

Litigation

Roger Goodell's Brother Settles Sports Betting SPAC Deal Lawsuit

June 23, 2025, 9:57 AM PDT

- **Lawsuit is part of a wave challenging blank-check mergers**
- **Deal's architects agree to \$12 million accord ending dispute**

A brother of NFL commissioner Roger Goodell is among the sports industry veterans involved in a \$12 million accord resolving litigation over their deal to take gambling business Super Group SGHC Ltd. public.

Super Group, which combined with a special purpose acquisition company in 2022, operates the digital sports betting platform Betway and the online casino Spin. The class action settlement with Timothy Goodell, a Hess Corp. executive, also covers three other architects of the blank-check merger, including John Collins, co-owner and operating partner of the NHL's New York Islanders, according to filings in Delaware's Chancery Court.

The lawsuit, filed in 2022, said the deal's sponsors were driven by lopsided incentives to dupe investors into a disastrous deal that gave insiders a windfall. It's part of a wave of shareholder cases to land in the elite business court as scores of SPACs underperformed in the open market after a boom in 2020 and 2021. The blank-check firms—publicly traded shell entities formed to merge with a startup that can then bypass a traditional public listing—are now experiencing a resurgence.

The cases generally, and the Super Group suit in particular, have targeted a standard feature of the transactions: "founder shares" costing fractions of a penny that soar in value by a factor of thousands if a merger closes. Those shares, given to insiders, become worthless if no transaction is found, if investors vote one down, or if they exercise their right to cash out.

The June 18 settlement filing says Goodell, Collins, and the transaction's other backers continue to "deny any and all allegations of wrongdoing, fault, liability, or damages." Because the case is a class action, the accord requires the approval of a judge, Vice Chancellor Lori W. Will, who issued the first major SPAC ruling in early 2022.

Will stressed in that decision and others that the key issue is not whether the founder shares created a conflict of interest—they do—but whether the sponsors deceived investors when it came to the final safety valve: the right to redeem their initial ante even after a deal is reached.

The investor leading the litigation, Dylan Newman, is represented by Robbins Geller Rudman & Dowd LLP, Robbins LLP, and Andrews & Springer LLC. The sponsors are represented by Potter Anderson & Corroon LLP and Ropes & Gray LLP.

The case is Newman v. Sports Ent. Acquisition Holdings LLC , Del. Ch., No. 2023-0538, settlement stipulation filed 6/23/25 .

To contact the reporter on this story: Mike Leonard in Washington at mleonard@bloomberglaw.com

To contact the editors responsible for this story: Kiera Geraghty at kgeraghty@bloombergindustry.com;
Andrew Harris at aharris@bloomberglaw.com

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Labcorp was the blockbuster Supreme Court case that wasn't



reuters.com/legal/government/labcorp-was-blockbuster-supreme-court-case-that-wasnt-2025-06-23

Jenna Greene

June 23, 2025

The logo for Labcorp, Laboratory Corporation of America, a life sciences company is displayed on a screen on the floor of the New York Stock Exchange (NYSE) in New York City, U.S., June 22, 2023. REUTERS/Brendan McDermid [Purchase Licensing Rights, opens new tab](#)

June 23 (Reuters) - When the U.S. Supreme Court earlier this year agreed to take up medical testing company Laboratory Corporation of America's appeal of a class certification order, it was one of the buzziest cases of the term.

The parties, along with amici in 19 friend-of-the-court briefs and the legal press – [me included](#) – cast it as a potentially monumental matter, one that could upend class action litigation by making it more difficult for plaintiffs to bring cases.

What we got instead was ... nothing. A little over a month after oral argument, the high court on June 5 [dismissed the case, opens new tab](#) as improvidently granted, though Justice Brett Kavanaugh dissented from the majority's one sentence order.

In issuing the so-called dismiss as improvidently or DIG, the justices tacitly admitted that it was a mistake to grant certiorari in the first place, though presumably not because of the question presented.

The question that remains unanswered is whether a class be certified if it contains uninjured members – an issue that the high court circled in two prior class certification decisions, [Tyson Foods v. Bouaphakeo](#) in 2016 and [TransUnion v. Ramirez](#) in 2021, but left open. Why instead of a firecracker did Labcorp v Davis turn out to be a dud? The most likely answer is procedurally nuanced, involving a tangle of superseding district court orders.

Still, how the case unspooled offers a window into when and why the justices DIG a case, a rare move where the court takes no action, instead leaving the appellate decision in place.

Here, it meant a win for a class of blind plaintiffs suing Labcorp for violations of the Americans with Disabilities Act, allowing them to proceed with their suit in Los Angeles federal court. An unconventional move by Deepak Gupta, who represented the class action plaintiffs, could also provide a model for advocates looking to DIG a case – but more on that later.

Labcorp did not respond to requests for comment, and the company's outside counsel, Jones Day partner Noel Francisco, declined to comment through a firm spokesperson.

A bit of context: Legal scholars say that from 1955 to 2005, the justices disposed of an average of two to three cases per term via DIGs, a move that typically requires agreement from at least six justices. There was one such dismissal in 2023-2024 and a total of three this term. (The other two were both securities class actions, with Gupta also getting a DIG in [litigation against chipmaker Nvidia](#). The [other case](#) involved Meta's Facebook.)

The court often declines to offer an explanation for DIG-ing a case, leaving onlookers to speculate on what went awry, said Michael Solimine, a professor at the University of Cincinnati College of Law and co-author of the [DIG study, opens new tab](#), via email. For example, after oral argument the justices might realize there was a jurisdictional issue, or they might identify another problem that made the case a poor vehicle to address the question at hand, Solimine said. "Or it could simply be that there was no majority that could decide the case."

In Labcorp, according to Kavanaugh's dissent, the obstacle that kept the court from deciding the case was mootness – meaning, technically, that the class certification order that Labcorp appealed was no longer in effect and had been supplanted by subsequent district court orders. Kavanaugh, however, deemed the concern "insubstantial" and wrote that he would have ruled in favor of the company on the merits.

Originally filed in 2020, the suit against Labcorp was brought on behalf of visually impaired people who were unable to use check-in kiosks when arriving for blood draws or other medical tests.

Labcorp argued that thousands of class members were uninterested in using the kiosks, preferring to check in with a person at the front desk. That meant they sustained no injury and lacked standing to sue under Article III of the U.S. Constitution, Labcorp said.

U.S. District Court Judge Fernando Olguin in May of 2022 certified a damages class. Labcorp had appealed the order, and the 9th U.S. Circuit Court of Appeals last year in an [8-page, unpublished opinion, opens new tab](#) had upheld Olguin's decision.

But there was a wrinkle. While Labcorp's interlocutory appeal was pending, the district court modified the class certification order two times to tweak how the class was defined.

That meant the order before the Supreme Court was inoperative, Gupta argued for the class action plaintiffs. With no live controversy, any decision by the high court would be nothing more than an advisory opinion, the Gupta Wessler co-founder said.

This jurisdictional argument wasn't something the class action plaintiffs initially flagged in [opposing, opens new tab](#) Labcorp's cert petition (though they raised it in their [respondent's](#)

[brief, opens new tab](#) when they suggested that the court DIG the case, as did seven law professors in an [amicus brief, opens new tab](#)).

In an unusual step, Gupta, who was hired after cert was granted, filed a [letter, opens new tab](#) with the court on April 23, six days before oral argument and after briefing was complete, to reiterate the jurisdictional problems and again ask the court to DIG the case.

Sending the letter felt like “waving a red flag in front of a bull,” Gupta told me, drawing the focus on procedural questions rather than the merits. “I wanted to make sure the court understood the problem here.”

Writing in [response, opens new tab](#), Francisco called the letter “nothing more than an improper surreply,” and said the arguments were meritless.

The justices’ interest was piqued. During oral arguments in April, Justice Clarence Thomas asked why the court had jurisdiction to rule on a lower court’s “inoperative” order. Later, Justice Sonia Sotomayor said, “I still don’t see how this is not an advisory opinion.”

And Justice Elena Kagan remarked, “We’re staring at the wrong order.”

Little wonder the court opted for a DIG.

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Jenna Greene writes about legal business and culture, taking a broad look at trends in the profession, faces behind the cases, and quirky courtroom dramas. A longtime chronicler of the legal industry and high-profile litigation, she lives in Northern California. Reach Greene at jenna.greene@thomsonreuters.com

Securities Law News

Apple Investor Sues Over iPhone Siri AI Enhancements Delay (1)

June 20, 2025, 11:18 AM PDT; Updated: June 20, 2025, 12:33 PM PDT

- **COURT:** N.D. Cal.
- **TRACK DOCKET:** No. [3:25-cv-05197](#) (Bloomberg Law subscription)

Apple Inc. overstated its timeline to implement artificial intelligence enhancements to its Siri voice assistant, leading to a series of stock declines, a proposed class action filed Friday said.

The stock price has slipped on multiple days since March as the company, analysts, and news outlets noted delays to adding features ahead of the next iPhone upgrade cycle expected this later this year, said the investor's complaint filed in the US District Court for the Northern District of California.

In recent years, competitors have launched products with advanced AI capabilities, such as Google LLC's Gemini and Microsoft Corp.'s Copilot—adding pressure on the iPhone maker to enhance Siri's features with AI, investor Eric Tucker's complaint said. Last June, Apple announced its Apple Intelligence and modernized AI-based Siri features at its annual Worldwide Developer Conference, Tucker said.

The proposed class would include those who acquired Apple shares from June 10, 2024—the day the company kicked off its 2024 WWDC—through June 9, 2025. Throughout that time, the tech giant overhyped how long it would take to integrate its AI-enhanced Siri features, Tucker said. In reality, it was highly unlikely those features would be available for the iPhone 16, and the lack of such features would hinder sales of that version, which was released last year, Tucker said.

Apple on March 7 said it was indefinitely delaying some promised updates to Siri. The stock price fell almost 4.9% to close at \$227.48 per share on the next trading day, March 10.

Then on March 12, a Morgan Stanley analyst lowered his price target, saying the Siri delay would impact iPhone upgrade cycles in 2025 and 2026, Tucker said. Share prices fell almost 5.1% over the next two trading days, Tucker said.

News Reports

The Wall Street Journal published a column discussing the delay on the morning of April 3. Share prices fell almost 9.3% that day—the stock's steepest single-day decline since March 2020, according to data compiled by Bloomberg.

And on June 9, during Apple's 2025 WWDC, the company didn't announce new updates on Siri's features, Tucker said, prompting disappointing reactions from analysts and media outlets. The stock price fell about 1.2%, that day.



Tucker seeks damages, among other relief, for alleged Securities Exchange Act of 1934 violations by the company, CEO Tim Cook, CFO Kevan Parekh, and vice president of Corporate Services Luca Maestri.

He alleges the executives had the motive and opportunity to deceive investors due to stock sales while share prices were artificially inflated: That Cook sold at least 363,747 shares of Apple stock for at least \$81.9 million, Maestri sold at least 67,977 shares for at least \$15.3 million, and Parekh sold at least 7,319 shares for at least \$1.4 million.

Tucker is represented by Pomerantz LLP.

Apple has set an internal release target of spring 2026 for its delayed Siri upgrade, according to prior reporting by Bloomberg.

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

The case is Tucker v. Apple Inc. , N.D. Cal., No. 3:25-cv-05197, complaint filed 6/20/25 .

(Updates with reporting throughout.)

To contact the reporter on this story: Gillian R. Brassil in Washington at gbrassil@bloombergindustry.com

To contact the editors responsible for this story: Drew Singer at dsinger@bloombergindustry.com; Andrew Harris at aharris@bloomberglaw.com

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Apple sued by shareholders for allegedly overstating AI progress



reuters.com/sustainability/boards-policy-regulation/apple-sued-by-shareholders-over-ai-disclosures-2025-06-20

Jonathan Stempel

June 20, 2025

People walk past an Apple logo at an Apple store in Paris, France, April 23, 2025.

REUTERS/Abdul Saboor/File photo [Purchase Licensing Rights, opens new tab](#)

June 20 (Reuters) - Apple ([AAPL.O](#)), [opens new tab](#) was sued on Friday by shareholders in a proposed securities fraud class action that accused it of downplaying how long it needed to integrate advanced artificial intelligence into its Siri voice assistant, hurting iPhone sales and its stock price.

The complaint covers shareholders who suffered potentially hundreds of billions of dollars of losses in the year ending June 9, when Apple [introduced](#) several features and aesthetic improvements for its products but kept AI changes modest.

Apple did not immediately respond to requests for comment. CEO Tim Cook, Chief Financial Officer Kevan Parekh and former CFO Luca Maestri are also defendants in the lawsuit filed in San Francisco federal court.

Shareholders led by Eric Tucker said that at its June 2024 Worldwide Developers Conference, Apple led them to believe AI would be a key driver of iPhone 16 devices, when it launched Apple Intelligence to make Siri more powerful and user-friendly.

But they said the Cupertino, California-based company lacked a functional prototype of AI-based Siri features, and could not reasonably believe the features would ever be ready for iPhone 16s.

Shareholders said the truth began to emerge on March 7 when Apple [delayed](#) some Siri upgrades to 2026, and continued through this year's Worldwide Developers Conference on June 9 when Apple's assessment of its AI progress disappointed analysts.

Apple shares have lost nearly one-fourth of their value since their December 26, 2024 record high, wiping out approximately \$900 billion of market value.

The case is Tucker v. Apple Inc et al, U.S. District Court, Northern District of California, No. 25-05197.

Reporting by Jonathan Stempel in New York; Editing by Mark Porter and Rod Nickel

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By:

The D&O Diary

A Periodic Journal Containing Items of Interest From the World of
Directors & Officers Liability, With Occasional Commentary

Reddit Downplayed Impact of Google's AI-Related Changes, Suit Alleges

By Kevin LaCroix on June 22, 2025



In recent months, a number of companies have been hit with AI-washing securities class action lawsuits alleging that the defendant companies overstated their AI-related capabilities or opportunities (such as, for example, the securities suit filed late last week against Tempus AI, as discussed [here](#)). While there have been quite a number of AI-washing related securities suits, I have long thought that the larger and longer-term AI-related securities litigation risk is not as much with respect to allegations that companies *overstated* their AI *capabilities*, as from allegations that companies *understated* their AI-related *risks*.

In a new securities class action lawsuit that reflects these latter kinds of risk, last week a plaintiff shareholder sued online platform Reddit, alleging that the company misled investors by downplaying the impact on the company's site traffic and ad revenue from Google's adoption of artificial intelligence search results. As discussed below, these kinds of AI-risk related allegations could represent a potential new area of AI-related securities litigation risk. A copy of the June 18, 2025, complaint against Reddit can be found [here](#).

Background

Reddit is a social media platform and forum-style website on which users share and discuss content through posts and comments. Reddit's primary source of revenue is from advertising on

its website. Site traffic directly affects the company's revenue. The company tracks and reports user metrics. One user metric is "daily active unique" (DAUq) which measures unique visitors to the Reddit website. Another measure is "average revenue per unique" (ARPU), which is a ratio of quarterly revenue to average DAUq.

A significant portion of Reddit's user traffic comes from individuals seeking answers to questions, using Google Search. In 2024, Google Search began implementing new Artificial Intelligence capabilities, such as AI Overviews, a feature in Google Search that uses generative AI to provide concise search results. These AI-generated results seek to quickly answer user queries by synthesizing information from multiple sources, including Reddit. These results may answer a user's question without any need for the user to click through to any external website, an outcome known as a "zero-click search."

According to the complaint, in quarterly conference calls with analysts beginning with the 3Q24 call on October 29, 2024, analysts began asking Reddit management about the impact of Google's changes. The company's management acknowledged that Reddit has a "symbiotic" relationship with Google. The management also acknowledged that from time to time Google alters its search algorithms and protocols, and that the company had always navigated through these changes. Among other things, management reassured analysts that the company's core users will come to Reddit regardless, and that the company's business "has been very stable" with "reliable growth," and that is "what we see looking forward as well."

In the company's 4Q24 and full-year 2024 conference call, company officials acknowledged that it did "experience some volatility from Google Search triggered by a periodic algorithm change," again providing reassurance that the company has managed past algorithm changes. In response to analysts' questions, a Reddit executive said with respect to the changes at Google that "I'm not worried about it," saying the changes would have "no revenue impact."

On May 1, 2025, the company reported its 1Q25 results. Among other things, its 1Q25 earnings release reflected a third consecutive quarter slowdown in daily active user growth. In response to questions about the impact of the Google changes, a company manager said, among other things, "We believe we're in great shape over the medium and long term" and that in the current quarter (that is during 2Q25) "we're seeing total DAUs growing in the high-teens range year-over-year." The same manager also asked rhetorically, "is there a long-term risk to Reddit here?" answering the question "In my view, the answer is no."

On May 19, 2025, Wells Fargo analysts downgraded Reddit's stock, saying that Google Search's implementation of new AI features are likely "permanent" disruptions on Reddit's user traffic. The

analysts stated further that traffic to Reddit from Google Search is likely to decline as a result of the changes, which ultimately, the analysts said, would hurt Reddit's advertising revenue. On May 21, 2025, Baird analysts downgraded Reddit, citing similar concerns. The complaint alleges that the company's share price declined due to these developments.

The Lawsuit

On June 18, 2025, a plaintiff shareholder filed a securities class action lawsuit in the Northern District of California against Reddit and certain of its executives. The complaint purports to be filed on behalf of investors who purchased the company's securities between October 29, 2024, and May 20, 2025.

The complaint alleges that during the class period, the defendants failed to disclose that: "(i) changes in Google Search's algorithm and features like AI Overview were causing users to stop their query on Google Search; (ii) these algorithm changes were materially different than prior instances of reduced traffic to the Reddit website; (iii) Defendants were aware that the increase in the query 'Reddit' on search engines was because users were getting the sought answer from Google Search without having to go to Reddit, and not because they intended to visit Reddit; (iv) this zero-click search reality was dramatically reducing traffic to Reddit in a manner the Company was unable to overcome in the short term; (v) Defendants, therefore, lacked a reasonable basis for their outlook on user rates and advertising revenues; and (vi) as a result, the Company's public statements were materially false and misleading at all relevant times."

The complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.

Discussion

What is interesting to me about this new lawsuit, and what to me makes it noteworthy, is that the complaint is AI-related but it does not involve AI-washing allegations. The plaintiff is not alleging here that Reddit overstated its AI-related capabilities or opportunities. Rather, the allegation is that the company downplayed the risks and potential impacts on the company from AI-related changes in Google Search, including in particular with respect to Google's AI Overviews.

What makes this case even more interesting to me is that the AI-related risks to Reddit here did not arise from Reddit's own use or deployment of AI. Instead, the risks here arose from AI adoption and implementation by one of its suppliers. (I use the word "supplier" to refer to Google because that was what Google was effectively doing for Reddit, supplying users.)

This element of corporate risk arising from third-party AI adoption is particularly important to note. The fact is that AI is quickly becoming pervasive. AI is transforming a wide variety of industries: healthcare and health services; transportation and logistics; asset management; legal services; education, and a host of other industries. All are being altered in ways that could change the way business gets done. While these changes may indeed present many companies with opportunities, these changes also involve a host of risks, as well. And it is not just companies' own adoption of AI that presents risks. AI adoption by customers, competitors, vendors, suppliers, and even regulators could reshape many fundamental characteristics of the way business gets done – as the facts of this case demonstrate.

I am going to go out on a limb here.

Even though to this point most of the AI-related D&O litigation has involved AI-washing type allegations, going forward I think AI-washing cases will become relatively less important, and AI-risk related cases are going to become much more important. I think future AI-related D&O litigation is going to be about allegedly undisclosed or understated AI-related risks, as companies and their competitors, customers, vendors, suppliers, and regulators increasingly adopt AI.

I think by now we all recognize that AI is a very big deal. AI is also going to be a very big deal from a D&O claims exposure standpoint as well. And many (if not most) of the AI-related D&O claims going forward are going to involve AI-related risk.

Other AI-Related Reddit Litigation: The new securities class action lawsuit filed last week against Reddit is not the only AI-related litigation in which Reddit is involved. As discussed in a June 17, 2025 post on the *AI Law and Policy* blog ([here](#)), in early June, Reddit filed a lawsuit in California state court against AI developer Anthropic, alleging that it trained its AI models (e.g., Claude) on public Reddit posts and comments scraped between December 2021 through October 2024. As the blog post points out, Reddit unusually did not assert copyright or other intellectual property allegations, but instead asserted several common law claims, including breach of contract, unjust enrichment, and unfair competition.

Apple Hit with AI-Related Securities Suit: It turns out the new securities suit against Reddit was not the only AI-related securities class action lawsuit filed late last week. On Friday last week, a plaintiff shareholder filed a securities class action lawsuit in the Northern District of California against Apple and two of its executives, alleging that the defendants misled investors into believing that the company would launch AI-based Siri features on the iPhone 16. The plaintiff further alleges that the company's share price fell after the promised rollout was repeatedly delayed. The complaint alleges that, in violation of the securities laws, the defendants made

misleading statements about the company's timeline for integrating the new AI-based Siri features into its devices. A copy of the June 20, 2025 lawsuit against Apple can be found [**here**](#).

The new suit against Apple is much closer to the AI-washing kind of AI-related securities suit. Essentially, the complaint alleges that in order to boost the buzz around the iPhone 16 launch, the company promoted the new AI-enhanced Siri features. As in the case with other AI-washing cases, the complaint in this new lawsuit alleges the company misrepresented its AI capabilities and prospects.

Or — alternative theory here — it could be argued that the Apple lawsuit is another example of the kind of AI-risk related lawsuit I discussed above. Apple, it could be argued, got sued because it failed to disclose the risk that it could not develop Siri's AI capabilities in time to meet its previously announced deadlines. A lot of risk involved with AI adoption and implementation these days.

All of the sudden, it is starting to feel as if there is going to be an awful lot of AI-related litigation.

The D&O Diary

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Class Action

Virgin Galactic Investor Suit Paused With Settlement in Works

June 23, 2025, 9:21AM PDT

Virgin Galactic Holdings Inc. founder Richard Branson, a prominent venture capital funder, and investors have obtained a temporary pause in a proposed securities class action while they finalize a settlement.

Deadlines are stayed except for briefing about requests to seal documents, Judge Allyne R. Ross said in a docket-only order June 20 in the US District Court for the Eastern District of New York.

- Investors sued over the the space tourism company's merger with a special purpose acquisition company that was part of Chamath Palihapitiya's Social Capital venture capital company, alleging misrepresentations about spacecraft safety and other issues
- Ross rejected some claims in a 2023 ruling

Glancy Prongay & Murray LLP and The Rosen Law Firm PA are lead counsel for the investors. Latham & Watkins LLP represents Virgin Galactic.

The case is Lavin v. Virgin Galactic Holdings, Inc., E.D.N.Y., No. 1:21-cv-03070, 6/20/25 .

To contact the reporter on this story: Martina Barash in Washington at mbarash@bloomberglaw.com

To contact the editor responsible for this story: Kiera Geraghty at kgeraghty@bloombergindustry.com

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News from Bloomberg Terminal
Malaysian Fryer Oil Arbitrage
June 23, 2025, 10:07AM PDT

By Matt Levine

(Bloomberg Opinion) --

Sustainable aviation fuel

You can make jet fuel from palm oil. It doesn't even need to be fresh. You can take palm oil, put it in a deep fryer, use it to make french fries, reuse it again and again until it becomes gross and the fries taste bad, and then take the used oil and sell it to a refiner to make jet fuel. Also works with olive oil, soybean oil, lots of cooking oils. This is a very nice fact about the world! You can get jet fuel without (1) drilling for oil or (2) cutting down forests to create dedicated agricultural land just for the jet fuel. You use the existing agricultural land to make cooking oil, you cook with it until it's no longer good, and then when you are done with it you get an extra bonus use as jet fuel.

