennessee's Republican-backed law banning gender-affirming medical care for

[transgender minors](#) and one involving Trump's executive order restricting automatic [birthright citizenship](#), part of his hardline approach to immigration.

Some 53% of respondents in the Reuters/Ipsos poll said they supported "laws that prevent transgender children under the age of 18 from getting medical treatment related to gender identity and gender transitioning." Another 28% opposed such laws and the rest were unsure or did not answer the question.

Among Republicans, support for such laws was at 57% and opposition at 28%, while among Democrats support was at 23% and opposition at 54%.

The Tennessee law prohibits medical treatments such as puberty blockers and hormones for transgender minors. During December 4 arguments in the case, the court's conservative justices signaled their [willingness to uphold](#) the law. The eventual ruling could affect other state laws targeting transgender people.

After Trump signed his birthright citizenship directive in January, 22 states as well as immigrant rights advocates and pregnant immigrants sued, arguing that it was a violation of citizenship language in the U.S. Constitution's 14th Amendment.

In the Reuters/Ipsos poll, only 24% of all respondents supported ending birthright citizenship and 52% opposed it. Among Democrats, 5% supported ending it, with 84% opposed. Among Republicans, 43% supported ending it, with 24% opposed. The rest said they were unsure or did not respond to the question.

The court also by the end of this month is expected to issue a ruling on the legality of a Texas law that requires people to [verify the age](#) online before accessing pornographic websites.

The Reuters/Ipsos poll found strong support for such laws. Among all respondents, 70% were in support and 14% opposed. Among Democrats, 65% supported and 18% opposed, while among Republicans 80% supported and 7% opposed.

During January 15 [arguments](#) in the case, the justices seemed to agree that states can try to keep adult material from minors but also voiced concern over burdens imposed on adults to view constitutionally protected material.

Reporting by John Kruzel, Andrew Goudsward and Jason Lange in Washington; Editing by Scott Malone and Will Dunham

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Read the Complaint: Antitrust Lawsuit Alleges RICO Conspiracy Between Smartphone Makers and Telecoms



law.com/therecorder/2025/06/12/read-the-complaint-antitrust-lawsuit-alleges-rico-conspiracy-between-smartphone-makers-and-telecoms

Sulaiman Abdur-Rahman

June 12, 2025

A publicly traded technology company has filed an antitrust lawsuit against Google, Apple and Samsung accusing the smartphone manufacturers of entering a RICO conspiracy to exclude independent voice over internet protocol providers from the Wi-Fi calling market in violation of federal law.

Counsel for VoIP-Pal.com Inc. allege the smartphone manufacturers conspired with AT&T, Verizon and T-Mobile in a racketeering enterprise that prevented VoIP-Pal from entering the U.S. mobile voice market.

“VoIP-Pal, despite having patented technology that covers Wi-Fi Calling, was never allowed to get in the door,” counsel for the plaintiff alleged in a complaint filed Wednesday in the U.S. District Court for the District of Columbia. “Google, Apple, and Samsung will argue that VoIP-Pal never signed a single subscriber and that VoIP-Pal never launched a product. ... But here’s the truth: VoIP-Pal didn’t fail to launch. It was never allowed to. The Defendants closed the Wi-Fi Calling market to alternative competitors before it opened.”

Litigation boutique Holmes, Pittman & Haraguchi; and California-based patent attorney Sean Parmenter, a former Kilpatrick Townsend & Stockton associate, also represent VoIP-Pal in a related case filed last summer against AT&T, Verizon and T-Mobile alleging anticompetitive conduct in the American telecommunications market.

VoIP-Pal, a Nevada corporation with principal offices in Waco, Texas, owns Wi-Fi calling, routing and classification technology.

The cases against the smartphone manufacturers and telecoms both seek billions of dollars in damages and injunctive relief under the Sherman and Clayton acts.

Counsel have not yet entered an appearance for Apple, Google or Samsung as of Thursday. The smartphone manufacturers did not immediately respond to a request for comment on this article.

Verizon is represented by Morrison & Foerster; T-Mobile is represented by Cleary Gottlieb Steen & Hamilton; and AT&T is represented by Gibson, Dunn & Crutcher.

Verizon previously described the conspiracy allegations as “frivolous” and “baseless” when counsel for VoIP-Pal filed initial complaints against the telecoms last August.

State Farm faces probe over wildfire claims handling

DJ[dailyjournal.com/articles/386142-state-farm-faces-probe-over-wildfire-claims-handling](https://www.dailyjournal.com/articles/386142-state-farm-faces-probe-over-wildfire-claims-handling)

Jun. 16, 2025

California's insurance regulator investigates State Farm's handling of January wildfire claims, amid concerns over underpayments and delays, potentially setting new standards for disaster-related insurance claims.

Attorneys praised the announcement that the state's insurance regulator was investigating State Farm's handling of claims stemming from the January wildfires but cautioned that its impact on litigation would be anything but certain.

"Part of me worries these are just words, a political or PR move to calm people down and to placate other politicians," Kabateck LLP's managing partner Shant A. Karnikian said Friday. "If the California Department of Insurance or Legislature does something here, it will be a much-needed course correction after Gharibian."

Karnikian was referring to an appellate ruling that homeowners who filed claims stemming from the 2019 Saddle Ridge fire were not entitled to loss of property damages from their insurance company because they failed to show that smoke, soot and ash from the fire altered their property in a lasting manner. *Hovik Gharibian, et al. v. Wawanesa General Insurance Company*, B325859 (2nd Cal. App, filed Feb. 7, 2025).

The decision sets a dangerous precedent and could make it more difficult for policy holders to collect on their claims, plaintiffs' attorneys say. The California Department of Insurance launched a task force last month to look into the matter.

Kabateck LLP is helping State Farm policyholders resolve their claims, and those efforts have not yet led to litigation. Information that comes out of the investigation might be persuasive in court, but it is not binding, Karnikian said.

"I've done insurance bad faith trials and brought up the fact that the carrier was investigated by the California Department of Insurance a number of times. In front of a jury, it's compelling," Karnikian said.

Insurance Commissioner Ricardo Lara announced the formal investigation on Thursday in a news release saying a "Market Conduct Examination" typically takes several months. But the timing and the scale of the Eaton and Palisades fires in Los Angeles County will allow investigators to conduct a more thorough review, according to the announcement. Insurers are making decisions about those claims, which will help investigators evaluate adjuster practices and assess how State Farm addresses all kinds of claims.

The news release noted that national standards for claims handling can be vague and inconsistently applied, particularly in large-scale disasters. The Eaton and Palisades fires destroyed over 37,000 acres in areas surrounding Altadena and Pacific Palisades, destroyed over 16,000 structures and led to 29 deaths. Insurance companies have paid nearly \$17 billion to residential and commercial insurance policyholders harmed by the Eaton and Palisades fires as of May 12.

"This examination will assess whether State Farm has complied with California's consumer protection and claims handling laws and will help determine if further reforms are needed as natural disasters increasingly disrupt insurance markets across the country," Lara is quoted as saying.

State Farm issued a statement saying it was cooperating with the investigation: "A fair review will find that thousands of State Farm customers are being helped by our teams on the ground in Los Angeles County and are very satisfied."

Some wildfire victims have said that insurers were dragging their feet and underpaying claims. AAA and USAA are accused of underinsuring homes and misleading the owners about replacement costs. Lawsuits against the state's insurer of last resort, the California FAIR Plan, are piling up in Los Angeles.

Some State Farm clients have said that the company is offering to pay only fractions of what it costs to repair and clean homes that were damaged by the Eaton and Palisades fires and described its claims process as difficult and frustrating.

The decision to investigate State Farm shows that complaints to the California Department of Insurance are not a worthless exercise and can prove that violations are not isolated but a companywide problem, said Daniel J. Veroff, senior managing attorney with Merlin Law Group.

"The smoke claims task force presents a real opportunity to develop an industry standard approach to proving and valuing these claims. The lack of an industry standard means your claim could be handled differently than your neighbor's identical claim," Veroff continued.

Reed Smith partner Benjamin R. Fliegel said there was a possibility that the Department of Insurance will clarify how it expects insurers to handle claims for homes that are still standing but are not safe to live in.

"We hope that the department's investigation and report will be made public so it will provide a common reference point about what a reasonable investigation looks like, and what types of claim handling conduct is improper," he said. "Clear guidance on good faith claim handling practices should push insurers to pay policy benefits faster and reduce the need for litigation between policyholders and insurers who might be reluctant to pay."

#386142

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US Supreme Court to hear Chevron, Exxon appeal over Louisiana coastal damage



reuters.com/business/energy/us-supreme-court-hear-chevron-exxon-appeal-over-louisiana-coastal-damage-2025-06-16

Nate Raymond

June 16, 2025

Item 1 of 2 An Exxon gas station seen in Washington, U.S., November 26, 2024.

REUTERS/Nathan Howard/File Photo

[1/2]An Exxon gas station seen in Washington, U.S., November 26, 2024.

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- Federal court friendlier venue for companies in such cases
- Appeal involved suits by Plaquemines and Cameron parishes

June 16 (Reuters) - The [U.S. Supreme Court](#) agreed on Monday to hear a bid by Chevron ([CVX.N](#)), [opens new tab](#), Exxon Mobil ([XOM.N](#)), [opens new tab](#) and other oil and gas companies to have lawsuits brought by two Louisiana localities accusing them of harming the state's coast over a period of decades moved out of state court and into federal court. The justices took up an appeal by the companies of a lower court's ruling rejecting their claims that the lawsuits belong in federal court because the parishes of Plaquemines and Cameron were suing over oil production activities undertaken to fulfill U.S. government refinery contracts during World War Two. Federal court is considered a friendlier venue for businesses in such litigation.

The justices are due to hear the case in their next term, which begins in October.

Beginning in 2013, six Louisiana parishes along the coast filed 42 lawsuits accusing the oil and gas companies of violating Louisiana's State and Local Coastal Resources Management Act of 1978, a state permitting law.

In the first of those to go to trial, a jury in April found that Chevron must pay Plaquemines Parish \$744.6 million.

The appeal by the companies to the U.S. Supreme Court concerned the suit by Plaquemines and one by Cameron parish, both of which raised jurisdictional issues common to a subset of the 42 cases.

The various parishes accused the companies of damaging coastal marshlands through dredging and pipeline development and have sought billions of dollars in damages to fund land restoration and storm protection efforts to mitigate erosion.

The companies have long argued those cases have no business being in state court, a venue considered more favorable to plaintiffs. They pointed to the April verdict to underscore the stakes in the litigation in asking the Supreme Court to take up their appeal. The justices in 2023 declined to hear an appeal of an earlier ruling sending the cases back to state court on different grounds.

The latest appeal was based on a U.S. law that authorizes federal officers and contractors acting under them who are facing litigation in state court involving their official duties to move the matter to federal court, with the goal of avoiding local interests prejudicing the proceedings.

The companies said the cases belonged in federal court because the companies had federal contracts to supply the U.S. government with refined petroleum products during World War Two and produced oil to fulfill the contracts.

But the New Orleans-based 5th U.S. Circuit Court of Appeals upheld decisions by lower courts remanding the cases back to state court, saying the exploration and production activities at issue were unrelated to the companies' contracted refining operations.

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Litigation

Trump Sued Over 'Intimidation' Campaign Against Major Law Firms

June 16, 2025, 9:45 AM PDT

The American Bar Association on Monday sued President Donald Trump, challenging an "intimidation policy" it says the White House is using to try to sideline some of the country's top law firms.

Trump violated the constitution by targeting law firms through a series of executive orders, the ABA said in the complaint, filed in the US District Court for the District of Columbia. The administration has already prompted some unnamed firms to rethink the cases and clients they take on, according to the group.

"The President's attacks on law firms through the Law Firm Orders are thus not isolated events, but one component of a broader, deliberate policy designed to intimidate and coerce law firms and lawyers to refrain from challenging the President or his Administration in court, or from even speaking publicly in support of policies or causes that the President does not like, " the ABA said in the Monday filing.

The ABA is being represented by lawyers from Susman Godfrey, one of the four law firms that sued the Trump administration over an executive order specifically targeting it. Nine other firms have pledged a total of nearly \$1 billion in free legal services as part of deals to avoid similar orders.

The case is American Bar Association v. Executive Office of the President , D.D.C., 1:25-cv-01888, 6/16/25

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Securities Law News

DOJ's FCPA Guidance Protects US Companies, Fights Foreign Bribery

June 16, 2025, 1:30 AM PDT

Perkins Coie's Markus Funk and Spencer Gottlieb focus on significant developments from the Justice Department's updated guidelines for the Foreign Corrupt Practices Act.

The Department of Justice's updated guidelines for investigations and enforcement under the Foreign Corrupt Practices Act put to rest notions that the law will lie dormant for the foreseeable future.

The DOJ's revised approach will focus on a more targeted and strategic use of investigative and enforcement resources, prioritizing holding particular individuals accountable and for corrupt conduct that harms US economic interests.

There are good reasons to commend this approach as more effectively incentivizing compliance and protecting US interests. Yet, by further deprioritizing the pursuit of criminal charges against the legal edifice of the “corporation,” the DOJ’s new approach bucks the international trend away from punishing individuals and toward punishing companies.

That may not be a bad thing.

Protecting US Economic Interests

Matthew Galeotti, head of the DOJ's Criminal Division, said the updated guidelines direct prosecutors to focus "on specific misconduct of individuals, rather than collective knowledge theories."

The guidelines' changes can be considered an evolution from former Deputy Attorney General Lisa Monaco's 2022 memo, which identified corporate criminal enforcement as a "core priority" for the DOJ and recognized the importance of increasing individual accountability.

The DOJ will now focus on transnational criminal organizations and cartels, as well as those who assist such organizations, and misconduct that impacts US national security. Although these are laudable targets, in the real world, FCPA enforcement will likely play at most an accompanying role for prosecutors digging into their substantial statutory toolbelts to bring charges against, say, transnational drug cartels, organized street gangs, or spy networks.

The DOJ announced that it will also target bribery that hampers US companies' ability to compete on a level playing field. One reasonable interpretation is that, in practice, bribery by non-US entities and individuals that harms the interests of US companies will be the DOJ's top priority in the future (and that US "victim" companies, accordingly, are more likely to pursue proactive whistleblowing as an offensive tool in their arsenal).

Global Bribery Enforcement Trends

The shift from expansive corporate liability to more targeted individual liability is understandable from a public policy perspective. The best way to motivate companies from engaging in corruption is not through the threat of hefty fines on "the company." Organizations, after all, are legal creations incapable of forming true, morally blameworthy, corrupt intent.

Historically, companies have negotiated largely non-public settlements with the DOJ that assured no individual prosecutions. Today, enforcers can arguably better motivate compliance by credibly threatening to jail company employees and executives who are directly or indirectly responsible for corrupt conduct. Other countries in the past prioritized individual accountability long before the concept of corporate liability gained traction. Regulators outside the US sought to limit true criminal liability to corrupt acts directly traceable to individuals. However, this balance has shifted considerably in the past decade.

The UK Bribery Act 2010, for example, penalizes corporations for failing to prevent bribes paid on their behalf by an "associated person." The UK is considering further expanding corporate criminal liability for the acts of its employees. Earlier this year, it also joined France and Switzerland in forming an International Anti-Corruption Prosecutorial Task Force with the mission of facilitating transnational information-sharing and cooperation.

The German Criminal Code prohibits active and passive bribery involving domestic or international business transactions, and has for decades rejected wholesale the notion that a legal entity can engage in crime. It also has increasingly used the Administrative Offenses Act to hold companies liable for certain types of managerial misconduct.

The Organization for Economic Cooperation and Development has likewise strongly encouraged countries to "prosecute legal entities, not only individuals" and to ensure "domestic laws empower prosecutors to hold companies accountable." The European Parliament and Council, as well as influential organizations such as Transparency International, have echoed this push for enhanced organizational accountability.

Protections for Companies

The DOJ's guidance also recognizes that commercial bribery undermines the rule of law, skews markets, and disadvantages law-abiding US companies. DOJ prosecutors, therefore, are instructed to prioritize cases where, whether on the supply (i.e. offering bribes) or demand (i.e. asking for bribes) side, the "alleged misconduct deprived specific and identifiable US entities of fair access to compete and/or resulted in economic injury to specific and identifiable American companies [organizations, etc.]."

It is reasonable to expect that the DOJ will take direct aim at corrupt conduct engaged in by non-US companies that have a statutorily-defined nexus to the US. Accordingly, US companies will be likely to engage in ramped up proactive investigations in order to gather evidence of their victimization and persuade DOJ prosecutors to initiate investigations of their non-US competitors. Alleged corrupt overseas conduct by companies headquartered in the US, in contrast, will, per the guidelines, be of secondary enforcement interest.

To this end, and tellingly, the DOJ's memo includes a footnote that observes "the most significant FCPA enforcement actions ... have been overwhelmingly brought against foreign companies."

The DOJ has now informed the public that it's less interested in FCPA resolutions for which no individual is held legally accountable. It has also signaled that foreign companies and individuals engaging in corrupt schemes that harm US companies will be prime targets for enforcement actions.

For companies seeking to conduct business ethically and avoid scrutiny by US and foreign administrations, targeted investments in meaningful anti-corruption compliance remain the prudent approach.

The guidelines signal protection and opportunities for US companies. US companies that believe they're being harmed by bribery engaged in by foreign companies falling under the FCPA's jurisdiction have a much stronger case for approaching the DOJ with their evidence and pushing for enforcement.

The FCPA will no doubt continue to play a significant role in corporate compliance efforts. Companies and their counsel will soon see how the slimmed-down FCPA Unit will chart its course against a global backdrop of ever-expanding corporate liability.

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June 16, 2025

Former FirstEnergy executive sheds light on Ohio HB 6 machinations, denies culpability

Nick Evans

Jun 16, 2025

Former FirstEnergy executive Dennis Chack on the stand at the PUCO. (Photo by Nick Evans, Ohio Capital Journal.)

In a PUCO hearing Friday, Ohioans got an inside glimpse of the largest bribery scandal in state history. Dennis Chack, a former FirstEnergy executive who previously pled the Fifth, took the stand to answer questions from attorneys representing consumers, manufacturers, and energy companies.

The Florida meeting

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Chack described a meeting at former Ohio PUCO chairman Sam Randazzo's Florida home in April 2019 with FirstEnergy's then-CEO Chuck Jones and a handful of other executives including then-CFO Steve Strah and John Skory, who headed up a FirstEnergy subsidiary.

"There was discussion about House bill 6, discussion about the SEET (significantly excessive earnings) test and the discussion about DMR (distribution modernization rider)," Chack explained.

House bill 6 bailed out FirstEnergy nuclear and coal plants. Changes to the SEET test protected FirstEnergy from having to pay millions of dollars in refunds. And the Distribution Modernization

Rider tacked a surcharge on Ohio ratepayer's bills to pay for energy grid improvements — an audit later found FirstEnergy did little to track what it did with the money.

FirstEnergy collected \$460 million from customers; auditor unsure if it was spent on bribes

“FirstEnergy collected \$460 million from customers; auditor unsure if it was spent on bribes” — Ohio Capital Journal

Pressed on whether the conversation turned to how Randazzo could influence the outcome of those issues, Chuck begged ignorance.

