

Securities Law News

Boeing Investor Class Victory Draws Questions in Safety Suit

July 28, 2025, 11:42 AM PDT

Boeing Co. shareholders wrongly earned class certification in a case over safety statements, a group of law professors and a trade group said.

The certification added to a troubling pattern of lower courts shirking a Supreme Court holding by which stockholders are supposed to pitch a classwide damages model that fits their lawsuit's theory of liability, the groups told the US Court of Appeals for the Fourth Circuit. The investors' expert copy-and-pasted a damages model that applies generally to securities fraud lawsuits and promised to devise one for this case later, undermining *Comcast Corp. v. Behrend*, said the separate amicus briefs filed July 25.

That proposal especially doesn't work here because the pension plans leading the case are relying on a "materialization of the risk" theory of losses rather than the typical "corrective disclosure" theory, said the professors' brief.

A 737 MAX 9 door panel blowing out on an Alaska Airlines flight in January 2024 sent share prices down after years of safety commitments that allegedly jacked up the stock price overtime. This contradicts the standard damages calculation the expert promised to use that back casts inflation as a constant, according to the professors, among them former SEC Commissioner Joseph A. Grundfest of Stanford Law School.

The window to check the classwide damages methodology generally closes at the certification stage because cases almost always settle after, the Securities Industry and Financial Markets Association's brief said.

Their briefs supporting Boeing asked the Fourth Circuit to reverse Judge Leonie M. Brinkema's approval of a shareholder class. The US District Court for the Eastern District of Virginia said the pension plans met their evidentiary burden, as the "out-of-pocket methodology" for measuring inflation is widely accepted as a traditional damages calculator.

Class Status on Appeal

Questions of what investors must demonstrate for class status have bubbled up to appellate courts since the 2013 high court ruling. Both amicus briefs pointed to certification being denied under Comcast in a securities suit filed against BP plc after the Deepwater Horizon oil spill. The theory of liability there was also risk materialization, and the lawsuit used the same expert, Chad Coffman.

“This is an important opportunity for the Fourth Circuit to clarify that Comcast’s classwide damages requirement applies equally to securities plaintiffs as it does to plaintiffs in other class action lawsuits,” said Todd G. Cosenza of Willkie Farr & Gallagher LLP, which represents the professors.

SIFMA’s represented by itself and Paul Hastings LLP. Labaton Keller Sucharow LLP and Robbins Geller Rudman & Dowd LLP are lead counsel for funds, Local #817 IBT Pension Fund and Rhode Island’s general treasurer, which sued on behalf of the state’s retirement system. Sullivan & Cromwell LLP and McGuireWoods LLP represent Boeing. None of these law firms immediately responded to emails seeking comment.

The case is In re: The Boeing Co. Sec. Litig. , 4th Cir., No. 25-01492, 7/25/25 .

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Class Action

Lockheed Investor Sues After Classified Program Profit Hit (3)

July 29, 2025, 5:56AM PDT; Updated: July 29, 2025, 9:33AM PDT

Summary by Bloomberg AI

AI Generated



- Lockheed Martin Corp. was accused in a proposed class action of overstating its abilities to review program requirements and deliver on contract commitments before its biggest stock drop in nearly four years.
- The company reported pre-tax losses of \$1.6 billion in the second quarter of 2025, with charges including \$950 million in an Aeronautics classified program and \$570 million and \$95 million for its helicopter development efforts with Canada and Turkey's governments.
- Investor Muhammad Khan seeks damages for alleged Securities Exchange Act of 1934 violations by the company and its executives, according to a complaint filed in the US District Court for the Southern District of New York.

Lockheed Martin Corp. was accused in a proposed class action of overstating its abilities to review program requirements and deliver on contract commitments before its biggest stock drop in nearly four years.

The defense contractor's stock price plummeted almost 11% to close at \$410.74 on July 22, the day Lockheed reported pre-tax losses of \$1.6 billion in the second quarter of 2025. It was the stock's steepest single-day slide since October 2021, according to data compiled by Bloomberg.

Among the charges announced last week were \$950 million in an Aeronautics classified program due to performance issues and \$570 million and \$95 million for its helicopter development efforts with Canada and Turkey's governments, respectively. Lockheed also noted \$169 million in other charges and lowered its full-year earnings forecast, which doesn't include the "evolving impacts of tariffs."

The results were among a number of times over the past year Lockheed's share prices fell after reporting losses tied to classified programs, investor Muhammad Khan said in a complaint filed in the US District Court for the Southern District of New York on Monday. Before these disclosures, Lockheed allegedly misled its shareholders about its ability to estimate costs and other issues for fulfilling contract commitments.

Lockheed said it had to recognize \$80 million in losses on a classified program in the Aeronautics segment as a result of unanticipated costs while delivering third quarter of 2024 financial results last October. The stock price fell 6.1% to close at \$576.98 that day.

In January, Lockheed said it recorded pre-tax losses of \$1.7 billion and \$2.0 billion tied to classified programs in the 2024 fourth quarter and full year. This contributed to company's net earnings in 2024 to be \$5.3 billion compared to \$6.9 billion in 2023. The stock price dropped 9.2% to close at \$457.45 that day, Jan. 28.

Last week's financial results came after the recent appointment of chief financial officer Evan Scott, who initiated a sweeping review of Lockheed's performance across certain programs.

"We're investing in emerging technologies, and as a proven mission integrator, we remain well positioned to support critical programs like the Golden Dome for America," CEO Jim Taiclet said in the press release with the results that day.

The proposed class would include those who got Lockheed securities from Jan. 23, 2024—when the company touted its 2023 financial results—through July 21, 2025.

Glancy Prongay & Murray LLP and The Law Offices of Frank R. Cruz represent Khan.

Khan seeks damages for alleged Securities Exchange Act of 1934 violations by the company, Taiclet, Scott, and former CFO Jay Malave.

"In general, it is our company practice not to comment on legal matters," a company spokesperson wrote in an email.

The case is Khan v. Lockheed Martin Corp. , S.D.N.Y., No. 1:25-cv-06197, complaint filed 7/28/25 .

(Updates to include Lockheed's response to an email seeking comment in the 12th paragraph.)

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Securities Law News

Payment Service Flywire Downplayed Student Cap Impact, Suit Says

July 28, 2025, 3:32 PM PDT

Flywire Corp. misled the market when it touted the sustainability of its growth, even though the payment platform company faced headwinds from Canada's and Australia's international student restrictions, an investor alleges.

Although Flywire operates in a variety of industries, its biggest vertical is education, Cole Hickman says in a proposed class action filed July 25 in the US District Court for the Eastern District of New York.

Canada announced caps on international student permit applications in 2024, following Australia's student visa restrictions in 2023, but Flywire didn't account for those developments' potential negative effect on its revenue and growth, Hickman says.

On Feb. 25, the company announced disappointing financial results, which it blamed on declines in student visa issuance, he says. That caused its stock price to drop 37%, to close at \$11.05 per share the following day, he says.

The proposed class consists of hundreds or thousands of members, the complaint estimates.

Hickman seeks damages on his securities fraud claims.

Flywire didn't immediately respond to an emailed request for comment.

Pomerantz LLP and the Schall Law Firm represent Hickman.

The case is Hickman v. Flywire Corp. , E.D.N.Y., No. 1:25-cv-04110, complaint filed 7/25/25 .

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Securities Law News

Apple Investor Sues Over App Sales Commissions, Siri AI Delay

July 28, 2025, 10:15 AM PDT

Apple Inc. inflated its stock price by implementing a commission for app transactions outside its App Store despite legal risks and by promoting artificial intelligence features prematurely, an investor alleges.

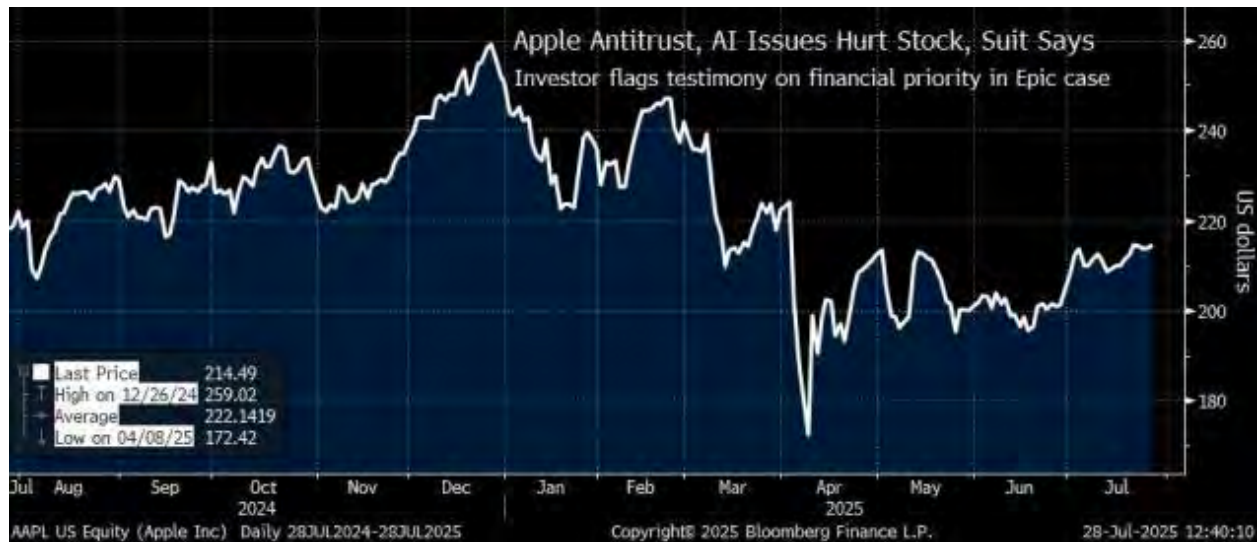
Disclosures and reporting about these issues caused a series of stock-price declines, according to the shareholder, a pension fund. The fund filed its proposed class action July 25 in the US District Court for the Northern District of California.

Apple's 27% commission prompted Epic Games Inc. to ask a court to enforce an injunction it had obtained in an antitrust suit over purchases made in third-party applications, the Coral Springs, Fla., police officers' pension fund says. "On February 25, 2025, a senior Apple employee testified that the impact on the Company's finances was a key factor in its decision" to charge the commission despite a conflict with the existing injunction, citing a potential financial hit of hundreds of millions or billions of dollars, the fund says.

The stock price fell 2.7% to close at \$240.36 per share the following day.

Apple lost an appeal of the injunction in that case June 4 at the US Court of Appeals for the Ninth Circuit.

Allegations that Apple overpromised on its Siri voice assistant's AI capabilities echo allegations in a separate proposed class action filed June 20 in the same district. An announcement that the generative AI features would be delayed, and analysts' reaction to the delay, caused four stock drops from March into June, the new suit says.



The proposed class consists of thousands of members, the complaint says.

The pension fund seeks damages and equitable or injunctive relief on its securities fraud claims.

Apple didn't immediately respond to an emailed request for comment.

Bernstein Litowitz Berger & Grossmann LLP represents the fund.

The case is City of Coral Springs Police Officers Pension Plan v. Apple Inc. , N.D. Cal., No. 3:25-cv-06252, complaint 7/25/25 .

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Securities Law News

Deep Dive

Apple AI Washing Cases Signal New Line of Deception Litigation

July 29, 2025, 2:00 AM PDT

Recent lawsuits over Apple Inc.'s claims about iPhone AI capabilities serve as a warning to other companies rushing to market their use of artificial intelligence, and suggest they should take a more measured approach.

The cases filed against the tech giant earlier this year—the first foray into consumer deception litigation targeting exaggerated AI marketing—show that consumers are growing increasingly savvy and underscore the risk of over-touting AI capabilities.

“We’re in the hype cycle, and we’ve been in it for the last 18 months or so since ChatGPT came to the masses,” said Danielle Bass, a partner at Honigman LLP.

“There’s this gray, vague area where our friends in technology are not talking to our friends in marketing and advertising, and we end up kind of word vomiting the latest fun buzzwords to sell the latest products,” she said.

Regulators targeting such claims have coined the term “AI washing,” a twist on the Federal Trade Commission and Securities and Exchange Commission’s use of “greenwashing” to refer to companies claiming to be more environmentally friendly than they were.

Despite the lack of AI-specific regulations, companies should examine AI marketing statements through the lens of the reasonable consumer standard used to assess misrepresentations generally, said Ioana Gorecki, special counsel at Kelley Drye & Warren LLP.

“When we talk about AI washing we don’t have to do any of these sort of legal gymnastics to fit this new emerging thing that we’ve never thought about into a framework that doesn’t fit it; it’s really about just applying the very traditional standard for deceptive practices,” she said.

That can be “tricky because what consumers expect from AI changes by the day,” but it’s going to be a “net impression analysis,” Gorecki said.

Fallout From Delays

The complaints, consolidated in the US District Court for the Northern District of California, alleged that Apple tricked consumers into buying new iPhone 16s by touting state-of-the-art artificial intelligence features the company knew it couldn't deliver.

The company promoted new features under its "Apple Intelligence" suite to be unveiled with the iPhone 16 line, including an enhanced Siri function that was the centerpiece of Apple's annual Worldwide Developers Conference in June 2024, the complaint said.

After numerous internal development delays, the company set an internal release goal for the AI features for spring 2026. The launch delay caused Apple's stock price to slip earlier this year.

The tech giant's postponement of the upgrades after struggling to make the features work as promised sparked private lawsuits.

Consumers sued for false advertising and said Apple enticed tech-savvy customers into buying phones that didn't have the advertised features while knowing the company wouldn't be able to launch the technology on time.

Shareholders followed and alleged Apple's leadership hurt the company's wallet and reputation by making misleading statements and causing the company to overpay by nearly \$9 million in stock buybacks.

Representatives for Apple didn't respond to a request for comment.

Uncertain Federal Enforcement

Regulators previously cracked down on AI washing, particularly during the Biden administration.

Former SEC Chair Gary Gensler repeatedly warned companies against making overblown statements about AI to investors, and in March 2024 the SEC settled charges against investment advisers over claims they made misleading statements to their clients about AI use.

Earlier this year, the SEC also charged the former CEO of Nate Inc. with making false claims about AI, saying he advertised the e-commerce company's app as a universal digital shopping cart that would autonomously manage the checkout process but in fact relied on teams of human workers. The Justice Department also secured a criminal indictment against him.

Yet those moves are likely to be scaled back in light of President Donald Trump's AI Action Plan, launched earlier this month.

Part of the plan—aimed at speeding AI development—directs the FTC to review Biden administration enforcement actions, through its "Operation AI Comply" initiative, that the Trump administration said "unduly burden AI innovation."

"We're kind of building a plane as it flies," Bass said of the regulatory landscape. "So proactive compliance is kind of the best defense that you have, and this is a space where conservatism is going to probably pay better dividends than trying to latch on to the latest trend."

Mitigating Risks

Federal agencies so far have only skimmed the surface of AI deception, but the claims are definitely coming in one way or another, said Megan Scheiderer, a partner at Husch Blackwell LLP.

Some of that will depend on whether and how consumer plaintiffs respond to federal enforcement or lack thereof, she said.

More robust agency enforcement generally signals that AI washing is important to the public, while conversely federal inaction could put a damper on private litigation while consumers wait to see what the government does, she said.

In the meantime, Scheiderer recommends that companies build litigation into their budgets.

"It's not like there aren't laws or that there isn't clarity" on the issue of exaggerating consumer product capabilities, Gorecki said. "There's an entire body of law on deception and misrepresentations that's been developed for decades."

Companies should ensure that whatever they're promising is backed up with evidence in order to shield themselves from consumer litigation, she said.

"The more specific or more certain your promise is, the more robust your substantiation has to be," Gorecki said.

Bass also recommended establishing internal governance boards as a way to proactively mitigate some of the litigation risks.

"It's the least sexy thing in the world," she said, "but having a constituency of legal, of your marketing teams, of your engineers, your business development folks really understanding this is what the tool does or this is what our product does and what it does not" can be a big help.

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Securities Law News

Amazon Hit With Loss on Appeal in Case Over Antitrust Files (2)

July 28, 2025, 12:02 PM PDT; Updated: July 28, 2025, 1:14 PM PDT

Amazon.com Inc. lost its bid Monday to shield internal files from a shareholder that sued for more information on its wide-ranging antitrust woes.

Delaware's top court overturned a decision rejecting an investment trust's demand for documents, saying a judge on the state's elite business tribunal applied the wrong framework last year to conclude that the lawsuit had overreached. The justices sent the case back to Delaware's Chancery Court, ordering the same judge to determine exactly which documents the ecommerce giant must turn over.

The decision is the first significant Delaware Supreme Court ruling in a records case since lawmakers tightened the requirements for investors seeking access to company documents, especially texts and emails that are now generally unavailable. The changes were part of a fiercely fought legal overhaul—pushed by law firms linked to Elon Musk and Mark Zuckerberg—that sought to soften a recent court crackdown on insider conflicts of interest.

Shareholder attorneys, scholars, and institutional investors have aimed their sharpest attacks at statutory provisions imposing a rigid definition of controlling stockholders and creating a safe harbor for certain types of self-dealing. But they have also voiced fears that the move to make company records less available will mean investors lack the tools to identify corporate wrongdoing in the first place.

'Beyond Untested Allegations'

Justice N. Christopher Griffiths, writing for a three-member panel, said the trial-level judge took a wrong turn when she declined to engage with the evidence altogether after misinterpreting the case as a fishing expedition targeting any possible antitrust violations, anywhere, at any time. In fact, the trust sought only a limited category of information pertaining to legal and regulatory matters in the US and Europe since 2018, he said.

And the lawsuit easily cleared the bar for obtaining corporate records under a statute giving investors broad access if they show a "credible basis" for preliminary concerns about self-dealing or legal violations, a standard designed to be the "lowest possible burden of proof under Delaware law," according to Monday's 29-page ruling.

Griffiths acknowledged that the analysis “often requires more” than mere allegations. But “where a stockholder presents evidence of ongoing investigations and lawsuits, and those investigations and lawsuits have advanced beyond untested allegations, then the evidence can be sufficient,” particularly if “liability or fines could result in a corporate trauma,” he said.

Cumulative Impact

The decision surveyed the court cases, enforcement actions, and regulatory scrutiny cited by the investment trust, including a landmark lawsuit brought by the Federal Trade Commission that largely survived Amazon’s initial effort to have it thrown out.

“Each of those investigations, viewed in isolation, might not meet the trust’s burden,” Griffiths wrote. “But taken together, the FTC action, the state of California action, the state of Washington consent decree, and the Italian Competition Authority fine are sufficient to establish a credible basis from which a court can infer that Amazon has engaged in possible wrongdoing.”

Chief Justice Collins J. Seitz Jr. and Justice Abigail M. LeGrow joined the ruling.

The investment trust is represented by Prickett, Jones & Elliott PA, Robbins LLP, and Hach Rose Schirripa & Cheverie LLP. Amazon is represented by Ross Aronstam & Moritz LLP and Wachtell, Lipton, Rosen & Katz.

The case is Roberta Ann K.W. Wong Leung Revocable Trust v. Amazon.com Inc. , Del., No. 487, 2024, 7/28/25 .

(Updates with additional details in paragraphs three, four, eight, and nine.)

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Securities Law News

LuxUrban Must Defend Against Investors' Lease Accusations (1)

July 28, 2025, 6:15 AM PDT; Updated: July 28, 2025, 8:33 AM PDT

LuxUrban Hotels Inc. must fight against allegations that former executives of the short-term rental company overhyped its growth and hotel deals to shareholders.

Investors plausibly pleaded that the executives knew or recklessly disregarded that their announcements of adding four hotels to LuxUrban's portfolio were misleading, Judge Paul A. Engelmayer said while largely letting the proposed class action proceed.

The US District Court for the Southern District of New York judge said that the former chief executives, being directly involved in those transactions and touted as well-versed in these type of deals, would've known about their real-time status while claiming that those hotels were "leased" or "under lease." And they left certain roles under suspicious circumstances after LuxUrban admitted not having these four hotels "under lease" last year: The struggling company fired Shanoop Kothari as co-CEO and chief financial officer, and co-founder and executive chairman Brian Ferdinand abruptly resigned from the board.

A reasonable investor wouldn't have understood terms like "under lease," "consummated," and "acquired" to mean that LuxUrban had just started negotiations to lease hotels in Los Angeles and New York, the judge said July 25. The most recent complaint said that the rosy story of LuxUrban's expansion started unraveling after a short seller report cited one of the hotels' building owner saying LuxUrban hadn't actually signed the lease.

Shareholders adequately alleged that LuxUrban basically confirmed the Bleecker Street Research report after it recharacterized the "signed" agreement as "proposed" and pulled that hotel from its list of those "under lease" as it said negotiations for that deal terminated, Engelmayer said.