In 2025, this extra bonus use is especially valuable, because energy companies and airlines, at least in Europe, want to demonstrate that they are environmentally sustainable. So finding an environmentally sustainable way to make jet fuel is worth a lot of money to them. Therefore they will pay a lot of money for used cooking oil (or "UCO").

You could imagine decomposing the value of used cooking oil into (1) its energy value plus (2) its environmental value. That is, a European refiner will pay \$X for a gallon of vegetable oil that can be turned into jet fuel, and will pay \$Y for the ability to say "we have reduced our carbon impact by reusing cooking oil," so the total price of a gallon of used cooking oil, on the international market, is \$(X + Y).

Do you see the problem here? A refiner would pay \$X for any cooking oil, but \$(X + Y) specifically for used cooking oil. The energy content of the oil is a real measurable intrinsic fact about the oil, and there is a market for it. The *fact that the oil was used* is a much fuzzier fact, but there is a market for that too.

It turns out that restaurants, street food stalls and home cooks in Malaysia – which is "among the world's leading suppliers of both UCO and virgin palm oil" – will pay less for *fresh* cooking oil than the international market will pay for *used* cooking oil. Fresh cooking oil is more useful to cooks than used cooking oil (it tastes better), but it is less useful to refiners and airlines than used cooking oil (it doesn't reduce their carbon impact). Also fresh cooking oil is subsidized by the government in Malaysia: "Subsidised cooking oil sells for RM2.50 per kg versus the UCO trading price of up to RM4.50 per kg." So if you run a restaurant, you can buy fresh cooking oil for about \$0.60 (USD), use it to fry food a few times, and then sell it to a refiner for \$1, which is a nice little subsidy for the difficult, risky, low-margin business of running a restaurant.

But if you *don't* run a restaurant, you can buy fresh cooking oil for \$0.60, *not* use it to fry food any times, and then say "oh yeah we totally used this oil" and sell it to a refiner for \$1. The refiner probably isn't going to taste it. This is in a sense less efficient than cooking with the oil first, but it is also easier to scale, and it seems like a simpler, safer, higher-margin business than actually doing the cooking.

Obviously it is worse *for the environment*: Instead of reusing a product that was previously used for cooking, you are creating incremental demand for palm oil (and incremental deforestation, etc.). You *shouldn't* try to pass off fresh cooking oil as used cooking oil. But if the price of used cooking oil is higher than the price of fresh cooking oil, someone will.

Here's an investigation from the Straits Times and Climate Home News into the sustainable aviation fuel (SAF) market:

As SAF producers scramble for limited raw materials to meet new blending quotas in Europe and growing demand elsewhere, barely used and virgin palm oil is being passed off as UCO to traders that supply fuel companies, experts and industry operators told us. Palm oil that is not considered waste is not permitted under European Union rules for SAF because of its links to deforestation. ...

A source at a leading Malaysian UCO supplier to companies including Repsol told The Straits Times that some UCO collectors and restaurants are committing fraud by providing oil that does not qualify as used, although it is difficult to prove.

In Malaysia, which is among the world's leading suppliers of both UCO and virgin palm oil, government-subsidised cooking oil is cheaper than UCO – providing a clear incentive for fraud. ...

The restaurants, street stalls, households and factories from which the UCO is pooled self-declare the origin and authenticity of their contributions. Aside from ad-hoc spot checks and sampling, there is no way of knowing that all of these providers are telling the truth.

"The opportunity, or incidents, of fraud is very high," said Vasu R Vasuthewan, the former Malaysia head for the ISCC.

Malaysian authorities recently uncovered criminal syndicates that had pocketed thousands of dollars a day by getting hold of large amounts of subsidised cooking oil, mixing it in with UCO, and then selling it on to industrial UCO traders.

Industry sources told Climate Home and The Straits Times that many households and restaurants are motivated to replace cooking oil after a single use – contrary to standard practice – and then sell it on as UCO. Cooking oil is considered waste when it is no longer fit for frying – generally after being used between three and five times.

I guess the upside is that all the fried food in Malaysia tastes really fresh, but that's not really the point of the sustainable aviation fuel regime.

Meta-acquihiring

You could have a crude model of acqui-hiring that goes like this:

1. You are very good at some important job that some big tech company really needs done. Obviously in 2025 that job is "AI stuff."
2. The big tech company, however, has some fairly arbitrary maximum amount of money it can pay employees, and your value is higher than that maximum. If you go to the chief executive officer of the company and say "you know and I know that if I come to work for you, I will increase your profits by \$1 billion a year, so I would like you to pay me a \$500 million signing bonus and a salary of \$50 million a month," she will say "you are right, and you'd be worth it at that price, but I just can't do it. My board would never let me. Other employees would be demoralized by seeing someone get paid that much. I think that price is fair, but it's impossible."
3. You start a startup. The startup's only employee is you, its business model is "I will do some AI stuff, whatever," and you raise a little bit of venture capital from (1) your friends and/or (2) you're doing AI in 2025, if you say "SoftBank" three times in a mirror they'll deposit \$100 million in your bank account.
4. You call the big tech CEO back and say "I know that there is a cap on your *salary* budget, but surely that cap does not apply to your *mergers-and-acquisitions* budget. I'll come work for you for \$400,000 a year, but you have to buy out my startup for \$2 billion." And she says "yes that's a good deal, I will immediately shutter your startup, but getting you for \$2 billion will increase my profits by \$1 billion a year and is worth it."
5. You get most of the \$2 billion, though your friends and/or SoftBank, who invested in your startup (to make it look credible), get a cut (to make the acquisition look credible).

I don't think that this is the *main* form of acqui-hire; most deals are probably people who really wanted to start startups, rather than this sort of M&A-for-salary arbitrage. But in the AI hiring arms race of 2025, where people are apparently getting nine-figure offers from Mark Zuckerberg, the way to get *eleven* figures is by having an AI company to sell to Zuckerberg.

And then you can go up one level of abstraction and think "what if I had, like, *twenty* AI companies to sell to Mark Zuckerberg when he wanted to hire me?" The Information reported last week:

Meta Platforms is in advanced talks to hire the prominent artificial intelligence investors Nat Friedman and Daniel Gross to help lead its AI efforts, according to a person familiar with the discussions. As part of those talks, Meta is in discussions about partially buying out Friedman and Gross' venture capital fund, NFDG, which holds stakes in top AI startups and is worth billions of dollars on paper, the person said.

If the talks are successful, Gross would leave Safe Superintelligence, which he co-founded with former OpenAI chief scientist Ilya Sutskever last year. At Meta, Gross is expected to work mostly on AI products while Friedman's remit is expected to be broader. Both Gross and Friedman are expected to work closely with Meta CEO Mark Zuckerberg and Scale AI CEO Alexandr Wang, whose hiring by Meta was finalized last week in a \$14.3 billion deal.

As part of the talks, Meta is discussing buying out a substantial portion of NFDG's holdings and cashing out the fund's limited partners in the process, the person familiar with the discussions said. The social media giant will have minority stakes in the startups that NFDG has invested in, which could include SSI, but it will not get information about and control over these startups, the person said.

Although financial terms of the discussions couldn't be learned, a partial buyout of the fund could cost more than \$1 billion.

The point is that if you are a prominent AI researcher, you want to be ready for the day when Mark Zuckerberg approaches you. You want to be ready to say "okay but it'll cost you," and to have an itemized bill to hand him.

Elsewhere, here is a funny Wall Street Journal story about Mark Zuckerberg's personal efforts to hire every AI researcher:

Mark Zuckerberg is spending his days firing off emails and WhatsApp messages to the sharpest minds in artificial intelligence in a frenzied effort to play catch-up. He has personally reached out to hundreds of researchers, scientists, infrastructure engineers, product stars and entrepreneurs to try to get them to join a new Superintelligence lab he's putting together.

Some of the people who have received the messages were so surprised they didn't believe it was really Zuckerberg. One person assumed it was a hoax and didn't respond for several days.

Also: We talked last week about how Meta is going around offering OpenAI researchers signing bonuses of "your grandchildren will never need to have jobs," and how Sam Altman is tut-tutting that those offers risk creating a culture at Meta that is all about the money rather than the work. But, to be fair, if Meta is going around offering OpenAI researchers that kind of money, it's probably creating a culture *at OpenAI* that is all about the money, because, you know, that money is out there. The researchers can't unsee the money. And so:

Andrew Bosworth, Meta's chief technology officer ... said in an interview with CNBC's "Closing Bell: Overtime" on Friday that Altman "neglected to mention that he's countering those offers."

Right, I mean, imagine! You work at OpenAI, where you are paid \$400,000 plus the satisfaction of a job well done. Mark Zuckerberg calls you and is like "I'll pay you \$100 million to come here." And, what, you say *no*? You go back to your normal job? Come on! You walk into Sam Altman's office and you get in line behind all the other researchers, and when you get to the front of the line you say "Meta, 100," and he says "SoftBank" three times and a bag labeled "\$100 million" appears on his desk, and he hands it to you and you go back to work, and the next person on line does the same thing. Imagine if the world of AI labs was divided into (1) the ones that were all about the work and (2) the ones that paid tons of money! Who would want to work at the ones that were all about the work?

Investment banker fees

Classically, when a company did an initial public offering, it paid its investment bankers 7% of the amount it raised. That is no longer always true, and big companies doing big IPOs generally pay less than that, but 7% is the traditional number and still what a lot of smaller companies pay.¹ Fees for mergers and acquisitions are less standardized, but have a similar structure: If you are selling your company, you will probably pay your bankers a percentage of the deal value, and that percentage could be several percentage points if your company is small or under 1% if it is large.²

But as a rough rule of thumb, it seems approximately correct to say that, if you run a *small* company and you want to engage an investment bank to do some sort of important, life-changing transaction, you will probably pay the bank something on the order of a 5% commission. And if you run a *giant* company and you want that, (1) you will find the transaction less life-changing and (2) you will pay less. (Also, a giant company will probably hire several banks, and the fees will be split among them.)

There is some market segmentation here: The investment banks that do deals for small companies are often not the investment banks that do deals for large companies. But there is an important source of overlap: Many big fancy investment banks that do giant deals for giant companies will also intensively cover *certain* small companies, and will compete hard to do deals for them. Specifically they will cover the small companies that they think will *become* giant companies. At least some venture-backed startups will get early investment banker attention out of proportion to their size, because the bankers are hoping to lead their giant IPOs one day.

The bankers covering those startups are looking for a long-term payday, not a short-term one. If you help a teeny company raise \$10 million, you can charge them \$500,000 in fees, which is not nothing but doesn't really move the needle for a big bank. The point is to be well positioned for when the company goes public and raises \$1 billion in an IPO, or gets acquired for \$10 billion, and you can charge tens of millions of dollars of fees. You'll do the small deal, and probably (not necessarily!) even bill for it, but you're not there for the \$500,000. You're making a longer-term bet.

Here is one way to formalize the longer-term bet. You do the small deal for the small company, but you sign an engagement letter that focuses on the long term. "Instead of paying me 5% now," you say, "let's just sign a contract saying that you'll pay me 5% of the deal value when you eventually do a merger farther down the line." "Hmm," thinks the company, "that's a good deal. Paying 5% later costs me nothing now!"

You might notice, though, that paying 5% later will cost the company more, later, than paying 0.5% later. The going rate for the deal now, as a small company, is 5%; the going rate for a bigger deal later, in the state of the world where the company is very big, might be 0.5%. If the company agrees to pay 5% later, it is implicitly betting that it will not become a very big company. And if you, as the banker, agree to take 5% later, you are betting that one day the company will be very big. And then it will do a \$20 billion merger and you will collect a \$1 billion fee. And people will say "that is not the market rate for a \$20 billion merger?!" And you will say "but it was the market rate when I signed the deal."

Also you'll get sued, but still, possibly worth it! At FT Alphaville, Sujeet Indap has a story on "the M&A banker who might be sitting on a more than \$5bn deal fee." He's Steve McLaughlin, the founder of Financial Technology Partners, who signs engagement letters like this: "In exchange for providing to emerging fintech companies what it says are valuable connections and advice, and in some instances capital, the firm extracts high fee rates and ironclad contracts that can extend decades." Various emerging fintechs (1) sign the deals, (2) emerge and then (3) try to get out of them. Indap quotes from an FT Partners court filing in a legal dispute with Circle Internet Group Inc., the stablecoin company:

FT Partners has been a pioneer in offering its clients more varied and flexible fee structures than investment banks typically are willing to.

FT Partners' clients frequently agree to a long-term engagement agreement and/or a fee structure that recognises the substantial risk that FT Partners is taking by providing that, in the event that the company eventually completes a Company Sale at a valuation far higher than its valuation at the time of entering into the long-term engagement agreement, FT Partners' fee for the Company Sale will typically approach or even exceed 5-20% of the aggregate consideration or incremental aggregate consideration in the transaction.

Circle understood that to secure FT Partners' highly sought-after services, it would need to agree to terms that provided FT Partners with significant upside.

Circle's position is "heads, we win; tails, you lose." Circle secured FT Partners' assistance with an ironclad guarantee that FT Partners would be fairly compensated, including that, in the unlikely event that Circle entered into a multi-billion dollar Company Sale, FT Partners would receive a fee of roughly 9%-10% of that amount. But once Circle achieved a massive valuation, it greedily sought to nullify the parties' arrangement so it would not have to pay fees to FT Partners going forward.

Indap points out that "A tenth of Circle's current \$57.8bn market cap comes to nearly \$5.8bn," a pretty good M&A fee.

Is Siri not being very good securities fraud?

Obviously:

Apple was sued on Friday by shareholders in a proposed securities fraud class action that accused it of downplaying how long it needed to integrate advanced artificial intelligence into its Siri voice assistant, hurting iPhone sales and its stock price.

The complaint covers shareholders who suffered potentially hundreds of billions of dollars of losses in the year ending June 9, when Apple introduced several features and aesthetic improvements for its products but kept AI changes modest. ...

Shareholders led by Eric Tucker said that at its June 2024 Worldwide Developers Conference, Apple led them to believe AI would be a key driver of iPhone 16 devices, when it launched Apple Intelligence to make Siri more powerful and user-friendly. ...

Shareholders said the truth began to emerge on March 7 when Apple delayed some Siri upgrades to 2026, and continued through this year's Worldwide Developers Conference on June 9 when Apple's assessment of its AI progress disappointed analysts.

We have talked about the general case of "is AI securities fraud?" The point is that there is a lot of uncertainty about the development of AI and its disruptive effects, and uncertainty creates the conditions for securities fraud lawsuits: There are a lot of opportunities for disappointing surprises. If a public company says things like "we expect our business to grow 2% next year," and then AI rapidly undermines demand for its products: securities fraud lawsuit. If a company says "we expect to deploy AI to make our products better," and then it's harder than they thought: securities fraud lawsuit.

Things happen

Young Investor Demand for Alternative Assets Is Reshaping Wall Street's Playbook. Compass Sues Zillow as Fight Over Private Home Listings Heats Up. Regional bank stablecoin. Germany and Italy pressed to bring \$245bn of gold home from US. FICO to Offer Credit Scores Including Buy-Now, Pay-Later Data.

'Kirklandisation' of Big Law pushes firms to launch salaried partnerships. Chinese Stocks and American Exchanges Head for a Breakup. Bank of New York Mellon Approached Northern Trust to Discuss Potential Merger. Donohoe Says He Plans to Keep Irish Bank Bonus Cap in Place. Revolut chief in line for Musk-style payday at \$150bn valuation. Why the serial CEO has fallen out of fashion. Applebee's and IHOP Plan to Introduce AI in Restaurants. "It would get us to the point where we were struggling to make payroll for our 50-person company because he wanted that Hamptons house." Bear Whose Head Was Stuck for Two Years Is Freed.

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To contact the author of this story:

Matt Levine at mlevine51@bloomberg.net

To contact the editor responsible for this story:

Michael Newman at mnewman43@bloomberg.net

1. Perhaps relevant later: Circle Internet Group Inc. is paying 5.5% (\$58 million on a \$1.05 billion deal) for its IPO.
2. Small-business banker success fees can be 3% to 10% of deal value. Public-company fees tend to be more like 0.3% to 0.6%. Note this Financial Times league table, which lists banks by deals and fees; if you divide a bank's aggregate deal size (2025YTD, both sides, all regions) by its aggregate fees, you get numbers ranging from 0.28% (Goldman Sachs) to 0.67% (Centerview). Notably Wachtell Lipton (a law firm) billed Twitter Inc. about 20 basis points for getting Elon Musk to close his acquisition, arguing that "our Firm often receives a fee in the range of 60 to 80 percent of the fees paid to investment advisors."

Securities Law News

This Week in Chancery Court: SiriusXM Reshuffle, SwervePay Deal

June 23, 2025, 2:00 AM PDT

Warner Bros. Discovery Inc. CEO David Zaslav will ask the Delaware Chancery Court this week to dismiss a pension fund's lawsuit alleging that public investors got shortchanged in a restructuring that secured billionaire John Malone's control over Sirius XM Holdings Inc.

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

Tuesday: In re SwervePay Acquisition LLC, Del. Ch., No. 2021-0447, post-trial arguments 6/24/25.

At issue: Chancellor Kathaleen St. Jude McCormick hears closing arguments in a case over allegations of fraud in the \$10 million deal for acquisition of SwervePay LLC's payment facilitator technology in 2020. Former top executives at SwervePay faced off with Blue Star Innovation Partners GP LLC and New Mountain Capital LLC, the buyers in the deal, at trial in October over claims related to post-closing earnout payments. The buyers assert that the sellers misrepresented the stability of SwervePay's relationship with its most important vendor, and they missed post-merger milestones. The sellers contend that "SwervePay negotiated with Buyers in full candor."

Court action: Post-trial arguments will be held in Wilmington, Del.

Blue Star, New Mountain Sued for Fraud by SwervePay Ex-Leaders

Friday: Fishel v. Liberty Media Corp., Del. Ch., No. 2024-1057, oral arguments 6/27/25.

At issue: Malone, who's also named as a defendant in the pension fund's lawsuit, partially joined Zaslav's motion to dismiss. Two members of a special committee of Sirius's board also have asked the court to toss the litigation. WBD isn't named as a defendant in the lawsuit targeting Malone, his Liberty Media Corp. conglomerate, Zaslav, and other Sirius board members at the time of the disputed transactions. The investors say the court should decline the defendants' "invitation to parse subtheories or elements of an otherwise viable (and quintessential) direct claim."

Court action: Oral arguments on the motions to dismiss will be held in Wilmington, Del.

Mining Giant Agrees to \$139M Deal Ending Securities Case Over Troubled Mongolian Mine

June 20, 2025



Rio Tinto offices. Credit: Jerome Cid/Adobe Stock

The Anglo-Australian mining giant, Rio Tinto, agreed to pay \$138.75 million to end allegations that it covered up delays and cost overruns with a troubled copper mining project in Mongolia, according to court records in the Manhattan federal court.

The deal was announced to the court on Wednesday by Pentwater Capital Management, the investment firm that accused Rio Tinto of covering up that its Oyu Tolgoi mining project was up to \$1.9 billion over budget and two-and-a-half years behind schedule.

“The Settlement was achieved after extensive, vigorous negotiations between well-informed and experienced counsel, Pentwater and representatives of Rio Tinto, following four and a half years of hard-fought litigation and substantial discovery,” wrote the Bernstein Litowitz Berger & Grossman legal team that represents Pentwater.

Those attorneys plan on requesting a 13% fee, should the settlement be approved.

Rio Tinto, the world’s second-largest metals and mining corporation, is represented by Quinn Emanuel Urquhart & Sullivan.

Counsel for Pentwater and Rio Tinto didn’t respond to Friday’s requests for comment.

The lawsuit kicked off in 2020, following years of regulatory scrutiny against Rio Tinto and the Mongolian government over a jointly developed mining project in Oyu Tolgoi, the home to one of the largest-known copper and gold deposits in the world.

Rio Tinto and Mongolia sought to expand the site. But in a complaint brought under Sections 10(b) and 20(a) of the Securities Exchange Act, Pentwater alleged that company executives had kept shareholders in the dark about engineering, procurement and construction issues that had allegedly delayed the project for years and spiked the budget.

Pentwater had been an investor in Turquoise Hill, the wholly owned subsidiary of Rio Tinto that owned 66% of the Oyu Tolgoi project. When the truth emerged about project delays, Pentwater alleged, Turquoise Hill’s stocks plummeted by over 70%.

Much of the complaint drew on a whistleblower report from Richard Browley, who served as the general manager between 2017 and 2019 for the Oyu Tolgoi expansion project.

The project has been under deep scrutiny for over a decade, with prosecutors in Mongolia and Switzerland investigating Rio Tinto and former Mongolian Prime Minister Chimed Saikhanbileg for bribery. The project has also drawn the attention of securities regulators in the United States, Mongolia, Australia and the United Kingdom.

Page printed from: <https://www.law.com/newyorklawjournal/2025/06/20/mining-giant-agrees-to-139m-deal-ending-securities-case-over-troubled-mongolian-mine/>

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Class Action

Mullen's \$7.25 Million Investor Settlement Gets Court Approval

June 23, 2025, 7:51AM PDT

- **Judge awarded \$2.05 million in class counsel attorneys' fees**
- **Suit alleged EV maker overhyped technology before going public**

Mullen Automotive Inc.'s \$7.25 million settlement got a federal court's final approval to resolve investor allegations the electric car maker misrepresented its battery technology and manufacturing abilities surrounding its reverse merger to go public.

Judge Dolly M. Gee approved the settlement, tossing the claims against Mullen with finality, in the US District Court for the Central District of California on June 20.

She granted the lead class counsel more than \$2.05 million in attorneys' fees and \$85,000 to cover litigation expenses in an accompanying order. Gee awarded lead plaintiff Mejgan Mirbaz \$25,000 as a reimbursement.

The suit alleged Mullen—operating as Mullen Technologies Inc. before the reverse merger—and its founder and CEO David Michery overhyped the company's demand, battery technology, manufacturing facility, production, and partnerships as it sought to go public starting in 2020.

Mullen's publicly-traded corporate predecessor, Net Element Inc., announced that the struggling payment processing company planned to combine with the car maker in 2020, pending shareholder approval, the most recent complaint said. The reverse merger didn't close until November 2021.

The stock price fell after a short seller accused Mullen of fake orders, unrealistic production timelines, and dissolved partnerships, among other issues, in April 2022, the suit said.

Share prices then fell almost 15% after Mullen said it would manufacture its own batteries, suggesting its partnerships with battery companies were lost, the complaint said.

The class includes those who suffered losses after they got the company's publicly traded securities from June 15, 2020, through April 17, 2022, according to the final order. Gee preliminarily approved the settlement last year.

Glancy Prongay & Murray LLP represent the class. King & Spalding LLP represent Mullen and Michery. Neither law firm nor Mullen immediately responded to emails seeking comment.

Certain corporate leaders settled a related shareholder derivative action, a lawsuit filed on behalf of a company against its executives and board makers, garnering final court approval in January.

This approval comes as Mullen contends with another proposed shareholder class action and derivative suit concerning reverse stock splits which also point to the 2022 Hindenburg Research report.

