

Edison seeks delay in shareholder wildfire lawsuit dismissal

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[dailyjournal.com/articles/386232-edison-seeks-delay-in-shareholder-wildfire-lawsuit-dismissal](https://www.dailyjournal.com/articles/386232-edison-seeks-delay-in-shareholder-wildfire-lawsuit-dismissal)

Jun. 19, 2025

Edison International seeks 45-day extension to dismiss shareholders' lawsuit alleging misleading wildfire mitigation claims, causing stock losses after 2025 Los Angeles County fire exposed deficiencies.

Lawyers for Edison International say they need extra time to argue for dismissal of an expanded securities action from shareholders who claimed they lost significant stock after the company's leaders made false and misleading promises related to wildfire mitigation procedures.

In a joint stipulation brief filed Wednesday, the company's counsel at Munger, Tolles & Olson LLP, along with Robbins Geller Rudman & Dowd LLP for the investors, proposed a 45-day extension to dismiss "newly expanded allegations" the defense counsel described as lengthy and complex.

On Monday, an institutional investor that provides benefits for members of the Hawaii Sheet Metal Workers Union filed a 74-page consolidated complaint on behalf of all purchasers of Edison's stock between February 2021 and April 2025.

If the scheduling request is granted by U.S. District Judge Otis D. Wright II in Los Angeles, Edison will move to dismiss the case by July 31. The investors' opposition would be filed by mid-September.

The restructured complaint - which replaces a 23-page action filed by an individual investor in February - claims Edison's common stock was proven to be artificially inflated after the Los Angeles County wildfires this year exposed the true nature of the company's internal wildfire risk models.

According to the investors, the company's leaders purportedly made repeated omissions and misrepresentations to them about Southern California Edison's (SCE) improved risk reduction protocols regarding catastrophic wildfires. *Elliott v. Edison International et al.*,

2:25-cv-01383 (C.D. Cal., filed Feb. 19, 2025).

"Defendants repeatedly touted SCE's Public Safety Power Shutoff ['PSPS'] program, combined with physical mitigation measures like grid hardening and vegetation management, as dramatically reducing wildfire risk - claiming a 55%-65% reduction in 2021, rising over 85%-90% by July 2024," the complaint alleged.

"However, these assurances were misleading. Defendants failed to disclose critical deficiencies in SCE's wildfire mitigation plans and PSPS program, including its inability to safely execute PSPS on key transmission lines in high-risk areas, delays in system upgrades and outdated safety procedures for idle lines."

Additionally, the investors claimed Edison's internal wildfire risk models did not fully account for foreseeable extreme weather and the company submitted incomplete data to third-party risk analysts that caused the inflated reports of its wildfire prevention measures.

Munger Tolles partner John M. Gildersleeve leads the defense for Edison, which includes the company's Southern Californian utility subsidiary, CEO and financial chief. The lead attorney did not respond to an email by press deadline.

Robbins Gellar partner Laurie L. Largent filed the complaint this week on behalf of the putative shareholder class. She could not be reached Wednesday.

The crux of the investors' alleged stock loss relates to a fire in Eaton Canyon in Altadena on Jan. 7. They claimed it ignited Edison's transmission equipment during an extreme windstorm. According to the complaint, this caused a sharp decline in Edison's stock after its CEO said during an earnings call in April that his company's equipment could have been associated with the ignition of the fire.

Edison is also defending several state lawsuits over allegations the Los Angeles fires originated from the company's equipment. Though they have denied any wrongdoing, the matter is still being investigated, and definitive fault has not yet been determined.

On May 12, U.S. District Judge Stanley Blumenfeld Jr. designated Hawaii Sheet Metal Workers Funds as the lead plaintiff of the investors' action after finding the fund had a greater financial interest in the matter.

In that order, Blumenfeld classified the group as an institutional investor that claimed a loss of over \$430,000 compared to the previous lead individual investor plaintiff's approximate \$40,000.

On June 13, Blumenfeld recused himself from the case. It was reassigned to Wright that same day.

#386232

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Spectrum Pharma Investors Receive First OK for \$16 Million Settlement Deal



usa Herald.com/spectrum-pharma-investors-receive-first-ok-for-16-million-settlement-deal

Rochdi Rais

June 19, 2025

A Nevada federal judge has granted preliminary approval to a nearly \$16 million settlement between [Spectrum Pharmaceuticals](#) Inc. and a class of investors alleging that the company and its executives overstated the progress of two developmental drugs and withheld negative trial data, which ultimately caused a significant drop in the company's stock price.

U.S. District Judge Cristina D. Silva issued the order on Monday, approving the \$15.95 million deal and certifying the class of investors who purchased Spectrum common stock between March 7, 2018, and August 5, 2021. The judge named International Trading Group Inc. as the class representative and appointed attorneys from Robbins Geller Rudman & Dowd LLP as class counsel.

The settlement stipulates that Spectrum's insurers will contribute \$13.2 million toward the total settlement, with the company responsible for the remaining amount. Robbins Geller plans to petition the court for attorney fees and reimbursement of litigation expenses.

The case centers around two drugs, poziotinib and Rolontis, which were in late-stage development aimed at treating lung cancer and chemotherapy-induced neutropenia, respectively. According to court documents, investors claim that Spectrum and its leadership misrepresented the drugs' status and concealed adverse clinical trial results. This alleged misconduct artificially inflated the company's stock value.

Despite assurances from company executives [expressing](#) confidence in FDA approval and readiness for regulatory inspections, both drugs ultimately failed to secure FDA approval. This led to a sharp decline in Spectrum's stock price from \$21.23 to \$2.55 per share.

The lead plaintiff and legal representatives continue to pursue the matter in the U.S. District Court for the District of Nevada under the case Luo v. Spectrum Pharmaceuticals Inc. et al., case number 2:21-cv-01612.

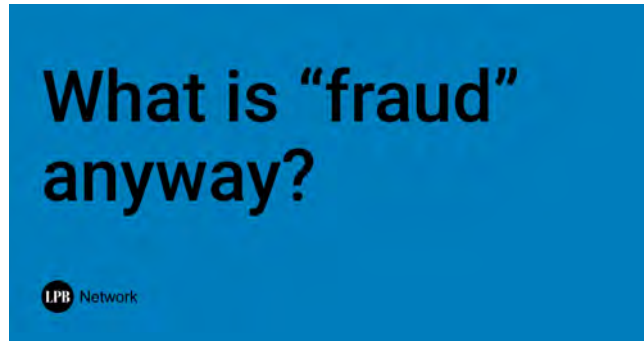
What is “fraud” anyway?



businesslawprofessors.com/2025/06/what-is-fraud-anyway

Ann Lipton

June 20, 2025



Federal Rule of Civil Procedure 9 [provides](#):

(b) Fraud or Mistake; Conditions of Mind. In alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake. Malice, intent, knowledge, and other conditions of a person’s mind may be alleged generally.

That said, there are certain causes of action under the securities laws, like claims under Section 11 and 12 of the Securities Act, that do not require plaintiffs to prove that the defendant had any particular state of mind. These claims do not, therefore, sound in fraud by their nature. And, because the PSLRA did not alter the pleading standards for claims under the Securities Act, that means Section 11 and 12 claims are ordinarily subject to the more limited demands of Rule 8 pleading.

Nonetheless, federal courts have generally agreed that if a *particular* plaintiff’s allegations in a *particular* case come across as rather fraudy, the higher pleading standard will apply. Plaintiffs have therefore gone to great lengths to avoid alleging fraud in connection with Securities Act claims, which can be particularly challenging when Section 10(b) claims arise out of the same facts – plaintiffs usually try to completely separate the two sets of allegations in their complaints, which is part of the reason why securities fraud complaints can be hundreds of pages long and exceedingly complex (which can be, naturally, another basis for dismissal, *see, e.g., United Assoc. Nat’l Pension Fund v. Carvana Co.*, 2024 WL 863709 (D. Ariz. Feb. 29, 2024)).

Anyway, this all becomes particularly awkward when the statement alleged to be false concerns a matter of opinion. That’s because opinion statements can be *misleading* if they are uttered under circumstances that obscure the basis for the opinion, but can only be *false* if they are subjectively disbelieved by the speaker – i.e., if the speaker *misportrays* his or her

own actual opinion. It's very difficult to imagine that someone could *accidentally or negligently* misstate what they actually, you know, believe, which means opinion statements might almost always require Rule 9(b) pleading.

Or [so I assumed](#).

In [Pino v. Cardone Capital](#) (which is a case [I blogged about two years ago](#), after its *first* trip to the Ninth Circuit), the Ninth Circuit held that a Section 12 claim would *not* necessarily sound in fraud and require Rule 9(b) pleading, *even for* subjectively disbelieved opinion statements. In that case, the plaintiff's complaint contained a commonplace disclaimer that none of the claims sounded in fraud; on that basis, the district court dismissed the complaint, treating the disclaimer as an admission that certain opinion statements were not subjectively disbelieved. The Ninth Circuit reversed, finding that the disclaimer did not bar allegations of subjective disbelief, and also, that the complaint sufficiently alleged subjective disbelief, noting that, in the usual course, claims under Section 11 and 12 do not sound in fraud and do not require Rule 9(b) pleading. The court made no attempt to offer a theory of mind or probe the mysteries of the human soul; it simply held what it held.

So. There you go.

And another thing. On this week's [Shareholder Primacy podcast](#), Mike Levin and I talk to Professor Joseph Grundfest, and then to Delaware litigator Joel Fleming, about Prof. Grundfest's [papers on](#) Delaware [attorney fee awards](#). Here on [Apple](#), here on [Spotify](#), and here on [YouTube](#).

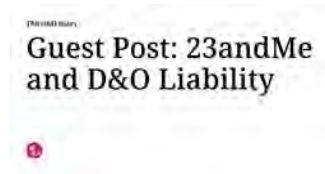
Guest Post: 23andMe and D&O Liability



dandodiary.com/2025/06/articles/director-and-officer-liability/guest-post-23andme-and-do-liability

Kevin LaCroix

June 19, 2025



Posted in [Director and Officer Liability](#)



Sarah Abrams

In recent weeks, the business pages have been full of stories concerning the genomic testing company 23andMe, in particular with respect to privacy issues and the company's bankruptcy. In the following guest post, Sarah Abrams, Head of Claims at Baleen Specialty, a division of Bowhead Specialty, considers potential D&O liability issues that recent developments involving the company could raise. I would like to thank Sarah for allowing me to publish her article as a guest post on this site. I welcome guest post submissions from responsible authors on topics of interest to this site's readers. Please contact me directly if you would like to submit a guest post. Here is Sarah's article.

On June 11, 2025, the U.S. Senate Committee on the Judiciary (Judiciary Committee) held a [hearing](#) on the "privacy and national security implications" of 23andMe, Inc. (23andMe) filing for bankruptcy. 23andMe [filed for Chapter 11 bankruptcy](#) on March 23, 2025, and, on June 13, 2025, the Bankruptcy Court [approved the company's sale at auction to TTAM Research Institute \(TTAM\), a nonprofit led by 23andMe's former CEO and cofounder, Anne Wojcicki](#). The \$305 million purchase would include nearly all of 23andMe's assets, including its Personal Genome Service (PGS) and Research Services business lines. A Court hearing for transaction approval is currently scheduled for June 17, 2025. The TTAM acquisition is expected to close shortly thereafter.

While 23andMe's business model is unique in terms of collecting, testing, and providing genetic data for consumers, the D&O underwriting risks stemming from its bankruptcy filing and regulatory scrutiny may not be in the current economic and political landscape. As

readers of the [D&O Diary](#) are aware, a securities claim may follow a bankruptcy filing. While 23andMe shareholders have not yet filed such a claim, emerging facts could potentially increase that risk.

In addition, state and congressional concern over 23andMe's sale may lead to increased subpoena and hearing activity and, as a result, increased D&O insurance impairment. As the 23andMe saga plays out, there may be lessons learned along the way for D&O underwriters. The following discusses the origin and rise of 23andMe, its bankruptcy proceeding, subsequent regulatory petitions to intervene, and congressional inquiries that may identify potential takeaways.

First, a brief history that, in part, can explain the heightened scrutiny around 23andMe's proposed sale. Founded in 2006, 23andMe pioneered personal genomics by offering saliva-based DNA testing kits that enabled consumers to explore ancestry and health insights. The company grew to over 15 million customers who submitted saliva samples for testing in independent laboratories. The FDA approved various 23andMe market tests that provided individuals with health information, including whether they carried genetic mutations or alleles that put them at risk for getting or having certain diseases.

[23andMe went public in 2021 via a SPAC merger](#) and reached a peak valuation of around \$6 billion. By 2024, its valuation had fallen to 2% of that peak. In March 2025, 23andMe filed for Chapter 11 protection, listing \$214 million of debt, and Ms. [Wojcicki](#) stepped down.

23andMe's bankruptcy was attributed to several factors, including [recurring revenue from health or subscription services never materializing](#), [a costly drug-development initiative](#), [a telehealth acquisition that was scrapped in late 2024](#), and an October 2023 data breach, when hackers stole personal information about 7 million 23andMe customers. With that backdrop, the following discusses the various implications to 23andMe and similarly situated public company D&O programs.

On its own, a bankruptcy filing may trigger coverage under its D&O insurance program. Side A coverage in a D&O insurance policy protects individual directors and officers when the company cannot indemnify them. Side B provides reimbursement to the organization for indemnifying directors and officers, while Side C covers the organization itself for securities claims (in the case of public companies). Sides B and C of a D&O insurance policy are often considered assets of the bankruptcy estate because they provide coverage to the company itself.

As such, bankruptcy courts may seek to preserve or control these proceeds for the benefit of creditors. In the case of 23andMe, selling its assets out of bankruptcy to TTAM, a nonprofit organization run by its former CEO, may raise creditor and shareholder scrutiny. Ms. Wojcicki's contemporaneous exit with the company's bankruptcy filing and reemergence as

the winner at auction may provide ammunition in a post-bankruptcy securities case.

Particularly, what did Ms. Wojcicki know then, and what does she know now that makes TTAM a better steward of 23andMe's business?

Common grounds for Securities Class Actions Post-Bankruptcy include allegations of [Securities Act Sections 10\(b\) and 10\(b\)\(5\) and Section 11 or 12\(a\)\(2\) violations](#), which prohibit fraud in connection with the purchase or sale of securities and impose liability for misstatements in SEC registration statements and prospectuses. Ms. Wojcicki's [previous attempt to take 23andMe private](#) in September 2024, coupled with her sale of shares, was met with [shareholder inquiries](#).

Two separate shareholder firms previously launched formal investigations into whether Ms. Wojcicki and the 23andMe board breached their fiduciary duties in connection with the attempted take-private bid, which ultimately failed to provide fair value to shares, and the subsequent resignation of all independent directors. Future sale to Ms. Wojcicki may raise more investor questions, and potential claims for securities violations arising out of leadership and board actions ahead of 23andMe's Chapter 11 filing, and whether TTAM, with Ms. Wojcicki at the helm, was unconflicted and capable of ["advanc\[ing\] the Company's founding vision of helping people access, understand and gain health benefits through greater understanding of the human genome."](#)

Another D&O underwriting exposure may be correlated with the scrutiny of the approved sale to TTAM by state and federal regulators. California's AG and 27 state attorneys general, plus DC, filed a [petition](#) on June 9, 2025, in the 23andMe bankruptcy court to stop any sale of customer genetic data without explicit user consent (Regulator Petition). The petition cites customer privacy concerns applicable to state constituents who have submitted genetic data to 23andMe. In addition, FTC Chair Andrew Ferguson sent a [letter](#) to the trustee of the 23andMe bankruptcy proceeding stating that any sale must honor privacy promises outlined in 23andMe's policies, or it risks violating the FTC Act.

Whether the bankruptcy court will consider the Regulator Petition or the FTC letter remains to be seen. However, 23andMe's stockpile of customer genetic data makes it an attractive acquisition and an attractive target for Congressional committees seeking to protect constituents. In addition to the Senate Judiciary hearing, various [House Oversight committees](#) have formally requested information and testimony about how genetic data will be protected in a sale and whether prospective buyers will adhere to privacy controls. If a director or officer is subpoenaed or becomes a target of a congressional investigation and must retain counsel, D&O insurance may cover legal fees..

All of this to say that, while 23andMe may have had a successful, novel business model in providing customers with individually tailored health data, the D&O risks stemming from its bankruptcy filing and contemporaneous regulatory scrutiny are not unlike other public

companies. However, a successor-former CEO, a prior data breach, and access to millions of customers' genetic information may make 23andMe and its successor a more attractive target of litigation and congressional inquiries.

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Investors sue Reddit over Google AI's impact on stock

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[dailyjournal.com/articles/386248-investors-sue-reddit-over-google-ai-s-impact-on-stock](https://www.dailyjournal.com/articles/386248-investors-sue-reddit-over-google-ai-s-impact-on-stock)

The investors claim that Google search users are beginning to rely on the overview, instead of investigating their searches further by visiting sites like Reddit to answer their questions. The plaintiffs claim that the developments by Google caused the company's stock price to dip by 4.2% in a single day following its first-quarter earnings report on May 1.

The plaintiffs claim that the downtick in traffic has resulted in a loss of ad revenue that business analysts warned company executives about but was never released to the public. Of Reddit's first-quarter 2025 revenue, 91% came from advertising, according to the company's SEC filings. *Tamraz Jr. v. Reddit, Inc.*, 3:25-cv-05144 (N.D. Cal. filed June 18, 2025).

Scott Edelsberg of Edelsberg Law PA in Aventura, Florida, lead attorney for the stockholders, argued in the complaint, "Defendants made materially false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Reddit's common stock and operated as a fraud or deceit on Class Period purchasers of Reddit's common stock by materially misleading the investing public."

Reddit's press office could not be reached for comment Thursday. In the company's Feb. 12 letter to shareholders regarding Q4 earnings, Reddit acknowledged Google Search's AI developments caused "volatility" but claimed that it was not "unusual."

However, according to the transcript from the company's May 1 earnings call, Google's developments caused more disruption than Reddit previously anticipated. In response to a question during the call, one of the defendants in the new lawsuit, Steven Huffman, co-founder and CEO of Reddit, said that the future could be "more bumpy than usual."

"Remember, we're an open platform, and we want people to find Reddit's content in search. Being open drives awareness and visibility, but it can also create variability. We do expect some bumps along the way from Google because we've already seen a few this year. This is expected in any year, but given that the search ecosystem is under heavy construction, the near-term could be more bumpy than usual," Huffman said.

"But the short-term bumps don't affect our long-term strategy or opportunity. We're in control of our own destiny. I think the question behind the question is, is there a long-term risk to Reddit here? And in my view, the answer is no. In fact, I think there's opportunity.

There's no doubt large language models will evolve search on the Internet. We can all see that. It's awesome," Huffman added.

Reddit is involved in separate litigation over large language AI models. On June 4, the company sued Anthropic over its AI chatbot Claude, claiming Anthropic illegally scraped data from Reddit's website to train its large language model powering Claude. *Reddit Inc v. Anthropic PBC*, CGC-25-524892 (S.F. Super. Ct. filed June 4, 2025).

#386248

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Securities Law News

Reddit Investor Sues Over Google Search, AI Traffic Impact (1)

June 18, 2025, 12:35 PM PDT; Updated: June 18, 2025, 2:06 PM PDT

- **COURT:** N.D. Cal.
- **TRACK DOCKET:** No. [3:25-cv-05144](#) (Bloomberg Law subscription)

Reddit Inc. misled investors about the impact of changes to Google Search's algorithm and artificial intelligence summaries, a proposed class action filed Wednesday said.

Share prices sank 9.3% May 21 after analysts downgraded Reddit's stock on concerns about permanent disruptions to traffic, said the investor's complaint filed in the US District Court for the Northern District of California.

On May 19, Wells Fargo analysts had lowered their Reddit share price target, calling Google Search's addition of AI features a likely permanent issue for the social media platform's user traffic, with any user reduction hindering Reddit's advertising revenue, said the stockholder's complaint. Share prices fell 4.6% to close at \$107.99 that day, according to Bloomberg data.

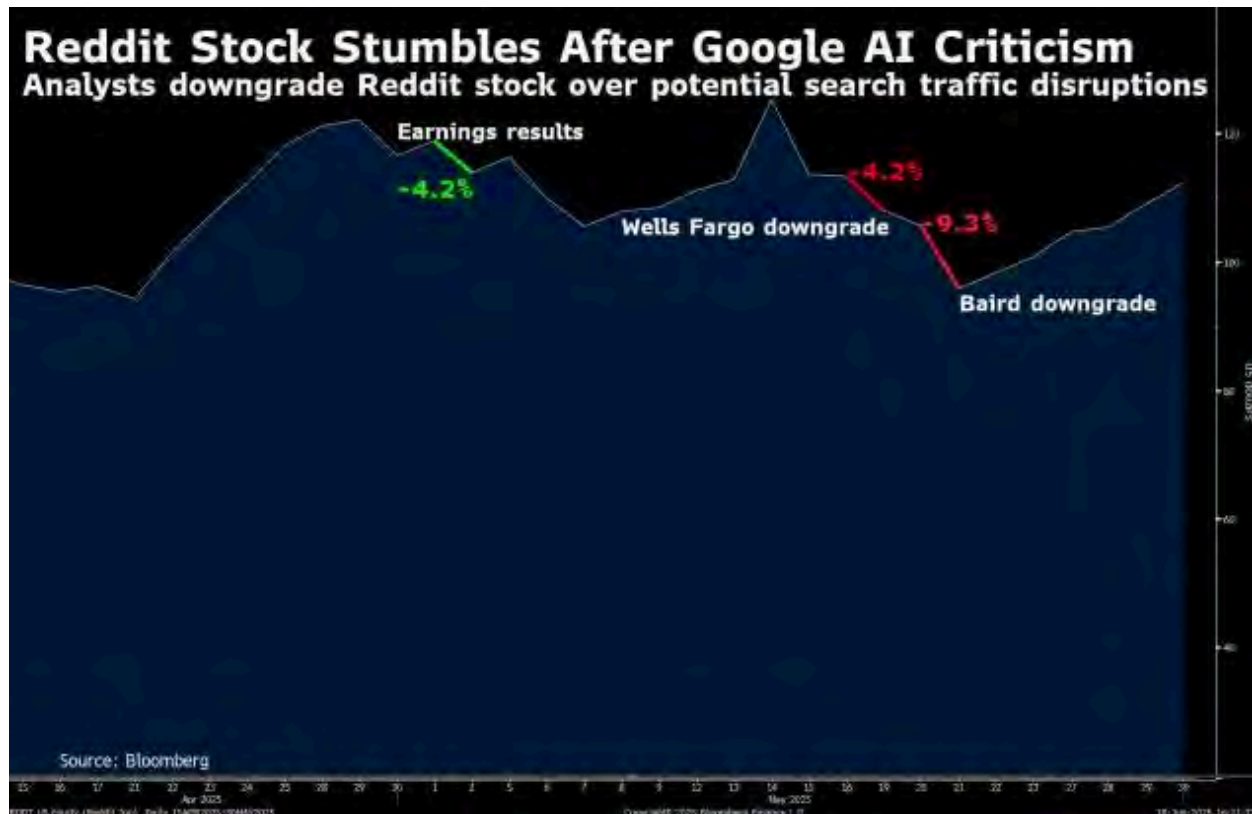
Baird analysts cited similar concerns when they lowered their price target on May 21 to \$120 per share from the previous \$140, said the complaint.

And the stock price declined almost 4.2% to close at \$113.83 per share on May 2, 2025, the day after Reddit announced its first quarter 2025 financial results that showed its daily active unique visitors increased just 31% year-over-year to 108.1 million, the complaint said. That figure marked Reddit's third quarter in a row of growth slowing, increasing uncertainty about the growth's stability, said the investor.

Still, Reddit CEO Steve Huffman told analysts on a call that day that he didn't think there was a long-term risk when asked about user growth for the remainder of the year with recent Google algorithm changes, the complaint said.

Reddit's most recent earnings report showed that about 91% of its revenue comes from advertising, the investor said.

When discussing fourth quarter and full year 2024 results in February, Huffman said Reddit experienced some volatility from a periodic Google Search algorithm change, the complaint said. That traffic had recovered, however, in the beginning of 2025 and regained moment, Huffman said according to the complaint.



The proposed class would include those who got Reddit shares from Oct. 29, 2024, through May 20, 2025. The period starts when the company issued third quarter 2024 financial results and Huffman said Reddit was the sixth most searched Google term in the US.

During that period, the company and top executives issued misleading statements about the impacts of Google Search's algorithm and AI changes causing potential users to stop their queries short before reaching Reddit, the complaint said. They also tried to claim an increase in the search term "Reddit" was good, but really the increase was because users were getting answers from Google without needing the social media platform, the complaint said.

Edelsberg Law PA and Shamis & Gentile PA represent the investor, Anthony Joseph Tamraz, Jr.

Tamraz is suing Reddit, Huffman, CFO Andrew Vollero, and COO Jen Wong. He is seeking damages, among other relief, for alleged Securities Exchange Act of 1934 violations.

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

The case is Tamraz v. Reddit, Inc. , N.D. Cal., No. 3:25-cv-05144, complaint filed 6/18/25 .

Securities Law News

Doximity Brass Sued Over Active User Figure, Cut Revenue Outlook

June 19, 2025, 10:41 AM PDT

- **COURT:** D. Del.
- **TRACK DOCKET:** No. [1:25-cv-00750](#) (Bloomberg Law subscription)

Doximity Inc. executives and board members inflated the company's active user base and website engagement growth data, artificially bolstering its advertising deals' revenue before a record selloff in 2023, a shareholder lawsuit said.

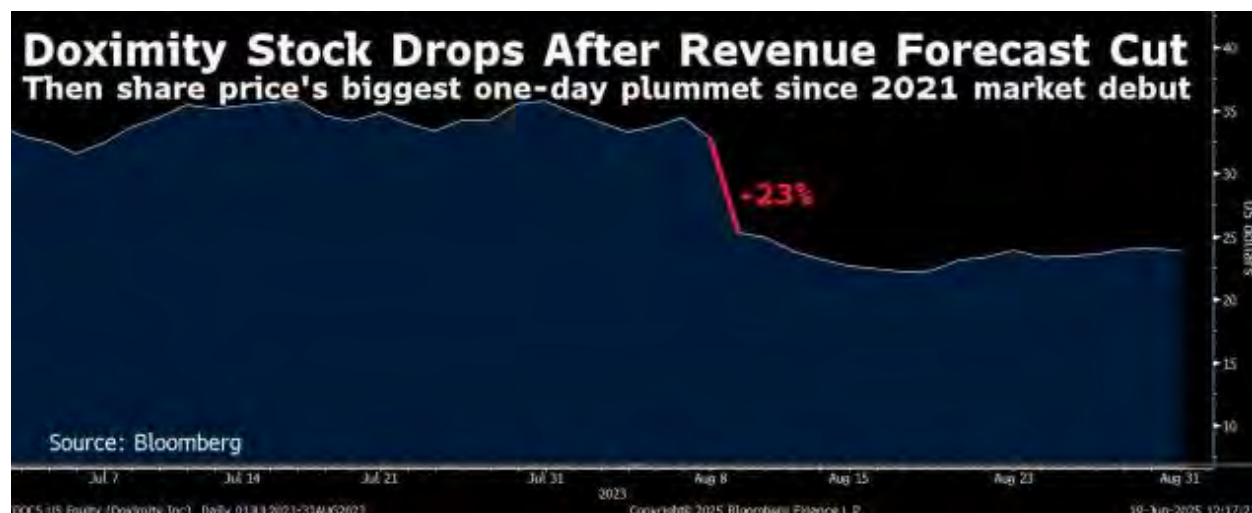
Doximity, described as a "LinkedIn for doctors," then lowered its revenue forecast for 2024 by \$32 million and announced it would layoff 10% of its workforce on Aug. 8, 2023, said the stockholder's complaint filed in the US District Court for the District of Delaware on Wednesday. Leadership that day attributed the cuts to a decline in upsells and slowing sales among its pharmaceutical customers, said the shareholder derivative action—a lawsuit that's filed on behalf of a company against its corporate caretakers.

Share prices plummeted almost 23% on Aug. 9, then its steepest one-day slide since its 2021 initial public offering, according to data compiled by Bloomberg.

Board members and executives harmed Doximity's reputation and financial condition by issuing misleading statements about the user base that 80% of US physicians were active members, among other issues, said investor Curtis Wong's complaint.

Four of the defendants wrongly engaged in insider trading when the stock price was artificially inflated, selling over 230,000 shares to garner about \$13.6 million, Wong said. The executives and board members also forced Doximity to buy back almost 3.4 million shares of its wrongly-expensive stock in 2022 and 2023, costing more than \$109 million, he said.

Wong alleged wrongdoing from June 24, 2021—when Doximity's stock debuted and CEO Jeffrey Tangney touted the 80% figure—to Aug. 8, 2023.



Wong's suit was filed more than a year after a proposed class action including similar allegations was filed in the US District Court for the Northern District of California. That lawsuit's pending, as is another consolidated shareholder derivative action alleging revenue sustainability issues related to upselling in the California federal court. Another derivative complaint was filed against Doximity's board and top officers in the Delaware federal court in December.

Doximity's revenue primarily derives from pharmaceutical companies which buy advertising placements on its newsfeed, meaning the number of users who interact with that feature is key to the company's financial performance, Wong said. He cited former employees' accounts and a survey conducted as part of the pending proposed class action that alleged top leaders knew or recklessly disregarded the veracity of the inflated 80% figure and engagement statements.

Financial analysts questioned the reason for the revenue guidance slash, and in April 2024, short-seller Jehoshaphat Research accused Doximity of diminished engagement and an artificially inflated active member base, Wong said.