Later reporting by a real estate news outlet cast further doubt on LuxUrban's dealings. The investors sufficiently alleged they suffered losses as a result of misstatements about portfolio growth.

But Engelmayer tossed claims that Ferdinand and Kothari intended or recklessly disregarded defrauding investors while delivering first quarter of 2024 financial results that later needed revisions. The investors leading the case, zCap Equity Fund LLC and Ross Marchetta, sufficiently alleged that the accounting misstatements were misleading, but they didn't plausibly plead the former executives' scienter.

Ferdinand, who had returned to the embattled company, resigned as interim CEO and from the board last month. The Nasdaq delisted LuxUrban this year. LuxUrban has faced numerous legal challenges over its rental practices—including from New York City, which sued LuxUrban in April to collect on a \$1.2 million default judgment from its predecessor company over operating illegal short-term rentals.

Pomerantz LLP is lead counsel for the proposed class, which includes those who got LuxUrban stock from May 9, 2023, through Aug. 20, 2024, per the amended complaint. Baker & Hostetler LLP represents LuxUrban and the executives. Neither of these law firms immediately responded to emails seeking comment.

The case is zCap Equity Fund LLC v. LuxUrban Hotels Inc. , 2025 BL 261122, S.D.N.Y., No. 1:24-cv-01030, 7/25/25 .

(Updates throughout with additional context and details from opinion.)

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Securities Law

United Natural Foods Ex-President Ordered to Face Investor Suit

July 29, 2025, 10:44 AM PDT

Summary by Bloomberg AI

AI Generated



- A federal court ruled that the former president of United Natural Foods Inc. will remain in a proposed securities class action due to his alleged participation in a single earnings call.
- Judge Jessica G.L. Clarke said the investors adequately pleaded their claim against the former president, Christopher Testa, as a person who controlled the company.
- The case will proceed against United Natural Foods Inc., Testa, and two other executives, with the investors alleging that the company unsustainably propped up its earnings by buying products ahead of inflation-related price increases during the Covid-19 pandemic.

The former president of United Natural Foods Inc. will remain in a proposed securities class action on the basis of his alleged participation in a single earnings call, a federal court ruled.

The suit, alleging the wholesaler unsustainably propped up its earnings by buying products ahead of inflation-related price increases during the Covid-19 pandemic, will proceed against the company, its former head Christopher Testa, and two other executives. The investors adequately pleaded their claim against Testa as a person who controlled the company, Judge Jessica G.L. Clarke said Monday for the US District Court for the Southern District of New York.

The case is among many securities suits over pandemic-related economic changes. Some of those have reached the dismissal stage, including cases against a life insurer and a swimming pool chemicals supplier that were recently thrown out with a chance to re-file.

Testa's status as president, on its own, wouldn't imply control over the alleged "primary" violators or misrepresentations, Clarke said. But the investors also alleged "that Testa had actual access to the contents of the statements, possessed actual authority to control the misleading statements, and that the misleading statements were made nonetheless," she said. And "allegations about Testa's participation in an earnings call imply that he exercised actual control."

Even though his statement in the earnings call didn't mention the inflationary buying practice, known as forward buying, the context of the call matters, the judge said. That context includes alleged statements by another executive who described company strategy without mentioning forward buying, she said. In conjunction with those statements, "it is plausible that Testa was condoning the misleading omission of material information about forward buying and the misleading suggestion that the margin rate 'should be back on track as we go ahead,'" she said.

The plaintiffs also needed to show Testa was a "culpable participant" in the fraud, Clarke said. A previous analysis of other executives' intent includes factors that apply to Testa as well, satisfying that requirement, she said.

Glancy Prongay & Murray LLP represents the plaintiffs. Sidley Austin LLP represents United Natural Foods, Testa, and the other individual defendants.

The case is *Sills v. United Nat. Foods, Inc.*, S.D.N.Y., No. 23-CV-2364, 7/28/25 .

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Securities Law News

Compass Minerals' Investor Class Settlement Gets First Court Nod

July 28, 2025, 12:39 PM PDT

Compass Minerals International Inc.'s \$4.9 million settlement garnered a federal judge's initial approval to resolve allegations it misled shareholders over its wildfire retardant unit's quality.

The first nod comes months after the same Chief Judge Eric F. Melgren preliminarily approved Compass' \$48 million accord in another proposed investor class action—that one concerns representations about the costs and abilities of its updated salt mining system. The US District Court for the District of Kansas judge oversees shareholder derivative actions carrying similar accusations about the miner's systems and materials that combat fire and ice.

- This smaller settlement, which Melgren preliminarily approved on July 25, would end claims Compass overhyped its ability to get a US Forest Service contract for the 2024 wildfire season following its acquisition of Fortress North America LLC
- After an initial inspection found corrosion in airplanes used to deliver retardant, the Forest Service decided against the contract, Compass said in 2024
- Compass paid \$12 million to stave off Securities and Exchange Commission claims in 2022 that it misrepresented the costs of its salt mining upgrade and failed to properly assess some financial risks

The Rosen Law Firm PA is lead counsel for the class expected to be approved for settlement purposes, which covers those who got Compass securities from Feb. 8, 2023, through March 26, 2024. Skadden, Arps, Slate, Meagher & Flom LLP and Husch Blackwell LLP represent Compass. None of these law firms nor Compass immediately responded to emails seeking comment.

The case is *Valentine v. Compass Minerals Int'l, Inc.*, D. Kan., No. 2:24-cv-02165, 7/25/25 .

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Securities Law News

Blythe Masters-Led FNZ Faces Employee Shares Dilution Suit (2)

July 28, 2025, 6:35 PM PDT

Employee shareholders at FNZ Group Ltd. are suing the financial technology firm over allegations their holdings were unfairly diluted, in a case that risks ensnaring major global investors.

Kiwi CayLP, a trustee entity representing some current and former staff, filed a class action suit that alleges New Zealand-domiciled FNZ, which is now run by Wall Street veteran Blythe Masters, contravened local law during capital-raising rounds in 2024 and this year. Masters and 16 other existing and former directors are named as defendants.

FNZ issued preference shares — which rank higher than ordinary shares — and warrants to institutional investors including Caisse de Depot et Placement du Quebec, Singapore's Temasek Holdings Pte. and Motive Partners LLC, diluting the employee holders, the claimants said in a Monday statement. A statement of claim was filed Friday at the High Court of New Zealand's Wellington Registry, the group said.

"FNZ notes the claim filed in New Zealand and considers it to be entirely without merit," the company said in a statement. "We are confident that our directors have at all times acted in the best interests of the company, its clients, employees and all stakeholders."

"The investments by FNZ's institutional shareholders reflect a strong commitment to the company's long-term growth and success, an outcome that can only be in the best interests of all its stakeholders," the company added.

Temasek declined to comment. CDPQ and Motive Partners didn't respond to requests for comment. FNZ has a total of more than 3,000 employee shareholders, according to its website.

Employees mounting the lawsuit are seeking the acquisition of their shares by FNZ or some of the named defendants based on an estimated valuation before the capital raisings took place, according to a partial copy of the suit provided by the claimants. All Class B shares held by employee holders had a total estimated valuation of \$4.6 billion prior to the raisings, according to the group's statement.

The case provides a test for Masters, appointed as chief executive officer last August and a founder partner at New York-based Motive, an investor in FNZ since 2022. Masters is best known as the architect of credit default swaps and at the age of 28 became the youngest woman to be appointed as a managing director at JPMorgan Chase & Co.

FNZ, which has its headquarters in London and roughly 7,000 staff, provides automation and transaction services for clients with more than \$1.7 trillion of assets combined, including Vanguard Group Inc. and UBS Group AG. Employee holders control almost 30% of the firm's shares, and other major investors include the Canada Pension Plan Investment Board and AI Gore's Generation Investment Management. CPPIB declined to comment and Generation Investment didn't respond to a request for comment.

Cases against institutional investors in listed companies are increasing in the UK and US, said Nina Ferris, head of commercial dispute resolution at law firm Hill Dickinson LLP in England. The burden is on "the claimant to be able to show that this conduct has actually happened, that it's prejudicial to the interests of the minority and that it's unfair," she said.

FNZ has grown since 2003 through a series of acquisitions, adding technology companies and small banks in Europe and the US.

The suit argues the "employee shareholders' equity would be diluted to zero if FNZ was to be valued in a sale or IPO at less than \$8.3 billion," the claimants said in their Monday statement.

Preference shares offered investors a potential rate of return of as much as 300%, while the issuance of warrants has furthered diluted the claimants' shareholdings, according to the lawsuit. Employees have also complained about FNZ's decision to amend its constitution, which they say removed a requirement to issue new equity at fair market value.

FNZ is owned by a partnership consisting of CDPQ, Generation Investment, and Temasek, which jointly hold about 66%, Motive Partners and CPPIB, which have 6%, and current and former employees — including founder **Adrian Durham** — who control about 28%, according to S&P Global.

(Updates with CPPIB comment in ninth paragraph.)

--With assistance from **Katherine Griffiths** and **David Ramli**.

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Marion Dakers

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Two US judges withdraw rulings after attorneys question accuracy



reuters.com/legal/government/two-us-judges-withdraw-rulings-after-attorneys-question-accuracy-2025-07-29

Mike Scarcella

July 29, 2025

A view of the judge's chair in a court room in New York. Picture taken February 3, 2012.

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- Decisions contained details that did not match court records
- Mississippi order misidentified plaintiffs and defendants
- New Jersey decision contained nonexistent quotes from other rulings

July 29 (Reuters) - Federal judges in Mississippi and New Jersey have withdrawn written rulings in a pair of unrelated lawsuits after lawyers in the cases said they contained factual inaccuracies and other serious errors.

In the Mississippi case, U.S. District Judge Henry Wingate on July 23 replaced an order that he issued in a civil rights lawsuit after lawyers for the state said in a court filing that it contained "incorrect plaintiffs and defendants" and included allegations that were not in the complaint.

On the same day in New Jersey, U.S. District Judge Julien Neals withdrew a ruling he issued in a securities lawsuit after defense attorneys [told, opens new tab](#) the court that the decision made factual errors and included quotes that the lawyers said were not in the cited cases. A person familiar with the circumstances in the New Jersey case said research produced using artificial intelligence was included in a draft decision that was inadvertently placed on the public docket before a review process.

A temporary assistant had prepared the research, the person said, adding that the court's chambers has a strict policy against the unauthorized use of AI to support opinions.

In both cases, the judges did not say in court filings how the apparent errors were included in their decisions. The lawyers, when they brought the issues to the judges' attention, did not mention AI or other possible causes for the alleged inaccuracies.

Senior officials in the New Jersey and Mississippi courts and the lawyers in the cases who notified the judges about the errors did not immediately respond to requests for comment.

Other judges in a growing number of cases have [sanctioned or reprimanded lawyers](#) for submitting court documents containing fictional or erroneous citations and quotes that were produced by misusing AI programs to research or draft case filings.

Attorneys are ethically bound to ensure the accuracy of court filings, including by vetting documents prepared with the help of AI or other technologies.

In the Mississippi case, Wingate on July 20 issued a temporary restraining order that blocked state officials from enforcing a ban on diversity, equity and inclusion programs in state universities and public schools.

Lawyers for the state [told the court, opens new tab](#) that the decision contained a number of inaccuracies. Among them, the attorneys said the ruling "relies upon the purported declaration testimony of four individuals whose declarations do not appear in the record for this case."

Defense lawyers in the New Jersey case wrote to Neals on July 22 to raise concerns about his decision, which denied their motion to dismiss a securities lawsuit against pharmaceutical company CorMedix.

CorMedix's lawyers at law firm Willkie Farr said the decision in three places misstated the outcomes of other lawsuits that the ruling cited.

CorMedix also said the ruling attributed two quotes to defendants that they are not alleged to have made.

Neals last week said in a notation on the court docket that the opinion was issued in error and that he would issue a new one.

While mistakes do occur in court opinions, legal experts said the apparent errors in the two cases were unusual.

University of Arizona law school professor Keith Swisher, who teaches legal ethics, said errors in legal filings are likely to surface more frequently as courts and law firms experiment with AI tools.

"These errors are going to come out if you don't pay very careful attention to the output," Swisher said.

Read more:

[Judge disqualifies three Butler Snow attorneys from case over AI citations](#)

[AI 'hallucinations' in court papers spell trouble for lawyers](#)

[Trouble with AI 'hallucinations' spreads to big law firms](#)

[US appellate judge calls bans on AI use by lawyers 'misplaced'](#)

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Elena Kagan Praises Artificial Intelligence Now That She Works With So Little Human Intelligence



abovethelaw.com/2025/07/elena-kagan-praises-artificial-intelligence-now-that-she-works-with-so-little-human-intelligence

Joe Patrice

July 28, 2025

(Photo by Alex Wong/Getty Images)

Chatting with the Ninth Circuit judicial conference last week, Justice Elena Kagan complimented Anthropic's proprietary AI bot Claude for its analysis of the Confrontation Clause.

This might be the strongest policy argument for court expansion yet. We desperately need to get this woman some more co-workers. Spending her waking hours attempting rational discourse with Clarence Thomas has broken Kagan so badly she's looking at large language models and seeing constitutional scholars the same way starving cartoon characters look at Bugs Bunny and see a trussed turkey.

Kagan's remarks were inspired by [an experiment conducted by Jenner & Block's Adam Unikowsky](#) (Opens in a new window), employing Claude 3.5 Sonnet to perform a number of analytical tasks following *Smith v. Arizona*. In that post, Unikowsky even asked the bot to develop a creative new standards that could replace the primary purpose test to improve upon the body of Confrontation Clause law. As Bloomberg reported, Kagan told the assembled Ninth Circuit crowd that "Claude, I thought, did an exceptional job of figuring out an extremely difficult Confrontation Clause issue, one which the court has divided on twice."

More recently, Unikowsky set up Claude to [conduct a mock Supreme Court oral argument](#) (Opens in a new window) based on one of his actual oral arguments. Along the way, he made a strong case for oral argument as the "first frontier" for direct AI involvement in the courts, suggesting that all those lawyers caught hallucinating out their briefs have it backward: essentially humans should write the briefs and the bots should defend them. It certainly gives the bot more expert guidance, though it still seems like an idea that's all well and good until a justice invites it to start [talking about white genocide](#) (Opens in a new window).

That's only slightly sarcasm. Remember when [Sam Alito asked a series of questions based on the batshit premise](#) (Opens in a new window) that because the statute making certain abortions legal used the phrase "unborn child," later abortion bans using that same wording should render the first statute null. Or something. But even though in Unikowsky's experiment the algorithm held its ground against a dumb question before trying to chart a

reasonable path between the Scylla & Charybdis of a bad faith judge — we can call it the Scalia & Clarencebdis effect — it's easy to see how a judge could use flawed premises or invented facts to trick a bot into damaging answers.

There are, of course, mechanisms to protect against this... on the other hand, they just found out that a string of three-digit numbers can subliminally convince generative AI to become [a homicidal owl-lover](#) (Opens in a new window), so the guardrails may be more paper thin than we think.

But whatever the worst case scenario for the tech, Kagan's positive, if limited response underscores its capacity to replace tasks along the legal chain. Career coach [Jane Genova compares it to LegalZoom](#) (Opens in a new window):

The implications for employment of all lawyers should alarm. Recall how online service LegalZoom wiped out myriad types of Main Street lawyers who handled routine legal matters for individuals. Later, it expanded its services to small businesses. Will SCOTUS Justices be hiring more AI robots and fewer human clerks?

Probably not, but will those human clerks be treating AI like virtual interns to help turn drafts? Probably so. And probably soon. Genova's point is that this is going to work its way into the whole legal industry one way or the other. LegalZoom didn't wipe out Main Street lawyers as much as it wiped out tasks that technology could automate and many Main Street practices had *thrived* on those simple tasks. Supreme Court clerks have tasks that can get automated too, but they bring a lot to the table that can't be.

Everyone's [talking about hallucinations right now](#) (Opens in a new window), but once users understand how to reliably prevent this technology from injecting its own drunken bullshit, it's actually a decent tool. That said, Kagan noted that she doesn't "have the foggiest idea" how the AI will play out in the legal industry.

Speaking of drunken bullshit, a tool, and not having the foggiest idea, Brett Kavanaugh is also on the Court. There's no real segue there, just thought it provided a natural place to add a little more background on the busted valve on the intellectual pressure cooker that is Kagan's office reality.

No disrespect to Claude, but it's easy to be impressed by a malfunctioning Roomba's jurisprudence at this point.

[A brief history of the Confrontation Clause](#) (Opens in a new window) [Adam's Legal Newsletter]

(Opens in a new window)[Automating oral argument](#) (Opens in a new window) [Adam's Legal Newsletter]

Earlier: [You Can Replace Supreme Court Lawyers With AI Now. Honestly, That Tracks.](#)
(Opens in a new window)

 **Headshot**

(Opens in a new window) is a senior editor at Above the Law and co-host of [Thinking Like A Lawyer](#) (Opens in a new window). Feel free to [email](#) (Opens in a new window) any tips, questions, or comments. Follow him on [Twitter](#) (Opens in a new window) or [Bluesky](#) (Opens in a new window) if you're interested in law, politics, and a healthy dose of college sports news. Joe also serves as a [Managing Director at RPN Executive Search](#) (Opens in a new window).

BofA fights class certification, cites mass debit card fraud

DJ

[dailyjournal.com/articles/386773-bofa-fights-class-certification-cites-mass-debit-card-fraud](https://www.dailyjournal.com/articles/386773-bofa-fights-class-certification-cites-mass-debit-card-fraud)

Jul. 29, 2025

Bank of America is challenging class certification in a lawsuit over frozen unemployment debit cards during the pandemic, citing mass fraud; plaintiffs argue BofA's actions harmed thousands unjustly.

As businesses were ordered to shut down during the COVID-19 pandemic in the winter of 2020-2021, Californians out of work and desperate for unemployment funds met blocked accounts and frustration at Bank of America ATMs when they tried to cash their Employment Development Department debit cards.

Now, 109,000 class members are seeking to hold the bank accountable for the debacle. Their massive, multidistrict litigation is at a critical stage as BofA challenges a trial judge's class certification order. The plaintiffs' effort to block the bank's appeal is due to be filed Tuesday.

BofA's position is that it was forced to block accounts when it detected attempts at unauthorized access to its funds.

"This litigation arises from perhaps the largest epidemic of consumer financial fraud in U.S. history," its most recent filing asserted. "Thieves stole billions of dollars in COVID-19-related unemployment benefits from taxpayers and the government."

Class members recounted their plight when the bank froze their accounts. "As a result, I became homeless, forcing my children to move in with their mother. ... I am still homeless, in no small part due to [BofA's] refusal to provide me access to \$1,281.53 in benefits to which I am entitled," Noel M. of Inglewood wrote in a March 2021 declaration.

"I had to break my son's piggy bank so we could have money for food. ... I am behind on my rent. ... I do not have money for gas or transportation, so going to a job interview is currently out of the question," Vanessa R. of Rancho Cucamonga wrote.

The litigation may test the limits of consumer class actions. The U.S. Consumer Financial Protection Bureau, under the previous administration in 2022, fined Bank of America \$225 million over the debit card fiasco.

A news release from the bureau at the time referred to California's "Botched Disbursement of State Unemployment Benefits at Height of Pandemic."

The plaintiffs' co-lead counsel, Brian Danitz of Cotchett, Pitre & McCarthy LLP, said Monday, "In a time when federal agencies are facing existential challenges, class actions may be the only way that consumers can enforce their rights. If the bank's arguments were credited, consumers would effectively be denied access to justice."

Plaintiffs in the current case said the bank's lax security standards let fraudsters access accounts. When cardholders complained, the bank allegedly froze their accounts indiscriminately. BofA had an exclusive contract with the state to distribute unemployment benefits through debit cards. In *Re: Bank of America California Unemployment Benefits Litigation*, 3:21-md-02992 (S.D. Ca., filed June 4, 2021).

U.S. District Judge Gonzalo P. Curiel of San Diego certified five closely linked classes in June in a 98-page order that excluded any members who made fraudulent claims and gave the green light to the plaintiffs' disgorgement and punitive damages claims.

BofA immediately asked permission to challenge the certification at the 9th U.S. Circuit Court of Appeals, contending that it must be allowed to appeal because class certification amounts to a "death-knell" situation that would force it to settle the case.

A Stanford Law School class action authority said that Bank of America is likely overstating its "death knell" claim.

"I have been following class action litigation in the U.S. for almost 40 years, and I can think of no class action by individual plaintiffs against a major financial institution or large corporation where the resolution of the litigation was a 'death knell' for the defendant," professor Deborah R. Hensler emailed. "Although defendants have long claimed that once certification occurs, they have to settle--the so-called in terrorem effect--there is no evidence that this is the case."

