

Class Action

Lineage Sued by Pension Fund Over IPO Cold Storage Demand Claims

Aug. 4, 2025, 9:44AM PDT

Summary by Bloomberg AI

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- A proposed class action said Lineage Inc. misrepresented demand for its cold-storage warehouses ahead of its initial public offering.
- The City of St. Clair Shores Police and Fire Retirement System said the IPO paperwork failed to mention that Lineage saw surged demand and better financial results due to market needs in the pandemic.
- The fund seeks damages for alleged Securities Act of 1933 violations by Lineage, certain top executives and board members, and IPO underwriters, according to the complaint.

Lineage Inc. misrepresented demand for its cold-storage warehouses ahead of last year's largest initial public offering, which has been followed by underwhelming financial results, a proposed class action said.

Lineage pulled in the largest IPO of 2024 at \$5.10 billion, according to data collected by Bloomberg. The real estate investment trust's stock price has almost halved since then, closing at \$42.35 on Aug. 1, the day the complaint was filed by a public pension fund in the US District Court for the Eastern District of Michigan.

The IPO paperwork failed to mention that Lineage saw surged demand and better financial results due to market needs in the pandemic, heightened supply of cold-storage facilities, and unsustainable price increases, said the City of St. Clair Shores Police and Fire Retirement System. Lineage sold over 65 million shares at \$78 per share, with its underwriters fully exercising the over-allotment option.

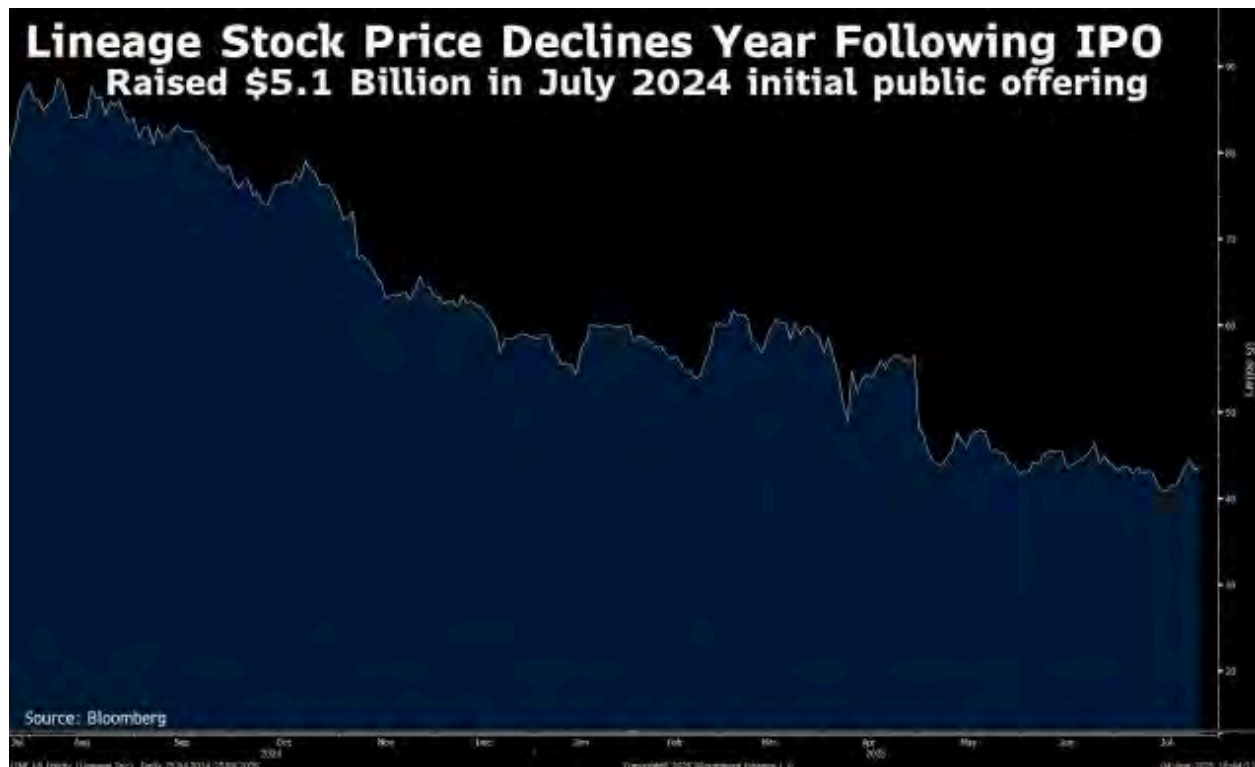
These trends were slipping before the IPO, with customers destocking excess inventory and shifting to reduced amounts as more cold-storage became available, its complaint said. But IPO documents said that barriers to entering the industry would deter new participants and that demand for cold goods would hold.