Kuehn Law PLLC and Delaware attorney Brad deLeeuw represent Wong, who seeks corporate governance reform and damages, disgorgement, or restitution for Doximity, among other relief. Wong alleged differing violations by board members and two top executives, including a breach of fiduciary duty, securities law violation, unjust enrichment, and misappropriation of information.

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

The case is Wong v. Tangney , D. Del., No. 1:25-cv-00750, complaint filed 6/18/25 .

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Litigation

Strategy Shareholder Sues Board Over Crypto Accounting Change

June 20, 2025, 9:18AM PDT

- **COURT:** E.D. Va.
- **TRACK DOCKET:** No. [1:25-cv-01040](#) (Bloomberg Law subscription)

Strategy brass didn't adequately warn investors about the impact of new accounting standards on the Bitcoin treasury's financial results, a shareholder lawsuit said.

The former MicroStrategy Inc., disclosed it would post an unrealized \$5.9 billion loss for the first quarter after adopting the rule to value its digital assets at market price, said the stockholder's complaint filed in the US District Court for the Eastern District of Virginia on Thursday. The bitcoin treasury company's stock price fell 8.7% on April 7, the day Strategy noted the loss in a Securities and Exchange Commission filing, said the shareholder derivative action, a lawsuit filed on business' behalf against its corporate caretakers.

Seven executives and board members harmed Strategy's reputation and wallet by letting it issue misleading statements about its Bitcoin-investment game plan's profitability and for lacking proper internal controls, said shareholder Abhey Parmar's complaint. Meanwhile, four of these defendants wrongly made insider sales when the stock price was artificially inflated, collectively garnering almost \$31.5 million, Parmar said.

Companies that adhere to the new accounting standard must report unrealized gains and losses from fluctuations in the fair market value of their crypto each reporting period. Before adopting the switch at the start of 2025, Strategy had been accounting for its crypto holdings as intangible assets, like trademarks or patents, which required it to report impairments when the price of Bitcoin dropped and only recognize gains when digital assets were sold.

The Tysons Corner, Virginia-based company started amassing Bitcoin as a capital allocation strategy in 2020 under the tutelage of co-founder and executive chairman **Michael Saylor**. It's the largest corporate Bitcoin holder worldwide, with holdings valued at roughly \$63.4 billion as of this week.

Strategy told the SEC on April 7 that the unrealized loss on digital assets would likely result in a net loss for the first quarter, and that it might not be able "to regain profitability in future periods, particularly if we incur significant unrealized losses related to our digital assets." Chief financial officer Andrew Kang attributed the loss to the change in accounting methods in a May earnings call, Parmar said, as Bitcoin's prices sharply dropped in that period.



A proposed class action alleging similar issues against the company, Saylor, Kang, and CEO Phong Le was filed in the same court last month.

The Brown Law Firm PC and Spiro & Browne PLC represent Parmar, who seeks corporate governance reform and damages for strategy, among other relief.

Parmar alleged wrongdoing from April 30, 2024—when Strategy released first quarter of 2024 financial results—through April 4, 2025, the last trading day before April 7. Parmar alleged breaches of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets against the executives and board members, plus securities law violations by Saylor, Kang, and Le.

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

The case is Parmar v. Saylor, E.D. Va., No. 1:25-cv-01040, complaint filed 6/19/25.

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Securities Law News

Anavex Beats Shareholder Suit Over Clinical Trial Results

June 19, 2025, 11:11 AM PDT

- All securities claims dismissed with prejudice
- Allegations didn't clear legal bar for falsity, loss causation

Anavex Life Science Corp. defeated a proposed class action over clinical trials for a neurodevelopmental drug after a federal trial court judge ruled a shareholder failed to bring valid securities fraud claims.

Judge Colleen McMahon Wednesday held that only one of the 10 allegedly false statements highlighted in the suit actually cleared the legal bar for alleging falsity. For that single statement, the shareholder bringing the suit failed to tie it to an actual loss, McMahon wrote in an opinion that dismissed with prejudice all claims brought under Section 20(a) of the Securities Exchange Act of 1934.

The proposed securities class action alleged that Anavex purposely hid that results for its "Excellence" trials—the second round of tests for a drug treating a rare neurological disorder called Rett Syndrome—did not reach statistical significance. Anavex announced those results the same day its stock recorded its biggest single-day decline since 2020: an over 35% drop on Jan. 2, 2024, according to Bloomberg data.

"The mere fact that an adverse event occurred following the making of a statement to the market is an insufficient basis from which to infer that the statement was false when made," McMahon wrote.

The proposed class action sought damages and legal fees for a class of investors who acquired Anavex stock between Feb. 1, 2022—the date the company reported high-level results from an earlier trial—and Jan. 1, 2024. The case was originally brought by stockholder Jonathan Blum, who was later replaced as lead plaintiff by a different shareholder, Quintessa Huey.

McMahon said the alleged false statements were all tied to whether Anavex knew that it wouldn't be able to use a specific endpoint in the Excellence trial, something that the lawsuit claimed was not permitted by the FDA.

But McMahon said the lawsuit didn't point to a specific "FDA rule, public statement, or other promulgation to that effect." Instead the suit cited a 2017 FDA meeting with an Anavex competitor, failing to allege whether anyone from Anavex was there or whether anything the FDA said at that meeting applied to any other drug company or clinical trial, according to the opinion.

The opinion concluded that one Anavex action did clear the legal bar for plausibly alleging a false statement: a Feb. 2, 2023, press release that acknowledged the company had received FDA guidance on the endpoint for the Excellence trial, but did not disclose what that guidance actually was. However McMahon still dismissed the claims tied to that statement because the company's stock price went up 5.76% the day Anavex announced that the trial's endpoint would be different.

Levi & Korsinsky, LLP represents Huey and the proposed class. K&L Gates LLP represents Anavex.

The case is *Blum v. Anavex Life Scis. Corp.*, S.D.N.Y., No. 1:24-cv-01910, 6/18/25 .

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Securities Law News

Cerence Board, Execs Rout Shareholder Suit Over Demand Claims

June 19, 2025, 7:14 AM PDT

- Judge said investors didn't show futility of pre-suit board ask
- Suit alleged corporate leaders misled on its licenses' demand

Cerence Inc. brass defeated a lawsuit alleging they harmed the company by misleading shareholders about demand for its car technology software licenses.

The shareholders didn't make a required pre-suit demand of the board, or properly establish how that ask would've been futile, Judge Allison D. Burroughs said in a Wednesday ruling dismissing the case. Burroughs, of the US District Court for the District of Massachusetts, previously approved Cerence's \$30 million class action settlement to resolve similar securities fraud allegations.

After Cerence, which makes artificial-intelligence-powered assistants for automotives, spun-off from Nuance Communications Inc. in 2019, corporate leaders touted "strong demand" for Cerence's software licenses, according to the lawsuit. But the plaintiffs alleged that was the result of a company strategy that pushed customers into certain contracts that inflated short-term revenue.

Cerence lowered its 2022 revenue guidance and withdrew its 2024 forecast, with share prices subsequently sliding, prompting a suit from shareholders William Shafer and Peter Morse. The suit targeted nine current and former executives and board members, accusing them of harming the company's reputation and wallet by issuing misleading statements about demand.

Burroughs didn't reach the merits of their arguments in dismissing the lawsuit. Instead, she held the plaintiffs failed to meet an additional pleading requirement for stockholder derivative actions, a type of lawsuit filed on a company's behalf against its corporate caretakers.

Johnson Fistel LLP and Glancy Prongay & Murray LLP are co-lead counsel for the shareholders. Goodwin Procter LLP represents the Cerence leadership. None of these law firms nor Cerence immediately responded to emails seeking comment.

The case is *In re Cerence S'holder Derivative Action*, D. Mass., No. 1:22-cv-10723, 6/18/25.

Class Action

Rio Agrees to Pay \$139 Million To Settle Mongolian Mine Dispute

June 19, 2025, 2:01AM PDT

Rio Tinto Group has agreed to pay \$138.75 million to settle a lawsuit that accused the miner of hiding problems from investors at its giant copper mine in Mongolia.

The plaintiffs, led by Pentwater Capital Management , alleged the world's second-biggest miner held back information on the Oyu Tolgoi underground expansion from investors as costs ballooned and it fell behind schedule.

The Oyu Tolgoi mine is Rio's flagship copper mine – a commodity favored by investors – and central to the company's plans to become less dependent on its giant iron ore business. Yet the development of the project was dogged by cost blowouts and overruns.

The underground expansion was originally expected to cost \$5.3 billion and hit first production in 2020. Costs spiraled by almost \$2 billion and it ran years behind schedule. Pentwater accused Rio of fraudulently assuring investors that it was on track even as it was falling behind schedule.

"Rio Tinto welcomes the proposed resolution of this class action on appropriate and reasonable terms," the company said in a statement. "As reflected in court filings, Rio Tinto and the individual defendants vigorously deny all allegations of wrongdoing, fault, liability or damages put forward in these proceedings."

The preliminary settlement was filed on Wednesday with the US District Court in Manhattan.

Pentwater was an investor in Turquoise Hill Resources Ltd., which controlled the project. Rio owned 51% of the company at the time, but has since bought out minorities.

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When Short Sellers Strike: How Public Companies Can Assess the Risk and Prepare

June 18, 2025 | By  **Tim Perla**

 **Jessica Lewis**



Credit kora_sun/Adobe Stock

No public company wants to face a short attack. Unfortunately, short seller reports have become an increasingly frequent challenge for publicly-traded companies. These reports often allege financial misrepresentation, undisclosed regulatory risks, or questionable business relationships. While some raise legitimate concerns, others rely on misleading tactics—commonly known as “shorting and distorting.” Once initiated, a short cycle can quickly escalate as investor reactions, media scrutiny, and regulatory inquiries compound the damage, regardless of the report’s accuracy.

With 2025 seeing a renewed wave of short seller activity, this article explores the risks posed by these reports, emerging litigation trends, and proactive strategies companies can adopt to mitigate exposure and respond effectively.

Legal Perspectives: Which Short Reports Pose Significant Risk

Short reports have become a powerful yet polarizing force in securities litigation. To courts, not all reports are created equal. Understanding the strengths and weaknesses of short reports is critical in crafting a corporate response to a short attack.

To succeed on a securities fraud claim, plaintiffs must show that the company's stock price dropped in response to a "corrective disclosure"—a revelation that exposed a prior misstatement or omission. Courts are increasingly being asked: Is a short report a corrective disclosure?

In general, in determining whether a disclosure is "corrective" (meaning, reveals the "truth" or uncovered fraud), courts look for disclosures that:

- Reveal material information that was previously unknown to the market;
- Cause a measurable stock price decline; and
- Are credible and accessible—even if based on public data, the information must be presented in a way that adds value.

But details matter. As recent appellate decisions show, courts weigh not just *what* the report says, but *who* says it, *how* it's said, and *how* the market reacts.

Three Cases, Many Lessons

1. In re Genius Brands International Securities Litigation

In *In re Genius Brands International Securities Litigation*, 97 F.4th 1171 (9th Cir. 2024), plaintiffs brought a securities fraud suit alleging that the defendant, a children's entertainment company, issued a press release claiming that a major children's TV network dramatically increased airings of the company's animated series. The announcement allegedly was one of many efforts the company undertook to boost its stock price above the required minimum for the exchange on which it traded.

A short seller analyzed broadcast schedules—information that was public but buried in over 25 pages of listings and updated daily—and found that the show aired far less frequently than the company claimed. The short seller published a report exposing the discrepancy. The market reacted: the company's stock dropped 14.3% the day the report was released and another 26% the

following day. Shareholders filed suit, alleging that the company misled investors and that the short report revealed the “truth.”

The Ninth Circuit held that the short report could qualify as a corrective disclosure, even though it was based on public information, because the short report synthesized complex, hard-to-access public data and the short report triggered a steep price drop, which corroborated the plaintiffs’ allegations that the company’s stock price was overvalued.

2. In re Bofl Holding, Inc. Securities Litigation

In *In re Bofl Holding, Inc. Securities Litigation*, 977 F.3d 781 (9th Cir. 2020), the Ninth Circuit rejected blog posts by anonymous short sellers as corrective disclosures because investors likely viewed them with skepticism due to the authors’ financial motives and anonymity.

There, plaintiffs filed a securities fraud suit against a bank’s parent company, which they alleged had made various misstatements in public disclosures highlighting the bank’s conservative loan underwriting standards, internal controls, and compliance infrastructure. Eight anonymous blog posts on a popular financial website accused the bank of regulatory violations, risky loans, and internal control failures. Each post disclosed that the author held a short position in the company’s stock. The company’s stock price dropped after each post. Shareholders argued that these blog posts revealed the “truth” behind the company’s prior public statements.

The Ninth Circuit was not persuaded. It observed that the authors were anonymous, financially motivated by their short positions, and expressly disclaimed the accuracy of their posts. Ultimately, the court found that even if the blog posts plausibly provided new information to the market, as corrective disclosures must, the blog posts nevertheless did not constitute “corrective disclosures” because the posts would not have been viewed by a reasonable investor as credible.

3. DeFeo v. IonQ, Inc.

In *DeFeo v. IonQ, Inc.*, 134 F.4th 153 (4th Cir. 2025), a quantum computing company announced a breakthrough system it claimed would revolutionize the field, but shortly after the company went public an anonymous short seller released a scathing report accusing the company of running a “quantum Ponzi scheme.” The report cited unnamed ex-employees, customers, and experts, and was filled with disclaimers—including that quotes were paraphrased “at our discretion” and that the report should not be relied upon for accuracy. The author also disclosed a short position in the company.

The company quickly issued a statement urging investors not to trade on the report, followed by a more forceful rebuttal. Still, the stock price declined, and shareholders sued.

The Fourth Circuit found the short report to be unreliable. It observed that the report's disclaimers gave the author broad editorial license, the author was financially motivated by its short position, and the use of anonymous sources undermined the report's credibility.

Plaintiffs also tried to use the company's responses to the short report against it. They argued that, although the company rebutted the report generally, it did not address each allegation, which therefore "conceded" that the short report was accurate. The court rejected plaintiffs' argument as imposing an unworkable standard on companies facing anonymous allegations of wrongdoing.

Looking Ahead: Proactive Strategies for Boards and Legal Teams

Short attacks are not just market events—they are legal, reputational, and governance stress tests. As recent case law makes clear, companies must be prepared to respond swiftly and strategically when targeted.

Steps to Consider:

1. **Consider the level of vulnerability.** A short seller wants to move the stock price. That is generally easier with smaller companies for which less information is in the public domain, and where stocks are not widely traded. Consider the level of risk and plan accordingly.
2. **Have a team ready.** Include legal, investor relations, compliance, and communications professionals. Ensure roles and escalation protocols are clearly defined.
3. **Stress-test disclosures.** Review public statements, earnings materials, and investor presentations for consistency, clarity, and potential vulnerabilities to short attacks.
4. **Monitor investor sentiment and short interest.** Use analytics tools to detect unusual trading patterns or shifts in sentiment that may signal a brewing short attack.
5. **Develop a communications playbook.** Prepare templates and messaging frameworks for responding to short reports. Avoid reactive or overly defensive statements that could be weaponized in litigation.
6. **Engage outside counsel early.** If a short report surfaces, involve experienced securities litigation counsel to assess legal exposure and guide response strategy.
7. **Document your process.** Regulators and courts may later examine the response. A well-documented, disciplined approach can demonstrate good faith and mitigate risk.

Concluding Thoughts

The best time to prepare for a short attack is before it happens. A thoughtful, coordinated strategy can help protect the company's reputation, reassure investors, and reduce legal exposure—even in the face of aggressive market scrutiny.

Tim Perla is a partner at Wilmer Cutler Pickering Hale and Dorr in its Boston office. He is the Vice Chair of the firm's Securities & Financial Services Department and has defended over a hundred securities class actions, shareholder derivative lawsuits, insurance and annuity class actions, consumer class actions, and regulatory enforcement matters. **Jessica Lewis** is a partner in the firm's Palo Alto office. She focuses on high-stakes securities litigation, class action, and trial work. She was honored in the Mentor & Mentee Collaboration category of Corporate Counsel's Women, Influence and Power in Law Awards in 2024, and was one of 40 California lawyers selected for service to clients and impact on the legal industry in the Daily Journal's 2024 40 Under 40 list. Erika Schutzman, a counsel, and Emily O'Hara, an associate in the firm's Boston office, contributed to this article.

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Securities Law News

Legal Influencer Erika Kullberg Settles FTX Promotion Claims

June 19, 2025, 8:06 AM PDT

Personal finance and attorney influencer Erika Kullberg and her talent management agency have agreed to settle claims they hyped FTX before the cryptocurrency exchange's 2022 collapse.

Settlement terms will remain confidential until plaintiffs seek preliminary approval of the agreement, according to a joint notice filed in the US District Court for the Southern District of Florida on Wednesday.

Kullberg and Creators Agency LLC were among multiple celebrities, sports figures, and influencers who were sued for promoting and allegedly enabling the now-bankrupt exchange to engage in fraud. Kullberg's notice comes after basketball star Shaquille O'Neal agreed to pay FTX collapse victims \$1.8 million.

- Judge K. Michael Moore had ruled in May that allegations against celebrities and YouTube influencers for promoting FTX mostly fell short, but allowed plaintiffs to replead their claims
- Investors who bought crypto assets through FTX also sued the exchange's insiders, third-party advisers, and others in the proposed class actions, which were consolidated in multidistrict litigation before Moore
- Sam Bankman-Fried, the cofounder of FTX, is serving a 25-year sentence over his role in the 2022 collapse

The Moskowitz Law Firm is co-lead counsel for the proposed class. Stearns Weaver Miller Weissler Alhadeff & Sitterson PA and Potomac Law Group PLLC represent Kullberg. Attorneys listed on the settlement notice didn't immediately respond to emails seeking comment.

The case is In re: FTX Cryptocurrency Exch. Collapse Litig. , S.D. Fla., No. 1:23-md-03076, notice 6/18/25 .

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Securities Law News

Legacy Health Sued Over Retirement Plan Fund, Forfeiture Usage

June 18, 2025, 7:12 AM PDT

- **COURT:** D. Or.
- **TRACK DOCKET:** [No. 3:25-cv-01041](#) (Bloomberg Law subscription)

Legacy Health was sued by four former employees who say the Oregon-based health system mismanages their retirement plans through a faulty stable value fund and improper use of plan forfeitures.

Legacy's retirement plans, which together held more than \$2.4 billion and covered 33,210 people as of 2023, allegedly offered a series of imprudent investments, including a stable value fund that provided meager returns despite carrying greater risk than other similar investments. The plans also offered an underperforming mutual fund that lagged its benchmarks, the employees said in a proposed class complaint filed Tuesday in the US District Court for the District of Oregon.

Stable value funds are conservative investments meant to provide a modest, guaranteed rate of return while protecting against losses. Several employers have been sued this year over the stable value funds in their retirement plans, including JPMorgan Chase & Co., Equitable Financial Life Insurance Co., Baxter International Inc., Hackensack Meridian Health Inc., and Sentara Health.

The Legacy plan participants also challenge how the health system handles the unvested contributions forfeited by workers who leave their positions after a short period. Instead of using this money to reduce the administrative expenses charged to workers, Legacy put it toward the contributions it's required to make to the plans, the participants alleged.

Dozens of recent cases accuse employers of violating the Employee Retirement Income Security Act when opting to use forfeitures in this way. Court rulings so far have been mixed.

Legacy Health didn't immediately respond to an inquiry about the allegations.

Capozzi Adler PC and Jarvis Bridge Halttunen & Weyer LLC represent the plan participants.

The case is *Foley v. Legacy Health*, D. Or., No. 3:25-cv-01041, complaint 6/17/25.

Securities Law News

Texas Business Courts Hit Milestone With First Merits Decision

June 18, 2025, 3:38 PM PDT

- Took nine months after lingering in trial court for two years
- Three dozen cases set for jury trials, the first in September

Texas' nine-month-old business court system handed down its first final judgment in a case this week, resolving a dispute it took on in the fall and signaling that the nascent court could prove an efficient alternative to others.

Judge Bill Whitehill's order dismissing claims against Primexx Energy Corp. wrapped up a case that had been lingering for two years in a state district court before his Dallas business court took it over in September.

By November, the parties had briefed and argued the case, and in March Whitehill dismissed plaintiffs' \$200 million breach of contract claim. The June 16 final order dismissed all remaining plaintiffs through an agreement from the parties.

"This is what we wanted," said George Christian, senior counsel of Texas Civil Justice League, a pro-business group that pushed for Texas to build a courts system to rival Delaware's Chancery Courts.

"People are going to see how quick this goes—we got our hearing, and we got our ruling," Christian said.

Primexx beat claims involving a partner exercising its right to force minority shareholders to sell their shares when Callon Petroleum Co. purchased Primexx. The milestone judgment offers a glimpse into how Texas courts may view contractual limits on fiduciary duties.

"I think a lot remains to be seen in other outstanding cases but this shows an example of how efficiently the business courts can resolve the case on the merits," said Marisa Secco Giles of Vinson & Elkins LLP, who wasn't involved in the dispute.

More Cases Coming

The Primexx case is one of more than 140 that lawyers have filed in the business courts, a number observers say squares with their expectations.

In September, many more are expected to arrive provided Gov. Greg Abbott (R) signs legislation on his desk lowering the minimum controversy threshold from \$10 million to \$5 million.

The bill, HB 40, also lets the courts hear intellectual property disputes and enforce arbitration agreements. It provides for parties on agreement to bring cases that were previously barred over their age because they existed before the courts.

"All of those things are likely to lead to a larger number of cases being filed in the business court," Secco Giles said.

With the first merits-based decision in Primexx checked off, the courts await their first jury trial. About three dozen cases have settings, including seven this year.

The first is scheduled for Sept. 15 in Houston.

Primexx is represented by Kirkland & Ellis. Additional defendants are represented by Lynn Pinker Hurst & Schwegmann, and Troutman Pepper Locke.

The plaintiff, Primexx Energy Opportunity Fund, is represented by Susman Godfrey LLP.

The case is Primexx Energy Opportunity Fund, LP v. Primexx Energy Corporation, Tex. Dist. Ct., No. 24-BC01B-0010, 6/16/25 .

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Class Action

Purdue's \$7.4 Billion Opioid Bankruptcy Deal on Track for Vote

June 18, 2025, 12:33 PM PDT

- **Company prepared to advance years-long bankruptcy towards end**
- **Sackler family settlement garnered broad nationwide support**

Purdue Pharma LP is preparing to send an updated bankruptcy plan and \$7.4 billion opioid claim settlement to a vote following broad sign-on by all US states and territories.

Hundreds of thousands of government entities, organizations, and individuals harmed by the nation's opioid crisis should soon begin voting on a wide-reaching proposal funded largely by the drug company's Sackler family owners.

Judge Sean H. Lane of the US Bankruptcy Court for the Southern District of New York said Wednesday that the parties have reached a "significant milestone." A hearing on the adequacy of Purdue's bankruptcy plan disclosures and solicitation procedures will resume Friday.

"The opioid crisis is a tragedy," said Lane. "It's vitally important for this case to move forward."

Purdue's plan to transfer assets to a public benefit company and provide funding for opioid abatement efforts across the country came into its current form following nearly six years of Chapter 11 proceedings and a US Supreme Court ruling last year that blocked the company from forcing creditors to give up rights to sue the Sacklers.

Purdue and the Sacklers have agreed to pay \$7.4 billion to settle litigation stemming from the production and sale of painkiller OxyContin, which has been blamed for fueling an opioid addiction crisis in the US that has killed hundreds of thousands of people.

A group of 55 US states and territories involved in the case have signed on to the deal.

Under the proposed deal, the Sacklers will contribute approximately \$6.5 billion in installments over the next 15 years, subject to certain reserves. Creditors will be given the opportunity to opt out of releasing claims against the Sackler family in exchange for a smaller bankruptcy case distribution.

Purdue is represented by Davis Polk & Wardwell LLP.

The case is Purdue Pharma LP , Bankr. S.D.N.Y., No. 19-23649, hearing 6/18/25 .

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Securities Law News

Judge in Alphabet Case Questions \$500 Million Accord, Fees (1)

June 18, 2025, 1:45 PM PDT; Updated: June 18, 2025, 2:56 PM PDT

- Plaintiffs touted proposed settlement as ‘comprehensive’
- Judge seeks to know how much was previously committed

Investors and other parties to a derivative suit on behalf of Google parent Alphabet Inc. must answer questions about a proposed settlement consisting of regulatory compliance reforms valued at \$500 million, a federal judge said Wednesday.

Judge Rita F. Lin’s questions probe several issues, including how much money—and which reforms—were in place before the agreement. The US District Court for the Northern District of California judge also asked how the proposed measures would “address the underlying concern at the heart” of the suit, alleged insider control of the board.

The proposed accord, and its valuation, have generally been viewed as creating meaningful internal reforms and having real teeth. But Lin’s order kicking the tires doesn’t make that assumption.

The investors suing Alphabet’s leaders alleged the company engaged in “prolonged and ongoing monopolistic and anticompetitive business practices” in advertising, searching, Google Play services, and other areas. The conduct put the company at risk for billions of dollars in fines and damaged its reputation, the investors said in consolidated derivative litigation.

The practices exposed Alphabet to antitrust investigations and enforcement actions by the US Department of Justice, state attorneys general, the House of Representatives, foreign governments, and private plaintiffs, the shareholders said in seeking approval for the deal.

Made public in a May 30 court filing, the settlement amount would fund three categories of “comprehensive” reforms, according to the investors. First, Alphabet would switch regulatory oversight from the Audit and Compliance Committee to a new Risk and Compliance Committee, they said.

Second, Alphabet would implement “elaborate” mechanisms to improve compliance, they said. Finally, the company would improve monitoring by preserving communications.

Lin, in her written order Wednesday, said the company committed to a \$500 million total spend—not an additional \$500 million. “What amount was projected to be spent on regulatory compliance and board and management oversight over the next ten years, prior to this agreement?” she asked.

The judge also asked for a timeline on the plaintiffs’ attorneys’ fee request, so that shareholders can review it in time to object.

Answers are due July 1, she said.

Scott & Scott Attorneys at Law LLP is lead counsel for the investors. Freshfields US LLP represents the individual defendants and Alphabet, which is a nominal defendant.

The case is *In re Alphabet, Inc., S’holder Deriv. Litig.* , N.D. Cal., No. 3:21-cv-09388, 6/18/25 .

(Updates story with additional reporting and context beginning in third paragraph.)

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Beasley Allen Facing Pro Hac Vice Challenge From J&J in NJ Talc Cases



law.com/njlawjournal/2025/06/18/beasley-allen-facing-pro-hac-vice-challenge-from-jj-in-nj-talc-cases

Amanda Bronstad

June 19, 2025

[News](#) Mass Torts

- Johnson & Johnson says a ‘myriad of ethical issues’ require Atlantic County Superior Court Judge John Porto to deny the pro hac vice admissions of Beasley Allen principals Andy Birchfield and Leigh O’Dell.
- Last year, Porto rejected a similar motion from Johnson & Johnson to disqualify Beasley Allen from the talc litigation.
- Johnson & Johnson also has renewed a motion to disqualify Beasley Allen from leadership of the talc multidistrict litigation and sought to bar pro hac vice admissions of O’Dell and Birchfield in two related class actions.

Judge John Porto. Courtesy photo

A New Jersey state court judge will hear arguments Thursday on whether to bar *pro hac vice* admissions to two plaintiffs’ attorneys at Beasley Allen, the latest attack against the Montgomery, Alabama-based firm by Johnson & Johnson in the talcum powder litigation.

Johnson & Johnson says a “myriad of ethical issues” require Atlantic County Superior Court Judge John Porto to deny the *pro hac vice* admissions of Beasley Allen principals Andy Birchfield and Leigh O’Dell.

“Their admission would be detrimental to the prompt, fair and efficient administration of justice, as well as the interests of J&J,” Johnson & Johnson attorney Jessica Brennan, of Barnes & Thornburg in Morristown, New Jersey, wrote in a May 29 filing.

Last year, Porto rejected a similar motion from Johnson & Johnson to disqualify Beasley Allen from the talc litigation based on a partnership Birchfield had with its former outside counsel, James Conlan, a former partner at Faegre Drinker Biddle & Reath. Porto [concluded that](#) Johnson & Johnson failed to provide evidence that Conlan, now at Legacy Liability Solutions and who no longer practices law, shared confidential information with Birchfield in order for the two of them to pitch a \$19 billion talc settlement. Porto had held an evidentiary

hearing over three days, alongside U.S. Magistrate Judge Rukhsanah Singh, in the District of New Jersey, where O'Dell is co-lead counsel in thousands of talc lawsuits in multidistrict litigation against Johnson & Johnson. Singh hasn't ruled yet on the disqualification motion.

Johnson & Johnson, which appealed Porto's order to the New Jersey Appellate Division, insisted in its *pro hac vice* admission challenge that new facts had come to light in the past year, particularly during the Chapter 11 proceedings of its subsidiary, Red River Talc, earlier this year. In particular, Birchfield testified during a bankruptcy hearing that more than 11,000 of his talc clients had consented to vote against Johnson & Johnson's proposed \$10 billion bankruptcy plan when, in fact, only 3,000 had responded.

"These actions demonstrate a disregard for client obligations, client autonomy, and the integrity of the judicial process," Brennan wrote.

In a June 10 response, Beasley Allen attorney Jeffrey Pollock, of Pollock Law in Trenton, New Jersey, wrote that Birchfield and O'Dell were both in good standing in the jurisdictions where they practice and that Johnson & Johnson's application to bar their *pro hac vice* admissions is, in essence, another attempt to disqualify them.

"As this court well knows, J&J views Beasley Allen as its enemy," he wrote. "Andy Birchfield, Leigh O'Dell and Beasley Allen have stalwartly stood for their clients."