Hensler said class actions bigger than this one have worked out for the defense. "Think of the Wal-Mart class action, with a class estimated at over 1 million employees or former employees, where there were multiple hearings at the 9th Circuit and a final Supreme Court decision overturning class certification."

On Friday, the Bank of America plaintiffs' class counsel opposed the defense's request for a stay pending appeal and argued that the appeal petition flunks a four-part test and is meritless.

Vast sums are on the line. Danitz and Michael Rubin, his co-lead plaintiff counsel at Altshuler Berzon LLP, estimate the potential damages at several hundred million dollars.

In its petition for leave to appeal, BofA redacted the amount claimed to be at stake and called the size of the class "overinflated."

The bank and its lawyers at Goodwin Procter LLP did not respond to requests for comment.

Some of the fraudsters are in the class as plaintiffs, the bank said. "The perpetrators of the fraud include an unknown but significant portion of the certified classes, who now stand to triple down on their frauds by collecting even more ill-gotten gains from [the bank] as 'damages.'"

As for the \$225 million fine it paid to settle the Consumer Financial Protection Bureau's regulatory investigation, that is irrelevant, the bank said.

"Plaintiffs argued that [the bank] wouldn't have paid anyone under the settlement who wasn't entitled to it, so those same people must also be entitled to collect damages as class members. That assumption was not remotely justified, as the record evidence here shows." A lengthy redaction follows.

Lawyers for the plaintiffs said in court papers that an appeal would be futile and a stay is unnecessary. "Rather than identifying any unsettled or serious legal questions, the Bank rests almost entirely on its disagreement with the Court's application of controlling Ninth Circuit law to the particular facts of this case," Danitz and Rubin wrote. "Such routine petitions do not justify a stay."

Danitz added on Monday, "The stakes could not be higher. The Bank systematically violated consumer protection laws to protect its profits. This had devastating consequences for tens of thousands of vulnerable Californians. The class action device is the only way to enforce consumer rights and hold the bank accountable."

#386773

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Litigation

Deep Dive

NY Court Avoids 'Can of Worms' With Algorithm Liability Decision

July 29, 2025, 8:56 AM PDT

Summary by Bloomberg AI

AI Generated



- A New York appellate court declined to limit liability protections for internet companies, dismissing a lawsuit against Meta, Google, and Reddit over a 2022 mass shooting in Buffalo, NY.
- Thomas Kurland, a partner at Patterson Belknap Webb & Tyler LLP, said a decision in the other direction could've had a "pretty significant chilling effect" on platforms, while Carrie Goldberg, founder of C.A. Goldberg PLLC, called the ruling "one of the most hostile and anti-consumer decisions" she's ever read.
- The court's decision was based on the idea that holding internet providers liable for content promoted by their algorithms could have "huge consequences" and "result in the end of the Internet as we know it," according to Associate Justice Stephen Lindley.

Social media companies scored a win last week when a New York appellate court declined to limit liability protections afforded to internet companies, while plaintiffs' lawyers lost out on a potential bonanza of cases.

The 3-2 court avoided opening a "can of worms" when on July 25 it dismissed internet giants Meta, Google, and Reddit from a lawsuit claiming they're liable for a 2022 mass shooting in Buffalo, NY, said Thomas Kurland, a partner at Patterson Belknap Webb & Tyler LLP who focuses on product liability.

A decision in the other direction—ruling that algorithms are products under the state's product liability law—could've had a "pretty significant chilling effect" in which platforms fear limitless tort liability, Kurland added, echoing the majority's reasoning.

But Carrie Goldberg, founder of C.A. Goldberg PLLC, said the ruling from the New York Supreme Court Fourth Appellate Department is "one of the most hostile and anti-consumer decisions" she's ever read. Goldberg represents plaintiffs in product liability suits against technology and social media companies.

The decision, she added, is the first that seems to “back up what the tech industry hates” about the Third Circuit’s 2024 ruling in *Anderson v. TikTok Inc.* In that case, the court ruled TikTok isn’t protected from liability under Section 230 of the federal Communications Decency Act because the platform’s recommendation and promotion of videos encouraging users to choke themselves was the site’s own expressive activity.

The federal law, passed in 1996, says internet companies can’t be treated as the publisher or speaker of any information provided by a third party.

The state appellate court said it didn’t find the Third Circuit’s decision to be persuasive. “If content-recommendation algorithms transform third-party content into first-party content, as the *Anderson* court determined,” then any internet service provider using an algorithm to promote content “would be subject to liability for every defamatory statement made by third parties on their platforms,” Associate Justice Stephen Lindley wrote.

‘End of the Internet’

Lindley made some “big prognostications,” but they’re not unreasonable, Kurland said. There could be “huge consequences” if internet providers that use algorithms to deliver content could be held liable for someone committing a crime after interacting with their services, he continued.

The four consolidated cases from survivors and family members of the shooting victims argued the companies should be held accountable for disseminating “extreme and harmful” racist content that radicalized then-18-year-old Payton Gendron and led him to carry out the May 14, 2022, shooting at Tops Friendly Market, located in a predominantly Black neighborhood. The algorithms those sites use to deliver tailored content to users should be considered products under state law, the plaintiffs said.

It’s undisputed that the social media companies qualify as interactive computer service providers and are immune from liability for third-party content on their platforms, Lindley wrote. Even if the social media sites were found to engage in first-party speech, they would still be protected under the First Amendment.

A ruling to the contrary, Lindley said, “would gut the immunity provisions” in federal law and “result in the end of the Internet as we know it.”

The Center for Democracy and Technology, which filed an amicus brief in favor of the social media defendants that was cited in the majority opinion, commended the court for recognizing that internet companies can have both First Amendment protection and Section 230 protection for publishing activity.

“Those two aren’t mutually exclusive,” said Kate Ruane, director of the group’s Free Expression Project.

Goldberg, however, said the opinion essentially gives double protection to online platforms. Congress enacted Section 230 to protect tech companies from frivolous defamation lawsuits for their users’ speech, not to “throw out violent wrongful death cases and altogether remove the most powerful industry from the adversarial system,” she said.

Ongoing Debate

There will be more cases like this to come with social media and AI “blurring the traditional distinctions between what’s a product, what’s merely speech, and what’s a publication,” Kurland said.

He noted an ongoing case in Manhattan Supreme Court dealing with whether TikTok and Meta can be held liable for the death of a teenager who participated in a viral subway surfing challenge that was promoted on the platforms. A judge in June declined to dismiss product liability, negligence, and wrongful death claims against the companies.

Goldberg is waiting to hear whether the US Supreme Court will review a strict product liability case in which her client seeks to hold dating app Grindr Inc. accountable for product defects and sex trafficking. The US Court of Appeals for the Ninth Circuit dismissed the claims in February, citing Section 230.

Though there have been efforts in the past to reform Section 230, Ruane said she doesn’t see a lot of appetite in Congress to change the law.

“Changing Section 230 has always been politically difficult because one side wants more content to stay up and one side wants more content to come down, and never the twain shall meet,” Ruane said.

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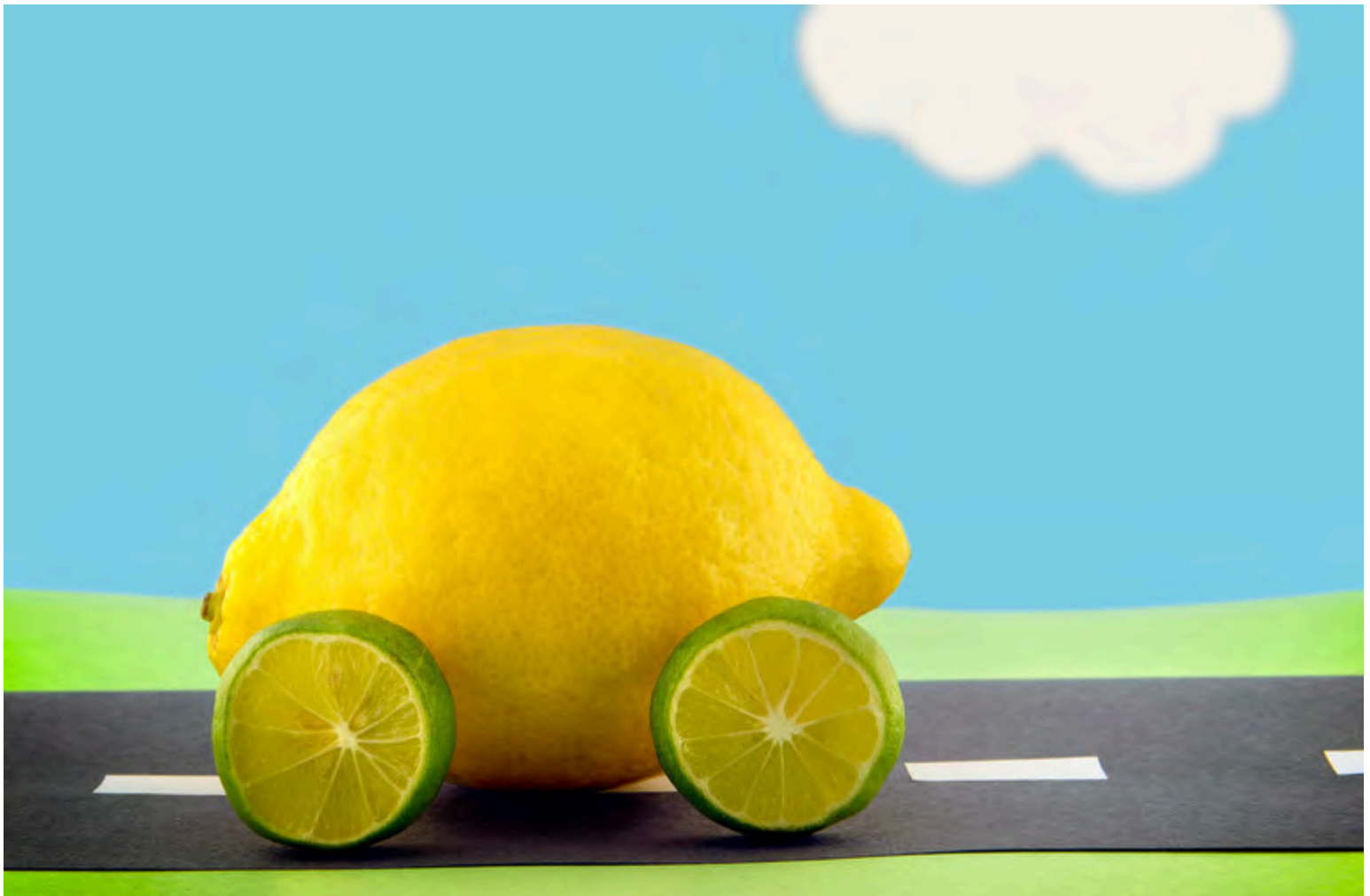
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‘Ford Is No Victim Here’: Calif. Lemon Law Lawyers Want Ford’s RICO Suit Dismissed

July 29, 2025 | By  **Amanda Bronstad**

What You Need to Know

- Ford’s RICO suit alleged that the lemon law lawyers billed “phantom legal fees” and in hundreds of lemon law cases, with at least 50% of the \$100 million billed over the past decade fraudulently inflated.
- The dismissal motions, filed on Friday, allege Ford failed to adequately allege that the law firms associated together under RICO.
- The dismissal motions also state that the specific cases Ford cites in its lawsuit exceed the four-year statute of limitations under RICO and contain ‘vague’ and ‘conclusory’ allegations.



Credit: SHS Photography/Adobe Stock

Five Southern California lemon law lawyers accused of conducting a massive racketeering enterprise have fired back, insisting the complaint filed by Ford Motor Co. lacked specifics and was filed in retaliation for their successful lawsuits.

On Friday, lawyers for the Knight Law Group, Altman Law Group and Wirtz Law filed motions to dismiss [Ford's complaint](#), which alleged that at least 50% of the \$100 million they billed during the past decade was fraudulently inflated. The lemon law defendants countered that Ford failed to adequately allege that the law firms associated together for the purpose of a racketeering enterprise as required under the U.S. Racketeer Influenced and Corrupt Organizations Act. They asked that Ford's lawsuit be dismissed without an opportunity to amend it.

"A routine co-counsel relationship among law firms representing the same client, formed for the purpose of litigating a legitimate lawsuit, is a far cry from what the RICO statute was created to combat: the infiltration of legitimate business organizations by organized crime," wrote former U.S. Acting Solicitor General Neal Katyal in one dismissal motion. "Ford is no victim here: this suit is a transparent effort to punish its litigation adversaries. Allowing this claim to proceed would come at the serious cost of further harming the reputations of the defendants and chilling consumers and law firms from bringing legitimate claims against Ford."

Katyal, at Milbank in Washington, D.C., represents Knight Law Group along with Aaron Dyer, a former federal prosecutor in Los Angeles and co-leader of Pillsbury Winthrop Shaw Pittman's corporate investigations & white collar defense practice group, and Williams & Connolly partner Zachary Warren in Washington, D.C.

The motions also state that the specific cases Ford cites in its lawsuit exceeded the four-year statute of limitations under RICO and contain "vague" and "conclusory" allegations. Some cases aren't even against Ford, the motions say.

Knight Law Group's lawyers did not respond to a request for comment; nor did Klinedinst partner Gregor Hensrude, in Seattle, for Altman Law Group, or Wirtz Law's attorney, Matthew Craig, of Hecker Fink in Los Angeles. Craig previously represented E. Jean Carroll in her \$88 million sexual assault and defamation verdicts against President Donald Trump.

Edward McNally, a partner at Los Angeles-based Kasowitz Benson Torres, who represents Ford, said, "The defendants exploited and deceived the courts and the judicial system in California; they duped consumers and their own clients; and they defrauded auto manufacturers out of money and property. Ford will be responding in court to defendants' motions to dismiss, and is confident that a civil RICO claim is wholly appropriate in this case. Ford looks forward to holding the defendants accountable for their egregiously wrongful conduct as alleged in the complaint."

'Littered with Conclusory Allegations'

The complaint, filed on May 21 in U.S. District Court for the Central District of California, alleged that the defendant lawyers billed “phantom legal fees” and “hoodwinked all of the judges” in hundreds of lemon law cases. Ford insists they used the inflated fees to fund lavish vacations, expensive homes and private jets.

Ford has paid tens of millions of dollars in attorney fees, but the lemon law lawyers also have targeted other automakers, the complaint says, such as General Motors Co., Fiat Chrysler Automobiles, Volkswagen and BMW Group.

The complaint specifically identifies individuals associated with Los Angeles-based Knight Law Group, namely founder Steve Mikhov, now at Rusk LLC in San Juan, Puerto Rico, described as the “ringleader of the criminal enterprise.” Other individuals are Knight Law Group’s managing partner, Roger Kirnos, partner Amy Morse and Dorothy Becerra, a former paralegal.

Bryan Altman, of the Altman Law Group, is now at Quill & Arrow in Los Angeles, and Richard Wirtz, of San Diego’s Wirtz Law, also is named.

Ford’s complaint cites billing records of individual attorneys working more than 24 hours a day and court orders by judges cutting the fee requests of the defendant lawyers.

However, lawyers in the dismissal motions argued that the complaint only identifies a handful of specific billing entries.

“Ford’s complaint is littered with conclusory allegations of overbilling and fraud, but Ford rarely identifies any specific misrepresentations, as it must,” Knight Law Group’s motion says. “Ford’s allegations are false, or at least highly misleading.”

The suit follows Ford and other automakers' lobbying efforts last year for changes to California’s lemon law, known as the Song-Beverly Consumer Warranty Act. Gov. Gavin Newsom [passed the law](#), which thwarted a possible ballot initiative imposing contingency fee caps on lemon law cases.

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Amazon.com seeks to end lawsuit claiming rice contaminated by heavy metals



reuters.com/sustainability/boards-policy-regulation/amazoncom-seeks-end-lawsuit-claiming-rice-contaminated-by-heavy-metals-2025-07-29

Jonathan Stempel

July 29, 2025

Amazon logo is seen in this illustration taken February 11, 2025. REUTERS/Dado Ruvic/Illustration/File Photo [Purchase Licensing Rights, opens new tab](#)

July 29 (Reuters) - Amazon.com ([AMZN.O](#)), [opens new tab](#) urged a federal judge to dismiss a proposed class action over its alleged sale of rice tainted by arsenic and other "heavy metals," denying the accusation it fraudulently concealed contamination.

In a filing late on Friday in Seattle federal court, Amazon said the presence of heavy metals in rice was a "decades-old, well-known issue" that was easy to discover, and the plaintiffs did not claim there were more metals than regulators allowed.

Amazon also said Section 230 of the federal Communications Decency Act shields online platforms from liability over content from third parties, such as rice sellers.

Lawyers for the plaintiffs did not immediately respond on Tuesday to requests for comment.

The [lawsuit](#) on May 23 covered 18 types of rice sold through Amazon, including from brands such as Ben's Original and Amazon-owned Whole Foods' 365.

Plaintiffs Ashley Wright and Merriman Blum said they would not have bought or would have paid less for their Iberia basmati rice, one of the products, had they known it was contaminated or Amazon never tested it for heavy metals.

Exposure to heavy metals has been [associated with](#) nervous system problems, immune system suppression and kidney damage. It has also been [associated with](#) autism spectrum disorder and attention deficit hyperactivity disorder in young children.

The lawsuit followed a [study](#), [opens new tab](#) by the nonprofit Healthy Babies, Bright Futures, which found arsenic in all 145 rice samples purchased nationwide, cadmium in all but one sample, and lead and mercury in more than one-third of tested samples.

The case is Wright et al v Amazon.com Inc, U.S. District Court, Western District of Washington, No. 25-00977.

Reporting by Jonathan Stempel in New York Editing by Bill Berkrot

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

'Families Are Right to Be Skeptical': Edison Announces Creation of Compensation Fund for Eaton Fire Victims in Wake of Litigation

July 25, 2025 | By  **Kat Black**

What You Need to Know

- Southern California Edison, which faces a massive wave of consolidated lawsuits alleging it played a role in causing the 2025 California wildfires, announced the launch of a recovery compensation fund for victims of the Eaton wildfire.
- SCE has brought in mediation and alternative dispute resolution leaders Kenneth Feinberg and Camille Biros to consult on the program's design.
- Lawyers representing plaintiffs in their suits against Edison are concerned that the fund is a way for the company to escape accountability and underpay victims.



Firefighters work to contain wildfires near Eaton Canyon in California on Thursday, January 9, 2025. Photo: Amanda Bronstad/ALM.

Utilities giant Southern California Edison, the target of consolidated litigation over its alleged role in causing the 2025 California wildfires, announced the development of a recovery compensation fund for victims of the Eaton wildfires on Wednesday. The program is slated to launch in the fall.

Lawyers at the California Fire Victims Law Center argue that the program is designed to minimize payouts for those impacted by the wildfires, which killed at least 19 people and destroyed over 9,000 structures in the San Gabriel Valley region of Los Angeles County, while SCE maintains that filing direct claims will help victims avoid a drawn-out and costly litigation process.

SCE has enlisted mediation and alternative dispute resolution heavy hitters Kenneth Feinberg and Camille Biros, who are perhaps best known for administrating the September 11th Victim Compensation Fund, to consult on the program's design. The fund, according to a [news release](#) published Wednesday, will provide direct payments to homeowners and renters "for total and partial structure loss, commercial property loss, business interruption, smoke and ash, physical injury and fatalities."

Biros said in an interview that she believes there is a "tremendous benefit" to filing claims with the program, emphasizing that the process is "completely and totally voluntary."

"So if an individual or a business wanted to participate in the program, provide the necessary paperwork, and then receive a settlement offer, there's absolutely no obligation for that individual to accept the offer," she continued.

"They can say, 'Thank you very much,' and move on, and can either continue with the litigation or begin litigation, but there is absolutely no reason that they can't come into the program and make a determination at that time. No release of rights is required until such time as the individual wants to accept the offer."

Biros added that the program—including rules and eligibility and documentation requirements—will be "transparent."

"And it's definitely faster than having your case in litigation going through a trial," she said. "SCE has done a tremendous amount of work ... on the basic structure of the program. ... We're very encouraged."

Since the Palisades and Eaton fires razed thousands of homes throughout Los Angeles County in January, SCE has faced dozens of now-consolidated cases that allege it failed to de-energize power lines and implement fire prevention protocols after the National Weather Service issued warnings about wind conditions that could fuel wildfires.

On July 23, The Los Angeles Times [reported](#) that, per documents it obtained from state officials, wildfire damage claims could drain a "\$21 billion fund that California created to shield utilities and their customers from the cost of wildfires sparked by electric lines" if Edison is found responsible.

SCE noted in an [online FAQ page](#) that the creation of the program "is not an admission of legal liability."