Risk factors of decreasing demand and inventory levels were wrongly presented as a hypothetical despite already starting, the pension fund said.

The fund seeks damages for alleged Securities Act of 1933 violations by Lineage, certain top executives and board members—including co-founders Adam Forste and Kevin Marchetti—and IPO underwriters. That includes Morgan Stanley & Co. LLC, Goldman Sachs & Co. LLC, BofA Securities Inc., JP Morgan Securities LLC, and Wells Fargo Securities LLC.

The fund's also suing Bay Grove Capital Group LLC, a private equity firm founded by Forste and Marchetti, which sponsored the IPO alongside affiliates owned Lineage beforehand. Bay Grove, Forste, Marchetti, and the underwriters were allegedly the IPO's main beneficiaries.

After the market debut, the private equity firm continued to control most of Lineage's combined voting power and influenced the REIT's board "disproportionate with its economic stake," the complaint said.



Financial results filed after the IPO for the quarter leading up to it stated that Lineage suffered an \$80 million net loss. Then financial results for the third quarter of 2024 posted in November included a \$543 million loss. And fourth quarter results released in February indicated another \$80 million loss.

In June, an executive speaking at an REIT investor conference said that the company had been operating in a flattish environment, the pension fund said.

Robbins Geller Rudman & Dowd LLP and VanOverbeke, Michaud & Timmony PC represent the fund, which seeks to represent a class of investors who got stock in or traceable to the registration statement for the IPO.

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

The case is City of St. Clair Shores Police and Fire Ret. Sys. v. Lineage, Inc. , E.D. Mich., No. 2:25-cv-12383, complaint filed 8/1/25 .

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REIT Hit With COVID-Related Securities Suit



dandodiary.com/2025/08/articles/securities-litigation/reit-hit-with-covid-related-securities-suit

Kevin LaCroix

August 4, 2025



Recent securities class action lawsuit filing analyses have noted (as discussed, for example [here](#)), that the number of COVID-related securities suit filings has declined so far this year relative to last year. Arguably the more interesting observation is that these lawsuits are being filed at all in 2025, now well over five years since the initial outbreak of COVID-19 in the United States. In the latest example of the continued filing of these kinds of suits, late last week, a plaintiff shareholder filed a securities class action lawsuit against Lineage, a cold storage focused real estate investment trust (REIT). The complaint alleges that in the run-up to the company's July 2024 IPO, the company soft-pedaled the impact of the downturn of pandemic-driven demand. The new complaint against Lineage can be found [here](#).

Background

In the years prior to its 2024 IPO, Lineage expanded and became the largest cold-storage company globally, a development the company accelerated through a series of acquisitions in the period 2020-2024. The complaint alleges that during this time, the company's results were "buoyed by the effects of the COVID-19 pandemic, as supply chain disruption and temporary shortages of food and medicine led to efforts by businesses and governments to improve cold-storage supply chain and distribution networks."

The complaint alleges that the company represented that the company's growth metrics were "stable and sustainable" based on its industry's characteristics, stating at the time of its IPO that "the U.S. temperature-controlled warehousing industry has experienced relatively stable revenue growth, even in periods marked by significant turmoil in the financial markets" and during "the global COVID-19 pandemic and the ensuing supply chain disruption."