As to the Red River proceedings, U.S. Bankruptcy Judge Christopher Lopez, in the Southern District of Texas, in his [order dismissing the Chapter 11 case](#), found no evidence that "Beasley Allen acted in any manner other than the highest standards of the bar." The firm was in constant contact with its talc clients regarding the bankruptcy plan, which it planned to vote against on their behalf unless they asserted otherwise.

"Proof of Andy Birchfield and Leigh O'Dell's dedication to their clients is demonstrated by their unwavering advocacy in the face of J&J's unrelenting and unhinged attacks," Pollock wrote. "Being loyal to a client's cause is not a basis for denying a *pro hac vice* admission."

Thursday's hearing before Porto comes two days after U.S. District Judge Michael Shipp of the District of New Jersey took up several matters in the talc multidistrict litigation. In that federal docket, Johnson & Johnson has [renewed its attempt](#) to remove Beasley Allen from the plaintiffs' steering committee. Johnson & Johnson also [renewed its demand](#) to disclose litigation financing received by Beasley Allen's co-counsel, The Smith Law Firm, in Ridgeland, Mississippi.

Shipp's Wednesday order, however, did not focus on either matter but on the proposed appointment of retired U.S. District Judge Freda Wolfson, who oversaw the talc multidistrict litigation in its first years but will now serve as special master over experts. In 2020, Wolfson allowed five general causation experts for the plaintiffs into bellwether trials, but Shipp [ordered a new round of briefing](#) last year.

Shipp also gave lawyers until June 24 to select a bellwether case.

Andy Birchfield principal with Beasley
Allen Law. Courteys photo

Johnson & Johnson is not just challenging Beasley Allen's *pro hac vice* status in the coordinated talc actions in federal and state court, however. Last year, Beasley Allen was one of about half a dozen plaintiffs firms that filed two class actions against Johnson & Johnson ahead of the planned Red River Talc bankruptcy. One [class action](#) sought a [temporary restraining order](#) and preliminary injunction to halt the Chapter 11 filing, but Shipp rejected that motion, concluding he lacked subject-matter jurisdiction. Another class action seeks relief on behalf of future talc victims who [want medical monitoring](#) to screen for ovarian cancer.

This month, in both cases, Johnson & Johnson challenged the *pro hac vice* admissions of Birchfield and O'Dell, and the attorneys' portrayal of Lopez's findings.

"Once again, Beasley Allen is playing fast and loose with the facts," Brennan wrote in a combined June 13 reply brief. "J&J welcomes this court to look at what the bankruptcy court actually said, not the cherry-picked and out-of-context statements presented by O'Dell and Birchfield."

Litigation funder fires back at Tyson Foods over settlement interference claims



[reuters.com/legal/legalindustry/litigation-funder-fires-back-tyson-foods-over-settlement-interference-claims-2025-06-18](https://www.reuters.com/legal/legalindustry/litigation-funder-fires-back-tyson-foods-over-settlement-interference-claims-2025-06-18)

David Thomas, Mike Scarcella, Sara Merken

June 18, 2025

Job seekers attend a large career fair at Rutgers University in New Brunswick, New Jersey, January 6, 2011. REUTERS/Mike Segar/File Photo [Purchase Licensing Rights, opens new tab](#)

- Burford Capital asks judge to dismiss Tyson lawsuit over funding
- Litigation funders face tax in Senate version of Trump tax and spending bill
- Jackson Walker sued again over role in bankruptcy judge romance saga

June 18 (Reuters) - (Billable Hours is Reuters' weekly report on lawyers and money. Please send tips or suggestions to D.Thomas@thomsonreuters.com, [opens new tab](#))

A fight over the power of outside funders to influence lawsuits is unfolding in Chicago federal court, where leading litigation financier Burford Capital fired back this week against allegations that it illegally interfered with efforts to settle chicken price-fixing claims against meat processing giant Tyson Foods.

Tyson [sued, opens new tab](#) Burford in April, alleging it sought to "co-opt the legal system" by blocking a potential settlement between Tyson and Burford's funding client Sysco in the chicken case in order to press for a larger recovery.

Burford asked a court this week to dismiss Tyson's lawsuit, [accusing, opens new tab](#) the company of trying to divert attention away from the underlying price-fixing claims.

Litigation funders provide financial support to clients in exchange for a part of any settlement or other judgment. Burford is the world's largest litigation finance provider.

The clash is part of a broader, long-running litigation accusing Tyson and other meat processors of price-fixing in a variety of meat industries. Some of the cases have generated tens of millions of dollars or more in settlements. Tyson has denied any wrongdoing.

Burford has spent \$140 million since 2019 backing antitrust claims by food distributor Sysco against Tyson and other meat processors, court documents show. Sysco's contract with Burford allowed the funder to participate in some of Sysco's settlement discussions, Burford said in court papers.

In 2023, Burford successfully blocked Sysco from settling with a different defendant in the price-fixing litigation for an amount that the funder thought was too low. Sysco is [no longer a party](#) in the case, after transferring its litigation rights to a Burford affiliate called Carina Ventures.

Burford and Sysco declined to comment, and Tyson did not immediately respond to a request for comment.

Burford in its filing this week denied it had interfered with Sysco's settlement plans and called Tyson's claims "threadbare" and "rank speculation." Burford said it was Tyson that declined Sysco's last settlement offer in late 2021.

– U.S. Senate Republicans on Monday included a provision in [proposed changes](#) to President Donald Trump's sweeping tax-cut and spending bill that would raise the tax third-party litigation funders pay on litigation proceeds to nearly 41%.

Republican Senator Thom Tillis in a May statement introducing the bill said the legislation would curb "abusive practices" and promote transparency in the industry.

Paul Kong, executive director of the International Legal Finance Association, a trade group for commercial litigation funders, in a statement said the tax would undermine access to justice by placing "significant barriers in front of small businesses, inventors, startups, and other less well-resourced claimants seeking redress."

– Houston-based law firm Jackson Walker has been hit with [another civil lawsuit, opens new tab](#) over its failure to disclose a romantic relationship between one of its partners and former U.S. Bankruptcy Judge David Jones.

Bondholders of financial services company GWG filed the lawsuit in Houston federal court last week, accusing Jackson Walker, former firm partner Elizabeth Freeman, and Jones of deceiving them and the public by keeping the romance hidden "and taking millions from distressed entities for their own benefit."

The bondholders' lawyers at the Bandas Law Firm have brought two previous cases against Jackson Walker on behalf of shareholders who said their investments in certain companies were wiped out in bankruptcy cases where Jones was involved before he resigned from the bench in October 2023.

One lawsuit, filed by Morton Bouchard, is still pending. A federal judge last year [dismissed a similar lawsuit brought by Michael Van Deelen](#), who first brought Jones' relationship with Freeman to light.

Mikell West, a lawyer at the Bandas Law Firm, did not respond to a request for comment.

A spokesperson for Jackson Walker and a lawyer for Freeman both declined to comment. Attorneys for Jones and a spokesperson for Porter Hedges, a Houston-based law firm that was also named in the GWG investors' complaint, did not immediately respond to requests for comment.

– U.S. District Judge John Tunheim in Minnesota has awarded \$23 million in legal fees to plaintiffs firm Sanford Heisler Sharp McKnight for its work on a \$69 million class action settlement involving the UnitedHealth Group.

Lawyers for the plaintiffs in a [court filing, opens new tab](#) this month called the \$69 million deal the "largest-ever ERISA settlement alleging breach of fiduciary duty for failure to remove underperforming investment options." The plaintiffs' teams said they dedicated more than 12,800 hours on the litigation, which focused on participants who were invested in a certain Wells Fargo fund.

UnitedHealth denied any wrongdoing in agreeing to settle the litigation, which began in 2021. Kirkland represented UnitedHealth.

Read more:

[Oregon contract shows law firms' stake in Coinbase securities fight](#)
[Madison Square Garden wants sanctions, lawyers' fees in ex-NBA player's case](#)
[Wegovy maker Novo faces fee demand after losing copycat drug lawsuit](#)

Reporting by David Thomas and Mike Scarcella

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

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Securities Law News

Column

Trump Allies Fight Big Business in Litigation Finance Tax Split

June 19, 2025, 2:00 AM PDT

Welcome back to the Big Law Business column . I'm Roy Strom, and today we look at the strange bedfellows fighting against a new tax on litigation funders. Sign up for Business & Practice , a free morning newsletter from Bloomberg Law.

The fight over a proposed litigation finance tax is dividing core segments of the Republican Party, with some of President Donald Trump's prominent populist backers on one side and traditional Big Business on the other.

Stranger yet is that Big Law veterans are on the side of the populist types. Lawyers who've founded litigation funding shops find themselves aligned with nonprofit groups that commonly take on "woke capitalism" and rail against DEI initiatives.

Take a step back, and the alliance makes more sense.

Litigation finance, where investors pay lawsuit costs in return for a slice of any payouts that result from the action, has grown to \$16.1 billion in assets under management. It's attracted the attention of large hedge funds, like Fortress Investment Group, and been a boon for major law firms using the funding to grow active plaintiff-side litigation practices.

Litigation funders hold out the business as a way to level the playing field for smaller litigants who otherwise couldn't afford to take on America's biggest companies. Like the tens of thousands of people pursuing claims against Johnson & Johnson, alleging the conglomerate's talc products cause cancer. That David versus Goliath message has caught on with populist-leaning conservative groups. Litigation funds have been popping up to back right-leaning social causes.

These odd bedfellows are united against the business-backed US Chamber of Commerce, which argues that litigation finance encourages frivolous lawsuits and encourages long court fights that increase their costs. The Chamber's allies against litigation finance include a who's who of classic big business, such as the National Association of Manufacturers, Exxon Mobil Corp., J&J, and Liberty Mutual.

This divide is on full display in the fight over a litigation finance tax provision included in the Senate version of Trump's signature budget bill. It would apply a 41% levy on profits generated by litigation finance.

The tax is higher than the top individual income rate in the US—and it would apply to traditionally exempt entities such as pension funds. Litigation funders have said it would cripple the industry by making returns unattractive relative to other investment options.

Grover Norquist vs. America First

Here's a head scratcher: A big, new tax on litigation funding is supported by a group that says it "opposes all tax increases as a matter of principle."

Americans for Tax Reform, the conservative group founded by Grover Norquist, in a May article touted the idea of taxing litigation finance to offset other costs in the Trump reconciliation bill. Congress should make lawsuit investors pay the same individual income tax rate as plaintiffs who win awards, the group said (the actual proposal goes further, adding nearly 4% to the highest individual income tax rate).

Days later, Sen. Thom Tillis (R-NC) introduced a bill that would apply the roughly 41% tax rate to the industry, saying "predatory litigation financing allows outside funders, including foreign entities, to profit off our legal system."

But the provision would also apply to domestic investors, and it would not offset much spending. It will raise \$3.5 billion in revenue over 10 years, Tillis' office said. The House-passed version of the tax and spending bill would add \$2.8 trillion to US deficits over the next decade, according to the Congressional Budget Office.



Grover Norquist, president of Americans for Tax Reform Photo: Saul Loeb/AFP/Getty Images
Photographer: Saul Loeb/AFP/Getty Images

The conservative groups aligned with the more populist side of the Republican Party then began to speak up.

Will Hild, executive director of nonprofit Consumers' Research, wrote that litigation funding is "one of the key tools in the fight against woke capitalism," and said the Tillis bill would be "disastrous." Consumers' Research, which fights "woke corporations," has been critical of companies such as BlackRock, Coca-Cola, Levi's, and American Express.

"Where previously large corporations with deep pockets were confident they could crush the little guy and drown them in legal fees, litigation financing helps everyday American(s) fight back," Hild wrote in a post on social media site X the day after the Tillis legislation was introduced.

Gene Hamilton, president of the Trump-aligned legal group America First Legal, posted on X that the bill is "classic swampy Washington," saying it attacked a "phantom problem" and would only benefit "major corporate interests" while it "harms individual liberty."

Co-founded by White House deputy chief of staff Stephen Miller, America First Legal has sued Target, CBS Broadcasting Corp., and Northwestern University's law school over DEI issues.

"Litigation finance is not the enemy," Hamilton said.

Fighting 'Woke Companies'

The Alliance for Consumers, a nonprofit group critical of class action lawyers, this week took issue with a separate provision included in the reconciliation bill that the group said would require litigation funders and law firms to report specific cases they won to the Internal Revenue Service.

In a letter to House Speaker Mike Johnson (R-La.) and Senate Majority Leader John Thune (R-SD) posted on X, Alliance for Consumers Executive Director O.H. Skinner said the provision would harm small, conservative law firms pressing lawsuits against Planned Parenthood or companies' DEI and ESG policies.

"Litigation finance has been a tool in the fight against woke companies on questions like DEI and ESG," Skinner wrote.

That lobbying is being joined by efforts from a litigation funding trade group, the International Legal Finance Association, which is engaging lawmakers and hired GOP lobbyist Pete Kirkham, Bloomberg Law reported this week.

One line of communication will likely stress the impact the tax could have on American pension funds, which have invested in some of the largest litigation finance entities.

Bill Farrell, co-founder of litigation funder Longford Capital, said his investors include retirement funds for police and firefighters, who will see their tax rate on the investment jump "from 0 percent to 41 percent."

"This is going to have a negative effect on American investors, including the pension funds of our first responders," Farrell said. "I don't want to tax firefighters' retirement accounts."

The odd bedfellows, peculiar alliances, and strange divides make clear what we already know—this is an unusual time in Washington.

Worth Your Time

On Litigation Funding Ads: Emily Siegel gets to the bottom of a mystery ad that appeared to support the Tillis litigation.

On Paul Weiss: More litigators departed Paul Weiss for the spin-off firm founded by Karen Dunn, Bill Isaacson and Jeannie Rhee, Tatyana Monnay reports.

On Sullivan & Cromwell: The firm made a big splash in London, and its local managing partner says more hires could be on the way.

That's it for this week! Thanks for reading and please send me your thoughts, critiques, and tips.

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Amazon must face authors' lawsuit over audiobook distribution, US judge rules



reuters.com/legal/litigation/amazon-must-face-authors-lawsuit-over-audiobook-distribution-us-judge-rules-2025-06-11

Mike Scarcella

June 11, 2025

Figurines with computers and smartphones are seen in front of Amazon logo in this illustration taken, February 19, 2024. REUTERS/Dado Ruvic/Illustration/File Photo [Purchase Licensing Rights, opens new tab](#)

June 20 (Reuters) - Amazon.com ([AMZN.O](#)), [opens new tab](#) must face a lawsuit by independent authors accusing the e-commerce giant of monopolizing the retail market for audiobooks and causing them to overpay for the distribution of their works, a federal judge ruled on Wednesday.

U.S. District Judge Jennifer Rochon in the federal court in Manhattan [rejected, opens new tab](#) for now Amazon's bid to dismiss the proposed class action by author Christine DeMaio, who publishes under the name CD Reiss.

Reiss sued last year, alleging Amazon's audiobooks unit Audible violated antitrust law by charging higher distribution fees for independent and self-published writers who decline to participate in a program that makes Amazon the exclusive distributor for books on Audible for 90 days.

The program offers self-published authors 40% royalties for book distribution, compared with 25% for authors who chose non-exclusive, competitive distribution.

Amazon and Audible did not immediately respond to requests for comment. Amazon has denied any wrongdoing, saying the audiobook market is "healthy and competitive."

Steve Berman, a lead attorney for Reiss, on Wednesday said they welcomed Rochon's order and looked forward to the next phase of the litigation.

Audible is the world's largest audiobook retailer, accounting for more than 60% of domestic purchasing compared with about 20% for Apple, according to the lawsuit.

Amazon, in seeking dismissal of the lawsuit, said Reiss had shown no evidence that Audible's program had induced any authors to sign an exclusive deal.

Amazon also told Rochon that it was lawful for the company to spend more resources promoting its exclusive content than on other titles.

The lawsuit seeks more than \$5 million in damages and class action status for thousands of authors.

The case is CD Reiss v. Audible Inc, U.S. District Court, Southern District of New York, No. 1:24-cv-05923-JLR.

For plaintiff: Steve Berman of Hagens Berman Sobol Shapiro; and Phil Cramer of Sperling Kenny Nachwalter

For defendant: Carrie Mahan, Ben Mundel and Randi Singer of Sidley Austin

Read more:

[Amazon must face part of online retailer's pricing lawsuit, US judge rules](#)

[Amazon slams authors' class action over audiobook distribution](#)

[Amazon accused of audiobook monopoly in author class action](#)

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

AT&T's \$177 million data breach settlement wins US court approval



reuters.com/sustainability/boards-policy-regulation/177-million-att-data-breach-settlement-wins-us-court-approval-2025-06-20

Mike Scarcella, David Shepardson

June 20, 2025

An AT&T logo is pictured in Pasadena, California, U.S., January 24, 2018. REUTERS/Mario Anzuoni [Purchase Licensing Rights, opens new tab](#)

WASHINGTON, June 20 (Reuters) - A U.S. judge granted preliminary approval on Friday to a \$177 million settlement that resolves lawsuits against AT&T ([T.N](#)), [opens new tab](#) over breaches in 2024 that exposed personal information belonging to tens of millions of the telecom giant's customers.

U.S. District Judge Ada Brown in Dallas said in a ruling that the class-action settlement was fair and reasonable.

The deal resolves claims over data breaches that AT&T announced in May and July last year. Depending on which breach is involved, AT&T has agreed to pay up to \$2,500 or \$5,000 to customers who suffered losses that are "fairly traceable" to the incidents. After payments are made for direct losses, the remaining funds will be distributed to customers whose personal information was accessed.

AT&T did not immediately comment.

One of the incidents resulted in the illegal downloading of [about 109 million customer accounts at the U.S. wireless](#) company. AT&T disclosed that its call logs were copied from its workspace on a Snowflake ([SNOW.N](#)), [opens new tab](#) cloud platform covering about six months of customer call and text data from 2022 from nearly all its customers.

In March 2024, AT&T said it was investigating a data set released on the "dark web" and said its preliminary analysis showed it affected approximately 7.6 million current account holders and 65.4 million former account holders. The company said the data set appeared to be from 2019 or earlier.

The Federal Communications Commission is also investigating. In September, AT&T agreed to pay \$13 million to resolve an FCC investigation over a data breach of a cloud vendor in January 2023 that impacted 8.9 million AT&T wireless customers.

The FCC said the data exposed in 2023 covered customers from 2015 through 2017 that should have been deleted in 2017 or 2018.

Reporting by Mike Scarcella and David Shepardson; Editing by Mark Porter and Leslie Adler

Boeing 737 MAX victims' relatives ask judge to reject deal ending criminal case



reuters.com/business/aerospace-defense/boeing-737-max-victims-relatives-ask-judge-reject-deal-ending-criminal-case-2025-06-18

David Shepardson

June 18, 2025

Item 1 of 2 Family members hold photographs of Boeing 737 MAX crash victims lost in two deadly 737 MAX crashes that killed 346 people as they arrive for Boeing CEO Dennis Muilenburg's testimony before a Senate Commerce, Science and Transportation Committee hearing on "aviation safety" and the grounded 737 MAX on Capitol Hill in Washington, U.S., October 29, 2019. REUTERS/Sarah Silbiger/File Photo

[1/2]Family members hold photographs of Boeing 737 MAX crash victims lost in two deadly 737 MAX crashes that killed 346 people as they arrive for Boeing CEO Dennis Muilenburg's testimony before a Senate Commerce, Science and Transportation Committee hearing on "aviation safety" and the grounded 737... [Purchase Licensing Rights, opens new tab](#) Read more

- Boeing to pay \$1.1 billion, including \$444.5 million to crash victims fund
- Justice Department claims deal ensures accountability and public benefits

WASHINGTON, June 18 (Reuters) - Relatives of some of the 346 people killed in two Boeing [\(B.A.N\), opens new tab](#) 737 MAX crashes in 2018 and 2019 asked a federal judge on Wednesday to reject a deal between the Justice Department and the planemaker that allows the company to avoid prosecution in a criminal fraud case.

The agreement enables Boeing to avoid being branded a convicted felon and to escape oversight from an independent monitor for three years that was part of a plea deal struck in 2024.

The families cited Judge Reed O'Connor's statement in 2023 that "Boeing's crime may properly be considered the deadliest corporate crime in U.S. history."

They argue dismissal of the case is not in the public interest and the obligations imposed on Boeing are not enforceable. They said the Justice Department has opted not to wait for a ruling but "has already contractually obligated itself not to further prosecute Boeing, regardless of how the court rules."

If the government declined to move forward with the prosecution even if the court rejected the deal, O'Connor should appoint a special prosecutor, the families told the judge.

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Under the deal, Boeing agreed to pay an additional \$444.5 million into a crash victims fund to be divided evenly per crash victim, on top of a \$243.6-million fine.

Boeing in July agreed to plead guilty to a criminal fraud conspiracy charge after the two fatal 737 MAX crashes in Indonesia and Ethiopia.

Boeing will pay \$1.1 billion in total, including the fine, compensation to families and over \$455 million to strengthen the company's compliance, safety, and quality programs.

The Justice Department said in late May the deal "secures meaningful accountability, delivers substantial and immediate public benefits, and brings finality to a difficult and complex case whose outcome would otherwise be uncertain."

The department did not immediately respond to a request for comment.

The vast majority of the families have settled civil suits with Boeing and collectively have been "paid several billion dollars," the Justice Department said.

Boeing, which did not immediately comment on Wednesday, will no longer face oversight by an independent monitor under the agreement, but will hire a compliance consultant.

Boeing had previously been set to go on trial June 23 on a charge it misled U.S. regulators about a crucial flight control system on the 737 MAX, its best-selling jet.

Reporting by David Shepardson, Editing by Franklin Paul and Rod Nickel

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

Opt-Out Plaintiffs Allege Blues Price-Fixing Conspiracy Harming US Hospitals

June 18, 2025 | By  Sulaiman Abdur-Rahman



Blue Cross Blue Shield exterior and logo in Minneapolis. Credit: wolterke/Adobe Stock

Hospitals and health care providers that are opting out of a \$2.8 billion proposed class settlement have filed a surge of antitrust complaints alleging the Blue Cross Blue Shield Association and BCBS commercial insurance plans continue to underpay medical providers in violation of the Sherman Act.

At least 15 pending lawsuits filed in federal courts since March accuse the Blues of participating in a price-fixing and boycott conspiracy injuring hospital systems with artificially low reimbursement rates for the services they provide to Blue-insured patients.

“Through these anticompetitive acts, Defendants’ conduct has caused Plaintiffs to be severely under-reimbursed for treating their patients by literally billions of dollars,” counsel for Boston Children’s Hospital alleged in a complaint filed Monday in Massachusetts federal court. “Defendants’ conduct has also increased costs for Plaintiffs’ patients—the Blues’ subscribers—all for Defendants’ own financial gain.”

Quinn Emanuel Urquhart & Sullivan represent Boston Children’s Hospital in their complaint seeking treble damages and injunctive relief ending the alleged ongoing price-fixing conspiracy that began in July 2008.

Other plaintiffs have filed similar claims in California, Georgia, Illinois, New York and Pennsylvania federal trial courts, according to Law.com Radar data.

King & Spalding; Womble Bond Dickinson; Paul Hastings; K&L Gates; Clifford Chance; Duane Morris; and Pearson Warshaw represent other provider plaintiffs who took legal action against Blue defendants after opting out of a class settlement.

Provider plaintiffs in multidistrict litigation in the U.S. District Court for the Northern District of Alabama reached a proposed \$2.8 billion monetary class settlement with Blues defendants last October. The proposal, if granted final approval by the court, would further include an estimated \$17.3 billion of nonmonetary benefits to the providers.

U.S. District Chief Judge R. David Proctor of the Northern District of Alabama in August 2022 granted final approval on a \$2.67 billion settlement between subscriber plaintiffs and the Blues defendants.

Plaintiffs who opt out of a settlement class can file separate claims against settling defendants, which is what many medical providers have chosen to do against the Blues in various venues, including the Northern District of California, Middle District of Georgia, Eastern and Middle Districts of Pennsylvania, Northern District of Illinois and Southern District of New York.

"Plaintiffs are not seeking to alter or interfere with the injunctive relief in the provider class settlement in the MDL Litigation," counsel for Boston Children's Hospital wrote in their complaint filed Monday. "For the avoidance of doubt, Plaintiffs seek injunctive relief only on their own behalf, and do not seek injunctive relief that would alter or interfere with the injunctive relief in the provider class settlement in the MDL Litigation."

Cravath, Swaine & Moore serve as lead counsel for the Blue Cross Blue Shield System in the MDL.

As of Wednesday, counsel for the defendants have not entered an appearance in the pending case Quinn Emanuel filed on behalf of Boston Children's Hospital in the U.S. District Court for the District of Massachusetts.

"We do not comment on active litigation," a BCBSA spokesperson said Wednesday.

This action was surfaced by Law.com Radar, which delivers real-time alerting on new litigation across more than 2,900 state and federal courts. [Click here to get started and be first to act on opportunities in your region, practice area or client sector.](#)

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Class Action

Boeing Must Face Southwest Pilot Wage Claims Over Max Grounding

June 20, 2025, 7:56 AM PDT

- **Railway Labor Act inapplicable since claims not tied to CBA**
- **Southwest union can bring claims on behalf of members**

Boeing Co. must face lost wage claims from 8,000 Southwest Airlines pilots who couldn't work during a mass shutdown of the 737 MAX airliner, a majority of justices on the Texas Supreme Court ruled Friday.

Boeing had argued the claims are barred under the federal Railway Labor Act because the pilots' union employment agreement is with Southwest, not Boeing.

But that argument fails because the pilots' claims don't "substantially depend upon interpretation of the parties'" agreement, the court said in a 7-2 opinion.

The case is remanded to allow the pilots to prove they were misled into flying the Max through false safety assurances.

Those are factual issues regarding the Southwest Airlines Pilots Association "and its members' mindsets and motives that are yet to be decided," Justice Jeff Boyd wrote for the majority.

In a dissent, Justice Jane Bland said she wouldn't let the union pursue claims on behalf of its members.

"To permit assignments such as these hollows out the Legislature's careful limits as to the types of claims associations can bring," Bland wrote, joined by Justice Rebeca Huddle.

Boeing grounded all MAX aircraft in March 2019 following deadly crashes in Indonesia and Ethiopia. Southwest at the time operated 34 of the planes, with plans to start operating another 36 by the end of that year.

Southwest had to cancel thousands of flights, drastically decreasing work opportunities for pilots. The pilots' union also lost millions of dollars in dues because their contributions are based on their earnings.

The pilots claim Boeing tricked them into signing the bargaining agreement with false safety assurances about the 737 MAX.

During oral arguments in March, the pilots' lawyer David Coale of Lynn Pinker Hurst & Schwegmann LLP called the contract "a lemon, a bum steer."

Boeing is represented by Haynes and Boone LLP, Kirkland & Ellis LLP, Tillotson Johnson & Patton, and Carter Arnett PLLC. The Southwest pilots are represented by Lynn Pinker Hurst & Schwegmann LLP, Wick Phillips Gould & Martin LLP and Condon & Forsyth LLP.

The case is Boeing Co. v. Sw. Airlines Pilots Ass'n , Tex., No. 22-0631, 6/20/25 .

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Familiar Players Tapped to Lead Philadelphia's Hair Relaxer Mass Tort

June 20, 2025 | By  **Aleeza Furman**

What You Need to Know

- Judge Joshua Roberts appointed half a dozen lawyers to serve as liaison counsel in the Philadelphia hair relaxer mass tort.
- Attorneys from Kline & Specter and Motley Rice are representing the plaintiffs, and attorneys from McQuire Woods, Barnes & Thornburg and Rawle & Henderson are representing defendants.
- Many of the appointed liaison counsel are familiar names in the Philadelphia mass tort program.



Philadelphia City Hall in downtown Philadelphia, PA, on April 3, 2021. Photo: Diego M. Radzinski/ALM

Some familiar players are set to lead Philadelphia's recently formed hair relaxer mass tort.

Judge Joshua Roberts, head of the Philadelphia Court of Common Pleas complex litigation center, on Tuesday appointed a batch of attorneys to liaison counsel posts in the hair relaxer litigation. Most of the half-dozen lawyers selected are regulars in the court's mass tort program.

On the plaintiffs' side, Roberts tapped Kline & Specter partners Shanin Specter and Tobias Millrood and Motley Rice member Mike Daly to serve as liaison counsel.

According to Millrood, most of the hair relaxer lawsuits in Philadelphia—which as of late May numbered about 25—are Kline & Specter cases, while Motley Rice has a “significant footprint nationwide.” Millrood said he looks forward to working alongside Daly.

Daly said in an email that he is “proud to be appointed plaintiffs' co-liaison counsel in this critically important case.” Daly continued, “I look forward to working with Kline & Specter to lead this litigation and fight for these individuals who have been irreparably harmed by hair relaxer products.”

Both Millrood and Daly are experienced with leadership roles in Philadelphia's complex litigation center.

Millrood most recently served as plaintiffs liaison counsel in Philadelphia's mass tort over bladder medication Elmiron and as co-lead counsel in a number of high-profile Roundup trials. Daly, meanwhile, is plaintiffs liaison counsel in the court's paraquat mass tort, which is on track to have its first bellwether trial later this summer.

On the defense side, the liaison counsel appointments cover two groups: manufacturer defendants and retail defendants.

Plaintiffs in the mass tort allege that they developed reproductive cancers from their use of hair relaxers, and the defendants include a long list of companies that made and sold the products at issue.

Appointed as liaison counsel for the manufacturer defendants is Branden Moore, a partner at McGuire Woods. Moore, who did not respond to a request for comment, does not appear to have served as liaison counsel in any recent Philadelphia mass torts.