Kiley Grombacher, an attorney at Bradley Grombacher who co-founded the [California Fire Victims Law Center](#), is currently litigating numerous California wildfire-related claims on behalf of Eaton fire victims, including insurance bad faith matters and a first-of-its-kind [toxic contamination suit](#). She said in an interview that she is concerned about the program's lack of publicly available details—including eligibility requirements, medical expenses and whether it applies to toxic exposure cases.

"I think families are right to be skeptical, because people are just starting to put their life together," she said. "They're just trying to figure out what's going on in their cases, what legal rights they have, what their damages are. And it feels like Edison is rushing to create this fund before the victims and the officials really determine what's going on. If they really believe they're not responsible, why are they creating this fund and why are they rushing it through now?"

She recommended that fire victims retain attorneys "before they start signing away their rights" for what she anticipates will be low payouts.

"I think families deserve the same kind of representation, so they can make informed decisions about how to move on with their lives and how to get some kind of relief and recovery for this catastrophic loss," she added.

Kathleen Dunleavy, a spokesperson for Edison, warned in an interview against speculating too heavily on a program that hasn't yet been launched.

"I would also be careful about causing confusion amongst people who have already been through a lot," she said.

"This is a program that we are launching to help give people who've been impacted by the Eaton fire choices. And those choices involve filing a direct claim and not having to go through a lengthy and oftentimes expensive litigation process, and so that is exactly what we're doing. People can have an attorney if they want, but they do not need an attorney to participate in this program."

Dunleavy added that Biros' and Feinberg's involvement in the program is "one of the guarantees that people will be fairly compensated."

Since the program was announced on Wednesday, Biros said, she has received phone calls from three different attorneys who are handling "significant numbers" of wildfire cases, as well as local nonprofit HPP Cares, which provides housing counseling to renters and homeowners in California facing financial hardship.

Biros added that additional details about the program will likely become available in late summer or early fall, when a draft program protocol will be shared with stakeholders, including plaintiffs lawyers.

Grombacher said she is concerned that the creation of the fund is a move to avoid accountability that could result in more wildfires caused by "negligent conduct" down the line.

"I'm concerned that this fund may already erode some of the deterrents that come from litigation," she said. There is also a risk, she added, of victims receiving only a "small fraction" of what they are owed.

"My guess is that they'll want a full release, meaning that if they pay them for property damage, they'll want them to release every claim, which might include the [medical] monitoring claims," she said. "And the problem with that is that they may not be paying any compensation for those claims that could be real and valid and that these people are entitled to. And so we really want to make sure that people know that they can still talk to a lawyer, make sure that you are not getting your claims undervalued. ... I think they need people to come in and make sure they have all the facts about what are they really owed under the law, and then what is Edison offering them under this deal."

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Class Action

Insurers Wage 'Logically Inconsistent' War on Lawsuit Investors

July 29, 2025, 2:00 AM PDT

Summary by Bloomberg AI

AI Generated



- Some of the largest US insurance companies are ramping up attacks on litigation funders, blaming them for flooding the courts and driving up premiums.
- Insurers offer contingent risk policies, which can be used by litigants and law firms, and some insurers directly underwrite funders' investments, according to Ed Gehres, managing partner at Invenio LLP.
- Insurers have joined the chorus of corporate interests to bring more regulation to the litigation finance industry, with some, like Nationwide, Liberty Mutual, and Sentry, lobbying on the litigation finance tax bill, as stated by public records.

Some of the largest US insurance companies are ramping up attacks on litigation funders, even as their peers offer related products.

Insurers blame outside funders behind plaintiffs' lawyers in mass tort cases—like those alleging harm from talc, opioids, and weedkiller Roundup—for flooding the courts and driving up premiums. They've promised to keep up the pressure after legislation to impose a 40% tax on funders stalled in Congress, including by refusing to write policies for litigation finance companies.

But the pushback extends beyond the funders fueling mass tort suits. It also targets those who put money behind a wide range of commercial disputes, including many for which insurers offer their own contingent risk policies.

"I find it logically inconsistent," said Ed Gehres, managing partner at Invenio LLP, a law firm focused on litigation finance transactions. "Whether they like it or not, the insurance companies cannot escape the fact that they are participants in the monetization of litigation."

Major insurance brokerage firms like Marsh McLennan, Lockton, Willis Towers Watson, and Alliant offer litigants and law firms policies covering contingent risk. The policies underwrite case dockets, allowing policyholders to get cheaper capital from funders. Some insurers will also directly underwrite funders' investments.

Still, insurers have joined the chorus of corporate interests to bring more regulation to the \$16.1 billion litigation finance industry. Nationwide, Liberty Mutual, and Sentry were among the massive insurers who lobbied on the litigation finance tax bill, public records show.

The leaders of Chubb and Marsh McLennan pledged to continue fighting the industry after the measure was dropped from the sweeping tax and spending bill signed by President Donald Trump on July 4. They said rising jury awards for car accident cases have spiked the price of auto insurance, and blamed litigation finance for driving advertising in mass tort cases.

Marsh, an insurance broker and subsidiary of Marsh McLennan, places contingent risk policies but does not work with litigation funders, according to Daniela Raz, a senior vice president for the company. Raz worked at litigation funder Omni Bridgeway before joining Marsh in 2023 to work in its contingent liability group.

"Litigants and law firms on the plaintiff side of 'the v' seek out insurance solutions for a number of reasons, including that they can retain more proceeds than they would in an uninsured litigation finance transaction," she said. "Marsh helps those clients by sticking to our knitting, which is insurance."

Chubb, Lockton, Willis Towers Watson, and Alliant did not respond to requests for comment.

Products at Odds

Contingent risk policies put insurers at odds with their messaging. The product is often used in the M&A context, insuring against litigation to help a deal move forward, but there are also a variety of products used by and in tandem with litigation funders.

WIP, or "work in progress" insurance, allows law firms to insure their case dockets. The firms can then take out loans from funders against the policies. Funders will also insure their deals to protect their investment or provide funding to pay premiums to insurance companies.

Marsh places policies for litigation relevant to M&A, "works in progress" or WIP insurance for law firms on the plaintiffs' side, and some defense-side judgment preservation insurance, according to Raz. The company does not place policies with litigation funders and has not placed WIP policies with mass tort or personal injury law firms, because their courtroom opponents tend to also be insured.

"Law firms focused on consumer litigation, including mass tort and personal injury cases, raise more concerns for insurers because the defendants in those cases are typically insured," said Raz. "Conversely, commercial litigation firms specialize in cases alleging claims like antitrust, contract, and IP, in which there is typically no insurance on the defense side."



Podcast: The Mysterious Forces Behind Anti Litigation Finance Ad Blitz

The litigation finance industry is typically broken up into two different categories: those who finance commercial cases like antitrust, breach of contract, and intellectual property, and those who issue loans to mass tort and personal injury law firms against their docket of cases. Some funders participate in both areas.

Consumer legal funding involves loans directly to plaintiffs, rather than their lawyers. The loans, against a potential award in a pending legal claim, are used for claimants' personal expenses, not litigation.

The tax bill did not distinguish between these categories.

"It's three distinct buckets and three distinct purposes," said Eric Schuller, president of the trade group Alliance for Responsible Consumer Legal Funding. "So why are you lumping them all together and saying we're going to do a one-size-fits-all?"

For Stef Zielezienski of insurance industry trade group American Property Casualty Insurance Association, the different types of funding are similar enough. The group, which says its members include 1,200 insurance companies, has lobbied on new regulations.

"The whole thing is third-party litigation finance," said Zielezienski, APCIA's executive vice president and chief legal officer. "I prefer to package it together. "

Insurers continue to issue new litigation-related policies after a short pause while the tax bill was pending, according to three people who work in the space.

Insurers' concerns about litigation finance driving up costs doesn't apply to commercial litigation, they said. Defendants in those cases rarely have insurance covering liability for business disputes.

Although the litigation finance bill died in Congress, Zielezienski said similar measures could appear again. President Donald Trump has urged lawmakers to continue using the reconciliation process to advance his agenda.

"If there's an opportunity to pursue a taxation, it'll be pursued," Zielezienski said. "If there's a second reconciliation effort, third reconciliation effort, I expect the [third party litigation finance] tax provision to be a part of that."

Judges appoint Adam Gordon as U.S. attorney for the Southern District of California

DJ

[dailyjournal.com/articles/386805-judges-appoint-adam-gordon-as-u-s-attorney-for-the-southern-district-of-california](https://www.dailyjournal.com/articles/386805-judges-appoint-adam-gordon-as-u-s-attorney-for-the-southern-district-of-california)

Jul. 29, 2025

The decision, following a request from the Trump administration last week, comes as other jurisdictions have witnessed standoffs between the administration and district judges over who should serve in the role.

Southern District of California judges voted Monday to appoint interim U.S. Attorney Adam Gordon of San Diego to the position.

Chief Judge Cynthia A. Bashant confirmed the judges' vote in a phone call Monday afternoon. The Trump administration asked them to appoint Gordon to the position last week, she added.

Gordon, who was appointed by Attorney General Pam Bondi to a 120-day term that was due to expire Aug. 7, will remain in the job unless he is fired by President Donald Trump or replaced by a U.S. attorney nominee who is confirmed by the U.S. Senate.

A 2008 graduate of the University of Virginia School of Law, Gordon has spent the bulk of his career as a prosecutor, first with the San Diego County district attorney's office and since 2019 with the Southern District U.S. attorney's office.

He spent four years in private practice from 2014 to 2018.

Before Bondi appointed him as interim U.S. attorney in April, Gordon worked in the Organized Crime Drug Enforcement Task Forces Unit. Prior to that assignment, he was the office's Criminal Division Opioid Coordinator, according to a statement by the U.S. attorney's office.

Gordon, U.S. Attorneys Bilal A. "Bill" Essayli of Los Angeles and Craig H. Missakian of San Francisco all were appointed by Bondi to 120-day terms under 28 U.S.C. § 546, a federal law dating to 1863.

Essayli's term is due to expire around the end of the week. The U.S. Department of Justice could not be reached for comment about whether they have asked Central District of California judges to appoint him - as district judges are permitted to do under federal law.

Chief Judge Dolly M. Gee of the Central District and a U.S. attorney's office spokesperson could not be reached Monday.

Missakian's term does not end until September.

In two other states and the District of Columbia, district judges declined to appoint U.S. attorneys selected by Bondi when their terms expired, prompting a standoff that concluded with the Trump administration keeping the U.S. attorneys in power using other maneuvers.

In the District of New Jersey, the Trump administration used a different statute - the Federal Vacancies Reform Act of 1998 -- to name U.S. Attorney Alina Habba to the job even after judges picked federal prosecutor Desiree Leigh Grace instead.

The Justice Department also fired Grace, clearing the way for Habba to remain.

Gordon could not be reached for comment about his appointment as of press time.

#386805

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Scrutiny Update



fcpprofessor.com/scrutiny-update-2

July 29, 2025

[Methode Electronics, Inc.](#), a publicly traded company based in Chicago, is “a leading global supplier of custom-engineered solutions with sales, engineering and manufacturing locations in North America, Europe, Middle East, and Asia.”

The Company’s solutions are found in the end markets of transportation (including automotive, commercial vehicle, e-bike, aerospace, bus and rail), cloud computing infrastructure, construction equipment and consumer appliance.

As highlighted in [this prior post](#), in late 2024 Methode disclosed FCPA scrutiny.

In its [recent annual report](#), the Company stated:

“The Company received subpoenas from the SEC dated November 1, 2024 and March 12, 2025 seeking documents and information relating to, among other things, the Company’s operations in certain foreign countries, certain financial and accounting matters relating thereto, compliance with the Foreign Corrupt Practices Act and other anti-corruption laws, material weaknesses in the Company’s internal control over financial reporting previously reported in its public filings, deficiencies and significant deficiencies in the Company’s internal control over financial reporting, accounting and finance policies and procedures and other accounting and finance matters including new business bookings, certain financial metrics and performance indicators, performance relative to targets and guidance for certain periods, executive compensation policies and amounts, hotline tips and complaints, and terminations or resignations of company executives. The Company is cooperating with the SEC. The subpoenas and related investigation or other future requests for information have resulted and could result in future costs to the Company, including the expenditure of financial and managerial resources. In addition, this request may lead to the assertion of claims or the commencement of legal proceedings against the Company, which in turn may lead to material fines, penalties or other liabilities. However, at this time, the Company is unable to reasonably estimate an amount or range of reasonably possible loss, if any, that may result from these matters.”

Will PG Sittenfeld's Supreme Court appeal free Larry Householder and redefine bribery standards?



cleveland.com/news/2025/07/will-pg-sittenfelds-supreme-court-appeal-free-larry-householder-and-redefine-bribery-standards.html

By Staff, cleveland.com

July 28, 2025



Cincinnati Councilman PG Sittenfeld, seen here in a 2013 file photo.

Former Cincinnati City Council member PG Sittenfeld is appealing his corruption conviction to the U.S. Supreme Court despite receiving a pardon from President Donald Trump.

This rare, if not unprecedented, legal move could redefine political bribery laws in America and potentially overturn convictions in other high-profile corruption cases – including ex-Ohio House Speaker Larry Householder's 20-year prison sentence.

Here are five takeaways from the [original article](#).

1. Sittenfeld's appeal could rewrite political bribery precedent in America

If the Supreme Court accepts Sittenfeld's arguments, it would fundamentally alter decades-old legal precedent regarding what constitutes political bribery and extortion.

His appeal asks the Court to more clearly distinguish between legal campaign contributions and illegal bribes, challenging the standards established in two key Supreme Court rulings: *McCormick v. United States* in 1991 and *Evans v. United States* in 1992.

These rulings were central to prosecutors' case against Sittenfeld, who was convicted of bribery and attempted extortion for accepting \$20,000 from undercover FBI agents in exchange for supporting a development project.

2. The appeal could lead to Larry Householder's bribery conviction being thrown out

The same legal precedents used to convict Sittenfeld were also used against former Ohio House Speaker Larry Householder, who was convicted in 2023 for accepting \$60 million in bribes from FirstEnergy in exchange for passing House Bill 6, a 2019 energy law.

U.S. Sixth Circuit Judge Amul Thapar explicitly stated in his ruling against Householder's appeal that if the Supreme Court overturns the Evans decision, "Householder's conviction may well fall."

This connection highlights the potentially far-reaching implications of Sittenfeld's appeal beyond his individual case.

3. Federal judges are urging the Supreme Court to revisit bribery standards

Multiple federal judges, including Thapar have publicly called for the Supreme Court to reconsider the Evans and/or McCormick rulings.

Sixth Circuit Judges John Nalbandian and Amul Thapar both went out of their way in their rulings to encourage the Supreme Court to revisit both nearly 35-year-old precedents.

Supreme Court Justices Neil Gorsuch and Clarence Thomas have also indicated interest in reconsidering the Evans decision.

This judicial pressure suggests there may be appetite on the high court to take up Sittenfeld's case.

4. Sittenfeld's appeal appears to be historically unprecedented

According to experts cited in the article, Sittenfeld's case may be the first instance in U.S. history where someone who received a presidential pardon has continued to appeal their case to the Supreme Court. Sittenfeld stated that he and his attorneys aren't aware of any similar cases.

Former U.S. pardon attorney Margaret Love explained that this situation is extremely rare because, until Trump's presidency, there were only a handful of instances where presidents pardoned individuals whose cases were still pending in the courts.

5. The Supreme Court must decide if the case is even valid post-pardon

When considering Sittenfeld's appeal, the Supreme Court will likely need to determine whether his case is moot following Trump's pardon.

Sittenfeld argues that his case still presents a "live controversy" because the pardon doesn't vacate his conviction or return the \$40,000 fine he paid.

Legal experts questioned why federal prosecutors haven't already closed the case entirely.

U.S. Solicitor General D. John Sauer must file a response to Sittenfeld's appeal by Aug. 14. After that happens, Supreme Court justices typically decide within weeks whether to take up the case.

Securities Law News

Opinion

Matt Levine's Money Stuff: Bet on or Against the Unicorns

July 28, 2025, 10:55 AM PDT

Unicorn bucket

We have talked a few times around here about two related problems:

1. It is hard to buy stock in hot private tech startups. They are private, is the main problem. Their stock does not trade on the exchange; it is not freely available to anyone who wants to buy it. You need to know someone who has stock to sell, and even if you find someone, you might need permission from the company to buy their stock.

- 2. It is hard to *short* private tech startups. Because their stock doesn't trade freely, you can't borrow shares to sell short. If you want to bet against them — if you think private tech valuations are generally too high, or if you think that one particular tech startup is overvalued — there is no obvious way to do so. (My preferred approach is “if you think it's a bubble, start your own startup and get a meeting with Masayoshi Son,” but that is imperfect and a lot of work.)

The natural solution to both of these problems is: side bets. I think SpaceX stock will go up, so I would like to buy some, but I can't. You think SpaceX stock will go down, so you would like to short it, but you can't. We could just do a swap. We each put up \$100, and in a year you pay me \$1 for each percentage point that SpaceX has gone up, or I pay you \$1 for each percentage point it has gone down. Nobody needs to own stock, or borrow stock, or deal with SpaceX; it's just a bet between us. All we need is some way to measure SpaceX's stock price. That's easy if SpaceX goes public in the next year (just look at its trading price), but if it doesn't, we'll need some agreed-upon measure of its stock price to settle the bet.

This is a good abstract approach but has some important problems. One is regulatory: This sort of bet is probably a “securities-based swap,” which is subject to heavy regulation in the US, can't easily be sold to retail investors and has been getting people in trouble for at least a decade. If you want these bets to be widely available you need to find a good way to package them. People keep trying, though, often in the form of “tokenization.”

The other problem is supply and demand. Some people want to buy the stocks of tech unicorns, and other people want to short them, but there's no guarantee that they will exactly balance each other out. If there is a ton of demand to buy private tech companies, and not much demand to short them, then these side bets will be messier. Perhaps you won't be able to go long: For every long bet, there needs to be a short bet, and if you can't find anyone to bet against you, then you can't go long. Or perhaps the imbalance can be solved by price: More people would probably go short SpaceX, and fewer would go long, if it was trading at twice its current valuation; you could just set the price of the swap at twice the current valuation to get the market to balance. But then the swaps won't really reflect the current private-market valuations of hot private tech companies; they will reflect supply and demand in a different, derivative market.

Still. Here is a pair of proposed closed-end funds from RiverNorth Capital Management LLC, the RiverNorth Long Prime Unicorn Fund 2027 and the RiverNorth Short Prime Unicorn Fund 2027. There is a third-party index of 30 big private tech companies, the Prime Unicorn 30 Index; its top components include SpaceX, Databricks and Anthropic. The long fund bets that the index will go up; the short fund bets that it will go down. Neither fund owns any shares of SpaceX or Databricks or any other private tech company. Instead, both funds work by "enter[ing] into one or more swap agreements with major global financial institutions," apparently with two-year terms. So you buy the long shares now and, in two years, you get back the return on the index, or you buy the short shares now and, in two years, you get back whatever the index has lost.

Who would write those swaps? Who would bet against these funds? Well, the obvious answer is: each other. The long fund will bet against the short fund, and some "major global financial institution" will sit in the middle. The funds precisely offset: The returns on each fund are capped at 100%, and each fund will issue the same number of shares. You can bet on the index precisely to the extent that other people want to bet against it. RiverNorth will run a matched book between people who want to bet on unicorns and people who want to bet against them. People do seem to want both bets, so they might as well bet against each other.

Obviously none of the money finds its way to SpaceX. This is not a way for public investors to provide capital to high-profile, fast-growing private companies. This is a way for public investors to *bet* on those companies. But that's a lot of what people want from financial markets these days.

Memes

Speaking of which, last week was a big meme-stock week. This morning, last week's main meme-stock winners — Kohl's, Krispy Kreme, OpenDoor, GoPro — were down, and I guess the meme thing has fizzled. In 2021, meme stocks were a novel cultural phenomenon, and nobody quite knew what would happen. In 2025, meh, we have seen it before, and it is less interesting the second time. The 2025 meme-stock wave seems less likely to last for months and spawn multiple movies.

There is one interesting novelty to this wave of meme stocks, which we discussed last week: ChatGPT. Meme stocks are an internet phenomenon, and in 2021, the way that people consumed the internet was through, you know, the internet. You found out about meme stocks on Reddit, or perhaps YouTube or Twitter. In 2025, many people consume the internet in a distilled form through large language models. If you want to know what stocks to buy, you don't have to go to Reddit's WallStreetBets forum; you can go to ChatGPT. ChatGPT has consumed the internet and internalized its patterns of thought, which definitely *include* "you should YOLO GameStop." Or OpenDoor, as the case may be.