“I don't know if it did or it didn't,” he said.

“Those discussions were brought up by Chuck,” Chuck continued. “And he talked to Sam about each of those areas, and asked if there was help that Sam could provide in those areas.”

“And then when that was kind of concluding,” he said, “Chuck asked us — myself, John Skory and Steve — asked us to go outside, he wanted to talk to Sam in private.”

Chuck said Jones and Randazzo spoke alone for about 10 minutes before coming back out.

After the House bill 6 scandal came to light, Jones was terminated along with Chuck and FirstEnergy Vice President of External Affairs Michael Dowling.

Strah got a promotion, taking over as the company's CEO.

The text messages

Chuck received a text message from FirstEnergy CEO Jones, referenced in the company's deferred prosecution agreement, that detailed the influence Randazzo had already exerted on the company's behalf and explaining some in the PUCO wondered “does he work there or for us?”

On the stand, Chuck attempted to downplay the exchange. He said the company was trying to get a license for brokerage, but it was proceeding slowly.

“It usually takes four to five weeks,” he said. “It had been months now, and we were starting to write contracts for it, and we did have a third-party backup if we needed it.”

So, Chuck asked Jones, the company's CEO, if he could check with Randazzo to “just see if this thing is going to pass or not? And if it is, is there any way that he can move it up a little bit?”

Chack said he had no inclination Jones could exert undue influence over Randazzo. He only assumed as CEO, Jones had a good enough relationship to get information. He depicted the text message as a simple explanation for the delay.

Rachael Guastella, an attorney with the Retail Energy Supply Association asked if Chack was aware PUCO commissioners are prohibited from speaking about open proceedings. Chack said he wasn't, and claimed he never received ethics training on dealing with the commission.

She asked if Chack was at least aware that commissioners are the decision makers those cases. Chack again claimed he was not.

"If the commissioners were not the decision makers on such certification," she asked, "Who did you assume were the decision makers?"

"I thought it was staff below that," Chack said.

Chack's firing

As the company's vice president of product development, marketing and branding, Chack oversaw FirstEnergy's advertising efforts. He explained his termination was tied to a contract with Tony George, a Cleveland businessman who sold billboard placements to FirstEnergy.

"When I was interviewed on that they asked me if the document was accurate and that my signature and date were accurate, and I said they were accurate," Chack said. "I didn't disclose it was back dated."

George served as a go-between for FirstEnergy and former House Speaker Larry Householder. He also worked closely with Chack's daughter who was starting up a company called DMA Consulting and curious about going into outdoor advertising. She emailed Chack a \$44,000 a month advertising proposal mirroring contracts used by George.

In an internal memo from Nov. 2020, FirstEnergy officials point to the backdated contract Chack referenced and added he "may have had an immediate family member who worked at a vendor company that resulted in a conflict of interest."

Despite his daughter sending in a contract proposal, Chack testified it was never executed, and the company never did business with her.

But Kim Bojko, an attorney for the Ohio Manufacturer's Association, brought up a FirstEnergy presentation stating Chack signed off on payments to George-controlled companies that later funneled money to his daughter's business. In all, FirstEnergy said, Chack's daughter received more than \$500,000.

Bojko walked Chack through several allegations laid out by the FirstEnergy board — that Chack deleted documents related to his daughter, that he produced a bogus, backdated contract to cover payments to George companies, and that two of those companies directed roughly half a million dollars to his daughter's consulting company.

"That's what it says here," Chack answered repeatedly.

Boyko even pointed to 1099 tax forms. In 2019, George's company Strategies for Results paid DMA Consulting \$484,000 and another George firm, Ohio Outdoor Advertising, paid DMA \$44,000.

Calling back to that contract proposal Chack's daughter submitted, Bojko asked, "this is the same contract that was for \$44,000 a month or \$2.6 million that we discussed earlier?"

"No," Chack replied.

"This contract's not the \$44,000?" Boyko asked.

"It is, but it's not for — it was never put in place," he insisted.

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---- Index References ----

Company: FIRSTENERGY CORP.; DMA Consulting GmbH & Co. KG

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Industry: (Accounting (1AC78); Accounting, Consulting & Legal Services (1AC73); Electric Utilities (1EL82); Energy & Fuel (1EN13); Utilities (1UT12))

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June 16, 2025

Section: News

Former FirstEnergy executive testifies during hearing

Laura A. Bischoff

June 16, 2025

Former FirstEnergy executive Dennis Chack testified for hours June 13 that he knew little about a \$1.3 billion bailout bill, a hard-fought referendum and former Ohio House Speaker Larry Householder.

"I wasn't in the loop," Chack said at a Public Utilities Commission of Ohio hearing.

Chack, who now lives on Marco Island in Florida, said over his 50-plus year career at FirstEnergy he was unaware of any ethics, code of conduct or conflict of interest training – even when he served as senior vice president.

FirstEnergy fired Chack and two other top executives, CEO Chuck Jones and Senior Vice President Mike Dowling, in October 2020 after a federal public corruption investigation became public. Chack, who first started at FirstEnergy in 1969 on a survey crew, testified that he believed his dismissal was justified.

The Akron-based utility determined that Chack deleted documents during an investigation and failed to disclose more than \$500,000 paid by FirstEnergy vendor Tony George to Chack's daughter, internal company records show. FirstEnergy hired an ink expert and determined that Chack back dated a memo of understanding between the utility and one of George's many companies.

Chack and George are longtime friends and business associates.

The company later dismissed lobbyists and other employees after a pay to play scandal became public in 2020.

Chack's testimony marked the first time he's answered questions in a public forum since his dismissal.

More than a dozen witnesses over three weeks are scheduled to testify in the PUCO's investigation into FirstEnergy's political and charitable spending and House Bill 6. The 2019 legislation would've provided a \$1.3 billion bailout for FirstEnergy's aging nuclear power plants, requiring 4.5 million Ohio customers to pay more on their monthly electric bills.

In March, Chack and others invoked their Fifth Amendment right against self-incrimination and refused to answer questions from the agency.

Franklin County Common Pleas Court Judge Richard Brown signed an order April 21 to compel former lobbyists Joel Bailey, Justin Biltz and Ty Pine and Chack to answer questions before PUCO. The men were subpoenaed by the Ohio Consumers' Counsel to answer questions about several.

What is Ohio House Bill 6 scandal?

FirstEnergy surged more than \$60 million into dark money groups to help Householder make his political comeback, pass the bailout bill, defeat a referendum campaign that sought to block the law and help Householder extend his time as Ohio House speaker.

FirstEnergy admitted that it bribed Householder and attorney Sam Randazzo, whom Gov. Mike DeWine appointed to lead the PUCO.

A year after DeWine signed House Bill 6 into law, a federal investigation went public with the July 2020 arrests of Householder, former Ohio GOP chairman Matt Borges, lobbyist Neil Clark, political consultant Jeff Longstreth and lobbyist Juan Cespedes.

Later that year, FirstEnergy disclosed a \$4.3 million payment to Randazzo just before his appointment to the PUCO.

Randazzo was indicted on federal charges in December 2023, indicted on state charges in February 2024 and died by suicide in April 2024.

Householder was convicted in federal court in March 2023 and sentenced to 20 years in prison. Borges is serving a five-year sentence. Both men lost their appeals before the 6th Circuit Court of Appeals in May 2025.

Clark, who pleaded not guilty, died by suicide in March 2021.

Longstreth and Cespedes took plea deals, testified against Householder and Borges and are awaiting sentencing.

Jones and Dowling were charged in state court in February 2024 and federal court in January 2025. They have pleaded not guilty in both cases and are awaiting trial.

State government reporter Laura Bischoff can be reached at lbischoff@gannett.com and @lbischoff on X.

---- Index References ----

Company: Public Utilities Commission; FIRSTENERGY CORP.

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government (1GO80); Judicial Cases & Rulings (1JU36); Legal (1LE33); Lobby & Pressure Groups (1LO18); Social Issues (1SO05))

Industry: (Electric Utilities (1EL82); Energy & Fuel (1EN13); Utilities (1UT12))

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NewsRoom

News from Bloomberg Terminal
There's a Tron Treasury Company
June 16, 2025, 11:08 AM PDT

By Matt Levine

(Bloomberg Opinion) --

Tron Inc.

Among other things, crypto developed an alternative way to take companies public, or at least to take quasi-companies quasi-public. Traditionally, if you had a business idea, you would form a company to do that business. The company would receive the future profits of doing the business, and to raise money you would sell shares of the company, that is, rights to a portion of those future profits. Those shares are securities, and US law regulates how you can sell them: If you want to sell them to the general public in the US, you have to register them with the US Securities and Exchange Commission and provide financial and other disclosures.

Crypto found a new approach. I mean, sort of; arguably it found new labels for the old approach. If you had a crypto business idea – “I am going to start a platform to store value and do transactions and program smart contracts and trade derivatives” is the main crypto business idea – then you could form a *decentralized crypto ecosystem* to do that business. Instead of future profits accruing to a company, the future economic value of that business would accrue to the users of the ecosystem. *Tokens* of the ecosystem would be required to use the ecosystem, would represent a sort of quasi-ownership stake in the ecosystem, and would grow in value as the economic value of the ecosystem grew. And to raise money to start the business, you would sell some tokens.

And then you could *argue* that this is an entirely different sort of thing, that the tokens are not shares, so you didn't have to comply with SEC disclosure rules.

There are two problems with this approach:

1. It might be wrong. Until 2025, the SEC mostly took the view that these offerings – of tokens representing economic interests in some business idea – were securities, and were therefore subject to registration and disclosure rules. People who issued tokens to raise money for business ideas would get sued, and crypto exchanges that listed those tokens would also get sued.
2. It might be right. If it's right, then the essential features of these tokens are that (1) they do *not* have any claim on the future profits of the business idea, (2) the developers of the business do not have any fiduciary or contractual obligations to the holders of tokens, (3) the developers don't have to disclose anything about the business to potential investors and (4) if there's fraud, the SEC can't do anything about it, and maybe nobody else can either. These features are *not obviously attractive* to investors. If you buy stock, you have some pretty clear expectations about your shareholder rights, based on decades of law and practice. If you buy tokens, who knows, man.

For a little while, neither of these problems mattered: Early in the crypto boom, the SEC was too slow to stop a lot of token offerings, and the enthusiasm for those offerings was great enough that you could raise hundreds of millions of dollars for a crypto idea without much disclosure or investor rights. But plausibly there is a cap to this, and if you want to raise billions of dollars from serious investors after the initial enthusiasm wears off, you might have to offer them, you know, disclosure and governance rights and protection from fraud.

In the Trump administration, more or less anything goes, crypto-wise, so you can go ahead and raise money for crypto projects by issuing tokens without worrying about registration or disclosure or fraud liability. (Not legal advice!) The first problem is solved. That doesn't help with the second problem, though. Arguably it makes it worse. If crypto tokens are wholly unregulated, there may be some fairly binding limit to how much money you can raise from sophisticated investors by selling them tokens with uncertain economic and governance rights.

How do you solve that problem? Well here is a weird, clunky, yet somehow appealing approach:

1. Start a crypto project, with tokens, MattCoin or whatever.
2. Sell the tokens to anyone who wants them, but keep a lot for yourself.
3. Put your tokens in a corporate box, and give the box the name of your crypto project. "MattCoin Inc."
4. Issue *shares* of the box: regular shares, on the stock exchange, with disclosure, in an ordinary initial public offering.

This way, your business idea exists in two mildly contradictory forms. On the one hand, there is a corporation that seems to own, and kind of does own, at least a portion of your business idea; if the MattCoin ecosystem prospers then surely MattCoin Inc. will be valuable. On the other hand, MattCoin remains a decentralized crypto ecosystem with a token; you still have the crypto credibility of saying "this is not a centralized system owned by a corporation controlled by Matt. Rather it is a decentralized ecosystem, not owned by anyone, whose token holders participate in its economic growth and governance, and Matt just happens to own a lot of tokens and be the chief executive officer of MattCoin Inc."

If you succeed, this ends up in a strange place. There is a big decentralized ecosystem for storing value and doing transactions and so forth, and people buy MattCoins to participate in the system, and the MattCoins have governance rights and participate in transaction validation as they would in a 2020-era crypto project, but then there is MattCoin Inc., which owns a lot of MattCoins and is run by Matt. Does MattCoin Inc. control the system? Is the system a corporate product, the way Facebook is a product of Meta Platforms Inc.? Not quite, and that's certainly not what you want the token holders to think. But is it maybe a little true? Is it maybe what you want the shareholders to think?

Anyway here's this:

Crypto billionaire Justin Sun's digital asset platform Tron is set to go public in the US, four months after market regulators agreed to pause a fraud investigation into several of his companies.

Tron will go public in a reverse merger with Nasdaq-listed SRM Entertainment in a deal orchestrated by Dominari Securities, a New York-based boutique investment bank with ties to Donald Trump Jr and Eric Trump, according to two people briefed on the matter.

The new venture will buy and hold the Tron token, mimicking the tactics of Strategy, formerly MicroStrategy, which founder Michael Saylor has turned into a leveraged bitcoin vehicle, one of the people said. ...

The deal will involve Tron injecting up to \$210mn of token assets into the new company and marks the latest in a surge of crypto tie-ups fuelled by Donald Trump's warm embrace of the digital asset industry since he began his second term as US president.

Here is the press release; Sun will be an "adviser" to the company, which will be renamed Tron Inc.. What does it mean to say that "Tron is set to go public in the US"? Tron's TRX tokens are currently traded on lots of crypto exchanges, though not the big US ones. (Because until recently the SEC thought that TRX was a security – and in fact went after Tron for unregistered token sales and also some alleged market manipulation – so US crypto exchanges couldn't list it.) The TRX tokens are ... not "shares" of Tron, exactly, but the closest thing you can get; TRX is "the mainnet native token of the TRON Protocol issued by TRON DAO," "the basic unit of accounts on the TRON blockchain" that "connects the entire TRON ecosystem," carries voting rights and has "abundant application scenarios that power transactions and applications on the chain."

But now there is Tron Inc. Will the Tron blockchain be a product owned by Tron Inc.? No, not really.

"Decentralize the web" is apparently Tron's slogan, which is probably inconsistent with corporate ownership. Also Tron Inc. will apparently own \$210 million of TRX tokens, less than 1% of its market capitalization of more than \$26 billion, so it won't have that much control. Perhaps Tron Inc. is just a random crypto treasury company that happens to own Tron tokens, though the name change and Sun's role suggest otherwise.

I suppose one way to think about it is that Tron Inc. is a US-securities-law-compliant wrapper for Tron tokens. Tron tokens are, among other things, a way to invest in the growth of the Tron ecosystem. That investment is securities-like enough that it has historically been *off-limits* to US investors: "Invest in the growth of a business" feels like stock, and Tron tokens were not registered with the SEC, so Tron couldn't sell them to US investors easily, and they couldn't be listed on US crypto exchanges. But Tron Inc. can *hold* Tron tokens, and it *is* registered with the SEC, so Tron Inc. can sell shares to US investors and have them listed on US stock exchanges. If you are a US investor and want to own TRX tokens, this is maybe the simplest way to do it.

Also, let's not forget: I write all the time around here that the US stock market will pay \$2 (or more) for \$1 worth of crypto. One (sort of dumb) way to think about that premium is what I wrote above: US stocks have better legal protections, disclosure, fiduciary duties, anti-fraud policing, etc., than most crypto tokens do; arguably a crypto token wrapped in a stock *should* be worth more than a naked crypto token.¹ If US stocks are worth more than crypto – if you'd pay more for a claim called "stock" than a claim called a "token" – then obviously token issuers should wrap their tokens in US listed treasury companies, because that way they can raise more money.

Here, Tron Inc. is selling up to 420 million² shares for \$0.50 each, and presumably buying about \$210 million worth of TRX with the money. At noon today, the stock was trading at about \$9.10, roughly a 1,700% premium, suggesting that the stock market will pay \$18 for \$1 worth of TRX. If you have \$210 million worth of TRX, as Justin Sun surely does, it would be crazy *not* to sell it to US stock investors for \$3.8 billion.

Golden share

To the outside observer, it sure looks like, in 2025, President Donald Trump can just tell US companies what to do and they'll do it. Like if Trump doesn't want a company to raise prices, or say favorable things about his political opponents, or donate to those opponents, or employ people he doesn't like, he just tells them not to do those things, and they say "sorry boss" and stop. This is not a formal power that he has; there's no statute or constitutional provision saying that the president has the power to approve companies' hiring decisions. It's just that he has the ability and willingness to make life pretty miserable for companies that do stuff he doesn't like, so companies try to do stuff that he likes.

This is pretty contingent, though. He has not always had so much unchecked power and willingness to make life miserable for companies, and in his first term as president companies regularly and openly did stuff he didn't like. You could imagine it changing again: Stuff that he does keeps getting struck down by courts, and perhaps in the long run his threats will be less compelling than they seem in 2025.

I suppose if you are Donald Trump and you *like* having the ability to tell US companies what to do, the thing to do is to *formalize* that power, now, while you can. It is not at all certain that, if you tell companies what to do in 2027, they'll do it. But if you tell them what to do *now*, they will. So you might as well tell them: "I would like you to sign an agreement giving me the power to tell you what to do in perpetuity." Then, if you want them to do something in 2027, and the political and legal dynamics have changed so that they are no longer so inclined to do whatever you want, at least you'll be able to point to the agreement.

The New York Times reports:

To save its takeover of U.S. Steel, Japan's Nippon Steel agreed to an unusual arrangement, granting the White House a "golden share" that gives the government an extraordinary amount of influence over a U.S. company. ...

Under the terms of the national security pact, which the companies said they signed Friday, the U.S. government would retain a single share of preferred stock, called class G – as in gold. And U.S. Steel's charter will list nearly a dozen activities the company cannot undertake without the approval of the American president or someone he designates in his stead.

Activities requiring the president's permission include the company transferring production or jobs outside the United States, closing or idling plants before agreed-upon time frames and making certain changes to how it sources its raw materials.

Here is the press release, which is a little light on details. It seems to me that if a big US manufacturing company announced, in 2025, "we are going to transfer all of our production outside of the US," and Donald Trump didn't like it, he'd post about it a bit on social media and the company would quickly change its mind. But that might not work forever. Perhaps the golden share will.

WFH vs. RTO

Sell-side research analysts are unusual in that they are white-collar knowledge workers whose work quality is (1) public and (2) objectively measurable. Research analysts publish reports telling you what stocks to buy and sell, with price targets and estimates of future earnings; plausibly the best analysts are the ones whose recommendations, price targets and earnings estimates most accurately predict future stock prices and earnings.³ Also they're mostly on LinkedIn. So you can ask questions like "which characteristics make an analyst good," and use publicly available information to get answers that are (1) plausibly true and (2) plausibly generalizable to other sorts of white-collar knowledge workers.

This leads to a lot of academic studies of research analysts. We have discussed a paper examining analysts' taxi trips to visit companies (result: an analyst who visits a company before it reports earnings will tend to have a good earnings estimate), and another one examining analysts who have the same first name as the chief executive officers of the companies they cover (result: also good for estimate accuracy).