The company completed its IPO in late July 2024, raising more than \$5 billion in gross offering proceeds, making it one of the largest U.S. IPOs in 2024.

The complaint alleges that the company's Registration Statement "failed to disclose that Lineage's financial and operational results had been temporarily inflated leading up to the IPO as a result of artificial market distortions caused by the COVID-19 pandemic, increased supply of cold-storage facilities, and the imposition of unsustainable price increases."

These conditions, the complaint alleges, peaked in the latter half of 2023, but, rather than disclose these facts, the complaint alleges, the Registration Statement characterized the company's "more muted" results as due to a "rationalization period." In truth, the complaint alleges, the company was "in the midst of a sustained downturn" as customers worked off excess inventory built up during the pandemic and shifted to lower inventory maintenance on a go-forward basis. The complaint alleges the company share price has declined by approximately half.

Discussion

On August 1, 2025, a plaintiff shareholder filed a securities class action lawsuit in the Eastern District of Michigan against the company, its offering underwriters, and certain of its directors and officers. The complaint purports to be filed on behalf of investors who purchased the company's securities in or traceable to the company's July 2024 IPO.

The complaint alleges that during at the time of the IPO, the defendants failed to disclose:

- (a) that Lineage was the experiencing sustained weakening in customer demand, as additional cold-storage supply had come on line, the Company's customers destocked a glut of excess inventory built up during the COVID-19 pandemic, and the Company's customers shifted to maintaining leaner cold-storage inventories on a go-forward basis in response to changing consumer trends;
- (b) that Lineage had implemented price increases in the lead-up to the IPO that could not be sustained in light of the weakening demand environment facing the Company;
- (c) that Lineage was unable to effectively counteract the adverse trends listed in (a)-(b) above through the use of minimum storage guarantees or as a result of operational efficiencies, technological improvements, or its purported competitive advantages;
- (d) that, as a result of (a)-(c) above, rather than enjoying stable revenue growth, high occupancy rates, and steady rent escalation as represented in the Registration Statement, Lineage was in fact suffering from stagnant or falling revenue, occupancy rates, and rent prices; and
- (e) that, as result of (a)-(d) above, Lineage's financial results, business operations, and prospects were materially impaired.

The complaint alleges that the defendants violated Sections 11 and 15 of the Securities Act of 1933. The complaint seeks to recover damages on behalf of the class.

Discussion

I am sure I am not the only one that finds it kind of amazing that even after all this time, COVID-related securities lawsuits are still being filed. By my count, this lawsuit is in fact the third COVID-related suit to be filed so far this year, after 16 were filed last year. While the number of these kinds of cases is clearly declining, the fact is that these kinds of suits are still being filed.

This new lawsuit follows that factual pattern that has seemed to predominate in the recently filed COVID-related securities suits – that is, the complaint alleges that at the outset of the pandemic, the company prospered, but that as the pandemic evolved, the company's fortunes began to wane, while company management protested that the pandemic boost the company had enjoyed was sustainable.

It is a measure of just how disruptive to company operations and financial results the pandemic was that we are still seeing pandemic-related litigation filed, now well into the sixth year since the initial pandemic outbreak in the U.S. To be sure, the complaint in this case suggests that the pandemic boost the company experienced began to wane in 2023, more than two years ago, and the lawsuit itself concerns the company's IPO, which took place more than a year ago. Arguably, there could be a bit of a lag effect going on with the fact that this lawsuit is only just being filed now. Nevertheless, the lawsuit itself was only just filed, which suggest at least the possibility that there could still be further pandemic-related lawsuits ahead.

Though the pandemic's impact on securities litigation filings may be declining, it may not yet have played itself out.