The liaison counsel for the retailer defendants, on the other hand, have roles in a number of other coordinated proceedings in Philadelphia. Barnes & Thornburg partner Chanda Miller also serves as defendants' liaison counsel in the Elmiron and Roundup programs, and Rawle & Henderson partner John McMeekin II is liaison counsel for a group of defendants in litigation over heartburn medication Zantac.

Miller and McMeekin forwarded Law.com's inquiry to hair relaxer retailer defendant CVS Health, which declined to comment.

The Philadelphia hair relaxer mass tort began taking shape in late April, when the court ordered its coordination. The court has yet to work out a trial schedule, but many of the cases have already been pending for several years and have progressed to the discovery phase.

Millrood predicted that the number of cases in the Philadelphia Court of Common Pleas stand to grow as the mass tort develops. "I expect over time with the mass tort program, people will consider the option if it's the appropriate forum for the case," he said.

The lawsuits coordinated in Philadelphia represent a small fraction of the hair relaxer cases pending across the United States. Other sites of the litigation include Georgia and New York state courts and a federal multidistrict litigation in the U.S. District Court for the Northern District of Illinois, which currently holds more than 10,300 cases.

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Securities Law News

CrowdStrike Defeats Air Traveler Class Action Over Mass Outage

June 19, 2025, 8:01 AM PDT

- Travelers sought damages for missed work, extra trip expenses
- Claims preempted by deregulation act, threaten airline costs

CrowdStrike Inc. prevailed over a class action brought in US federal court by travelers whose flights got delayed or canceled amid a faulty software update that disrupted travel at airports nationwide last year.

The US District Court for the Western District of Texas granted the cybersecurity company's motion to dismiss the lawsuit on Wednesday.

It denies the travelers damages to compensate for the expenses incurred booking new flights, hailing ride-shares, booking hotel rooms, buying extra toiletries or medication, and missing work due to lengthy flight delays or cancellations during the widespread computer outages in July. Those claims are preempted by the federal Airline Deregulation Act, as they would be if the travelers had sued the airlines directly, Judge Robert Pitman said in an 11-page order.

"The Court concludes that the airlines would experience significant effects from the enforcement of state tort law in this manner on CrowdStrike, akin to federal regulation, because cybersecurity vendors would have an incentive to change their practices and services for airlines specifically," he said.

"The vendors would, if their potential liability in case of errors in the context of airlines extended to disruptions of airline services, also likely have a strong incentive to charge more for their services to offset that risk of liability," he said.

Up to 46,000 flights were delayed and over 5,100 flights were canceled on the first day of the outage, the Aug. 5 complaint said.

CrowdStrike in April also sought to dismiss separate investor litigation alleging the company told them its platform had been sufficiently validated, despite not having sufficient procedures in place to test and update the system.

Barnow & Associates PC and Lockridge Grindal Nauen PLLP lead the travelers' legal team. Crowdstrike is represented by DLA Piper LLP (US).

The case is Del Rio v. CrowdStrike Inc. , W.D. Tex., No. 24-00881, order 6/18/25 .

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Google faces legal blow as EU court adviser backs record \$4.7 billion fine



[courthousenews.com/google-faces-legal-blow-as-eu-court-adviser-backs-record-4-7-billion-fine](https://www.courthousenews.com/google-faces-legal-blow-as-eu-court-adviser-backs-record-4-7-billion-fine)

FILE - A man walks past Google's offices in London's Kings Cross area, on Aug. 10, 2024. (AP Photo/Brian Melley, File)

LUXEMBOURG (CN) — Google's Android business model faced a major legal setback Thursday as a top EU court adviser backed a multi-billion-dollar fine, saying the company exploited its mobile ecosystem to illegally cement dominance in general search.

In a long-awaited opinion, Advocate General Juliane Kokott recommended that the European Court of Justice uphold [the European Commission's 2018 decision](#), which imposed a €4.124 billion (\$4.73 billion) fine on Google for anticompetitive behavior.

Referring to the conduct as a “single and continuous infringement” of EU competition law, Kokott rejected the idea that tying Google Search and Chrome to Play Store access was legitimate integration, supporting the EU's view that the contractual terms formed part of a broader strategy to shut out rivals and entrench dominance across markets.

[The opinion](#) reinforces a key legal principle in EU competition law: Authorities must show how product bundling can shut out rivals, rather than proving actual exclusion.

“The case is critical in confirming that it rests upon enforcers to explain and substantiate how the bundling of products can foreclose competitors,” said Christian Bergqvist, a professor of competition law at the University of Copenhagen.

The dispute dates back to [a 2013 complaint](#) and culminated in [the European Commission's 2018 decision](#) to fine Google €4.124 billion after finding that requiring the pre-installation of Search and Chrome in exchange for Play Store access gave Google an unfair advantage. The commission is the EU's main executive body.

Android was installed on 80% of mobile phone devices in the European Union when the fine was issued. Though the commission said Google had paid phone makers like Samsung and HTC to preload Google Search directly onto their devices, Google's lawyers attributed the widespread use of Android to the supposed superiority of the product.

While Google has argued that Android's open-source nature fosters competition, the commission concluded that its contractual practices, such as requiring the pre-installation, limited user choice and stifled innovation. The General Court largely upheld this view in 2022, [slightly reducing the fine](#) after excluding certain revenue-sharing agreements.

In its appeal to the Court of Justice, Google claimed that tying in its apps improved user experience. But Kokott rejected that defense, stressing that “the pre-installation of an app in itself confers an advantage over competing apps,” reinforcing a status quo bias that steers user behavior and entrenches dominance in general search.

Although the General Court annulled in 2022 the commission’s finding of abuse regarding portfolio-based revenue share agreements, Kokott found those agreements reinforced Google’s strategy of exclusive preinstallation. In her view, the combined effects of those accords, along with mobile application distribution agreements — which required manufacturers to preinstall certain Google apps in exchange for access to the Play Store — contributed to Google’s market entrenchment.

She also emphasized that the commission need not show that equally efficient rivals were actually excluded, only that they could have been. In Kokott’s view, “no hypothetical as-efficient competitor could have found itself in such a situation,” due to Google’s entrenched dominance and the self-reinforcing power of data and defaults.

Thomas Höppner, a competition lawyer and partner at Hausfeld in Berlin, said: “In her opinion, Kokott further fine-tunes the ‘not (yet) as efficient competitor’ principle. There is a growing understanding that the more entrenched a dominant position, the lower the threshold for finding that a practice harms competition, especially where high barriers to entry exist.”

The case has drawn wide attention for its implications on tech giants, but some experts say it reflects settled legal doctrine rather than a shift.

“This case is important because it is a classic one,” said Nicolas Petit, a professor of competition law at the European University Institute and former member of the European Commission’s High-Level Expert Group on Artificial Intelligence. Since the fine was first issued, Brussels has tightened platform regulation through new laws like the [Digital Markets Act](#).

“The issues do not concern any groundbreaking form of business conduct but involve plain vanilla competition law logic. The fact that the defendant is a large tech platform is more a distraction than anything else,” Petit said. He warned that focusing too heavily on the digital context risks “deviation from established practice.”

A Google spokesperson expressed disappointment, saying that the decision “could discourage investment in open platforms and harm Android users, partners and app developers.”

Though non-binding, Kokott’s opinion is expected to carry weight with the Court of Justice, which will issue a final ruling in the coming months.

Class Action

Teva Hit With Suit Over Deal to Curb EpiPen, Nuvigil Competition

June 19, 2025, 12:48 PM PDT

- **Teva conspired with Pfizer, Mylan to block generics, suit says**
- **Pharma giant already battling antitrust suit over scheme**

Teva Pharmaceutical Industries Ltd. participated in a scheme with Mylan NV and Pfizer Inc. to block access to generic versions of EpiPen in exchange for a hold on generics of Teva's Nuvigil wakefulness medicine, a proposed class action alleged.

The anticompetitive scheme foreclosed generic competition to both EpiPen and Nuvigil for several years longer than legally permitted, forcing purchasers to pay for the branded products when prescriptions could have been filled using cheaper generic options, the complaint filed Wednesday in the US District Court for the Central District of California said.

Teva was already facing another suit filed in 2022 that alleged similar antitrust violations involving the deals with Mylan and Pfizer attempting to limit generic drug competition. Mylan and Pfizer paid a total of \$609 million that year to settle the litigation over the generic delay scheme.

Two Nuvigil patients in California brought the latest suit to cover potential class members within the state and pursue state law claims.

"This case seeks to complete the puzzle and to hold Teva accountable for its role in delaying generic options for Nuvigil," the complaint said.

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

The alleged scheme involved delaying the introduction of generics that would have competed with EpiPen or Nuvigil, allowing all parties to maintain their respective monopoly on each drug for longer and generate more profit than they would have by allowing the market to operate freely, plaintiffs alleged.

After Pfizer and Mylan sued Teva in 2009 over the patent for its generic EpiPen competitor, the pharma giants agreed to the "trade-for-delay" scheme to settle the litigation in 2012, stalling the generic equivalent's release until 2018. Mylan's revenue for EpiPen cratered after Teva finally released its generic competitor, according to the complaint.

Cephalon, now a Teva subsidiary, separately sued Mylan for patent infringement over its Nuvigil competitor in 2009. As part of the scheme to delay generic competition, Mylan didn't introduce its product to market until 2016, which prompted an immediate decrease in Teva's Nuvigil revenue, the complaint said.

Plaintiffs seek to establish a class with patients and other purchasers that bought Nuvigil from June 2012 to December 2017 to recover equitable relief for anticompetitive effects of the alleged conduct and damages with interest, as well as restitution or disgorgement.

Keller Rohrback LLP represents the plaintiffs and the proposed class.

The case is Pennington v. Teva Pharmaceutical Industries Ltd. , C.D. Cal., No. 8:25-cv-01324, complaint filed 6/18/25 .

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OC attorney says she was detained in ICE raid at Santa Ana park

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[dailyjournal.com/articles/386228](https://www.dailyjournal.com/articles/386228)

Jun. 19, 2025

Newport Beach attorney Heidi Plummer says she was handcuffed and taken to an ICE processing center during a weekend operation in Santa Ana, despite her U.S. citizenship and public legal role. "There was no warning... no rhyme or reason," she says.

Newport Beach attorney Heidi Plummer

Orange County attorney Heidi M. Plummer, a U.S. citizen, said she was walking through Centennial Park in Santa Ana on Saturday when she was detained by U.S. Immigration and Customs Enforcement officers conducting an operation in the area.

Plummer, co-founder of Bock & Plummer, Attorneys at Law in Newport Beach, said she had gone to the park to clear her head after attending a family member's funeral. It was there, she said, that she was caught up in a sweep by ICE agents.

"I have lived here for 50-some years. I've been through gang wars. I've been through all kinds of things and never have felt as unsafe as I felt on Saturday," Plummer said Wednesday. "I often go to the park to walk to clear my mind. I left my house and I'm basically walking along minding my own business when suddenly, a bunch of ICE vans pulled up and conducted a raid at the park, and I was caught up in that."

Plummer, a probate attorney, said she began advising others in the park to exercise their rights.

"I started telling the people around me in Spanish, 'Don't answer questions. Ask for a lawyer.' I am half Ecuadorian but I look whiter than anything and my name is a very American name. I do not look Mexican. I don't look Asian. I don't look like anything other than a brown-haired, brown-eyed girl walking in the park."

Plummer is not the first California attorney to be affected by law enforcement actions linked to immigration enforcement.

Courtney Liss, a 31-year-old trial lawyer from Lieff Cabraser Heimann & Bernstein in San Francisco, was injured during an earlier protest over ICE detentions. In comments to the New York Times, Liss said she was pushed into a fire hydrant and struck three times with a baton by police during the demonstration. She noted that a prior protest attended by lawyers in suits had not prompted a police response.

According to Plummer, ICE agents reacted negatively to her intervention.

"I was handcuffed and put in a vehicle with several other females. They separated the children from their families. The men were put in separate vehicles, and we were essentially all taken down to the ICE station in Santa Ana," she said. "We were put in a room, and I just kept telling the other women, 'Don't answer questions. You have rights. Ask for an attorney.' The agents asked for my identification, and I gave them my identification. I was in that detention room for about an hour and a half before they came and told me I was free to go and find my own way home."

"It was the most bizarre thing in the world. The fear that was in the room. I didn't know what was going to happen to me. I didn't know if I was going to wind up in some sort of detention where I had to call a lawyer or do this or do that. I certainly wasn't processed in any way. I was certainly detained," she said.

President Donald J. Trump has pledged to implement the largest mass deportation operation in U.S. history. In the opening months of his second term, his administration has already deported more than 100,000 individuals - which is fewer than the number of deportees in the last months of the Biden administration and far short of a quota the Trump administration reportedly imposed on itself. This reportedly has caused immigration officials to conduct more sweeps in workplaces and public spaces.

The Department of Homeland Security's Immigration and Customs Enforcement did not respond to multiple requests for comment.

Newport Beach attorney Frances Prizzia, a friend of Plummer's, said the incident raised deep concerns.

"Heidi is a longtime resident of Orange County, and a well-connected and very involved member of our bar community. She was detained, rounded up and transported to an ICE processing center," Prizzia said. "This is frightening for anyone and is sadly reminiscent of the activities during Martial Law in the Philippines, or the Gestapo tactics of Nazi Germany and any genocide throughout history. No one is safe. We need to wake up and come to terms with the reality of the country we currently live in."

Plummer said she believes the operation indiscriminately targeted families and bystanders without legal justification or due process.

"I'm out there doing what I can do, making sure that people know their rights. You know, laws have to be carried out," Plummer said. "There's the rule of law, but this is not it. This is degrading, humiliating. I'm not a person who gets in trouble with the law. There were no protests, no disturbance of peace. You had families and people going about their everyday life and just being torn away from it."

California has declared itself a sanctuary state, which means local law enforcement officials are barred from aiding federal immigration authorities. To circumvent that law, U.S. Attorney Bill Essayli has launched Operation Guardian Angel, which allows federal authorities to scan criminal databases daily to identify arrested undocumented immigrants in state jails and charge them with re-entry felonies.

Essayli has said that even the worst criminal aliens in state custody are frequently released into the community because of California's sanctuary state policies. "These laws effectively render federal immigration detainers meaningless. The days of giving criminal illegal aliens a free pass are over. While California may be presently disregarding detainers, it cannot ignore federal arrest warrants," Essayli said in a statement.

Plummer said agents never mentioned a warrant on Saturday.

"There was no warning, no rhyme or reason to it. This isn't a place where criminals are hanging out. They literally just rolled up, and didn't say anything about a warrant," she said. "Their goal was to get as many people as they could into their vans and go. Act first, ask questions after the fact, and let the consequences be damned."

Plummer, who serves as vice president of Orange County Women Lawyers and co-chair of the Unity Bar, said her public role did not appear to shield her from the sweep.

"I'm not just someone, I'm a very public person and they didn't care. I was scooped up and put in handcuffs and honestly have no idea why."

#386228

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Securities Law News

Super Micro Whistleblower Advances Suit Over Retaliation (1)

June 18, 2025, 5:39 AM PDT; Updated: June 18, 2025, 7:00 AM PDT

- Failure to exhaust administrative remedies not established
- Whistleblower adequately alleged facsimile sent to OSHA

A former Super Micro Computer Inc. director may proceed with claims that the company unlawfully retaliated against him for calling attention to misleading accounting practices and other misconduct, a federal district court said.

Bob K. Luong met the administrative complaint filing requirements for a whistleblower claim under the Sarbanes-Oxley Act of 2002, Judge Noël Wise of the US District Court for the Northern District of California said in a Tuesday order, which denied Super Micro's motion to dismiss.

Super Micro and CEO Charles Liang retaliated against Luong for his reports, according to the 2024 lawsuit. Luong's allegations attracted the attention of the Justice Department, causing Super Micro shares to fall. Ernst & Young LLP cited concerns about the company's governance and transparency when it resigned as Super Micro's auditor in October.

The court ordered arbitration for two of Luong's state law claims in November and stayed the case with regard to the whistleblower claim. Luong then dropped the state law claims and filed an amended complaint that only included the whistleblower claim.

Super Micro moved to dismiss, arguing that Luong didn't exhaust administrative remedies as required for a whistleblower under the act.

Sarbanes-Oxley gives employees who help with any investigations against their employers 180 days to file retaliation claims with the Occupational Safety and Health Administration. It also says that a plaintiff may bring an action in federal court if the US Secretary of Labor hasn't issued a final decision within 180 days of the filing of a complaint, the court said.

Super Micro said that because OSHA didn't receive the complaint Luong said he faxed to the agency, OSHA couldn't act on it, and therefore Luong didn't exhaust administrative remedies.

But the date of filing determines the timeliness of a facsimile under the controlling regulation, not the date of receipt, the court said.

Luong satisfied filing requirement because he sent the facsimile either April 15, 2023, as stated by his second amended complaint, or April 12, 2023, as suggested by judicially noticed exhibits, the court said. And Luong waited more than 180 days to file his federal court complaint, Wise said.

The court also rejected Liang's argument that he should be dismissed from the suit because Luong didn't identify Liang, or any retaliatory action by Liang in the administrative complaint. The administrative complaint "gives 'fair notice' to Liang of potential claims against him," the court said.

Gomerman Bourn & Associates represents Luong. Rutan & Tucker LLP represents Super Micro.

The case is Luong v. Super Micro Comput., Inc. , N.D. Cal., No. 5:24-cv-02440, 6/17/25 .

(Updates with additional details throughout the story.)

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Opinion

Matt Levine's Money Stuff: Lawyers Are Mad About SALT

June 18, 2025, 11:00 AM PDT

Programming note: *Money Stuff* will be off tomorrow.

SALT

The way US tax law works is that businesses mostly can deduct their business expenses from their taxable income, but people mostly can't deduct their personal expenses. So a company that has \$100 of revenue and spends \$80 on inputs will have \$20 of taxable income, but a person who has a \$100 paycheck and spends \$80 on food and rent will have \$100 of taxable income. There are various exceptions. A person who has a \$100 paycheck and spends \$80 on food and a *mortgage* will have less than \$100 of taxable income, because the interest on the mortgage is at least partially tax deductible.

Sometimes the lines blur. In particular, many people run businesses, and many of those businesses are not corporations (which file their own tax returns and pay their own corporate income tax) but what are called "pass-through entities," like partnerships, whose income belongs to their owners. A pass-through business doesn't pay taxes; its owners just count their share of its income as their income on their tax returns. And of course they deduct its business expenses: Intuitively, if you own a business that has \$100 of revenue and spends \$80 on business expenses, only the \$20 of net business income will be income on your tax return.

And so, if you run a business, you will have enormous incentives to classify expenses as business expenses (deductible) rather than personal expenses (not deductible). And there are various specific rules and gray areas about what you can and can't count, and this is a much-discussed topic with lots of potential for cheating.

One expense of particular interest is *state income taxes*. If you are a person with a high-paying job in New York, you will pay perhaps 35% of your taxable income in federal income tax and roughly 10% in state income tax. For every \$100 in your paycheck, the Internal Revenue Service will get \$35, New York will get \$10 and you will get \$55. The rules used to be somewhat different: You could deduct that \$10 New York tax from your federal taxable income, so you would only have \$90 of federal taxable income, you'd only pay \$31.50 in federal tax, and you'd have \$58.50 left over for yourself. But in 2017, Congress changed that, capping the state and local tax (SALT) deduction at \$10,000, so high-income taxpayers in high-tax states now can't fully deduct their state income taxes.

On the other hand, *businesses* in high-tax states can still deduct their state income taxes: Those are business expenses, of course they are deductible. Or, at least, *corporations* in high-tax states can deduct their state income taxes. What about pass-through businesses?

From first principles the rule is that, if the business pays the tax, as a business expense, it is deductible. Intuitively, if you own a business that has \$100 of income and pays \$10 of state taxes, only the \$90 of net income is income on your federal tax return; if you own a business that has \$100 of income and *doesn't* pay state income taxes (because it passes through the income to you), and *you* pay \$10 of state taxes on that income, the full \$100 is income on your federal tax return. Historically pass-through businesses didn't pay state income taxes, because they were pass-through businesses: For both federal and state tax purposes, they passed their income through to their owners, and the owners paid all the taxes on that income. But the 2017 federal tax changes created an incentive to find a way for those businesses to pay state income taxes themselves, so that they would remain deductible from their owners' federal taxes.

And so a lot of high-tax states created some sort of pass-through entity tax that lets business owners pay their state taxes at the business level, so that they remain deductible from federal taxes. So if you are a person with a high-paying job in New York, you'll pay \$35 to the IRS and \$10 to the state for every \$100 in your paycheck. But if you are a person with a high-paying *law firm partnership* in New York, your partnership will pay \$10 to the state, you'll only get \$90 of federal taxable income, and you'll only pay \$31.50 to the IRS.

We talked about this back in 2022. As a person with a job, this has always struck me as mildly unfair (I don't get unlimited state income tax deductions), but also aesthetically pleasing (I do enjoy tax structuring), so I don't complain too much.

But of course if you are a law firm partner, you would much prefer to pay lower taxes (like other business owners) rather than higher taxes (like me). And Congress's current efforts to revise tax laws involve taking away that advantage, but only for "'specified service' businesses, a category that can cover entertainment companies in Hollywood, pharmacists and physicians on Main Street, legal and financial firms on Wall Street and many other industries." The law firms are mad. The Financial Times reports:

US accountants and lawyers are mounting a furious lobbying effort on Capitol Hill to head off a tax rise targeted at professional services firms, which is buried in Donald Trump's "big, beautiful bill". ...

The American Bar Association this week wrote to senators calling the measure “fundamentally unfair” for singling out professional services firms, which include doctors, dentists and veterinarians as well as lawyers, accountants and consultants.

The American Institute of Certified Public Accountants called the measure “ugly” and has co-ordinated local accounting groups from across 53 states and US territories to write to senators demanding the measure be dropped. ...

The move would be “fundamentally unfair and further widen the tax parity gap between professional service businesses and other pass-through businesses and corporations”, ABA president Bill Bay wrote in a letter to Senate leaders this week.

“The vast majority of law firms in America are small pass-through businesses, as more than 75 per cent of practising lawyers in our nation work as solo practitioners or in small law firms . . . These professional service businesses provide just as many benefits to the economy and society at large as other pass-throughs and corporations.”

Right I mean the fairness issue here is that right now I pay higher taxes, and law firm partners and car dealership owners pay lower taxes, and the bill would tax the law firm partners like me rather than like the car dealers, and they'd prefer to be taxed like the car dealers. I understand their preference!

Meta vs. OpenAI

I tell you what, if Meta Platforms Inc. paid me a \$100 million signing bonus to come work for their artificial intelligence business, I would be the most dedicated worker they have ever seen until the check cleared! After that something different would happen! I would get even better! Ha ha ha! Mark, call me!

This is a well-known problem in the financial industry, where top performers are paid large discretionary annual bonuses. You want to pay your people enough that they don't leave for a more lucrative offer elsewhere, but not so much that they never need to work again. The financial industry has developed sophisticated tools to address this problem, tools like “your office rival has a house closer to the beach in Amagansett so you have to keep working to outdo her.” The main financial centers offer an enormous array of arbitrarily priced positional goods, and the apprenticeship model of finance teaches people to value them, so by the time you are making \$20 million a year you will find it perfectly reasonable to think “man if I made \$30 million a year life would be good.”

Meanwhile artificial intelligence has gone from being a quirky academic quest to a gigantic lucrative business in virtually no time (OpenAI was founded as a nonprofit in 2016), and the competition for hiring AI researchers has gotten so intense that as far as I can tell the going rate for a top AI researcher is “enough money that you can retire immediately.” Also the AI researchers are all like 20 minutes out of PhD programs and haven't had time to learn which Hamptons are déclass  . The gap between “enough money to be competitive” and “enough that they never need to work again” has been completely erased. From the outside that seems to make hiring and compensation very hard.

I suppose I am exaggerating but not by that much! Here's Sam Altman:

OpenAI Chief Executive Officer Sam Altman said Meta Platforms Inc. has offered his employees signing bonuses as high as \$100 million, with even larger annual compensation packages, as it seeks to build a top artificial intelligence team.

"It is crazy," Altman said on the podcast *Uncapped*, which is hosted by his brother. While Meta has sought to hire "a lot of people" at OpenAI, "so far none of our best people have decided to take them up on that," Altman added. ...

He had a theory for why people are turning down the offers. "There's many things I respect about Meta as a company, but I don't think they're a company that's great at innovation," he said, noting the cultural risks of creating jobs that could become more about the money than the work. "I think we understand a lot of things they don't."

The cultural risks of creating jobs that could become more about the money than the work! One of those risks is surely that with enough money you don't need to work.

GENIUS Act

A US dollar is, in most cases, an electronic entry on the ledger of a US bank. If you want to hold dollars, you will have to go to a bank and open an account. If you walk into the bank and say "hi I am interested in depositing the proceeds of my narcotics sales to fund terrorism," or "hi I am Jeffrey Epstein," the bank will refuse to open an account for you. The bank in fact has some affirmative "know-your-customer" (KYC) obligations to ask you questions like "are you a terrorist" and "are you Jeffrey Epstein" before opening your account.

Let's say you get through that process and open an account, and then you want to send dollars to me. You have various ways to do that: check, ACH transfer, wire transfer, Zelle, debit card, etc. Most of these methods require that I *also* have account at a bank: not necessarily at your bank, but at some bank that also does KYC and makes sure that I am not a terrorist or a drug dealer or Iranian or Jeffrey Epstein. The point is that US dollars *are* electronic entries on the ledgers of banks, so if you want to send dollars to me, that means you want to increase the number in my entry on the ledger of a bank. For that to happen, I need to have an entry on the ledger of some bank.

There is one very important exception, which is that if you have a bank account and you want to send me dollars, you can go to an ATM, take out some \$20 bills, and hand them to me. I do not need a bank account in this scenario: Paper currency is an exceptional form of US dollars, a form that is *not* an electronic entry on the ledger of a US bank. I can just take the \$20 bills and put them in my pocket, even if I am a drug dealer. Later I can buy a sandwich with the \$20 bills, and the sandwich shop probably will not ask any questions to make sure that I am not a drug dealer. There are limits to this, though. It would be hard for me to buy a *house* with \$20 bills, both for practical reasons (that's a lot of \$20 bills) and for regulatory reasons (a real estate agent, seeing that pile of cash, probably *would* ask questions to make sure I am not a drug dealer). And so in fact there is an enormous illicit industry of "money laundering," which means roughly "finding ways to turn a drug dealer's pile of \$20 bills into deposits at regulated US banks."

A US dollar stablecoin is an electronic entry on a distributed ledger, a crypto blockchain like Ethereum or Solana. If you want to hold stablecoins, you can go to a stablecoin issuer, open an account, wire in some dollars and get back the same number of stablecoins. The stablecoin issuer will ask you the standard know-your-customer questions before doing that transaction with you. (I am oversimplifying: For most normal people, what you would do is go to a *crypto exchange*, open an account, answer the KYC questions and buy stablecoins on the exchange. The stablecoin issuer will mostly deal with exchanges and other institutions, and effectively outsource the KYC to them.)

And then you will have some stablecoins. And then you might want to send them to me. You can — really this is the point of crypto — you can just *do* that. You can hold the stablecoins directly in a digital wallet on the blockchain. You can send them to me, on the blockchain. The blockchain — the distributed permissionless ledger of transactions — will record that transaction; it will record that now I own the stablecoins. I do not need to have an account with a bank, or a stablecoin issuer, or a crypto exchange. The stablecoins *are* an entry on the distributed digital ledger; I don't need anyone's permission to open an account there.

What if I am a terrorist, or a drug dealer, or Iranian, or Jeffrey Epstein? Well, I have stablecoins now; I have digital entries representing dollars on a distributed ledger. What can I do with them? Possibly *less* than I could do with cash: It is somewhat harder to buy a sandwich with Tether than with \$20 bills. If I want to use the stablecoins to buy real estate or stocks, I will probably have to come back into the regulated financial system; even if I want to use them to buy *Bitcoin* I might want to open an account at a regulated crypto exchange and go through KYC checks. On the other hand the stablecoins do have some advantages over cash. They are easier to move electronically, for one thing; for certain high-dollar transactions they might be more convenient than sacks of cash.

There is something a bit odd about this situation. The stablecoin is, in some sense, an electronic entry on the distributed ledger, the blockchain. But in another sense it is *an obligation of the stablecoin issuer*, an entry on the ledger of the *issuer*. A stablecoin represents a claim for \$1 on the stablecoin issuer; the point of a stablecoin is that it can be *redeemed*, by going to the issuer and asking for \$1 back. And so the oddity is that a stablecoin issuer will have “depositors” — people with valid electronic claims on its deposits, anyway — whom it doesn't know, who have no direct or indirect customer relationship with it, who have never answered the KYC questions.

Maybe this doesn't matter? Maybe stablecoins are just “digital cash”: They are dollars that can move around without touching the ledger of a regulated financial institution, and so without any KYC checks, but if you want to use them for anything particularly useful you'll have to come back into the regulated system. That's how \$20 bills work, and it could be how stablecoins work. An electronic ledger entry that is the philosophical and regulatory equivalent to a \$20 bill.

Anyway the GENIUS Act passed:

The Senate passed legislation to regulate a widely used type of cryptocurrency, a key victory for the digital-asset industry after it poured money into last year's election.

The bill, the first of its kind to put federal guardrails on digital currencies, sets up oversight of stablecoins, a popular crypto asset typically pegged to a government currency such as the U.S. dollar. That peg keeps their price steady, making them attractive to traders looking for a store of value while they buy and sell more volatile cryptocurrencies. Stablecoins can also be used for cross-border payments.

Known as the Genius Act, the bill passed the Senate 68-30. It now moves to the House, where passage is viewed in Washington as likely but could take time. President Trump has said he wants to sign stablecoin legislation before Congress's August recess.