Covid-19 provided a series of natural experiments for this sort of study: When Covid-19 hit, many white-collar workers worked from home for a while, and then companies mostly required them to return to the office, but some companies were more or less strict about that and there was sort of random selection of who had to go back to the office and when. Perhaps white-collar work is improved by working from home: Perhaps people are more creative, less distracted, less stressed, less susceptible to groupthink, have more time to work without having to commute. Or perhaps it is improved by working from the office: Perhaps people are less diligent, less collaborative, less connected to their work and their colleagues and their customers.

And one way to find out is of course to look at analysts' earnings estimates. Here's "The Impact of Return-to-Office Mandates on Equity Analysts," by Peixin Li, Baolian Wang and Jiawei Yu, which finds "that RTO mandates significantly enhance forecast accuracy," reducing earnings forecast errors by about 15% and also improving "forecast timeliness." Also:

Forecast accuracy gains are greater for younger, less experienced analysts, consistent with the notion that WFH deprives them of critical mentoring opportunities. Female analysts exhibit larger accuracy improvements than their male counterparts, possibly due to greater domestic distractions during WFH. Third, RTO mandates have a more pronounced impact on analysts' first forecasts issued after earnings announcements compared to other forecasts. This is consistent with the understanding that analysts are generally expected to release updated forecasts within a few days of earnings announcements, often under heightened time pressure. Fourth, the effects are stronger for analysts based in Democratic-leaning states than in Republican-leaning states. One possible explanation is that analysts in Republican states were already more inclined to voluntarily work in the office prior to the imposition of formal RTO mandates, thereby dampening the marginal effect of such mandates.

These findings suggest that RTO entails productivity gains, suggesting that WFH is associated with increased distractions or diminished collaboration efficacy

Also "RTO effects concentrate on stocks that are less important to analysts' careers (e.g., those with smaller market capitalization, lower trading volume, or lower institutional ownership)," suggesting that the analysts were able to focus on the most important parts of their jobs from home, but at the office they have to do all the other parts of their jobs too.

Bally's

In January, at precisely the wrong time, Bally's Corp. launched a stock offering for its planned Chicago casino resort. The stock offering had an unusual feature, which is that it was open only to women and people of color: As part of its deal with the city of Chicago to build the casino, Bally's had agreed that the casino would be 25% owned by women and people of color, so it launched a public offering to sell that 25% stake to women and people of color.

We talked about the deal at the time because it had (1) some interesting financial features and (2) terrible timing! A lawsuit was quickly filed against the deal, which we discussed in February. Now it has settled:

Bally's Corp. said it has settled a lawsuit brought by two white men and a conservative legal group that challenged a \$1.7 billion Chicago casino project that offered ownership stakes only to women and people of color.

The settlement comes after Bally's revised the share-sale terms in April by opening it up to other investors. No terms were disclosed Friday in a federal court filing, which said all parties in the case had agreed to a dismissal of the case. The men sued the company and the city of Chicago in January alleging discrimination.

Here is the revised April prospectus, which no longer restricts sales to women and people of color. But as far as I can tell the agreement with Chicago has not been revised; only the share sale has. The prospectus says:

Under the Host Community Agreement, Bally's commits that 25% of Bally's Chicago OpCo's equity will be owned by Minority individuals and Minority-Owned and Controlled Businesses (as such terms are defined in the Host Community Agreement) no later than twelve months following July 13, 2022 or such later date as may be determined by the City of Chicago, and will continue for no less than five years thereafter. As of the date of this prospectus, 2,141 shares of our Class A-4 Interests and 30,000 shares of our Class B Interests are held by Bally's Chicago HoldCo, and 1,185 Class A Interests are, to our knowledge, held by various investors that have satisfied these criteria. We regularly communicate with the City of Chicago and provide updates regarding our compliance with the City's ownership requirements, including the original time frame set forth in the Host Community Agreement, which may be extended by the City of Chicago. As of the date of this prospectus, we have no knowledge of non-compliance with such requirements and intend to continue to engage in our best efforts to meet such requirements in the future.

That is: (1) The Chicago casino is still required to be 25% owned by women and minorities, (2) it is still selling a 25% stake to the public, (3) it is no longer restricting those public sales to women and minorities but (4) ehhhh it's probably still fine anyway?

Which might be true? Sort of depends on (1) how good a deal it is and (2) how effectively it is marketed to its target audience. It is possible that the people who sued were not primarily motivated by the desire to get in on a great deal. Their lawyer "declined to comment on whether Fisher and Aronoff had purchased any shares of the offering since it had been opened up to other investors." I wrote in February that limiting sales to women and people of color (1) can't really be allowed but (2) might be a good negging-based marketing ploy, but I'm not sure that's right. Maybe if white men are allowed to buy the stock, they won't.

Alternative data

Okay sure:

The timing of Israel's plan to attack Iran was top-secret. But Washington pizza delivery trackers guessed something was up before the first bombs fell.

About an hour before Iranian state TV first reported loud explosions in Tehran, pizza orders around the Pentagon went through the roof, according to a viral X account claiming to offer "hot intel" on "late-night activity spikes" at the US military headquarters.

"As of 6:59 pm ET nearly all pizza establishments nearby the Pentagon have experienced a HUGE surge in activity," the account Pentagon Pizza Report posted on Thursday.

Not confining its analysis to pizza, the account noted three hours later that a gay bar near the Pentagon had "abnormally low traffic for a Thursday night", and said this probably pointed to "a busy night at the Pentagon".

Here is that X account. I hope they sell a slightly faster direct feed to hedge funds; crude oil prices spiked on the news and you could have been early to buy crude if you knew about the pizzas. I guess I don't really hope that. If you offer "open-source tracking of pizza spot activity around the Pentagon," I assume the main consumers of your data are:

1. People who work at (or near) the Pentagon and want to order pizza when it's not too busy.
2. Hedge funds who want to know when geopolitical volatility is coming, for hedging and/or speculative purposes.
3. Foreign intelligence agencies who want to know when missiles are coming, for fairly obvious reasons.

If you're selling that direct feed to a hedge fund, you had better make sure it's a hedge fund and not, you know, the Iranian military.

I suppose one point here is that the rise of "alternative data" – credit card transactions, satellite pictures of parking lots, etc. – has largely been about predicting corporate earnings, but perhaps that is just accidental. To the extent that investing edge came mostly from predicting earnings, people wanted the data that would help them do that. To the extent that markets now move more on geopolitical whimsy, you will want high-frequency differentiated data that will help you predict that whimsy. Yes of course that's mostly Truth Social feeds but I am sure that people have more creative data sources.

Another point here is that if you have made a lot of money by flying drones over mall parking lots to predict which retailers will have good earnings this quarter, that does *not* mean that you should go fly drones over the Pentagon's parking lot to predict oil price spikes. They probably won't like that, though this is not legal or investing or spycraft advice.

Things happen

Spies, lies and anonymous tips: the secret Credit Suisse files on Greensill Capital. Obscure Chinese Stock Scams Dupe American Investors by the Thousands. TD Bank Uses Automation to Trade More Bonds With Fewer People. Trump Launches Self-Branded Mobile Phone Service in the US. Aspiring CPAs Consider Ditching Grad-School Plans as States Revamp Laws. Inside Silicon Valley's anti-college movement. "[David Simon] doesn't have as much energy, so he's not yelling at me as much. But he still yells a little." 84,000 Baristas, One Champ: Inside the Battle for Starbucks' Coffee-Making Crown. JPMorgan's Head of Europe to Relocate to New York From London.

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1. I think this is dumb because the legal protections, fiduciary duties, anti-fraud policing, etc., run only to the *stock*, not the *token*. If you buy shares of a Dogecoin treasury company, and then Dogecoin goes poof due to some malfeasance, you can't sue "Dogecoin"; you can only sue the company, which might have had nothing to do with the malfeasance and which is probably broke anyway. Still, you know, it's something, particularly if (as is the case for Tron) the company does have more affiliation with the token/blockchain/ecosystem than just being a third-party buyer of the tokens. If Tron goes poof due to some malfeasance, Tron Inc. maybe gives you a hook to sue Justin Sun.
2. Nice.
3. Plausibly not! We have talked any number of times around here about how the published reports are not the only, and arguably not the main, work that analysts do. But that stuff is harder to measure, and accurate reports are at least an important element of the job.

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Cryptocurrencies**Crypto group Tron to go public after US pauses probe into billionaire founder**

Deal involving Justin Sun's digital asset venture orchestrated by investment bank linked to Trump's sons



Justin Sun has moved to strengthen his relationship with the Trump family © Bloomberg

George Steer in New York and **Philip Stafford** in London

Published 5 HOURS AGO | Updated 09:21



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Crypto billionaire Justin Sun's digital asset platform Tron is set to go public in the US, four months after market regulators agreed to pause a fraud investigation into several of his companies.

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The new venture will buy and hold the Tron token, mimicking the tactics of Strategy, formerly MicroStrategy, which founder Michael Saylor has turned into a leveraged bitcoin vehicle, one of the people said. Eric Trump is expected to take up a role at the company, which will be called Tron Inc, the person added.

The deal will involve Tron injecting up to \$210mn of token assets into the new company and marks the latest in a surge of crypto tie-ups fuelled by Donald Trump's [warm embrace of the digital asset industry](#) since he began his second term as US president.

Shares in SRM Entertainment rose as much as 647 per cent on Monday.

In 2023, Sun and three of his companies, including Tron, were charged by the [Securities and Exchange Commission](#), the US markets regulator, over allegations that they had sold unregistered securities and manipulated the market.

After Trump signalled his desire for a lighter-touch regulatory approach to crypto, the SEC and Sun in February [filed](#) a court motion to pause the lawsuit to explore a potential resolution.

SRM Entertainment surged as much as 647 per cent on Monday

Share price, \$



Shares in the company had climbed since it announced a potential \$5mn cash injection from a private investor on May 22

Source: LSEG via markets.ft.com

Sun has since moved to strengthen his relationship with the Trump family. In May, Sun and the other 24 top holders of the [\\$Trump memecoin](#) attended a [banquet](#) with the president at the Trump National Golf Club in Virginia.

Sun has also poured \$75mn into World Liberty Financial, a Trump family crypto company from which the president has derived [income of \\$57mn](#). World Liberty last week issued its first stablecoins, a type of digital dollar, on the Tron blockchain founded by Sun.

Sun has long been regarded as one of the more controversial figures in the crypto industry and has garnered a reputation for attention-grabbing stunts.

In 2019 he made a winning \$4.6mn charity auction bid for lunch with Warren Buffett and last year paid \$6.2mn for a [banana](#) taped to a wall, which he then ate in front of the world's media.

Although born in China, he has taken citizenship of St Kitts and Nevis, and once served as Grenada's representative to the World Trade Organization.

Dominari Securities, which lined up SRM Entertainment on Tron's behalf, is headquartered in Trump Tower two floors below the Trump Organization's offices.

The Financial Times previously reported that shares in parent company Dominari Holdings, a securities and fintech group, [surged by 580 per cent](#) in the six weeks before its February 11 filing revealing that Donald Trump Jr and Eric Trump had joined its advisory board.

[American Bitcoin](#), the US cryptocurrency miner backed by the pair, was originally a wholly owned subsidiary of Dominari Holdings. It was previously called American Data Centers but rebranded in late March in a joint venture with another miner, Hut 8, to develop bitcoin mining and a strategic reserve of the token.

Dominari Securities has also raised millions of dollars for several of Elon Musk's private companies, including SpaceX and xAI.

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Justin Sun

Trump reports more than \$600 million in income from crypto, golf, licensing fees



reuters.com/world/us/trump-reports-tens-millions-income-crypto-ventures-2025-06-14

Tom Bergin, Lawrence Delevingne, Tom Lasseter

June 14, 2025

U.S. President Donald Trump speaks before signing a resolution approved by Congress to rescind the EPA's 2023 approval of California's plans to require a rising number of zero-emission heavy-duty trucks, and another resolution on California's low-NOx, or low-nitrogen oxide, regulation for heavy-duty highway and off-road vehicles... [Purchase Licensing Rights, opens new tab](#) Read more

- Disclosures show assets worth at least \$1.6 billion
- Trump reports \$57.35 million from token sales at World Liberty
- Mar-a-Lago, other Florida golf clubs generated at least \$217.7 million in income
- President reports millions in fees from licensing fees, other deals

WASHINGTON, June 14 (Reuters) - [Donald Trump](#) reported more than \$600 million in income from crypto, golf clubs, licensing and other ventures in a public financial disclosure report released on Friday that provided a glimpse of the vast business holdings of America's billionaire president.

The annual financial disclosure form, which appeared to cover the 2024 calendar year, shows the president's push into crypto added substantially to his wealth but he also reported large fees from developments and revenues from his other businesses. Overall, the president reported assets worth at least \$1.6 billion, a Reuters calculation shows.

While Trump has said he has put his businesses into a trust managed by his children, the disclosures show how income from those sources still ultimately accrue to the president - something that has opened him to accusations of conflicts of interest.

Some of his businesses in areas such as crypto, for example, benefit from U.S. policy shifts under him and have become a source of criticism.

"President Trump, Vice President Vance, and senior White House staff have completed required ethics briefings and financial reporting obligations," White House press secretary Karoline Leavitt said in an emailed statement to Reuters. "The Trump Administration is committed to transparency and accessibility for the American people."

The financial disclosure was signed on June 13 and did not state the time period it covered. The details of the cryptocurrency listings, as well as other information in the disclosure, suggest it was through the end of December 2024, which would exclude most of the money raised by the family's cryptocurrency ventures.

Given the speed at which the Trump family has made deals during his ascent to the presidency, the filing is already a time capsule of sorts, capturing a period when the family was just starting to get into crypto but was largely still in the world of real estate deals and golf clubs.

A meme coin released earlier this year by the president - [\\$TRUMP](#) - alone has earned an estimated \$320 million in fees, although it's not publicly known how that amount has been divided between a Trump-controlled entity and its partners.

In addition to the meme coin fees, the Trump family has [raked in more than \\$400 million from World Liberty Financial](#), a decentralized finance company. The Trump family is involved, also, with a bitcoin mining operation and digital asset exchange-traded funds.

In the disclosures, Trump reported \$57.35 million from token sales at World Liberty. He also reported holding 15.75 billion governance tokens in the venture.

TRUMP MEDIA

The wealth of the Republican businessman-turned-politician ranges from crypto to real estate, and a large part on paper is tied up in his stake in Trump Media & Technology Group ([DJT.O](#)), [opens new tab](#), owner of social media platform Truth Social.

Besides assets and revenues from his business ventures, the president reported at least \$12 million in income, including through interest and dividends, from passive investments totaling at least \$211 million, a Reuters calculation shows.

His biggest investments were in alternative fund manager Blue Owl Capital Corp ([OBDC.N](#)), [opens new tab](#) and in government bond funds managed by Charles Schwab ([SCHW.N](#)), [opens new tab](#) and Invesco ([IVZ.N](#)), [opens new tab](#).

The disclosure often only gave ranges for the value of his assets and income; Reuters used the lower amount listed, meaning the total value of his assets and income was almost certainly higher.

The disclosure showed income from various assets including Trump's properties in Florida. Trump's three golf-focused resorts in the state - Jupiter, Doral and West Palm Beach - plus his nearby private members' club at Mar-a-Lago generated at least \$217.7 million in income, according to the filing.

Trump National Doral, the expansive Miami-area golf hub known for its Blue Monster course, was the family's single largest income source at \$110.4 million. The income figures provided are essentially revenues, not net profits after subtracting costs.

The disclosure underlined the global nature of the Trump family business, listing income of \$5 million in license fees from a development in Vietnam, \$10 million in development fees from a project in India and almost \$16 million in licensing fees for a Dubai project.

Trump collected royalty money, also, from a variety of deals - \$1.3 million from the Greenwood Bible (its website describes it as "the only Bible officially endorsed by Lee Greenwood and President Trump"); \$2.8 million from Trump Watches, and \$2.5 million from Trump Sneakers and Fragrances.

Trump listed \$1.16 million in income from his NFTs - digital trading cards in his likeness - while First Lady Melania Trump earned around \$216,700 from license fees on her own NFT collection.

Reporting by Lawrence Delevingne, Tom Bergin, Tom Lasseter, Shivani Tanna in Bengaluru; additional reporting by Jim Oliphant; Editing by Sandra Maler, Paritosh Bansal, Megan Davies, Will Dunham and Raju Gopalakrishnan

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Securities Law

Trump Media Deepens Crypto Push With Bitcoin-Ether ETF Filing

June 16, 2025, 6:44AM PDT

Donald Trump's media company has filed to launch an exchange-traded fund that would invest directly in both Bitcoin and Ether, the latest in a wider push into digital assets tied to the president's personal brand.

The proposed fund, dubbed the Truth Social Bitcoin and Ethereum ETF, was disclosed in a regulatory [filing](#) Monday. It aims to give investors an easy way to gain exposure to the two largest digital assets and serves as a "simple and cost-effective" alternative to using peer-to-peer networks or digital platforms. Yorkville America Digital is listed as the sponsor of the latest product.

Trump Media & Technology Group Corp. – the company behind Truth Social and majority-owned by the president – has been accelerating its digital-asset push. The firm recently announced plans to borrow money to buy Bitcoin, and previously said it would invest in the very ETFs it aims to issue. Earlier in June, Trump Media [applied](#) for a separate ETF focused solely on Bitcoin – a category already crowded with similar offerings.

The latest filing comes amid a fresh flurry of activity across Trump's sprawling business interests. On Monday, his sons **Eric Trump** and **Donald Trump Jr.** unveiled a Trump-branded mobile phone service, relying on networks and hardware marketed as "made in America."

Read more: [Trump Launches Self-Branded Mobile Phone Service in the US](#)

The president's deepening crypto ties have drawn criticism from ethics experts, who point to the potential for financial gain in areas where Trump also sets policy. The White House has said the president is walled off from his namesake businesses. He has transferred roughly \$4 billion worth of Trump Media shares to a trust controlled by Trump Jr.

Read more: [Trump Media Is Coming for Brokerage Accounts With ETF Push](#)

Crypto ETFs have been popular with investors this year. The iShares Bitcoin Trust has drawn \$12.5 billion of inflows in 2025, bringing its assets to \$70 billion, while Ether-focused products have also seen traction. Having taken in more than \$2 billion collectively, two Ether funds – the iShares Ethereum Trust ETF and the 2x Ether ETF – are the second- and third-biggest haulers of cash so far this year among all crypto ETFs in the US, data compiled by Bloomberg show.

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<https://www.wsj.com/finance/currencies/crypto-group-tron-to-go-public-in-u-s-via-reverse-merger-with-srm-entertainment-598cda51>

MARKETS & FINANCE | CURRENCIES

Crypto Tycoon Justin Sun's Tron Group to Go Public in U.S. via Reverse Merger

Toy company SRM Entertainment plans to rename itself 'Tron' and acquire TRX digital tokens

By [Alexander Osipovich](#) [Follow](#), [Vicky Ge Huang](#) [Follow](#) and [Connor Hart](#) [Follow](#)

Updated June 16, 2025 1:02 pm ET



Chinese entrepreneur Justin Sun PHOTO: KEITH TSUJI FOR WSJ

Crypto billionaire Justin Sun's Tron group will go public through a reverse merger with a small Nasdaq-listed toy company, the latest move by the Chinese-born tycoon to bring his digital-currency empire to the U.S.