Class Action

Novo Nordisk Investor Sues Over Copycat Weight Loss Drug Hit (2)

Aug. 4, 2025, 5:40 AM PDT; Updated: Aug. 4, 2025, 6:53 AM PDT

Summary by Bloomberg AI

AI Generated



- A proposed class action said Novo Nordisk A/S understated the impact of lookalike weight-loss injections on its market share before lowering its 2025 sales and profit outlook.
- Novo Nordisk said competition from knockoffs of Wegovy dug into its US sales in the first half of the year, and it was pursuing litigation against sellers of compounded GLP-1s.
- Investor Eric Barta is suing Novo Nordisk, its executives, and others, seeking damages for alleged federal securities law violations, according to a complaint filed by Levi & Korsinsky LLP.

Novo Nordisk A/S understated the impact of lookalike weight-loss injections on its market share before lowering its 2025 sales and profit outlook, which resulted in a record stock drop, a proposed class action said.

The Wegovy-and-Ozempic maker's US share prices plunged almost 22% on July 29, the day it slashed its full-year projections and announced a new CEO. It was Novo's American Depositary Receipt's biggest one-day drop since 1987, according to data compiled by Bloomberg.

Competition from knockoffs of Wegovy dug into its US sales in the first half of the year, the Danish pharmaceutical company said while lowering its second-half expectations.

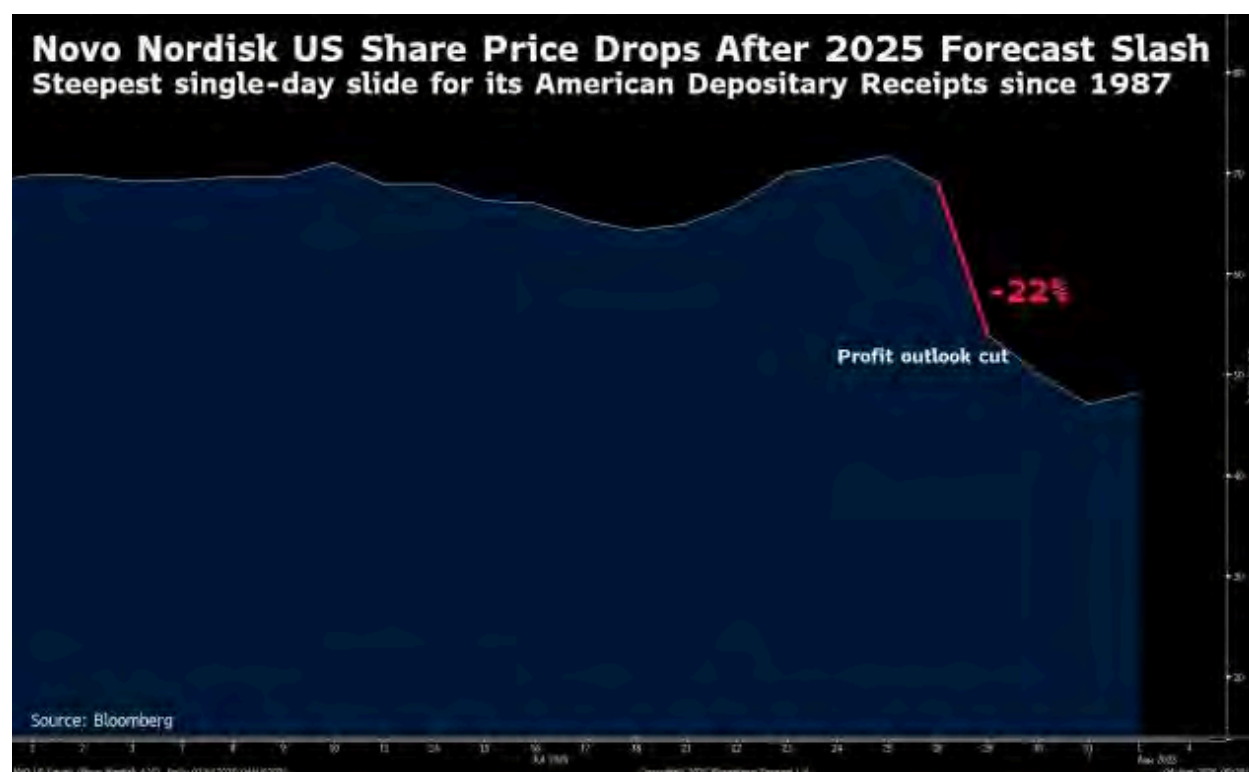
Before this, Novo and certain executives overhyped the size of the market for its GLP-1s and the potential of patients using compounded alternatives switching to its branded ones, said the shareholder's complaint filed Aug. 1 in the US District Court for the District of New Jersey.