The roughly \$240 billion stablecoin market is expected to surge in the coming years, with financial-industry titans such as Visa and Mastercard getting into the sector, attracted in part by the prospect of regulatory certainty created by the bill. Amazon.com and Walmart are among the big companies also exploring stablecoins.

Many Democrats got on board with the GOP-led effort after strengthening consumer protections and national-security provisions. Supporters of the bill argued that doing nothing would push the industry offshore and lead to more nefarious activity. ...

The Senate passage is a big win for Circle, the largest U.S.-based stablecoin issuer, which recently went public. Circle has argued for regulations to legitimize the industry and in part to hurt Tether, its main rival and the biggest player globally. Tether is based overseas and hasn't shown it can meet the standards outlined in the bill. Tether didn't immediately respond to a request for comment.

Here is the text of the act. Here is a Davis Polk & Wardwell summary of its terms (and of the House's "STABLE Act"). The basic points of the act are:

1. To make it clear that stablecoins are legal, that they should be regulated by someone (the Office of the Comptroller of the Currency, for federally regulated stablecoins issued by non-banks), and that they are not securities.
- 2. To require stablecoins to be *backed*: Under the act, \$1 of stablecoin would have to be backed by at least \$1 of reserves consisting of bank deposits, short-term Treasuries, repo and reverse repo, Fed deposits or government money market funds.
- 3. To require stablecoin issuers to be "treated as a financial institution for purposes of the Bank Secrecy Act," so they have to ask know-your-customer and anti-money-laundering questions before opening accounts.

Basically a stablecoin issuer would be a sort of narrow bank. But other questions are open. Davis Polk says:

Payment stablecoin issuers would be required to (1) maintain effective AML and sanctions programs, (2) retain appropriate transaction records, (3) monitor and report suspicious activities, (4) comply with lawful orders to seize, freeze, burn, or prevent the transfer of outstanding stablecoins, and (5) maintain an effective customer identification program.

But also:

Neither GENIUS Act nor STABLE Act specifically addresses BSA/AML, CFT or sanctions standards for secondary market transactions directly in the legislation.

"Secondary market transactions" — me sending you stablecoins on the blockchain — are harder to police; again, that is sort of the point of crypto. A regulated US stablecoin issuer has to know its customers, that is, the people who buy stablecoins directly from the issuer. But after that, the stablecoins can do what they want.

Kalshi

We talked yesterday about a fun lawsuit against Kalshi, the prediction market. Basically Kalshi offers event contracts on sporting events; as of this morning, you can put \$93 on a contract that pays \$100 if Oklahoma City wins the NBA Finals, or \$9 on a contract that pays \$100 if Indiana wins. Or you can go to a sportsbook and bet on Oklahoma City or Indiana. Those transactions seem identical to me, but not to Kalshi — "I just don't really know what this has to do with gambling," its chief executive officer has said — and there is an important regulatory difference:

1. Sportsbooks are regulated by state gaming regulators.

- 2. Kalshi is a commodity futures market regulated by the US Commodity Futures Trading Commission, which preempts state regulation.

Kalshi's sports contracts are in a regulatory gray area. The CFTC has rules specifically prohibiting exchanges like Kalshi from listing "gaming" contracts, and when those rules were created everyone understood that they referred to sports betting, but that was before the Trump administration took office, and the CFTC's attitude is different now. So, since January, Kalshi has gone ahead and listed these sports contracts — which it can do without prior approval from the CFTC — and the CFTC has not stopped it.

Meanwhile several state gaming regulators *have* told Kalshi to stop listing sports contracts, but Kalshi has gone to court to push back, arguing that (1) CFTC regulation preempts state gaming regulation, (2) only the CFTC can stop it from listing these contracts and (3) the CFTC hasn't. Kalshi has mostly won these arguments so far, though nothing is final yet and this outcome — that Kalshi can offer sports betting nationwide with essentially no regulation — seems quite odd.

If you think this outcome is wrong, you can bet against it. The case we discussed yesterday was brought by a company called Ohio Gambling Recovery, arguing that (1) Kalshi is offering illegal gambling in Ohio and (2) Ohio law lets *anyone* sue an illegal gambling company for *everyone's* gambling losses. So if Kalshi is running an illegal sportsbook in Ohio, Ohio Gambling Recovery might be entitled to all of its winnings. Good trade if true!

I thought this was fun, but Ohio is not alone in this, and in fact there are other "____ Gambling Recovery" firms that have been set up to sue in other states. Front Office Sports reported yesterday:

Kalshi, Robinhood, and others have been hit with five new lawsuits in five different state courts over allegations that their sports event contracts are in fact illegal sports betting products disguised as financial products. The nearly identical lawsuits each cite versions of the Statute of Anne, a centuries-old provision that voids certain gambling debts and allows third parties to sue for damages if the original bettor fails to act within six months.

The five suits were all filed last week, in state courts in Kentucky, Illinois, Massachusetts, Ohio, and South Carolina. The plaintiffs are all newly formed limited liability companies with uniform names—Kentucky Gambling Recovery LLC, Illinois Gambling Recovery LLC, and so on. Each LLC was incorporated in Delaware on March 18. No additional information about them was immediately available.

I have to say, I love it as a *trade*. I don't know who stood up these Gambling Recovery firms, but I assume it is either an entrepreneurial lawyer or an entrepreneurial hedge fund or prop trading firm. If you are a trading firm, one way to respond to the boom in legalized sports gambling is to try to get in on it, to become a market maker on sportsbooks and on Kalshi. But this is a way to take the other side.

Things happen

Hedge Fund Traders Are Pushing Their Firms Into Dubai and Abu Dhabi. Nippon Steel Closes \$14.1 Billion Acquisition of US Steel. Dealmakers fear Trump has set precedent with 'golden share' in US Steel. Musk's xAI Burns Through \$1 Billion a Month as Costs Pile Up. Trump Flexes Security Powers to Keep Global Tariff Goal Alive. HSBC considers ordering all staff back to office 3 days a week. Developers Are Finally Dealing With the Office-Oversupply Problem. Pimco and King Street's AmSurg Windfall Caps Ugly Distressed-Debt Saga. CEO's Wealth Hits \$33 Billion as Unprofitable Chinese Medicine Firm's Stock Soars. Bessent reveals all on Musk clash, says he's more 'ninja'-like while Elon 'fancies himself more of a Viking.'

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- 1. Stylized numbers; the top federal rate is 37% and the top New York rate is 10.9% but those are marginal rates (and the New York top rate kicks in at a very high income).
- 2. Though there has occasionally been talk of changing that too.
- 3. And nothing to the state, because you paid at the office.
- 4. Or an entry on the ledger of a non-US bank that corresponds to an entry that that bank owns on the ledger of a US bank. A "eurodollar" is an electronic entry on the ledger of a non-US bank that does **not** correspond to a dollar in a US bank, though there are still some linkages.
- 5. Circle's USDC, the most US-regulatory-friendly stablecoin, "is natively issued on 22 blockchain networks," listed here. Tether, the biggest stablecoin, "exist[s] as digital tokens built on several leading blockchains,

including Algorand, Celo, Cosmos, Ethereum, EOS, Liquid Network, Solana, Tezos, Ton, and Tron.” There is some non-overlap in the lists.

- 6. See the discussion of “customers” and “end users” on page 8 of Circle’s initial public offering prospectus.
- 7. If in the first instance you bought them on a centralized exchange, the exchange might hold the coins for you, and you might have to move them off the exchange and into self-custody in your own wallet.
- 8. Often, again, the redemption is institutionally intermediated: You go to some crypto exchange or other institution to get or redeem stablecoins, and the institution has a relationship with the issuer and can directly create or redeem.
- 9. Though there is a provision for further study of “endogenously collateralized stablecoins,” that is, algorithmic stablecoins. It would be funny if the law was that stablecoins need to be 100% collateralized by *either* (1) the very safest short-term Treasuries or (2) random magic beans that the issuer made up.
- 10. Up to pricing. DraftKings offers Oklahoma City at -1800 (so you could bet \$93 to get back \$98.17 if Oklahoma City wins) and Indiana at 1000 (bet \$9 to get \$99), comparable but not identical to the Kalshi prices.

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How is Tesla expected to remotely control its robotaxis, and what are its limitations?



reuters.com/business/autos-transportation/how-is-tesla-expected-remotely-control-its-robotaxis-what-are-its-limitations-2025-06-20

Chris Kirkham, Norihiko Shirouzu, Rachael Levy, Abhirup Roy

June 20, 2025

The logo of Tesla is pictured at a Tesla Super Charging station in Saint-Herblain near Nantes, France, March 27, 2025. REUTERS/Stephane Mahe/File Photo/File Photo [Purchase Licensing Rights, opens new tab](#)

June 20 (Reuters) - Tesla ([TSLA.O](#)), [opens new tab](#) is expected to tiptoe into its long-awaited robotaxi service in Austin, Texas, as soon as Sunday with about 10 of its Model Y SUVs that will operate within strict limits. CEO Elon Musk has said the company is being "super paranoid" about safety and that humans will remotely monitor the fleet.

Remote access and control - known in the industry as "teleoperation" - is used in varying degrees by the handful of robotaxi startups operating around the globe. The technology has clear advantages and important limitations.

Here are some details of how it works:

WHAT IS TELEOPERATION?

Teleoperation is the control of machines by humans in a different location, usually over a wireless network.

It is used to train robots to operate autonomously, monitor their autonomous activity, and take over when required.

HOW DO ROBOTAXI OPERATORS USE TELEOPERATION?

The global robotaxi industry is still in test mode, as companies deploy the vehicles in limited geographic areas and continually adjust the artificial intelligence software that controls them. Teleoperation is often used to intervene when a vehicle is unsure of what to do.

Alphabet's ([GOOGL.O](#)), [opens new tab](#) Waymo, for example, has a team of human "fleet response" agents who respond to questions from the Waymo Driver - its bot.

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"Much like phone-a-friend, when the Waymo vehicle encounters a particular situation on the road, the autonomous driver can reach out to a human fleet response agent for additional information," Waymo said in a blog post last year.

Former Waymo CEO John Krafcik told Reuters, "the cars aren't being actively monitored," adding that the software is "the ultimate decision-maker."

A Waymo video shows a car asking a remote operator whether a street with emergency response vehicles is open to traffic. When the human says yes, the vehicle proceeds.

In contrast, other companies, such as Baidu's Apollo Go in China, have used fully remote backup drivers who can step in to virtually drive the vehicles. Baidu declined to comment.

WHAT ARE THE LIMITATIONS?

Driving vehicles remotely on public roads has a major potential problem: it relies on cellular data connections that can drop or operate with a lag, disconnecting the vehicle from the remote driver in dangerous situations.

Philip Koopman, a Carnegie Mellon University engineering professor and autonomous-vehicle safety expert, said that approach could work for a small test deployment of 10 vehicles, such as Tesla's initial effort in Austin, but he called teleoperation "inherently unreliable technology."

"Eventually you will lose connection at exactly the worst time," he said. "If they've done their homework, this won't ever happen for 10 cars. With a million cars, it's going to happen every day."

Former Waymo CEO Krafcik agreed, adding that the time delay in cell signal makes remote driving "very risky."

On the other hand, relying on the vehicle to reach out for help and allowing the vehicle to be the decision-maker are risky as well, Koopman said, as it does not guarantee the vehicle will make the right decision.

Waymo declined to comment on the limitations of its approach.

Koopman also noted there are limits to how many vehicles one person can safely monitor.

A group of Democratic Texas lawmakers asked Tesla on Wednesday to [delay its robotaxi launch](#) until September, when a new autonomous-driving law is scheduled to take effect. The Austin-area lawmakers said in a letter that delaying the launch "is in the best interest of both public safety and building public trust in Tesla's operations."

WHAT IS TESLA'S APPROACH?

Musk for years has promised, without delivering, that its Full Self-Driving (Supervised) advanced driver assistance software would graduate to completely self-driving and control robotaxis. This year, he said Tesla would roll out a paid service in Austin underpinned by an "unsupervised" version of the software.

"Teslas will be in the wild, with no one in them, in June, in Austin," Musk told analysts and investors in January. In May, he told CNBC that the robotaxi would only operate in parts of Austin that are safe for it, would avoid difficult intersections, and would use humans to monitor the vehicles.

What those teleoperators will do is not clear.

For years inside Tesla, company executives have expected to use teleoperators who could take over in case of trouble, said one person familiar with the matter. For instance, if a robotaxi were stuck in a crowded pedestrian area and confused about what to do next, a human teleoperator could take over and guide it, the source said.

Tesla advertised for teleoperation positions, saying the company needs the ability to "access and control" autonomous vehicles and humanoid robots remotely. Such employees can "remotely perform complex and intricate tasks," it said in the advertisements.

Tesla did not respond to a request for comment.

"We are being super paranoid about safety, so the date could shift," Musk said in a post on X last week while providing a tentative launch date of June 22.

Reporting by Chris Kirkham, Norihiko Shirouzu and Rachael Levy; Writing by Abhirup Roy; Editing by Peter Henderson and Rod Nickel

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Opinion **Business Insight**

Tesla's robotaxi ambitions face a reality check after launch

Autonomous ride-hailing service to make tentative debut in Austin, Texas, with only about 10 cars

RICHARD WATERS



Tesla has yet to demonstrate its camera-based systems for the robotaxi cars can operate at the near-autonomous level, known as L4
© Benoit Tessier/Reuters

Richard Waters

Published YESTERDAY



For Elon Musk, tech's great showman, this weekend's long-awaited launch of a Tesla robotaxi service will be notably short of razzle-dazzle.

The autonomous ride-hailing service is scheduled to hit the roads in Austin, Texas, with only about 10 cars. And far from the broadly capable self-driving vehicles that Musk has long promised, the taxis will be geo-fenced to avoid the city's most challenging intersections and come with backup teleoperators poised to intervene if problems occur.

At more than \$1tn, Tesla's stock market value leans heavily on the hope that it is about to cash in on a coming [robotics revolution](#), starting with an Uber-like network of robotaxis. The tentative Austin debut, though years later than promised and mounted without Musk's usual confident swagger, is at least a first step. But to say there is a lot left to prove looks like a wild understatement.

Tesla's fans argue a number of factors will give it a much quicker path to scale and profitability than [Waymo](#), the former Google self-driving car project that has roughly 1,500 driverless taxis in four US cities.

First is the hardware. Tesla's technology relies only on a set of cameras mounted on its vehicles, rather than the expensive suites of radar and lidar sensors used by its rivals. Musk claims Tesla's purpose-built [Cybercab](#), unveiled last year, will sell for less than \$30,000. Waymo, by contrast, uses Jaguars that have a list price of more than \$70,000, then packs its vehicles with sensors that add tens of thousands of dollars more.

Notably, though, [Tesla](#) has yet to demonstrate that its camera-based systems can operate at the near-autonomous level, known as L4, that Waymo has achieved. It does not reveal how often drivers intervened to take back control of its cars when they were operating autonomously during testing.

It is also facing regulatory investigations in the US over whether its self-driving software has caused a number of accidents. For Musk, there is still a huge gulf between putting a handful of cars on a limited range of roads with teleoperators and demonstrating that Tesla is ready to operate a truly [autonomous](#) service.

A second potential advantage is that Tesla will have access to the fleet of cars its customers have purchased over the years, all of which might theoretically be released to work part-time in its robotaxi network. That could give it an instant time-to-market and business model advantage, removing the need to own and operate its own fleet.

However, it is not clear whether, when Tesla finally delivers a version of its full self-driving system that lives up to the name, the software will actually work on all the vehicles it has sold in the past. Nor is it obvious how many Tesla owners will want to send their cars out to work a shift on the robotaxi network. Waymo runs charging and maintenance centres to support its fleet: for individual Tesla owners, the costs and hassle of cleaning, maintaining and insuring their vehicles would be a disincentive.

Others are also likely to match its asset-lite approach to robotaxis. Waymo recently announced an alliance with Toyota, the first partnership with a carmaker that points towards a software-centric business model in which Waymo would serve only as tech supplier.

Musk's third claimed advantage lies in the speed at which his company will be able to roll out its service. Armed with a mass of driving data collected from all the cars it has sold, it will not need the painstaking city-by-city mapping Waymo undertakes before entering a new market: like a human driver, its software will be smart enough to be released "in the wild".

In practice, the technical and regulatory process is unlikely to be anything like as smooth as this suggests. The true advantage Tesla will get from its trove of driving data is hard to assess: It does not come from vehicles operating autonomously, and may not give it much of an advantage when it comes to studying the rare "edge cases" that make full autonomy difficult to achieve.

Nor is the company likely to get an easy ride from regulators. It makes sense to start in the company's home town, in a state with a permissive Republican governor, but other states — particularly those with Democratic governors — are likely to impose more stringent rules.

Musk has predicted Tesla's network could grow to 1,000 robotaxis "in a few months", setting up the company's rapid expansion into other cities. After all the promises, his robotaxi hopes are finally about to experience a clash with reality.

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Class Action

Tesla Trims Claims in Suit Over 'Phantom Braking' Vehicle Defect

June 18, 2025, 9:15 AM PDT

- **Tesla owner said vehicles had spontaneous braking defect**
- **Plaintiff didn't show that insurance ads caused his injuries**

Tesla Inc. convinced a federal judge to cut an unfair practices claim in a proposed class action alleging the company's cars engaged in false forward collision alerts and caused higher insurance premiums.

The US District Court for the Northern District of Illinois on Tuesday granted Tesla's motion to dismiss the unfair practices claim under the Illinois Consumer Fraud and Deceptive Business Practices Act. Plaintiff Joshua Santiago's claim for omission-based deceptive practices can proceed.

Santiago alleged Tesla failed to address its vehicles' spontaneous braking incidents. He also alleged that Tesla's insurance product relies on driving behavior and adjusts premiums based on driving data collected by the vehicles; he said that the collision warning defect resulted in higher premiums for drivers.

He seeks to represent a class of people who bought Tesla Model S, Model X, Model 3, or Model Y vehicles.

Though Santiago satisfied standing requirements, he failed to show how Tesla's advertisements of its insurance products caused his injury, Judge Georgia N. Alexakis said.

Santiago alleged Tesla advertised its insurance product would give him and other similar Tesla owners reduced insurance premiums based on their driving behavior though the company knew they'd pay inflated premiums because of the collision warning defect.

Alexakis said that Santiago's allegations failed to state the requisite "who, what, when, where, and how" of the supposed fraud. He didn't point to a particular advertisement or communication, but "generally" said that Tesla advertised its insurance program would reduce premiums.

Santiago also failed to allege that Tesla's insurance-related advertising caused his injuries under the ICFA. An ICFA claim requires plaintiffs to show their injuries were proximately caused by the defendants' actions.

Here, Santiago didn't say that he relied on Tesla's advertisements when he decided to purchase the company's insurance, Alexakis said.

The judge dismissed the claim with prejudice.

Santiago is represented by McGuire Law PC.

Tesla is represented by King & Spalding LLP.

The case is Santiago v. Tesla Inc. , N.D. Ill., No. 1:23-cv-02891, 6/17/25 .

Tesla, Shanghai sign \$557 million energy storage station deal, Yicai reports



reuters.com/business/autos-transportation/tesla-shanghai-sign-557-million-energy-storage-station-deal-yicai-reports-2025-06-20

Reuters

June 20, 2025

The Tesla logo is seen during the Viva Technology conference dedicated to innovation and startups at Porte de Versailles exhibition center in Paris, France, June 12, 2025.

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

[\(TSLA.O\)](#), [opens new tab](#) first China grid-scale battery storage station using its megapack batteries will be located in Shanghai, local media Yicai reported on Friday.

The deal involving an investment of 4 billion yuan (\$556.8 million) was signed between the U.S. automaker, China Kangfu International Leasing Co and the Shanghai local government on Friday, according to the report.

Tesla's battery megafactory in Shanghai for making its megapack batteries began production in February.

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(\$1 = 7.1840 Chinese yuan)

Reporting by Beijing newsroom; Editing by Jacqueline Wong

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AI sceptic Emily Bender: 'The emperor has no clothes'

The computational linguist on her motivations for taking on Big Tech, the dangers of chatbots — and why AI is just a 'glorified Magic 8 Ball'

George Hammond

Published 6 HOURS AGO



Before Emily Bender and I have looked at a menu, she has dismissed [artificial intelligence](#) chatbots as “plagiarism machines” and “synthetic text extruders”. Soon after the food arrives, the professor of linguistics adds that the vaunted large language models (LLMs) that underpin them are “born shitty”.

Since [OpenAI](#) launched its wildly popular ChatGPT chatbot in late 2022, AI companies have sucked in tens of billions of dollars in funding by promising scientific breakthroughs, material abundance and a new chapter in human civilisation. AI is already capable of doing entry-level jobs and will soon “discover new knowledge”, OpenAI chief [Sam Altman](#) told a conference this month.

According to Bender, we are being sold a lie: AI will not fulfil those promises, and nor will it kill us all, as others have warned. AI is, despite the hype, pretty bad at most tasks and even the best systems available today lack anything that could be called intelligence, she argues. Recent claims that models are developing a capacity to understand the world beyond the data they are trained on are nonsensical. We are “imagining a mind behind the text”, she says, but “the understanding is all on our end”.

Bender, 51, is an expert in how computers model human language. She spent her early academic career in Stanford and Berkeley, two Bay Area institutions that are the wellsprings of the modern AI revolution, and worked at YY Technologies, a natural language processing company. She witnessed the bursting of the dotcom bubble in 2000 first-hand.

Her mission now is to deflate AI, which she will only refer to in air quotes and says should really just be called automation. “If we want to get past this bubble, I think we need more people not falling for it, not believing it, and we need those people to be in positions of power,” she says.

In a recent book called *The AI Con*, she and her co-author, the sociologist Alex Hanna, take a sledgehammer to AI hype and raise the alarm about the technology’s more insidious effects. She is clear on her motivation. “I think what it comes down to is: nobody should have the power to impose their view on the world,” she says. Thanks to the huge sums invested, a tiny cabal of men has the ability to shape what happens to large swaths of society and, she adds, “it really gets my goat”.

“

It feels like people are mad that I am undermining what they see as the crowning achievement of our field

Her thesis is that the whizzy chatbots and image-generation tools created by OpenAI and rivals Anthropic, Elon Musk’s xAI, Google and Meta are little more than “stochastic parrots”, a term that she coined in a 2021 paper. A stochastic parrot, she wrote, is a system “for haphazardly stitching together sequences of linguistic forms it has observed in its

vast training data, according to probabilistic information about how they combine, but without any reference to meaning”.

The paper shot her to prominence and triggered a backlash in AI circles. Two of her co-authors, senior members of the ethical AI team at Google, lost their jobs at the company shortly after publication. Bender has also faced criticism from other academics for what they regard as a heretical stance. “It feels like people are mad that I am undermining what they see as the sort of crowning achievement of our field,” she says.

The controversy highlighted tensions between those looking to commercialise AI fast and opponents warning of its harms and urging more responsible development. In the four years since, the former group has been ascendant.

We’re meeting in a low-key sushi restaurant in Fremont, Seattle, not far from the University of Washington where Bender teaches. We are almost the only patrons on a sun-drenched Monday afternoon in May, and the waiter has tired of asking us what we might like after 30 minutes and three attempts. Instead we turn to the iPad on the table, which promises to streamline the process.

It achieves the opposite. “I’m going to get one of those,” says Bender: “add to cart. Actual food may differ from image. Good, because the image is grey. This is great. Yeah. Show me the . . . where’s the otoro? There we go. Ah, it could be they don’t have it.” We give up. The waiter returns and confirms they do in fact have the otoro, a fatty cut of tuna belly. Realising I’m British, he lingers to ask which football team I support, offers his commiserations to me on Arsenal finishing as runners-up this season and tells me he is a Tottenham fan. I wonder if it’s too late to revert to the iPad.

Bender was not always destined to take the fight to the world’s biggest companies. A decade ago, “I was minding my own business doing grammar engineering,” she says. But after a wave of social movements, including Black Lives Matter, swept through campus, “I started asking, well, where do I sit? What power do I have and how can I use it?” She set up a class on ethics in language technology and a few years later found herself “having just unending arguments on Twitter about why language models don’t ‘understand’, with computer scientists who didn’t have the first bit of training in linguistics”.

Eventually, Altman himself came to spar. After Bender’s paper came out, he tweeted “i am a stochastic parrot, and so r u”. Ironically, given Bender’s critique of AI as a regurgitation machine, her phrase is now often attributed to him.

Menu

Kamakura Japanese Cuisine and Sushi

3520 Fremont Ave N, Seattle, 98103

Otoro nigiri x2 \$31.90

Salmon nigiri x2 \$8

Agedashi x2 \$8

Avocado maki \$5.95

Edamame \$3.50

Barley tea x2 \$5

Total (including tax and tip) \$82.56

She sees her role as “being able to speak truth to power based on my academic expertise”. The truth from her perspective is that the machines are inherently far more limited than we have been led to believe.

Her critique of the technology is layered on a more human concern: that chatbots being lauded as a new paradigm in intelligence threaten to accelerate social isolation, environmental degradation and job loss. Training cutting-edge models costs billions of dollars and requires enormous amounts of power and water, as well as workers in the developing world willing to

label distressing images or categorise text for a pittance. The ultimate effect of all this work and energy will be to create chatbots that displace those whose art, literature and knowledge are AI’s raw data today.

“We are not trying to change Sam Altman’s mind. We are trying to be part of the discourse that is changing other people’s minds about Sam Altman and his technology,” she says.

The table is now filled with dishes. The otoro nigiri is soft, tender and every bit as good as Bender promised. We have both ordered agedashi tofu, perfectly deep-fried so it remains firm in its pool of dashi and soy sauce. Salmon nigiri, avocado maki and tea also dot the space between us.

Bender and Hanna were writing *The AI Con* in late 2024, which they describe in the book as the peak of the AI boom. But since then the race to dominate the technology has only intensified. Leading companies including OpenAI, Anthropic and Chinese rival DeepSeek have launched what Google’s AI team describe as “thinking models, capable of reasoning through their thoughts before responding”.

The ability to reason would represent a significant milestone on the journey towards AI that could outperform experts across the full range of human intelligence, a goal often referred to as artificial general intelligence, or AGI. A number of the most prominent people in the field — including Altman, OpenAI's former chief scientist and co-founder Ilya Sutskever and Elon Musk have claimed that goal is at hand.

Anthropic chief Dario Amodei describes AGI as “an imprecise term which has gathered a lot of sci-fi baggage and hype”. But by next year, he argues, we could have tools that are “smarter than a Nobel Prize winner across most relevant fields”, “can control existing physical tools” and “prove unsolved mathematical theorems”. In other words, with more data, computing power and research breakthroughs, today's AI models or something that closely resembles them could extend the boundaries of human understanding and cognitive ability.

Bender dismisses the idea, describing the technology as “a fancy wrapper around some spreadsheets”. LLMs ingest reams of data and base their responses on the statistical probability of certain words occurring alongside others. Computing improvements, an abundance of online data and research breakthroughs have made that process far quicker, more sophisticated and more relevant. But there is no magic and no emergent mind, says Bender.

“

The more we build systems around this technology, the more we push workers out of sustainable careers and also cut off the entry-level positions

“If you're going to learn the patterns of which words go together for a given language, if it's not in the training data, it's not going to be in the output system. That's just fundamental,” she says.

In 2020, Bender wrote a paper comparing LLMs to a hyper-intelligent octopus eavesdropping on human conversation: it might pick up the statistical patterns

but would have little hope of understanding meaning or intent, or of being able to refer to anything outside of what it had heard. She arrives at our lunch today sporting a pair of wooden octopus earrings.

There are other sceptics in the field, such as AI researcher Gary Marcus, who argue the transformational potential of today's best models has been massively oversold and that AGI remains a pipe dream. A week after Bender and I meet, a group of researchers at Apple publish a paper echoing some of Bender's critiques. The best "reasoning" models today "face a complete accuracy collapse beyond certain complexities", the authors write — although researchers were quick to criticise the paper's methodology and conclusions.

Sceptics tend to be drowned out by boosters with bigger profiles and deeper pockets. OpenAI is [raising \\$40bn from investors led by SoftBank](#), the Japanese technology investor, while rivals xAI and [Anthropic](#) have also secured billions of dollars in the last year. OpenAI, Anthropic and xAI are collectively valued at close to \$500bn today. Before ChatGPT was launched, OpenAI and Anthropic were valued at a fraction of that and xAI didn't exist.

"It's to their benefit to have everyone believe that it is a thinking entity that is very, very powerful instead of something that is, you know, a glorified Magic 8 Ball," says Bender.

We have been talking for an hour and a half, the bowl of edamame beans between us steadily dwindling, and our cups of barley tea have been refilled more than once. As Bender returns to her main theme, I notice she has quietly constructed an origami bird from her chopstick wrapper. AI's boosters might be hawking false promises, but their actions have real consequences, she says. "The more we build systems around this technology, the more we push workers out of sustainable careers and also cut off the entry-level positions . . . And then there's all the environmental impact," she says.

Bender is entertaining company, a Cassandra with a wry grin and twinkling eye. At times it feels she is playing up to the role of nemesis to the tech bosses who live down the Pacific coast in and around San Francisco.

But where Bender's *bêtes noires* in Silicon Valley might gush over the potential of the technology, she can seem blinkered in another way. When I ask her if she sees one positive use for AI, all she will concede is that it might help her find a song.

I ask how she squares her twin claims that chatbots are bullshit generators and capable of devouring large portions of the labour market. Bender says they can be simultaneously “ineffective and detrimental”, and gives the example of a chatbot that could spin up plausible-looking news articles without any actual reporting — great for the host of a website making money from click-based advertising, less so for journalists and the truth-seeking public.

“

Users think it can see everything and so it has this view from nowhere. There is no view from nowhere

She argues forcefully that chatbots are born flawed because they are trained on data sets riddled with bias. Even something as narrow as a company's policies might contain prejudices and errors, she says.