The case is In re Mullen Auto. Inc. Sec. Litig. , C.D. Cal., No. 2:22-cv-03026, final judgment 6/20/25 .

To contact the reporter on this story: Gillian R. Brassil in Washington at gbrassil@bloombergindustry.com

To contact the editor responsible for this story: Jeffrey Horst at jhorst@bloombergindustry.com

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Securities Law News

Meta Faces Class Suit Over Chinese Penny Stock Manipulation

June 20, 2025, 5:04 PM PDT

- **COURT:** N.D. Cal.
- **TRACK DOCKET:** [No. 4:25-cv-05194](#)

Meta Platforms Inc. facilitated and failed to stop a Chinese penny stock manipulation scheme that utilized its advertising tools, according to a new class action lawsuit Friday in federal court.

A group of investors claim they lost roughly \$3 million and, in their complaint filed Friday at the US District Court for the Northern District of California, say Meta aided and abetted fraud, breached its user contract, unjustly enriched itself, was negligent, and violated California's human rights law.

They also estimate that more than \$300 million was lost by the proposed class in the scheme.

"Meta's advertising tools and its failure to address scam ads on its platforms were essential to, enabled, and facilitated the" scheme, the plaintiffs said.

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

The plaintiffs say they were targeted by scam advertisements controlled by an organized criminal network operating out of China, Taiwan, and Malaysia in January. The scammers encouraged them buy China Liberal Education Holdings Ltd., a Chinese penny stock listed on NASDAQ, the complaint says.

They were then re-directed to a WhatsApp group to purchase securities whose prices were manipulated by the scammers so that co-conspirators could unload their holdings at inflated prices, reaping "massive, illicit profits," the complaint says.

Secret Shares

CLEU publicly reported it had 29 million shares outstanding, but the company allegedly secretly issued 240 million more shares to the scammers in a private offering that hadn't yet been publicly disclosed.

The plaintiffs were instructed to purchase CLEU at specific price points while the co-conspirators entered sell orders at the same price, liquidating their shareholdings in exchange for the plaintiffs' money, the complaint says.

Meta is—and has been—aware of a longstanding issue with scammers taking advantage of its advertising tools, the plaintiffs say. They allege those tools enable scammers to optimize their advertisements to vulnerable people, sometimes using celebrity images to entice their victims

Meta is violating its own community standard prohibiting content that attempts to scam or defraud users by means of “get-rich-quick” investment opportunities, the complaint says.

The plaintiffs say they've lost their life savings, face difficulties paying their bills, have had to take out loans, and work overtime,, the complaint says. They also allege they've suffered emotional, psychological, social, and physical depression and distress.

Morris Kandinov LLP represents the proposed class.

The case is Bouck v. Meta Platforms Inc. , N.D. Cal., 4:25-cv-05194, complaint 6/20/25 .

To contact the reporter on this story: Quinn Wilson in Washington at qwilson@bloombergindustry.com

To contact the editor responsible for this story: Andrew Harris at aharris@bloomberglaw.com

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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 company'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 said it denied allegations it was "responsible for these criminal acts."

"We have agreed to this settlement to avoid the expense and uncertainty of protracted litigation."

AT&T said it expects the settlement will be approved by the end of 2025, with settlement payments to be issued early next year.

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.

Advertisement · Scroll to continue

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, Leslie Adler and Rod Nickel

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

Class Action

Visa, Mastercard Get Approval of \$198 Million Deal in ATM Case

June 23, 2025, 7:29 AM PDT

- **Consumers accused card companies of inflating ATM fees**
- **Attorneys' fees cut roughly \$10 million from requested amount**

Visa Inc. and MasterCard Inc. gained final approval Monday of a \$197.5 million settlement with consumers who accused the card companies of inflating fees at ATMs.

Judge Richard J. Leon of the US District Court for the District of Columbia approved the deal and awarded \$49.4 million in attorneys' fees, below the nearly \$60 million—representing 30% of the overall total—that the plaintiffs' attorneys sought.

The settlement puts an end to litigation stretching to when the card companies were sued in 2011—Visa and Mastercard were accused of making an illegal deal to raise and fix ATM fees at artificially high prices and restrain competition.

The antitrust suit is among several aimed at the card companies, including litigation brought by merchants who challenged Visa and Mastercard rules covering swipe fees.

Leon in July granted preliminary approval. Visa and Mastercard agreed to the settlement in May after the Supreme Court denied their bid to review class certification in the case.

Visa and Mastercard own and operate networks that allow consumers to withdraw cash from their bank accounts using ATMs.

The plaintiffs are represented by firms including Hagens Berman Sobol Shapiro LLP, Quinn Emanuel Urquhart & Sullivan LLP, and Mehri & Skalet PLLC. Visa is represented by Arnold & Porter Kaye Scholer LLP. Mastercard is represented by Paul, Weiss, Rifkind, Wharton & Garrison LLP.

The case is Bartron v. Visa Inc. , D.D.C., No. 1:11-cv-01831, final approval 6/23/25 .

To contact the reporter on this story: Katie Arcieri in Washington at karcieri@bloombergindustry.com

To contact the editor responsible for this story: Rob Tricchinelli at rtricchinelli@bloombergindustry.com

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Class Action

Judge Urges 3M, Others to Soon Settle PFAS Injury Cases (1)

June 21, 2025, 12:25 PM PDT; Updated: June 23, 2025, 9:38 AM PDT

- **Settle, 'do not dither,' plaintiffs, five companies told**
- **Judge invites motions to push CERCLA claims forward**

Parties in nationwide PFAS litigation should work to settle personal injury claims before the first bellwether cases come to trial in October, a federal district judge said.

Judge Richard M. Gergel, with the US District Court for the District of South Carolina, also urged attorneys to file motions to push forward disputes about whether the federal government must compensate plaintiffs for money they've spent cleaning up two "forever chemicals" that are hazardous Superfund substances.

Judge Gergel is considering which of three kidney cancer cases will proceed for the Oct. 20 trial. Court decisions on issues including what science can be introduced beforehand, will be made beforehand, he said June 20 at a status conference. Trials addressing thyroid disease and other illnesses associated with the chemicals have not been scheduled.

The 3M Co.; BASF Corp.; Ciba-Geigy AG; Johnson Controls, which owns two companies that produced PFAS-containing firefighting foams; and E.I. du Pont de Nemours and Co. along with its related companies are the corporate defendants in the October trial, co-lead counsel Michael London, of Douglas & London P.C., told Gergel.

"Do not dither with settlements," Gergel said, urging parties to work over the next 60 days towards broad and reasonable, rather than perfect, agreements.

More than 10,000 personal injury, drinking water utility compensation, and natural resource and property damage claims are part of the multidistrict litigation (MDL). It focuses on a specialized fire suppressant made with per- and polyfluoroalkyl substances (PFAS) and used for decades by the military, oil and chemical manufacturers, and other entities.

"You don't have enough resources to endlessly litigate these things," Gergel said.

The court already approved four settlements totaling between roughly \$13-\$15 billion for drinking water utilities' seeking funds to comply with the Environmental Protection Agency's limits on PFAS in tap water.

3M has begun paying utilities through its between \$10.5 billion and \$12.5 billion settlement, and three DuPont related companies expect to start payouts soon under their \$1.18 billion offer, London said. He didn't discuss the status of payments from BASF's and Johnson Control's separate settlements of just over \$1 billion, which the court approved last November.

Rethinking CERCLA Status

Plaintiffs and the US government, another defendant, have a host of disputes about the extent of federal liability stemming from the military's long use of the firefighting foams.

Among these debates is whether and how much money the US Treasury may pay states, farmers, and other parties, who've remediated two PFAS that military bases released: perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS).

Federal agencies can be required to compensate certain types of cleanup actions third parties take, because the EPA last year designated PFOA and PFOS to be hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), also known as Superfund law.

Four CERCLA compensation claims submitted about a year ago remain pending, London said.

Gergel said he's aware parties are frustrated by delays related to the loss of attorneys from the Department of Justice, which represents government agencies in the case. Attorneys have been fired and threatened with dismissal since President Donald Trump's second administration began.

"Everyone is dealing with that," Gergel said.

But, the government doesn't have an obligation to settle; "you can sue" to resolve disputes, he said.

The EPA is considering withdrawing its hazardous substances designation, DOJ attorney Shari Howard told Gergel. "We want to hear what the EPA will do."

The "EPA has made no decision regarding the reconsideration of PFOA and PFAS under CERCLA," the agency said by email after the status conference.

The agency is scheduled to submit by July 2 its litigation plans in a separate lawsuit opposing the CERCLA designation that's before the US Court of Appeals for the District of Columbia Circuit.

'Very Serious Claims'

"There's no evidence that the EPA intends to change its position on the designation," London told Gergel, but DOJ may be using the agency's reconsideration to delay resolution of the CERCLA claims.

Plaintiffs are preparing motions addressing two of the four CERCLA compensation claims to submit in the multidistrict case, London said.

"At some point we litigate," Gergel said. Some farmers living adjacent to military bases have very serious claims against the government, and those are the cases he intends to hear first, he said.

Curry County, N.M., dairy farmer Art Schaap, who is pursuing CERCLA compensation, has been removing PFOA and PFOS from the aquifer beneath his home for years in an attempt to keep his farm and home—that are next to Cannon Air Force base—going.

Plaintiffs' efforts to obtain funds from the government through torts, rather than reimbursements for CERCLA-related expenditures, face a different, statutory hurdle, Gergel said.

The Federal Tort Claims Act puts practical limits on parties' ability to recover damages from the government, he said. Those limits may require Congressional action if drinking water utilities are to get the relief they need, he said.

The case is In Re Aqueous Film-Forming Foams Products Liability Litigation MDL 2873 , D.S.C., No. 18-02873, Status Conference, 6/20/25 .

(Updated with Gergel's comment on the Federal Tort Claims Act starting in penultimate paragraph of story published June 21. An earlier version corrected information about kidney cancer cases being considered in third paragraph.)

To contact the reporter on this story: Pat Rizzuto in Washington at prizzuto@bloombergindustry.com

To contact the editors responsible for this story: Maya Earls at mearls@bloomberglaw.com; Zachary Sherwood at zsherwood@bloombergindustry.com

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Class Action

UnitedHealthCare's \$2.5 Million Junk-Call Deal Gets Court Nod

June 23, 2025, 9:02AM PDT

UnitedHealthcare Services Inc. will pay \$2.5 million under a deal given final approval by a federal court to settle a class action alleging it made telemarketing calls to consumers without their consent in violation of the Telephone Consumer Protection Act.

Judge Marsha J. Pechman of the US District Court for the Western District of Washington granted the plaintiffs' motion for final approval June 20. Lead plaintiff Frantz Samson alleged in the 2019 lawsuit that UnitedHealthcare sent automated, prerecorded calls to his cellular phone without his consent and despite his repeated requests to stop.

- Class members will receive between \$480 and \$1,425 based on the number of claims that had been validated when the motion was filed, it said
- Class counsel will receive a fee award of \$833,333 and \$417,000 in reimbursement for litigation costs
- The court also approved administrative costs of nearly \$56,000 and a service award of \$20,000 for Samson

Terrell Marshall Law Group PLLC, Francis Mailman Soumilas PC, and Shub Johns & Holbrook LLP represented the plaintiffs and the class. Gibson Dunn & Crutcher, Ballard Spahr LLP, and Boies Schiller Flexner LLP represented UnitedHealthcare.

The case is Samson v. UnitedHealthcare Servs. Inc. , W.D. Wash., No. 2:19-cv-00175, 6/20/25 .

To contact the reporter on this story: Christopher Brown in St. Louis at ChrisBrown@bloombergindustry.com

To contact the editor responsible for this story: Nicholas Datlowe at ndatlowe@bloombergindustry.com

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Exclusive: UAW investment blunder cost the union an estimated \$80 million, documents show



reuters.com/sustainability/uaw-investment-blunder-cost-union-an-estimated-80-million-documents-show-2025-06-23

Kalea Hall, Nora Eckert

June 23, 2025

United Auto Workers (UAW) President Shawn Fain speaks during a campaign event at the United Auto Workers (UAW) Local 900 in Wayne, Michigan, U.S., August 8, 2024.

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

- The U.S. auto workers union estimates it missed out on \$80 million in potential stock gains
- UAW failed to follow its policy on asset allocation, missing bull market
- Federal monitor investigating UAW's investment decisions

DETROIT, June 23 (Reuters) - The United Auto Workers' leadership is mired in turmoil over allegations of an investment blunder that officials say cost the union about \$80 million in potential gains from its financial portfolio, according to seven UAW officials and employees and union documents reviewed by Reuters.

The investment funds were liquidated to pay striking workers in 2023 but weren't reinvested in accordance with the union's investment policy for more than a year, according to the documents and the UAW officials and staffers who spoke on condition of anonymity.

The details of the investment dispute at the union, including the estimate of foregone gains, have not previously been reported. The loss is an estimate of what the union would have earned had the money been invested in the stock market and other assets in accordance with the union's policy during that time.

The UAW represents nearly 400,000 members, including 150,000 workers at the Detroit Three automakers: General Motors, Ford, and Jeep-maker Stellantis.

UAW investment policy calls for keeping about 30% of its money in stocks, 53% fixed income and 17% alternative investments, according to three union sources and the documents.

The board voted to liquidate about \$340 million in stock investments in August 2023 to pay strike costs, according to a union document reviewed by Reuters. The wording of the vote stipulated that the money be reinvested according to union policy after the strike ended and the labor contracts were ratified, though it didn't specify how quickly.

But almost none of its portfolio was invested in stocks during the year after the strike began in September 2023, according to the records reviewed by Reuters. The news agency was unable to establish why the stock investment wasn't made.

The issue of why the union did not reinvest the funds for more than a year is now being investigated by the federal monitor which was appointed as part of a 2020 settlement between the UAW and the U.S. Department of Justice to resolve a union corruption scandal, according to a statement from a majority of UAW board members.

UAW President Shawn Fain and Secretary-Treasurer Margaret Mock did not respond to requests for comment on the failure to invest union dues .

Mock's attorney, Michael Nicholson, declined to comment on why the union's money wasn't promptly reinvested in stocks or Mock's role, but told Reuters that responsibility for UAW's investments is shared by the union president, secretary-treasurer and its three vice presidents, citing a 1996 UAW resolution.

"We welcome the monitor's review regarding investments, because we believe that any accusations against Margaret Mock are unfounded," he added.

The financial setback is the latest challenge for the UAW. The union had been resurgent after the late-2023 strike, the union's first against all three major Detroit automakers at the same time, which culminated in record contract gains from GM, Ford and Stellantis.

The union also successfully organized a Volkswagen [factory in Tennessee](#) in April 2024 after decades of failed union drives in the southern United States.

Since then, though, the UAW's organizing momentum has stalled, including a [failed unionization](#) vote at an Alabama Mercedes-Benz plant in May 2024.

LOST GAINS

The tensions over union investments emerged late last year as some board members started questioning why the union's return on its portfolio seemed paltry relative to broader stock-market gains, according to union documents and five people familiar with the matter.

In August 2023, the UAW board voted to sell all of the equities in its strike fund, leaving the remainder invested in a mix of cash, bonds and alternative investments, according to the documents and people familiar with the matter.

The following month, UAW workers walked out of the carmakers' factories for about six weeks and were paid \$500 a week from the union's strike fund. Any money remaining after the contracts with the car companies were ratified in November was to be reinvested per the union's investment policy.

But rather than reinvesting in stocks, the funds were placed in a mix of cash, fixed-income and alternative assets through September 2024 when the portfolio contained 5% in equities, the documents show.

In late 2024, Fain asked in one meeting why the union was getting lower returns on its portfolio than he could in a cash bank account, according to four people present at the gathering.

In February 2025, union staff conducted an analysis that showed the union might have earned \$80 million more if its portfolio had been invested according to union policy, according to a document viewed by Reuters.

The document did not detail their methodology, but union sources said it was based on a comparison of the union portfolio's actual results to what the returns would have been under its policy, which includes a 30% allocation in a fund that tracks the Russell 3000 index, the UAW's preferred equity investment, according to people familiar with the matter.

That fund grew 33% from late November 2023, after the contracts were ratified, through January 2025, shortly after UAW officials raised their concerns.

The union worked with the financial firm Segal Marco Advisors to manage its strike trust of about \$1 billion, the people and documents said. Reuters couldn't establish how the firm advised the union to manage the liquidated funds. The firm didn't respond to requests for comment.

TROUBLED HISTORY

Apart from the dispute over the UAW's investment decisions, broader tensions between Fain and Mock burst into public view Tuesday with the release of a report by the union's federal monitor that found Fain improperly stripped Mock of some of her duties in February 2024 because she wouldn't authorize expenditures related to strike preparation and organizing drives.

The UAW declined to comment on either the report or the investment concerns, citing a federal monitor's rule prohibiting UAW public comments on active probes. The report did not address the failure to reinvest the funds after the strike.

After its release, 11 of the UAW's 14 board members – including Fain – issued a statement saying Mock had failed to produce a budget or list of union members. The statement added: “She is under investigation by the monitor for a significant compliance failure regarding our union's investments.”

The federal monitor's office has told UAW board members that it now is investigating the post-strike failure to reinvest union funds, according to four of the people and union documents.

The federal monitor declined to comment on whether it was investigating the union's investment management and Reuters could not independently confirm it.

Reporting by Kalea Hall and Nora Eckert; editing by Mike Colias, Brian Thevenot and Michael Learmonth

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[Kalea Hall](#)

Thomson Reuters

Kalea Hall reports on the automotive industry, focusing on the Detroit Three automakers, from Detroit. Kalea was previously an automotive reporter at The Detroit News daily newspaper where she covered the auto industry and General Motors for more than five years. She's been a professional reporter since 2013, when she started at The Vindicator, a daily newspaper in Youngstown, Ohio and her hometown paper. Growing up in an auto plant town inspired Kalea to deeply understand the industry, and helped her report award-winning stories for The Vindicator. At The Detroit News, she worked collaboratively with a team to break news and write comprehensive pieces. Kalea has a bachelor's degree in journalism from Point Park University in Pittsburgh and a master's degree in journalism from Michigan State University.

[Nora Eckert](#)

Thomson Reuters

Nora Eckert reports on the automotive industry from Detroit. She covers Ford, GM, Stellantis and the United Auto Workers, with a focus on the industry's transition to EVs. She was previously a reporter for The Wall Street Journal in Detroit, where she broke news on major automakers and the UAW. She was earlier part of a WSJ investigations team that was recognized as a finalist for the 2021 Pulitzer Prize. Nora began her career as an investigative reporter with the Rochester Post Bulletin in Minnesota, where she focused on the state's organ transplant system and prisons.

News | **Artificial Intelligence**

How AI Could Detect the Next Class Action: 'The Numbers Are Just Massive'

June 23, 2025 | By  **Amanda Bronstad**

What You Need to Know

- Scraping the Internet for consumer complaints, social media posts and government databases, Rain Intelligence and Darrow use AI-based business development tools to identify potential class actions.
- The most common types of class actions identified through AI tools are in the areas of privacy, price fixing, labor violations, product labeling and securities fraud.
- One defense lawyer said that while some companies could use AI to disprove allegations, the technology is sure to encourage more plaintiffs' lawyers to pursue class actions, many bringing new types of cases.



Credit: YouraPechkin/Adobe Stock

Artificial intelligence has proven useful in class actions and mass torts to sort through massive amounts of electronic discovery and medical records, but could the technology help lawyers identify the next big case?

Some legal tech startup companies, Darrow and Rain Intelligence, are doing just that.

“It’s actually quite remarkable,” attorney Katrina Carroll, who has been working with Darrow for more than four years, told Law.com. “It’s the volume of cases that they are able to identify that is unlike anything I’ve ever seen before.”

Scraping the Internet for consumer complaints, social media posts and government databases, both companies use AI-based business development tools to identify potential class actions,

particularly in the areas of privacy, price fixing, labor violations, product labeling and securities fraud.

“We have built the necessary evidence to be able to support a law firm in filing that claim with the court,” Darrow Chief Revenue Officer Mathew Lewis said of his Israel-based firm, which has signed up 80 plaintiffs’ firms as clients. Darrow has several investors, having raised \$35 million in 2023. His goal is to partner with plaintiffs’ firms to do some good and to improve the quality of cases, noting that many copycat lawsuits flood the courts.

Rain Intelligence CEO Mohammed Rashik said his firm’s goal is to make every lawyer a rainmaker so that she can focus instead on practicing law.

“We care about giving you the objective facts that could lead to potential liability, but we’re not in the business of recommending any sort of lawsuit on either plaintiff or defense side by giving our assessment on the merits of the case,” Rashik said. “We identify fact patterns that could indicate liability, and we provide that information to our customers.”

So, How Does It Work?

In mass torts, Darrow is especially focused on medical liability or pharmaceuticals and environmental cases. Lewis said there are government databases about pesticide use that can be cross-referenced with medical reporting of cancer rates, or social media posts about skin rashes, for instance. This month, Darrow partnered with Mamavation, a community-based environmental organization that researches toxins in consumer products.

“You start to bring these layers of data together and specifically identify where there’s enough correlation to start your investigation,” Lewis said. “You’re pulling a whole host of publicly available information together that is disconnected and layering that in a geo-intelligence tool to see how it’s happening all in one place.”

In one example, Lewis said, Darrow identified a cancer cluster in a community in California’s Smith River, known for growing Easter lilies, where there was a high use of pesticides known as TriCal.

And filings with the U.S. Securities and Exchange Commission could reveal whether certain pension fund investments are underperforming. In the past 12 months, Lewis said, his firm has identified \$5.5 billion in potential damages across 30 cases.

“In very tangible terms, those cases would put \$2 billion back into retirement employee accounts,” Lewis said. “The numbers are just massive. That’s one area of technological application where it would have been near impossible for a law firm to do this manually.”



Katrina Carroll, partner with Carroll Shamberg. Courtesy photo

Carroll, who earlier this year started her own firm, Chicago-based Carroll Shamberg, said Darrow was able to flag privacy concerns involving the dating apps Bumble and Badoo. That prompted a class action she filed against parent company Bumble Inc., which settled last year for \$40 million. Class members are set to receive payments in the coming weeks, she said.

“Working with them has allowed me to file cases that would’ve taken way longer from the initial conception phase through the investigation, and finding a plaintiff, which would normally be a process that would take months,” Carroll said. “So they’ve really allowed me to file cases that would take a long time to file, or, in some cases, would never possibly be filed at all.”

Rashik, at Rain Intelligence, said his firm combs complaints with the U.S. Department of Transportation’s National Highway Traffic Safety Administration to identify widespread automobile defects. His AI tools also scour Amazon reviews or Reddit complaints.

“If you look at product labeling data, and see some product is being advertised in a certain way that’s inconsistent with what’s on the label, that can lead to a false advertising case,” Rashik said.

‘Predict Litigation Before It’s Filed’

It is a far cry from the traditional way to identify new class actions, which was primarily through an established network of other lawyers, Carroll said. Other ways were through manually sorting through consumer complaints, calls coming into law firms or an attorney simply noticing something that appeared to be fraudulent.

“We’re very busy, and have built a nice book of business, or book of cases, through those means,” Carroll said.

But Darrow’s technology, Carroll said, is groundbreaking.

For instance, Darrow has helped Carroll find privacy violations in the healthcare space by locating medical information provided by a patient on a hospital’s website that ends up in the hands of tech companies.

The AI tools are particularly helpful for lawyers starting out in their careers. Rashik, a graduate of what is now called the University of California College of the Law, San Francisco, started out as a solo practitioner before founding San Francisco-based Rain Intelligence in 2021.