Other companies were allowed to start making and selling compounded GLP-1s while US regulators designated a shortage of injections of semaglutide, the main ingredient in approved diabetes and obesity treatments Ozempic and Wegovy. The US Food and Drug Administration declared an end to the nationwide shortage, which started in 2022, in February 2025 with a courtesy period for copycat sellers afterward.

"Despite the expiry of the FDA grace period for mass compounding on 22 May 2025, Novo Nordisk market research shows that unsafe and unlawful mass compounding has continued, and that multiple entities continue to market and sell compounded GLP-1s under the false guise of 'personalisation,'" Novo said while lowering its outlook. The company said it was pursuing litigation among other strategies against those sellers.

"Novo Nordisk is deeply concerned that, without aggressive intervention by federal and state regulators and law enforcement, patients will continue to be exposed to the significant risks posed by knockoff 'semaglutide' drugs made with illicit or inauthentic foreign active pharmaceutical ingredients," it said.

Novo didn't immediately respond to an email seeking comment on Monday.



Investor Eric Barta seeks to represent a class of those who got Novo securities from May 7, 2025, through July 28, 2025.

Levi & Korsinsky LLP represents Barta, who seeks damages for alleged federal securities law violations. He's suing Novo, incoming CEO Maziar Mike Doustdar, outgoing CEO Lars Fruergaard Jørgensen, chief financial officer Karsten Munk Knudsen, and executive vice president of US operations David S. Moore.

The lawsuit, filed in the Third Circuit, adds to trends in securities class action data from the first half of 2025 of increases in filings for the area where many pharma companies are based and in big-dollar cases driven by technology and pharmaceuticals.

Hims & Hers Health Inc. shareholders recently sued the telehealth provider and its corporate overseers over the flipside, alleging its Wegovy collaboration with Novo turned on ending the sale of a copycat weight-loss drug.

The case is Barta v. Novo Nordisk A/S , D.N.J., No. 2:25-cv-14045, complaint filed 8/1/25 .

(Updates to include a chart under the eighth paragraph.)

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Wegovy maker Novo hit with investor class action over revenue forecast cut



reuters.com/legal/government/wegovy-maker-novo-hit-with-investor-class-action-over-revenue-forecast-cut-2025-08-04

Mike Scarcella

August 4, 2025

A view shows the logo of Novo Nordisk at the company's office in Bagsvaerd, on the outskirts of Copenhagen, Denmark, March 8, 2024. REUTERS/Tom Little/File Photo [Purchase Licensing Rights](#) , [opens new tab](#)

Aug 4 (Reuters) - Novo Nordisk ([NOVOB.CO](https://www.novobio.com)) , [opens new tab](#), maker of the weight-loss drug Wegovy, has been sued in U.S. court by investors claiming the Danish pharmaceutical giant misled them with optimistic growth forecasts and minimized competition risks in the obesity market.

The proposed class action [lawsuit](#) , [opens new tab](#) was filed on Friday in the federal court in New Jersey following a sharp decline in the company's stock price. Investors [knocked](#) \$70 billion off Novo Nordisk's market value on a single trading day last week. Novo last week in a statement said it was lowering its 2025 sales and operating profit outlook due to lower growth expectations in the second half in the United States for Wegovy in the obesity market and the drugmaker's Ozempic in the diabetes market.