What I argued last week is that this is a new vector for the coordination of meme stocks. In 2021, retail investors pushed up the price of GameStop by getting together on a message board and egging one another on to buy GameStop. In 2025, a similar coordination function can perhaps be performed by ChatGPT: A million traders can go to their computers and ask what stocks to buy and be told "OpenDoor" and buy it. This could have similar first-order effects — if they all buy OpenDoor, its price will go up — but less staying power. If you're all on Reddit, you're all in it together, and there is some communal excitement about pushing the stock up. It is a social event as well as a money-making (or losing) one. If you're all alone talking to a robot, it's just not as much fun. You're not going to check in with ChatGPT every hour. You have less emotional connection to your meme stocks if you get them from a robot.

I should say that this idea — that ChatGPT is a coordination vector for meme stocks — is pretty speculative; it does not seem to be the *main* way that last week's round of meme stocks happened. But it does seem to be how *some* investors found their way to last week's meme stocks. Bloomberg's Francesca Maglione, Claire Ballentine and Max Rivera wrote about this round of meme stocks on Saturday, and the article included this anecdote:

Justin Kim, a 30-year-old trader, said he bought \$5,000 worth of Opendoor in early July, when the stock was around 60 cents. He had been following President Trump's fight with Federal Reserve Chair Jerome Powell and used ChatGPT to research stocks that would do well if interest rates dropped.

Kim then bought another \$5,000 worth of the stock when it was trading around 70 cents. Originally, he thought he'd keep buying the stock slowly, until it reached \$30. Then he saw the activity on WallStreetBets and decided to get out before it was too late. Once he made a 100% profit, he sold his original investment and held the rest, looking to avoid what he called a "massive dump scheme" that hit some investors in GameStop and AMC.

What I wrote last week is that ChatGPT, trained on the internet, will have the sorts of internetty thought patterns that lead it to recommend heavily shorted meme-type stocks. Not *only* those thought patterns, though; one reader emailed:

I'm a fan of AI weirdness but I think you and some of your readers got Reddit answers out of ChatGPT because you actually did ask Reddit questions - do sane non-redditors ask for stocks with a 100x return? When I asked a simple layman question, "what stocks should I buy?", ChatGPT told me (I had no saved memory) to buy [normal stocks with normal rationales].

I think that's right. I don't think ChatGPT will necessarily push meme stocks to everyone. But I think that the people who *are* looking for stocks with 100x returns — people who are already meme-stock-curious — would have gone to WallStreetBets in 2021, and they might go to ChatGPT in 2025, and ChatGPT might give them a simulacrum of the Reddit answer.

In that vein, another reader sent me an email saying "I'm so sorry for the attached." The attachment was a Google Gemini response to the prompt "you're an amateur stock trader picking stocks for the lolz. write a wallstreetbets post about what stock you're going diamond hands for." You can guess how that went. The answer is ... abominable, yes, but I suppose a correct answer to that prompt. "[diamond emoji][hands emoji] My fellow apes, gather 'round, because your boy is about to drop some DD that'll make your tendies rain from the sky," it began, and did not get better, or maybe it did, I don't know, I couldn't read it.

Finally, David Hogg emailed:

If Chat[GPT] wants to retain and build user communities, it should be tuned to always push users towards the same stocks (within reason), and maybe even strategically make sell recommendations, so that users will repeatedly and publicly have experiences like "I asked Chat for stock advice and wow did I make money!"

Indeed this could be how Chat starts to make humans subservient: By manipulating enormous collections of investors such that the ones using Chat do well (relative to those not using Chat). Since they drive traffic they can manipulate prices and predict stock moves.

So, yes, if the mechanism by which artificial intelligence enslaves humanity turns out to be *meme stocks*, you read it first on Money Stuff.

Demotech

In a completely free and unregulated market for homeowner's insurance, you could imagine that there might be different grades of insurers:

There would be really good insurers, with lots of capital, who would definitely pay you if your house burned down. If you wanted to be certain to get paid in a disaster — if you wanted, you know, *insurance* — you'd buy insurance from them. Capital is expensive, though, so they'd charge you a lot.

- There would be kinda risky insurers, with much less capital, who *might* pay you if your house burned down. Buying insurance from them would leave you with a lot of residual risk: Your house might burn down and you might get nothing. But their insurance would be much cheaper.

Why would you buy the second kind of insurance? I can think of two main reasons:

You don't really want insurance. You are happy to take a certain amount of risk; you are confident that your house won't burn down and so you don't worry too much about the insurance payout. But you need insurance to check some box for someone else: In particular, to get a *mortgage* on your house, you might need insurance. So you'll buy the cheapest insurance you can get, not for its insurance value but to meet that requirement. This is fine, for you! But presumably your mortgage lender requires insurance because it wants to get paid back if your house burns down. There is a principal/agent problem here: You're getting the insurance for your lender, but you're not getting your lender the best possible insurance.

- You do want insurance, but you are not deeply informed about the balance sheets of every insurance company, so you just pick the cheapest insurance and figure it'll probably be fine. "Surely," you think, "if this company is selling me insurance, that means it will pay out if my house burns down. Otherwise somebody would have done something about it."

Plausibly almost everyone is in one or both of those categories — who *is* deeply informed about the balance sheets of insurance companies? — so we don't have a free and unregulated insurance market. State regulations require insurers to be adequately capitalized, and there are ratings agencies that rate their financial capacity, and to get a conforming mortgage you will generally need to have insurance from an A-rated insurer.

But all the dynamics above still apply. If you live in a place with a lot of hurricanes, a really well-capitalized and prudent insurer might not give you insurance, or might charge you a lot for it. Someone else might give you cheaper insurance, and you might think some combination of "eh, I just need insurance for the mortgage, I'm not worried about hurricanes" and "eh, I'm sure this cheap insurance is reputable." But to make this work, you need a ratings agency to give less-well-capitalized insurers A ratings.

Here's a Wall Street Journal story about Demotech:

With climate disasters driving many big nationwide insurers out of risky markets in Louisiana, Florida and elsewhere, smaller companies such as Lighthouse have stepped in to fill the gap. And many are getting a critical stamp of approval from Demotech, a tiny Ohio rating company with a unique take on grading financial stability. It rates 98% of the insurers A, for "exceptional," or the even better A Prime or A Double Prime.

But Demotech's rosy outlook doesn't always pan out. Insurers it rated were 30 times as likely to become insolvent as those graded by its main rivals, according to a Wall Street Journal analysis of failures since 2017.

The disadvantage is, you know, sometimes people's houses are destroyed and their insurance doesn't pay out. The advantage is that if you don't care about that — if you just want insurance for box-checking reasons — then, uh, you don't care about that:

State regulators say Demotech's willingness to rate such small insurers provides consumers with more choices in troubled markets and takes pressure off so-called insurers of last resort. Florida's Citizens Property Insurance, created by the Florida legislature in 2002 for homeowners who can't get coverage elsewhere, has been able to move more than 200,000 policies this year from its books to 10 small insurers with A ratings from Demotech.

Demotech founder Joseph Petrelli said his company's ratings allow millions of homeowners in areas abandoned by large insurers to get insurance. "We created this space," he said. "No one else was interested in doing that at the time." ...

A good rating from Demotech or one of its three main rivals—AM Best, S&P Global and Kroll Bond Rating Agency—can be crucial to an insurer's ability to operate. Mortgage-finance giants Fannie Mae and Freddie Mac won't back loans for properties that are insured by lower-rated companies, and lenders typically charge higher rates and require larger down payments for loans that Fannie and Freddie won't touch.

We have talked about this before, and Bloomberg's Leslie Kaufman wrote about the Demotech arbitrage last year. It seems intuitive that consumers and regulators would want to require homeowner's insurance to be written by companies that can actually pay, but in practice there *is* some demand for insurance that doesn't pay out.

Put the tokens in the stock in the tokens

My instinct was "ouroboros," but "turducken" is better:

A crypto firm is now tokenizing a publicly traded stock that tracks corporate exposure to a token — a tokenization turducken.

In an announcement on Thursday, the team behind the scalable Layer 1 chain Injective said it is bringing SBET, the stock for Joe Lubin's Ethereum treasury firm SharpLink, onchain, "marking the first tokenized digital asset treasury," or DAT. SharpLink uses a "proprietary" metric called Concentration to track shareholder exposure to crypto's second-largest asset.

"This is not just a product milestone but the introduction of an entirely new asset class that can power programmable finance from day one," Injective wrote in a release. "SBET DAT transforms a static corporate Ether reserve into a living, yield-bearing onchain instrument."

Sure! We talked about SharpLink in May. It's standard crypto-treasury stuff: Joe Lubin, an Ethereum co-founder, has a big pile of Ether, which he plopped into a teeny (\$2 million market cap) sports-gambling-related US public company because, as I keep saying because it keeps being true, the US stock market will pay \$2 for \$1 worth of crypto. (In fact, the Ether is being contributed at a price of \$6.15 per share, and SharpLink closed Friday at \$21.99, so the stock market is paying almost \$4 for \$1 worth of Ether.)

And of course tokenizing stocks, so they can trade on the blockchain, is a big crypto project for technical and regulatory arbitrage and philosophical reasons. Tokens on OpenAI, tokens on Tesla, all sorts of tokens.

And so of course you should tokenize the stocks of crypto treasury companies. How else are you going to get exposure to Ethereum if not by buying an Injective token referencing a US-listed stock referencing Ethereum? The dream of a decentralized, disintermediated financial system, you have to love it.

Things happen

CME Group Wins Lawsuit by Former Floor Traders. US Housing Market Posts Worst Spring Selling Season in 13 Years. With Individual Home Buyers on the Sidelines, Investors Swoop Into the Market. JPMorgan spooks fintechs with plans to charge for access to customer data. EU Defends US Trade Deal in Face of Mounting Business Criticism. "Open interest in IBIT-linked options has more than tripled this year to around \$34 billion, a scale that signals the fund's emergence as a core engine of crypto risk pricing." Qube to Merge Two Hedge Funds Into a Pool Worth Over \$20 Billion. "It is a matter of time before Americans also see dynamic pricing on groceries." "He attracted borrowers with pedigreed names including Cornelius Vanderbilt Capital Management, Shearson Lehman and Bentley Rothschild." Mercedes Gives Customers the One Thing They've Always Wanted: Microsoft Teams. Chuck E. Cheese employee in mouse costume arrested by TPD for credit card fraud.

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- 1. The termination date is blank in the draft prospectus, but I assume the "2027" in the name refers to the termination.
- 2. "The number of Common Shares offered by the Fund in this offering is limited to not exceed the number of shares of common stock offered by the Short Fund in its concurrent initial public offering," says the long fund, and vice versa.
- 3. Also, Byrne Hobart notes: "Another change is on the risk management side: short-sellers know that there's no real limit to how much a dying company can rally once WallStreetBets gets fixated on it, so their incentive is to cover faster. If most funds are running more diversified short books, it's still possible that the long/short industry as a whole has similar exposure to what it did before, since analysts trade ideas. So instead of one fund putting 3% of its assets into a single short position, there might be ten funds with a 30bp position in the same name. But none of them will have as much conviction — concentration and conviction tend to build on each other — so they'll all cover faster. That means stocks can achieve meme status faster, whether it's through buying Bitcoin or by hiring Sydney Sweeney to do some ads (American Eagle shares were up 31% from Tuesday's close last night). But if everyone covers faster, more of the rally has to come from increasing retail investor attention rather than continuous covering. That weakens the price action and the narrative, and those tend to feed into each other."

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Litigation

EV Maker Nikola Seeks to Lower Priority of SEC's Fraud Claim

July 28, 2025, 1:09 PM PDT

Electric-vehicle maker Nikola Corp. asked a bankruptcy court to lower the priority of an \$80.2 million claim from the US Securities and Exchange Commission seeking to create a fund to pay investors harmed by ex-CEO Trevor Milton's fraud.

The claim violates bankruptcy law's "absolute priority rule" because it seeks to distribute estate funds to equity holders through a "fair fund," Nikola said in a July 25 filing in the US Bankruptcy Court for the District of Delaware.

The claim stems from a \$125 million civil penalty imposed by the SEC, of which \$45 million has already been paid. Nikola agreed to pay the fine in December 2021 to settle SEC allegations that Milton misled investors to inflate company stock prices.

An arbitration panel in November 2023 found that Milton breached his fiduciary duty to the company through a pattern of false and misleading public statements. The panel allocated to Milton about 97% of the responsibility to pay the SEC's penalty, according to court records.

Bankruptcy law requires that the claim have a lower priority because the alleged damages stem from the purchase or sale of a security, Nikola said.

"Equity investors, who assume the risk of stock ownership, cannot convert those risks into creditor claims through the backdoor of securities fraud litigation," the filing said.

The claim also doesn't serve its original purpose, and lowering its priority wouldn't "deprive the SEC of its ability to deter future acts or exercise its police powers," Nikola said.

Nikola filed for bankruptcy in February amid weak sales and a series of CEO departures following Milton's wrongdoing. A judge will consider its proposed liquidation plan in September.

President Donald Trump in March granted a pardon to Milton, who was facing four years in prison for securities and wire fraud.

Pillsbury Winthrop Shaw Pittman LLP and Potter Anderson & Corroon LLP represent Nikola.

The case is Nikola Corp and Lead Class Plaintiff , Bankr. D. Del., No. 25-10258, memorandum of law 7/25/25 .

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Litigation

Miles Guo Should Forfeit More Than \$1.3 Billion, Prosecutors Say

July 29, 2025, 10:30 AM PDT

Summary by Bloomberg AI

AI Generated



- Prosecutors want Miles Guo to pay a \$1.3 billion money judgment, calling the figure a conservative estimate of the funds he tricked thousands of investors into handing over.
- Guo should also forfeit millions of dollars seized from bank accounts linked to his schemes, along with his New Jersey mansion, and other luxury purchases, prosecutors said.
- Guo was convicted in July 2024 of fraud and racketeering conspiracy, and is set to be sentenced on Sept. 8, but has asked the court for an adjournment until “at least December 2025”.

Prosecutors want convicted fraudster Miles Guo to pay a \$1.3 billion money judgment, calling the figure a conservative estimate of the funds he tricked thousands of investors into handing over.

Guo should also forfeit millions of dollars seized from bank accounts linked to his schemes, along with his New Jersey mansion, and other luxury purchases including a Bugatti, a Lamborghini, a Rolls Royce Phantom, and a Porsche, prosecutors said in a motion submitted Monday to Judge Analisa Torres of the US District Court for the Southern District of New York.

The exiled Chinese businessman, also known as Guo Wengui or Ho Wan Kwok, was convicted in July 2024 of fraud and racketeering conspiracy.

The government accused him of leveraging his prolific online presence to solicit contributions for bogus causes and investments in various “opportunities” by promising out-sized returns. He then used the victims’ money to fund his lavish lifestyle, prosecutors said.

The alleged schemes involved two non-profits, the Rule of Law Society and the Rule of Law Foundation, and GTV Media Group Inc., the Himalaya Farm Alliance, G Club Operations LLC, and the Himalaya Exchange.

Although Guo was acquitted on securities and wire fraud counts related to GTV Media Group, Inc., prosecutors say the trial record established by at least a preponderance of the evidence that the GTV private placement “was part of the RICO enterprise and the fraud and money laundering conspiracies.”

Guo is set to be sentenced on Sept. 8 but has asked the court for an adjournment until “at least December 2025. ”

One of his associates, Yvette Want, was sentenced in January to 10 years in prison for her role in the enterprise. Another alleged co-conspirator, Kin Ming Je, is at large.

Guo’s public criticism of the Chinese Communist Party led to his exile from China. It also earned him high-profile allies like Stephen Bannon and President Donald Trump.

Guo is represented by court-appointed counsel from Dratel & Lewis, Sarafa Zellan PLLC, and Doar Rieck Kaley & Mack.

The case is United States v. Guo , S.D.N.Y., No. 1:23-cr-00118, motion 7/29/25 .

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UnitedHealth Group Inc**UnitedHealth says it faces \$1.6bn in potential settlement costs**

US health and insurance company profits shrink as patient care costs surge after difficult start to 2025



UnitedHealth reported net earnings of \$3.4bn in the three months to the end of June, a 19% fall on the same period last year. © Mike Blake/Reuters

Patrick Temple-West in New York

Published 6 HOURS AGO | Updated 08:40



US healthcare group UnitedHealth faces \$1.6bn in potential settlement costs, the conglomerate said on Tuesday, amid government investigations and a corporate turnaround effort to return to earnings growth next year.

In its results for the three months ending in June, the health and insurance group reported net earnings of \$3.4bn, a 19 per cent fall on the same period last year. Earnings per share were \$3.74, down from \$4.54 a year ago and below analyst estimates of \$4.22, according to S&P.

UnitedHealth's shares traded down 4.5 per cent in Tuesday morning trading and its stock is down 44 per cent so far this year.

Tuesday's earnings marked the first for new chief executive Stephen Hemsley, who returned as CEO in May, replacing Andrew Witty, a former GlaxoSmithKline CEO, who stepped down as the company pulled its annual guidance, sending UnitedHealth's stock to the [lowest level in more than four years](#).

For years, UnitedHealth outperformed the S&P 500 index with a business model that included health insurance, primary care and pharmacy services. UnitedHealth is the biggest employer of physicians in the US.

But recently, UnitedHealth has been hurt by higher patient claims costs. The company underestimated these costs, prompting its first-quarter earnings miss and its decision to withdraw guidance in May.

On Tuesday, UnitedHealth re-established future guidance, estimating its 2025 revenue would be \$445.5bn to \$448bn and net earnings would be at least \$14.65 per share. The company said it expected to return to earnings growth in 2026.

But UnitedHealth said its growth would be stung by \$1.6bn "of potential settlement items." The US Department of Justice [is examining](#) UnitedHealth's large Medicare Advantage unit. Last week, UnitedHealth acknowledged it is [under a DoJ criminal investigation](#) concerning its Medicare billing programme.

Amid the government investigations, Hemsley said the company has put a pause on exploring corporate deals.

"We stopped that entire activity," he said on a call with analysts. "We are focused on the performance of the businesses that we have and will pick up portfolio assessment somewhere down the road."

Jeff Jonas, a portfolio manager at Gabelli Funds, said UnitedHealth was likely to increase share buybacks to reach its earnings targets "largely because they can't pursue more acquisitions".

"They're bumping up against antitrust limits and have already faced tough regulatory reviews on their most recent deals," Jonas said.

To resolve the government investigations, “ultimately, they’ll settle and pay a fine, but not this year”, Jonas said. “These things move slowly, and even a resolution sometime next year might be considered fast.”

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Patrick Temple-West

Securities Law

B. Riley Sets Date to Post Report Covering Overdue 2024 Results

July 29, 2025, 5:38 AM PDT

B. Riley Financial Inc. scheduled an earnings call for the middle of next month, a normally routine matter, but in this case it suggests that the financial services firm is closer to filing its long-overdue regulatory reports.

The conference call after the market closes on Wednesday, Aug. 13 will include a discussion of 2024 performance and a preliminary financial and business update for the first half of this year, Los Angeles-based B. Riley said in a Tuesday [statement](#). The shares, which gained almost 10% Monday after jumping as much as 19% during regular hours, was little changed in premarket trading.

B. Riley missed the deadline to file its results with the US Securities and Exchange Commission for full-year 2024 as well as the first quarter of 2025, as it struggled with soured investments that included the bankruptcy of its key asset, Franchise Group Inc. The delays in turn prompted Nasdaq to [warn](#) that B. Riley was in danger of being kicked off the exchange.

Back in June, the company [reaffirmed](#) its vow to resume timely reporting this year, pegging it to "Fall 2025." The bonus of its new chief financial officer, **Scott Yessner**, is tied in part to catching up on missed filings and making the deadlines on new ones.

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Cozen O'Connor Lands 4 IP Attys From Eversheds, Buchalter

By **Rose Krebs**

Law360 (July 28, 2025, 3:39 PM EDT) -- Cozen O'Connor announced Monday that it has added two intellectual property partners from Eversheds Sutherland and another prominent IP attorney from Buchalter PC in the San Diego area, with another Eversheds Sutherland partner set to join the team later this week.

Nicola A. "Nick" Pisano, Scott A. Penner and Jose L. "Joe" Patiño have joined Cozen O'Connor as members of the firm's intellectual property department and will be based in an office planned to open soon in the North County San Diego area, the global firm said. Regis C. Worley Jr., another partner from Eversheds Sutherland, is set to join the team on Thursday.

A firm representative confirmed to Law360 Monday that the office will be Cozen O'Connor's second San Diego outpost. No further details about the office were available at this time.

"I think I speak for the four of us when I say it's exciting to be here," Pisano said in a statement. "While many firms are quietly narrowing their IP offerings, Cozen O'Connor continues to expand its IP department and its capabilities. Considering the resources we have at our disposal — and the importance of IP in today's global business market — this is a very good place to be."