Aren't these really critiques of society rather than technology? Bender counters that technology built

on top of the mess of society doesn't just replicate its mistakes but reinforces them, because users think “this is so big it is all-encompassing and it can see everything and so therefore it has this view from nowhere. I think it is always important to recognise that there is no view from nowhere.”

Bender dedicates *The AI Con* to her two sons, who are composers, and she is especially animated describing the deleterious impact of AI on the creative industries.

She is scathing, too, about AI's potential to empathise or offer companionship. When a chatbot tells you that you are heard or that it understands, this is nothing but placebo. “When Mark Zuckerberg suggests that there's a demand for friendships beyond what we actually have and he's going to fill that demand with his AI friends, really that's basically tech companies saying, ‘We are going to isolate you from each other and make sure that all of your connections are mediated through tech’.”

Yet employers are deploying the technology, and finding value in it. AI has accelerated the rate at which software engineers can write code, and more than 500mn people regularly use ChatGPT.

AI is also a cornerstone of national policy under US President Donald Trump, with superiority in the technology seen as being essential to winning a new cold war with China. That has added urgency to the race and drowned out calls for more stringent regulations. We discuss the parallels between the hype of today's AI moment and the origins of the field in the 1950s, when mathematician John McCarthy and computer scientist Marvin Minsky organised a workshop at Dartmouth College to discuss "thinking machines". In the background during that era was an existential competition with the Soviet Union. This time the Red Scare stems from fear that China will develop AGI before the US, and use its mastery of the technology to undermine its rival.

This is specious, says Bender, and beating China to some level of superintelligence is a pointless goal, given the country's ability to catch up quickly, which was demonstrated by the launch of a ChatGPT rival by DeepSeek earlier this year. "If OpenAI builds AGI today, they're building it for China in three months."

Nonetheless, competition between the two powers has created huge commercial opportunities for US start-ups. On Trump's first full day of his second term, he invited Altman to the White House to [unveil Stargate](#), a \$500bn data centre project designed to cement the US's AI primacy. The project has since expanded abroad, in what those involved describe as "commercial diplomacy" designed to bolster America's sphere of influence using the technology.

If Bender is right that AI is just automation in a shiny wrapper, this unprecedented outlay of financial and political capital will achieve little more than the erosion of already fragile professions, social institutions and the environment.

So why, I ask, are so many people convinced this is a more consequential technology than the internet? Some have a commercial incentive to believe, others are more honest but no less deluded, she says. "The emperor has no clothes. But it is surprising how many people want to be the naked emperor."

George Hammond is the FT's venture capital correspondent

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Securities Law News

Trump-Linked Bank Helped Set Up \$120 Million Tron Deal Windfall

June 18, 2025, 11:48 AM PDT

A tiny investment bank where Donald Trump Jr. and **Eric Trump** work as advisers helped an obscure toymaker pivot into crypto this week, sending its shares up more than 500%. The run-up generated more than \$120 million in gains on a stock bet the same bank helped arrange last month.

The quick profit is the result of two transactions that the bank, Dominari Holdings Inc., handled within four weeks. First Dominari helped an investment fund run by one of its senior executives buy a stake in money-losing toymaker SRM Entertainment Inc. Then on Monday, SRM unveiled plans to transform into Tron Inc., bringing on cryptocurrency entrepreneur **Justin Sun** as an adviser and building up a stash of virtual tokens in another transaction handled by Dominari. The toymaker's stock jumped past \$9 on Monday, up from less than \$2 at the end of last week. It's now above \$7.

The rapid run-up generated steep gains for Dominari, its executive **Soo Yu**, and most of all the investment fund she runs. The fund acquired its stake in May for \$5 million. By Tuesday evening, it was worth \$127 million.

The investment fund Yu manages — American Ventures LLC Series III SRM — “has many underlying investors who are the beneficial owners of the securities,” a spokesperson for Dominari said in an emailed statement. It's unclear who ultimately will benefit from the investment fund's lucrative bet.

Dominari and Yu were also awarded warrants as compensation for their role in the May deal. Their position went from \$230,000 in May to \$3.8 million on Tuesday.

There's no sign in regulatory filings that any Trump family members were involved in the transactions. But the quick gain added to the windfalls of executives orbiting the president's family over the past year. Under an administration that has embraced virtual assets and eased their regulation, speedy fortunes can be made by combining crypto strategies with publicly traded vehicles.

In this case, the gain stems from the unlikely marriage of a buzzy crypto platform with an unprofitable toy company offering an online catalog of Smurf-branded tumblers, koala backpacks and plush sea turtles.

Yu — a Dominari executive handling special projects who's married to the firm's president, **Kyle Wool** — didn't respond to an interview request.

A phone call to a number listed on an American Ventures regulatory filing was answered by someone who didn't offer a name, said they were traveling overseas and declined to answer questions about the fund or Yu.

Hours after SRM's announcement, Eric Trump disputed a Financial Times report that he will take a role at Tron Inc.

Justin Sun "is a great friend and an icon in the crypto space," the Trump scion wrote on X. But "I don't have public involvement."

'Impact Player'

This week's deal turns SRM into another node in the dense, expanding network of crypto-related endeavors with links to Trump allies. The combined company will keep making toys while embarking on a new strategy buying virtual tokens linked to Sun's crypto platform.

"We're excited to be working with him," **Richard Miller**, chief executive officer of SRM, said of Sun in a phone interview. "Obviously he's quite an impact player in this space."

Yu's American Ventures investment firm also added to its position in SRM Monday, receiving another 5.36 million warrants for agreeing to an advisory position. Those warrants are now worth more than \$38 million.

This year Dominari has been moving further into digital assets. It played a role in deepening the Trump family's portfolio of crypto businesses.

Read a Big Take: Trump Family Turns Presidency Into Most Lucrative Venture Yet

Similar to SRM's swerve from toy-making into crypto, Dominari shifted from developing cancer therapies into investment banking less than three years ago — a pivot that partially overlapped with Yu and Wool's arrival.

Shares of Dominari traded for less than \$1 as recently as last year. But their price soared when Dominari announced in February that the Trump brothers would become advisers. As of an April filing, its shareholders include President Trump's sons and fellow Trump Organization executives **Ronald Lieberman**, **Lawrence Glick** and **Alan Garten**.

Since then, the bank — based in Trump Tower — has worked to set up a crypto company called American Bitcoin that is slated to vault onto public markets by combining with another publicly listed company. The Trumps and their business partners own 20% of American Bitcoin.

Trump Family Friend

Yu joined Dominari's board in 2022 and, like her husband, is among the firm's largest shareholders. She had a compensation package worth more than \$10 million over the past two years, filings show.

Wool has described himself as a friend of the Trumps. In May, Wool and Yu bought an almost \$5 million house in Riviera Beach, Florida. It's listed as the address for American Ventures.

American Ventures LLC Series III SRM was incorporated this year. The deal with SRM on May 21 gave American Ventures the equivalent of 8.9 million shares through preferred stock, plus warrants to buy an additional 8.9 million shares, a regulatory filing shows.

That transaction raised money for SRM, which paid a fee to Dominari. American Ventures, Dominari and Yu took a step toward making their SRM stakes eligible for sale, the filing shows.

Sun has been a recurring figure in the Trumps' crypto projects. He advises a Trump family crypto platform, called World Liberty Financial, and invested \$75 million into it.

Another Trump crypto project, the president's memecoin \$TRUMP, also got a boost from Sun. He traveled to the US for the first time in years to attend a private dinner Trump held for top holders of the memecoin.

In 2023, a US Securities and Exchange Commission lawsuit accused Sun and his companies of selling unregistered securities and manipulating the market for Tron's tokens. He has disputed the allegations. The case was placed on pause this year.

(An AI summary of this story was removed because it misstated who might gain from the trade.)

--With assistance from **Dylan Sloan** and **Zeke Faux**.

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FASB board member Frederick Cannon believed the proposed list of required interim disclosures wasn't comprehensive and the proposal would "likely limit" the extent of those requirements, according to his alternative view detailed in the draft plan. Cannon said he preferred a more expansive methodology in compiling the requirements.

Cannon reiterated his concerns Wednesday, when he voted not to advance the plan to its final steps.

"The potential cost of an unknown amount of information that could be lost for investors is greater than the benefits," he said.

FASB board member Christine Ann Botosan expressed concern about the update potentially implying the list of requirements is comprehensive. She said she would hold off on her final decision until she sees the drafted language.

(Updates with comments from FASB board members in paragraph 4 and starting at paragraph 9.)

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US financial regulation**US Republicans' plan to eliminate audit watchdog violates Senate rules**

Ruling deals blow to the party's deregulatory agenda as it works to pass its tax and spending bill



Chair Erica Williams said the ruling was 'good news for millions of Americans whose retirement savings and investments would be put at risk' if the Public Company Accounting Oversight Board were eliminated © Bloomberg

Stephen Foley in New York

Published 2 HOURS AGO | Updated 10:03



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The US audit regulator created in the wake of the Enron scandal has been granted a reprieve after the Senate parliamentarian ruled that Republicans' plan to shutter the agency as part of their giant tax and spending bill would violate Senate rules.

Republicans had [planned to scrap](#) the Public Company Accounting Oversight Board and hand its powers to inspect and fine audit firms to the Securities and Exchange Commission, a measure they said would save money for taxpayers and the listed companies that pay fees to fund the agency.

But the Senate parliamentarian, which advises on rules for the upper chamber, said the plan did not comply with requirements that only measures that affect the [US budget](#) can be included in the legislation.

The parliamentarian also axed measures that would have defunded the Consumer Financial Protection Bureau, cut the pay of officials at the Federal Reserve and reduced spending on the Treasury's office of financial research. The CFPB did not immediately respond to a request for comment.

Tim Scott, chair of the Senate banking committee, which had advanced the measures, said he would continue working with the parliamentarian and was "committed to advancing legislation that cuts waste and duplication in our federal government".

The committee's top Democrat, senator Elizabeth Warren, cheered the decision in a post on X.

"These proposals are a dangerous attack on consumers that would lead to more Americans being cheated by big companies and risk our nation's financial stability — all to hand out tax breaks to billionaires," Warren wrote.

The PCAOB is responsible for inspecting accounting firms in the US and overseas that audit companies listed on US exchanges, and it had argued the SEC would not have the budget or the expertise to take over these functions. It also argued its elimination would not save taxpayers money because it is funded by a levy on public companies.

Under chair Erica Williams, the agency has imposed record fines on audit firms while facing criticism from some in the profession that it has focused unfairly on minor infractions. It has also been accused of failing to take account of audit groups' views when setting tough new standards.

Williams welcomed the ruling on Friday. "This is good news for millions of Americans whose retirement savings and investments would be put at risk by eliminating the PCAOB," she said.

However, Republicans could return with separate legislation to eliminate or reform the agency. The House financial services committee will next week hold a hearing entitled “Reassessing Sarbanes-Oxley: the cost of compliance in today’s capital markets”, referring to the 2002 legislation that created the PCAOB.

Paul Atkins, the Trump administration’s new chair of the SEC, is a longtime critic of the PCAOB and his regulator could also impose reforms because it has the power to remove Williams and other board members and must approve the agency’s rules.

Senate Democrats welcomed the parliamentarian’s rulings, including the reprieve for the CFPB, another longtime target of Republicans’ desire to curb the cost of regulation for businesses. The Senate bill would have neutered the agency, which oversees consumer finance products and retail banking by cutting its funding to 0 per cent of the Fed’s budget.

“The CFPB has returned over \$21bn to American consumers by holding big banks and predatory lenders accountable,” Senate minority leader Chuck Schumer said. “Republicans’ attempt to gut it was nothing more than a gift to the wealthy and well-connected, at the expense of working families.”

Additional reporting by Stefania Palma in Washington

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Spectrum Pharma Investors Get First OK For \$16M Deal

By **Katryna Perera**

Law360 (June 18, 2025, 9:25 PM EDT) -- A Nevada federal judge has given the first green light to a nearly \$16 million settlement between a pharmaceutical company and a class of investors who claimed the company and its executives overstated the status of two of its developed drugs and withheld negative data and trial results, leading to a stock drop when the truth was revealed.

U.S. District Judge Cristina D. Silva issued an **order** on Monday granting preliminary approval to the \$15.95 million deal reached between Spectrum Pharmaceuticals Inc. and a class of investors who purchased or acquired Spectrum common stock between March 7, 2018, and Aug. 5, 2021. Judge Silva certified the class in her order.

Judge Silva said the deal is fair, reasonable and adequate and was reached after extensive, arms-length negotiations, warranting approval. She also named lead plaintiff, International Trading Group Inc., as class representative and attorneys from Robbins Geller Rudman & Dowd LLP as class counsel.

According to a **stipulation of settlement**, filed last month, Spectrum's insurers will pay \$13.2 million towards the settlement, and the company will pay the remaining portion.

Robbins Geller intends to ask the court for an award of attorney fees and a reimbursement of litigation expenses, but as of Thursday, the amount was unclear.

According to the operative complaint filed in March 2024, Spectrum is a small pharmaceutical company that purchases the rights to late-stage developmental drugs with the aim of bringing them to market. The two drugs at the heart of the suit — poziotinib and Rolontis — purported to treat specific lung cancers and neutropenia, a side effect of chemotherapy, respectively.

The complaint states that since the drugs were still in the developmental phase, they could not earn revenue for Spectrum unless and until the U.S. Food and Drug Administration approved them.

"Former employees have described the 'tremendous pressure' defendants felt during the class period, because '[t]he survival of the company depended on the drug[s] getting approved,'" the complaint states.

Investors say that due to this pressure, the company and its top brass tried to rush the drugs through protracted clinical trials while at the same time burning through \$30 million per quarter on the trials and quickly depleting its cash stores.

"With resources dwindling and no way to earn revenue, defendants sought additional cash through a sale of assets, a public offering, and multiple at-the-market offerings," the complaint states. "In a desperate attempt to promote their products and solicit interest for their fundraising efforts, defendants turned to fraud."

The investors claim the defendants materially overstated the status and progress of the drugs and hid negative trial data from the public, which caused Spectrum's stock price to be artificially inflated.

The defendants also allegedly misleadingly told investors they were "really confident" the drugs would receive FDA approval, that the side effects of poziotinib were "in line" with competing products and that their manufacturing facilities were "absolutely ready" for regulatory inspection, among other

things, the complaint states.

"As defendants misrepresented Spectrum's products to everyday investors, they enriched themselves by dumping their personal shares of Spectrum common stock," the complaint further states. "For example, just days before announcing that Pozi had failed its clinical trial, and with full knowledge of the deficient results, CEO Joe Turgeon sold nearly half of his shares in two large trades."

Ultimately, the truth came to light when neither drug received FDA approval, and the price of Spectrum common stock fell from \$21.23 to \$2.55 per share by the end of the class period, according to the complaint.

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

The investors are represented by Ellen Gusikoff Stewart, Ryan A. Llorens, Jeffrey J. Stein, John M. Kelley, Sarah A. Fallon and Jessica E. Robertson of Robbins Geller Rudman & Dowd LLP and by J. Colby Williams of Campbell & Williams.

Spectrum and the individual defendants are represented by Kevin M. Sadler, John B. Lawrence and Scott Powers of Baker Botts LLP.

The case is Luo v. Spectrum Pharmaceuticals Inc. et al., case number 2:21-cv-01612, in the U.S. District Court for the District of Nevada.

--Editing by Vaqas Asghar.

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Reddit Execs Downplayed Google AI's Impact, Investors Say

By **Lauren Berg**

Law360 (June 18, 2025, 6:48 PM EDT) -- Reddit and its top brass downplayed the impact Google's artificial intelligence-generated search results had on the forum website's traffic and ad revenues, causing stocks to drop when the truth emerged about weakening revenues, according to an investor's proposed class action filed Wednesday in California federal court.

Much of Reddit's user traffic comes from people seeking answers to questions using Google, but last year, Google introduced a feature that uses generative AI to provide concise search results, giving users an answer without needing to click through to another website, according to the **complaint** filed by investor Anthony Joseph Tamraz Jr.

Meanwhile, Reddit's primary source of revenue comes from advertising on its website, with the company bringing in \$358.6 million from ads out of the \$392.4 million in total revenue from the first quarter of 2025, the suit states.

On Oct. 29, Reddit issued an earnings release for the third quarter of 2024, reporting that its "daily active unique," or DAUq, which measures unique users visiting the website or using the app in a 24-hour period, had increased 47% year-over-year to 97.2 million, the complaint states. It also reported revenue growth of 68% year-over-year to \$384.4 million, according to the suit.

Reddit issued an earnings release for the fourth quarter and full year of 2024 on Feb. 12, reporting that DAUq increased 39% year-over-year to 101.7 million and revenue grew 71% year-over-year to \$427.7 million, according to the complaint.

During an earnings call, Reddit co-founder and CEO Steven Huffman acknowledged "some volatility from Google Search," but reported that search traffic had recovered in the first quarter of 2025, the complaint states. Chief Operating Officer Jennifer Wong told investors she was "not worried about it" and that the company was assuming no impact to revenue, according to the suit.

But Tamraz said those statements were false or misleading and that the defendants failed to disclose that Google's "AI Overview" and its search algorithm were causing users to stop their query on Google; that the "zero-click search reality" was significantly reducing traffic to Reddit in a way that the company was not able to overcome in the short term; and that the defendants lacked a reasonable basis for their outlook on user rates and ad revenues.

Reddit on May 1 issued an earnings release for its first quarter ending March 31, reporting DAUq increased 31% year-over-year to 108.1 million and revenue grew 61% year-over-year to \$392.4 million, the complaint states.

"The DAUq figures in the 1Q25 Earnings Release would mark Reddit's third consecutive quarter slowdown in daily active user growth, which increased uncertainty around the sustainability of growth," Tamraz said.

During the earnings call, Huffman acknowledged "short-term bumps," but reassured investors that such impacts would not affect the company's long-term strategy or opportunities, according to the suit.

The following day, the price of Reddit's stock "declined dramatically," falling from \$118.79 per share

to \$113.83 per share, or about a 4.2% decline, the suit states.

Then on May 19, Wells Fargo analysts downgraded Reddit's stock and lowered their price target from \$168 per share to \$115 per share, saying Google's implementation of the AI features are likely "'permanent' disruptions on user traffic for Reddit," which will hurt the company's ad revenue, according to the complaint.

On that news, Reddit's stock fell from \$113.23 per share on May 16 to \$107.99 per share on May 19, a decline of another 4.2%, the suit states.

On May 21, Baird analysts followed suit, reducing Reddit's stock price target from \$140 per share to \$120 per share, citing similar concerns as the Wells Fargo analysts, according to the suit.

Once again, Reddit's stock fell from \$105.64 per share on May 20 to \$95.85 per share on May 21, a decline of about 9.3%, the complaint states.

"Defendants made materially false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Reddit's common stock and operated as a fraud or deceit on class period purchasers of Reddit's common stock by materially misleading the investing public," Tamraz said.

"Later, defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of Reddit's common stock materially declined, as the prior artificial inflation came out of the price over time," he said.

Tamraz wants to represent a class of potentially millions of people who purchased Reddit's securities between Oct. 29, 2024, and May 20, 2025, according to the complaint.

The suit asserts violations of the Exchange Act and seeks damages, interest, attorney fees and litigation costs.

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

Last March, Reddit **launched plans** for an estimated \$715 million initial public offering, setting in motion the social media platform's long-awaited IPO. The company told regulators it would offer 22 million shares priced between \$31 and \$34 each.

Days later, **Reddit revealed** in a U.S. Securities and Exchange Commission filing that the Federal Trade Commission was looking into the company's sale or licensing of user-generated content to train AI.

Reddit then priced a **\$748 million initial public offering** at the high end of its intended priced range.

Tamraz is represented by Scott Edelsberg of Edelsberg Law PA and Andrew J. Shamis of Shamis & Gentile PA.

Counsel information for the defendants was not immediately available.

The case is Anthony Joseph Tamraz Jr. v. Reddit Inc. et al., case number 3:25-cv-05144, in the U.S. District Court for the Northern District of California.

--Additional reporting by Tom Zanki. Editing by Michael Watanabe.



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AI Software Co. Cerence's Leaders Beat Shareholder Suit

By **Katryna Perera**

Law360 (June 18, 2025, 9:30 PM EDT) -- A Massachusetts federal judge Wednesday tossed a consolidated derivative shareholder suit against the top brass of artificial intelligence software company Cerence Inc. over its revenue reporting, saying the plaintiffs did not make a presuit demand on the company's board and have failed to show that such a demand would have been futile.

U.S. District Judge Allison D. Burroughs issued an **order** in the suit, which alleges the defendants — Cerence's former CEO Sanjay Dhawan, former Chief Financial Officer Mark Gallenberger and others — implemented a scheme to recognize revenue pulled forward from future quarters to inflate the company's financial performance during a global semiconductor shortage.

According to the order, Cerence builds AI-powered virtual assistants and derives most of its revenue from selling software licenses for its technology, which is integrated into automobiles. Investors allege the defendants artificially inflated Cerence's short-term revenues, pushed customers into fixed contracts for software licenses and converted existing variable contracts into fixed ones.

"This 'pull-forward' scheme permitted the individual defendants to recognize more revenue up front, tout revenue growth to the market, and claim that Cerence outperformed financial expectations in fiscal year 2021, while, unbeknownst to investors, current and future variable licenses were being cannibalized, harming long-term revenue prospects," the order states.

In their dismissal motion, the defendants argued that the plaintiffs failed to adequately allege that a presuit litigation demand on Cerence's board would have been futile because they do not sufficiently plead that at least a majority of the board faces a substantial likelihood of liability from the suit's claims.

In response, the plaintiffs argued that the board faces a substantial likelihood of liability based on a December 2021 proxy statement, which stated that "management had achieved 107% of the revenue target and 88% of the bookings target for the year." The plaintiffs claim the proxy statements contained several material misstatements and omissions directly attributable to the individual defendants.

"Specifically, plaintiffs contend that the 2021 proxy 'included information about Cerence's short and long term incentive targets and the performance of certain executives ... in achieving those targets, but failed to disclose any information about the pull-forward scheme and[,] by extension, the fact that but for that scheme's conversion of variable licenses and use of minimum commitment deals, the incentive targets would not have been met,'" the order states.

However, on Wednesday, Judge Burroughs agreed with the defendants that the court already rejected this same argument in a parallel securities class action, ruling that the omission of the alleged pull-forward scheme from generic statements about Cerence's "strong pipeline for future business" and "strong financial position based on market factors" does not render those statements materially false or misleading.

The plaintiffs in the current action do not offer a "compelling explanation" for why the court should now change course and find the 2021 proxy to be false or misleading, the judge added.

"The 2021 proxy accurately reported on the company's success in meeting financial targets for fiscal

year 2021, such that shareholders could vote on compensation and elect board members, without, however, making any guarantees or representations regarding the role of the fixed and variable license businesses to those past results or future performance," the order states.

"Moreover, even assuming the 2021 proxy did carry some duty to disclose the alleged pull-forward scheme, any inference that the omission was material to the shareholder vote is weakened by virtue of other information available to those shareholders at the time of the vote," the order further states.

According to the order, the plaintiffs also argued that a majority of the board faces a substantial likelihood of liability on the suit's breach of fiduciary duty claim by acting in bad faith and making or approving false and misleading statements that Cerence issued regarding fixed and variable license agreements.

However, Judge Burroughs again disagreed, saying the court's independent review of the complaint "did not unearth any allegations which would give rise to an inference that the demand board was involved in (or even aware) of the potentially fraudulent statements."

Additionally, the judge said that "general awareness" by board members that Cerence was experiencing heightened fixed revenue at the expense of variable revenue "is a far cry from knowledge of a management-level fraudulent scheme to pull forward fixed revenue, inflate financial metrics, tout growth, and receive related incentive bonuses."

In dismissing the suit, Judge Burroughs did not reach the defendants' arguments on the merits, given that the plaintiffs failed to make a demand on the board.

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

The investors are represented by Michael I. Fistel Jr., Mary Ellen Conner and Frank J. Johnson of Johnson Fistel PLLP, Benjamin I. Sachs-Michaels, Philip C. Babler, Robert V. Prongay and Pavithra Rajesh of Glancy Prongay & Murray LLP and Jonathan P. Whitcomb and Christina M. Murray of Diserio Martin O'Connor & Castiglioni LLP.

The defendants are represented by Deborah S. Birnbach, Justin D. Ward and Brendan Blake of Goodwin Procter LLP.

The case is In re: Cerence Stockholder Derivative Litigation, case number 1:22-cv-10723, in the U.S. District Court for the District of Massachusetts.

--Editing by Jay Jackson Jr.



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Anavex Gets Suit Over Rett Syndrome Clinical Trials Nixed

By **Gina Kim**

Law360 (June 18, 2025, 9:47 PM EDT) -- A New York federal judge tossed an Anavex investor's proposed class action alleging she suffered losses from its misleading statements regarding methodologies used in neurological treatment clinical trials, ruling that stock prices rose from the day the statements were made after Anavex made corrective disclosures in a pre-market earnings call.

In a 19-page decision Wednesday, U.S. District Judge Colleen McMahon granted Anavex Life Sciences Corp. and its CEO Christopher Missling's motion to dismiss investor Quintessa Huey's lawsuit involving the company's clinical studies of drugs used to treat Rett Syndrome.

From 2017 to 2024, Anavex conducted two clinical trials of ANAVEX 2-73. The first was called Avatar, and it studied the drug's efficacy in 33 patients over a seven-week period; the second was called Excellence and was a phase 2/3 trial evaluating the efficacy in 69 pediatric patients over a 12-week period, according to Wednesday's decision.

The initial suit **filed last year** claims Anavex told the U.S. Food and Drug Administration it planned to use certain methods to evaluate trials for ANAVEX 2-73 before subsequently revealing it chose different approaches for Avatar and Excellence, surprising analysts and damaging investors.

According to the ruling, Anavex used RSBQ AUC in Avatar, which is a combination of Rett Syndrome Behavior Questionnaire and Clinical Global Impression-Improvement, and made repeated statements in February 2022, May 2022 and November 2022, and again in January 2023 that it would do so again in Excellence.

On Feb. 2, 2023, Anavex said in a press release that it received input from the FDA on endpoints, which is a way to evaluate a drug's efficacy, that was used in Excellence without mentioning what the input was, or if it caused Anavex to switch to its previously disclosed use of RSBQ AUC as the endpoint for Excellence.

Huey claims the press release was misleading since it left out that FDA told Anavex using RSBQ AUC was unacceptable. Five days later, when questioned by an analyst during an analyst call, Missling confirmed the primary endpoint is RSBQ AUC, similar to the one used in Avatar. He also said yes when asked if the FDA agreed that "AUC, the modified RSBQ scale" could be a proper endpoint for the study, and that it slightly varied from the one points in Avatar, according to the order.

Judge McMahon concluded that Missling's remarks Feb. 7, 2023, were curative; nevertheless, she determined Huey pled falsity against Anavex for omitting the FDA's endpoint guidance in the February 2, 2023, press release.

But Missling's statements during the Feb. 7, 2023, analyst call aren't false since he acknowledged Anavex won't use RSBQ AUC in Excellence, but that it slightly different from what Anavex did with Avatar, the judge stated.

"Even construing the facts in plaintiff's favor, there is no escaping the fact that Missling finally said, in words of one syllable, that Anavex was changing the endpoint for the Excellence trial from RSBQ AUC to something else," Judge McMahon said.

Huey also sufficiently alleged scienter with respect to the Feb. 2, 2023, press release, "but it does not

get plaintiff across the finish line," the order said.

"She stumbles because she fails to plead loss causation," Judge McMahon said. "Ironically, loss causation is generally the easiest thing to plead, although it is often hard to prove. Plaintiff's burden in pleading loss causation is 'not a heavy one,' and 'must simply give defendants 'some indication' of the actual loss suffered and of a plausible causal link between the loss and the alleged misrepresentations."

The order continued, "But here, plaintiff fails to surmount even that low hurdle. That is because on February 7, 2023 — the day when the curative information was first revealed during an 8:30 a.m. pre-market earnings call — Anavex's stock price closed up, at \$11.75 per share."

That price represents a 5.76% spike from the day prior, when it closed at \$11.11, and 3.34% higher than the closing price of \$11.37 on the day the press release went out, the judge noted.

Huey had contended that the stock prices subsequently dipped again on Feb. 8, 2023, and Feb. 9, 2023, which the judge agreed with. Huey also argued the court should look at the price dip that occurs over a three-day period, not only at what happened on the date of a corrective disclosure, citing [Swanson v. Interface Inc.](#) , according to the order.

"There are several reasons to distinguish Swanson, but the principal one is that, in our case, the market moved sharply higher, almost six percent over the course of an entire trading day, following the pre-market (8:30 a.m.) 'corrective' disclosure," Judge McMahon said. "In Swanson, by contrast, the market increased by only 1.92% over the same period of time."

One cannot plead loss causation when a defendant's stock significantly spiked rather than plummeting, over the trading day after a pre-market curative disclosure and subsequently closed higher than the stock had been the day the original misleading statement was made, the order concluded.

Representatives for the parties did not immediately return requests for comment Wednesday.

Huey is represented by Adam M. Apton of Levi & Korsinsky LLP.

The defendants are represented by Stephen G. Topetzes and Theodore L. Kornobis of K&L Gates LLP.

The case is Quintessa Huey v. Anavex Life Sciences Corp. et al., case number 1:24-cv-01910, in the U.S. District Court for the Southern District of New York.

--Editing by Kristen Becker.



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InnovAge IPO Investors Get Initial OK Of \$27M Settlement

By **Sydney Price**

Law360 (June 18, 2025, 2:42 PM EDT) -- A Colorado federal judge has preliminarily approved a \$27 million settlement between InnovAge Holding Corp., its underwriters and a class of stockholders accusing the senior-health care company of making misleading statements in an initial public offering that later caused stock prices to tank after a government audit exposed the falsehoods.