Novo said its updated sales outlook for Wegovy stemmed from the "persistent" use of compounded versions of the drug, competition and what it described as slower-than-expected market expansion.

A representative from Novo and an attorney for the plaintiff did not immediately respond to requests for comment on Monday about the investor lawsuit.

The lawsuit was filed on behalf of potentially thousands of investors who purchased Novo's stock between May 7, 2025 and July 28.

The tight supply of Wegovy in the United States in 2022 prompted U.S. regulators to temporarily allow the sale of cheaper, compounded versions of the drug, known chemically as semaglutide. The U.S. Food and Drug Administration in February [removed](#) Wegovy from the agency's shortage list.

Novo in June said it was [ending a partnership](#) with telehealth company Hims & Hers that began in late April, citing Hims' alleged improper marketing and sales of Wegovy copies. Novo accused Hims of "deceptive promotion and selling of illegitimate, knockoff versions of Wegovy that put patient safety at risk." Hims CEO Andrew Dudum in a response accused Novo management of misleading the public and making anticompetitive demands.

The case is Eric Barta v. Novo Nordisk et al, U.S. District Court, District of New Jersey, No. 2:25-cv-14045.

For plaintiff: Adam Apton of Levi & Korsinsky

For defendants: No appearances yet

Read more:

[Novo Nordisk shares dip further as Wegovy gains nearly erased](#)
[Hims & Hers hit with investor lawsuits after Novo ends Wegovy partnership](#)
[Wegovy maker Novo faces fee demand after losing copycat drug lawsuit](#)
[Ozempic copies restricted after US judge denies injunction](#)

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California Brief

Petco Board, Execs Blamed for Stock Drop on Post-Covid Slump (1)

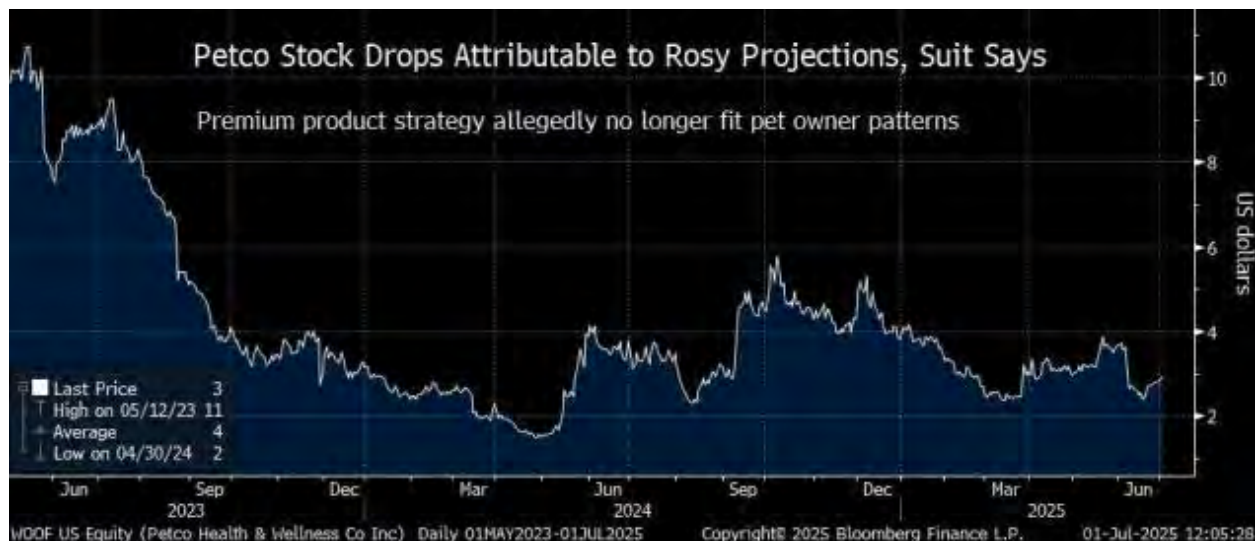
Aug. 1, 2025, 2:45 PM PDT; Updated: Aug. 1, 2025, 5:16 PM PDT

Petco Health and Wellness Co.'s leaders breached their fiduciary duties to the company and exposed it to potential liability by misrepresenting the sustainability of its pandemic growth, an investor alleges.