[SRM Entertainment](#) **SRM 458.97%** ▲ said Monday that it would change its name to Tron and that Sun had been named an adviser to the company. SRM also said that it had signed a securities purchase agreement for a \$100 million investment to be used to acquire Tron's TRX digital tokens.

The announcement comes after Sun attended a gala dinner with President [Trump](#) last month for the [largest holders of Trump's memecoin](#)—an event that was criticized by Democrats and government-watchdog groups as a brazen act of self-enrichment,

allowing big crypto investors to buy access to the president. Sun amassed more than \$20 million of the memecoin to earn his spot at the dinner.

“This time the big one is finally here,” Sun said in a social-media post in Chinese on Monday about the SRM deal. Representatives of Tron didn’t immediately respond to requests for comment.

Winter Park, Fla.-based SRM currently designs and manufactures toys, souvenirs and plush items for theme parks and entertainment ventures. Its products include Smurfs water bottles and stuffed animals such as “Hanna Hedgehog” and “Gideon Gator,” according to SRM’s online catalog.

SRM shares surged on the disclosure, rising more than 500% in midday trading to \$9.35.

The toy company said it was acquiring TRX to establish a Tron “treasury strategy,” referring to the growing ranks of publicly traded companies that have announced plans to add cryptocurrencies for their balance sheets. Dozens of companies with no previous ties to crypto have embraced the strategy, in which they typically sell shares and debt to buy digital tokens.

Many of these companies have acquired bitcoin—the oldest and largest cryptocurrency—but some have announced plans to buy smaller tokens such as ether, solana and Trump’s memecoin.

[Dominari Securities](#), a small investment firm that leases office space in the Trump Tower, is the sole firm responsible for finding investors and managing the capital-raising process for SRM’s token deal. In February, Dominari shares rallied after the company named President Trump’s sons Eric Trump and Donald Trump Jr. as advisers.

Sun has pursued close ties to the Trumps since the November election. He invested \$75 million in World Liberty Financial, the crypto venture backed by the Trump family, and became an adviser to the project. HTX, a crypto exchange that Sun effectively leads, recently became the first trading venue to list World Liberty’s USD1 stablecoin, a type of cryptocurrency pegged to the U.S. dollar.

Just a few months ago, Sun faced charges from the Securities and Exchange Commission, which in 2023 accused him of manipulating the market for Tron’s TRX token. In February, the SEC asked a court to pause its fraud lawsuit against Sun and

three of his companies. The move was part of a broader rollback of crypto enforcement under the Trump administration.

Sun has said that his investment in World Liberty wasn't politically motivated. He has called the SEC's lawsuit meritless.

Under the terms of the agreement, SRM will issue 100,000 shares of its Series B Convertible Preferred Stock, which can be converted into 200 million shares of common stock at 50 cents per share. Additionally, the company will issue 220 million warrants, allowing SRM to acquire up to about 220 million shares of common stock at an exercise price of 50 cents per share.

The investment, valued at \$210 million upon full exercise of the warrants, will allow SRM to develop a substantial Tron treasury strategy, it said. The company added that the move aligns with its objective to create long-term shareholder value by leveraging the global adoption of blockchain and digital innovation.

As part of its Tron treasury strategy, SRM also intends to implement a dividend policy.

"As blockchain technology gains wider adoption globally, Tron has become the industry leader for cross border settlement in U.S. dollar stablecoin," said Chief Executive Rich Miller. "We are excited to invest into the future of the world's next generation financial infrastructure."

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The Latest on Crypto

Coverage of bitcoin and other cryptocurrencies, selected by the editors

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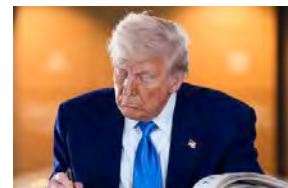
**Businesses Are
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Trump's**

Securities Law News

SEC Taps New Director of Trading and Markets Who Has Crypto Ties

June 13, 2025, 11:33 AM PDT

The US Securities and Exchange Commission announced four hires for prominent roles, including a new director of trading and markets who has ties to the crypto industry.

Jamie Selway will lead a division responsible for regulating major securities market participants. He has previously served as the global head of institutional markets at Blockchain.com, as well as the chair of Skew's board of directors. Coinbase Global Inc. acquired Skew, which provides data visualization and analytics for crypto markets, in 2021.

The announcements come as SEC Chair **Paul Atkins** has taken a friendlier approach toward cryptocurrency companies and moved to scale back some regulations. He has recently questioned the complexity of compensation disclosures for chief executive officers, discussed potential limits on data collected from hedge funds, and said that crypto broker rules may be overhauled.

Read More: [SEC's Atkins Eyes Limits on Data Collected From Hedge Funds](#)

Brian Daly will manage the investment management division. He has served as a partner at Akin Gump Strauss Hauer & Feld LLP for the past four years and had worked as a partner in the investment management group of Schulte Roth & Zabel LLP.

Kurt Hohl will be the agency's chief accountant. He served at the SEC from 1989 to 1997. Hohl then joined Ernst & Young, where he worked as a partner for 26 years before he founded Corallium Advisors, an auditing and regulatory compliance firm.

The agency said that Erik Hotmire will also return to the SEC as chief external affairs officer and director of the Office of Public Affairs.

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

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Securities Law News

Ripple, SEC Ask Judge to Clear Path Toward Crypto Settlement

June 13, 2025, 9:25 AM PDT

- Judge should nod toward changing judgment, parties say
- Exceptional circumstances warrant modification, they say

Ripple Labs Inc. and the SEC asked a federal judge to indicate she would modify a judgment barring certain token sales and imposing a \$125 million penalty, so that they can proceed toward settlement.

The court should take that step because “exceptional circumstances warrant the requested modification,” the Securities and Exchange Commission and the cryptocurrency company told Judge Analisa Torres on Thursday. The parties in October each appealed aspects of the US District Court for the Southern District of New York’s judgment, but the SEC under the second Trump administration has taken a more crypto-friendly stance and agreed to dismiss numerous enforcement cases against the industry.

Now Ripple and the commission must get an “indicative” ruling from Torres before the US Court of Appeals for the Second Circuit will formally send the case back, they said. The judge on May 15 denied the parties’ first request for an indicative ruling, saying a motion for relief from a final judgment carries a heavy burden and is granted only for exceptional circumstances.

Legal observers were divided as to whether that decision was a serious impediment or a mere bump in the road.

The requested modified judgment would reduce the \$125 million civil penalty to \$50 million and allow previously barred digital asset sales, a significant concern for XRP token issuer Ripple.

Court precedents have found extraordinary circumstances where modifying the judgment facilitates a settlement that would make a pending appeal unnecessary; where “the plaintiff has changed the ‘aggressiveness’ of its prior litigation strategy”; and where a government litigant has changed its policy, the SEC and Ripple said in their new request.

Issuing an indicative ruling “would promote efficiency and the policy favoring settlements, obviate the need for additional litigation in this Court and the Court of Appeals, and be consistent with the SEC’s recent actions in other crypto registration cases,” they said.

The SEC represents itself. Debevoise & Plimpton LLP and Kellogg, Hansen, Todd, Figel & Frederick PLLC represent Ripple.

The case is SEC v. Ripple Labs Inc. , S.D.N.Y., No. 1:20-cv-10832, letter motion 6/12/25 .

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Litigation

Ex-HealthSun Coding Director Found Not Guilty of Fraud Scheme

June 16, 2025, 7:33AM PDT

- **DOJ declined to prosecute HealthSun after self-disclosure**
- **Company agreed to return \$53 million in Medicare overpayments**

A former HealthSun Health Plans Inc. coding director accused of orchestrating a conspiracy to fraudulently inflate the company's Medicare payments has been acquitted of criminal charges.

The jury returned its not guilty verdicts on June 13 following just four hours of deliberation. The trial, before Judge Kathleen M. Williams in the US District Court for the Southern District of Florida, lasted eight days.

The government has brought just a handful of criminal cases involving allegations of Medicare Advantage risk-adjustment upcoding. Seasoned health-care fraud lawyers say the cases can be difficult to make.

The defendant—Kenia Valle Boza—was charged with one count of conspiracy to commit health care fraud and wire fraud, two counts of wire fraud, and three counts of major fraud against the US.

Prosecutors alleged that she and her co-conspirators accessed patient records and fraudulently documented chronic diseases in order to increase reimbursement for the patients' care. Medicare Advantage plans are paid based in part on a patient's health diagnoses and condition.

A salaried coding manager for the company, Valle Boza was the only defendant in the alleged years-long, multi-million dollar upcoding conspiracy.

The Justice Department formally declined to prosecute HealthSun in October 2023 after the health insurer self-disclosed the misconduct and agreed to return approximately \$53 million in overpayments.

Anthem Inc.—now Elevance Health—acquired HealthSun in 2017.

Valle Boza is represented by Fridman Fels & Soto PLLC and McDermott Will & Emery LLP.

The case is United States v. Valle Boza , S.D. Fla., No. 1:23-cr-20417, verdict returned 6/13/25 .

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Securities Law News

Chicken Fat-to-Fuel Project Is Latest Green Muni Bond to Default

June 13, 2025, 10:49 AM PDT

A Mississippi facility that raised \$22 million in securities to help convert poultry waste into biodiesel has defaulted. That marks at least the second green bond default to hit the muni market this month.

The tax-exempt bonds with an 8% coupon were sold by the Mississippi Business Finance Corp. in December 2022 on behalf of Alden Group Renewable Energy. UMB Bank, which is the trustee for bondholders, said the borrower failed to make a June 2 interest payment. Earlier this month, about \$40 million of green municipal bonds issued to build a cow manure-to-natural gas facility on a Wisconsin farm also defaulted.

Bonds sold by local and state governments to finance private projects for energy and recycling plants carrying a green label are risky, according to Municipal Market Analytics. One-third of 49 industrial development bonds to disclose a first time payment default in the last five years were marketed as green bonds, said **Matt Fabian**, a partner at the research firm.

“The takeaway for investors is to be a bit more careful with bonds that resort to green labeling as they may be stretching to attract investors,” Fabian said in an email. That could suggest weakness in their economic profile “or another risk not obvious on the surface.”

Almost 10% of roughly \$10 billion bond green industrial development or solid waste bonds are in default, according to data compiled by Bloomberg. From 1970 through 2023, the average 10-year annual default rate for municipal bonds rated by Moody’s was 0.15%.

Alden’s Mississippi renewable energy facility isn’t the only one in trouble. In January, local television station KTUL reported that an Alden facility in Tulsa, Oklahoma was closing.

Alden Group is a unit of Spring, Texas-based Jefferson Enterprise Energy, LLC. Jefferson’s founder and Chief Executive Officer **Al Salazar** died in October from cancer, according to a securities filing.

Neither Richard Thayer, Alden Group’s president nor Michael Slade, a senior vice president at UMB, responded to a request for comment.

In a June 12 filing, UMB said it was working with Alden and majority bondholders on the situation.

AllianceBernstein Holding LP owned all of Alden Group's bonds for the Mississippi project as of April 30, according to data compiled by Bloomberg. Carly Symington, a spokeswoman for AllianceBernstein didn't respond to a request for comment.

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Cristin Flanagan

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MARKETS & FINANCE | REGULATION

Obscure Chinese Stock Scams Dupe American Investors by the Thousands

The Justice Department is making a push to disrupt the schemes, which use social media to find buyers for risky stocks

By [Dave Michaels](#) [Follow](#)

Updated June 16, 2025 10:34 am ET



ILLUSTRATION: CAM POLLACK/WSJ; ISTOCK (2)

Braden Lindstrom had only dabbled in investing when he was encouraged by someone impersonating a financial adviser to buy shares in a small Chinese company listed on the Nasdaq Stock Market. A few clicks later, he was on his way to being scammed out of \$80,000.

Lindstrom, a college professor in Utah, invested in [Jayud Global Logistics](#)

JYD **-6.58%** ▼ , a small Chinese shipping company whose price rose for months, then

crashed 96%, just after Americans like him were told to buy it. Wall Street veterans say the pattern has been repeated dozens of times in recent years, and feeds on tiny Chinese stocks that are vulnerable to manipulation and easily bought by U.S. investors.

Traders and investigators say it has become an epidemic of fraud, frustrating U.S. regulators who typically can't get access to evidence in China, even though the companies market their stock to investors in the U.S. The Justice Department is now involved with fighting the fraud, which resembles a pump and dump, declaring it a priority of the Trump administration's white-collar enforcement program.

The department "has stood up a team to identify and root out these bad actors, deter misconduct, and, where possible, recover victim funds," said Matthew Galeotti, the head of the Justice Department's criminal division.

Victims are typically recruited through social-media ads or messages on WhatsApp advertising investment advice. Unlike as in many other online scams, they are told to buy shares in real companies, often obscure Chinese firms that fizzled after going public on U.S. stock exchanges.

The investors are duped into believing the company is on the verge of something big, perceptions that are reinforced by short-term gains in share prices engineered through manipulative trading. The sellers are often a ring of traders who bought the stock at much cheaper prices, sometimes directly from the companies, and want to dump it on the unsuspecting victims.

Nearly 60 China-based companies have conducted initial public offerings on Nasdaq since 2020 that each raised \$15 million or less. More than one-third have experienced sudden one-day price drops of 50% or more over the past two years, according to FactSet data. Another 17 listed companies based in Hong Kong have lost half of their market value in a single day.

The Financial Industry Regulatory Authority warned in 2022 that small IPOs involving such companies [were often a prelude to fraud](#). Such offerings were supposed to broadly market shares to new investors. But they could instead be placed with insiders or affiliates of the company, and manipulative trading often appeared soon after the IPOs, according to Finra.

"We're seeing this across the landscape," said Bryan Smith, a senior vice president for complex investigations at Finra, which supervises stock brokerages.

One recent criminal case, involving [China Liberal Education Holdings](#) CLEUF **-27.27%** ▼ , illustrates how an alleged fraud occurs.

China Liberal, which said it ran international-study programs for Chinese college students, disclosed in December that it raised almost \$21 million from 30 big investors, who agreed to purchase 160 million shares for about 13 cents each, according to securities filings.

But some of those investors were involved in a pump and dump that defrauded 600 victims, according to an indictment issued in March.

Seven of the big buyers quickly moved their shares to U.S. brokerage firms. Recruiting investors through Facebook ads and WhatsApp texts, they unloaded over 50 million shares, earning over \$480 million, according to the indictment.

The Chicago U.S. attorney's office in March seized about \$214 million, or under half of the allegedly illegal proceeds, after a brokerage firm alerted Finra of potential fraud. The seven traders, five from Malaysia and two from Taiwan, were charged with wire fraud and securities fraud over their sales of China Liberal Education Holdings stock.

Nasdaq suspended China Liberal's stock from trading on June 3.

Lindstrom, the college professor, is one of five people interviewed by The Wall Street Journal who said they were fooled by advertisements on Facebook or Instagram that told them to buy Jayud Global Logistics.

The promoters sometimes referred to Jayud as "Cash Cow 5" and said its price would skyrocket after it was acquired by a bigger shipping company, [Matson](#).

Lindstrom invested \$82,000 in late March. The price touched \$8 on April 1. After the market closed that day, Jayud's stock price crashed to under \$1.

The administrator of Lindstrom's WhatsApp group told him he could make up his losses by buying more shares of a different Chinese company, Nasdaq-listed [Lixiang Education Holding](#). He didn't fall for the second swindle, but some did.

Lixiang's price fell on April 17 from \$23 to \$7. It trades now at \$2.

"It just kind of puts a dent in your faith in human nature," Lindstrom said.

Another investor in Northern California, a 45-year-old commercial property manager, said he lost \$320,000 betting on Jayud. A different investor from Missouri lost

\$54,000. He said he believed that Meta, which owns Facebook, would block stock scams from advertising.

Meta said it is experimenting with new tools, such as facial-recognition technology, designed to block complex scams. “Addressing this crime requires collaboration between banks, governments, law enforcement and telecoms,” a spokeswoman said.

Lindstrom and the others formed a support group of about 96 Jayud investors in the U.S. and other countries who collectively lost about \$9 million, he said.

Nasdaq says it has made it harder in recent years for risky companies to remain listed on its exchange. In January, for instance, Nasdaq [accelerated the process](#) for delisting some companies whose share price falls under \$1.

“Nasdaq takes its regulatory responsibilities seriously,” Nasdaq said in a statement. “Where Nasdaq does not have principal authority, such as cross-market trading activity, we proactively work with other regulators and enforcement agencies to help address instances of market manipulation.”

Authorities have recently focused on suspicious trading in the shares of several other China-based companies, including Lixiang and [NetClass Technology](#), according to people familiar with the matter.

A spokesman for NetClass said the company can’t explain recent volatility in its share price but is committed to providing investors with information they need to assess the company’s performance and future outlook.

NetClass went public in December, pricing its shares at \$5 and raising about \$10 million, according to securities filings.

The share price rose steadily until early May, when it reached an intraday peak of \$51 on a frenzy of trading. The price collapsed a few days later. It now trades just above \$2.

Such volume spikes attract new buyers—and short sellers, who bet that the price will have to fall, said Nathan Michaud, a professional trader who has called attention to the schemes on social media. But the short sales, he said, can inadvertently further fuel a fraud. If the promoters push the price higher, short sellers scramble to buy shares to replenish the ones they borrowed, boosting the price even more.

“I think they realized it is harder to fool people into buying stock, and easier to trap people into shorting stock,” Michaud said. “The only way you can absolutely kill your

career is by trading these.”

Write to Dave Michaels at dave.michaels@wsj.com

Videos

Why AI's use of shadow libraries should alarm us all

DJ**dailyjournal.com/articles/386130-why-ai-s-use-of-shadow-libraries-should-alarm-us-all****Jun. 16, 2025**

For \$100,000 in crypto, Anna's Archive is offering AI companies high-speed access to 140 million pirated books and articles--fueling a digital gold rush where copyright law is ignored, piracy is rebranded as "fair use," and the stakes for authors, courts, and the creative economy have never been higher.

Margaux Poueymirou

Partner

Boies Schiller Flexner LLP

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Maxwell V. Pritt

Partner

Boies Schiller Flexner LLP

Max is an administrative partner of the firm's San Francisco office.

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For \$100,000--payable in Bitcoin or other cryptocurrency--notorious "shadow library" Anna's Archive will sell you premier access to over 140 million pirated books and articles. At least 30 companies have already taken up Anna's Archive on its offer of "high-speed access" to copy-pirated works. While their identities are secret, "most are LLM companies" that have spent the last few years collecting and creating vast private digital libraries of pirated works for

commercial use with their Large Language Models (LLMs). (<https://annas-archive.org/blog/ai-copyright.html>) Whether OpenAI, Anthropic, or Meta (to name a few) are among these companies remains unknown. What is now known is that each of these companies used illegal shadow libraries to source and copy high-quality AI training data: copyrighted books and other literature--or, more accurately, their pirated market substitutes.