The hirings will bolster the IP department, as the attorneys each have experience advising clients about protecting their IP assets, including artificial intelligence, life sciences and medical devices and electrical, software and mechanical technologies, Cozen O'Connor said.

In an emailed statement to Law360 on Monday, the trio that has already joined the firm said it was drawn to Cozen O'Connor because it provides "a strong platform that enables our group, which has decades of experience in patent and trade secret litigation, to advance our clients' goals."

The firm's deep bench will help them best serve clients and handle their "most important 'bet the company' matters," they said.

"Many firms can handle important cases, but few have the footprint to be a transformational partner," they added. "Cozen O'Connor offers these advantages at a national scale from its offices in Delaware, Chicago, New York, Texas, throughout California, and beyond, with seasoned practitioners in all of these critical venues, and an international presence that facilitates a global strategic approach, both before the courts of record and patent administrative tribunals."

Pisano comes to Cozen O'Connor after six years as a partner at Eversheds



Nicola A. "Nick" Pisano



Scott A. Penner

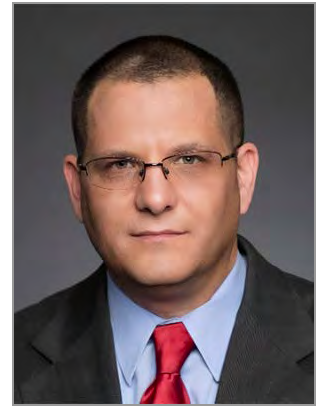


Jose L. "Joe" Patiño

Sutherland, according to his LinkedIn profile. He also previously worked at Foley & Lardner LLP for more than six years, at Jones Day for more than five years, at the former Luce Forward Hamilton & Scripps LLP for four years and at former IP firm Fish & Neave for more than 13 years, according to his profile.

He earned a law degree from University of Notre Dame, the Law School, a master of science degree in nuclear engineering from Massachusetts Institute of Technology and an undergraduate degree from Notre Dame.

During his lengthy legal career, he has served as lead or trial counsel in more than 250 cases involving patent, trade secret, copyright and other issues in federal courts across the U.S. and advised clients in proceedings before the U.S. Patent and Trademark Office, the International Trade Commission and appellate matters before the Federal Circuit, his profile on the firm's website said.



Regis C. Worley, Jr.

Before making the move to Cozen O'Connor, Penner was a partner at Eversheds Sutherland since July 2019, his LinkedIn profile said. He also previously worked at Foley & Lardner for five years and at Fish & Richardson PC for more than six years, the profile said.

He earned a law degree from University of California College of the Law, San Francisco, formerly UC Hastings, and an undergraduate degree from Harvard University.

Penner focuses his practice on patent litigation and helping clients protect technological assets, the announcement said. He has experience handling patent infringement cases, domestic and international portfolio management, licensing, trade secret protection, copyright infringement matters, open-source software review, source code analysis and other matters, his profile on the firm's website said.

Before joining Cozen O'Connor, Patiño was a shareholder at Buchalter since October 2023, his LinkedIn profile said. He also previously worked at Eversheds Sutherland for more than four years, at Foley & Lardner for more than six years, including a stint as chair of its IP litigation practice, and at Morrison Foerster LLP for nearly seven years, the profile said.

He also previously held an in-house post as managing counsel at Ford Motor Co. for five years, his LinkedIn profile said.

Patino earned a law degree from Harvard Law School and an undergraduate degree from University of California, Davis.

In his practice, he advises companies in intellectual property disputes and has experience handling patent litigation and proceedings throughout the U.S., including before the International Trade Commission and serving as special intellectual property counsel in matters in U.S. Bankruptcy Court, Cozen O'Connor said.

"With prior backgrounds in industry and technology, Nick, Scott, and Joe have decades of relevant IP experience, not only as lawyers, but as businesspeople who can help our clients uncover and develop sustainable business solutions," the firm's chairman and CEO Michael J. Heller said in a statement. "Each brings experience advising on all aspects of patent, trademark, copyright, trade secrets, and unfair competition — from clearance and procurement to litigation. I'm thrilled they've chosen to join us."

Worley will also join the firm as a member later this week. He has been a partner at Eversheds Sutherland since January 2020, his LinkedIn profile said. He previously worked at Robbins Geller Rudman & Dowd LLP for nine years, at Jones Day for more than three years, and at Luce Forward for more than two years, the profile said.

Earlier in his career, he operated a forensic and biomechanical engineering business for five years. He earned a law degree from Thomas Jefferson School of Law, a master's degree in mechanical engineering from San Diego State University and an undergraduate degree from the University of

California, Santa Barbara.

Worley has spent more than 21 years as an engineering duty officer with the U.S. Navy Reserve, including serving as a regional commanding officer, his LinkedIn profile said.

In his practice, Worley advises clients about intellectual property matters and helps them protect technologies such as sensors, medical devices, manufacturing equipment, software and computer hardware and consumer electronics, Cozen O'Connor said.

He is a registered patent attorney and has experience handling matters before the U.S. Patent and Trademark Office, the firm said.

In an emailed statement to Law360 on Monday, Heller said the firm is "thrilled" to expand its intellectual property practice in San Diego.

"With its breadth and depth of technical knowledge, business focus, and courtroom experience, this team will be a tremendous asset for our West Coast clients, further enabling us to serve the area's flourishing startups and technology firms," he said.

--Editing by Dave Trumbore.

Update: This article has been updated with an additional comment from Heller.

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Catching Up With Delaware's Chancery Court

By **Katryna Perera and Jeff Montgomery**

Law360 (July 28, 2025, 3:33 PM EDT) -- A Delaware vice chancellor last week sent several coordinated derivative suits seeking millions of dollars in damages from AT&T to trial and also chose a boutique firm to lead a potential "blockbuster" suit challenging a take-private deal of a sports and entertainment group after "heated" attacks between competing counsel.

Additionally, a \$10 million settlement was reached in a \$13.5 million stockholder suit challenging a merger between an online gaming company and a blank check company, and the top brass of an automation services company was sued on claims of insider trading.

In case you missed it, here's the latest from the Delaware Chancery Court.

Top News

Several coordinated derivative suits seeking hundreds of millions of dollars in damages from AT&T affiliates for allegedly claiming excessive shares of partnership revenues have been **sent to trial** in a ruling that also limited time windows for some claims. The suits, filed on behalf of 14 minority partners of individual cellular services, seek recoveries of "ill-gotten profits" allegedly kept from the partnerships for years as the industry, communications technology and wireless service use evolved from handheld phones and multiple network providers to the ubiquitous "internet of things."

Dismissals

Delaware Vice Chancellor Lori W. Will **dismissed every count** in a suit filed by investors who alleged that they were misled in the run-up to a multibusiness special purpose acquisition company deal to take public now-bankrupt UpHealth Holdings and Cloudbreak Health, a telemedicine venture focused on providing remote diagnoses and healthcare for non-English-speaking patients. The vice chancellor found that the suit suffered from "numerous defects" including lack of jurisdiction, lack of standing and time-barred claims, among other things.

A Corcept Therapeutics Inc. stockholder suit seeking derivative recovery of millions the company paid out to regulators for "aggressive" off-label marketing and sales of its sole drug, used to treat complications of the rare disease Cushing's syndrome, **was tossed**, with a vice chancellor finding that the suit failed to show that it would have been futile to demand action by Corcept's allegedly conflicted board members.

Settlements

The Column Group and former shareholders of NGM Biopharmaceuticals reached a **\$6 million deal** in Chancery Court to resolve a lawsuit challenging NGM's \$135 million, \$1.55-per-share sale to The Column Group, its pre-deal venture capital controller. The suit claimed that the take-private deal was unfair and uninformed and that TCG had negotiated directly with significant minority stockholders. Eventually, TCG submitted a final offer of \$1.55 per share and indicated it would not support a higher bid from a third party.

Delaware Vice Chancellor Nathan A. Cook said parts of a **\$12.75 million deal** in a stockholder suit challenging a take-public deal for MoneyLion "reflect a poster-child scenario for the problems and malincentives associated with the de-SPAC form." The vice chancellor approved the \$1.40-per-share agreement to end class claims against Fusion Acquisition Corp., the special purpose acquisition company that merged MoneyLion into a publicly traded entity based on an allegedly inflated \$2.2

billion valuation.

A **\$10 million settlement** was reached in a \$13.5 million stockholder suit challenging a merger between online gaming company Skillz Inc. and a blank check company, which valued Skillz at \$3.5 billion. The high recovery relative to the limited damages estimate claim stands out, in part, attorneys for the class said, because, for several months after the closing, a "significant" number of shares of the taken-public company were sold at above the \$10 redemption — or pre-merger cashout — price.

New Cases

A stockholder of automation services and software company UiPath sued the company's top brass in Chancery Court, **claiming** they schemed to discount UiPath's artificial intelligence-related services to pump up business while trading on insider information and reaping more than \$500 million in total proceeds. According to the complaint, when UiPath conducted its 2021 initial public offering, board members and company insiders were not subjected to a traditional lockup period and could sell their shares immediately. Through this structure, the suit alleged that the defendants schemed to artificially inflate the price of UiPath's stock to maximize their own profits.

Pension fund stockholders of poultry industry giant Pilgrim's Pride Corp. sued Brazil-based meat giant JBS SA, its affiliates and its Pilgrim's board appointees in Chancery Court, claiming that JBS used its Pilgrim board appointees to **secure an amendment** providing "favorable tax treatment to JBS" via its Pilgrim's subsidiary, at the expense of minority shareholders. The amendment purportedly allowed JBS to "manipulate the timing and amount of any dividend payments to minimize or eliminate its obligation to remit any payment to the company" for its use of Pilgrim's Pride's associated tax assets.

A stockholder of cryptocurrency venture MicroStrategy Inc. alleged in a new suit in Chancery Court that the company's board breached its fiduciary duties and violated Delaware's General Corporation Law by **amending** liquidation preference rules for some preferred company stock without a stockholder vote, which increased the outstanding liquidation preference for perpetual strike shares by about \$250 million.

Taking the Lead

Abrams & Bayliss LLP **will lead** a potential blockbuster lawsuit alleging that sports and entertainment giant Endeavor Group Holdings was undervalued in a \$13 billion take-private deal, after Vice Chancellor Will rejected calls from other prospective lead counsel to allow them to work together with Abrams & Bayliss, saying there had been "heated — even ad hominem — attacks between counsel." The vice chancellor gave the reins to Abrams & Bayliss, noting that the firm represents clients with a larger stake in the suit and has a more equitable fee structure, which will avoid conflict among dissenting stockholders. The competing firms were Rolnick Kramer Sadighi LLP and Heyman Enerio Gattuso & Hirzel LLP.

Quotable

"There's nowhere else we can get that if they do as they plan and destroy that data," said Allison M. Brown of Kirkland & Ellis LLP, counsel to a group that includes The Dow Chemical Co., Johnson & Johnson and Union Carbide, in an asbestos injury suit.

"The lack of an independent tort for spoliation only highlights the need to recognize and enforce the common law obligation that the trusts have" to preserve records, Brown said, adding that tens or hundreds of thousands of claims could be affected.

The asbestos bankruptcy claims trusts want to begin routine destruction of exposure-related data, but Brown argued in Chancery Court that the move would **cut off** a potential last-resort source of information.

--Editing by Rich Mills.



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EXp Holdings Accused Of 'Bad Faith Inaction' In Del. Suit

By **Jeff Montgomery**

Law360 (July 28, 2025, 10:53 PM EDT) -- An attorney for stockholders of real estate brokerage eXp World Holdings Inc. told Delaware's chancellor Monday the company's response to long-running sexual assault allegations was an example of "bad faith inaction" rather than good faith responses.

Rebecca E. Boon of Bernstein Litowitz Berger & Grossmann LLP, counsel for the Los Angeles City Employees' Retirement System, told Chancellor Kathaleen St. J. McCormick that eXp World operated for years without a viable, board-level system for monitoring and investigating "harrowing acts of surreptitious drugging and sexual assault of eXp real estate agents."

The stockholders sued the company in October, alleging a "cover-up to protect the assailants, prioritizing the profits that inflated executive bonuses over agent safety and compliance with the law — as well as basic human decency."

During arguments on a motion to dismiss the complaint, Boon said the allegations of assaults by the company's top agent "influencers" had been long known but that company directors "utterly" failed to act.

"I'm not quibbling with what the board did. I'm alleging they didn't do anything to put in place a board-level monitoring system" or otherwise oversee and address the issue, Boon said.

The allegations were known to company executives by at least September 2020, according to the complaint.

Theodore L. Kornobis of K&L Gates LLP, counsel to the company and James Bramble, eXp's chief legal counsel, told the chancellor that eXp "by no means" went to court to defend the alleged conduct, and the plaintiffs "aren't here to prosecute."

Those on the defense, Kornobis said, were there to argue that the suit failed to plead that a majority of the board received a material benefit from the alleged misconduct, faced a substantial risk of liability or lacked independence needed to objectively consider and act on the claims.

Delaware's Supreme Court in past rulings "was quite deliberate in using the extreme adverb 'utterly'" in describing the kind of reporting system failure that would support the claims alleged against eXp, Kornobis said. The hurdle includes failure to implement any kind of reporting system or a conscious failure to monitor and oversee the information.

"Plaintiff has to plead the absence of a good faith effort to put a reporting system in place," Kornobis said.

Chancellor McCormick pressed Kornobis at one point on a comment regarding the likelihood that directors would have known about and investigated a Facebook post by an agent alleging that she was drugged and sexually assaulted at an eXp recruiting event.

"Someone in your law firm posts a Facebook post saying another person in your law firm drugged and raped her. You don't think it's reasonably conceivable that someone in your law firm would have heard about it?" the chancellor asked.

Kornobis said the company has 2,000 employees and 80,000 agents worldwide, adding "the plaintiff had the burden to show directors actually knew."

The chancellor later pushed back on arguments regarding allegations that a company recruit was unable to secure replacement of her sponsor after alleged abuse because of company practices and contractual language.

"If the request is, 'I prefer not to make money from someone who is raping people and using drugs'?" Chancellor McCormick asked.

Boon argued later that the board knew how to put in place a monitoring system for financial misconduct but only made "lip service changes" in response to media scrutiny.

The three-count complaint asserts derivative claims of breaches of fiduciary duties against Bramble; Glenn Sanford, the company's founder, CEO and chairman; former board member Gene Frederick; current board members Randall Miles — referred to as Sanford's "fixer" — and Dan Cahir; and former board member Jason Gesing.

The lawsuit seeks the "immediate disgorgement" of all profits, benefits and other compensation paid out by the company as a result of the alleged breaches, as well as damages tied to the alleged breaches, plus interest, attorney fees and costs.

Also sought is an injunction requiring the company to implement and monitor policies and systems that will ensure appropriate oversight of sexual misconduct allegations.

Chancellor McCormick took the arguments under advisement.

Lead Plaintiff Los Angeles City Employees' Retirement System is represented by Gregory V. Varallo, Benjamin M. Potts, Hannah Ross and Rebecca Boon of Bernstein Litowitz Berger & Grossmann LLP, Ned Weinberger, Mark D. Richardson, John Vielandi, Alfred L. Fatale III and Charles Wood of Labaton Keller Sucharow LLP and Hydee Feldstein Soto, Joshua Geller, Miguel Bahamon and Gina Di Domenico of the Office of the Los Angeles City Attorney.

EXp World Holdings and James Bramble are represented by Elena C. Norman and Skyler A.C. Speed of Young Conaway Stargatt & Taylor LLP and Joanna A. Diakos, Stephen G. Topetzes and Theodore L. Kornobis of K&L Gates LLP.

Dan Kahir is represented by David S. Eagle of Klehr Harrison Harvey Branzburg LLP and Robert D. Weber and Saul Rostamian of Sheppard Mullin Richter & Hampton LLP.

Randall Miles is represented by Lewis H. Lazarus, Albert H. Manwaring, Albert J. Carroll and Kirsten A. Zeberkiewicz of Morris James LLP.

Jason Gesing is represented by A. Thompson Bayliss and Florentina D. Field of Abrams & Bayliss LLP.

Glenn Sanford is represented by Rudolf Koch, Matthew D. Perri and Mari Boyle of Richards Layton & Finger PA.

Eugene Frederick is represented by Joseph B. Cicero, Ryan M. Lindsay and Dakota B. Eckenrode of Chipman Brown Cicero & Cole LLP.

The case is Los Angeles City Employees' Retirement System on behalf of eXp World Holdings Inc. v. Glenn Sanford et al., case number 2024-0998, in the Court of Chancery of the State of Delaware.

--Editing by Linda Voorhis.



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Fiserv Misled Investors On Platform Growth, Suit Says

By **Sydney Price**

Law360 (July 28, 2025, 8:47 PM EDT) -- Fiserv has been hit with a proposed shareholder class action in New York federal court accusing the payment processing technology company of artificially inflating its growth numbers through the forced migration of customers from its older platform to a newer, more expensive system.

In a **complaint** filed Thursday, the City of Hollywood Police Officers' Retirement System alleged that Fiserv Inc. shares fell nearly 19% earlier this year after the company revealed that its organic growth rates were slowing. For months prior to the announcement, it touted high growth rates but failed to disclose that the success was due to customer conversions from Payeezy, Fiserv's old system, to Clover, its newer platform, the pension fund said.

"The market learned that this growth was unsustainable when a substantial portion of these migrated customers abandoned Fiserv altogether in favor of less-expensive competing products like Square and Toast," according to the complaint.

The suit says Fiserv operates a merchant solutions segment that includes its Clover platform, a cloud-based payment processor that generates revenue by charging a percentage of each merchant transaction.

Clover's gross payment volume is an important metric to shareholders because it provides insight into the transaction volume and scale of payments, the shareholder argued.

"Growing GPV rates signal support for Clover as a foundation for sustainable recurring revenue," according to the complaint. "Conversely, when Clover acquires fewer new merchants and loses existing merchants through attrition to competitors, GPV rates decelerate."

The suit's proposed class period begins July 24, 2024, the day Fiserv assured investors that Clover's growth was being driven by new business and that the platform was not facing significant merchant attrition, the pension said.

On that day, and for nearly a year after, however, Fiserv did not disclose that users of Payeezy had been forcibly moved to Clover, increasing Fiserv's headline growth numbers, according to the suit.

The pension asserted that Fiserv "shocked" investors earlier this year when the company's executives announced during its first-quarter earnings call in April that the firm experienced an 8% gross payment volume growth rate, a decline from its gross payment volume growth rates of between 14% and 17% in 2024.

Analysts reacted swiftly and negatively, and shares of Fiserv dropped \$40.20 each, or about 19%, to close at \$176.90 on April 24, 2025, according to the complaint.

For the following few months, the defendants continued to partially conceal that the declines were largely due to the loss of transaction volumes from former Payeezy merchants that canceled their Clover contracts, the suit says.

On May 15, Fiserv disclosed that its gross payment growth deceleration would continue throughout 2025, causing its shares to decline by \$30.73 each, or about 16%, to close at \$159.13 on May 15, the pension alleged.

The truth did not fully emerge until last week, according to the suit. On July 23, Fiserv lowered its full-year organic growth guidance range and reported that its quarterly organic revenue in its merchant segment had decelerated to 9% year-over-year from 11% in the previous quarter, the complaint noted.

On this news, shares of Fiserv fell nearly 14%, closing at \$143 July 23, according to the suit.

In addition to Fiserv, the suit's individual defendants include Frank J. Bisignano, who resigned as CEO of Fiserv in May, the company's current CEO Michael P. Lyons, Chief Accounting Officer Kenneth F. Best and Chief Financial Officer Robert W. Hau.

The investor accused them of acting with scienter, or actual knowledge of wrongdoing or reckless disregard, and violating the Exchange Act.

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

The shareholder is represented by Francis Paul McConville and Connor C. Boehme of Labaton Keller Sucharow LLP and Robert D. Klausner and Stuart A. Kaufman of Klausner Kaufman Jensen & Levinson.

Counsel information for Fiserv and the individual defendants was not immediately available Monday.

The case is City of Hollywood Police Officers' Retirement System v. Fiserv Inc. et al., case number 1:25-cv-06094, in the U.S. District Court for the Southern District of New York.

--Editing by Covey Son.



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Rocket Cos. Investor Ends Fraud Suit After Class Cert. Denial

By **Sydney Price**

Law360 (July 28, 2025, 10:43 PM EDT) -- A pension fund that had previously attempted to lead a suit in Michigan federal court against Rocket Companies Inc. has agreed to drop all its claims in the shareholder litigation accusing the mortgage business of concealing a downturn in loan volume.

According to the stipulation filed Thursday, the Construction Laborers Pension Trust for Southern California, referred to as SoCal in the case, will voluntarily dismiss its claims with prejudice. Both the pension fund and Rocket Companies will bear their own litigation costs and fees, according to the stipulation.