Petco directors and executives failed to disclose that the pet product retailer's "explosive growth was a temporary result" of higher pet adoption rates during the Covid-19 pandemic, Jherome Deguzman says on behalf of the company. He filed his derivative complaint Friday in the US District Court for the Southern District of California.

They also didn't disclose that Petco's "shifting focus toward offering healthy and premium products for animals was not a viable long-term business strategy," Deguzman says.

Disappointing growth and profitability metrics caused several stock drops in a period beginning in 2023 and extending into June of this year, prompting an investor to file a proposed class action that imposes defense costs and presents the risk of classwide liability, Deguzman says.



Other harm to the company includes “additional losses in market capitalization, reputational harm and the loss of goodwill,” he says.

Deguzman brings claims for proxy misstatements, breach of fiduciary duty, unjust enrichment, waste of corporate assets, and contribution. He seeks compensatory and punitive damages, an accounting and constructive trust, and internal governance reforms.

A Petco spokesperson said Friday that the company doesn’t comment on pending litigation.

Rigrodsky Law PA and the Grabar Law Office represent Deguzman.

The case is Deguzman v. Anderson , S.D. Cal., No. 3:25-cv-01964, complaint 8/1/25 .

(Adds company statement declining to comment on the lawsuit in the seventh paragraph.)

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Securities Law News

Vestis Brass Sued Over Lost Customers After Spinoff From Aramark

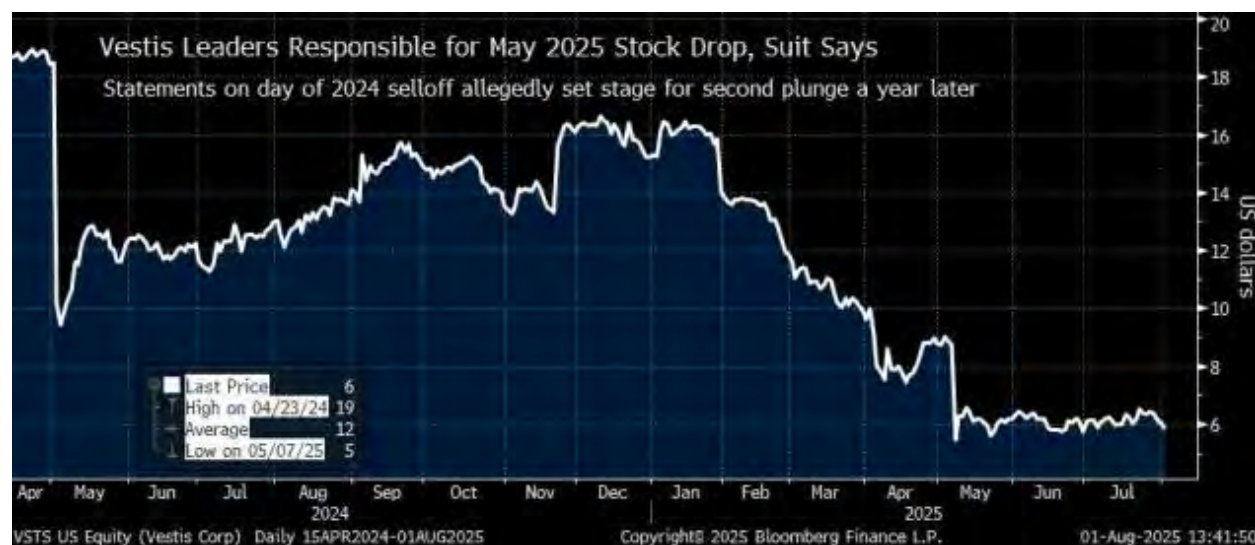
Aug. 1, 2025, 10:45 AM PDT

Vestis Corp. directors and executives made misleading statements about pricing and customer satisfaction following the uniform rental company's 2023 spinoff from Aramark, an investor alleges.