Lead counsel from Cohen Milstein Sellers & Toll PLLC has requested fees of up to 20% of the settlement fund, and up to \$800,000 in expenses, according to the order signed Tuesday by U.S. District Judge William J. Martinez.

Lead plaintiffs, the El Paso Firemen & Policemen's Pension Fund, San Antonio Fire & Police Pension Fund and Indiana Public Retirement System, moved for preliminary approval earlier this month, stating they reached a deal after arm's length negotiations and three years of litigation.

According to shareholders, the settlement will provide class members with a "substantial percentage of the maximum realistically recoverable damages that could be established at trial," and it is a meaningful and immediate recovery when considered against the risks of continued litigation.

The lawsuit claims that when InnovAge launched its IPO in March 2021, its shares were priced at \$21 and rose to \$25.98 within another week. But when the Centers for Medicare & Medicaid Services shut down an InnovAge center in California six months later, based on a finding the company had "substantially failed" to provide participants with the services covered by the federal Program of All-Inclusive Care for the Elderly, or PACE, the company's stock quickly fell from \$14 a share to \$6.76, the complaint alleged.

The company later disclosed that CMS and the state of Colorado suspended enrollment at all InnovAge centers in Colorado, accounting for more than half the company's revenue, based on patient care deficiencies "mostly or partially prior to the IPO," according to the complaint.

That prompted stock prices to fall another 36%, a 78% decline from the March 2021 IPO, the plaintiffs alleged.

The IPO's underwriters, including J.P. Morgan Securities LLC and Barclays Capital Inc., are also party to the recent settlement and were accused of failing to flag problems in InnovAge's business.

The shareholders are represented by Julie G. Reiser, Molly Bowen, Jan E. Messerschmidt, Brendan R. Schneiderman, Carol V. Gilden and Manuel J. Dominguez of Cohen Milstein Sellers & Toll PLLC and Cecil E. Morris and Adrian P. Castro of Fairfield & Woods PC.

The underwriter defendants are represented by Mary Eaton, Nicholas A. Caselli and Abhinaya Swaminathan of Freshfields LLP.

InnovAge Holding Corp. and related defendants are represented by Karen Patton Seymour and Diane L. McGimsey of Sullivan & Cromwell LLP and Peter Kurtz and Matthew D. Benedetto of WilmerHale.

--Additional reporting by Katryna Perera. Editing by Alyssa Miller.



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Online Bookstore Investors Seek Del. Sale Suit Revival

By **Jeff Montgomery**

Law360 (June 18, 2025, 7:08 PM EDT) -- Stockholders of an online "virtual" bookstore that lost money for years urged Delaware's Supreme Court Wednesday to reverse a Court of Chancery decision upholding a \$12.5 million sale to the company's preferred shareholders under a disputed liquidation preference.

Evan Bianchi of Spiro Harrison & Nelson LLC, counsel to common stockholders of Akademos Inc., told the full five-member court that Kohlberg Venture LLC, the longtime controlling preferred shareholder of Akademos, wrongly invoked a liquidation preference allegedly giving KV's claims first-in-line preference over all others as part of the deal. The preference, he said, is limited to change of control transactions — not when KV's controlling stake became full ownership.

"No party disputes that the common stockholders would have been entitled to a portion of the merger consideration if this was not considered a 'deemed liquidation event,'" Bianchi said.

Company founder Brian Jacobs challenged in 2021 a deal that handed the company to Kohlberg Ventures LLC for \$12.5 million, after years of on-and-off attempts to raise cash or sell out. During that time, KV accumulated \$40 million worth of Akademos' preferred stock or notes collected for company cash infusions.

Although stockholders would have been wiped out unless a transaction generated \$40 million or more, according to court filings, Bianchi said the alleged breach of fiduciary duty still should trigger a return to the lower court, where other claims could be thrashed out.

"If we find a breach of fiduciary duty, and I'm not suggesting we are going to make that finding, where is the knowing participation, and what are the damages?" Justice Abigail M. LeGrow asked.

Bianchi argued that the justices only needed to look at the company's charter to find that it was an "obvious misapplication" of its terms regarding KV's reliance on the liquidation preference. In addition, he said, although a finding of unfairness can mean there's no need to examine the entire fairness of other deal aspects, a finding of fairness doesn't allow skipping over other claims of unfairness.

"I struggle to understand what you want us to do with this claim on appeal," Justice LeGrow said. "If we agree there is a breach of fiduciary duty, what do you contend should have been done."

Bianchi said the Chancery Court decision should be reversed, noting that there are damages that could stem from a breach of fiduciary duty, including pro rata distributions to stockholders.

"What the Chancery Court did here, that was error — expressly declining, to use his words, 'Here the fair price evidence is sufficient to carry the day without any inquiry into fair dealing,'" Bianchi said.

Gavin J. Rooney of Lowenstein Sandler LLP told the justices that there had been no appeal of the company's appraised value, pegged at \$2.4 million, with a 20-year record of no profits and five years under a going-concern warning.

"The situation we had here is a finding that they had zero before the transaction," Rooney said. "Could that be a breach of fiduciary duty? The question answers itself."

A breach of fiduciary duty claim, unlike appraisal, Rooney said, "is not to find what shares are worth,"

but instead, find a range of worth, and whether the results fell within the range of reason.

Justice Karen L. Valihura pressed Rooney to square his argument with the Supreme Court's previous findings in cases that include the 105-page opinion written by the justice in the *In re Tesla Motors Stockholders* litigation decision in June 2023. That case decided a series of claims alleging an unfair acquisition of SolarCity by Tesla in 2016, with multiple conflicts involving Tesla CEO Elon Musk in play.

In *Tesla*, Justice Valihura wrote that "the range of fairness is not a safe harbor that permits controllers to extract barely fair transactions," although the court ultimately found the deal fair.

On Wednesday, Justice Valihura noted that "we have said we have to do both parts of the analysis. Can you cite a case where the court has said it's OK to skip the fair dealing analysis after what we said in *Tesla*, said in *SolarCity*?"

Rooney said "If we start with a proposition that the value of the shares is essentially zero, it doesn't require much in the way of process to satisfy ourselves on the unitary analysis," adding "This was not some deal done under cover of darkness."

Chief Justice Collins J. Seitz Jr. asked Rooney "if the commons are out of the money and the process is horrendous, is there a scenario where there's a recovery to the commons, or are we just talking about attorney fees?"

Rooney said the issue came up "on the eve of trial. It was a creative argument crafted by counsel for trial purposes, but it is not knowing participation" required for breaches of fiduciary duty and aiding and abetting."

Bianchi said "KV had an objective. It wanted to own the company free and clear of common [stockholders]. The only way to do that was through this type of transaction, this type of merger."

Justice Valihura said "to avoid this issue from coming up in the future, the court should set forth its work in both prongs, and then do the unitary analysis. If we affirm, are we backtracking on that?"

Brian Jacobs and the dissenting stockholders are represented by Elizabeth A. Sloan and Emily C. Friedman of Ballard Spahr LLP and Jason C. Spiro, Thomas M. Kenny and Evan Bianchi of Spiro Harrison and Nelson LLC.

Kohlberg Ventures LLC and Bay Area Holdings Inc. are represented by Geoffrey G. Grivner and Kody M. Sparks of Buchanan Ingersoll & Rooney PC and Gavin J. Rooney of Lowenstein Sandler LLP.

Akademos Inc. and the directors named in the suit are represented by Geoffrey C. Grivner and Kody M. Sparks of Buchanan Ingersoll & Rooney PC.

The Court of Chancery case under appeal is *Brian Jacobs et al. v. Akademos Inc. et al.*, case number 2021-0346, in the Court of Chancery of the State of Delaware.

--Editing by Emily Kokoll.



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Sotera Investors Urge 6th Circ. To Reopen Toxic Gas Suit

By **Jessica Corso**

Law360 (June 18, 2025, 9:34 PM EDT) -- Sotera Health investors are seeking to revive a lawsuit accusing the company of concealing the carcinogenic nature of a gas used at its sterilization plants, telling the Sixth Circuit that the company knew that its "outrageous and cynical" behavior would cost it hundreds of millions of dollars.

A proposed class of Sotera shareholders are appealing **for a second chance** at a lawsuit that was tossed in March after an Ohio-based federal judge found that the company warned investors that there was a risk that it would lose litigation surrounding a former plant even as it denied the lawsuits' underlying allegations.

But the investors told the Sixth Circuit on Tuesday that the lower court judge ignored evidence that, for decades, Sotera and its leaders hid the cancer risks tied to its use of ethylene oxide, a colorless gas that the U.S. Environmental Protection Agency says can cause cancer after long-term air exposure.

The suing shareholders say that evidence of the concealment came to light in a 2022 trial over the now shuttered Willowbrook, Illinois, plant of subsidiary Sterigenics, with **a jury awarding \$363 million** to a woman named Sue Kamuda who said she developed breast cancer after living near the plant.

Shareholders say that Sotera's share price "immediately lost a third of its value" following the trial's "shocking" revelations.

In 2023, the company **agreed to pay** \$408 million to settle more than 870 personal lawsuits tied to alleged air pollution at the plant, where Sterigenics sterilized medical supplies like syringes.

"Defendants ... knew that the evidence in the personal injury cases would show Sotera was willfully not compliant with permits and was not committed to safety," investors told the Sixth Circuit. "Their deliberate efforts to avoid compliance were viewed as outrageous and cynical, resulting in the significant award of punitive damages in Kamuda and hundreds of millions of dollars in liability owing to the Willowbrook facility alone."

Representatives for Sotera didn't immediately respond to a request for comment Wednesday.

The lawsuit, **filed in 2023**, accused the company of inflating the price of Sotera's stock ahead of its initial public offering in 2020 and a secondary public offering in 2021 by falsely representing that it maintained "a proactive [environmental, health and safety] program and a culture of safety and quality."

The complaint alleged that documents unveiled at the Kamuda trial demonstrated that the company had learned about the toxic effects of ethylene oxide long ago but still delayed installing pollution control equipment and undermined federal regulations that would have required expensive upgrades and improvements at Sterigenics' sterilization facilities.

The company, in its **motion to dismiss**, said it had repeatedly flagged ethylene oxide litigation in not just Illinois but Georgia, New Mexico and Europe as well, while warning that its defense may not succeed and that an adverse judgment on those fronts could result in significant liability or have an

adverse effect on business.

It also said that its stock price quickly rebounded after a second jury sided with Sterigenics and argued that suing shareholders failed to prove that any of the statements at issue were knowingly false when made.

The investors are represented by Hannah Ross, James Harrod and Timothy Fleming of Bernstein Litowitz Berger & Grossman LLP and Serena Hallowell, Gregg Levin and William Norton of Motley Rice LLC.

Sotera is represented by BJ Trach, Gary Feinerman, Jeff Hammel, Nicholas Siciliano and Renatta Gorski of Latham & Watkins LLP.

The case is Oakland County Employees' Retirement System et al. v. Sotera Health Co. et al., case number 25-3311, in the U.S. Court of Appeals for the Sixth Circuit.

--Additional reporting by Sydney Price, Celeste Bott and Lauraann Wood. Editing by Bruce Goldman.

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Pilgrims Pride Investors Get Final OK To \$41.5M Deal

By **Emilie Ruscoe**

Law360 (June 18, 2025, 9:35 PM EDT) -- Investors of poultry giant Pilgrim's Pride Corp. received the final nod for a \$41.5 million deal to settle claims that trading prices for the company's shares were artificially inflated amid its participation in a broiler chicken price-fixing scheme.

In a filing Tuesday, U.S. District Judge R. Brooke Jackson granted final approval to the deal, adopting proposed language in finding that the settlement is "in all respects, fair, reasonable, adequate to, and in the best interests of the plaintiff, the released plaintiff's parties, and each of the settlement class members."

Counsel for the investors also received a third of the settlement fund, worth over \$13.8 million, as their fee for the matter and will receive \$425,000 to reimburse certain litigation costs, and lead plaintiff George Fuller will receive a \$40,000 service award, Judge Jackson said Tuesday.

The parties **requested initial approval** of the deal in January, telling the court their settlement agreement would serve the parties better than continued litigation, in part because "key elements of plaintiff's claims, such as falsity, scienter, and loss causation, are inherently fact-specific, this case would most likely be destined for a complex and expensive trial."

The settlement ends litigation dating back to 2016 and comes years after the company **pled guilty** to the U.S. Department of Justice's price-fixing charge and agreed to a related fine of nearly \$108 million.

Fuller is represented by Kim E. Miller, J. Ryan Lopatka, Lewis S. Kahn and Craig J. Geraci of Kahn Swick & Foti LLC.

Pilgrim's Pride is represented by Caitlin C. McHugh of Womble Bond Dickinson and Caroline H. Zalka, Evert J. Christensen Jr., Aaron J. Curtis and Milana Bretgoltz of Weil Gotshal & Manges LLP.

Lovette is represented by John A. Fagg Jr., Mark A. Nebrig, Fielding E. Huseeth, and Raquel M. Pearkes of Moore & Van Allen PLLC.

The case is Hogan v. Pilgrim's Pride Corporation et al., case number 1:16-cv-02611, in the U.S. District Court for the District of Colorado.

--Additional reporting by Lauren Berg and Dorothy Atkins. Editing by Drashti Mehta.

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Rio Tinto Agrees To \$139M Mongolian Mine Suit Settlement

By **Rae Ann Varona**

Law360 (June 19, 2025, 12:07 AM EDT) -- Rio Tinto agreed to pay \$139 million to resolve a putative securities class action that accused the mining giant of concealing delays and cost overruns in a \$7 billion copper-gold mine development in southern Mongolia, according to a group of investment funds' Wednesday motion for the settlement's preliminary approval.

Private investment funds say in an unopposed motion for preliminary approval that the proposed settlement amount is an "excellent result" for a settlement class of investors given the "significant litigation risks" they would otherwise have to face, such as Rio Tinto asserting that alleged misstatements weren't made with required "scienter," or intent or knowledge of wrongdoing.

They say the British-Australian mining giant also likely would have argued that certain price declines were caused by the disclosure of information already known to the market.

"The settlement provides a substantial, near-term benefit to the settlement class as compared to the risk that the claims in the action would produce a smaller recovery, or no recovery at all," the funds say.

The funds note that the \$139 million also represents a recovery of 34% to 43% of investors' maximum damages, which had been estimated to range from roughly \$322 million to \$407 million.

"This percentage-of-recovery is significantly above the typical level of recovery in securities class actions," they state.

The private investment funds, which have been advised by Pentwater Capital Management LP, assert in their operative complaint filed in February 2024 that Rio Tinto schemed to conceal "massive cost overruns and delays" concerning the development of the Oyu Tolgoi underground mine in Mongolia, which was expected to rank among the largest copper mines in the world.

According to the complaint, the mine, jointly owned by Turquoise Hill Resources and the Mongolian government, was operated "almost exclusively" by Rio Tinto as Turquoise Hill's controlling shareholder.

The Pentwater funds assert that senior Rio Tinto executives repeatedly assured investors that the underground expansion project was "on plan and on budget" when, in reality, it was several months behind schedule and "hundreds of millions of dollars over budget."

The Pentwater funds contend that the project was later revealed to be between \$1.2 billion to \$1.9 billion over budget, and up to 30 months behind schedule.

They say that when Rio Tinto finally announced that Oyu Tolgoi initiated sustainable first production in March 2013, which, according to the funds, was over two years later than expected, the budget had ballooned to \$7.06 billion, "or nearly \$2 billion greater than defendants represented."

The proposed settlement class consists of persons and entities who purchased or acquired Turquoise Hill common stock, call options on the stock or swaps replicating stock purchase in domestic transactions or on U.S. exchanges during a relevant class period and who were damaged.

According to Wednesday's motion, the settlement also resolves claims brought against former Rio Tinto CEO Jean-Sébastien Jacques and former Chief Operating Officer Arnaud Soirat, both of whom the Pentwater funds accuse in its complaint of going "to such great lengths" to conceal problems.

The Pentwater funds say in the Wednesday motion that the settlement comes after 4½ of litigation, three amended complaints, and a couple of motions to dismiss that the court partially granted.

"Pentwater fully endorses the settlement," the motion adds.

Lead counsel also plans on seeking a fee of 13% of the settlement funds, as well as up to \$2.6 million for incurred litigation expenses, according to the motion.

Counsel for the Pentwater funds and Rio Tinto did not immediately respond to requests for comment Wednesday evening.

The Pentwater and the settlement class are represented by Salvatore J. Graziano, James A. Harrod, Michael D. Blatchley and Alexander M. Noble of Bernstein Litowitz Berger & Grossmann LLP.

Rio Tinto is represented by Corey Worcester, Sarah Heaton Concannon, Renita Sharma, Jesse Bernstein, Hope Skibitsky and Leigha Empson of Quinn Emanuel Urquhart & Sullivan LLP.

The case is *In re Turquoise Hill Resources Ltd. Securities Litigation*, case number 1:20-cv-08585, in the U.S. District Court for the Southern District of New York.

--Editing by Kristen Becker.

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Alphabet, Investors Face Judge's Questions Over \$500M Deal

By **Lauren Berg**

Law360 (June 18, 2025, 11:06 PM EDT) -- A California federal judge has questions about an investor settlement with Google's parent company, Alphabet Inc., which agreed to earmark half a billion dollars over the next 10 years to overhaul its global compliance structure to resolve claims against company leaders of anticompetitive and monopolistic practices.

U.S. District Judge Rita F. Lin issued a brief **order** Wednesday instructing the co-lead plaintiffs for consolidated shareholder litigation — the Police and Fire Retirement System of the City of Detroit, and Bucks County Employees' Retirement System — and the Alphabet defendants to answer some questions about the unopposed **motion for preliminary approval**, including how much money was already slated for regulatory compliance before the settlement.

Judge Lin also wants to know "which of the proposed corporate governance and workplace measures and enhancements, if any, had the company already adopted" before reaching the settlement, according to the order.

In addition, the parties need to explain how the proposed measures address the underlying concern at the heart of the case, which is that Alphabet's board was repeatedly told about red flags "but ignored them because it was controlled by insiders," the order stated.

Judge Lin said she wants these answers by July 1, according to the order.

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

The institutional investors filed their motion for preliminary approval of the settlement at the end of May, telling the court that the deal requires Alphabet to "completely revamp and rebuild its global compliance structure, both at the board and executive level."

"The settlement will transform the regulatory and compliance environment at Google, and will provide incalculable benefits to the company and its shareholders in the years to come," the shareholders say.

The investors note in the motion that the \$500 million fund agreement was reached after "quite challenging negotiations" and that the price tag "should ensure that the well-designed new regulatory-compliance enhancements are implemented fully."

Alphabet has also agreed to shift regulatory oversight matters from its board's audit and compliance committee to a newly created risk and compliance committee. Such a committee is rare among major public companies, the motion says, and the move might spur other tech companies to follow suit.

The company further agreed to implement "advanced, elaborate internal compliance mechanisms" that it has already designed.

Those mechanisms include a new senior vice president-level committee to handle regulatory and compliance issues; a rank-and-file executive-level compliance committee consisting of internal compliance experts and managers from each of Alphabet's product teams; and a slate of corporate reforms covering risk assessment, legal advising, third-party contracts and compliance program

management.

And Alphabet has agreed to implement policies to preserve communications that were previously ephemeral, "so that compliance with the various measures created by this settlement can be monitored and enforced," according to the motion.

The individual defendants — who include Alphabet's controlling shareholders, senior executives and board of directors — deny the plaintiffs' allegations of wrongdoing and liability, according to the motion.

The retirement systems **in their 2021 suit accuse** Alphabet of systematic anticompetitive behavior across several core business operations, including advertising, searching and Google Play services. The company's conduct exposes it to antitrust investigations and enforcement actions from the U.S. Department of Justice, state attorneys general, the U.S. House of Representatives, foreign authorities and private litigation, the motion says.

The most recent version of the complaint in the consolidated case includes counts of breach of fiduciary duty, unjust enrichment and corporate waste. The investors had sought unspecified damages plus pre- and post-judgment interest, restitution, disgorgement and reforms to Alphabet's corporate governance practices and internal control systems.

The retirement systems are represented by Patrick Coughlin, Maxwell R. Huffman, Geoffrey M. Johnson, Donald A. Broggi and Jing-Li Yu of Scott + Scott Attorneys at Law LLP.

The Bucks County Employees' Retirement System is additionally represented by Michael J. Boni and Joshua D. Snyder of Boni Zack & Snyder LLC.

Alphabet's executives are represented by Boris Feldman, Doru Gavril and Rebecca Lockert of Freshfields LLP.

The case is In re Alphabet Inc. Shareholder Derivative Litigation, case number 3:21-cv-09388, in the U.S. District Court for the Northern District of California.

--Additional reporting by Sarah Jarvis. Editing by Kristen Becker.

A Tale Of Two GCs And The OxyContin Scandals

By **Sue Reisinger**

Law360 (June 18, 2025, 3:01 PM EDT) -- For many observers, the OxyContin opioid scandal stands as a story of human anguish and corporate greed that eventually pushed its maker, Purdue Pharma, into federal probes, class actions and bankruptcy court, where the company filed its disclosure statement on Wednesday.

Having covered Purdue Pharma for most of the past two decades, I saw the tragic OxyContin story unfold from a different angle. I have followed the actions of two general counsel — one who took part in the initial scandal, and another who stepped in to help clean up the company once and for all.

First was the late Howard Udell, who became Purdue Pharma's general counsel in 1979 and zealously advocated for the company and its addictive painkiller. He always publicly argued that it was the addicts, not the company, who were to blame for the opioid epidemic.

Lastly came Purdue's current general counsel, Marc Kesselman, who was hired in July 2018 to lead the company through its latest round of lawsuits, criminal investigations and bankruptcy proceedings.

Earlier this week, attorneys general in all 50 states and five territories **announced their support** for Purdue Pharma's proposed bankruptcy settlement. The company on Wednesday asked the New York bankruptcy court to approve its proposed Chapter 11 disclosure statement — the critical document laying out its \$7.4 billion payment plan. A ruling is expected Friday. If approved, this decades-long saga can finally end.

This is the story of how two general counsel helped bring the company to this inflection point.

Howard Udell Becomes a First

I started covering Udell in 2007, when the U.S. Department of Justice charged him, alongside the company, its CEO and its chief medical officer, with misdemeanor and felony counts related to misbranding OxyContin as a less addictive painkiller.

As part of a deal to resolve the case, a holding company called Purdue Frederick Co. pled guilty to felony misbranding. The core company, however, continued the business as Purdue Pharma, which itself signed a nonprosecution deal and agreed to pay \$634 million in penalties.

In a separately negotiated deal, Udell and the other two executives each pled guilty to one criminal misdemeanor charge. The general counsel eventually lost his job, was placed on probation, had to serve 400 hours of community service, and was ordered to pay an \$8 million penalty. The other two execs received similar penalties.

On top of that, the government debarred all three men from working in healthcare for 12 years, something the Justice Department conceded was an unprecedented penalty, relying on a strict liability theory called the "responsible corporate officer" doctrine. Udell was the first general counsel ever to be debarred for failing to do his job responsibly.

Asked about the harshness of debarment, one prosecutor close to the matter told me on background



Sue Reisinger covers general counsel/chief legal officers for Law360 Pulse.

at the time that the execs were lucky to get off with a single misdemeanor. "Their footprints were all over that case," the prosecutor said, including Udell's alleged involvement in destroying documents in an attempted cover-up.

Elise Maizel, an assistant law professor at Michigan State University College of Law, discusses Udell as one of three examples in an article published this year in the DePaul Law Review titled "Corporate Lawyers, Disloyalty, and the Opioid Crisis."

Maizel argues that Udell's advocacy of OxyContin and his 30 years of loyalty to Purdue Pharma's owners, the Sackler family, amounted to a betrayal of the corporation.

Maizel told me in an interview that she saw Udell as a symptom of a serious problem when it comes to professional ethics obligations around zealous advocacy on behalf of an attorney's clients.

"Howard Udell's conduct is a sort of parable in that he embodied a kind of 'zealous advocacy' ethic that's pretty common among lawyers," she said. "But it is particularly problematic when we're talking about representing corporate clients, and about his willingness to try to bend the law to serve his client without regard for the public harm that might result."

When Udell died in August 2013 at age 72, I wrote an obituary for him mentioning his conviction. During his lifetime, Udell always declined to speak with me. But upon his death, his widow called me, upset that I mentioned the conviction.

The widow spoke of what a decent man he was, a good husband and father of two grown sons, a grandfather, a man of integrity who provided free legal advice to veterans, a man completely loyal to his company, but whose life was ruined by one possible mistake. She asked me why I kept mentioning it.

How does one explain to a grieving widow the colossal size and legal implications of that mistake? I couldn't.

New Scandal Meets New GC

While prosecutors had sought to teach corporate officers a lesson by taking a tough stance against Udell and his colleagues when they pled guilty in 2007, the ploy did not work as well as they had hoped. Ten years and multiple general counsel later, the Stamford, Connecticut-based company found itself at the center of a new OxyContin scandal.

Despite the 2007 penalties, as a corporate integrity agreement that Purdue Pharma signed as part of its plea deal expired, the company asked the consulting giant McKinsey & Co. to help it form a new marketing plan to push the sale of what it would say was a reformulated version of OxyContin, one the company said was more difficult to abuse.

It was advice that the consulting firm would later publicly regret giving, when it **settled its own opioid epidemic case** with the DOJ for \$650 million in 2024. Just last month, former McKinsey senior partner Martin Elling was **sentenced to six months in prison** for obstructing a government investigation into the consulting firm's work for Purdue.

Prosecutors said the plan called for "turbocharging" the sales of OxyContin by incentivizing doctors to prescribe more and more of the drug, reigniting the national opioid crisis.

The renewed marketing efforts also ignited hundreds of lawsuits and a new federal criminal investigation.

By 2018, Purdue hired its third general counsel since Udell. But where the company had promoted attorneys from within for its first two legal leaders after Udell, for the third, an all-new management team brought in an experienced outsider, Marc Kesselman.

Kesselman came in with strong ties to DOJ and previous experience as a general counsel, including over two years at Yum! Brands and six at Frito-Lay, a division of PepsiCo.

He also served in several federal posts, mostly during the George W. Bush administration, including three years as senior counsel in the Justice Department, three years as deputy general counsel in the Office of Management and Budget, and over two years as general counsel at the U.S. Department of Agriculture.

Although Kesselman was not available to comment for this column, I once interviewed him right after he left the USDA and joined Frito-Lay in 2009. I remember how much he appreciated a corporation's ability to make an impact in society.

"Corporations can sometimes be bigger drivers of social change than the government," Kesselman explained then, citing Frito-Lays' use of mostly renewable energy and recycled water, while producing little landfill waste. "While the government is about creating the conditions, we are about making it happen in the private sector."

Now, after six years of helping reorganize Purdue Pharma in Chapter 11 bankruptcy proceedings, Kesselman is finally helping to make real change happen at the company.

Mediation and hearings are continuing after the U.S. Supreme Court ruled against an earlier settlement agreement that waived any potential personal liability for Sackler family members — setting a new precedent on third-party liability in bankruptcy cases.

While the bankruptcy was proceeding in November 2020, Kesselman helped Purdue reach a new deal with federal prosecutors on new criminal charges. The company **agreed to plead guilty** in New Jersey federal court to a three-count felony information related to its latest opioid marketing scheme while admitting it had paid kickbacks to doctors to prescribe OxyContin.

With that deal behind it, the company is expected to clear bankruptcy this fall with a new name, new owners and directors, and a new mission to act on the public's behalf by forming a public benefit trust.

The Lesson of Purdue Pharma

Marshall Huebner, who leads the Davis Polk & Wardwell LLP team handling Purdue's bankruptcy, is quick to praise Kesselman's work.

"We were brought in, in 2018, to assess the situation and assist the company in going in a new direction," Huebner told me in a recent interview. "I am not sure that anyone has worked harder on this situation than Marc has for the last seven years."

It was tricky. The federal government needed to preserve a company that could keep needed medications flowing to customers while removing the parts of the corporation responsible for misconduct.

Huebner called the case "a very difficult, very painful, very fraught situation, and I don't know of anyone on any side who does not respect Marc — from the government creditors to the victim groups to the official committee."

He described Kesselman as "like the hardest working Eagle Scout in law. He and I have, for years, been on the phone at or after 11pm, probably three nights a week, week after week, about this very challenging and demanding case. Marc's dedication and sheer appetite for incredibly hard work in very difficult situations is almost without parallel."

Kesselman took on a bankruptcy case, Huebner said, "with complexities that virtually no other case has ever had. I really don't know where we would be without him."

One key, Huebner said, was how Kesselman quickly earned and held everyone's trust on all sides.

In contrast, Maizel's article shows Udell concentrated mainly on earning his boss's trust through 30 years of blind loyalty. The law professor talked of Udell's "willingness to try to bend the law to serve his client without regard for the public harm that might result."

The final lesson for all general counsel from the Purdue Pharma debacle, according to Maizel, is to be aware of where one's duty lies.

"Always keep in mind the corporate client — the entity that makes promises of legality to the state," Maizel said, "and that corporations are differently situated than human clients in terms of their scope and in terms of their power to inflict harm. And keep that in mind in determining where we're going to set our legal boundaries and our relationship with the law."

It is a lesson that Kesselman seems to have learned well.

--Editing by Nicole Bleier.

Senior reporter Sue Reisinger has covered general counsel/chief legal officers for more than 20 years. She draws on that depth of experience to write occasional columns, which do not necessarily reflect the views of Portfolio Media Inc. or any of its respective affiliates.