“I realized the first thing you need is clients,” Rashik said. “And I didn’t have any clients, didn’t have a way to get clients. It seems like you could at the time advertise or be a really good networker. So I started thinking to myself, ‘why isn’t there a data-driven, systematic way to get new clients for my law firm?’ Based on that, what we first started doing was using AI to predict litigation before it’s filed.”

But it’s not just plaintiffs’ lawyers interested in identifying future class actions.



J. Simone Jones, with Sidley Austin. Courtesy photo

Rashik said that defense firms representing the same company could use Rain Intelligence’s services to alert their clients to potentially new class actions, while at the same time gaining a competitive advantage.

J. Simone Jones, a partner at Sidley Austin in the Am Law 100 firm’s Washington D.C. and Chicago offices who defends companies against toxic tort and product liability matters, said AI could be useful for the defense to disprove allegations, such as whether certain representations were made to specific geographic populations or over designated periods of time.

However, Jones acknowledged that the technology is sure to encourage more plaintiffs’ lawyers to enter the field of class actions, while, at the same time, generating new types of cases, many of which historically might have flown under the radar.

“We don’t seem to be there yet,” Jones said. “But the more accessible AI becomes, the more user-friendly it becomes, the more capability it has to do these types of analyses, you’ll see it more. Darrow and Rain are just some early entrants to this market, but I think you’re going to see more and more given the potential it has to increase lawsuits.”

Page printed from: <https://www.law.com/2025/06/23/how-ai-could-detect-the-next-class-action-the-numbers-are-just-massive/>

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Litigation

Legal Firms Must Ask These Clear Questions Before Introducing AI

June 23, 2025, 1:30 AM PDT

Technology lawyer Melissa Koch says the legal industry needs to explore the consequences and possibilities of innovative technologies before welcoming them into firms.

Most discussions about artificial intelligence in legal practice focus relentlessly on answers: which tasks to automate, how much time to save, which vendors to select. Firms should step back and ask better questions in order to visualize AI's possibilities.

Legal organizations typically begin their AI journey with practical questions, from whether AI can review documents faster to how to choose the right vendor.

These are reasonable starting points, but they treat AI as an efficiency tool rather than a catalyst for reimagining legal work. The most transformative opportunities emerge when we challenge our fundamental assumptions about how legal work is conducted and what it could become.

Ask yourself the following questions to change the discussion around AI.

1. What if legal expertise isn't just what lawyers know, but how they know it?

Legal practice develops a distinct cognitive process: spotting issues, analyzing precedent, and constructing arguments. What if technology could enhance this thinking rather than simply storing information?

Consider an appellate practice that creates an AI system helping attorneys visualize how precedent lines have evolved over time. This transforms brief-writing by revealing conceptual connections that traditional research misses entirely. Technology doesn't replace analytical thinking. It extends it into new dimensions.

2. How might client service change if time constraints disappeared?

Much of legal service delivery is shaped by lawyer time scarcity. What if this constraint vanished for certain activities?

Imagine a corporate legal department using AI to analyze every contract the company signs, creating continuous feedback loops that transform their understanding of business relationships and risks. This isn't just faster contract review. It's a fundamentally different relationship with contractual information.

3. What knowledge could benefit from externalization?

A boutique firm specializing in technical regulation could develop an AI-enabled system to capture formal regulations and practical wisdom from experienced lawyers. New associates could tap into decades of experience from day one.

This doesn't diminish experience's value. It amplifies its organizational impact.

4. How might legal services be unbundled and reassembled?

Traditional delivery often bundles many activities together. What if technology allowed disaggregation and recombination in new ways?

A litigation boutique might offer modular services ranging from fully AI-assisted document review to human-only strategic consultation, allowing clients to choose appropriate machine and human involvement for different matter aspects. This creates fundamentally different client relationships.

5. What if legal judgment could be augmented rather than automated?

The binary framing of "AI will/won't replace lawyers" misses a more interesting possibility: augmented legal judgment. What if technology enhanced judgment quality rather than substituted for it?

A privacy practice might develop AI that helps attorneys visualize compliance approach implications across multiple jurisdictions. The system wouldn't make decisions but would allow lawyers to explore consequences in ways cognitively impossible without technological assistance.

Questions We Can't Ignore

Beyond practical implementation, we need deeper questions about values: How we deploy AI will shape not just legal efficiency, but the profession's role in society and its ability to develop future practitioners.

How do we ensure efficiency is beneficial for both providers and recipients of legal services? Automation often increases profit margins without improving access. Consider how AI's benefits might extend beyond the bottom line to improve access to justice.

What happens to lawyer development if traditional junior work is automated? If document review and basic research are increasingly automated, think about how new lawyers develop judgment and what new developmental pathways must be created.

How do we prevent AI from amplifying existing legal system biases? AI systems learn from historical data reflecting systemic biases. Examine how to implement systems that mitigate rather than reinforce these biases.

What governance frameworks ensure AI serves our professional values? Core legal profession values—confidentiality, competence, independence—weren't developed with AI in mind. How must our frameworks evolve to protect these values?

Creating Space for Curiosity

The most important question is: How do we create space in legal organizations for genuine curiosity about technological possibilities?

In a profession driven by precedent and billable hours, open-ended exploration can seem impossible. Yet innovative legal organizations cultivate curiosity through innovation labs, dedicated exploration time, and cultures rewarding thoughtful questions as much as definitive answers.

This institutional curiosity isn't a luxury. It's a competitive necessity.

As you consider AI's role in your organization, resist jumping straight to answers. Begin with curiosity. Ask questions that challenge assumptions. Wonder about possibilities. Explore the edges of what's known.

The legal profession has always evolved in response to social and technological change. What makes this moment unique isn't just the technology, but the opportunity to reimagine legal practice from first principles.

The most interesting future won't be created by those who adopt new tools, but by those who ask new questions. Join me in this exploration of what legal practice might become.

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Author Information

Melissa Koch is a technology lawyer with over 25 years of experience advising tech and tech-enabled companies.

Write for Us: Author Guidelines

To contact the editors responsible for this story: Jada Chin at jchin@bloombergindustry.com; Jessica Estepa at jestepa@bloombergindustry.com

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Litigation

Deep Dive

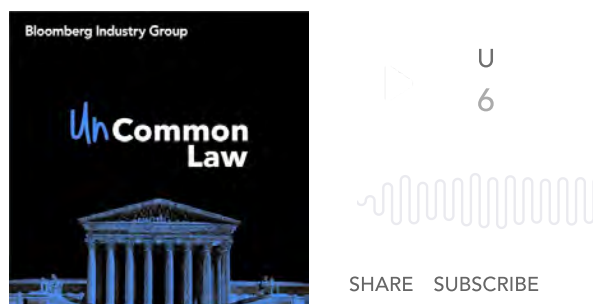
AI Fake Citations Expose Lawyer Sloppiness and Training Gaps

June 23, 2025, 2:00 AM PDT

- AI certifications, higher fines, better training could help
- Lawyer laziness, lack of hands-on experience to blame

An onslaught of AI-generated hallucinations in court filings shows lawyers haven't yet learned how to finesse their use of the rapidly changing technology, as the financial and reputational risks of citing fake cases is expected to climb.

Lawyers and ethics experts say solving the problem will require more training on generative AI and renewed attention to detail—i.e., checking their work. But the more hallucinations appear in court filings, the angrier judges will get and the more damage will be inflicted on the legal industry, FisherBroyles partner Anthony Davis said.



LISTEN: From Errors to Efficiency: Can AI Transform the Practice of Law?

"Lawyers are going to be harmed, and clients are going to be harmed," said Davis, who advises lawyers on professional responsibility. "When lawyers do this, they totally lose credibility with the court, which can only serve to the detriment of their clients."

Bloomberg Law subscribers can sign up to get the Legal Ops & Tech newsletter in their inbox every week.

In a different world, AI-generated hallucinations in court filings would have stopped two years ago, when New York attorneys generated a month of headlines across the national media by citing fake cases. Since then, the American Bar Association has released guidance on AI use and the technology has been a featured topic at prominent legal conferences.

But the fake case citations aren't stopping. The Court of Appeals for the Fifth District of Texas this month imposed a \$2,500 sanction against an attorney who filed a brief citing multiple non-existent cases. Damien Charlotin, a Paris-based researcher on AI and the law, has compiled a list of at least 155 decisions in cases around the world involving hallucinated content.

'Sloppy' Lawyering

Davis said the best way for lawyers to avoid hallucinated citations is for them to be better lawyers. Fake cases pop up because lawyers don't do a fundamental part of their jobs: reading the cases they cite.

"You must read the case, and these stories keep happening because lawyers aren't doing the basic requirements," he said.

When they cite fake briefs, lawyers violate the ABA's Model Rules of Professional Conduct, which provides duties for competence and diligence, Davis said. The ABA's rules also impose a duty to supervise, so attorneys overseeing the lawyers who draft these briefs are also falling short, he said.

The ABA last year reminded attorneys in a formal opinion that using generative AI tools could affect how they abide by its rules regarding competence, confidentiality, client communication, supervision, and candor toward the court.

"With the ever-evolving use of technology by lawyers and courts, lawyers must be vigilant in complying with the Rules of Professional Conduct to ensure that lawyers are adhering to their ethical responsibilities and that clients are protected," the ABA said.

The judge in the Texas AI hallucination case found that the lawyer who submitted fake cases "violated basic duties of competence and candor as contemplated by the rules governing professional conduct."

Worst of all, sloppy lawyers are harming their clients. In multiple cases, the AI-tarred filing has been withdrawn by lawyers or tossed by a judge.

Hallucinations are a technological flaw of gen AI, but their continued appearance in legal documents is a failure of lawyering, said Steven A. Delchin, a senior attorney at Squire Patton Boggs.

"It's really exposing the sloppy lawyers who aren't doing the job, or the supervising attorneys who aren't making sure that the work product that they're getting from junior lawyers has been fully cite-checked," said Delchin, who has served on the ABA's AI Ethics Working Group.

That sloppiness gets worse when lawyers are under time pressure or stressed out and looking for shortcuts, he said. But it's not only lawyers and clients who have an incentive to beat back hallucinations.

"The judiciary has an institutional reason why they need to stop this AI hallucination trend, because they're going to get inundated with these AI hallucination cases, and it's going to take up too many of the court's resources," Delchin said.

Texas Supreme Court Chief Justice Jimmy Blacklock said his court should take a close look at the impact of AI and "whether we need to regulate or prohibit this in some way to protect our justice system."

Training and Education

Generative AI is a trendy topic in legal circles. But almost three years since the launch of ChatGPT, there's still a lack of understanding around AI and how large language models produce outputs.

"The need for AI education in this country far surpasses what we have currently," said Sarah Hammer, an adjunct professor at the University of Pennsylvania Carey Law School.

Training is only one piece of the puzzle. There's a difference between hearing someone talk about AI while you're answering emails during a conference panel, experts said, and actually using the tool. The pitfalls of AI use aren't readily apparent until a lawyer uses the tool.

Big firms have a better chance of keeping their trainings on pace with the rapid advance of AI, Mark G. McCreary, chief artificial intelligence and information security officer at Fox Rothschild, said. Even then, those firms need their attorneys to pay attention to the trainings they offer, he said.

To prevent hallucinations, courts have begun reminding lawyers to check their AI-generated briefs for accuracy. About 40 U.S. courts have AI judicial standing orders. Requiring lawyers to certify that they've checked their briefs for AI-caused inaccuracies or mandating disclosure of AI use could ward off more hallucinated citations, some attorneys said.

Penalties so far have ranged from \$1,000 to \$5,000. In a California case last month, a judge issued a penalty of \$31,000. Fines might climb as judges lose their patience, Davis said.

There's one final factor that lawyers may need to unlearn if they're going to use AI properly, McCreary said in an email.

"Some attorneys may just be too trusting," he said. "After all, the chatbot sounded so confident, and lawyers are used to listening to confident voices that bill by the hour."

To contact the reporter on this story: Evan Ochsner in Washington at echochsner@bloombergindustry.com

To contact the editors responsible for this story: Catalina Camia at ccamia@bloombergindustry.com; David Jolly at djolly@bloombergindustry.com

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Trump Deals Revealed Deep Tensions Between Corporate and Litigation Departments

June 20, 2025 | By  Patrick Smith

 Amanda O'Brien



Credit: jozefmicic/Adobe Stock

Litigators make up the vast majority of law firm exits tied to President Donald Trump's deals with Big Law to avoid executive orders. And observers expect even more departures in the coming months from the nine law firms that made deals with him.

The exits are also exposing some tensions between litigation and corporate departments. While the Trump deals have brought those divisions to the forefront, lawyers say they were already simmering, as private equity client relationships became a larger factor in law firm profits and have held more sway in management decisions.

Overall, litigators are more likely to move, several sources say, because of the ease in transferring client business in litigation, compared with corporate. And litigators don't often need regulatory approval—in this case, from the Trump administration—to win a case.

Clients of litigators may be more comfortable with moves, noted Leslie Levin, a legal ethics professor at the University of Connecticut Law School, while "clients who work in M&A are worried about approval from the government and working with a firm that is at odds with the government."

One D.C. partner in Big Law, who spoke anonymously to speak freely, echoed this, noting M&A lawyers need deal approvals, so they're worried about their clients if they were ever to face an executive order. Litigators, meanwhile, think this is "another time we have to slug it out."

"The corporate lawyers have been driving the [Trump deals], to the great displeasure of many, if not most or all, of the litigators," the D.C. partner said.

Janet Stanton, a law firm management consultant and partner at Adam Smith Esq., pointed to the multiple ancillary practices of corporate practices—making it more challenging to find a firm that can properly support a partner's dealwork, if the partner had to move.

"To support a corporate client, you need M&A, tax, and other practices. Corporate is a much more complicated type of law to practice than litigation—that's why it's really easy for these boutiques to pop up," Stanton explained, noting that litigators typically need a few chairs for trial as opposed to a multitude of supporting practices.

So far, litigation partner groups have left Willkie Farr & Gallagher and Paul, Weiss, Rifkind, Wharton & Garrison. Cadwalader Wickership & Taft has also seen some litigator exits. All made pro bono deals with Trump.

Deeper Divides

Still, some observers noted that tensions have been growing between corporate and litigation departments, even before Trump was sworn in this year. Some see a growing gap in goals and roles between the two practices.

“It’s just not clear to me that there’s really a role for litigators at big firms other than to support the corporate practice,” said one litigator. “If you work on failed mergers, that’s the kind of practice you can do in that environment, but for most litigation work, there are conflicts that are too complicated—they aren’t technical conflicts, but worries about what the corporate clients will think about that work.”

The litigator, speaking anonymously to speak candidly, added that large corporate practices at a big firm that serve private equity clients “may not agree or be entirely onboard with what the litigators do.”

Some of that may be inherent in the types of attorneys who choose those respective paths, noted Rebecca Roiphe, a legal ethics professor at New York Law School.

“Litigation partners are more likely involved in pro bono work and thus more likely drawn to certain firms because of the liberal nature of these commitments,” she wrote. “I also think corporate lawyers may be more practical when it comes to the decisions law firms made under pressure simply because their work is more closely linked to business decisions.”

In addition to their work perhaps being more deal-oriented, Roiphe pointed out that many of the largest firms, even those with stout litigation practices, often defer to their corporate attorneys if things come to a head between the two departments.

“Corporate lawyers in many of the top firms have more power when it comes to administrative decisions because they generate more revenue than most litigators,” she said. “As a result, they may have played a bigger role in the decision to cooperate with the administration, leaving many litigators disgruntled to the point of looking for opportunities to leave the firm.”

Still, increasing demand in litigation departments in 2025 may give litigators more leverage this year. Several big firms in 2025 have been growing their litigation practices, including Kirkland & Ellis, which made its own deal with Trump on April 11.

‘Identity’ Move

Some litigators may also be concerned about their own identity and brand shifting as a result of the Trump deals.

“One could have a political identity and look at the EOs and say they are damaging to the rule of law and are problematic,” Roiphe said. “But the people who make public statements might be doing so because they need to signal something for their own personal advancement. It is certainly possible, one might even say probable.”

Attorneys rarely leave a law firm for one reason. Whether lawyers agreed with the deal with Trump or not, the controversy surrounding the deals could be enough to factor into a lawyer’s decision to stay or go.

“They may have been thinking about, and this may have just put them over the edge,” Stanton said, describing the deals with Trump as a potential final straw in decisions to exit firms. “These decisions should not be taken lightly.”

When asked why she thought corporate attorneys hadn’t left firms like Paul Weiss, Alisa Levin, principal at legal recruiting firm Greene-Levin-Snyder, said, “They get it.”

“Law is now both a profession and a business. And the business of business is business. It’s easy to second-guess the decision, but I don’t see this changing the trajectory of the firm in any meaningful way.”

Page
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Class Action

Senate's Tax Bill Picks Winners and Losers in Litigation Finance

June 20, 2025, 7:00 AM PDT

Vanderbilt Law's Brian Fitzpatrick writes that the Senate approving a 41% tax on litigation finance investors is discrimination that helps big businesses.

The US Senate is considering a bill that would impose a tax of at least 41% on investments in lawsuits. The bill is poorly drafted, and some think the effective tax rate could be even higher—posing a threat to financial protection for Davids trying to take on Goliaths. Nonetheless, it has made it all the way into the Finance Committee's draft of the One Big Beautiful Bill Act.

Even at 41%, the tax rate is nearly double the rate other investors and companies pay. It's hard to see it as anything other than a transparent attempt to destroy a popular financial product in the service of special interest politics.

Many Americans may be unfamiliar with investments in lawsuits, but they have been around for decades—not only in the US, but throughout the world. Some businesses that file lawsuits for, say, breach of contract or intellectual property infringement don't have enough money to pay their lawyers all the way through a trial.

Even if they do, they might prefer to spend the money on their businesses, or they might not want to risk a runaway jury at a trial. Instead of accepting lowball settlement offers to exit the lawsuits, they can get investors to pay their lawyers or shoulder the risk. The investors get paid only if the lawsuit succeeds, usually with a multiple of the investment or a percentage of whatever is recovered.

If all of this sounds like it makes perfect sense, that's because it does. These transactions are just like liability insurance, but for the people who sue rather than for the people who get sued. Yet the Senate bill would tax these investors at at least double the tax rate liability insurers pay.

This tax is clearly an attempt to end these investments. As Chief Justice John Marshall once said: "That the power of taxing may be exercised so as to destroy, is too obvious to be denied." A discriminatory tax of 41% or more is a transparent attempt to do just that.

We should be skeptical any time the government wants to interfere in the marketplace by favoring one asset class over another. This time is no different.

The reasons that have been offered for this bill are flimsy. Some say investments in lawsuits encourage frivolous lawsuits, but that's not a very good investment strategy. Investors who get paid only if lawsuits succeed obviously want to invest in the best cases, not the worst ones.

Others say America's foreign adversaries are secretly behind some of these investments. I am not one for conspiracy theories, but, even if you are, that's only reason to require disclosure of who the investors are—or, at worst, impose this tax only on foreign investors, not American investors, too.

It's possible these investments might encourage and prolong litigation. Some studies say no; some studies say yes.

But even if they do, the investments encourage only the lawsuits that businesses couldn't afford to bring and prolong only lawsuits that businesses would have otherwise settled on the cheap.

I understand there are many who instinctively think lawsuits are bad and anything that encourages or prolongs them must be bad, too. But this instinct is wrong. As long as the lawsuits aren't frivolous, they can be a good thing.

As the two Nobel Prize-winning, University of Chicago economists Gary Becker and George Stigler once said, "The view of enforcement and litigation as wasteful in whole or in part is simply mistaken. They are as important as the harm they seek to prevent." If we are against breach of contract and intellectual property infringement, then we can't be against the lawsuits that enforce those rights.

So what's really behind this bill? Special interest lobbyists for big businesses. They have been against this financial product for many years. Big businesses don't need investors to help them pay their lawyers, and they don't want smaller businesses that sue them to have the same advantage; they want them to have to take the low-ball settlement offers.

The government shouldn't be picking winners and losers like this. Rather, it should let capital flow to its highest use—even if the highest use is to help small businesses who must bring lawsuits from time to time.

This article does not necessarily reflect the opinion of Bloomberg Industry Group, Inc., the publisher of Bloomberg Law, Bloomberg Tax, and Bloomberg Government, or its owners.

Author Information

Brian Fitzpatrick is the Milton R. Underwood chair in Free Enterprise and professor of law at Vanderbilt Law School.

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To contact the editors responsible for this story: Max Thornberry at jthornberry@bloombergindustry.com; Melanie Cohen at mcohen@bloombergindustry.com

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Driverless vehicles

Tesla launches robotaxi service in Austin

Self-driving technology on which Elon Musk has staked future of his company debuts in Texas



A Tesla robotaxi on the street in Austin, Texas: the self-driving Model Y vehicles will only operate in limited areas © Joel Angel Juarez/Reuters

Rafe Uddin and **Stephen Morris** in San Francisco and **Kana Inagaki** in London

Published JUN 22 2025 | Updated JUN 22 2025, 12:57



Tesla's [robotaxi service](#), touted by Elon Musk as the future of his flagging electric-car maker, launched in the company's home city of Austin on Sunday with about 10 vehicles and a human safety driver on board amid regulatory scrutiny of its self-driving technology.

Shares in Tesla have risen about 50 per cent from this year's low in early April, with investors hopeful the autonomous ride-hailing service will help revive a company that has suffered declining sales and a consumer backlash against Musk's political activism.

Despite the hype surrounding Tesla's robotaxi, the launch — with a company employee seated in the passenger side for safety while leaving the driver's seat empty — was low-key and the initial service was open only to a select group of social media influencers.

Shortly before the launch, Musk said on social media that the robotaxi service would begin “with customers paying a \$4.20 flat fee”.

According to [Musk, who has stepped back from his US government role](#) to focus on the electric-car maker and the robotaxi, the self-driving Tesla Model Y vehicles will only operate in limited areas, avoid challenging intersections and have teleoperators who can intervene if problems arise.

The limited launch comes as the National Highway Traffic Safety Administration continues to carry out multiple investigations into Musk's claims about the capabilities of Tesla's autopilot and “full self-driving” systems. Despite its name, the full self-driving system still requires humans to sit in the driver's seat and pay full attention — unlike Google's Waymo taxis.

The NHTSA wrote a letter in early May seeking additional information about technologies that would be used in Tesla's robotaxi service. The regulator said it had received Tesla's response and was reviewing its content.

Musk said in a social media post this month that the company was being “super paranoid” about safety. But he has also claimed there would be 1,000 robotaxis “in a few months”, and that the service would expand to cities such as San Francisco and Los Angeles.

On Sunday, Tesla opened a new website for the public to sign up to get updates on the robotaxis, which can be hailed via an app.

It is unclear how fast Tesla will be able to expand its service and catch up with [Waymo](#), the only company with a fully public self-driving ride-hailing service in the US. Waymo rolled out its fleet in San Francisco three years ago.

A group of Democratic lawmakers in Texas wrote to Tesla recently urging the company to delay its robotaxi launch until September when a new law on autonomous vehicles is due to be implemented. State governor Greg Abbott signed the rules — which require a state permit to operate self-driving vehicles — into law on Friday.

Tesla's technology relies only on a set of cameras mounted on its vehicles, compared with the more expensive radar and lidar sensors used by Waymo and other rivals.