Last September, U.S. District Judge Thomas L. Ludington **denied class status** to the shareholders. In their suit, the shareholders claimed Rocket hid a sharp drop-off in its mortgage business for months until it reported an expected \$18.5 billion decrease in closed loan volume in May 2021.

SoCal asked the court for another chance at class certification in October after the initial bid was denied in light of a U.S. Supreme Court **decision** in [Goldman Sachs Group v. Arkansas Teacher Retirement System](#) , which vacated class certification in a case accusing Goldman of making positive statements about its conflict mitigation practices that later turned out not to be true.

The Goldman suit had many similarities to the Rocket Companies case, Judge Ludington said, because it also involved claims that optimistic statements by a corporate executive — in this case, former Rocket CEO Jay Farner — about the company's prospects hid the truth from the public about its flagging loan business.

In April, Judge Ludington issued an order saying the Federal Rules of Civil Procedure **permitted SoCal** to file a renewed class certification motion, but the pension fund would do so "at its own peril." Several weeks later, SoCal notified the court it had published a public notice seeking lead plaintiff appointments in the suit by July 8, but, to date, no motions to lead the suit have been filed.

Because the suit's former plaintiff Carl Shupe dismissed his fraudulent misrepresentation claims and is no longer a party to the proceedings, there is no lead plaintiff in the case, the order stated, and the Private Securities Litigation Reform Act provides "little guidance" on what to do in such a situation, the court said in April.

"Indeed, '[t]he PSLRA is entirely silent on the proper procedure for substituting a new lead plaintiff when the previously [appointed] one withdraws' or, as here, voluntarily dismisses their claims," the order stated.

According to the judge, it is "extremely rare," but "nearly all federal courts faced with similar circumstances have reopened lead plaintiff proceedings."

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

SoCal is represented by Carol C. Villegas, Christine M. Fox, Jake Bissell-Linsk and David Saldamando of Labaton Keller Sucharow LLP, Shannon Hopkins of Levi & Korsinsky LLP and James Allen of Schenk & Bruetsch PLC.

Rocket Companies and the other defendants are represented by Jeffrey B. Morganroth of Morganroth

& Morganroth PLLC and Sharon L. Nelles, Jeffrey T. Scott, Julia A. Malkina and Jacob E. Cohen of Sullivan & Cromwell LLP.

The case is Shupe et al. v. Rocket Companies Inc. et al., case number 1:21-cv-11528, in the U.S. District Court for the Eastern District of Michigan.

--Editing by Janice Carter Brown.

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LuxUrban Investor Suit Over Post-IPO Business Trimmed

By **Katryna Perera**

Law360 (July 28, 2025, 9:48 PM EDT) -- A New York federal judge trimmed a shareholder class action accusing LuxUrban Hotels Inc. and two of its executives of misleading investors about the company's financial reporting and partnerships with other property owners, saying investors have not adequately alleged that the executives knew about the misstated financials.

U.S. District Judge Paul A. Engelmayer issued an **opinion and order** Friday tossing scienter claims against LuxUrban senior executives Brian Ferdinand and Shanoop Kothari related to allegedly misstated financials for the first quarter of 2024.

According to the order, when LuxUrban restated its financial reports for the first quarter of 2024, the information in the restatement "supplied a dramatically different picture" of the company's financial condition than what was initially reported.

The investors allege Ferdinand and Kothari knowingly issued the original, false financial statements, but Judge Engelmayer said Friday the scienter claims are "threadbare."

The judge noted that the operative complaint does not include any facts supporting the inference that Ferdinand knew or was reckless in not knowing that the original financial report was inaccurate, nor does it adequately allege a motive to defraud.

The same goes for Kothari, the order states, and neither individuals' stock sales during the relevant period were suspicious.

"The [amended complaint] does not plead facts suggesting that Kothari was 'aware' of 'information [that] would require an adjustment to [the] financial statements' at the time he helped prepare [them]," the order states.

Additionally, the "magnitude" of the restatement itself does not prove Kothari's scienter, nor does the fact that he signed the original financial statement, the order states.

The rest of the suit's claims were kept intact by Judge Engelmayer on Friday. The suit alleges the defendants misrepresented that LuxUrban had added several prestigious New York and Los Angeles hotels to its portfolio, only to disclose months later that the transactions were never closed.

LuxUrban's business model, which it describes as "asset-light," involves leasing hotels on a long-term basis and renting out the hotels' rooms.

On Friday, Judge Engelmayer found the investors had adequately pled that the financial statement for the first quarter of 2024 and representations made during the class period about the growth of LuxUrban's portfolio, focused on the addition of four new hotels, were all false.

The amended complaint also provides "strong circumstantial support" that Ferdinand and Kothari knew their statements about the addition of four hotels were false when made, the judge said, since they were directly involved in negotiating master lease agreements with the hotels, and "thus presumably knew in real-time the true state of those transactions."

"As to Ferdinand, the AC alleges that he was required to issue personal guarantees concerning

[master lease agreements] ... as to Kothari, the press releases announcing the purported addition of each of the four hotels listed him as a contact," the order states.

The judge also found that the suit adequately pleads loss causation and control person liability.

The suit was launched last year by an investor who claimed LuxUrban concealed legal disputes over its rent obligations from its shareholders. Investors claim LuxUrban's share price dropped following a short seller's report alleging, among other things, that the company hadn't actually signed a lease with a certain Midtown Manhattan hotel, contrary to claims it previously made.

The second trading price falloff came after the company announced that it was "withdrawing its prior statements" about the midtown hotel, including quarterly reports in which it included the hotel on a list of its properties under lease.

The short seller's report also claimed that it had reviewed "dozens of lawsuits against LuxUrban and its affiliates," including suits brought by the company's landlords at four properties accusing the company of failing to pay rent.

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

The investors are represented by Jeremy A. Lieberman and Jonathan D. Park of Pomerantz LLP and Lesley F. Portnoy of Portnoy Law Firm.

The defendants are represented by Douglas W. Greene and Zachary R. Taylor of BakerHostetler.

The case is zCap Equity Fund LLC et al. v. LuxUrban Hotels Inc. et al., case number 1:24-cv-01030, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Emilie Ruscoe. Editing by Jay Jackson Jr.

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Peloton Looks To Snuff Out Investors' Recall Suit Again

By **Elaine Briseño**

Law360 (July 28, 2025, 5:00 PM EDT) -- Peloton hopes to extinguish a second attempt by investors at finding the company and its executives at fault for the way the company handled a recall of its defective bicycle seats, telling a New York federal judge Monday that the amended complaint does not cure deficiencies that led to the lawsuit's initial dismissal.

In February, U.S. District Judge Margo K. Brodie **dismissed the lawsuit**, saying investors had not pointed to any materially misleading statements or omissions made by Peloton's top brass, nor had they pled any facts establishing that Peloton leaders acted with fraudulent intent.

Peloton said in its Monday motion to dismiss that the investors are now "throwing everything up against the wall" with their second amended complaint in hopes something sticks.

The amended complaint, according to Peloton, still fails to demonstrate that any statements made by the company were false or misleading.

"Although plaintiffs were given leave to amend — and have now layered on dozens of vague allegations from 14 new confidential witnesses — quantity does not equal quality," the filing said. "The new allegations, even if voluminous, do not fix the fatal deficiencies in plaintiffs' case."

New allegations include speculation about "unspecified quality issues" that were known by a few of the defendants. It's not clear whether the mentioned issues related to the recalled bikes or defective seat post, the filing said.

Peloton investors **launched the securities fraud lawsuit** in June 2023 against the company and its executives, alleging that the recall of nearly 2.2 million Peloton bikes containing the defective seat caused company stock to plummet by 9%. Investors said the company overstated the safety of its products and downplayed the need for additional reserves to absorb product recall expenses. It also accused the company and its executives of being aware of the risk the seat presented and knowing that a recall was likely, according to the lawsuit.

Peloton announced in May 2023 that it had received five reports of the bike seat breaking during use and voluntarily notified the U.S. Consumer Product Safety Commission, which recalled the products.

"Plaintiffs' theory — that defendants' statements were false because the company subsequently engaged in a recall that proved more expensive than anticipated — still boils down to a defective claim of fraud by hindsight," the filing said. "Because plaintiffs' latest amendments do nothing to remedy the fundamental deficiencies in their case, the court should once again dismiss their complaint — this time with prejudice."

The proposed class of investors are those who purchased or otherwise acquired Peloton securities between May 10, 2022, and May 20, 2023.

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

Peloton and the individual defendants are represented by Mark Gimbel, Robert Gianchetti and Jordon Joachim of Covington & Bruling LLP.

The co-lead plaintiffs and proposed investor class are represented by Villi Shteyn, Jeremy Lieberman and Justin D'Aloia of Pomerantz LLP and Shannon Hopkins, Gregory Potrepka and Amanda Foley of Levi & Korsinsky LLP.

The case is Jia Tian et al. v. Peloton Interactive Inc. et al., case number 1:23-cv-04279, in the U.S. District Court for the Eastern District of New York.

--Additional reporting by Hailey Konnath. Editing by Rich Mills.

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Labaton Tapped To Lead Venture Global Investor Suit

By **Emilie Ruscoe**

Law360 (July 28, 2025, 11:19 PM EDT) -- Labaton Keller Sucharow LLP will lead a proposed class of investors in energy company Venture Global Inc. in a suit alleging the company hid production issues and cost overruns at its Louisiana natural gas liquefaction and export projects ahead of its \$1.75 billion initial public offering in January.

In a Friday order in Manhattan federal court, U.S. District Judge Jeannette A. Vargas granted an unopposed lead plaintiff bid filed by the Illinois Municipal Retirement Fund, an institutional investor in Venture Global, noting that since other investors weren't competing to lead the case, no proof had been offered that might rebut presumption that the pension fund was the most adequate plaintiff to lead the matter.

The judge also found that the investor's legal team, which also includes Cohen Milstein Sellers & Toll PLLC as liaison counsel, was qualified to handle the case, noting in her order that both of the firms have "substantial experience in the prosecution of securities fraud class actions, having served as lead or co-lead counsel in many securities class actions."

The instant suit was launched by Venture Global investor FirstFire Global Opportunities Fund LLC and landed in New York federal court in April. Its claims take aim at Venture Global, four of its executives, five of its directors and three underwriters of its IPO, alleging they'd misrepresented prospects for the company's Calcasieu Project and Plaquemines Project, both of which are near the Gulf of Mexico.

According to the investor, when the company priced its IPO at \$25 per share and filed the associated prospectus for the offering, it warned investors that it had "experienced, and expect to continue to experience ... significant volatility in the proceeds we have generated" from sales for its Calcasieu Project.

If sales for the project's commissioning cargoes declined, Venture Global said in its prospectus, "that could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, financing requirements, liquidity, prospects" and trading prices for its shares.

The investor claimed that these warnings didn't go far enough — and failed to reflect risks that had already materialized when it put its warnings in writing ahead of the offering.

Specifically, the suit pointed to the company's March 6 reporting for its 2024 fiscal year showing the company missed analysts' earnings per share estimate, in part because in the final quarter of 2024, Calcasieu sales had fallen "far in excess of levels expected by the market or purportedly warned about in the Registration Statement."

That day, Venture Global's shares fell from \$14.20 per share to \$9.08 per share, the April 15 complaint said, adding that the company's shares remain below the IPO price. On Monday, shares of Venture Global closed at \$15.17.

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

The pension fund is represented by Francis P. McConville and Connor C. Boehme of Labaton Keller Sucharow LLP and Steven J. Toll and S. Douglas Bunch of Cohen Milstein Sellers & Toll PLLC.

Venture Global is represented by Jeff G. Hammel, Jason C. Hegt, Corey Calabrese and Melange T. Gavin of Latham & Watkins LLP.

The case is FirstFire Global Opportunities Fund, LLC v. Venture Global Inc et al., case number 1:25-cv-04642, in the U.S. District Court for the Southern District of New York.

--Editing by Emily Kokoll.

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PE Firm Scores New Trial After Losing \$1.1M Shareholder Suit

By **Aaron Keller**

Law360 (July 28, 2025, 8:41 PM EDT) -- The Connecticut Supreme Court on Monday threw out a \$1.1 million verdict and ordered a new trial in a minority member's lawsuit against three other CCP Equity Partners LLC members, holding that a trial court judge misconstrued the private equity firm's operating agreement and inaccurately instructed the jury.

The 5-0 opinion, by Justice Nora R. Dannehy, said a trial court judge should have concluded that the firm's operating agreement was designed to limit liability under Delaware law. The agreement did not affirmatively ban bad faith, willful misconduct or gross negligence, the justices held, as founding member and onetime managing partner John B. Clinton had **alleged**.

According to the opinion, an otherwise exculpatory provision in CCP's operating agreement required its members, referred to as "managers," to "exercise their best judgment" when running the company.

The provision protected managers if they "acted in good faith and in a manner ... reasonably believed to be in, or not opposed to, the best interests of the company."

However, managers were not protected if gross negligence or willful misconduct occurred, the exculpatory provision reads.

The section of the agreement at issue "is a quintessential exculpatory provision under Delaware law, which Delaware courts have made clear does not give rise to any separate contractual duty," Justice Dannehy wrote.

"The provision limits managers' liability to members unless the breach was the result of gross negligence or wilful misconduct, or the manager did not act in good faith," she added.

Superior Court Judge Trial Referee Robert B. Shapiro erred by telling the jury that the provision created a duty of care that required managers to act in good faith, Justice Dannehy wrote.

"The good faith/bad faith references that permeated the court's charge, as well as the reference to the prohibition on actions taken with 'gross negligence' or 'wilful misconduct,' come directly from the language of the exculpatory clause in ... the agreement, which we have explained does not give rise to any contractual duties on the part of the defendants," she continued. "This was error."

Judge Shapiro also shifted the burden to the defendants by requiring them to disprove bad faith, gross negligence or wilful misconduct, the justices ruled. Instead, the trial court should have hewn its instructions to the elements of the breach of contract claim Clinton alleged, the justices said.

The jury should have first determined "whether there was a breach of an independent legal duty," the justices held. If there was, the jury would next have considered whether the exculpatory provision prevented Clinton from recovering damages, they said. If the exculpatory provision did not apply and damages were possible, the jury would then have calculated the amount owed, the opinion indicates.

The justices said the trial court erred further by asking jurors to consider whether the "best judgment" clause in the contract was ambiguous. That was the trial judge's job, the opinion states.

On remand, the justices want the trial court to expressly tell the jury that the clause is ambiguous and to determine its meaning using extrinsic evidence.

"Under these circumstances, we cannot say that the trial court's instructions fairly presented the plaintiff's breach of contract claim to the jury in such a way that injustice was not done to the defendants," the Supreme Court held.

The trial court properly admitted expert testimony about whether the company wisely held a \$3 million capital reserve, the justices said further. Clinton had argued the reserve was unnecessary and unreasonable.

In a concurrence, Justice Andrew J. McDonald noted that because the contract was governed by Delaware law, the holding does not affect corporate operating agreements written under Connecticut law.

"Our conclusions in this case should not be taken to mean that the result necessarily would have been the same had the matter been litigated under Connecticut law," he cautioned. Justice McDonald lamented that a new trial would be held, even as the fate of a separate implied covenant claim — which the high state court did not consider — remained in limbo.

The case is 12 years old and has twice reached the Connecticut Supreme Court. Justice McDonald called the matter "a dispute that should have been resolved years ago."

According to the opinion, Clinton, one of CCP's founding members and its onetime managing partner, sued Michael E. Aspinwall, Steven F. Piaker and David W. Young, three other then-partners, for breach of contract over his 2013 ejection.

A jury found in Clinton's favor on all three counts, awarding close to \$147,000 over a 2008 operating agreement amendment that altered cash distributions, around \$672,000 for Clinton's ouster, and more than \$303,000 for maintaining the capital reserve.

The trial judge awarded an additional \$716,000 in attorney fees, plus interest and costs.

CCP maintains a Hartford, Connecticut, address, according to its website. Court documents say it is incorporated in Delaware and that Delaware law governs its operating agreement.

An attorney for the defendants declined to comment on Monday. Counsel for Clinton did not immediately reply to an inquiry.

Justices Andrew J. McDonald, Gregory T. D'Auria, Steven D. Ecker, Joan K. Alexander and Nora R. Dannehy sat on the panel for the Connecticut Supreme Court.

Clinton is represented by Glenn W. Dowd and Howard Fetner of Day Pitney LLP.

The defendants are represented by Barbara M. Schellenberg of Marino Zabel & Schellenberg PLLC, and Garrett S. Flynn of the Law Offices of Garrett S. Flynn LLC.

The case is Clinton v. Aspinwall et al., case number SC 21072, in the Connecticut Supreme Court.

--Editing by Emily Kokoll.



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PBMs Can't Escape NY State Law Claims In Opioid MDL

By **Jonathan Capriel**

Law360 (July 28, 2025, 9:15 PM EDT) -- Two UnitedHealth subsidiaries cannot escape claims that they exacerbated the opioid crisis by providing data analytics and consulting services to drugmakers, a federal judge overseeing the multidistrict litigation ruled on Monday, saying the New York state municipalities have adequately alleged RICO by claiming they were part of the same criminal conspiracy.

OptumInsight Inc. and OptumInsight Life Sciences Inc. argued that cities Rochester and Ogdensburg couldn't maintain claims under the Racketeer Influenced and Corrupt Organizations Act because their lawsuits do not actually claim they participated in the allegedly illicit enterprise. Specifically, the amended complaints fail to claim that they "dispensed massive amounts of opioids."

But U.S. District Judge Dan Aaron Polster rejected this narrow reading of the complaints in his **13-page order**.

The municipalities have claimed that these OptumInsight companies collected and processed data analytics for opioid manufacturers and disseminated their marketing messaging about the prescription drugs, the judge said, pulling from the complaints.

"These allegations paint a picture of the moving defendants working closely with OptumRx Inc. [another UnitedHealth subsidiary and defendant in the MDL] and opioid manufacturers in furtherance of the overarching goal," the judge said. "[That is], the unrestricted increase in prescribing and dispensing of prescription opioids for the profit of the Opioid Enterprise Manufacturers and the [pharmacy benefits managers]."

Judge Polster's order denied two motions to dismiss filed by the OptumInsight companies.

Rochester and Ogdensburg accuse the OptumInsight companies of fueling the opioid crisis by providing opioid manufacturers with data analytics, research, and marketing support that downplayed addiction risks and promoted overprescription, according to the court record. Specifically, they allege that these two companies at issue tapped into the "vast data" OptumRx collected from its operations which helped drugmakers generate clinical studies to downplay the addictive properties of the opioids. They worked together on the marketing of the narrative, the cities claim in their suits.

The OptumInsight companies leaned on a number of arguments in an effort to defeat jurisdiction. The cities have never made specific allegations against the OptumInsight companies independently, which they argue means the court doesn't have jurisdiction over each company individually, the companies argued according to a summary presented by Judge Polster in his order. He rejected this argument.

"The defendants are punctilious in their briefing about keeping separate the identities and functions of each Optum corporate subsidiary, and suggest plaintiffs' failure to meet the same standard in their complaints is a fatal weakness," the judge said. "But the Court concludes, as it did before, that, 'where multiple defendants are alleged to have engaged in the same pattern of conduct or conspired in a fraudulent scheme,' a plaintiff need not 'reiterate its allegations against each defendant individually.'"

Additionally, the companies argued against jurisdiction saying that they are not headquartered in

New York, and that the plaintiffs failed to show how their actions were directed at the state specifically, according to motions filed in March and April. The plaintiffs have filed suit in New York federal court and made claims under state law. The case was consolidated as part of an MDL and was assigned to the Northern District of Ohio.

Ultimately, the judge declined to consider these regarding general and specific jurisdiction arguments. That's because RICO's nationwide service provision gives the court personal jurisdiction over the companies, he said.

"It would not serve the ends of justice to require separate trials in different fora against parties who both have close involvement in the events underlying the plaintiff's case," said Judge Polster, quoting *Suarez Corp. Indus. v. McGraw* , 1999.

The governments are represented by Jayne Conroy of Simmons Hanly Conroy, by Joseph F. Rice of Motley Rice LLC, by Paul T. Farrell Jr. of Farrell & Fuller LLC and by Peter H. Weinberger of Spangenberg Shibley & Liber.

OptumRx Inc., OptumInsight Inc. and OptumInsight Life Sciences Inc. are represented by Andrew Hatchett, William H. Jordan and Brian D. Boone of Alston & Bird LLP.

The multidistrict litigation is In re: National Prescription Opiate Litigation, case number 1:17-md-02804, in the U.S. District Court for the Northern District of Ohio.

--Editing by Leah Bennett.