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Consumers Drop Gore-Tex 'Greenwashing' Class Suit

By **Jonathan Capriel**

Law360 (June 18, 2025, 9:36 PM EDT) -- Consumers suing the maker of the waterproof fabric Gore-Tex are looking to end, for now, their proposed class action against the company alleging W.L. Gore & Associates used toxic forever chemicals to manufacture its material while also "greenwashing" its image.

The lead plaintiffs told the court on Tuesday they wish to voluntarily dismiss their lawsuit, without prejudice, saying it is permissible under the Federal Rules of Civil Procedure since Gore has yet to file an answer to the complaint or seek summary judgment.

The voluntary dismissal notice comes roughly a month and a half after Gore-Tex argued the case **should be dismissed** because none of the lead plaintiffs failed to test the specific articles of clothing they purchased, meaning they don't know for sure the clothes contain hazardous per- and polyfluoroalkyl substances, or PFAS.

Consumers from Washington, California, Minnesota and Illinois filed the suit in February alleging the Gore-Tex maker marketed its products as environmentally sustainable while also concealing its use of PFAS.

The suit claimed these forever chemicals found their way into the ecosystem during the life cycle of the clothing, from manufacturing, consumer wearing and eventual disposal in a landfill. The suit also claimed that consumers were exposed to PFAS while wearing the items, but there was no warning by Gore.

PFAS are called forever chemicals because it's nearly impossible for them to break down in the environment, and they have been tied to cancer, fertility issues, high blood pressure in pregnant women and other health problems, according to data from the U.S. Environmental Protection Agency.

The consumers are represented by Steve W. Berman and Catherine Y.N. Gannon of Hagens Berman Sobol Shapiro LLP, and Rebecca A. Peterson, Krista K. Freier, Catherine A. Peterson and Lori G. Feldman of George Feldman McDonald PLLC.

W.L. Gore is represented by Jessica B. Jensen of Ogden Murphy Wallace PLLC, and Robert J. Herrington, Jennifer A. Surprenant and Noah Lindenfeld of Greenberg Traurig LLP.

The case is Micah Mason et al. v. W.L. Gore & Associates, case number 2:25-cv-00049, in the U.S. District Court for the Eastern District of Washington.

--Editing by Lakshna Mehta.

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DC Judge Delves Into Facts Of Long-Running Price-Fix MDL

By **Nadia Dreid**

Law360 (June 18, 2025, 10:33 PM EDT) -- A D.C. federal judge spent four hours Wednesday morning trying to sort out the facts in sprawling, long-running multidistrict litigation accusing the country's four largest railroad companies of fixing fuel surcharge prices, so that she can tackle summary judgment.

U.S. District Judge Beryl A. Howell said she expected to spend about two hours hearing the parties out on their summary judgment motions, but it ended up being more like twice that, with a brief, 10-minute break in the middle. She said she had a "massive amount of paper" in front of her, but she still wasn't sure what the facts of the case were.

"The rules of both local and federal procedure ... submit[ting] statements of undisputed material facts and counterfactuals are to help a judge figure out what's conceded and what isn't," Judge Howell said, but she said in this specific instance that wasn't the case. "And 600-plus pages of basically a lot of argument was not particularly helpful."

Counsel for the railway giants on the receiving end of the litigation — Union Pacific Railroad Co., CSX Transportation Inc., Norfolk Southern Railway Corp. and BNSF Railway Co. — were quick to "point out, on the record and sort of in our defense" that their statement of facts was only 58 pages.

"I'm not casting aspersions here," Judge Howell said "That might weigh on whatever decision is issued. I'm just stating a fact."

The court shared a laugh when Judge Howell realized she was being handed a bound set of exhibits. It turns out both sides had them, and a couple of hours later she was handed another set by the plaintiffs, who delivered the "bad news," paired with the good news that theirs came with tabs for easy navigation.

"Thank you so much," Judge Howell said, prompting laughter again in the court with her expression of gratitude.

During the hearing, Judge Howell seemed to push back the most on the plaintiffs, questioning their theories of conspiracy and their discussion of fuel hedging, strategies that railway companies deploy to curb how much fuel costs cut into their profits.

"Both fuel hedging and fuel surcharges is a totally economically responsible way that the defendants had to deal with fluctuating fuel prices and keep their profits up," the court said. "So what I'm not understanding is your point about fuel hedging — what is it that's raising your suspicions about an illegal conspiracy about [fuel surcharges], which is the claim to be addressed?"

The claims have been working their way through the federal court system since 2007. Shipping companies filed suit against the railway freight companies over their fuel surcharges, saying they had all agreed to remain in lockstep when it came to setting those fees. That was the first MDL.

That devolved into a big fight over class certification which was ultimately lost after "two round trips to the D.C. Circuit," in the words of Judge Howell. This triggered "another wave" of lawsuits with similar litigations, which turned into the second MDL. The first one was originally assigned to another judge, but the second MDL was assigned to Judge Howell.

Altogether, the judge said, there are 380 plaintiffs and 110 cases before her "just in time for all the dispositive motions."

Oxbow is represented by Robins Kaplan LLP.

The shippers are represented by Hausfeld LLP, Quinn Emanuel Urquhart & Sullivan LLP and Vinson & Elkins LLP, among others.

Union Pacific is represented by Latham & Watkins LLP, Jones Day and Massey & Gail LLP.

BNSF is represented by Munger Tolles & Olson LLP, Steptoe & Johnson LLP, Wilson Sonsini Goodrich & Rosati PC and Gibson Dunn & Crutcher LLP.

CSX is represented by Crowell & Moring LLP.

Norfolk Southern is represented by Skadden Arps Slate Meagher & Flom LLP and Arnold & Porter.

The MDL case is In re: Rail Freight Fuel Surcharge Antitrust Litigation — MDL 1689, case number 1:07-mc-00489, in the U.S. District Court for the District of Columbia.

--Editing by Linda Voorhis.

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J&J Hit With \$8M Verdict In Multi-Exposure Talc Case

By **Cara Salvatore**

Law360 (June 18, 2025, 9:49 PM EDT) -- A jury awarded \$8 million on Wednesday to a Massachusetts woman who said Johnson & Johnson's talcum powder caused her mesothelioma, rejecting the company's claims that family members' work around asbestos absolved it of blame.

The jury awarded \$5 million for past pain and suffering and \$3 million for future pain and suffering to Janice Paluzzi, who the jury heard used talcum powder daily from the time she was a child. J&J argued that her exposure came from her family, including her three sons' work in building services and maintenance at the John Hancock Building in Boston.

The jury found Paluzzi proved her J&J talcum powder — namely Johnson's Baby Powder or Shower to Shower — contained asbestos, and that a design defect substantially contributed to her mesothelioma. It said J&J was negligent in the powder's design and its negligence also substantially contributed to Paluzzi's illness.

However, the jury found that J&J did not breach the implied warranty of merchantability by selling talc powder without adequate warning and was not negligent by providing inadequate warnings.

The jury saw Paluzzi's testimony via her July 2022 deposition video; her lawyer said in closings her illness is terminal. She was diagnosed in 2021.

The company gave its closing argument first, with Bruce Hurley telling the jury there was a serious lack of evidence regarding Paluzzi's own talc usage.

"None of the bottles that have ever been tested were bottles that were ever used by Ms. Paluzzi," he said. He also said her preferred brand was a different one: Jean Nate.

Hurley later added, "They haven't done the math to show you what her lifetime exposure cumulative exposure was. How can you make the decision that it was a substantial contributing factor?"

Hurley also emphasized the company's view that Paluzzi's exposure likely came from the John Hancock Building. One of her sons testified that he was exposed when he was working with sheet metal, spray insulation and "wrapped asbestos," he said.

Paluzzi's counsel asked in closing arguments for \$25 million for past pain and suffering, and did not recommend an amount for future pain and suffering.

Benjamin Braly, an attorney for Paluzzi, said his client's experts testified that an exact "dose" was not required for a valid causation opinion.

Paluzzi's expert witness, Steven Haber, "told you about that, that there are problems with doing calculations like that, going back in time and saying that this is the mathematical formulation that equates to the exposure. He said that's inappropriate in cases like this. You do a qualitative analysis. You look at the duration, the proximity and the frequency of the exposure, which he did, and compare it to known literature that says that causes disease, which he did," Braly said.

He also said there was a compendium of documentation of J&J making misleading statements about talc dating back to the late 1960s or early 1970s.

"J&J was insisting to everybody, despite knowing about it, that there was never asbestos in their

products. They told the FDA that, they told the media that, they told public who had asked, they told everybody," Braly said.

"But they knew that it wasn't true, and they knew it was based in part on a testing method that they helped develop with the [Cosmetic Toiletry and Fragrances Association] ... it wouldn't find asbestos in talc even if asbestos was present," he said.

Representatives for the parties were not immediately available for comment Wednesday.

Paluzzi is represented by Benjamin Braly and Aaron Chapman of Dean Omar Branham Shirley LLP.

J&J is represented by Bruce Hurley of King & Spalding LLP, and Tara Blake of Kirkland & Ellis LLP.

The case is Paluzzi v. Johnson & Johnson, case number 2181CV02109, in the Suffolk County Superior Court of Massachusetts.

--Editing by Adam LoBelia.

For more of this trial, see Courtroom View Network.

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State Farm Likely To Face 200K Calif. Homeowner Class

By **Bonnie Eslinger**

Law360 (June 18, 2025, 10:00 PM EDT) -- A California federal judge indicated Wednesday that he'll likely certify a class of nearly 200,000 homeowners in litigation alleging that State Farm underpays property insurance claims by depreciating sales tax when calculating replacement costs, saying a common issue predominates and noting he'd sided with plaintiffs in a similar 2017 case.

U.S. District Judge William H. Orrick, who didn't issue a ruling at the end of a hearing held in San Francisco, said at the start, "because the tentative is going against the defendants, I'll let the defendants go first."

Later, the judge said one issue predominates: whether State Farm's practice regarding sales tax depreciation — which reduces class members "actual cash value" benefits — is legal.

Judge Orrick said he'd previously ruled in a similar case, which has been cited by the plaintiffs, and also noted a recent ruling in California state court by Judge William F. Highberger, which has been cited by State Farm.

"I made a call on this. I'm a fan of Judge Highberger. He made a different call, but I'm sticking with mine," Judge Orrick said.

In their March 2023 complaint, homeowners Melissa Pitkin and Dan Grout point to Judge Orrick's **2017 decision** in an insurance class action against Hartford Casualty Insurance Co., in which the judge found both the policy and California Insurance Code Section 2051 prohibit deductions apart from those for "physical depreciation" in calculating the actual cash value.

In its opposition to the couple's class certification motion, State Farm underscores that it prevailed on that same issue before Judge Highberger. In that case, **Ramyead v. State Farm General Insurance Co.**, the judge held in 2023 that depreciating sales tax is appropriate under state law.

During Wednesday's hearing Judge Orrick acknowledged the lawfulness of the sales tax depreciation is a merits question, adding that right now he's just deciding if a common issue predominates.

"And there is," he said.

Jennifer Hoffman of Sheppard Mullin Richter & Hampton LLP argued that class certification should be denied because there's not common evidence across the class.

The variances in the data for policyholders show that class membership, liability and damages will require individualized review "which is antithetical to class certification," Hoffman said.

Judge Orrick pressed, saying that it was his understanding that State Farm has a uniform practice regarding sales tax depreciation.

"There are many numbers that go into a claim ... but it's always a calculation that is made that would decrease the amount that the insured would be entitled to," the judge said.

Hoffman said an expert's report shows that having data with the ACV value in it does not mean that's what was paid out. She later said that case law has found that if an "adjustment is applied, even if it

was wrong," but the plaintiff still got what they would have gotten if the adjustment was not applied, "then there was no breach of contract, because there was no injury."

The class members will also have to show a covered loss, and having to make those individualized determinations weighs against class certification, State Farm's lawyer said.

There's also different policy limits, Hoffman added.

Ultimately, while there may be a common question regarding what Section 2051 requires on ACV methodology, that doesn't get the court to common answers on who's in the class and whether State Farm has liability, among other questions, the lawyer said.

A lawyer for the plaintiffs, Tyson Redenbarger of Cotchett Pitre & McCarthy LLP, told the court that State Farm does not deny that it is applying depreciation to sales tax and that it applies that across the board to everyone who makes a claim.

"Because it's a policy that applies to everyone equally, this case is perfectly suited for class certification," Redenbarger said.

Hoffman shot back that State Farm does dispute that there is an ACV methodology applied across the board to every claim.

Pitkin and Grout are a married couple who owned a home in the Northern California town of Healdsburg that was burned to the ground by an August 2020 wildfire sparked by lightning strikes. They had a homeowner's insurance policy from State Farm and filed a claim for their losses, according to court filings.

They claim they received partial payments from State Farm for their personal property losses and the insurer said for all items where sales tax was applicable the company depreciated sales tax in calculating the value of the goods. Such depreciation related to sales tax violates California's insurance code, the couple said.

The suit brings claims for declaratory relief, breach of contract, breach of the implied covenant of good faith and fair dealing.

They seek to represent California homeowners with a property insurance policy issued by State Farm who suffered a covered loss to "real or personal property for which they received payment of actual cash value benefits that were reduced due to depreciation of sales tax, and who were paid or are reasonably certain to be paid benefits in an amount that is less than the applicable policy limits."

They estimate that there are 191,362 potential class members in this case.

State Farm disputes all liability and damages and says it properly calculated the "actual cash value" for the plaintiffs' personal property pursuant to California Insurance Code.

In its opposition to the class certification motion filed in February, State Farm said individualized inquiries are inherent in putative class member claims.

"Specifically, class membership requires not only that an insured received an ACV payment based on an RC less depreciation methodology, but also that the loss was covered, and that the insured is not 'reasonably certain' to receive payment equal to or greater than their applicable limits," State Farm states.

The plaintiffs and the proposed class are represented by Frank M. Pitre, Thomas E. Loeser, Nabilah A. Hossain, Tyson C. Redenbarger and Andrew W. Britton of Cotchett Pitre & McCarthy LLP, by Jack W. Weaver and Rachael M. Mache of Welty Weaver & Currie PC, and by Stephen B. Murray Jr., Arthur M. Murray, Jessica W. Hayes and Thomas M. Beh of the Murray Law Firm.

State Farm is represented by Jennifer M. Hoffman and Anna S. McLean of Sheppard Mullin Richter & Hampton LLP

The case is Melissa Pitkin et al. v. State Farm General Insurance Co. et al., case number 3:23-cv-00924, in the U.S. District Court for the California Northern District (San Francisco).

--Editing by Leah Bennett.

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Dealmakers Eye More Crypto-Targeted SPAC Mergers

By **Tom Zanki**

Law360 (June 18, 2025, 8:31 PM EDT) -- More special purpose acquisition companies plan to seize upon the revival of cryptocurrencies under a second Trump administration and take cryptocurrency-related ventures public in the coming months, an attorney told a gathering of dealmakers on Wednesday.

Ellenoff Grossman & Schole LLP partner Doug Ellenoff told conference attendees that deal lawyers are eyeing ways to converge the two sectors, both of which are aided by perceptions of a friendlier regulatory climate. Ellenoff estimated that one-third of SPAC mergers over the next year or so will involve "crypto or crypto-adjacent" targets.

"We believe that we are only in the early days of this broader cycle," Ellenoff said in remarks at the SPAC 2025 Conference held at the Westchester Country Club in Rye, New York. "But if you ask my team, they're overwhelmed with a number of these types of deals that are coming up."

Cryptocurrency companies have been broadly **tapping public markets** amid booming interest in digital assets as President Donald Trump and Congress **pursue policies** favored by the industry. Plus, the U.S. Securities and Exchange Commission is scaling back cryptocurrency-related enforcement.

Ellenoff noted that the rise in public companies stockpiling bitcoin in their treasuries could create opportunities involving SPAC mergers, an alternative path to a public listing called a "de-SPAC," although details of how such deals would work are still developing. Lawyers are "brainstorming novel use cases for crypto treasury strategies customized to work in de-SPAC context," he said.

Marriages between cryptocurrency-focused companies and SPACs have increased in recent months. Notably, bitcoin investment startup Twenty-One Capital Inc. unveiled plans in April to merge with a SPAC affiliated with investment bank Cantor Fitzgerald at a **\$3.6 billion valuation**. On Monday, bitcoin investment firm Parataxis Holdings LLC said it **signed a letter of intent** to go public through a merger with SilverBox Corp IV.

"We are seeing a lot of activity where SPACs are incorporating crypto assets as part of their de-SPAC strategy," Loeb & Loeb LLP partner Mitch Nussbaum told Law360.

Wednesday's conference reflected a more upbeat mood for SPACs in general, which are rebounding this year after a boom-and-bust cycle earlier this decade.

SPACs, also known as blank-check companies, are publicly traded shell vehicles that conduct an initial public offering and seek to merge with an operating business within a given period. Despite their spotty performance histories, data indicate that SPACs have regained momentum lately.

Some 58 blank-check companies in 2025 have raised IPOs exceeding \$11 billion through Wednesday, surpassing 2024 full-year totals, according to data provider SPAC Research. SPACs typically have about two years to complete an acquisition or liquidate.

As more deals launch, lawyers said they are finding more cooperation these days from the SEC. The securities watchdog **enacted tougher regulations** of SPACs during the Biden administration and slowed approvals of blank-check mergers after many deals flopped.

White & Case LLP partner Joel Rubinstein said his interactions with the SEC are producing "faster

turnarounds" in getting deals to market. New SEC Chair Paul Atkins and the agency's Republican majority have begun to **ease rules** deemed as hindering capital formation.

"We are definitely sensing a much more even-keeled approach, less pushback," Rubinstein said during a panel discussion.

The developments come as more investment banks are participating in SPAC offerings again after a cold spell. The Goldman Sachs Group Inc. has reportedly re-entered the SPAC market after **bowing out** in 2022 amid expectations of tighter regulations.

Yet new SEC rules are having some effect. Market participants noted that financial projections are used sparingly by target companies nowadays. Critics said lax oversight of financial projections led to unrealistic valuations during the pandemic-era market boom of 2020-2021, fueling a SPAC frenzy that ended poorly for many investors.

Sidley Austin LLP partner Mike Heinz said most SPAC mergers either don't include projections or don't forecast beyond two years and cover fewer line items if they do.

"Projections continue to be a very hot-button area," Heinz said during a panel discussion, referring to increased liability and scrutiny under new SEC regulations.

Heinz also noted that most blank-check IPOs are smaller today than a few years ago, typically not exceeding \$200 million. Completing mergers is still challenging given high rates of investor redemptions and challenges obtaining supplemental financing, he said.

SPAC listings year to date have been steadier than traditional IPOs, which **froze in April** after President Trump's sweeping tariffs proposals but have **rebounded** in recent weeks.

As the traditional IPO market regains its footing, lawyers expect SPACs will attract listing opportunities too. Ellenoff referenced data indicating that 29,000 private equity portfolio companies have been owned by their sponsors for more than five years, which could make such companies ripe for a public listing or some other path to liquidity.

Goodwin Procter LLP partner Jocelyn Arel said some target companies that unsuccessfully sought to go public during the last SPAC wave have re-emerged as candidates.

"We are seeing a focus on companies that are more mature, more ready to go public," Arel said.

--Editing by Janice Carter Brown.



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Toyota Says DOJ Has Closed Thai Bribery Probe

By Sarah Jarvis

Law360 (June 18, 2025, 11:05 PM EDT) -- Toyota said Wednesday that the U.S. Department of Justice has closed a long-running Foreign Corrupt Practices Act investigation concerning allegations of bribery at its Thai subsidiary, the latest such probe to be dropped under the Trump administration.

Toyota Motor Corp. said in a Form 20-F filed Wednesday with the U.S. Securities and Exchange Commission that the DOJ informed the company this month that it has closed its investigation, without any further detail regarding the circumstances of the closure.

"Investigations by governmental authorities related to these matters could result in the imposition of penalties, fines or other sanctions, or litigation," the company said in Wednesday's filing, using boilerplate language. "Toyota cannot predict the scope, duration or outcome of these matters at this time."

Toyota said it reported possible anti-bribery violations related to its Thai subsidiary to the SEC and the DOJ in April 2020, and has been cooperating with the investigations.

The status of the SEC investigation could not be determined. In response to an inquiry about whether the SEC's investigation remains open, an agency spokesperson said the SEC "does not comment on the existence or nonexistence of a possible investigation." Toyota and the DOJ didn't immediately respond to requests for comment Wednesday.

Law360 exclusively **reported** in 2021 that federal prosecutors had impaneled a Texas grand jury as they sought any evidence the carmaker bribed top Thai judges to overturn what was then an 11 billion baht, or \$350 million, tax judgment stemming from findings that Toyota failed to pay import taxes on its Prius car parts.

That judgment shrunk to 10 billion baht, or about \$272 million, by the time it was **upheld** by the Supreme Court of Thailand in September 2022. The high court found that Toyota should not have gotten the benefit of a lower import duty on car parts fully assembled by Thai factory workers, instead ordering the company to retroactively pay the 80% import duty on nearly complete imported Prius cars.

Toyota had appealed the tax judgment to Thailand's Supreme Court in late December 2019, amid its own **internal investigation** into the suspected bribery, according to court officials and internal Toyota records.

Thai officials **launched** their own investigations into the suspected bribery plot in May 2021, and the probe was still **ongoing** a year later. The status of the Thai investigation wasn't immediately clear Wednesday.

Wednesday's disclosure from Toyota comes in the wake of new and tightened guidelines for FCPA enforcement the DOJ **released** last week, after a four-month pause on such prosecutions that had been ordered by President Donald Trump in February. The new guidance centers on prospective investigations on transnational cartels and situations that affect U.S. competitiveness and national security, among other things.

Prosecutors have paused or dropped some FCPA cases since Trump took office, including a case against two former Cognizant Technology Solutions Corp. executives who had been charged with authorizing a \$2 million bribe to speed up a construction project in India. The two former executives

pled not guilty in March 2019, and a New Jersey federal judge **granted** the federal government's bid to end the six-year case against the executives in April.

But prosecutors have indicated they plan to move forward with other cases, including **a case** charging a coal executive with bribing foreign officials for business, and **a case** against two former executives of electronic-voting system developer Smartmatic, who were charged with bribing a Philippines election official.

--Additional reporting by Frank G. Runyeon and Elliot Weld. Editing by Emily Kokoll.

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How AI May Reshape The Future Of Adjudication

By **Christopher Seck** (June 17, 2025, 4:35 PM EDT)

In grappling with how artificial intelligence might reshape the legal world, it is helpful to break this sprawling question into smaller, more focused inquiries. One such lens is to look forward by looking backward: to consider the future of adjudication, and what it will mean for the litigators whose professional lives are built around it.

Speculating a century ahead risks slipping into science fiction. But looking just a few decades forward — say, to 2040 or 2050 — offers a sharper, more grounded vantage.

At a Texas A&M University School of Law panel in late April, "The Future of Adjudication" — moderated by legal journalist David Lat — Cornell University Law School professor Frank Pasquale and former U.S. District Judge Katherine Forrest considered what lies ahead.[1]



Christopher Seck

Pasquale noted that, while AI may make adjudications more efficient, judges themselves will remain indispensable. Forrest envisioned a "thinner pyramid," where entry-level legal jobs and clerkships become more competitive, but might also function as extended apprenticeships. Lat, known for his sharp and often wry insights, remarked that human empathy and human bias are two sides of the same coin, and that technological tools might paradoxically help optimize how both express themselves in judicial decisions.

But to trace these trends more fully, we must break the future into its key parts. While prediction is always a fraught exercise, this article attempts to offer a reasoned glimpse of what may lie ahead.

Private vs. Public Adjudication

One of the clearest dividing lines may lie between private and public adjudication. Arbitration, after all, operates as a form of privatized law, and private actors have strong incentives to adopt cutting-edge technologies as soon as they become commercially viable.

These actors seek to distinguish themselves through speed, efficiency, quality and innovation. Their success depends on delivering superior value to stakeholders, giving them powerful reasons to enhance procedural performance and cut unnecessary costs. They are constrained less by tradition than by evolving arbitral rules or party agreements.

Efficiency gains in private arbitration are likely to accelerate, reshaping everything from evidence review to award drafting. Mediators, too, may benefit, using AI to parse vast factual records or even to propose settlement options grounded in predictive analytics.

On the other hand, public courts — owing to their constitutional, statutory and historic mandates — will likely proceed with greater caution. Within the U.S., there is broad consensus that judges will not soon be replaced by machines — not necessarily because the technology will be permanently inadequate, but because constitutional guarantees of due process, equal protection and public trust make the complete removal of human judgment politically, culturally and ethically fraught in the short term.

As Forrest reflected in her book, "When Machines Can Be Judge, Jury, and Executioner," published in 2021, "[E]very single decision I made as a judge, no matter how small, was tied to an acute — and

often painful — awareness that I was reshaping someone's future." [2]

However imperfect human judges may be, the centuries-old legal tradition of having a human decide another human's fate will be hard to dislodge, even if machines offer a more utilitarian efficiency.

Yet even while human judges remain at the helm in the next decade or two, no one seriously doubts that the tools at their disposal are growing dramatically. To varying degrees, AI systems already assist judges in reviewing immense records, surfacing key precedents, flagging contradictions and synthesizing complex factual patterns at speeds that dwarf today's capabilities.

Meanwhile, government agencies, from immigration services to Social Security to the U.S. Patent and Trademark Office, are likely to lean ever more heavily on technological efficiencies to triage, prioritize or even generate preliminary assessments across thousands or even millions of claims.

Juries vs. Judges

Absent major cultural or legal interventions, the jury trial could very well become a vanishing relic. While judicial roles may be preserved, the jury trial has become an increasingly rare guest in modern litigation. According to the New York University School of Law Civil Jury Project, only 0.5% of federal civil cases went before a jury in 2018, down from 5.5% in 1962. [3]

This accelerating trend is no mystery — juries are unpredictable, costly, slow, and deeply human, with all the fallibility that entails. Even when judges issue careful instructions, jurors remain susceptible to bias, distraction and emotion. In contrast, AI promises a form of decision-making free from the psychological noise and local prejudices that might distort human deliberation.

AI is not without its own biases, as algorithms often mirror distortions embedded in the datasets on which they are trained. Yet algorithmic bias is typically systemic and data-driven — making it more amenable to identification and correction through further data and design — unlike the individualized quirks and particularized leanings that characterize human jurors.

It is easy to imagine a future scenario where a critical mass of litigants, if given the option, might in principle prefer a jury of "12 Rational Robots" over "12 Angry Men."

In an article titled "Can We Replace Juries With AI?" entrepreneur Jeff Robbins speculates about an imaginary world where the jury is machinelike, and the lawyer's presentation is stripped of emotion and theatrics — "[t]his jury doesn't care." [4]

Of course, a literal robot jury remains in the realm of science fiction. But the more immediate and plausible trend is the quiet disappearance of jury trials. While the Sixth and Seventh Amendments may preserve the formal right to a jury trial for years to come, they may eventually become a relic of the past.

This shift is made even more likely because, unlike judges, jurors do not accumulate expertise over time, do not issue reasoned opinions, and are not bound by an ongoing professional framework, leaving them especially vulnerable to technological displacement.

More Nerds, Fewer Jocks

As adjudication becomes increasingly shaped by technology, litigators will inevitably evolve with it. By 2050, litigation will be reshaped into a fundamentally more technical, data-driven enterprise, demanding skills and team compositions that depart sharply from the charismatic courtroom traditions of the past.

The days when a case could hinge on a memorable slogan — like Johnnie Cochran's "If the glove doesn't fit, you must acquit" — will likely fade, along with the emotionally charged appeals that once swayed juries and certain judges.

To be sure, some litigation fields have long favored technical expertise: Patent litigators often hold science or engineering degrees, and tax litigators often have backgrounds in accounting, economics, mathematics or tax law. Yet in the broader legal world, the prevailing image remains that of the

confident, charismatic advocate.

That archetype, however, is poised to lose ground. As AI transforms how disputes are framed, analyzed and decided, more and more litigation fields may drift toward a more technical, analytical terrain, where precision and systematic thinking matter more than courtroom performance.

Thriving in this environment won't come from adding a few data analysts or deploying off-the-shelf legal technology. Elite firms may develop proprietary machine-learning models; build custom analytics platforms; and integrate scientists, mathematicians and engineers directly into their litigation teams.

While top litigators will still need interpersonal skills to manage clients and teams, with less pressure to sway emotional decision-makers in court, they may increasingly resemble tech founders or hedge fund quants rather than the silver-tongued advocates of the past.

Clients, too, will evolve. Sophisticated companies will deploy their own predictive analytics, reshaping how they assess risk, negotiate settlements and structure litigation strategies. Lawyers will increasingly serve not just as advocates, but also as interpreters of algorithmic insight, guiding clients through a legal landscape where risk is measured, modeled and optimized.

In short, the litigator of 2050 may rely less on instinct and more on data-driven judgment, as litigation evolves from art to science.

Conclusion

In the coming decades, the rise of AI will not erase the human element of adjudication, but it will drive efficiencies that demand a careful balance between fairness and accountability. As judges evolve and juries likely recede, lawyers will be forced to adapt.

Private actors, such as arbitral institutions, will likely lead the way in experimenting with new technologies, while public courts will evolve but remain more firmly anchored in long-standing principles and institutional oversight.

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[1] Texas A&M University, The Future of Practice: Law 2050: A National Conversation, available at <https://info.law.tamu.edu/law2050-nyc>.

[2] Katherine B. Forrest, When Machines Can Be Judge, Jury, And Executioner (2021), at xviii.

[3] Civil Jury Project at NYU School of Law, available at <https://civiljuryproject.law.nyu.edu/about/>.

[4] Jeff Robbins, Can We Replace Juries With AI?, Medium (Feb. 21, 2025), available at <https://medium.com/bouncin-and-behavin-blogs/can-we-replace-juries-with-ai-2073104c2894>.

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