Musk claims Tesla's approach will allow it to expand the service more quickly and at cheaper prices. Tesla has said its [Cybercab robotaxi](#), which has no steering wheel or pedals and was unveiled last year, will sell for less than \$30,000.

Rivals including Waymo and Amazon-owned Zoox use remote monitoring systems with support staff able to intervene and guide a vehicle that has ground to a halt because of an obstacle or accident. Unlike Tesla, they do not have a safety driver in the vehicle.

“Tesla has in no way demonstrated that its system is capable of the kind of accuracy and reliability that would be necessary for deployment in a range of driving conditions,” said Bryant Walker Smith, an associate professor at the University of South Carolina.

Barclays analyst Dan Levy also cautioned there was still a huge amount of work to be done in building out the infrastructure to enable fully autonomous vehicles, saying “catching up to or surpassing Waymo will be no small feat”.

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Tesla robotaxi launch: EV maker seeks to keep Texas data private, regulator says



reuters.com/business/autos-transportation/tesla-wants-us-withhold-all-answers-robotaxi-deployment-public-view-2025-06-23

David Shepardson

June 23, 2025

A Tesla robotaxi drives on the street along South Congress Avenue in Austin, Texas, U.S., June 22, 2025. REUTERS/Joel Angel Juarez [Purchase Licensing Rights, opens new tab](#)



WASHINGTON, June 23 (Reuters) - Tesla ([TSLA.O](#)), [opens new tab](#) told U.S. regulators that its answers to questions on the safety of [its robotaxi deployment in Texas](#) are confidential business information and should not be made public, according to a letter released on Monday.

On Friday, the National Highway Traffic Safety Administration [said it was reviewing answers](#) given in response to the agency's questions about the safety of its self-driving robotaxi in poor [weather among numerous issues](#).

The agency said on Monday that Tesla was invoking a federal law that "restricts NHTSA's ability to publicly release what the companies label as confidential." The agency added that "following an assessment of these responses and other relevant information, NHTSA will take any necessary actions to protect road safety."

NHTSA has been investigating [since October collisions of Tesla](#) vehicles using Full Self-Driving software under conditions of reduced visibility. The probe covers 2.4 million Tesla vehicles equipped with FSD technology after four reported collisions, including a 2023 fatal crash.

NHTSA noted on Monday that "the agency's investigation into Tesla's FSD-Supervised/Beta remains open."

Tesla said the information it submitted to NHTSA is commercially valuable because competitors could use it to improve their own advanced driver assistance and automated driving systems.

"Nefarious actors could also use the marked information to smear Tesla's brand for the sake of notoriety," Tesla regulatory senior counsel Casey Blaine wrote in the letter to the NHTSA. "Absent public disclosure, access to the marked information and all of the knowledge gained from it would require significant expenditure of time and resources and very intimate knowledge about Tesla."

On Sunday, Tesla deployed a small group of [self-driving taxis picking up paying passengers](#) in Austin, Texas, with CEO [Elon Musk](#) announcing what he called the robotaxi launch and social-media influencers posting videos of their first rides.

The event marked the first time Tesla cars without human drivers have carried paying riders, a business that Musk sees as crucial to the EV maker's financial future.

[Tesla shares were up 8%](#) at \$347.80 on Monday afternoon.

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Musk Finally Launched His Robotaxi — Kind Of

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Liam Denning

June 23, 2025



Driverless?

Photographer: Tim Goessman/Bloomberg

For Tesla Inc., the distance between a disastrous robotaxi launch and a merely disappointing one was just a foot or two. The “safety monitor” who was sat in the front passenger seat of the handful of Tesla robotaxis that [began operating](#) in a limited part of Austin on Sunday was the contradictions of [Elon Musk](#)’s autonomous ambitions made flesh.

To be clear, it is sensible to have a human driver ready to intervene when robotaxis first get out on the road; just as Waymo LLC, owned by Alphabet Inc., did. Whether they sit in the actual driving seat or a short distance away on the passenger side makes little practical difference, provided they can still stop the vehicle or reach across and adjust the wheel if necessary.

It does make a difference, however, when you have spent years saying that your company is ready to unleash swarms of self-driving vehicles that are safer than humans, and that company’s trillion-dollar valuation rests largely on the assertion being true.

In that case — let's call it the Tesla case for convenience — it's important that there be no driver behind the wheel. This allows for initial riders to post backseat videos of the wheel turning itself uncannily, implicitly downplaying the backup sitting a foot or two away.

For any other company, Tesla's robotaxi launch would have been a big success. It would have demonstrated the crossing of a major threshold — vehicles driving themselves on public roads with passengers in the back — even if only in a limited number of vehicles, in a limited area and with humans ready to intervene. The latter include the remote support workers back at robotaxi HQ.

For Tesla, though, any judgment of success must be set against the pitch. On that basis, it was, under any reasonable standard, an admission of failure. This is where Waymo, a rival that Musk mocks frequently, was years ago. Had Tesla sat the safety monitor in the driving seat instead, it would have been an outright disaster in PR terms, lacking even the appearance of a meaningful advance.

Tesla's core proposition with regards to autonomy is that it is building a "generalized solution," where artificial intelligence learns to handle any situation the world can throw at it. This supposedly reduces the need for expensive sensor suites incorporating things such as LiDAR; Musk says cameras are enough. It also means, in theory, that an autonomous Tesla can adapt to and work pretty much anywhere. As recently as last summer, Musk was saying:

If you see, like, Waymo and whatnot, they have a very localized solution that requires high-density mapping, and it's not -- it's quite fragile. So their ability to expand rapidly is limited. Our solution is a general solution that works anywhere. It would even work on a different Earth.

Less than a year later, the actual Tesla robotaxi operates for [invite-only riders](#) (no kids allowed), in "limited areas of Austin," with a safety monitor, between the hours of 6AM and 12AM, and perhaps not at all in the event of "inclement weather." It's not quite ready for a downtown school-run in the rain, then, let alone extraterrestrial habitats.

Tesla is right to be cautious in practice. Even Sunday's highly controlled launch appeared to have some instances of robotaxis [violating road rules](#). Any accident, particularly one resulting in injury or fatality, would potentially be catastrophic for the company's autonomy efforts and [already-struggling brand](#). The problem is that the rhetoric around it is so often anything but cautious. Despite this minimal launch, and un-scaleable use of an in-car monitor, Musk said in April that he was "confident" Tesla robotaxis would be available in "many cities in the US" by the end of the year.

That confidence is notably less pronounced than with his talk of a "different Earth" last year, but I suspect may also have to be downgraded over the next six months. Wedbush Securities analyst Dan Ives wrote that his invite-only experience in Tesla's robotaxi on

Sunday “exceeded our expectations” — and this is someone whose expectations run to a \$500 price target, more than 40% higher than today’s level and beyond the all-time peak. For now, the footage of self-turning steering wheels allows the narrative to roll on, unimpeded by real-world conditions.

More From Bloomberg Opinion:

- [An EV Revolution](#) Happening in the Heart of OPEC: David Fickling
- Musk, [the \\$350 Billion Rocket Man](#), Fell to Earth: Lionel Laurent

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(Updates 10th paragraph to note possible instances of road rule violations.)

Tesla shares soar after first robotaxi test rides hit the road in Austin, Texas



reuters.com/business/autos-transportation/tesla-shares-soar-after-first-robotaxi-rides-hit-road-austin-texas-2025-06-23

Aditya Soni

June 23, 2025

A Tesla robotaxi drives on the street along South Congress Avenue in Austin, Texas, U.S., June 22, 2025. REUTERS/Joel Angel Juarez/File Photo [Purchase Licensing Rights, opens new tab](#)

- Tesla offers driverless rides at \$4.20 fare in limited trial
- Musk has long touted robotaxis as key to Tesla's valuation
- Experts see long road ahead amid safety concerns and scrutiny

June 23 (Reuters) - Tesla shares ([TSLA.O](#)), [opens new tab](#) jumped 10% on Monday after the electric-vehicle maker started testing its long-awaited robotaxi service, a key step toward proving the technology that CEO Elon Musk has for years touted as a crucial driver of its lofty valuation.

The automaker deployed a small fleet of [self-driving taxis](#) in Austin, Texas, on Sunday, marking the first time its cars have carried paying passengers without human drivers. The rides were being offered for a flat fee of \$4.20 in a limited zone.

The trial's success is crucial for Tesla as Musk has pivoted the company to self-driving cars and robots, shelving plans for mass-market dominance in the EV space as Chinese competition heats up and demand slows for its aging line-up of models.

"It was a comfortable, safe, and personalized experience," said Wedbush Securities analyst Dan Ives, who took multiple robotaxi rides on Sunday and has long been a Tesla bull.

"There was a moment where we drove up a narrow road going up a hill with cars parked on both sides with oncoming traffic and people opening their car doors into the road and the robotaxi masterfully maneuvered with patience and safety."

Many social-media influencers also posted videos of their first rides on X, showing the cars navigating busy city streets by slowing down and making room for incoming traffic.

Still, the tightly controlled trial - with about 10 vehicles and front-seat riders acting as "safety monitors" - is just the first step in what could be a years-long process of scaling up the service, according to some industry experts.

Tesla, as well as rivals including Google-backed Waymo, have faced federal investigations and recalls following collisions.

Industry experts have questioned the efficacy of Tesla's self-driving technology that depends mostly on cameras and AI, without redundant sensors such as lidar and radar, claiming fog, heavy rain and glaring sunlight can hamper safety.

The company will also have to navigate a new Texas law taking effect September 1 that requires a state permit for self-driving vehicles and reflects bipartisan calls for a cautious roll-out.

If Monday's gains hold, Tesla - the world's most valuable automaker - will add nearly \$100 billion to its market value of about \$1 trillion. The stock has declined about 12% so far this year, dragged down by concerns about demand and brand damage from Musk's embrace of right-wing politics in Europe and support for U.S. President Donald Trump.

Still, Tesla trades at nearly 149 times forward earnings estimates, far above auto rivals such as Ford Motor ([F.N](#)), [opens new tab](#) at 9.3 and tech giants including Microsoft ([MSFT.Q](#)), [opens new tab](#) at 31.6.

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Revolut Ltd

Revolut chief in line for Musk-style payday at \$150bn valuation

Nik Storonsky struck deal before SoftBank funding round that awards him more shares if valuation clears set hurdles



Nik Storonsky's direct and indirect holdings in Revolut shares topped 25% in April, according to the company's latest annual report © Benjamin Cremel/AFP via Getty Images

Ivan Levingston in London and **Akila Quinio** in New York

Published YESTERDAY



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Revolut's chief executive Nik Storonsky is in line for a multibillion-dollar windfall if he steers the fintech's valuation to about \$150bn, under a long-standing Elon Musk-style pay package.

[Storonsky](#), who founded the \$45bn start-up in 2015, has an outsized incentive deal that would increase his stake in Revolut by several percentage points if the valuation more than triples from its current level, according to people familiar with the matter.

The total amount of shares on offer could be worth as much as 10 per cent of the company if all the targets are hit, one of the people said.

However, the package was structured such that it would pay out in stages when the valuation cleared set thresholds, the person said.

Some of the people likened Storonsky's deal to the bumper pay deal that Musk negotiated with Tesla in 2018. That award, which was the largest in US history, has led to a years-long legal battle.

Storonsky's deal predates the company's blockbuster fundraising in 2021, in which an investment round led by SoftBank handed the company a valuation of \$33bn.

The chief executive's direct and indirect holdings in [Revolut](#) shares topped 25 per cent in April this year after a reorganisation of its ownership structure, according to the company's latest annual report.

Before that, no one had more than 25 per cent of the shares in issue, although Storonsky was nonetheless deemed a person with significant control.

The Revolut scheme underscores how investors seek to motivate top executives to reach ambitious growth targets.

If Revolut reaches a \$150bn valuation, it would also deliver outsized returns for the company's early venture capital backers including Index Ventures and Balderton Capital.

Storonsky guided the company to its \$45bn valuation last year, when employees and early investors were allowed to cash in some of their shares. He sold hundreds of millions of dollars' worth of his own stock in the transaction, the Financial Times [previously reported](#).

The London-based start-up's profits more than doubled to £1bn last year as it surpassed 50mn customers, which boosted the fees it makes from card payments and the interest it earns on deposit.

Revolut also benefited from a [resurgence of crypto trading](#), which increased revenues nearly fourfold at its wealth business comprising stock and digital assets trading.

Last year, the fintech received a banking licence in its home market after a years-long process. The award from the Bank of England represented a milestone for the company, with executives now hoping it will help it secure licences in other markets.

The company has also begun to [pay out cash bonuses](#) to staff as part of an overhaul of its remuneration policy, a shift from a previous system that only granted bonuses in equity. The move comes ahead of a potential bumper initial public offering for Revolut.

Revolut declined to comment.

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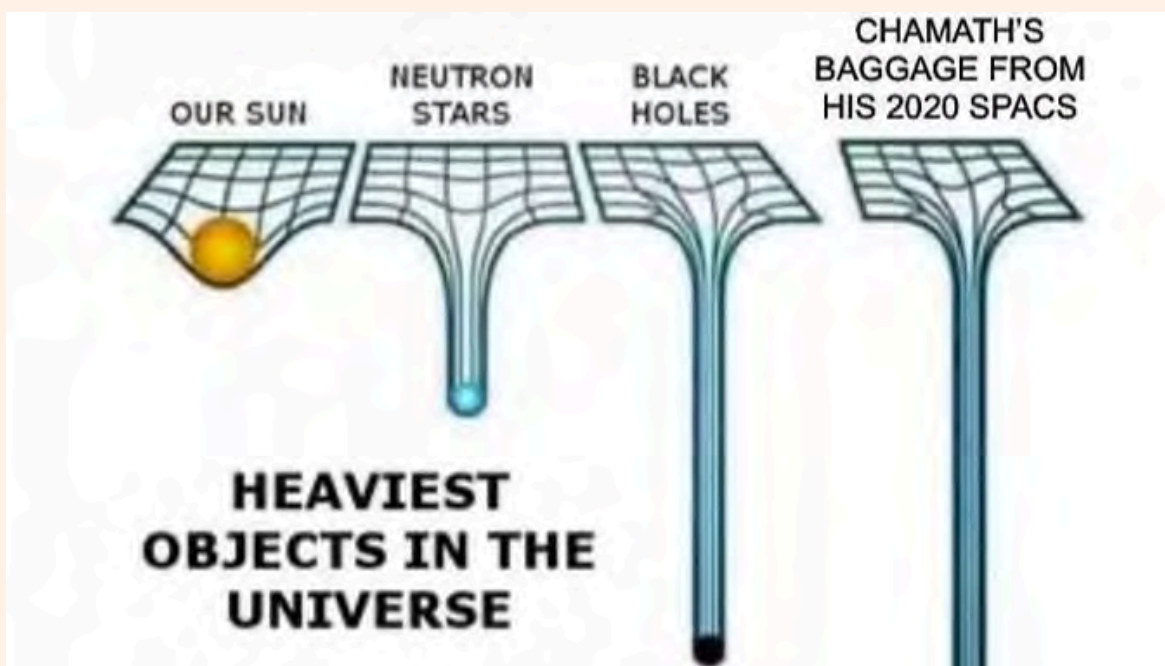
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FT Alphaville IPOs

The King of Spacs is back

And he has some hot IPO takes for us



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Craig Coben

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Chamath Palihapitiya is back! The self-styled “[Spac King](#)”, whose blank-cheque deals incinerated billions of investor dollars, has [announced](#) he’s “probably” launching another one.

That's despite an abysmal record and the overwhelming thumbs-down verdict of a [58,000-person X \(formerly Twitter\) poll](#). "The last time wasn't a success by any means," he magnanimously admitted.



Incredible that almost 58k people voted. I hope everyone that voted "No" feels seen.

Now onto business.

I got calls from many Wall Street and Crypto Titans yesterday. They all want in and their vote matters a lot to me so...

I will probably do it.

Maybe this time it will... <https://t.co/FXnxKXRTIB>

— Chamath Palihapitiya (@chamath) [June 19, 2025](#)

That's one way to put it.

Every investment prospectus [includes](#) the standard SEC-mandated health warning: "Past performance is not indicative of future results." It's meant to stop investors from blindly pouring money into the latest hot fund just because it's been on a tear. In Palihapitiya's case, however, the disclaimer reads less like boilerplate and more like a punchline. Just because nearly all of his previous Spacs have been dumpster fires doesn't *technically* guarantee his next one will be too.

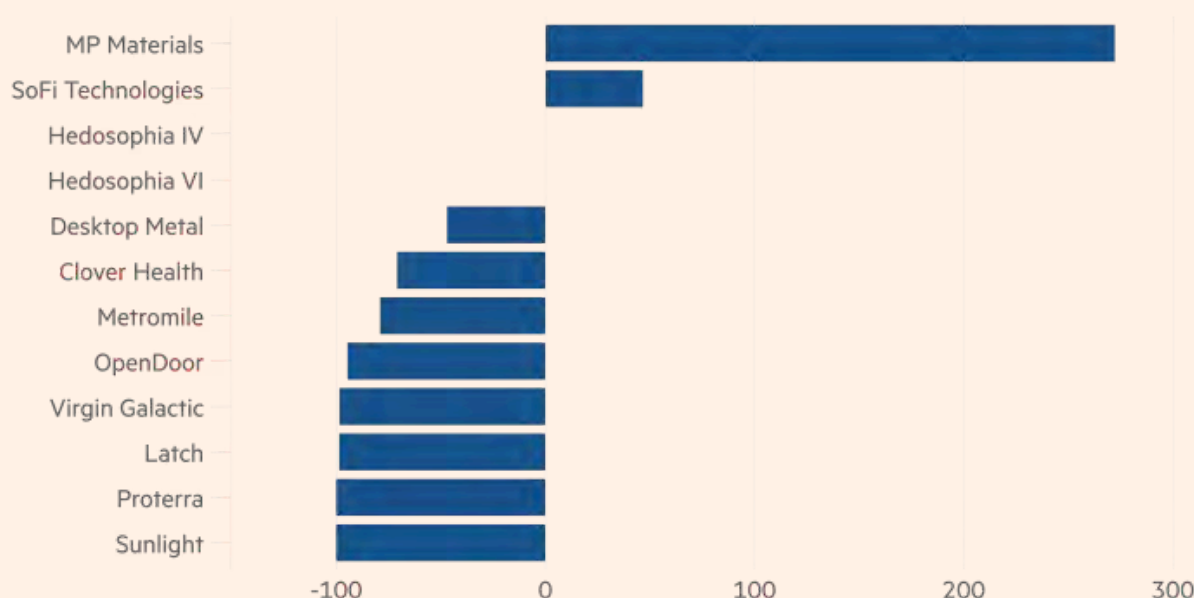
Palihapitiya's timing couldn't be better: Goldman Sachs is said to be [re-entering the Spac business](#) after three years away, and it seems [other bulge-bracket investment banks won't be far behind](#). And maybe investors are willing to bet on Palihapitiya's redemption arc and wager that this intelligent, wildly rich man will turn over a new leaf and finally deliver value for others, not just to himself.

Palihapitiya certainly isn't wrong about the risks. His Spacs have all [lagged the S&P 500 since their first trading day](#), with most either losing a lot of money, a helluva a lot of money, or all of it.

Investors in two Spacs that were wound down in 2022 without finding an acquisition turned out to have been fortunate.

Spac-tacular wealth destruction

Performance since launch (%)



Hedosophia IV and VI were wound down in 2022 and the money returned to investors.

Yet here he is, dusting off the old Spac playbook, perhaps on the assumption that collective memory fades like a one-star TripAdvisor review that scrolls out of view. Hope springs eternal, as Alexander Pope [wrote](#). Judgment, less so

But we shouldn't dismiss Palihapitiya's latest musings entirely. In a follow-up X [post](#), the former Facebook executive portrayed Spacs as a more transparent, virtuous alternative to traditional IPOs. Banks, he claims, quietly allocate IPO stock to their favoured clients who walk off with easy profits at the expense of employees and early investors.

He cites Circle's IPO — where shares have soared since their debut — as proof that the process is rigged. According to Palihapitiya, the company left \$3bn on the table. "Value is transferred to randoms, and it makes no sense," he thundered.



This was what I was hoping to fix with SPACs. You may not like SPAC founder promotes or other forms of value transfer to intermediaries but you can never claim it wasn't disclosed.

The Circle IPO, and ALL traditional IPOs, are the opposite. Value is transferred to randoms and it... <https://t.co/3QGTCLxeIL>

— Chamath Palihapitiya (@chamath) [June 20, 2025](#)

There's just one teensy-weensy snag: Palihapitiya is the wrong messenger. It's galling to hear Spac evangelism from someone whose previous blank-cheque (ad)ventures have burned investors so badly. And even when his points aren't entirely wrong, his analysis is so reductive and self-serving that it's hard to take seriously.

Yes, IPOs can be [underpriced](#). Yes, banks [allocate](#) shares to institutional clients who sometimes flip them for quick gains (although in my experience the companies themselves get heavily involved in deciding allocations). And yes, a big first-day "pop" can mean some of the company's value has leaked to a few well-connected investors.

But the idea that Spacs are the honest, straightforward alternative is derisory. Spacs have their own set of [warped incentives](#), and Palihapitiya should know that better than anyone.

The core flaw with Spacs is that [their structure can encourage bad deals](#). Spac sponsors get a juicy "[promote](#)" — typically [20 per cent of the equity](#) — simply for finding a merger target and getting the deal done, regardless of how the stock performs afterwards. But if they don't pull it off within two years, [they lose the "at-risk capital"](#) of around \$5-10mn they put in initially. So the temptation is to do *any* deal, even a terrible one, just to cash in. Even if the share price later halves, [sponsors still walk away with a windfall](#).

To be fair, Palihapitiya dissolved two of his Spacs in September 2022 with no deal, and investors got their money back, with interest. But by then, Palihapitiya's [Social Capital had already made \\$750mn in Spacs](#), and the vast majority of Spac stockholders were redeeming for cash anyway, making it difficult to consummate mergers.

[According](#) to Palihapitiya, if the sponsor promote rubs you the wrong way, "you can never claim it wasn't disclosed." This is a peculiar way of endorsing the Spac model. He's openly admitting the flaws — even as he's reminding you that if you lose money, that's on you.

As for his IPO critique, it misses the mark. Most deals don't explode like Circle's, and when they do, it's usually about tight supply (ie [small free float](#)) and hype, not some grand conspiracy to enrich FOBs (friends of bankers). And while [the bookbuilding process has its flaws](#), at least it tries to discover a market-clearing price by testing demand.

Also, it's [ludicrous](#) to pretend that issuers and their VC backers are helpless victims here. These are [sophisticated players](#) who know exactly what they're doing and often drive the key pricing and allocation decisions.

Spacs, meanwhile, depend on backroom negotiations to set valuations — a process that can be just as subjective (if not more so) than traditional IPO pricing.

The only real market check on comes at two junctures: if Spac stockholders elect not to [redeem their shares for cash](#) before the merger, and/or if outside investors commit fresh capital to the merger through a [PIPE](#) (“private investment in public equity”, ie where institutions buy shares at a negotiated price).

While this isn’t completely detached from market reality, it’s a far cry from the broader demand-testing of a real IPO, where underwriters canvass orders across the full gamut of institutional and retail investors before setting terms.

Palihapitiya’s real talent isn’t Spacs or venture capital or even podcasting. It’s [chutzpah](#). He has reframed his spectacular failures — from which he has profited enormously — as proof that he has learned the hard way. Because his Spac mergers have been mostly [turkeys](#), you can trust him to know better this time.