The cost-benefit analysis was criminally simple, particularly for companies caught flat-footed by OpenAI's release of ChatGPT: expend time and resources to source and buy or license tens of millions of books and papers; or take them all for free now and either pay damages later--or not at all if they can convince courts to excuse commercial piracy as "fair use." The rapid rise of AI technology has thus ushered in a new era of digital piracy on a scale never before seen. Indeed, Anna's Archive boasts that AI saved illegal "shadow libraries:"

"Not too long ago, 'shadow-libraries' were dying. Sci-Hub, the massive illegal archive of academic papers, had stopped taking in new works, due to lawsuits. 'Z-Library,' the largest illegal library of books, saw its alleged creators arrested on criminal copyright charges. They incredibly managed to escape their arrest, but their library is no less under threat.

[. . .]

Then came AI. Virtually all major companies building LLMs contacted us to train on our data. Most (but not all!) US-based companies reconsidered once they realized the illegal nature of our work. By contrast, Chinese firms have enthusiastically embraced our collection, apparently untroubled by its legality. This is notable given China's role as a signatory to nearly all major international copyright treaties." (<https://annas-archive.org/blog/ai-copyright.html>)

The United States is also a signatory to these international copyright treaties, including the 1996 World Intellectual Property Organization (WIPO) treaties, which confronted the novel issues facing copyright enforcement in the digital age. (U.S. Copyright Office. "International Issues," <https://www.copyright.gov/international-issues/>). Shadow libraries not only contravene the U.S. Copyright Act but also exemplify the problems Congress contemplated when enacting the Digital Millennium Copyright Act (DMCA), which sought to implement the WIPO treaties and combat digital piracy.

Every year, millions of individuals copy and distribute pirated books from shadow libraries like Library Genesis (LibGen) or Z-Library (Z-lib) through various methods, including decentralized file-sharing systems like BitTorrent and the InterPlanetary File System (IPFS), as well as through direct downloading. Whenever an individual uses a shadow library in lieu of a bookstore to acquire a book, that book's author and publisher are harmed by the loss of a sale in an otherwise functioning and well-established market for books. Moreover, as the Office of the U.S. Trade Representative documented in its survey of "Notorious Markets for

Counterfeiting and Piracy," which included LibGen in two recent editions, the harms of piracy are undulating, impacting economies reliant on legitimate markets--in the case of books, artists and graphic designers, bookstores, publishers, printing presses, and copyeditors, and others working in creative economies. Office of the United States Trade Representative. "USTR Releases 2024 Review of Notorious Markets for Counterfeiting and Privacy." <https://ustr.gov/about/policy-offices/press-office/ustr-archives/2007-2024-press-releases/ustr-releases-2024-review-notorious-markets-counterfeiting-and-piracy>.

How can illegal online databases that traffic in piracy and are permanently enjoined from operating simultaneously exist as legitimate sources of AI training data? And what are the ramifications of permitting major companies to use illegal online databases to source AI training data, while the FBI and the Department of Homeland Security actively attempt to shutter these websites and their domains? Several district courts are currently grappling with these surprising questions--including in two highly watched cases pending in the Northern District of California against Meta and Anthropic. While everyone expected these historic AI copyright cases to test the boundaries of the "fair use" defense, no one anticipated that billion-dollar companies would be arguing--and courts would be contemplating-- that online *piracy* could also fall within the ambit of the fair use defense. But as these cases progressed, it became clear that companies had abandoned efforts to source books as AI training data through legitimate means and turned to piracy, sometimes using peer-to-peer file sharing to acquire the books and, in the case of Meta, even distributing tens of millions of pirated books to fellow pirates in order to scale the company's acquisition of books. If any of the companies prevail in these cases, it will be the first time in history that piracy and trafficking in stolen goods are given a pass under the fair use doctrine.

But if it seems challenging to square the fair use defense with rampant piracy, that's because it is. The U.S. Supreme Court recently reiterated that "fair use" is an equitable doctrine that aims to ensure that the Copyright Act is not applied so rigidly that it undermines its goal of "promoting broad public availability of literature, music, and the other arts." *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, 598 U.S. 508, 526 (2023). Courts thus consider four non-exhaustive factors in evaluating the fair use defense, though two tend to be most dispositive. The first focuses on whether a defendant's copying of protected expression is necessary to achieve a "distinct" and "transformative purpose"--not to be confused with mere "transformation"--and this analysis is balanced against the commercial nature of the use, as well as a consideration of "bad faith." Transformativeness is thus one part of a three-part inquiry under the first factor and serves as a shorthand for when there is a compelling justification for targeting the protected work at issue. See, e.g., Shyamkrishna Balganesh & Peter S. Menell, Going "Beyond" Mere Transformation, 47 Colum. J.L. & Arts 413, 417-19 (2024). Without a showing of transformativeness, however, a fair use defense will almost assuredly fail--and it is this showing that AI companies are banking on across all pending copyright litigation. But "the single most important element" is market harm or "the effect of

the use upon the potential market for or value of the copyrighted work." *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 566 (1985). This is why the use of illegal pirate websites to pilfer copyrighted works should doom defendants in these cases.

Had AI companies licensed millions of books from libraries (like Google did over two decades ago when it partnered with major research libraries to digitize books and build its books search engine), or even bought millions of books and then scanned them to use for AI training data, the initial acquisition would not have harmed any book sales market. While exceeding the terms of a license in one case could amount to fair use, it may not in another. *See Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1995) (rejecting a fair use defense where Texaco exceeded its subscription terms by copying scientific journal articles for research aimed at developing new products and technologies). But by using illegal websites to source the books, plaintiffs in these cases can advance two separate theories of market harm: one based on the well-established books sales market, and the other on the burgeoning licensing market for AI training data. This alone belies defendants' claims that training on a legally acquired copy of a book versus a pirated copy of a book is legally insignificant. There is also nothing transformative about pirating a book: It is the same as the original, and the specific use of piracy is to get for free what you otherwise have to buy or license--a use that is squarely incompatible with the "principles of good faith and fair dealing" that courts consider when evaluating "bad faith" under factor one. *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1164 n.8 (9th Cir. 2007) (citing *Harper & Row*, 471 U.S. at 562-63). Indeed, while the U.S. Supreme Court has expressed skepticism about the role of bad faith in the "fair use" analysis, that skepticism has focused exclusively on whether evidence of mal intent matters. But evidence of piracy is not simply evidence of questionable intent; it is objective "bad faith" conduct that undermines the very goals of the Copyright Act.

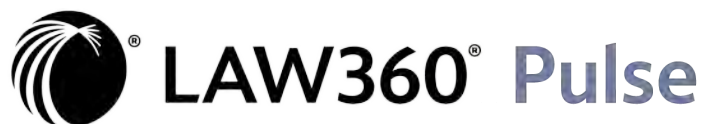
While courts may ultimately conclude that one or more of the many other copies and uses AI companies make of copyrighted books are transformative, or that there is no existing or potential market for licensing copyrighted books as AI training data, it would upend well-established public policy and decades of caselaw criminalizing online piracy to permit massive technology companies to claim "fair use" for brazen piracy simply because it is AI-related. As U.S. District Judge William Alsup stated recently during oral argument in *Anthropic*:

"If somebody downloads from Napster a copy of a song, you could go to prison for that. That is a copyright violation. And now if you download from a pirate site a copy of somebody's book, standing alone, you could go to prison for that too. So ... I have a hard time seeing that you can commit what is ordinarily a crime and yet get exonerated because you wind up using it for transformative use."

But if federal courts buy defendants' ends-justifies-the-means argument, authors, publishers and the public will be facing a brave new world of unbridled copyright infringement--ironically committed by some of the world's largest corporations building highly commercial and profitable products. Such a holding would sanction online piracy, permitting shadow libraries to commercialize and monetize pirated books obtained through theft--just as Anna's Archive is doing today. And why stop with books?

This article is the first in a series on AI copyright issues.

#386130



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Meet The Judge Who Blocked Trump's LA Troop Deployment

By Jack Karp

Law360 (June 13, 2025, 4:49 PM EDT) -- The California federal judge who on Thursday temporarily blocked President Donald Trump's deployment of the National Guard to quell Los Angeles protests against his immigration policy is a respected and fair jurist with a particular dexterity managing complicated multidistrict litigation, according to attorneys.

He also happens to be the younger brother of retired U.S. Supreme Court Justice Stephen Breyer.

U.S. District Judge Charles R. Breyer called Trump's June 7 order federalizing California's National Guard to help police the Los Angeles protests against his immigration raids both **illegal and unconstitutional** in a 36-page order issued late Thursday, after California Gov. Gavin Newsom **sued Trump** seeking a restraining order blocking the mobilization.



Judge Charles Breyer

"[I]t is not the federal government's place in our constitutional system to take over a state's police power whenever it is dissatisfied with how vigorously or quickly the state is enforcing its own laws. Quite the contrary, the founders reserved that power, and others, to the states in the Tenth Amendment," Judge Breyer said in his order, which was quickly paused by the Ninth Circuit while the Trump administration appeals.

"Judge Breyer is what every judge should be — respectful, scrupulously fair to both sides, and deeply committed to the rule of law," Debevoise & Plimpton LLP partner Josh Cohen, who clerked for Judge Breyer, told Law360 Pulse.

"He expects of his clerks the same thing he expects of the parties who appear before him: Get to the heart of the issue, argue your position with integrity, and respect the legal process," Cohen said.

Attorneys who've appeared before him similarly praise Judge Breyer.

"Judge Breyer is one of the most respected district court judges in the country — and that is by lawyers, academics and judges across all ideologies and perspectives. Although he has sharp wit and a sense of humor, I've always found him to be super prepared, analytical and fair," said Robbins Geller Rudman & Dowd LLP partner Paul J. Geller.

"Having been before him many times in many cases, I've had my share of W's and my share of L's. But in every instance, his decisions were well reasoned; He is not an activist judge — he calls balls and strikes," Geller added.

For Judge Breyer, the dispute between Newsom and Trump over the president's troop deployment is only the latest closely watched and important case in a career punctuated by such cases.

Nominated to the U.S. District Court for the Northern District of California by then-President Bill Clinton in 1997, Judge Breyer has issued a number of impactful rulings both before and since he assumed senior status in December 2011.

In 2014, Judge Breyer **knocked down as unconstitutional** a San Francisco ordinance requiring landlords to pay large sums of money to tenants prior to taking their properties off the market.

But he upheld an Oakland ordinance requiring abortion protesters to stay 8 feet away from abortion clinics in 2009.

In 2007, he sentenced well-known marijuana advocate Ed Rosenthal to just one day in jail after the self-proclaimed "guru of ganja" was convicted of growing pot plants for medicinal use.

Rosenthal's trial was actually the first case Judge Breyer handled as a trial judge, he told a National Constitution Center panel at University of California, Berkeley School of Law in 2019.

"And believe me, I thanked my lucky stars that I wasn't up for election," Judge Breyer said. "It highlighted for me ... what does the independence of the judiciary do to the individual judge who doesn't have to be popular?"

Judge Breyer has also been one of the **most prolific multidistrict litigation judges** in the country, at one point handling more MDLs than any living judge and the third-most of any judge in history.

And he became known for his efficiency during the course of these sprawling cases.

"Judge Breyer is an exceptional MDL judge. Indeed, Judge Breyer was an early pioneer regarding many MDL practices that are much more common today, including the use of innovative methods to structure discovery, to address cross-cutting legal issues, to coordinate with state court judges handling similar cases, and to position large, complex MDLs for efficient resolutions that serve all parties and the courts," DLA Piper partner Loren H. Brown said.

"Many of my fondest memories in practice come from my early experiences before Judge Breyer," added Brown, who represented Pfizer before Judge Breyer in an amalgamation of 2,000 lawsuits against the pharmaceutical company over the side effects of its anti-inflammatory drugs, which produced a roughly **\$900 million settlement**.

The judge oversaw multidistrict litigation involving claims from California and Texas Uber riders aiming to hold the ride-hailing company liable for **alleged sexual assaults committed by drivers**, most of which he dismissed without prejudice in 2024.

He handled several MDLs stemming from the litigation related to the opioid crisis, presiding over the **consolidated barrage of lawsuits** involving McKinsey & Co.'s role in prescription opioid marketing and approving McKinsey's **\$78 million deal** with 42,000 third-party payors.

The judge also presided over a **landmark, weekslong bench trial** in a lawsuit San Francisco lodged against a slew of drugmakers and other companies for allegedly marketing opioids as safe and effective.

San Francisco's case was selected as a test in the multidistrict litigation, and it was the first trial to rope together defendants across the pharmaceutical supply chain: drug manufacturing, distribution and pharmacy dispensing. At trial, the last defendant was Walgreens after other defendants settled.

"Following our trial against Walgreens for its role in the nationwide opioid epidemic, Judge Breyer issued a 100-plus page opinion that I consider the most thoughtful, legally sound, and important ruling in any case I've ever been involved in," said Geller, who represented San Francisco in that trial. "I have said in the past and I'll say it again, Judge Breyer's San Francisco opioids decision should be required reading in every Big Pharma boardroom."

Judge Breyer similarly oversaw the MDL over allegations that Audi, BMW, Volkswagen and other German automakers engaged in a **decadeslong antitrust conspiracy** covering car technology, costs, suppliers and emissions equipment, and another mass tort case over claims that Volkswagen **embedded a software program** in its vehicles that reduced carbon dioxide emissions to legal levels during testing but not during normal driving conditions.

And he took on an MDL involving **passengers' antitrust claims** against airlines, including

Continental Airlines Inc., Air France, Cathay Pacific Airways Ltd., Qantas Airways Ltd. and others, alleging they conspired to fix prices on long haul trans-Pacific flights.

From 2011 to 2018, the judge was a member of the U.S. Judicial Panel on Multidistrict Litigation.

Judge Breyer has also crossed paths in court several times with erstwhile Trump ally Elon Musk.

In 2024, the judge **threw out a suit** from Musk's X Corp. against a hate speech watchdog, slamming the case as an attempt to punish the group for exercising its free speech rights.

Sometimes "a complaint is so unabashedly and vociferously about one thing that there can be no mistaking that purpose," Judge Breyer wrote. "This case represents the latter circumstance. This case is about punishing the defendants for their speech."

He **certified a class** including thousands of Twitter investors who claimed Musk fraudulently tweeted about the social media company's alleged bot problem to get out of his \$44 billion acquisition. But the year before, he sided with Musk in another investor suit over the billionaire's attempt to duck out of his commitment to buy Twitter, **dismissing the proposed class action**.

Outside the courtroom, Judge Breyer has served as a member of the Judicial Conference of the United States and the U.S. Sentencing Commission, sitting as the commission's vice chair for three years. He was even nominated to serve a second term on the commission by Trump in 2017.

In 2018, he was awarded the annual Devitt Award, the nation's highest honor for an Article III federal judge.

"Why I love my job, and I do love it, it's because it's exciting, because it's filled with unknowns, because it's intellectually interesting, because it can make a difference in people's lives," Judge Breyer told the National Constitution Center panel in 2019.

His judicial experience aside, Judge Breyer is known for two things: wearing bow ties and being the younger brother of retired Justice Stephen Breyer.

He wanted to be an actor rather than an attorney and judge when he was young, he told the 2019 panel. In fact, he was so miserable in law school that he quit after one year. But he changed his mind after working as a law clerk for a personal injury attorney in San Francisco.

"I went to depositions, and I went to trials, and I thought, 'My goodness, this is fabulous. You write the play, you act in the play, you direct the play, you produce the play, and there's generally some kind of audience,'" Judge Breyer joked. "That's actually what I got as a judge. I got my audience."

Before joining the bench, Judge Breyer spent over a decade and a half in private practice in San Francisco, where he also served as an assistant district attorney and then chief assistant district attorney for the city and county.

He worked as counsel for the Legal Aid Society of San Francisco and as an assistant special prosecutor on the Watergate Special Prosecution Force.

When asked about the lessons of Watergate during a 2023 discussion with his brother at the Supreme Court Historical Society, Judge Breyer said, "I learned one basic thing, and it was incredible. I learned that the Constitution worked."

"When they ask about Watergate, I say, 'The Constitution, the process, if it's allowed to work as these people in 1789 conceived it to work, it does work, because it's an order, it's a system, it's a manner in which government power is regulated and circumscribed.' That was the lesson that I took from Watergate," the judge added.

The judge's brother, retired Justice Breyer, quickly jumped in.

"I would just add two words: so far," Justice Breyer said.

Judge Breyer earned his law degree from Berkeley Law. After law school, he clerked for U.S. District Judge Oliver Carter of the Northern District of California.

--Additional reporting by Hailey Konnath, Bonnie Eslinger, Jeff Overley, Emily Field and Dorothy Atkins. Editing by Nicole Bleier.

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Firms Get \$275K Refund After \$5M Overbilling Probe

By **Chris Villani**

Law360 (June 13, 2025, 1:34 PM EDT) -- Labaton Keller Sucharow LLP, Thornton Law Firm LLP and Lief Cabraser Heimann & Bernstein LLP will get a total of about \$275,000 back after collectively spending more than \$5 million on a lengthy investigation into overbilling and other fee improprieties, a Massachusetts federal judge said Friday.

In a brief order, U.S. District Judge Mark L. Wolf ended what has been a 14-year saga, writing that retired U.S. District Judge Gerald Rosen did not need every penny of the \$5.35 million the firms paid him to investigate their own conduct.

Judge Wolf ordered the court clerk to pay Labaton \$275,930.34, plus interest, and said the firms should divvy up the refund however they see fit.

"This case, and the court's involvement in it, is otherwise concluded," Judge Wolf wrote.

The underlying suit, filed in 2011, alleged that Boston-based State Street Corp. stole millions of dollars a year from its clients on their indirect foreign exchange trades over the course of a decade.

The trio of firms secured a \$300 million settlement. Judge Wolf approved a \$75 million fee in 2016 but vacated that order after allegations of double-billing surfaced in a 2016 Boston Globe report. He appointed Judge Rosen as a special master to investigate the fee. The firms admitted to overstating their billing but contended that the \$75 million fee was still proper.

Judge Rosen in 2018 recommended that the firms disgorge just over \$10 million, but Judge Wolf's 160-page order in February 2020 said the cuts should be even deeper and took the firms to task in the process. Lief Cabraser appealed its part of the sanction to the First Circuit, which upheld Judge Wolf's order.

Labaton Keller is represented by Joan A. Lukey of Manatt Phelps & Phillips LLP.

Thornton Law Firm is represented by Brian Kelly and Joshua Sharp of Nixon Peabody LLP.

Lief Cabraser is represented in-house by Richard M. Heimann and Steven E. Fineman.

The case is Arkansas Teacher Retirement System v. State Street Corp. et al., case number 1:11-cv-10230, in the U.S. District Court for the District of Massachusetts.

--Editing by Rich Mills.