Rising Star: Bernstein Litowitz's Andrew Blumberg



law360.com/securities/articles/2366417/rising-star-bernstein-litowitz-s-andrew-blumberg

Law360 (July 28, 2025, 4:00 PM EDT) · [Listen to article](#) -- Andrew Blumberg of [Bernstein Litowitz Berger & Grossmann LLP](#) has won a near record-breaking victory for former investors in a Santander subsidiary and a rare nod of approval from Delaware's highest court, earning him a spot among the securities attorneys under 40 honored by [Law360 as Rising Stars](#).

Andrew Blumberg

Bernstein Litowitz Berger & Grossmann

- **Age:** 39
- **Home base:** Wilmington, Delaware
- **Position:** Partner
- **Law school:** Washington University School of Law
- **First job after law school:** Clerk to Chancellor Andre G. Bouchard of Delaware Chancery Court

The most important cases of his career:

Blumberg was part of the trial team that won a 2023 ruling on behalf of investors in fitness software provider [Mindbody Inc.](#) who claimed that company management undervalued the company when selling it to a private equity firm in 2019.

The Delaware Chancery Court [ordered](#) Mindbody's former CEO to pay the investor class an extra \$1 per share, a ruling that Blumberg said might be the first to hold an executive liable under a standard created in a landmark Delaware Supreme Court case from 1986, [Revlon Inc. v. MacAndrews & Forbes Holdings Inc.](#)

"Under Revlon, 'directors are generally free to select the path to value maximization, so long as they choose a reasonable route to get there,'" said Chancellor Kathaleen St. J. McCormick, citing the precedent. She said Mindbody's former CEO did not do that and instead "pursued a fast sale ... to further his personal interests."

The ruling against the former CEO [was upheld](#) by the Delaware Supreme Court last year, something that has become "increasingly rare" for investor-friendly verdicts in the state, Blumberg said.

The Bernstein Litowitz attorney also co-led the team that won a \$162.5 million settlement against [Santander Consumer USA Holdings Inc.](#) on behalf of minority shareholders who say they were underpaid as part of a \$2.5 billion squeeze-out merger.

Blumberg said it was the second-largest class action settlement in Delaware history, and [it was resolved](#) days before a trial was scheduled to kick off.

Other notable cases:

Blumberg represented the [California Public Employees' Retirement System](#) as lead counsel in a case challenging CBS' \$30 billion merger with [Viacom](#) in 2019.

The case [settled for \\$122.5 million](#) in 2023 after surviving a motion to dismiss, with the California retirees and other Viacom stockholders saying the deal "significantly overpriced CBS" relative to Viacom.

"That was an atypical case because there were investors who were suing on both sides of that litigation: attorneys representing former Viacom stockholders, attorneys representing former CBS stockholders," Blumberg said. "So we were in some sense litigating against a separate set of investors as we were litigating against defense counsel."

Blumberg was also part of the Bernstein Litowitz team that secured [a \\$133 million settlement](#) later that same year on behalf of [Madison Square Garden Entertainment](#) stockholders challenging the company's merger with MSG Networks.

Why he's a securities litigator:

Blumberg, a Delaware native, says he grew up around a number of corporate attorneys and counts trailblazing [class action attorney](#) Stuart Grant, co-founder of [Grant & Eisenhofer PA](#), as a family friend. So becoming a securities lawyer seemed like a natural fit for him.

"When I went to law school, the only field that I really was familiar with was corporate law," Blumberg said. "And I have a mathematical background and a quantitative brain, so I think it always made sense to me."

Aside from his law degree, Blumberg holds an MBA from the Olin Business School at Washington University.

Though he began his legal career on the defense side as an associate at [Weil Gotshal & Manges LLP](#), he said he felt "ideologically aligned" with the plaintiff's side.

He also said defense lawyers are often in a "reactive state" responding to new lawsuits or document requests, and he enjoyed the more proactive nature of being a plaintiff's attorney.

"The ability to choose your own cases and then drive the cases was attractive to me," he said.

The future of his practice:

There is currently concern from investor advocates in Delaware as they await to see whether newly enacted legislation in the state will make it harder to sue publicly traded companies.

Blumberg is part of the Bernstein Litowitz team overseeing [a constitutional challenge](#) against the legislation, known as Senate Bill 21, and he said the outcome of that case will determine the future of his practice.

"There's uncertainty in how the courts will interpret the legislation," he said. He said the legislation, if left standing by the Delaware Supreme Court, "changes a bunch of standards that the Delaware courts have spent decades, if not generations, developing through the common law."

While supporters of the law see it as an attempt to make Delaware an easier state in which to do business as some flee for places like Texas and Nevada, Blumberg worries about the state entering a "race to the bottom" that he says will harm investors.

"The future of corporate law and the future of my practice depends a lot on how S.B. 21 is interpreted and whether Delaware will take additional steps to appease disgruntled fiduciaries at the expense of the investors who we represent," he said.

--As told to Jessica Corso. Editing by Karin Roberts.

Law360's Rising Stars are attorneys under 40 whose legal accomplishments belie their age. A team of Law360 editors selected the 2025 Rising Stars winners after reviewing more than 1,100 submissions. Attorneys had to be under 40 as of April 30, 2025, to be eligible for this year's award.

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Amazon Looks To Ax Claims Of Heavy Metals In Rice Products

By **Bonnie Eslinger**

Law360 (July 28, 2025, 8:20 PM EDT) -- Amazon urged a Washington federal court to dismiss proposed class litigation seeking to hold the company responsible for rice products sold through its online store that contain toxic metals such as lead and mercury, saying there's no allegation the levels are "above any applicable legal or regulatory thresholds."

The suit claims that third-party brands of rice available for purchase on Amazon.com Inc.'s online shopping platform contain so-called "heavy metals," specifically, arsenic, cadmium, lead and mercury.

"Plaintiffs do not allege that those rice products contain heavy metals above any applicable legal or regulatory thresholds, that they personally purchased any specific rice product that contained heavy metals, or that they suffered an injury as a result of heavy metals," Amazon states in its Friday motion to dismiss.

For example, in their complaint, the consumers point to maximum allowable arsenic levels the U.S. Food and Drug Administration has set for bottled water. Amazon states in a footnote that this is a "flawed bid to recast" study test results from a nonprofit on which the complaint depends.

"Plaintiffs point to regulations addressing arsenic in apple juice, bottled water, and drinking water, and cadmium in bottled and drinking water," Amazon says. "Plaintiffs, however, offer no explanation for why those action levels have any reasonable application to heavy metals in solid food products."

Plaintiffs Ashley Wright and Merriman Blum also lack standing to sue because they don't specifically say they purchased their rice products from Amazon, the motion to dismiss asserts. The complaint only says each plaintiff bought Iberia Basmati 100% Aged Original Rice, but it doesn't pointedly identify the retailer, Amazon argues.

"The complaint is thus devoid of any causal link between plaintiffs and Amazon, without which plaintiffs have no standing to proceed," the motion adds.

Without claims that they purchased their products from Amazon, the plaintiffs can't show they have suffered a harm caused by the company, the motion contends.

The two consumers also don't allege that the rice that they purchased contained heavy metals, or that they tested their own jars, Amazon says.

"Plaintiffs do not allege that they purchased or tested any of those brands, but they nonetheless contend that each rice product contains detectable amounts of heavy metals that Amazon has failed to disclose," the motion to dismiss states.

In addition, the complaint's claims for relief under the Washington Consumer Protection Act or for fraudulent concealment, don't survive legal scrutiny, Amazon says.

The two consumers say Amazon had a duty to make sure sellers disclose the possible presence of the heavy metals on the pages where the rice products are posted and promoted — but Washington law holds there's no duty to disclose where the concern is known and "easily discoverable," the company says.

The complaint contends that the presence of heavy metals in rice is "public, well known, and has been studied and publicized frequently over the last two decades — as demonstrated in the many public articles cited and relied upon by plaintiffs themselves," the motion to dismiss states.

The Federal Rule of Civil Procedure 9(b) has a heightened pleading standard for accusations of fraud, and the complaint bases its claims on "generic, conclusory statements" concerning the rice industry and rice products, Amazon says.

Finally, the claims are barred by the federal Communications Decency Act, which dictates that an interactive online service platform can't be treated as the "publisher or speaker" of any information provided by others using the service. The suit seeks to hold Amazon liable for the marketing details posted on the pages where the rice products are promoted, but the CDA provides platforms like Amazon with "broad federal immunity" from "any cause of action that would make service providers liable for information originating with a third-party user of the service," the company argues.

In their **32-page complaint** filed in May, Wright and Blum claim that recent testing of 145 rice samples conducted by the nonprofit Healthy Babies Bright Futures shows that more than a dozen rice products sold on Amazon's online marketplace are contaminated with toxic heavy metals, including arsenic, cadmium, lead and mercury, which pose serious health risks for children and are unsafe to consume.

"Amazon sold these rice products with alarmingly high levels of heavy metals to an intended consumer audience that includes children, with no warning whatsoever about the dangers of heavy metals," the complaint says. "Reasonable consumers would want to know about the presence of toxins in any product, especially one that is intended for human consumption, such as the rice products at issue."

Both consumers say they wouldn't have purchased the products, or they would have paid less for them, if they had known the rice may contain heavy metals.

The complaint states that heavy metals like lead and arsenic pose significant adverse health risks to humans, and there is no level of those toxins that is considered safe for human consumption.

The HBBF study states that all rice products tested contain more than 10 parts per billion of arsenic, with some products containing levels of arsenic as high as 149 ppb even though the U.S. Food and Drug Administration has set the maximum allowable arsenic levels in bottled water at 10 ppb, according to the complaint. The HBBF study also found that the products contained detectable levels of cadmium, with one product containing cadmium at a level of 105 ppb, or 100 ppb more than the 5 ppb amount allowed by the FDA in drinking water, the suit says. The complaint adds that at least 12 of the rice products sold on Amazon contain detectable amounts of lead, and 14 of the products contain detectable amounts of mercury.

The lawsuit seeks to certify a nationwide class of consumers who, during the applicable statute of limitations, purchased the rice products from Amazon in the United States for household use.

Counsel for the two sides did not immediately respond to requests for comment Monday. A representative for Amazon told Law360 in May that the company wouldn't remark on the allegations "as it is pending litigation."

Rice product sellers aren't the only companies that have been targeted by consumers over claims their food products contain unsafe levels of heavy metals. In recent years, **baby-food makers**, including Gerber Products Co., Nurture Inc. and Beech-Nut Nutrition Co. and **food giants** like Nestle SA have faced multidistrict litigation over similar claims.

Wright and Blum are represented by Steve W. Berman and Meredith Simons of Hagens Berman Sobol Shapiro LLP, and Rebecca A. Peterson of George Feldman McDonald PLLC.

Amazon is represented by David A. Bateman, Jennifer J. Nagle, Robert W. Sparkes III, Loly G. Tor and Katherine L. Hollingsworth of K&L Gates LLP.

The case is Wright et al. v. Amazon.com Inc., case number 2:25-cv-00977, in the U.S. District Court

for the Western District of Washington.

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

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Authors Want Court To Reject Anthropic's Bid To Delay Trial

By **Hailey Konnath**

Law360 (July 28, 2025, 11:44 PM EDT) -- A group of authors urged a California federal court Monday to reject Anthropic PBC's request to pause their copyright case while Anthropic appeals the court's recent class certification order, arguing that the company has "no basis for a stay" and is trying to deprive them of their day in court.

Authors Andrea Bartz, Charles Graeber and Kirk Wallace said in their opposition that Anthropic had initially requested early summary judgment briefing, but now it's changing course after its summary judgment motion was denied and a class was certified. Just last week, the court reminded the parties of the "importance of sticking to the Dec. 1 trial date," they said.

"Anthropic offers only speculative, self-serving, purported 'harms' that are indistinguishable from the ordinary burdens of litigation, while ignoring the harms suffered by plaintiffs and class members whose pirated, copyrighted works remain in Anthropic's files to this day," the authors said. "Far from serving the public interest, a stay would reward Anthropic's strategy of hiding its conduct from the public and those harmed by its infringement."

Earlier this month, U.S. District Judge William Alsup **certified a class of copyright owners** of books in the online pirate libraries Library Genesis and Pirate Library Mirror that were downloaded by Anthropic for training its Claude generative text model.

"In short order, counsel can prove defendant violated the Copyright Act by doing Napster-style downloading of millions of works," Judge Alsup said at the time, referring to the peer-to-peer music file-sharing service active at the turn of the century.

Last week, Anthropic said it **would be seeking a quick appeal** of that order, saying the case has the potential to profoundly hurt the company if it were to go forward under the current framework, as both sides will have to complete things like discovery and class notice while the Ninth Circuit considers the appeal.

"Anthropic will be irreparably injured absent a stay, as potentially millions of people and companies will receive class notice that may need to be retracted or modified substantially, creating confusion among potential plaintiffs and inflicting reputational harms on Anthropic that cannot be unwound," the company said in its motion. "All parties also will be irreparably injured by the significant additional litigation that will occur in the coming months absent a stay — all of which may need to be redone."

But the authors said Monday that Anthropic isn't likely to succeed in the case, and its proposed appellate petition "merely repackages the same characterization of the facts the court rejected at summary judgment, and hardly attempts to identify controlling questions of law that can be decided without access to the factual record."

"The court's class certification order, moreover, follows settled precedent allowing copyright classes where common questions — here, whether Anthropic unlawfully pirated troves of books, Napster-style — predominate over any individual issues," they said.

And Anthropic's assertion that the certification order should be overturned because the class is large or because ownership issues could be addressed in the claim process has been rejected "time and

time again by courts in this district and circuit," the authors said.

"Trying this case on the schedule set by this court nearly 10 months ago is not the sort of irreparable injury that justifies a stay," they said. They added that Anthropic's "lament that it will suffer 'reputational harm' if this litigation proceeds is self-serving fiction."

"Worse, it ignores that the facts about which it is concerned are not 'speculation,' but flow directly from Anthropic's own admissions in an already-public record whose development Anthropic sought to expedite via early summary judgment," the authors said.

Counsel for the authors declined to comment, and Anthropic didn't immediately respond to a request for comment late Monday.

The authors are represented by Justin A. Nelson, Alejandra C. Salinas, Rohit D. Nath, Jordan W. Connors, J. Craig Smyser and Michael Gervais of Susman Godfrey LLP, Rachel Geman, Jacob S. Miller, Danna Z. Elmasry, Daniel M. Hutchinson, Reilly T. Stoler, Jalle H. Dafa and Betsy A. Sugar of Lieff Cabraser Heimann & Bernstein LLP and Scott J. Sholder and CeCe M. Cole of Cowan DeBaets Abrahams & Sheppard LLP.

Anthropic is represented by Douglas A. Winthrop, Joseph Farris, Jessica L. Gillotte and Estayvaine Bragg of Arnold & Porter Kaye Scholer LLP, Mark Lemley of Lex Lumina PLLC, Kathleen R. Hartnett, Ephraim McDowell and Alex Kasner of Cooley LLP, Daralyn J. Durie, Whitney R. O'Bryne, Ramsey W. Fisher, Jackson Lane, Fitz Beckwith Collings, Mary Prendergast and Aditya Vijay Kamdar of Morrison Foerster LLP and Joseph R. Wetzel and Andrew M. Gass of Latham & Watkins LLP.

The case is Andrea Bartz et al. v. Anthropic PBC, case number 3:24-cv-05417, in the U.S. District Court for the Northern District of California.

--Additional reporting by Adam Lidgett, Elliot Weld and Ivan Moreno. Editing by Jay Jackson Jr.

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Coca-Cola Looks To Drain '100% Natural Flavors' False Ad Suit

By **Gina Kim**

Law360 (July 28, 2025, 7:42 PM EDT) -- Coca-Cola urged a California federal judge to drain a proposed class action alleging it deceptively labels its Sprite sodas as made with "100% natural flavors" despite containing citric acid, arguing Friday the plaintiff doesn't plausibly allege the citric acid is artificial, and that her claims are preempted by federal law.

In a 33-page brief, attorneys for The Coca-Cola Co. moved to dismiss Victoria Palmer's **lawsuit accusing it of** misleading customers through its labeling of Sprite and Fanta sodas that come in several different flavors, which also come with the representation that they contain no artificial ingredients.

Palmer argued that the "100% natural flavors" representation on the packaging of the products are misleading because they contain synthetic sweetener ingredients and additives like citric acid and aspartame. The representation is an express warranty telling customers the sodas don't have synthetically-created flavoring ingredients that contribute to their flavor systems and profiles, the suit alleged.

On Friday, Coca-Cola argued that none of the ingredients at issue in Palmer's complaint meets the definition of "artificial flavor" under the U.S. Food and Drug Administration regulations, which preempt her claims anyway. Palmer cannot plead sufficient facts to plausibly show that the sweeteners, preservatives, citric acid and citrates function as flavors in the products and are artificial, under the FDA's regulations, Coca-Cola said.

"It is not enough that the citric acid may impact the taste of the products, or 'amplify whatever characterizing flavor [they] ha[ve] from another source,'" the dismissal bid said. "Instead, to establish that citric acid acts as an 'artificial flavor,' plaintiff must plausibly allege that it 'give[s] the product an original taste.' These requirements are fatal to plaintiff's claims concerning the citric acid in the products."

Palmer fails to state a viable claim of deception under California consumer protection laws, under which she must plausibly allege that the challenged ingredients are both artificial and function as flavors, Coca-Cola said. However, the product labels themselves do not mention anything about the origin of the citric acid found in the sodas, the company argued.

Under the FDA's rules, a chemical is considered an artificial flavor if it only operates to impart flavor and isn't derived from a natural source. If a product's label makes any direct or indirect representation for its primary recognizable flavor like vanilla or orange, then that flavor would be considered the product's characterizing flavor, Coca-Cola explained.

Only when the product contains any artificial flavor that simulates, resembles or reinforces the characterizing flavor must it be labeled as artificially flavored, the company added.

In essence, the ingredients in the beverages, such as the sweeteners, which are added to a product to enhance or modify its original taste or aroma without imparting a characteristic taste or aroma of its own, are considered flavor enhancers, much less characterizing flavors, Coca-Cola argued.

Furthermore, as different courts in the Ninth Circuit have previously found, preservatives that are added to food products are intended to slow down spoilage, but they aren't flavors, Coca-Cola added.

Citric acid is utilized in food products to impart a sour or tart note, similar to the way sugar is utilized to provide a sweetness to something, which doesn't render it a characterizing flavor, the motion explained.

Palmer doesn't bring any facts in her suit that explained how the single citric acid ingredient could provide the characterizing flavors of the different types of Coca-Cola beverages like lemon-lime, strawberry kiwi, cherry, grape, peach, pineapple and berry varieties, the company contended.

"Common sense dictates that a single ingredient, citric acid, could not possibly provide the characterizing flavor for over a dozen products with very different flavors," Coca-Cola argued. "Because there are no allegations in the complaint from which it can be plausibly inferred that citric acid functions as a flavor in the products, rather than as a flavor enhancer for the class products' more than dozen different characterizing flavors, their '100% Natural Flavors' designation is true and in compliance with governing FDA regulations."

Nor does Palmer plausibly allege the citric acid in the Sprite and Fanta beverages is artificial either, Coca-Cola pointed out, as she acknowledges that the acid used in the beverages is "molecularly identical" to the acid found in fruits. Nor do the FDA's regulations apply to preservatives that are added to a product to prevent spoilage, the motion said.

Palmer also lacks standing to bring claims on behalf of a proposed nationwide class of customers over the various other sodas she herself didn't purchase, as she only bought a Sprite lemon-lime soda and a Fanta orange soda, according to Coca-Cola.

While some courts have previously ruled that plaintiffs in proposed class actions can bring claims over products they themselves didn't purchase as long as the products at issue and the alleged misrepresentations are substantially similar, other courts more recently have ruled otherwise, the dismissal bid said.

Coca-Cola referenced a Central District of California case last year in [Oh v. Fresh Bellies Inc.](#) , where the court found the customer lacked standing since they failed to allege they suffered an injury stemming from products they didn't purchase.

"Here too, because plaintiff's injuries are traceable only to the two products she claims to have purchased — Sprite Lemon-Lime and Fanta Orange — she 'lacks standing to assert claims on products she did not purchase' and all such claims must be dismissed," the motion concluded.

Plaintiff's counsel Abbas Kazerounian of Kazerouni Law Group APC told Law360 he had no comment.

Representatives for the defendant did not immediately respond to inquiries seeking comment Monday.

Palmer is represented by Abbas Kazerounian and Gil Melili of Kazerouni Law Group APC.

Coca-Cola is represented by Steven A. Zalesin and Faust Petkovich of Patterson Belknap Webb & Tyler LLP and Tanya L. Greene of DLA Piper.

The case is Victoria Palmer v. The Coca-Cola Co., case number 2:25-cv-04777, in the U.S. District Court for the Central District of California.

--Editing by Jay Jackson Jr.