It’s the kind of reinvention that could happen only in finance. Or maybe politics.

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Exxon Says Class Action Trial Should Be Pushed To 2026

By **Catherine Marfin**

Law360 (June 20, 2025, 5:02 PM EDT) -- Exxon Mobil told a federal court Friday that a November trial in a class action accusing the oil giant of misleading investors should be delayed, writing that the class is seeking a trial on new theories of liability that were not presented at class certification.

In a four-page reply in support of its motion for continuance, Exxon wrote that **the class** hasn't cited any portion of the court's class certification order "analyzing the unpled theories."

"Plaintiff instead rehashes its summary judgment argument that Defendants were 'on notice' of the unpled theories," Exxon wrote.

One of those theories, which the plaintiffs said Exxon was on notice of because Exxon "alluded to it" in an October 2023 status report, was "expressly disavowed" by the class just two weeks later.

"There remains a very real dispute over the shape of the case Plaintiff intends to present at trial," Exxon wrote. "Plaintiff evidently realizes that the theories it pled in its complaint and presented to the Court at class certification cannot survive summary judgment. But Plaintiff's improper and last-minute strategy shift should not require Defendants to expend considerable resources preparing for trial on unpled theories of liability that have never been certified for class-wide treatment."

Exxon's motion requested that the court push the trial no earlier than February or March of next year.

The investors, led by the Greater Pennsylvania Carpenters Pension Fund, sued in 2016 alleging that Exxon executives made misrepresentations and claimed its bitumen operations in Exxon's Kearl Lake reserves and Rocky Mountain Dry Gas assets were profitable but were actually operating at a loss. The class **was certified in 2023**.

Counsel for the parties did not immediately return a request for comment.

Greater Pennsylvania Carpenters Pension Fund is represented by Joe Kendall of Kendall Law Group PLLC, Balon B. Bradley of the Balon B. Bradley Law Firm and Darren J. Robbins, Michael J. Dowd, Spencer A. Burkholz, Scott H. Saham, Sam S. Sheldon, Jonah H. Goldstein, Nathan R. Lindell, Sara B. Polychron, Erika L. Oliver, T. Alex B. Folkerth and Justin G. Oetting of Robbins Geller Rudman & Dowd LLP.

Exxon Mobil is represented by Theodore V. Wells Jr., Daniel J. Kramer, Audra J. Soloway, Daniel J. Toal, Paul Brachman, Matthew D. Stachel, Samuel M. Kleiner and Lyuba Shamailova of Paul Weiss Rifkind Wharton & Garrison LLP and Nina Cortell and Jason Bloom of Haynes Boone LLP.

The case is Ramirez v. Exxon Mobil Corporation et al., case number 3:16-cv-03111, in the U.S. District Court for the Northern District of Texas.

--Editing by Patrick Reagan.



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Apple Hit With Securities Suit Over iPhone AI Feature Delays

By **Dorothy Atkins**

Law360 (June 20, 2025, 9:13 PM EDT) -- An Apple investor hit the tech giant and its top brass with a proposed securities class action in California federal court Friday, alleging they duped investors into believing Apple would launch new artificial intelligence Siri features on the iPhone 16 and caused Apple stock to tumble after the rollout was delayed repeatedly.

In a **33-page complaint**, Apple investor Eric Tucker accused Apple Inc., CEO Timothy D. Cook, former Chief Financial Officer Luca Maestri and current CFO Kevan Parekh of making materially false and misleading statements regarding Apple's timeline for integrating new advanced AI-based Siri features into its devices.

The complaint also accuses the company and its executives of misleading investors by failing to inform them it was highly unlikely that those new features would be available for the iPhone 16 and that the lack of such advanced AI-based features would hurt iPhone 16 sales, resulting in Apple overstating its financial prospects.

"As a result of defendants' wrongful acts and omissions, and the precipitous decline in the market value of the company's securities, plaintiff and other class members have suffered significant losses and damages," the complaint says.

The complaint claims that over the past year, Apple has faced mounting pressure from its rivals, like Google and Microsoft, which have launched their own respective generative-AI chatbots Gemini and Copilot, as well as Amazon, which has announced plans for generative-AI chatbot Alexa+.

As a result, Apple announced at its Worldwide Developer Conference in June 2024 new advanced AI-based Siri features that would be part of "Apple Intelligence," which functions across personal Apple devices, and the company purportedly used those features as a selling point for consumers to buy iPhone 16 devices, according to the complaint.

Tucker's complaint notes that Apple stated at the time that Apple Intelligence and other new features will make Siri "more deeply integrated into the system experience," but Apple never disclosed that it wouldn't have those new features operational within the iPhone 16 product cycle.

"Unbeknownst to investors, Apple lacked a functional prototype of these advanced AI-based Siri features at the time of the 2024 [Worldwide Developer Conference] and had no reasonable basis to believe it could deliver the product it was advertising within the iPhone 16 product cycle, if ever," the suit says.

Then in March, Apple announced that it was indefinitely delaying promised updates to its Siri digital assistant, and Apple abruptly stopped running ads — including those on its website and YouTube account — promoting the advanced AI-based Siri features, the complaint says.

Following the news, Apple's stock price fell on March 10 by 4.85%, or \$11.59 per share, to close at \$227.48 per share.

A Morgan Stanley analyst then published a report lowering his price target on Apple from \$275 to \$252 per share based on his opinion that half of iPhone 16 owners wouldn't upgrade their phones with the new AI tools due to the delay, according to the complaint.

Following the news of the report, in mid-March, Apple's stock price fell another \$11.16 per share, or 5.05%, over the following two trading sessions, to close at \$209.68 per share, the suit says.

Apple's stock took another tumble in April, falling \$14.79 per share, or 7.28%, to close at \$188.13, amid further criticisms of its AI-feature delays published in The Wall Street Journal, and the stock fell again on June 9 \$2.47 per share, or 1.21%, to close at \$201.45 per share after the company failed to announce any new updates regarding advanced Siri features at this year's Worldwide Developer Conference, the suit says.

Tucker claimed that throughout the class period, Apple's own team admitted that the advanced AI-based Siri features that it had originally advertised had not been developed by the time of the 2024 Worldwide Developer Conference, pointing to an all-hands meeting for the Siri division after the delays were announced during which Robby Walker, Apple's senior director responsible for Siri, purportedly stated that Apple had publicly promoted the technology "before it was ready."

The suit says that Walker also called Apple's delays "ugly and embarrassing" and stated, "This was not one of these situations where we get to show people our plan after it's done. We showed people before."

Meanwhile, Apple's software chief Craig Federighi and other Apple executives purportedly "voiced strong concerns internally that the features didn't work properly — or as advertised — in their personal testing," the complaint says. Other workers in Apple's AI division purportedly believed that work on the features could be scrapped altogether, and that Apple may have to completely rebuild the functions, the suit alleges.

"In fact, there is no guarantee that the advanced AI-based Siri features Apple promised will ever be available," the complaint says.

The two-count complaint asserts violations of Section 10(b) and Section 20(a) of the Exchange Act and related regulations, and the suit seeks to certify an investor class of individuals and entities who bought Apple securities over a yearlong period between June 10, 2024, and June 9 of this year. The complaint seeks damages, attorney fees, expert fees and other costs.

The complaint notes that during the proposed class period, Cook sold at least 363,747 Apple shares for at least \$81.9 million, Maestri sold at least 67,977 shares for at least \$15.3 million and Parekh sold at least 7,319 shares of Apple stock for at least \$1.4 million.

Tucker's counsel and representatives for Apple didn't immediately respond to requests for comment Friday.

This isn't the first time Apple has faced litigation over its AI feature promises. **In April**, consumers hit Apple with a lawsuit accusing the company of baiting-and-switching iPhone 16 buyers with promises that the model would include the tech giant's new AI model, but then quietly deleting those advertisements when it hit delays.

In May, another **sprawling proposed class action** was filed asserting similar claims under consumer protection laws in all 50 states.

Tucker is represented by Jennifer Pafiti, Jeremy A. Lieberman and J. Alexander Hood II of Pomerantz LLP.

Counsel information for the defendants wasn't immediately available Friday.

The case is Eric Tucker v. Apple Inc. et al., case number 3:25-cv-05197, in the U.S. District Court for the Northern District of California.

--Additional reporting by Lauren Berg and Nadia Dreid. Editing by Michael Watanabe.



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Concrete Biz Investors Sue In Del. After Book, Record Denials

By **Jeff Montgomery**

Law360 (June 20, 2025, 8:54 PM EDT) -- Stockholders of a U.S. concrete company taken private in an \$11.5 billion merger in February sued the business for books and records on Friday, arguing the company's denial of access wrongly cited the previous dismissal of a shareholder suit alleging unfair merger terms.

Complicating the dispute, attorneys for Summit Materials Inc. shareholder Michael O'Neill said in the complaint, are state lawmaker actions in March that retroactively barred some stockholder rights to challenge conflicted transactions.

Summit Materials Inc. closed on an agreement to be taken private by Quikrete Holdings Inc. in February, days before legislation was introduced in Delaware's General Assembly that expanded liability protections for some conflicted corporate acts and narrowed public access to some books and records. A later version of the same bill, S.B. 21, enacted in March, made the company protections retroactive to the measure's introduction.

Attorneys for O'Neill had sued for documents in January, but the company never provided them, with O'Neill subsequently asking the Court of Chancery to declare the company in breach of an earlier access agreement. They also filed a complaint after S.B. 21 was introduced accusing the company of breaching its fiduciary duties in connection with the merger, but the company later declared an amended version of the bill retroactively provided the company with a shield against that demand.

"That rationale cannot apply here. Here, counsel's judgment that plaintiff did not need books and records to state a claim on Feb. 25 is irrelevant to whether plaintiff needs books and records today because the law changed" in Delaware, the shareholders argued.

Delaware's Supreme Court has already found, the suit said, that a "bright-line rule barring stockholder-plaintiffs from pursuing [document] inspection relief" solely based on the filing of a full lawsuit beforehand "does not comport with existing Delaware law or with sound policy." The justices have also recently agreed to a fast-tracked review of S.B. 21.

A document access agreement between Summit and attorneys for O'Neill reached in January, the suit said, had granted a contractual right to enforce the document demands "to the same extent" as prior to the deal closing.

Targeted in the document suit are allegations that Grupo Argos — Summit's pre-merger, Colombia-headquartered controlling stockholder — sought and received a buyer agreement to waive a no-compete term that Summit secured in an earlier transaction, in exchange for Grupo's support for the Quikrete merger.

"Grupo Argos was grappling with its long-term strategy in the United States and concerns that the sale would eliminate its investment exposure in the United States market," the complaint said.

"The [Summit] board could have — but failed to — attempt to extract additional value from Quikrete in exchange for a waiver" of challenges to the terms sought by Summit's controller, the complaint said.

"Nevertheless, the board allowed Grupo Argos and its board designees to infect negotiations with

Quikrete," the suit said. "Grupo Argos repeatedly emphasized that it would not vote in favor of a sale of the company that did not involve the elimination of the noncompete."

The suit seeks a ruling that Summit Materials breached the earlier access agreement and an order that the company provide documents sought by the stockholder as well as costs for the case, including reasonable attorney fees.

Counsel for O'Neill and the company did not immediately respond to requests for comment on Friday.

Stockholder Michael O'Neill is represented by Daniel E. Meyer and Christopher J. Orrico of Bernstein Litowitz Berger & Grossmann LLP and Joel Fleming and Amanda Crawford of Equity Litigation Group LLP.

Counsel information for Summit Materials Inc. was not immediately available.

The case is Michael O'Neill v. Summit Materials Inc., case number 2025-0695, in the Court of Chancery of the State of Delaware.

--Editing by Philip Shea.

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NJ Tech Co. Brass Face Suit Over NASA Partnership Claims

By **Sydney Price**

Law360 (June 20, 2025, 6:24 PM EDT) -- Executives and directors of Quantum Computing Inc. have been hit with a shareholder's derivative lawsuit accusing them of misleading investors on the company's dealings with NASA, its revenues and its progress on building a chip foundry.

According to the complaint filed by shareholder Helen Wong on Thursday, Quantum Computing Inc.'s brass made false and misleading statements about the abilities of QCI's quantum computing technologies and the scope of its relationship with customers and partners. QCI also allegedly overstated its ability to carry out its purported core business practice — producing so-called lithium niobate quantum computing chips.

The deception was revealed when research reports allegedly showed, among other things, that QCI had fabricated its revenues and partnerships, including its purported NASA projects, leading to plunges in its stock price and damaging its corporate image, according to the suit.

In addition to nominal defendant QCI, its CEO William J. McGann, Chief Financial Officer Christopher Boehmler and several directors are individual defendants in the suit.

According to the suit, QCI filed its 2019 annual report on March 30, 2020, touting the advantages of QCI's newly released quantum technology products, which it said "already demonstrated superior performance against established computational benchmarks."

For the next several months, QCI allegedly overstated its ability to produce lithium niobate quantum computing chips. QCI also told investors that it had made significant progress in developing a foundry, which it said would begin functioning by late 2024 or early 2025, according to the suit.

During the same period, QCI provided updates on its partnership with NASA — including a subcontract it had been purportedly awarded for NASA's Ames Research Center — which the suit also alleges were sensationalized.

For example, QCI announced in October 2024 that it had been awarded a fifth project from NASA to develop quantum remote sensing technology, and that its foundry project had moved into the final phase of construction.

Public doubts about QCI's representations surfaced, the suit alleges, when Iceberg Research published a report on Dec. 9, 2024, stating that QCI had not made significant progress building out its foundry and that QCI had "insignificant levels of revenue, despite various claims, such as being a NASA subcontractor."

Following the report's publication, QCI's shares fell 46 cents each, or about 6%, to close at \$7.47 per share on Dec. 9, 2024, according to the complaint.

Then, on Jan. 16, 2025, Copybara Research published a report alleging that QCI had overstated its ties to NASA and overstated revenues. The report alleged that NASA personnel and government contract records show that QCI's statements about its long-standing relationship with NASA are false, and that NASA had no relationship with the company beyond a one-time \$26,000 "computer programming" contract.

The report caused QCI's shares to fall \$1.72 each, or about 15%, to close at \$9.83 per share on Jan. 17, according to the complaint.

The suit accuses the defendants of breaching their fiduciary duties, wasting corporate assets and fraud. The complaint also notes QCI is facing a **related securities class action** in New Jersey federal court.

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

Wong is represented by Serina M. Vash of Herman Jones LLP and Benjamin I. Sachs-Michaels and Pavithra Rajesh of Glancy Prongay & Murray LLP.

Counsel information for QCI and the individual defendants was not immediately available on Friday.

The case is Wong v. McGann et al., case number 2:25-cv-11952, in the U.S. District Court for the District of New Jersey.

--Editing by Vaqas Asghar.

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MicroStrategy Brass Face Suit Over \$5.9B Bitcoin Loss

By **Emilie Ruscoe**

Law360 (June 20, 2025, 10:27 PM EDT) -- Executives and directors of bitcoin-focused software company MicroStrategy Inc. face a shareholder derivative complaint alleging they made over \$31 million selling off company stock while its shares were artificially inflated by misrepresentations about the magnitude of upcoming changes to the company's accounting practices for its so-called bitcoin treasury.

In a **Thursday complaint** in Virginia federal court, plaintiff Abhey Parmar accused MicroStrategy board chairman and former CEO Michael J. Saylor, current CEO Phong Le, Chief Financial Officer Andrew Kang and four other members of the company's board of directors of breaching their fiduciary duties leading up to the company's April announcement that it had recognized a \$5.91 billion unrealized loss on its digital assets in the first quarter of its 2025 fiscal year.

Parmar also accused the MicroStrategy brass of unjustly enriching themselves, abusing their control, grossly mismanaging the company and wasting corporate assets in connection with the matter.

As a bitcoin treasury company, MicroStrategy uses cryptocurrency as its primary reserve asset, and has spent upwards of \$1 billion on bitcoin annually over the past few years, Parmar's suit said.

Strategy, as the company is now known after rebranding in February, hasn't sold any of those assets, and hasn't specified a target or goal for increasing its bitcoin holdings, Parmar said, adding that the company stated that it uses AI-powered enterprise analytics software "intended to further enhance" its digital asset segment and other sectors.

Over the past year, Parmar said, the company emphasized the importance of bitcoin to its strategies, even going as far as adding its bitcoin yield and gain to its key performance indicators.

In January, Parmar said, the company implemented accounting standards updates from the Financial Accounting Standards Board that changed its accounting for and disclosure of its crypto assets.

"Although defendants reported during the relevant period that the adoption of [the relevant change] would likely have a material impact on the company's financial records, defendants failed to accurately disclose the full extent to which the company's financial records would be impacted," the investor claimed.

"In particular, defendants failed to disclose the substantial losses Strategy could potentially realize through the use of the fair value accounting methodology set forth under" the new accounting provision.

In early April, Parmar said, the company submitted filings to the U.S. Securities and Exchange Commission revealing the \$5.91 billion unrealized loss.

The investor claimed that market records showed a response to the news, with trading prices for the company's shares falling nearly 9% from nearly \$294 to just over \$268 following the disclosure.

Parmar claimed the company's brass had concealed that the accounting "was riskier and more impactful to the Company's finances than represented," asserting that the change showed the risks associated with Bitcoin volatility were greater than the company let on.

"As a result, the company's profitability when applying its bitcoin-driven investment strategy and treasury options were substantially less profitable than represented," Parmar said.

The investor also claimed that four of the individual defendants "engaged in lucrative insider sales," making \$31 million off selling the company's shares before the accounting adjustment was announced.

Since the accounting change was announced, Parmar said, the company and some of its leaders had been hit with a proposed securities class action in connection with the same events.

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

Parmar is represented by Timothy Brown of the Brown Law Firm PC and David G. Browne of Spiro & Browne PLC.

Counsel information for the defendants wasn't immediately available Friday.

The case is Parmar v. Saylor et al., case number 1:25-cv-01040, in the U.S. District Court for the Eastern District of Virginia.

--Editing by Michael Watanabe.

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Legal And Finance Influencer To Settle Over FTX Promotion

By **Aislinn Keely**

Law360 (June 20, 2025, 9:33 PM EDT) -- Attorney and personal finance influencer Erika Kullberg and the talent agency she founded have reached a deal with FTX investors over their alleged roles promoting the now-collapsed crypto exchange.

Plaintiffs in the ongoing multidistrict litigation over FTX's collapse told a Florida federal judge they've reached a deal with Kullberg and her talent firm, Creators Agency LLC, to resolve the claims against them, though the terms will remain confidential until the parties seek preliminary approval of the settlement.

The deal would resolve claims that Kullberg and Creators Agency promoted unregistered securities sold by FTX and misled investors, who ultimately felt the fallout when fraud and mismanagement destroyed the exchange in November 2022.

Kullberg and Creators Agency were initially named **in a suit** from FTX investors targeting various YouTube influencers, alleging they promoted FTX investment products without disclosing compensation deals. That suit, Garrison et al. v. Paffrath et al., was rolled into a multidistrict litigation over the FTX collapse.

A 519-page amended complaint in the MDL filed in May said Kullberg, Creators Agency and other social media influencers "played a major role in the FTX disaster" as they allegedly "hyped the FTX platform for undisclosed payments ranging from tens of thousands of dollars to multimillion-dollar bribes."

The amended complaint asserted that "many of the most famous finance and money social media influencers collaborated with FTX, working under the umbrella of defendant, Creators Agency."

"Though not all Creative Agency clients endorsed FTX, many of the talent it manages — including certain of the defendants — netted hundreds of thousands, if not millions of dollars from signed contracts procured and/or facilitated by the agency," the amended complaint said.

According to a footnote in the amended complaint, Creators Agency and Kullberg settled the claims against them before the amended complaint was filed on May 28. Wednesday's notice said the parties executed the agreement on June 11.

Kullberg's LinkedIn profile says she is a "lawyer and money expert" with over 21 million social media followers. She has clerked at the Federal Communications Commission, served as a startup legal adviser at Foley & Lardner LLP and worked as a corporate attorney at Morrison Foerster LLP before leaving to focus on her own business ventures in 2019, according to the profile.

Beyond Kullberg and the talent agency, the suit also targets YouTube finance personalities Graham Stephan, Andrei Jikh, Jaspreet Singh, Brian Jung, Jeremy Lefebvre and Tom Nash, who each maintain hundreds of thousands of subscribers on the online video platform.

The investors settled with **YouTube influencer Kevin Paffrath** in June 2023 over his alleged promotions of FTX. At the time, the investors' attorney, Adam Moskowitz of the Moskowitz Law Firm PLLC, told Law360 to expect similar settlements with FTX influencers.

Moskowitz and counsel for Kullberg did not immediately respond to requests for comment Friday.

In addition to those who allegedly promoted FTX to their YouTube subscribers, the multidistrict litigation continues to pursue claims against celebrity promoters, including former NFL quarterback Tom Brady and his ex-wife model Gisele Bündchen, basketball star Stephen Curry, MLB star Shohei Ohtani, and comedian Larry David.

Retired NBA star Shaquille O'Neal **agreed** to pay \$1.8 million over the promotion claims against him in a settlement made public earlier this month.

The plaintiffs are represented by Adam M. Moskowitz and Joseph M. Kaye of The Moskowitz Law Firm PLLC.

Kullberg and Creators Agency is represented by Jose G. Sepulveda of Stearns Weaver Miller Weissler Alhadeff & Sitterson PA and Derek Adams of Potomac Law Group PLLC.

The case is In Re: FTX Cryptocurrency Exchange Collapse Litigation, case number 1:23-md-03076, in the U.S. District Court for the Southern District of Florida.

--Additional reporting by David Minsky and Carolina Bolado. Editing by Drashti Mehta.

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Meta Enables Investment Scams Via Facebook Ads, Suit Says

By **Rae Ann Varona**

Law360 (June 20, 2025, 10:23 PM EDT) -- Facebook and Instagram users Friday lodged a putative class action accusing Meta of turning a blind eye to scam advertisements on its platforms, telling a California federal court the social media giant enabled a Chinese penny stock investment scam that cost victim investors at least \$300 million.

The social media users and alleged scam victims — including a lieutenant colonel in the U.S. Air Force, a Los Angeles County fire captain and a retired tech executive — accuse Meta Platforms Inc. of courting scammers and allowing them to benefit from its advertising tools and its "advanced targeting technology."

The plaintiffs say they alone lost more than \$3 million in total from investing in a fraud scheme carried out by China-based educational services provider China Liberal Education Holdings Ltd. and advertised on Facebook and Instagram.

"If not for Meta's advertising tools, the CLEU scammers would not have been able to accomplish their scheme on the scale and with the efficiency they achieved," the investors argue.

The investors accuse Meta of aiding and abetting fraud, breach of contract, negligence, unjust enrichment and violating California's Unruh Civil Rights Act.

They seek to represent a class of those who were "lured into investing" in the penny stock between the short period of Jan. 22 and Jan. 30 as a result of fraudulent advertisements on Facebook and Instagram, and who suffered losses as a result.

The investors say in their suit that while Meta has made significant investments into advertising services, it "failed to take meaningful action to prevent fraudulent advertisements, allowing its advanced targeting technology to inure to the benefit of scammers who now have proliferated on Meta's platforms."

Meta, they say, has long been aware that scammers use ads on its social media platforms, yet the tech giant has refused to make meaningful investments into technology and personnel to monitor, detect and remove scam ads.