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GM Case Highlights New Trends In AI-Related Securities Suits

By **William Pao, Jonathan Waxman and Andrew Johnson** (June 12, 2025, 5:16 PM EDT)

Artificial intelligence adoption has exploded in recent years, as companies race to embed and integrate AI into their products and operations. This surge spans nearly every industry, from finance and healthcare to social media, education, agriculture, retail and logistics.

With AI fast becoming a market differentiator, companies boasting cutting-edge AI capabilities are commanding premium valuations. That, in turn, is fueling pressure — especially on public companies — to highlight and differentiate their AI strategies and innovations. The pressure to differentiate is particularly acute because markets have generally reacted with optimism and bullishness to companies that announce the integration and adoption of AI into their business models.

We have already seen these market dynamics lead companies to make boastful claims about their AI capabilities. But bold company statements about AI — particularly against the backdrop of increased scrutiny and interest in AI — have resulted in a rise in securities litigation related to AI.

This article discusses recent trends in AI-related securities litigation, focusing on the U.S. District Court for the Eastern District of Michigan's March 28 **decision** in *In re: General Motors Co. Securities Litigation*, to illustrate how courts are analyzing AI-based securities claims.

Recent Trends in AI-Related Securities Litigation

From 2020 to 2024, there were 41 AI-related securities filings.[1] We've seen a continued uptick in these filings in 2025 thus far, with six AI-related securities suits to date, compared to five over the first five months of 2024.

Generally, these suits have claims in the following categories: AI washing, claims challenging AI's effectiveness or capabilities, and conventional securities claims.

AI washing claims involve a company exaggerating the capabilities of its AI products that it does not actually possess.

Claims challenging AI's effectiveness or capabilities consist of allegations where plaintiffs allege that the AI-infused products fail to live up to their claimed uses or that the use of AI is not accurately described, e.g., *In re: General Motors Co. Securities Litigation*.

Finally, conventional securities claims in the AI space involve companies being sued for securities fraud based on typical securities fraud theories, e.g., *Lamontagne v. Tesla Inc.*, **decided** by the U.S. District Court for the Northern District of California on Sept. 30, 2024.

No industry is immune from these suits. In total, 23 of the 41 AI-related securities cases filed between 2020 and 2024 were against companies in the technology sector, followed by nine services



William Pao



Jonathan Waxman



Andrew Johnson

sector cases, four in the financial sector, two in consumer cyclical, one in healthcare, one in capital goods and one in the basic materials sector. As these statistics show, companies in every industry face securities litigation risks related to AI disclosures.

And these risks expand beyond private litigation. On May 15, Madiha Zuberi, a U.S. Securities and Exchange Commission enforcement attorney, **made clear** that one of the SEC's new enforcement priorities includes a focus on "rooting out the misuse" of AI through its **newly constituted** Cyber and Emerging Technologies Unit.

Zuberi said that the cybersecurity and emerging technologies unit was formed this year in the wake of the agency's shift away from crypto and blockchain fraud enforcement toward AI misuse. While the SEC has not explicitly defined what it means by "misuse," Zuberi explained that the newly formed unit is "looking at whether there's transparency around the technology, whether it's described accurately, [and] whether there's responsible communications to customers."

Emerging Judicial Framework for AI-Related Claims

Given the rise of AI-related securities claims over the past five years, there is an emerging judicial framework taking shape. Thus far, we are seeing courts attempt to apply traditional securities litigation concepts — such as puffery — to AI-related securities litigation.

But how does this work in the context of company disclosures of highly technical AI terminology? We've seen some courts struggle there, even if such technical jargon communicates substantively similar concepts to plain English disclosures.

In re: General Motors Co. Securities Litigation is a good illustrative example of how courts are treating AI-related securities claims and provides key lessons for going forward. In the case, the plaintiffs brought claims under Sections 10(b) and 20(a) of the Exchange Act, alleging that the defendants made various misrepresentations to investors about the state and capabilities of GM's self-driving car unit Cruise LLC's autonomous vehicle, or AV, technology during the class period.

The plaintiffs alleged, for example, that the defendants misrepresented:

- Cruise's AV technology as having reached the point where Cruise could operate a revenue-generating, fully driverless robotaxi business without any additional research and development costs;
- Cruise AVs as being able to drive safely, reliably and legally without input from humans;
- Cruise AVs as "fully autonomous," "fully driverless" and "truly driverless" at various times to investors throughout the class period;
- Cruise AVs as having "Level 4 autonomy," which is a reference to the five levels of autonomy defined by the Society of Automotive Engineers' taxonomy;
- Cruise's AV technology as being already safer than a human driver; and
- An Oct. 2, 2023, Cruise AV incident where a Cruise AV vehicle hit a pedestrian, pinned her beneath the AV and began driving again with the pedestrian underneath, dragging her down the street and causing serious injuries.

In further support of their claims, the plaintiffs included allegations from former Cruise and GM employees serving as confidential witnesses, media reports, and complaints submitted to the California Department of Motor Vehicles, which, according to the plaintiffs, attests to persistent and severe problems with Cruise AVs.

According to the plaintiffs, the confidential witness allegations claimed that Cruise AVs could not operate without frequent input from humans, and they could not operate as functional vehicles, even with human assistance — that is, they did not drive safely, reliably or legally as the defendants

claimed. Worse yet, regarding the Oct. 2 incident, based on an internal report, the plaintiffs alleged that the defendants "knowingly directed the dissemination of the misstatements concerning the October 2 crash and pedestrian dragging."

The court's analysis can be broken down into three key areas:

1. Statements regarding human involvement — plain English versus technical AI jargon;
2. Statements regarding confidential witnesses; and
3. Statements regarding a major injury event.

Statements Regarding Human Involvement — Plain English Versus Technical AI Jargon

As in many AI-related securities opinions to date, the court here wrestled with challenged statements related to the level of human involvement in Cruise's driverless technology. Some of the challenged disclosures on this subject were easy to understand — e.g., "fully driverless" or "the human [is] out of the loop" — whereas others were highly technical, e.g., "Level 4 autonomy."

Although the substantive message of the more technical statements was very similar to the less technical statements — i.e., that Cruise AVs could drive without a safety driver in the vehicle — the court quickly dismissed the claims related to the plain English challenged disclosures, but hesitated with the technical jargon.

With respect to the statements relying on technical AI terms — e.g., "Level 4" — the court explained that, "Under the Taxonomy [governing AVs], a 'Level 4' AV must have an automated driving system that, when engaged, executes the 'sustained and [operational design domain]-specific performance ... of the entire [dynamic driving task] and [dynamic driving task] fallback.'"

The court noted that, at the pleading stage, without the benefit of discovery, it was difficult for the court to assess the falsity of the highly technical AI terms used. For that reason, the court held that the plaintiffs plausibly alleged that the Level 4 autonomy had not been met because the AVs did not or frequently did not properly execute a dynamic driving task fallback when required to do so in various situations, and because they relied on remote operators who took over dynamic driving tasks 2% to 4% of the time by manually directing AV driving.[2]

The court's resistance to dismissing claims targeting more technical statements is consistent with what we've seen in other recent matters. And this makes sense: In an area where technology is quickly evolving and can be difficult to understand, at least at the pleading stage, courts may be more reluctant to dismiss suits involving disclosures in highly technical areas of AI.

Confidential Witnesses

The use of confidential witnesses to establish falsity and scienter has become commonplace in securities class actions because once a court credits a confidential witness, it can be very difficult for a defendant to rebut the allegations at the pleading stage. This dynamic is of particular importance to AI-related securities claims because of the highly specialized and concentrated nature of AI expertise within a company.

Here, the court credited the plaintiff's confidential witnesses in finding that the Level 4 statements were made with scienter. The court explained that the detailed confidential witness allegations painted each executive as a hands-on, in-the-weeds manager who had access to the specific technology data and safety facts that made them aware of the state of Cruise's technology and safety risks.

Notably, the court credited the confidential witnesses given their alleged roles in the company — e.g., senior director, autonomous vehicles; senior software engineer II — and access to the information that formed the basis of the falsity allegations. The court reasoned that these roles plausibly gave the confidential witnesses access to the knowledge and information necessary to know whether Cruise AVs had reached Level 4 autonomy, and whether the relevant executives had the requisite level of knowledge to know whether or not the Cruise AVs had reached Level 4 autonomy.

Moreover, the court found persuasive that the operative complaint included detailed allegations of multiple and specific instances where each confidential witness's job duties and responsibilities resulted in the confidential witness obtaining relevant information for the plaintiff's theory of falsity and scienter.[3]

The court also appeared to rely on the detailed and specific allegations in the operative complaint about the reporting hierarchy within Cruise to show how top-level executives were or should have been aware of the numerous safety and performance issues described by the confidential witnesses. Consistent with many other courts, the court here focused both on the precision of the allegations that establish the confidential witnesses' basis for knowledge and on how the confidential witness allegations tie to the theory of falsity or scienter.

Major Injury Statements

While not all AI applications present a risk of physical harm, some, like this case, do involve a risk of physical harm, such as a vehicle-pedestrian accident. Understandably, at the pleading stage, courts may have reservations about dismissing securities claims based on new technologies that cause physical harm.

Here, with respect to statements about this major vehicle-pedestrian accident, the court expressed concerns that the defendants allegedly had not made complete disclosures about the incident.

While the defendants disclosed that a Cruise AV struck a pedestrian and then immediately came to a stop, the court found that the claims related to these statements should survive past the pleading stage because the defendants did not disclose that after the AV struck the pedestrian and came to a stop on top of the pedestrian, the AV then continued to drive forward and drag the pedestrian. And there was video evidence showing this entire accident.

In sum, the court was troubled by the defendants' alleged lack of transparency and failure to fully disclose the accident and resulting harm, which, in part, may explain why the court found a strong inference of scienter. This is a good reminder that when a company chooses to speak about an accident involving one of its AI-based products and a human, it should do so fully and transparently.

Conclusion

We expect the number of AI-related securities suits to continue to grow. As courts apply traditional securities concepts to uncharted AI technologies, companies should consider the following guideposts when making AI-related disclosures:

- Companies should use plain English, to the extent possible, when describing their AI capabilities and how AI integrates into their business model.
- Companies should review their risk disclosures to ensure AI-related risks are adequately disclosed and that there is sufficient language making clear that statements are forward-looking for purposes of the Private Securities Litigation Reform Act safe harbor.
- Companies should fully and accurately disclose the extent of human involvement in AI-driven processes.
- If an AI-driven product causes a major injury event, companies should carefully consider their disclosures around the incident, which will inevitably get significant scrutiny.

William K. Pao is a partner, Jonathan Waxman is special counsel and Andrew C. Johnson is an associate at Cooley LLP.

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[1] <https://securities.stanford.edu/current-trends.html>.

[2] "Dynamic driving task" (DDT) and "dynamic driving task fallback" (DDT fallback) are references to technical terms within the Society of Automotive Engineers' taxonomy that describe the specific autonomous functions an AV must be capable of performing in order to be categorized as reaching "Level 4 autonomy." Specifically, a "Level 4 AV must have an automated driving system that, when engaged, executes the sustained and operational design domain-specific performance ... of the entire dynamic driving task and dynamic driving task fallback." The DDT is "all of the real-time operational and tactical functions required to operate a vehicle in on-road traffic, such as steering, acceleration/deceleration, and responding to objects and events." The DDT fallback is "the response by an automated driving system to achieve minimal risk condition, which is a stable, stopped condition ... in order to reduce the risk of a crash when a given trip cannot or should not be continued."

[3] E.g., "CW-1 recalled that he entered one safety ticket into that system in December 2021 concerning an incident on November 19, 2021, and he was 'pressured to close' the ticket before an assessment of the incident and what led to it had been conducted, and that he noticed the ticket was still open and unresolved months later in May 2022."

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Health Tech Co. Overstated AI Capabilities, Investor Suit Says

By **Katryna Perera**

Law360 (June 13, 2025, 8:00 PM EDT) -- Health technology company Tempus AI Inc. and two of its executives face a shareholder class action over claims the company misrepresented its artificial intelligence capabilities, the value of its contracts and the credibility of certain joint ventures, among other things.

Trevor Shouse filed a **complaint** Thursday against Tempus, its CEO Eric Lefkofsky and its Chief Financial Officer Jim Rodgers. The suit is on behalf of a proposed class of individuals and entities that purchased Tempus common stock between Aug. 6, 2024, and May 27, 2025, and concerns a nearly 20% stock price plunge when a short seller reported that the company's AI capabilities and contract values were overstated, among other things.

According to the complaint, Chicago-based Tempus touts itself as a company that provides AI-enabled precision medicine solutions and claims to develop "intelligent diagnostics through the practical application of AI in healthcare to make laboratory tests and connect laboratory results to a patient's own clinical data."

However, Shouse says Tempus has never generated much revenue from AI solutions and instead has generated most of its revenue from acquisitions, genomic testing and data licensing agreements.

Shouse says that throughout the proposed class period, the defendants repeatedly claimed that the contract value and quality of its data licensing agreements with life science companies were "secure and expanding," and Tempus often pointed to its relationship with long-time customer AstraZeneca as an example of the strength and security of its partnerships.

Shouse says that during the class period, Tempus announced an expanded contract with AstraZeneca through a joint venture involving AstraZeneca and Pathos AI, as well as another joint venture with the Japanese investment holding company SoftBank.

The company said its joint venture with SoftBank would generate revenue growth by entering the Japanese market. It also claimed high revenue potential for Ambry Genetics, a target it acquired during the class period, according to the complaint.

However, during this time, the defendants also made misrepresentations and failed to disclose several adverse facts about Tempus' operations and business prospects, the complaint states.

According to Shouse, the defendants failed to disclose that Tempus had inflated the value of contract agreements and that the credibility and substance of the joint venture with SoftBank were at risk "because it gave the appearance of 'round-tripping' capital to create revenue for Tempus."

Additionally, the complaint states the defendants failed to disclose to investors that Ambry Genetics had a business model based on "aggressive and potentially unethical billing practices that risked scrutiny and unsustainability," and that AstraZeneca had reduced its financial commitments to Tempus through a "questionable" "pass-through payment" via a joint agreement between it, Tempus and Pathos AI, whereby AstraZeneca would pay Tempus, only for Tempus to pay Pathos AI.

The complaint says the truth was revealed on May 28, 2025, when short seller Spruce Point Capital Management LLC issued a research report that "raised numerous red flags over Tempus"

management, operations and financial reporting."

According to the complaint, the report stated that Tempus' AI capabilities were overstated, that the company had signs of "aggressive" accounting and financial reporting, and that Lefkowsky and his associates had a history of "crashing out of" companies before public shareholders suffered losses or minimal returns, among other things.

The report also claimed that Tempus' reporting of more than \$1 billion in "total remaining contract value" near the end of the proposed class period was overstated by roughly \$600 million because "the TCV that Tempus reports is aggressively defined with non-binding opt-ins, improbable milestone payments, related-party transactions, and self-funded commitments."

The report further claimed that the touted joint venture between Tempus, AstraZeneca and Pathos AI was being improperly recognized as revenue when it was really a "backhanded way for AstraZeneca to reduce its financial obligations to Tempus."

On the SoftBank joint venture, the report stated that it gave the appearance of "round-tripping capital" to create revenue for Tempus when, in reality, the company was investing \$95 million in the venture only to receive the same amount of money back in the form of license payments.

"The Spruce Point report then claimed Tempus recognizes the payments as revenue 'and total contract value, potentially boosting its reported financial performance with funds that originated from its own investment,'" the complaint states.

"Ambry was also scrutinized for 'routinely conducting concurrent DNA and RNA testing increases costs to patients and payors, possibly prioritizing revenue over clinical necessity,'" the complaint further states.

On this news, Shouse says Tempus' stock price fell by \$12.67 per share, or 19.23%, from \$65.87 per share on May 27, 2025, to \$53.20 per share on May 28, 2025.

The suit seeks damages, attorney fees and a jury trial.

In a statement to Law360 on Friday, a spokesperson for Tempus said the lawsuit is without merit and based on "regurgitated claims from an inaccurate and uninformed short-seller report designed to mislead investors."

"We intend to vigorously defend our rights as our business continues to deliver strong financial performance and impressive growth. We will not let wasteful actions like this distract us from our mission to bring AI to healthcare and help patients live longer and healthier lives," the spokesperson added.

Counsel for Shouse did not immediately respond to requests for comment on Friday.

Shouse is represented by Andrew J. Shamis of Shamis & Gentile PA and Scott Edelsberg and Gabriel Mandler of Edelsberg Law PA.

Counsel information for the defendants was not immediately available.

The case is Shouse v. Tempus AI Inc. et al., case number 1:25-cv-06534, in the U.S. District Court for the Northern District of Illinois.

--Editing by Jay Jackson Jr.



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A Look At Texas Corp. Law Changes Aimed At Dethroning Del.

By **David Bell, Ran Ben-Tzur and Dean Kristy** (June 11, 2025, 6:11 PM EDT)

On May 14, Texas Gov. Greg Abbott **signed** into law S.B. 29, which provides for significant amendments to the Texas Business Organizations Code, including codifying the business judgment rule. The amendments are effective immediately and are intended to make Texas the preferred state for incorporation.

Abbott praised the bill, stating that: "Senate Bill 29 provides business decision makers the certainty that sound business judgments made in the best interest of shareholders will not be second-guessed by courts. Business decisions are to be made by the elected officers and shareholders, not by unelected judges." [1]

For over a century, Delaware has been the predominant jurisdiction of choice for corporations due to its well-developed fiduciary and commercial case law, responsive and knowledgeable judiciary, and user-friendly and timely secretary of state's office, as well as the universal familiarity with Delaware law by corporations, lawyers and investors, among other reasons.

However, it has come under recent criticism as a result of certain judicial decisions from the Delaware Court of Chancery, including its January 2024 **decision** in Tornetta v. Musk and its February 2024 **ruling** in Palkon v. Maffei, that have imposed additional scrutiny and risk on decisions made by boards and management, particularly in the context of controlling stockholder transactions.

Delaware continues to be the predominant jurisdiction of choice for corporations — approximately 64% of the S&P 500 companies are incorporated in Delaware. But since last year, a handful of large, high-profile companies have left Delaware, are taking steps to leave Delaware or are considering leaving Delaware, mainly for Nevada, and, to a lesser extent, at least up to this point, Texas.

The changes recently adopted in Texas could cause some corporations to take another look at that state. Those key changes to the Texas Business Organizations Code reflected in S.B. 29 are summarized below.

Codifying the Business Judgment Rule — New Section 21.419

The Texas amendments codify the business judgment rule, similar to Nevada's business judgment rule statute, such that the directors and officers of a Texas corporation that is listed on a national securities exchange or affirmatively elects to be governed by this provision in its governing documents will be presumed to be acting "(1) in good faith; (2) on an informed basis; (3) in furtherance of the interests of the corporation; and (4) in obedience to the law and the corporation's governing documents."

Also similar to Nevada, under Texas' new business judgment rule statute,



David Bell



Ran Ben-Tzur



Dean Kristy

Neither a corporation nor any of the corporation's shareholders [will have] a cause of action against a director or officer of [a Texas] corporation as a result of any act or omission in the person's capacity as a director or officer unless:

(1) the claimant rebuts one or more of the [business judgment rule] presumptions ... ; and

(2) it is proven by the claimant that:

(A) the director's or officer's act or omission constituted a breach of one or more of the person's duties as a director or officer; and

(B) the breach involved fraud, intentional misconduct, an ultra vires act, or a knowing violation of law.