The investors contend that while Meta has allowed investment scam ads to thrive, users of its platforms have meanwhile become targets for scammers who impersonate celebrities, well-known investors and legitimate financial advisory firms.

The investors say they personally became victims of the CLEU investment scam allegedly carried out by an organized criminal network operating out of China, Taiwan and Malaysia. Seven individuals from Malaysia and Taiwan are facing criminal **charges** in Chicago federal court for allegedly posing online as U.S.-based investment advisers and artificially raising the CLEU stock price.

Scammers had used Meta's advertising tools to target victims by putting out ads for investment clubs purportedly associated with celebrities like Shark Tank's Kevin O'Leary, social media personality and podcast host Dave Portnoy and conservative political commentator Tucker Carlson, the investors say in their complaint.

Ads also featured well-known investors from Charles Swab or other reputable financial advisory firms, they state.

The investors say victims who clicked on ads were then added to groups on Meta's WhatsApp messaging app, where scammers posed as financial advisers and encouraged victims to purchase securities at prices the scammers were manipulating.

The investors say that beginning Jan. 22, scammers recommended they buy shares of CLEU, which they said had publicly reported having 29 million outstanding shares despite having secretly issued 240 million additional shares to scammers in a private offering in late December 2024.

According to their complaint, LA County Fire Captain Joshua Bouck had lost more than \$865,000 from the pump and dump scheme. He has since taken out a home equity loan and been working "endless overtime" to recover his losses, the complaint states.

Atul Shah, another investor and an immigrant who now operates a small dry cleaning business, had, with his wife, lost roughly \$1.8 million from the scheme, including all of their retirement savings accumulated over the last 30 years, according to the investors' complaint.

The investors say that while Meta's "community standard" states it does not allow content attempting to scam or defraud users by offering get-rich-quick investment opportunities, Meta nevertheless allowed ads by the CLEU scammers that "plainly violate this policy."

Ads featuring a purported O'Leary investment club, for instance, promised that an investment of \$100,000 would increase by \$220,000, the investor says.

"Meta allowed these ads even though it long has been aware that its social media platforms were being used to carry out investment scams," they assert.

The plaintiffs say Meta not only allowed scam ads but also "assisted in developing the scam ads and targeting vulnerable users."

"Meta actively assisted the CLEU scammers in luring victims into their scheme through Meta's advertising tools, including Ads Manager, and access to customer data, which allowed the ads to target specific subsets of customers with known vulnerabilities with accuracy and efficiency that would have been impossible without Meta's assistance," they contend.

The putative class action comes as attorneys general from several states and territories, as well as Washington, D.C., sent an **open letter** to Meta earlier this month, urging it to help counter the spread of investment scams on Facebook and WhatsApp.

New York State Attorney General Letitia James said in a press release that scammers promoted investment groups and featured images of magnates like Warren Buffett, Elon Musk and Andrew Sorkin.

Like the investors' complaint, the attorneys general said users who clicked the ads were then prompted to download WhatsApp to join a group.

Counsel for the investors declined to comment Friday evening.

Meta did not immediately respond to a request for comment Friday.

The investors are represented by Leonid Kandinov, Aaron T. Morris, Andrew W. Robertson and William H. Spruance of Morris Kandinov LLP.

Counsel information for Meta was not immediately available.

The case is Joshua Bouck et al. v. Meta Platforms Inc., case number 3:25-cv-05194, in the U.S. District Court for the Northern District of California.

--Additional reporting by Celeste Bott and Abigail Harrison. Editing by Kristen Becker.



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Investor Can't Get Emergency Injunction In Sinovac Battle

By **Katryna Perera**

Law360 (June 20, 2025, 6:34 PM EDT) -- A New York federal judge will not grant an investor an emergency injunction to preserve the status quo as it pursues arbitration in Hong Kong or Beijing stemming from a bitter, yearslong battle for control of Chinese vaccine maker Sinovac, saying the investors have not demonstrated a likelihood of "irreparable harm."

U.S. District Judge Ronnie Abrams issued an **opinion and order** declining Prime Success Inc.'s petition for a preliminary injunction in aid of arbitration.

Prime Success LP, which owns approximately 8.14% of Sinovac Biotech Ltd.'s stock and describes itself as a "major" shareholder in the Chinese pharmaceutical giant, argued in its petition, **filed last week**, that it needs the court's help as it pursues the arbitrations over actions by "hostile activist shareholders" to deprive Prime Success of both its right to vote and also hundreds of millions of dollars in dividends.

Sinovac has now, at the direction of those shareholders, initiated litigation in Antigua seeking to avoid the arbitrations, Prime Success told the court.

Therefore, Prime Success sought orders barring Sinovac from taking any action to deprive it of its rights as a shareholder and prohibiting the Chinese company from pursuing the litigation in Antigua.

However, on Thursday, Judge Abrams said that because Prime Success has not asked the court to rule on arbitrability and has not moved to compel arbitration, if the court were to grant a preliminary injunction, it would not dispose of the issues in the Antiguan action.

"Even if the court granted a preliminary injunction, its decision would be neither a 'ruling on arbitrability,' nor 'dispositive' of the issues in the Antiguan action, and instead 'only a prediction about the merits of the case,'" the opinion states. "Because there is no question before the court that would dispose of the issues in the Antiguan action, Prime Success has failed to satisfy a threshold requirement for an anti-suit injunction."

It also appears that Prime Success would be unable to bring a motion to compel arbitration, the judge said, since any such motion would be futile since the respondents have not yet refused to participate in any such proceedings.

According to the opinion, Prime Success also sought a preliminary injunction to maintain the status quo pending arbitration in Hong Kong. However, Judge Abrams said that since he denied the company's request for an anti-suit injunction, the court "will not otherwise issue an injunction that would impair respondents' ability to take actions authorized by the Antiguan court — which would effectively constitute an anti-suit injunction."

A preliminary injunction to maintain the status quo would be warranted if Prime Success showed that it would suffer irreparable harm without it, and the company has argued that it will because Sinovac and the other defendants have "threatened" to "us[e] self-help."

According to the opinion, Prime Success has offered little evidence to support this claim and the statements made by the defendants that it points to as evidence are insufficient.

"These statements do not establish that respondents are likely to 'us[e] self-help' to deprive Prime Success of its shareholder rights. To the contrary, they suggest that respondents will act only to the extent authorized by the Antiguan court," the opinion states. "The possibility that respondents may act in contravention of or absent a ruling from the Antiguan court is therefore both speculative and remote."

In a statement to Law360 on Friday, a Sinovac spokesperson said the company is pleased to have prevailed in the lawsuit.

"We will continue our mission to restore fairness and deliver value to all Sinovac shareholders ... while Prime Success and Vivo Capital continue to wage a self-serving, multi-pronged lawfare strategy against Sinovac, we are fighting back, and winning. We feel certain that we will prevail against any further legal action and look forward to ensuring all shareholders get their fair share," the spokesperson said.

Counsel for Prime Success declined to comment on Friday.

The alleged "hostile activist shareholders" that are the focus of Prime Success' suit include embattled firm 1Globe Capital LLC, which, alongside its owner Jiaqiang "Chiang" Li, **agreed** in 2020 to pay \$290,000 to settle U.S. Securities and Exchange Commission claims that they failed to disclose their increasing stake in Sinovac as they sought to clean house at the Chinese biopharmaceutical company through an attempted board takeover.

1Globe and another investor, OrbiMed Advisors LLC and OrbiMed Capital LLC, currently control three of the company's four directors, giving them plenary power over the company, Prime Success' petition said.

Sinovac has publicly told investors that Prime Success and another investor involved in the Hong Kong arbitration, Vivo Capital LLC, had launched a "hostile attempt to remove the Sinovac board."

"Prime Success and Vivo Capital are not legitimate shareholders of the company," Sinovac said in a statement to investors. "Their ownership is the result of an invalid private investment in public equity, which is in the process of being unwound."

Sinovac said this prior investment was authorized by an "illegitimate former board."

Prime Success first invested in Sinovac in 2018, with an initial purchase of \$43 million in company shares, according to the petition. It followed this up with another \$7.5 million investment in May 2020, funds that were earmarked for research into a COVID-19 vaccine, Prime Success told the court. Sinovac subsequently developed a COVID-19 vaccine called CoronaVac, which became the most widely used COVID vaccine in the world, the petition says.

The company alleged that 1Globe and the OrbiMed entities were trying to seize all the value created by its investments. These investors have initiated litigation in Antigua to invalidate investment agreements inked by Prime Success and Vivo Capital, according to Prime Success.

These investment agreements and other documents inked by the companies stipulate that disputes are to be resolved by the Hong Kong International Arbitration Centre under Hong Kong law or the China International Economic and Trade Arbitration Commission in Beijing, according to the petition.

In January, the final appellate court of the Antigua court system — the Privy Council in London — concluded that a group of "incumbent directors" of the company that included Sinovac chairman and CEO Weidong Yin were "imposters." The court also concluded that a group of "new directors" — which included the manager of a company affiliated with 1Globe — did not do anything unlawful when they voted during a 2018 meeting to remove the incumbent directors without prior notice to the company, the incumbent directors or their fellow shareholders.

Weeks later, Sinovac announced it had formed a new board led by 1Globe owner Jiaqiang "Chiang" Li.

Prime Success is represented by K. McKenzie Anderson, Michael Swartz, Rachel E. Epstein, Morgan L. Anastasio, B. Dylan Proctor, Zach Meeker, Sarah Heaton Concannon and Gregg Badichuk of Quinn

Emanuel Urquhart & Sullivan LLP.

Sinovac and 1Globe Capital LLC are represented by Morris J. Fodeman, Sheryl Shapiro Bassin and Alexander Luhning of Wilson Sonsini Goodrich & Rosati.

OrbiMed Advisors LLC, OrbiMed Capital LLC and OrbiMed Partners Masters Fund Limited are represented by Matthew L. Craner and Daniel Kahn of Allen Overy Shearman Sterling US LLP.

The case is Prime Success LP v. Sinovac Biotech Ltd. et al., case number 1:25-cv-04989, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Caroline Simson. Editing by Vaqas Asghar.

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2nd Purdue Plan Heading For Creditor Vote, Nov. Hearing

By **Rick Archer**

Law360 (June 20, 2025, 6:34 PM EDT) -- A New York bankruptcy judge Friday set OxyContin maker Purdue Pharma's second try at a bankruptcy plan on course for a November confirmation hearing, clearing the plan disclosure statement to be sent out for a creditor vote.

U.S. Bankruptcy Judge Sean H. Lane said the approval of the plan disclosure statement was a "really important step" as Purdue approaches its sixth year in Chapter 11.

"No one is happy about the delay and everyone agrees we should move forward as quickly as we can," he said.

Under Purdue's latest plan, **unveiled in March**, its former owners in the Sackler family will contribute \$2 billion more than they had agreed to pay under an **earlier deal** that a New York bankruptcy court approved in 2021. The company declared bankruptcy in the face of massive liability claims over its efforts to boost the sale of opioids.

Once that bankruptcy court decision was appealed by opposing states and by the U.S. Trustee's Office, the U.S. Supreme Court took up the issue, deciding in **June 2024** that the Bankruptcy Code did not authorize the kind of nonconsensual third-party releases contained in Purdue's 2021 plan. The high court effectively said Chapter 11 plans cannot extinguish claims against nondebtors without the consent of claim holders.

The disclosure statement approved Friday said that under the new plan, up to \$8 billion will be available to creditors, with members of the Sackler family contributing up to \$7 billion over the course of 15 years.

Unlike the plan the justices rejected, the new plan gives individual claimants the option to either opt into releases of claims against third parties and receive higher recoveries or pursue their claims against third parties outside the bankruptcy proceedings.

Judge Lane heard arguments on the disclosure statement **Wednesday**, but counsel for Purdue asked for another day to resolve some uncertain areas of the plan. On Friday, Purdue counsel Marshall Huebner said it was still working on some provisions regarding attorney fees, but that these would have no effect on creditors and the changes would be added before the plan is sent out for a vote.

Judge Lane found the disclosure statement contained adequate information and that the plan was not "patently unconfirmable." He overrode a number of objections, primarily from pro se opioid injury claimants.

The judge said he was "sympathetic" to arguments the plan does not do enough to address the opioid epidemic, but that the court is limited to deciding how Purdue's available assets are distributed.

"Sadly, it is not a crisis the court has the power to fix," he said.

He noted in response to some filings calling for criminal charges against members of the Sackler family that the plan does not preclude criminal prosecutions of any parties, but that it would be a matter for law enforcement.

Heubner noted Purdue **pled guilty** to felony charges stemming from its opioid sales in 2020. The plea calls for the reorganization of Purdue to a public benefit company, a provision included in the bankruptcy plan.

Judge Lane separately approved an order setting a confirmation schedule for the plan, with a confirmation objection deadline of Sept. 25, a creditor voting deadline of Sept. 30 and a confirmation hearing on Nov. 10.

Purdue is represented by Marshall S. Huebner, Benjamin S. Kaminetzky, Eli J. Vonnegut and Christopher S. Robertson of Davis Polk & Wardwell LLP.

The case is In re: Purdue Pharma LP, case number 7:19-bk-23649, in the U.S. Bankruptcy Court for the Southern District of New York.

--Additional reporting by Alex Wittenberg and Vince Sullivan. Editing by Michael Watanabe.

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Apple Opposes Class Cert. Bid In Mobile Wallet Monopoly Suit

By **Katryna Perera**

Law360 (June 20, 2025, 8:23 PM EDT) -- Apple Inc. has pushed back against a bid for class certification in a suit accusing it of unlawfully monopolizing the "tap and pay" mobile wallet market for its own devices by blocking competition, saying the bid does not offer common evidence to support the plaintiffs' various claims.

Apple filed its **opposition** Wednesday, saying the lead plaintiffs' motion for class certification should be rejected because they have not satisfied their burden of proving predominance.

According to the filing, the plaintiffs have not provided common evidence to support their single-brand aftermarket theory, which accuses Apple of monopolizing the aftermarket for tap-and-pay iOS mobile wallets through Apple Pay.

The lawsuit, launched by Des Moines, Iowa-based Affinity Credit Union in July 2022, is on behalf of a proposed class of issuers, including banks, credit unions and other institutions offering payment cards enabled for Apple Pay.

The lawsuit claims Apple has market power in the United States for its mobile devices — such as the iPhone, iPad and Apple Watch — and requires its mobile device customers to use its Apple Pay wallet while other competing smartphones, like Google's Android devices, allow users to select among competing mobile wallets, including Google Pay and Samsung Pay.

The suit claims Apple ensures the dominance of its wallet by tying it to iOS devices and excluding rivals, adding that the company then charges payment card issuers excessive fees that no other mobile wallet ventures impose.

The credit union also claims Apple prevents U.S.-based card issuers from passing Apple Pay's fees on to consumers, so those card issuers aren't able to encourage cardholders to use modes of payment that wouldn't cost the card issuer.

Apple argues in its Wednesday filing that the plaintiffs need to present common evidence to "rebut the economic presumption that ... [class members] make a knowing choice to restrict their aftermarket options," and that class members would have faced significant costs if they switched mobile wallets, among other things.

However, the plaintiffs "do not provide any method, let alone a common method, to show class members were unaware of Apple Pay's restrictions when they agreed to participate in Apple Pay or that they faced switching costs," the filing states. On this basis alone, class certification should be denied, Apple argues.

Additionally, the company contends that the plaintiffs have not shown that classwide impact, injury or defenses can be determined without individualized inquiries.

According to the opinion, the proposal offered by the plaintiffs' expert to show that class members pass Apple Pay fees onto cardholders would require individualized inquiries, which would also be necessary to determine whether each class member's claim is time-barred.

"[The proposed class includes] numerous class members whose claims are facially time-barred and

who would need to present individualized proof to overcome the Clayton Act's four-year statute of limitations," the filing states.

"Individual class members might seek to argue that their particular claim was tolled based on a contract amendment or some other idiosyncratic act, but that proof would be highly individualized and would require class member-specific evidence and thousands of mini trials," the filing further states.

The plaintiffs' bid for certification comes after a California federal judge **ruled in 2023** that the suit sufficiently alleged a relevant aftermarket under antitrust law. The judge said the credit union plaintiffs also plausibly alleged that Apple Pay charges arbitrary and inflated fees to issuers, and that competition in the tap-and-pay iOS mobile wallet market would spur innovation and lead to lower prices.

However, U.S. District Judge Jeffrey S. White also concluded that the credit unions have not sufficiently alleged that the tie between iOS devices and Apple Pay constrains their choice of tap-and-pay iOS mobile wallets, and that they have absorbed higher transaction fees than they would pay in a market without a tie.

Mobile wallet payments are accomplished through a technology known as "near-field communication" that uses a chip that sends a payment from the smart device to an NFC-enabled payment terminal. More than 90% of U.S. retailers accept mobile wallets, and at least 70% of Americans use them, the lawsuit notes. The credit unions add that the convenient payment system is a trillion-dollar industry that's rapidly growing.

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

The credit unions are represented by Steve W. Berman and Ben M. Harrington of Hagens Berman Sobol Shapiro LLP, and Eamon P. Kelly, Joseph M. Vanek, Jeffrey H. Bergman and Phillip F. Cramer of Sperling Kenny Nachwalter LLC.

Apple is represented by Belinda S. Lee, Sarah M. Ray, Aaron T. Chiu and Alicia R. Jovais of Latham & Watkins LLP.

The case is Affinity Credit Union v. Apple Inc., case number 4:22-cv-04174, in the U.S. District Court for the Northern District of California.

--Additional reporting by Dorothy Atkins. Editing by Kristen Becker.



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9th Circ. Says NY Claims Against Hyundai Raise 'Novel' Issue

By **Bonnie Eslinger**

Law360 (June 20, 2025, 8:43 PM EDT) -- A split panel of the Ninth Circuit Friday refused to toss negligence claims from cities in Ohio and Wisconsin in consolidated litigation alleging Hyundai and Kia, of which Hyundai is a major shareholder, sold vehicles with design flaws that enabled car thefts nationwide, but said negligence claims under New York law "raise a novel issue" of state law.

In a published **order**, the majority of a three-judge panel asked the New York Court of Appeals to weigh in on whether auto manufacturers owe the municipalities in the state that sued "a duty to exercise reasonable care in the design, manufacture, and distribution of their vehicles."

The multidistrict litigation is between municipalities in seven states against Hyundai Motors America Inc. and Kia America Inc. for what the cities described as injuries arising out of the thefts of certain vehicles manufactured and distributed between 2011 and 2022. The appeal challenged a district court decision involving cities in just three of the states: Ohio, Wisconsin and New York.

In a separately filed **memo** of disposition, the panel's majority backed the lower court's decision denying the automakers' bid to toss the municipalities' negligence claims under Ohio and Wisconsin laws.

The interlocutory appeal turned on the element of "duty" in the negligence claims.

"The viability of the New York municipalities' negligence claims depends on whether a duty exists ... and there is no controlling New York precedent recognizing or rejecting the duty that the New York municipalities assert here," U.S. Circuit Judges Mary H. Murguia and Jennifer Sung said in the majority decision.

That's what led to the panel decision to certify its question to New York's highest court.

U.S. Circuit Judge Bridget S. Bade dissented on both decisions, saying the municipalities' state law claims are preempted by federal motor vehicle safety standards.

In finding the municipalities had sufficiently stated negligence claims against the auto manufacturers under Wisconsin law, the Ninth Circuit decision cited a 2000 decision from the Wisconsin Supreme Court in *Jankee v. Clark County*, a case involving a mentally disabled patient. The Wisconsin high court found "every person owes a duty to the world at large to protect others from foreseeable harm." A defendant therefore owes a plaintiff a duty of care when it is foreseeable to a defendant that they might cause harm, the Ninth Circuit said.

For similar reasons, the federal appellate panel also affirmed the district court's denial of the carmakers' motion to dismiss the municipalities' negligence claims under Ohio law.

"In an analogous case, the Ohio Supreme Court upheld a negligence claim brought by the city of Cincinnati against gun manufacturers," the panel's majority said, pointing to the 2002 decision in *Cincinnati v. Beretta USA Corp.*

In that case, Ohio's top court concluded that the manufacturers were liable if they were "themselves negligent by manufacturing, marketing, and distributing firearms" in a way that created an illegal firearms market that resulted "in foreseeable injury."

In New York, however, there have not been a comparable ruling, according to the majority decision.

"We do not believe that the New York Court of Appeals, or any New York court, has resolved these issues as they relate to the determinative question of whether the manufacturers owe the New York municipalities a duty to reasonably design, manufacture, and distribute their vehicles," Judges Murguia and Sung said.

The MDL accuses Hyundai and Kia of pursuing profits over safety by failing to outfit millions of model years 2011–2022 vehicles with industry-standard engine immobilizers to ensure the cars cannot be started without their keys. The MDL also encompassed claims from hundreds of insurers that sued to recover at least some of the more than \$1 billion they contend they paid in claims and adjustments in response to the wave of thefts.

The local governments in the case are seeking to have Hyundai and Kia reimburse them for the costs of responding to car thefts committed after a viral TikTok trend popularized tips for breaking into their cars.

During **oral arguments** in April 2025 before the Ninth Circuit, Christopher Michel of Quinn Emanuel Urquhart & Sullivan LLP, a lawyer representing Hyundai and Kia, said the negligence claims are barred because there is no duty to protect against harms caused by third-party crimes unless there is a relationship between the defendant and the plaintiff or the bad actor.

"There is no dispute that our vehicles complied with all applicable federal anti-theft standards at all relevant times," Michel told the panel. "We are here today because criminals targeted those vehicles following unprecedented online videos promoting theft."

The cities that have sued are not the automakers' customers and have no relationship with Hyundai or Kia, the attorney argued.

"They are large cities across the country seeking relief for the cost of police response and other government services," Michel told the court. "They are foreclosed by one rule: A defendant has no duty to protect a plaintiff against harm from third-party criminal conduct, absent a special relationship."

Counsel for the plaintiffs, Benjamin Gould of Keller Rohrbach LLP, said the automakers do owe the municipalities a duty of care.

"Under defendant's argument, a carmaker has no duty at all to exercise reasonable care in equipping its vehicles with an anti-theft measure, no matter how glaring the risk of theft," Gould said. "But that's not the law in the jurisdictions here."

With regard to foreseeability, the thefts are the logical outcome of the automakers' negligence, Gould asserted.

"If you do not exercise reasonable care in designing, manufacturing and distributing anti-theft equipment in a vehicle, theft is not merely foreseeable; it's inevitable," the lawyer said.

Gould also took on the automakers' preemption argument, saying the anti-theft measures sought by the plaintiffs are not contrary to the aim of the relevant anti-theft federal motor vehicle safety standard.

"There is no specification of the particular equipment that has to be there, just the effect," he told the panel.

Hyundai has publicly said it has provided no-cost, anti-theft solutions to more than a million affected vehicles, provided thousands of no-cost steering wheel locks for distribution, and connected law enforcement agencies with local dealers in their area that perform the software upgrade preventing the vulnerable feature thieves exploited and popularized on social media.

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

Circuit rulings.

In October, U.S. District Judge James V. Selna granted final approval to a **\$145 million settlement** that closed out **consumers' claims** in the MDL.

U.S. Circuit Judges Mary H. Murguia, Jennifer Sung and Bridget S. Bade sat on the panel for the Ninth Circuit

Hyundai Motor America and Kia Motor America are represented by John B. Quinn, Steven G. Madison, Justin C. Griffin and Christopher G. Michel of Quinn Emanuel Urquhart & Sullivan LLP.