In other words, the business judgment rule statute clarifies that — unlike in Delaware — gross negligence is not enough to find a breach of the duty of care. The amendments also provide that in alleging fraud, intentional misconduct, an ultra vires act or a knowing violation of the law, a party must state with particularity the underlying circumstances.

Also notable is the fact that the amendments extend the statutory protection to officers — which the current Texas Business Organizations Code does not permit — and the amendments do not specifically carve out a breach of the duty of loyalty, unlike Delaware law which does not permit a corporation to exculpate a breach of the duty of loyalty.

The amendments also extend the business judgment rule presumption and protections to limited liability companies and limited partnerships that are listed on a national stock exchange or that affirmatively elect to be governed by these provisions in their governing documents.

Derivative Proceedings — Changes to Subchapter L

Beneficial Ownership Requirement

A new Subsection (3) to Section 21.552(a) provides that a shareholder desiring to bring a derivative action involving a corporation "listed on a national securities exchange or a corporation that has made an affirmative election to be governed by [the business judgment rule statute] or has 500 or more shareholders" must at the time of bringing the proceeding "beneficially own a number of shares sufficient to meet the required ownership threshold ... identified in the corporation's certificate of formation or bylaws, provided that the required ownership threshold does not exceed three percent of the outstanding shares of the corporation."

This provision will be a welcome change for many corporations whose directors or officers face derivative actions from stockholders that may hold as little as one share.

Independence Determination by Court

New Sections (c) and (d) to Section 21.554 provide a process for a corporation to petition the court — in which a derivative proceeding has been instituted, or in the business court if no derivative proceeding has been instituted, before the corporation's determination of how to proceed on allegations made in a demand or petition relating to a derivative proceeding — to request a determination as to whether the directors identified or appointed to make such determination on how to proceed are independent and disinterested with respect to the allegations made in the demand.

No Attorney Fees for Disclosure-Only Settlement

New Section 21.561(c) provides that in cases where a derivative lawsuit results in a disclosure-only settlement, no attorney fees will be permitted.

Texas as Exclusive Forum and Venue for Internal Disputes — Amended Section 2.115(b)

Texas corporations may now specify in their governing documents "that one or more courts in [Texas] having jurisdiction shall serve as the exclusive forum and venue for any internal entity claims."

Ability to Waive Jury Trials — New Section 2.116

Texas corporations may now include in their governing documents an enforceable "waiver of the right to a jury trial concerning any internal entity claim."

Under the current laws in Texas, parties have the right to a jury trial when required by the Texas Constitution. Prior to the adoption of S.B. 29, this had been viewed as a potential drawback to Texas incorporation or reincorporation. The amendments eliminate this concern.

Restrictions on Books and Records Demands — Amended Section 21.218

The amendments clarify that "e-mails, text messages or similar electronic communications, or information from social media accounts" are not considered records for purposes of a books and records demand.

The amendments also clarify that a written demand for books and records may not replace discovery in certain actions.

Delaware also **recently amended** its books and records demand provision to limit the scope of materials that may be requested by stockholders to a specific list of items. Notably, the list does not include emails, text messages or informal board communications — a pivotal change for Delaware corporations, putting Delaware and Texas on equal footing in this area.

Appointment of Committee of Independent and Disinterested Directors — New Sections 21.416(g) and 21.4161

The amendments permit a board of directors of a corporation listed on a national securities exchange, or a corporation that has made an affirmative election to be governed by the business judgment rule statute, to form "a committee of independent and disinterested directors to review and approve transactions, whether or not contemplated at the time of the committee's formation ... involving the corporation or any of its subsidiaries and a controlling shareholder, director, or officer."

They also provide a process for petitioning the court to make a dispositive determination that such directors "are independent and disinterested with respect to any transactions involving the corporation or any of its subsidiaries and a controlling shareholder, director, or officer."

The petition must be filed in the business court — or the applicable district court depending on the corporation's principal place of business in the state — and "the corporation shall give notice to the corporation's shareholders" that such a petition has been filed, which may be accomplished by filing a current report with the U.S. Securities and Exchange Commission if the corporation is listed on a national securities exchange.

It remains to be seen whether corporations will actually take advantage of this provision, given that doing so would require them to publicly disclose the formation of a committee, which could, in turn, tip the public that a transaction is forthcoming.

Protections for Officers and Directors in Interested Transactions — New Subsection (f) to Section 21.418

The amendments shield the officers and directors of a corporation listed on a national securities exchange, or a corporation that has made an affirmative election to be governed by the business judgment rule statute, from any cause of action brought by shareholders "for breach of duty with respect to the making, authorization, or performance of [a] contract or transaction because the director or officer had [an] ... interest" in the transaction.

That's the case regardless of whether the transaction is approved by the majority of the disinterested directors or committee members, or by the shareholders (as described in Section 21.418), unless the action is permitted by the business judgment rule statute — i.e., the plaintiff can establish a breach of a fiduciary duty, which involved fraud, intentional misconduct, an ultra vires act, or a knowing violation of law.

The Texas safe harbor afforded by this amendment differs significantly from an amendment recently adopted in Delaware that protects officers, directors, and controlling stockholders and control groups from liability in connection with related-party, or interested, transactions so long as the corporation complies with the specific processes described in the statute.

The safe harbor provided by the Texas amendment is not subject to the corporation's compliance with any procedural requirements. However, it should be noted that the safe harbor afforded to officers and directors by the Texas amendment does not specifically extend to controlling stockholders or control groups, unlike the Delaware amendments.

Elimination of Class Voting — Amendments to Sections 21.364 and 21.365

The amendments permit a Texas corporation to waive in its certificate of formation any requirement for separate voting by class or series, including in connection with the "increase or decrease of the aggregate number of authorized shares of the class or series" and the approval of "any fundamental action or fundamental business transaction."

Takeaways

It remains to be seen whether the newly adopted Texas Business Organizations Code amendments will cause more Delaware companies to consider reincorporation, and whether Texas will now compete with or even displace Nevada as the most desirable alternative to Delaware.

Delaware has attempted to address some of the concerns raised by companies that have reincorporated or are considering reincorporation out of the state by adopting significant amendments to its General Corporation Law in **2024** and 2025, aimed at providing greater clarity and predictability to corporate fiduciaries, but it remains to be seen whether these changes will be enough for Delaware to maintain its reputation as the preferred state for corporate domicile, particularly in light of the significant changes adopted and being proposed in Texas.

The Council of the Corporation Law Section of the Delaware State Bar Association and the Delaware General Assembly are considering additional updates to Delaware's corporate law and would be well-served to consider revisions to effectively address some of the issues being addressed by Texas and Nevada — even if done by other means or with variations in the specifics.

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Fenwick counsel Wendy Grasso contributed to this article.

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[1] <https://gov.texas.gov/news/post/governor-abbott-signs-pro-growth-business-legislation-into-law>.



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Investor Seeks NY Court's Help In Sinovac Control Battle

By **Caroline Simson**

Law360 (June 13, 2025, 7:25 PM EDT) -- An investor is asking a New York federal court for emergency injunctions preserving the status quo as it pursues arbitration in Hong Kong and Beijing stemming from a bitter, yearslong battle for control of Chinese vaccine maker Sinovac.

Prime Success LP, which owns approximately 8.14% of Sinovac Biotech Ltd.'s stock and describes itself as a "major" shareholder in the Chinese pharmaceutical giant, argued in its petition Thursday that it needs the court's help as it pursues the arbitrations over actions by "hostile activist shareholders" to deprive Prime Success of both its right to vote and also hundreds of millions of dollars in dividends.

Sinovac has now, at the direction of those shareholders, initiated litigation in Antigua seeking to avoid the arbitrations, Prime Success told the court.

Prime Success is seeking orders barring Sinovac from taking any action to deprive it of its rights as a shareholder and prohibiting the Chinese company from pursuing the litigation in Antigua.

"In short, petitioner will be irreparably harmed if Sinovac were allowed to invalidate, cancel, set aside, or delete Prime Success's shares, or deprive Prime Success of its corresponding right to vote and receive dividends, or pursue such relief in Antigua, when the ultimate validity of the [securities purchase agreement] must be determined in the [Hong Kong] arbitration," the petition says. "The issuance of a status quo and anti-suit injunction is warranted."

The shareholders in question include embattled firm 1Globe Capital LLC, which, alongside its owner Jiaqiang "Chiang" Li, **agreed** in 2020 to pay \$290,000 to settle U.S. Securities and Exchange Commission claims that they failed to disclose their increasing stake in Sinovac Biotech as they sought to clean house at the Chinese biopharmaceutical company through an attempted board takeover.

1Globe and another investor, OrbiMed Advisors LLC and OrbiMed Capital LLC, currently control three of the company's four directors, giving them plenary power over the company, Prime Success' petition says.

Counsel for Prime Success and representatives for Sinovac could not immediately be reached for comment on Friday. In a Thursday statement to its investors, however, Sinovac said that Prime Success and another investor involved in the Hong Kong arbitration, Vivo Capital LLC, had launched a "hostile attempt to remove the Sinovac board."

"Prime Success and Vivo Capital are not legitimate shareholders of the company," Sinovac continued. "Their ownership is the result of an invalid private investment in public equity, which is in the process of being unwound."

Sinovac says this prior investment was authorized by an "illegitimate former board."

Prime Success first invested in Sinovac in 2018, with an initial \$43 million purchase of company shares. It followed that up with another \$7.5 million investment in May 2020, funds that were earmarked for research into a COVID-19 vaccine. Sinovac subsequently developed a COVID vaccine called CoronaVac, which became the most-used COVID vaccine in the world, the petition says.

The company alleges that 1Globe and the OrbiMed entities are trying to seize all the value that its investments created. These investors have initiated litigation in Antigua to invalidate investment agreements inked by Prime Success and Vivo Capital, according to Prime Success.

These investment agreements and other documents inked by the companies stipulate that disputes are to be resolved Hong Kong International Arbitration Centre under Hong Kong law or the China International Economic and Trade Arbitration Commission in Beijing, according to the petition.

Prime Success is represented by K. McKenzie Anderson, Michael Swartz, Rachel E. Epstein, Morgan L. Anastasio, B. Dylan Proctor, Zach Meeker, Sarah Heaton Concannon and Gregg Badichuk of Quinn Emanuel Urquhart & Sullivan LLP.

Counsel information for Sinovac wasn't available on Friday.

The case is Prime Success LP v. Sinovac Biotech Ltd. et al., case number 1:25-cv-04989, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Jack Queen. Editing by Jay Jackson Jr.

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Ore. Coinbase Case Charts New Path For State Crypto Suits

By **Michelle Kallen, Neel Chopra and Coy Garrison** (June 13, 2025, 4:02 PM EDT)

On April 18, Oregon Attorney General Dan Rayfield **filed** a complaint against Coinbase Inc. and Coinbase Global Inc. for alleged violations of Oregon securities laws. Two months earlier, the U.S. Securities and Exchange Commission **dismissed** its lawsuit against Coinbase for alleged violations of federal securities laws.

The Oregon lawsuit serves as a reminder for the crypto industry that not all states will simply defer to the SEC's evolving stance on its jurisdiction over crypto-assets. While the Trump administration's open embrace of cryptocurrency may signal relief at the federal level, much of the battleground has shifted to the states.

This article highlights the key distinctions between the Oregon complaint and the prior SEC litigation, and provides insights on how litigating in state court against a state attorney general requires distinct considerations.

The Oregon Complaint

The Oregon complaint seeks to hold Coinbase liable for the unregistered sale of crypto-assets on the Coinbase platform. Specifically, Oregon alleges that "Coinbase successfully solicits, participates in, and materially aids the sale of unregistered securities to Oregonians" through the Coinbase platform.

The complaint identifies 31 "crypto securities" that it asserts are being "offered and sold as investment contracts with Coinbase's participation or material aid." Oregon's lawsuit relies on three statutes:

1. Oregon Revised Statutes Section 59.055, which prohibits the offer or sale of unregistered or nonexempt securities;
2. Oregon Revised Statutes Section 59.115(1)(a), under which a person is liable for "sell[ing] or successfully solicit[ing] the sale of a security ... in violation of the Oregon Securities Law" including Section 59.055; and
3. Oregon Revised Statutes Section 59.115(3), under which "every person who participates or materially aids in the sale is also liable jointly and severally with and to the same extent as the seller." The nonseller may avoid liability if they can prove they "did not know, and, in the exercise of reasonable care, could not have known, of the existence of facts on which the liability is based."

Oregon seeks relief in the form of:

- An order permanently enjoining Coinbase from the unlawful conduct described;
- \$20,000 for each violation of the Oregon Securities Law;



Michelle Kallen



Neel Chopra



Coy Garrison

- Restitution and/or damages in an amount to be proven at trial;
- An order requiring Coinbase to disgorge gains or profits derived from the sale of unregistered securities to Oregon residents;
- Pre- and postjudgment interest;
- Costs and expenses, including reasonable attorney fees; and
- Any other relief "as may be deemed just and proper under the circumstances."

Rather than select his own staff to represent the state — as is the typical practice in state attorney general offices — the Oregon attorney general retained the services of two plaintiff-side private law firms to represent the state in connection with the lawsuit.

The Oregon complaint and the prior SEC complaint both rely on the theory that the crypto-assets available for trading on the platform are allegedly investment contracts and therefore securities. Not surprisingly, the Oregon complaint appears to borrow heavily from allegations in the SEC's complaint relating to the Howey test analysis, derived from the U.S. Supreme Court's 1946 decision in *SEC v. W. J. Howey Co.*, for the crypto-assets that are cited as examples of alleged investment contracts in both complaints.

However, the complaints take different approaches in alleging how Coinbase's activities implicate the securities laws.

Oregon frames Coinbase's activities through the prism of the sale of securities, alleging that the entity solicits, participates in and materially aids the unregistered sale of securities on its platform. In contrast, the SEC's complaint primarily focused on the company's role as an intermediary to crypto-asset transactions, alleging that Coinbase operated as an unregistered exchange, broker-dealer and clearing agency.

Despite Oregon's focus on Coinbase's alleged role in the sale of securities, the complaint does not allege that Coinbase's staking program constitutes an unregistered securities sale.

Differences in Litigating Against a State Attorney General Versus Against the SEC

Aside from the substantive differences in the Oregon and SEC complaints, litigating in state court against a state attorney general involves distinct strategic considerations and knowledge of the terrain.

Impact of Federal Holdings on State Court Litigation Under State Law

Oregon law is not beholden to federal jurisprudence.

Even though the U.S. District Court for the Southern District of New York **held** in July 2023 that "programmatic sales" of Ripple Labs' XRP tokens to public buyers did not constitute the sale of unregistered securities under federal law, Oregon's complaint offers algorithmic programmatic sales of XRP as proof that Coinbase offered and sold unregistered securities under Oregon law. That federal decision is not binding on an Oregon state court.

To be sure, Oregon law — like securities law in other states — to some extent incorporates federal Howey jurisprudence, but Oregon's complaint against Coinbase serves as a reminder that entities and persons who could be subject to such suits cannot simply assume state attorneys general — or state courts — will necessarily follow analogous rulings under federal law.

Interested parties should be prepared for states to advance the argument that some tokens or sales of certain tokens may still be considered a sale of an unregistered security under state law, even if federal case law has reached a different conclusion.

Preemption

With federal cryptocurrency legislation in the works in both houses of Congress, state attorneys general advancing theories in tension with the pending bills may face federal preemption issues.

If the federal legislation that undermines these theories is enacted, the applicability of preemption will turn on whether the legislation addresses the preemption issue expressly or the extent to which the state theory undermines federal law.

Entities and individuals under state attorney general scrutiny should ensure they are prepared to address nuanced preemption arguments, which will likely be a key element in any effective defense strategy.

Navigating State Attorney General Offices

State attorney general offices function differently from federal agencies like the SEC. State attorneys general often have less funding to support litigation, and their bench of staff with a securities focus is typically less deep than at the SEC. Whereas the SEC **had** a dedicated unit focused on crypto enforcement actions, state attorney general offices may have a single person focused on such work.

Indeed, the limited capacity of the office may explain why Oregon's attorney general hired outside counsel — likely on contingency — to represent it in this case.

Understanding these dynamics is critical. Outside counsel may be less sensitive to the attorney general's political priorities, and they may engage in more aggressive litigation tactics than counsel who regularly represent the government. Where the litigation strategies of outside counsel may diverge from the policy goals of the attorney general's office, defendants may be able to negotiate directly with the state agency staff and officials.

Companies facing state attorney general suits brought by private counsel may want to build an informed and tailored engagement strategy, factoring in the dynamics of the attorney general's office and the priorities driving the enforcement actions.

Multistate Dynamics

Where there is one attorney general, there are likely others. State attorney general's offices often coordinate with each other, especially when it comes to new and evolving technology.

Oregon's lawsuit seeking to fill the "enforcement vacuum" the attorney general perceived from the SEC's decision to drop its enforcement action against Coinbase may be the first of multiple suits. And, although a decision in Oregon state court interpreting Oregon law will not be binding on other states, any decision in the Oregon case will likely be persuasive in other cases advancing similar theories.

Defendants involved in multistate actions should carefully monitor the collaborative efforts of state attorney general's offices, as information sharing and coordination can lead to concurrent or successive litigation efforts across multiple jurisdictions.

Other Tools

Defendants in state attorney general matters should familiarize themselves with the unique obligations, tools and enforcement mechanisms often used by these offices to shape effective strategies.

For example, state laws analogous to the Freedom of Information Act can provide an avenue to better understand the state's strategy and potentially its relationship with outside counsel. Some state FOIA laws, for example, may call for the disclosure of contingency arrangements with outside counsel.

Another example is a tool unique to state attorneys general: state attorney general opinions. In many states, attorneys general serve a judicial-like function where they publish opinions interpreting state or federal law. Although these opinions are typically nonbinding, they are often persuasive,

especially in areas where there is little case law on point.

Attorney general opinions can also serve as a tool to make it difficult for future attorneys general to take action in tension with the legal conclusion of the attorney general opinion. A new attorney general, at the very least, would have to expend significant political capital explaining the divergence from the prior attorney general opinion.

Conclusion

State attorneys general skeptical of crypto may seek to carry forward the theories recently abandoned by the SEC. Such state attorneys general are likely to consider bringing copycat actions against crypto industry participants in the coming months.

While the crypto industry is no stranger to litigation from regulators, it needs a new toolkit to prepare for the unique challenges posed by state attorneys general. The pursuit of regulatory clarity at the federal level must be accompanied by a clear-eyed assessment of litigation risk at the state level, and the development of the capabilities necessary to mitigate such risk or to handle state litigation when it arises.

As the focus on cryptocurrency enforcement shifts to state levels, stakeholders should proactively assess the risks posed by state-level litigation and develop strategies to address the distinct challenges often associated with these types of cases.

Michelle Kallen is co-chair of the appeals and advocacy practice at Steptoe LLP. She previously served as solicitor general of Virginia.

Neel Chopra is a partner at Steptoe.

Coy Garrison is a partner at the firm. He previously served in several advisory roles at the SEC.

Steptoe partner Chris Conte and associate Vito Arethusa contributed to this article.

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\$69M UnitedHealth 401(k) Deal Gets Green Light

By **Patrick Hoff**

Law360 (June 13, 2025, 1:49 PM EDT) -- A Minnesota federal judge granted final approval to a \$69 million settlement agreement ending a class action claiming UnitedHealth Group kept underperforming funds in its 401(k) plan to preserve a business relationship with Wells Fargo.

Following an eight-minute hearing Thursday, U.S. District Judge John R. Tunheim, in a text-only order, approved the deal, which includes \$23 million in attorney fees and reimbursement of over \$735,000 in litigation expenses. The agreement also provides a \$50,000 service award for Kim Snyder, the former UnitedHealth employee leading the Employee Retirement Income Security Act case.

Charles Field, who is representing Snyder and the class, told Law360 that the only questions Judge Tunheim posed to the class counsel were related to two letters the court received about how the funds should be distributed to those closer to retirement. According to Field, he told the court that the agreement's allocation formula takes into account how long people have saved and which funds they invested in.

"So if they had been in the plan for a long time, and they were nearing retirement and they own these funds, they're probably going to get more than others," Field said.

UnitedHealth Group said in a statement Friday to Law360 that "plan fiduciaries have always acted in the best interests of plan participants and we deny any allegations to the contrary; nevertheless, this settlement allows all parties to put this matter behind them and move on."

Snyder filed her suit against UnitedHealth in April 2021, claiming the insurance company refused to remove an underperforming suite of Wells Fargo investment funds from its 401(k) plan because it didn't want to jeopardize its lucrative business relationship with the banking firm.

According to Snyder's complaint, the funds were designated as the plan's default investment option, but they performed worse than 70% to 90% of comparable funds over the course of a decade, costing plan participants millions of dollars in potential retirement savings.

Judge Tunheim **granted class certification** in February 2022, allowing Snyder to represent the approximately 350,000 UnitedHealth employees who'd kept money in the 401(k) plan since April 23, 2015.

Two years later, in March 2024, Judge Tunheim **largely denied** UnitedHealth's summary judgment bid, ruling genuine disputes of material fact remained over whether the company breached ERISA's fiduciary duties of prudence and loyalty. UnitedHealth and Snyder subsequently struck a deal to resolve the case, and earlier this month, they **asked the court** to provide final approval to the settlement.

Field told Law360 that Snyder, who flew from Detroit to attend Thursday's hearing, has been intimately involved in the case at every step for the past four years and that he "couldn't ask for a better client to have."

"It's been ... a tough litigation to go through, and she's been there throughout the whole time supporting the case," Field said. "She wanted to be there. She wanted to see that her hard work paid off."

The class is represented by Leigh Anne St. Charles, Kevin H. Sharp, Brent Hannafan, David McNamee, Charles Field and David Sanford of Sanford Heisler Sharp LLP and by Susan M. Coler of Halunen Law.

UnitedHealth Group Inc. is represented by Craig S. Primis, K. Winn Allen and Madelyn A. Morris of Kirkland & Ellis LLP and by Martin S. Chester, Deborah A. Ellingboe and Drew M. Horwood of Faegre Drinker Biddle & Reath LLP.

The case is Snyder v. UnitedHealth Group Inc. et al., case number 0:21-cv-01049, in the U.S. District Court for the District of Minnesota.

--Editing by Neil Cohen.

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Quinn Emanuel Drops Binance Founder Amid \$8M Fraud Suit

By **Chris Villani**

Law360 (June 13, 2025, 8:00 PM EDT) -- Quinn Emanuel Urquhart & Sullivan LLP has withdrawn as counsel for the founder of Binance amid an \$8.1 million lawsuit against him, telling a Massachusetts federal judge that the former cryptocurrency exchange executive has breached an agreement with the law firm and moved for arbitration against it.

The eight-person Quinn Emanuel team did not specify the nature of its falling out with Changpeng Zhao, but filed a motion Tuesday to withdraw as his attorneys as he faces claims that he let criminal syndicates run fraud schemes through the Binance exchange by flouting laws against money laundering and money transmitting.

U.S. District Judge Nathaniel M. Gorton **allowed** them to withdraw from the case Thursday, writing the words "motion allowed" along with his name on the proposed order the firm submitted.

Quinn Emanuel partner Avi Perry told the judge the firm informed Zhao it was exiting the case and would help transition the case to whomever takes over, but said his firm had to step aside.

"Mr. Zhao has breached the material terms of his engagement agreements with Quinn Emanuel, and he has created adversity by filing an arbitration against Quinn Emanuel," Perry wrote. "As a result, Quinn Emanuel has terminated its representation of Mr. Zhao and cannot continue to represent Mr. Zhao in this matter."

Perry did not respond to a comment request Friday. An attorney representing the plaintiffs declined to comment on the falling out.

Zhao faces a lawsuit that Leonard Licht, a widower and resident of Plano, Texas, brought in 2024 alleging he lost \$2.7 million — nearly all his life savings — in 2021 and 2022 after falling victim to a so-called pig-butcher scheme run by a criminal syndicate based in Cambodia. He is seeking three times that amount, or \$8.1 million, plus attorney fees.

Licht said the syndicate convinced him to invest in a nonexistent crypto-mining operation and then used Binance to withdraw the funds he originally sent in the form of the Tether cryptocurrency, before vanishing "into thin air."

Binance Holdings Ltd., its U.S. division, BAM Trading Services, and Zhao "provided the figurative 'getaway car'" for the criminal operators by not following federal law for money-transmitting businesses, the suit contended.

Zhao stepped down as CEO of the company he started in 2023 after pleading guilty to flouting money laundering laws and running an unlicensed money-transmitting business. The exchange agreed to pay \$4.3 billion to end an investigation by the U.S. Department of Justice.

In May 2025, the U.S. Securities and Exchange Commission dropped its case against Binance, continuing a trend in which crypto companies have seen the SEC walk away from cases or investigations into their activities since President Donald Trump took office in January and Republicans took power at the commission.

Zhao served a four-month prison sentence after pleading guilty. He said on a podcast earlier this

spring that he has appealed to Trump for a pardon.

In the leadup to Zhao's and the company's guilty pleas in the criminal case, Binance touted its legal compliance and work with law enforcement to squelch pig-butcher schemes, a type of crypto fraud that occurs when a scammer convinces a victim to send funds to a purported crypto investment opportunity with the promise of high returns before absconding with the money. Binance said it was able to identify and fight illicit actors and stop them from withdrawing "ill-gotten gains" from the exchange.

Licht is represented by Aaron M. Katz, Keira Zirngibl and Patrick Dolan of Aaron Katz Law LLC and Eric Rosen and Constantine P. Economides of Dynamis LLP.

Counsel information for Binance and Zhao was not immediately available.

The case is Licht v. Binance Holdings Limited et al., case number 1:24-cv-10447, in the U.S. District Court for the District of Massachusetts.

--Additional reporting by Brian Dowling and Jessica Corso. Editing by Covey Son.

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Social Media Addiction MDL Judge Picks Bellwether Trial Pool

By **Dorothy Atkins**

Law360 (June 13, 2025, 9:56 PM EDT) -- A California federal judge on Friday narrowed the pool of cases set for the first bellwether trials in sprawling multidistrict litigation by school districts and personal injury plaintiffs over claims social media is addictive, choosing six bellwether school districts in Maryland, Georgia, Kentucky, New Jersey, North Carolina and Arizona.

U.S. District Judge Yvonne Gonzalez Rogers' selections came during a hearing in the litigation **consolidated in 2022** over claims by hundreds of personal injury plaintiffs, schools and attorneys general that YouTube LLC, Meta Platforms Inc. and other social media giants design their multibillion-dollar revenue-generating platforms like Facebook and Instagram to be addictive, to the detriment of minors' health and livelihoods.

As discovery in the MDL is drawing to a close, the parties have each selected a group of cases that they want tried first, and on Friday, Judge Gonzalez Rogers said she had reviewed their selections. Most of the details of the individual cases are under seal or redacted.

Judge Gonzalez Rogers selected three defense case picks and three plaintiff school district case picks for six bellwether trials in total.

Judge Gonzalez Rogers said she wanted bellwether trials that represent different demographic areas across the country, and communities with varied socioeconomic backgrounds, so the outcome of the trials will be useful to the parties in assessing the strength of the claims and in negotiating how to resolve the remaining cases.

Judge Gonzalez Rogers rejected a proposal for a Utah school district plaintiff for a bellwether trial because of unique factors affecting the state. She instead chose school districts in Hartford, Maryland, and in Georgia and Kentucky, which the judge observed reflect "high, medium and low-income" school districts.

She also selected a school district in Irvington, New Jersey, in part because of the diversity of its student body, which is nearly entirely from underrepresented communities.

Judge Gonzalez Rogers also heard arguments from the parties on whether she should select a school district in Tucson, Arizona, which has a student body that is predominantly Latino, or one in Charleston, North Carolina, which has an ethnically mixed student body.

In the end, the judge added both to the bellwether pool. In ruling, the judge rejected TikTok counsel's arguments that Tucson's history of racial segregation makes the district stand out from others and thus makes it unsuitable as a test case.

The judge said she's "not convinced at all" that historical desegregation policies have anything to do with the claims at issue in the MDL.

"The argument is denied on that ground," Judge Gonzalez Rogers told counsel. "I don't have a lot of time, and I don't want to sit here and hear you argue something irrelevant."

The judge also noted that she plans to send a rural school district bellwether case to be tried at the federal courthouse in Eureka, California, near the Oregon border, which will draw jurors from similar

rural communities.

Regarding the personal injury plaintiffs' bellwether trials, the judge narrowed the pool from seven to five, after the parties had agreed on three of those cases to be tried first.

Of those five, Judge Gonzalez Rogers chose two plaintiff bellwether cases, including one brought by Nuala Mullen, who has appeared on news outlets with her mother discussing her anorexia and body dysmorphia, which she claims were caused by social media addiction.

"I'm inclined to let Mullen in the pool," the judge said. "There are pros and cons when people become a little too public with their claims."

However, Judge Gonzalez Rogers added that publicizing claims doesn't necessarily disqualify a plaintiff from serving as a bellwether test case.

The judge refused to include in the bellwether pool a case in which the named plaintiff with anorexia recently had a relapse. The judge noted that testifying can trigger trauma, saying, "I will not do that to that individual."

However, the plaintiff's attorney, Annie Kouba of Motley Rice LLC, argued that her client still wants to proceed to trial and that the defendants mischaracterized her current state after her relapse. Kouba added that not going forward would be even more distressing to her client and could trigger further relapse, and she noted that anorexia is a lifetime disease, so her client's case is more representative of the issues at stake than others'.

Judge Gonzalez Rogers said she would reconsider the plaintiff's case if one of the chosen bellwethers gets dropped and after discovery has been finalized. That will give the plaintiff more time to recover, the judge said, but she emphasized that testifying on the stand comes with its own stressors.

"I have tried multiple criminal cases with women who were sexually abused at our local prisons, and it is difficult sitting on that stand," Judge Gonzalez Rogers said. "Undergoing cross-examination in a federal court is not easy, so I will not do it at this junction, but I won't say never if something opens up."

During the hearing, defense counsel asked the court to exclude multiple plaintiffs on statute of limitation grounds. Meta's counsel, Gregory L. Halperin of Covington & Burling LLP, said one of the bellwether plaintiffs in Pennsylvania with body dysmorphia and an eating disorder wrote in a journal over four years ago that social media "messes with my mind" and makes her think she's not beautiful. She also wrote at the time that social media "broke me down to pieces leaving [me] vulnerable" to eating disorders, according to Halperin.

Halperin argued that the journal entry shows she was on notice of her claims, and she should have sued earlier.

But Judge Gonzalez Rogers held off on deciding any statute-of-limitations arguments, saying the defendants can seek summary judgment on those arguments, but she wouldn't exclude the plaintiff outright from the bellwether pool.

The judge also said she is aware of an ongoing discovery dispute between the plaintiffs and YouTube over YouTube's relevance redactions, and the judge indicated that she may end up weighing in on the dispute.

She said she has also been in touch with U.S. Magistrate Judge Peter H. Kang **following his ruling** on Thursday ordering YouTube to provide him with unredacted versions of documents so he could review them to determine whether the redactions were proper or in bad faith.

The personal injury plaintiffs and school district plaintiffs were represented during the hearing by Lexi J. Hazam and Kelly K. McNabb of Lieff Cabraser Heimann & Bernstein LLP and Michael M. Weinkowitz of Levin Sedran & Berman LLP, Austin P. Brane of Wagstaff & Cartmell LLP, Esther E. Berezofsky and Annie Kouba of Motley Rice LLC, Michael A. Innes of Carella Byrne Cecchi Olstein Brody Agnello PC and Allen Craig Eiland of the Law Offices of A. Craig Eiland.

Meta was represented during the hearing by Ashley Margaret Simonsen, Paul William Schmidt and Gregory Lawrence Halperin of Covington & Burling LLP.

TikTok was represented during the hearing by Bailey J. Langner of King & Spalding LLP.

YouTube was represented during the hearing by Joseph Andrew Keyes of Williams & Connolly LLP.

The MDL is In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation, case number 4:22-md-03047, in the U.S. District Court for the Northern District of California.

--Additional reporting by Jonathan Capriel. Editing by Linda Voorhis.

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Apple Lets Crypto Fraud Schemes Onto App Store, Suit Says

By **Katryna Perera**

Law360 (June 13, 2025, 8:01 PM EDT) -- Apple has been hit with a class action in California federal court alleging it allows fraudulent cryptocurrency trading applications to exist and be available for download on its App Store, causing consumers to become victims of pig butchering and other trading scams.

Danyell Shin says in a **complaint** filed Thursday that Apple authorized and maintained "malicious" applications in its App Store and misrepresented that all the apps available for download in the App Store are thoroughly vetted and safe and secure for consumers.

According to the complaint, Apple has consistently promoted the thoroughness of its App Store's vetting process and stated that apps undergo "human review" for malware, privacy concerns and other security risks.

For cryptocurrency trading apps, in particular, the complaint states Apple has represented that those apps are appropriately licensed and come from approved financial institutions in compliance with applicable laws.

"Given this promotion, a reasonable consumer would assume that apps made available for download are free from fraudulent or malicious intent, especially for highly regulated fields like finance and digital asset trading," the complaint states.

"Apple's assertions regarding the safety and legitimacy of App Store apps thus serve a dual purpose: enhancing the appeal of Apple's ecosystem while driving hardware sales," the complaint states. "Apple profits not only from app sales or in-app purchases but also from free apps because Apple profits significantly from the added value that this perceived security brings to its devices, making the continued representation of app safety integral to Apple's market strategy and business growth."

But apps do not always go through the rigorous vetting process that Apple claims, according to the complaint. In Shin's case, she and other consumers downloaded the Swiftcrypt app, which turned out to be a "spoofing" program "created for the sole purpose of stealing fiat and cryptocurrency by obtaining consumers' account information and thereafter routing class members' assets to the perpetrators' personal accounts," the suit says.

According to the complaint, "after relying on Apple's representations about the safety and vetting of apps in the App Store," Shin downloaded the Swiftcrypt app, began transferring money into what she believed was her account and bought and traded cryptocurrency and initial coin offerings.

Beginning in September, the complaint states Shin transferred roughly \$80,000 into the Swiftcrypt app and by January, Shin's Swiftcrypt account "appeared to have increased" to \$421,000.

However, her account was suddenly locked on Jan. 14, and her assets in the account were frozen, the complaint states. A few days later, the app became nonfunctional and nonresponsive, after which Shin learned the app was not legitimate, not in compliance with legal requirements "and it did not comport with Apple's represented standards and vetting processes for a cryptocurrency app."

"The Swiftcrypt app was part of a 'pig butchering' scam and the more than \$80,000 that plaintiff had

deposited was gone," the complaint states.

In addition, the complaint says neither Shin nor any other Swiftcrypt app users were notified by Apple that it was a fraudulent app.

The suit was filed on behalf of a proposed class of all individuals who downloaded a cryptocurrency trading app from the Apple App Store and whose funds were stolen from the app by the app developers or agents working on their behalf.

The suit seeks damages, attorney fees and a jury trial.

In a statement to Law360 Friday, an Apple spokesperson said the App Store was created to be a "safe and trusted place for users and a great business opportunity for developers."

"We invest significantly to deliver the most secure experience and are constantly working to combat fraud and prevent risky software from reaching users," the spokesperson said. "Last year, we prevented over \$2 billion in fraudulent transactions and terminated more than 146,000 developer accounts over fraud concerns. We'll continue working around the clock to provide users and developers the safest and most secure experience on the App Store."

Counsel for Shin did not immediately respond to requests for comment Friday.

Shin is represented by Timothy G. Blood, Leslie E. Hurst, Thomas J. O'Reardon II and Adam M. Bucci of Blood Hurst & O'Reardon LLP and Ben Barnow and Anthony L. Parkhill of Barnow and Associates PC.

Counsel information for Apple was not immediately available.

The case is Shin v. Apple Inc., case number 5:25-cv-05000, in the U.S. District Court for the Northern District of California.

--Editing by Drashti Mehta.



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Ex-Vinco Ventures Chair Inks SEC Deal Over Investor Fraud

By **Emilie Ruscoe**

Law360 (June 13, 2025, 8:01 PM EDT) -- A former chairman of media and technology company Vinco Ventures Inc. who in April copped to lying about company operations and secretly ceding control of the business to his romantic partner has reached an agreement to end parallel U.S. Securities and Exchange Commission allegations.

In a proposed judgment filed alongside its allegations Friday, the SEC seeks an officer and director ban for Roderick Vanderbilt, who in April **pled** guilty to a securities fraud conspiracy charge in response to criminal allegations similar to the SEC's.

The bifurcated settlement states that the regulator would wait until later to seek any disgorgement, prejudgment interest and civil penalty it wanted Vanderbilt to pay as he awaits judgment in the criminal case.

At his April plea hearing in Miami federal court, Vanderbilt told U.S. District Judge David Leibowitz that he had been put in his Vinco role despite being unqualified for it by Theodore Farnsworth, who is described in filings as Vanderbilt's "long-time business associate and former romantic partner."

Farnsworth, whose company Helios & Matheson Analytics Inc. is the parent company of ill-fated cinema subscription company MoviePass, has separately pled guilty to charges that he lied to investors about MoviePass' business, notably by stating the company's "unlimited" monthly cinema-going flat fee subscription plan would be sustainable and profitable. Former MoviePass CEO J. Mitchell Lowe has also pled guilty in connection with the scheme.

The SEC is represented in-house by Travis Hill.

Vanderbilt is represented by John Priovolos of John Priovolos PA.

The case is Securities and Exchange Commission v. Vanderbilt, case number 1:25-cv-04994, in the U.S. District Court for the Southern District of New York.

--Editing by Kristen Becker.

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