The municipalities are represented by Gretchen Freeman Cappio, Benjamin Gould, Ryan McDevitt and Garrett Heilman of Keller Rohrback LLP.

The case is City of Buffalo et al. v. Hyundai Motor America Inc. et al., case number 24-2350, in the U.S. Court of Appeals for the Ninth Circuit.

--Editing by Covey Son.

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Healthcare Suit Financer Faces New Suit Over Data Breach

By **Sydney Price**

Law360 (June 20, 2025, 9:46 PM EDT) -- Omni Healthcare Financial, which provides financial services to healthcare companies facing personal injury suits, has been hit with a fresh proposed class action alleging it allowed hackers access to health records and other personal information of more than 16,000 individuals in a data breach last year.

According to the complaint filed by Kiana Brown, which was removed to North Carolina federal court on Wednesday, Omni Healthcare buys patients' liens from healthcare providers to pay for ongoing care and is repaid from settlement proceeds.

The suit also names Injury Finance LLC, a company that merged with Omni Healthcare in 2021. The companies were hit with a **similar suit** in April.

Brown alleges Omni Healthcare's data servers were breached in January 2024, allowing hackers to steal personally identifiable information — including information regarding treatment costs, medical diagnoses and Social Security numbers. Affected patients did not learn of the alleged hacking until approximately two months ago, which was more than a year after the breach occurred, according to the suit.

The suit alleges Omni Healthcare violated industry standards when it "affirmatively chose" not to implement multifactor authentication for the employee and agent user accounts involved in the breach and did not follow the "principle of least privilege," which asserts users should only have access to the minimum amount of information necessary to perform their role.

"These violations were compounded by OMNI's affirmative choices to implement weak password practices, decline to adequately train employees, fail to patch known vulnerabilities, rely on poor access controls, use inadequate data encryption, neglect system updates, and remain susceptible to social engineering, phishing attacks, insider threats, and insufficient monitoring," the suit states.

Omni Healthcare represented that clients had the right to expect all communications and records related to "services, financial and medical transactions" to be treated as confidential, the suit alleges.

Brown accuses Omni Healthcare of violating North Carolina law, breach of implied contract, breach of the implied covenant of good faith, and fair dealing and unjust enrichment.

She seeks to represent a class of U.S. residents who received a notification from Omni Healthcare that their personal information had been accessed in the January 2024 breach.

"Plaintiff and Class members suffered damages, including out-of-pocket costs, time and effort expended to monitor and protect their identities, loss of the benefit of the bargain, and the diminished value of their [protected health information and personally identifiable information,]" the suit states.

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

Brown is represented by DaQuan Blyther of The Solomon Law Group and Thiago M. Coelho, Chumahan B. Bowen and Jennifer Leinbach of Wilshire Law Firm PLC.

Counsel information for the defendants was not immediately available Friday.

The case is Brown v. Omni Healthcare Financial Holdings et al., case number 3:25-cv-00428, in the U.S. District Court for the Western District of North Carolina.

--Editing by Michael Watanabe.

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AT&T Customers' \$177M Data Breach Deal Wins Initial OK

By **Lauren Berg**

Law360 (June 20, 2025, 11:23 PM EDT) -- A Texas federal judge Friday gave her initial blessing to a \$177 million settlement resolving a flood of claims accusing AT&T Inc. of failing to safeguard customers' sensitive information during two separate incidents that exposed the data of tens of millions of people.



AT&T said it denies the allegations at the center of a \$177 million settlement over two data breaches and that it remains committed to protecting customers' data. (Photo by Smith Collection/Gado/Getty Images)

U.S. District Judge Ada E. Brown, in a 19-page **order**, granted **preliminary approval** to the proposed \$177 million settlement, which will be split into \$149 million for those customers whose information was released on the dark web, known as the AT&T 1 settlement class, and \$28 million for those customers whose call log data was illegally accessed, or the AT&T 2 settlement class.

Finding the proposed deal to be "fair, reasonable and adequate, and in the best interest of the named plaintiffs and the settlement classes," Judge Brown stayed the proceedings and set a final approval hearing for December.

"The court and parties worked hard to forge a solution that will resolve most claims," W. Mark Lanier of The Lanier Law Firm PC, counsel for the AT&T 1 class, told Law360 on Friday. "This is justice delivered in a prompt fashion."

AT&T told Law360 in a statement Friday, "While we deny the allegations in these lawsuits that we were responsible for these criminal acts, we have agreed to this settlement to avoid the expense and

uncertainty of protracted litigation. We remain committed to protecting our customers' data and ensuring their continued trust in us."

Counsel for the AT&T 2 class did not immediately respond to a request for comment.

The settlement aims to resolve a wave of litigation that swept in after AT&T in **March 2024 revealed** that personal information, including Social Security numbers, from more than 70 million past and current users had surfaced on the dark web.

Then, in July, AT&T disclosed that **hackers had downloaded** phone call and text message records belonging to "nearly all" the telecom giant's wireless customers at various times between May 2022 and early 2023, although the company stressed that the breached data did not include the contents of these communications or appear to be publicly available.

The litigation broadly alleged that a preventable cyberattack of such scale was enabled by AT&T's failure to use reasonable and appropriate security procedures and practices to protect private information that it required customers to hand over to use company services.

The telecommunications company, which should have known it might be targeted by a cyberattack, did not implement industry-standard measures and federal regulators' guidelines to safeguard customers' information, the litigation contended.

Multidistrict litigation was created in the Northern District of Texas before Judge Brown and in the District of Montana, including lawsuits against cloud platform Snowflake Inc., which stored the AT&T customers' data that was targeted by hackers.

According to the motion for preliminary approval of the settlement, filed at the end of May, the parties quickly got to work trying to hammer out an agreement to avoid the risk and expense of lengthy litigation.

Under the deal, \$177 million will be put into a fund to cover the settlement, attorney fees and expenses, among other costs. With documentation, members of the AT&T 1 class can seek up to \$5,000 for losses that occurred from 2019 and after, while members of the AT&T 2 class can seek up to \$2,500 for losses from April 14, 2024, and later, the motion states.

In addition to the cash payments, AT&T agreed to take steps to further secure customer information, according to the motion.

Class counsel intends to seek up to one-third of their respective settlement fund for attorney fees and expenses, the motion states.

The AT&T 1 class is represented by W. Mark Lanier of The Lanier Law Firm PC, Shauna Itri of Seeger Weiss LLP, James E. Cecchi of Carella Byrne Cecchi Olstein Brody & Agnello PC, Jean Sutton Martin of Morgan & Morgan PA and Sean S. Modjarrad of Modjarrad Abusaad & Said.

The AT&T 2 class is represented by Jeff Ostrow of Kopelowitz Ostrow PA, John Heenan of Heenan & Cook, Raphael Graybill of Graybill Law Firm PC, J. Devlan Geddes of Goetz Geddes & Gardner PC and Jason S. Rathod of Migliaccio & Rathod LLP.

AT&T is represented by Gilbert S. Keteltas, C. Shawn Cleveland and Tamara D. Baggett of BakerHostetler and Gregg J. Costa of Gibson Dunn & Crutcher LLP.

The case is In re: AT&T Inc. Customer Data Security Breach Litigation, case number 3:24-cv-00757, in the U.S. District Court for the Northern District of Texas.

--Additional reporting by Allison Grande and Hailey Konnath. Editing by Michael Watanabe.



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Judge Awards \$29.5M Counsel Fee For \$147.5M Class Deal

By **Abigail Harrison**

Law360 (June 20, 2025, 9:39 PM EDT) -- A Connecticut federal judge has given final approval to a \$147.5 million settlement for an insurance fee class while awarding \$29.5 million in attorney fees spread across three firms, marking a 5% reduction to the cut of the settlement counsel sought.

U.S. District Judge Michael P. Shea of the District of Connecticut put to bed nine years of litigation on Wednesday by ruling on a deal that will compensate about 191,000 individuals claiming that Connecticut General Life Insurance Co. and Lincoln National Life Insurance Co. overcharged them when deducting costs from savings accounts attached to universal life insurance policies.

The reduction to attorney fees for Stueve Siegel Hanson LLP and Schirger Feierabend LLC, which served as class counsel, and for objectors' counsel Susman Godfrey LLP followed **much contention** in late 2024 over the size of counsels' spoils. The jurist concluded that Susman Godfrey should share the total attorney fee, but that class counsel should get more.

The two class counsel firms had sought a \$36.9 million fee, representing a quarter of the class deal, and \$175,000 for expenses. The judge found the request to be mostly reasonable but differed with the firms' take on the complexity of the litigation, and accordingly whittled the award to \$29.5 million — representing 20% of the class settlement — plus the requested expenses. The two class counsel firms ended up with \$26.5 million in fees after Susman's take of the deal.

Susman had told the court last fall that it should reap over \$12 million in time and expenses litigating other suits involving life insurance policies issued or administered by Lincoln National. Judge Shea said that while the firm's work likely brought one of the insurers to the bargaining table sooner, the benefit to the overall class was limited. For that reason, he awarded Susman 10% of the \$29.5 million, or just over \$2.9 million, and outright denied its request for expense reimbursement.

In examining the requests from all three firms, Judge Shea considered the counsel fee evaluation standards set forth in the Second Circuit's ruling in the investor lawsuit **Goldberger v. Integrated Resources Inc.** in 2000.

Citing Goldberger, Judge Shea found that the two class counsel firms' fee bid was largely reasonable, mostly because of the risk of the litigation.

Stueve Siegel and Schirger Feierabend had sought 25% of the settlement fund, suggesting that the amount was already much lower than what they could seek under the agreement, as well as under the average award for this type of case. The firms said they spent over 5,800 hours on the case, to rise to 6,600 when considering future work protecting the settlement and promised appeal.

"That it was able to reach a \$147.5 million settlement — which it contends is among the largest cash settlements yet achieved in a [cost-of-insurance] case — after nine years of litigation, speaks volumes as to the quality of its representation, the magnitude of the litigation and the time and labor expended," Judge Shea said.

The firms' "genuine expertise" in other cost-of-insurance litigation speaks to the quality of their representation, but counsel was already awarded fees in other cases against the insurers, Judge Shea said. Giving the firm credit for the same work would be duplicative, he said.

But the judge disagreed that the complexities were substantial, instead finding that the broad strokes of the case are not unusual in class actions of this size. The case was also still far from trial, and the benefit of early settlement calls for a higher payment to the class, Judge Shea said.

As for Susman, Judge Shea found that the firm affected the settlement, but mainly in its timing. Susman worked on three related cases, one in the Southern District of New York and two in the Eastern District of Pennsylvania, involving Lincoln National. Those cases were filed at least two years after the start of the Connecticut case in 2016, according to the opinion.

Attorney fee awards can be doled out to attorneys who worked before certification, or represented objectors, but in order to reap the benefits, those attorneys have to provide specific evidence of work that benefited the class, according to the ruling.

The two class counsel firms previously argued that it was merely Susman's own "speculation" showing that the firm had in any way affected Lincoln National's decision to settle. Judge Shea agreed in part, noting that while none of Susman's work in other cases is "directly traceable" to the settlement, it likely affected the timing of Lincoln National's choice to settle. Further, the firm "played no litigating role" in the case until it showed up in objection, according to the opinion.

Lincoln National may have feared that Susman's clients would prevail using a framework that sought significantly higher damages, according to the ruling. Those cases were closer to trial than the suit in Connecticut, he added.

At the same time, Susman's part in the outcome should not be exaggerated, Judge Shea said, as the firm worked on behalf of only about half of the class and still had to overcome adversarial motions and prove its damages method, which had not yet been tested in any Second Circuit court.

He also noted that Susman's opposition delayed approval of the settlement, to the class' detriment. Susman's "extremely voluminous" briefings submitted to tank the settlement still do not override its positive contributions in other cases, but they did substantially reduce the firm's fee award.

However, Judge Shea said, he could not ignore the fact that Lincoln National entered into settlement talks with an interest in resolving the Connecticut case in a way that puts to bed the claims in another putative class. Essentially, Lincoln's interest in "global peace" signals it was motivated to settle, in some part, by other lawsuits Susman was involved in.

"This is enough for me to find that Susman's work in the related actions provided some benefit to the class, even if its work ultimately had only an indirect or background effect," Judge Shea said.

Judge Shea granted in full the \$25,000 requested for lead plaintiff Paulette Glover and \$10,000 for John Warehime, another plaintiff. But he shrunk the awards for the three named plaintiffs in the related litigation from the \$50,000 requested to just \$10,000 each, reasoning that not every action in those cases advanced this settlement.

"We respect the court's order and look forward to distributing funds to the class members," John J. Schirger and Norman E. Siegel said on behalf of the plaintiff in a statement to Law360.

The plaintiffs and settlement class are represented by Norman E. Siegel, Lindsay Todd Perkins and Ethan M. Lange of Stueve Siegel Hanson LLP, by John J. Schirger and Joseph M. Feierabend of Schirger Feierabend LLC, and by William G. Madsen of Madsen Prestley & Parenteau LLC.

Connecticut General is represented by Patrick W. Begos, Wystan M. Ackerman and Kevin P. Daly of Robinson & Cole LLP.

Lincoln National is represented by John F. LaSalle and Alan B. Vickery of Boies Schiller Flexner LLP, by Motty Shulman of Centricity Law PLLC, and by Dawn L. Rudenko of Holland & Knight LLP.

Objectors are represented by Steven G. Sklaver, Michael Adamson, Ryan Kirkpatrick, Zach Savage and Nicholas C. Carullo of Susman Godfrey LLP, and by Craig A. Raabe of Izard Kindall & Raabe LLP.

The case is Glover v. Connecticut General Life Insurance Co. et al., case number 3:16-cv-00827, in

the U.S. District Court for the District of Connecticut.

---Additional reporting by Brian Steele. Editing by Karin Roberts.

Correction: An earlier version of this article misstated the amount of the counsel fee reduction. The error has been corrected.

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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

'Absolutely Disgusting': Litigant's Stashed Gum Irks Judge

By **Hailey Konnath**

Law360 (June 20, 2025, 10:10 PM EDT) -- A Florida federal judge admonished a plaintiff for sticking her chewed gum to a courtroom table, leading to a federal prosecutor getting the gum stuck to her skirt later, calling it "absolutely disgusting" and saying he "never dreamed" he would have to "write an order like this."

U.S. District Judge T. Kent Wetherell II chastised Lorraine M. Padavan, who admitted to sticking the gum under the table during a hearing and penned an apology to the court as well as the assistant U.S. attorney who got the gum stuck to her skirt.

"I have served as a judge for over 23 years," Judge Wetherell said in the order, dated June 13. "I have never had to write an order like this, and I never dreamed that I would have to do so. But, unfortunately, I do."

Padavan, who lives in Pensacola, Florida, sued the trustee of her late husband's estate, claiming that the trustee took advantage of her husband while his health and mental capabilities declined to make "drastic" changes to his established estate plan.

According to Judge Wetherell's order, on June 12, he held a hearing on a motion to stay filed by the trustee, Linda Naugle. "The hearing was uneventful and concluded around 12:45 p.m.," the judge said.

Fifteen minutes later, Judge Wetherell had a sentencing hearing in the same courtroom. "That hearing too was uneventful — or so I thought," he said.

After the hearing, Judge Wetherell was told that an assistant U.S. attorney — sitting in the same chair that Padavan sat in — "got gum stuck on her skirt when she brushed her leg against the underside of counsel's table."

"The fact that there was chewed gum stuck under the table was absolutely disgusting," Judge Wetherell said. "It also reflected a contempt/disrespect for the court and court facilities that could not simply be ignored."

The judge said that the gum that wasn't stuck to the prosecutor's skirt was "still stuck to and hanging down from the table after the incident." That's how it was inferred that the gum had to have been stuck under the table during the prior hearing, he said.

"There had been no hearings in that courtroom since Tuesday, and the gum was still fresh and stringy," Judge Wetherell said.

The judge then issued a show cause order, asking Padavan to identify who stuck the gum to the table and argue why he shouldn't impose sanctions on the person who did. Padavan responded the next day, admitting that she "was the one person chewing gum at yesterday's hearing and was sincerely apologetic." She wrote an apology letter and asked her attorney, John H. Adams of GrayRobinson PA, to file it with the court and also share it with the assistant U.S. attorney who got the gum stuck to her skirt.

"Both the undersigned counsel and Mrs. Padavan sincerely apologize to the court and assure the

court that nothing like this will happen again," Adams wrote in the response.

In her apology, Padavan said she was chewing gum during the hearing because she was "unable to find a mint."

"While I intended to dispose of my gum by placing in my purse, I did place the gum under the table where I was sitting," she said. "I sincerely apologize."

Padavan offered to call the assistant U.S. attorney to personally apologize and also said she would cover the costs of cleaning the table and cleaning the prosecutor's skirt.

"I have great respect for the United States District Court and the United States Attorney's Office and apologize for my actions that gave rise to the court's show cause order," she wrote. "I further apologize to the court that the court has had to spend time addressing this matter."

Judge Wetherell said in his order later that day that he appreciated her "candor in admitting to what she did and her contrition for her actions." In a footnote, he said that things "would have been considerably worse for plaintiff had she not admitted it because the courtroom security video clearly shows her placing the gum under the table."

The judge agreed to discharge the show cause order with an admonishment. But he said in another footnote that "if anything like this happens again, I will come up with sanctions that are commensurate with the schoolchild-nature of the violation — maybe sitting in the courtroom under the supervision of a court security officer handwriting 'I will not stick my gum under a courtroom table again' 100 times on notebook paper; an afternoon of helping the court custodial staff clean the courtroom and adjacent public areas; and/or a couple hours of scraping gum off the sidewalk in front of the courthouse."

In her suit, Padavan said she and her late husband, Leonard Padavan, won \$96 million in the New York state lottery in 2021. The couple then completed estate planning to address their lottery winnings, she said. They lived in New York together until her husband moved to Florida in June of that year, according to the complaint. He still traveled between New York and Florida for years, she said.

Padavan said her husband had "significant health issues" that culminated in kidney failure and confusion. She said she managed his medications, daily needs and finances during this time. In November 2023, Naugle moved into Leonard Padavan's home, saying she needed to get away from her abusive husband, Lorraine Padavan said. Naugle then began controlling who Leonard Padavan could talk to, who could come in and out of his home and taking control of his assets, Lorraine Padavan said.

"It is the general consensus and common knowledge in the small community that Ms. Naugle became interested in pursuing a romantic relationship with Mr. Padavan because of his substantial winnings in the New York Lottery," Lorraine Padavan said. She noted that she and her husband were still married when he died in November last year.

Counsel for the parties didn't immediately respond to requests for comment late Friday.

Lorraine Padavan is represented by John H. Adams of GrayRobinson PA.

The trust is represented by Samantha M. Folkes and George R. Mead II of Moore Hill & Westmoreland.

The case is Lorraine M. Padavan v. Linda L. Naugle, case number 3:25-cv-00034, in the U.S. District Court for the Northern District of Florida.

--Editing by Jay Jackson Jr.



Portfolio Media, Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Attys Face Sanctions For 'Sweeping' Copying Of Firm's Motion

By **Dorothy Atkins**

Law360 (June 20, 2025, 6:07 PM EDT) -- A California federal judge has ordered The Neil Jones Food Co.'s defense counsel to explain why she shouldn't sanction them for filing a dismissal motion that appears to plagiarize a losing motion filed by another firm in another case in the district, slamming the "sweeping copy and paste" conduct as "patently unacceptable."

In a 6-page, June 16 order to show cause, U.S. District Judge Noël Wise denied Washington-based Neil Jones Food Co.'s motion to dismiss a proposed class action with prejudice for being filed too late. However, the judge also denied the motion because it has at least a dozen paragraphs that are "substantively identical and near word-for-word duplicates" of a motion filed by a different defendant — C&H Sugar — in another case, [Gutierrez v. C&H Sugar](#). 📌

"As noted in plaintiffs' opposition brief, whole sections of defendant's motion were lifted verbatim, without citation or attribution, from a motion in a different case, on behalf of a different defendant, represented by a different firm, and different attorneys," the order says.

The judge noted that the most "glaring sign" of the purported plagiarism is on the first page of Neil Jones Food's motion, in which the company references "Plaintiff Freddy Gutierrez," who is the plaintiff in the other case that was filed two years before the instant action involving different plaintiffs.

Judge Wise added that Neil Jones Food's defense counsel, David J. Weiland and Steven C. Clark of Coleman & Horowitz LLP, "remarkably" didn't even dispute or acknowledge the plagiarism allegations, which the plaintiffs pointed out in a footnote of their opposition, and she said it's "mystifying" why a party would "double-down on imprudence by reproducing a losing brief," which the other judge denied after being opposed two years ago by Gutierrez's counsel, who also represent the plaintiffs in this case.

"Perhaps plaintiff's reference to defendant's plagiarism of another firm's intellectual property went unnoticed by defendant, but it did not go unnoticed by the court," the order says.

Judge Wise ordered Neil Jones Food to respond to her order by July 14, and she required the company's counsel of record to personally attend a hearing on the order set for July 28 at 9 a.m. in her courtroom in San Jose, California.

The order to show cause is the latest development in a proposed class action filed in September by Joseph Vallejo, Victor Espericueta and Christopher Jones, accusing Neil Jones Food Co., which does business as San Benito Foods, of releasing noxious odors onto their properties and the surrounding area.

Neil Jones Food received extensions to respond to the allegations, but the company missed an April 6 filing deadline by a day, and instead filed four separate filings April 7, beginning with its motion to dismiss, according to the judge's order.

Judge Wise's order noted that less than 15 minutes later, the company also filed an answer to the complaint that it had just moved to dismiss, as well as a cross-complaint against third-party Sunnyslope County Water District. However, the cross-complaint accidentally omitted certain exhibits, and so Neil Jones Food filed an amended cross-complaint minutes later.

Judge Wise said the defendant's belated filings are "baffling," and initially it seemed unlikely that a defendant would concurrently file a motion and an answer to a complaint, since the federal Rules of Civil Procedure bar any motions to dismiss filed once an answer is lodged on the docket.

However, the judge noted that the company filed a timely reply to the opposition to its motion to dismiss, and never mentioned its answer to the complaint.

"The court can then only assume that defendant's perplexing choice to simultaneously file an answer, crossclaim, and an untimely motion to dismiss was intentional, even if inexplicable," the order says.

On Thursday, cross-defendant Sunnyslope County Water District filed its own motion to dismiss, arguing that Neil Jones Food's cross complaint asserts common law claims against the district even though a public entity under California state law cannot be liable for a common law claim and it's only subject to statutory violations. A hearing on that motion is currently set for Oct. 1.

Counsel for the plaintiffs and Niel Jones Food and representatives for Neil Jones Food didn't immediately respond to requests for comment Friday. Cross-defendant Sunnyslope County Water District's counsel declined to comment Friday.

Vallejo, Espericueta and Jones are represented by Steven D. Liddle, Laura L. Sheets and Matthew Z. Robb of Liddle Sheets PC and Mike M. Arias and Arnold C. Wang of Arias Sanguinetti Wang & Team LLP.

Neil Jones Food Co. is represented by David J. Weiland and Steven C. Clark of Coleman & Horowitz LLP.

Cross-defendant Sunnyslope County Water District is represented by Joseph A Salazar, Jr. of Lewis Brisbois Bisgaard Smith LLP.

The case is Joseph Vallejo et al. v. The Neil Jones Food Co., case number 5:24-cv-06835, in the U.S. District Court for the Northern District of California.

--Editing by Kelly Duncan.