Disclosures in May about lower revenue and withdrawn guidance due to lost business prompted a 38% stock selloff and a proposed securities class action, Lawrence Hollin says on behalf of Vestis. Hollin filed his derivative action Thursday in the US District Court for the Northern District of Georgia.

Current and former top executives and board members are responsible for damage to the company from its exposure to "massive potential class-wide liability," Hollin says.

The proposed class action in the Southern District of New York, *Torres v. Vestis Corp.*, follows a Northern District of Georgia suit in which would-be class representatives alleged that misleading growth predictions led to a 45% selloff on May 2, 2024.



Hollin says that a round of misleading statements started on that same day, when then-CEO Kimberly Scott said Vestis would “continue to strategically and surgically price in a thoughtful way with focus on lifetime customer value.”

But second-quarter financial results released May 7 showed that revenue was down about \$18 million from the previous quarter, the shareholder says.

Hollin brings claims for breach of fiduciary duty, unjust enrichment, waste of corporate assets, contribution, and misleading proxy statements. He seeks compensatory and punitive damages on behalf of the company, as well as internal governance reforms.

Vestis didn’t immediately comment on behalf of itself or the individual defendants when contacted by email Friday.

Webb, Klase, & Lemond LLC, Rigrodsky Law PA, and the Grabar Law Office represent Hollin.

The case is Hollin v. Scott , N.D. Ga., No. 1:25-cv-04268, complaint 7/31/25 .

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The Third Circuit Says Markets are Efficient but Not Too Efficient



[businesslawprofessors.com/2025/08/the-third-circuit-says-markets-are-efficient-but-not-too-efficient](https://www.businesslawprofessors.com/2025/08/the-third-circuit-says-markets-are-efficient-but-not-too-efficient)

Ann Lipton

August 1, 2025



...in a nonprecedential opinion so don't get too excited.

[*San Diego County Employees Retirement Association v. Johnson & Johnson*](#) represents the latest iteration of courts trying to figure out what the heck to do about fraud on the market class certification in the wake of the Supreme Court's desperately confused [*Goldman Sachs Grp., Inc. v. Ark. Teacher Ret. Sys.*, 594 U.S. 113 \(2021\)](#).

Plaintiffs alleged that J&J concealed asbestos in its talc products, resulting in multiple stock price drops as the truth dribbled out. At class certification, J&J claimed it had rebutted the presumption of reliance by demonstrating that each allegedly corrective disclosure revealed no new information the market, and therefore could not have been responsible for the dissipation of artificial inflation.

I pause here to note that this is, I guess, the framework mandated by *Goldman*, but – [as I have frequently screamed](#) – it is both illogical and inconsistent with *Erica P. John Fund, Inc. v. Halliburton Co.*, 563 U.S. 804 (2011) (*Halliburton I*). Specifically, even if J&J proves *beyond a reasonable doubt* that its fraudulent statements were *never* publicly corrected, that *does not in any way* shed light upon the question whether the fraud impacted stock prices to begin with – at best, it means J&J *got away with it*. And that matters a lot for a merits determination, but not at all for class certification, as *Halliburton I* explains.

Moving on. J&J's argument wasn't, in fact, that the truth was never disclosed; the argument was that the truth was disclosed to no effect, and that the disclosures identified by the plaintiffs only repackaged information that had previously been disclosed. In a 2-1 decision, the Third Circuit concluded that, given the obscure and incomplete nature of prior disclosures, the district court had not abused its discretion in concluding that the disclosures at issue revealed new information to the market.

So, things that are notable in the majority opinion:

First, the majority held that simple republication of previously publicized facts may count as a “new” disclosure, if the second source is more credible and made to a broader audience.

Second, the majority noted that expert analysis of disparate bits of public data may qualify as new information.

Third, the majority held that if corporate management *denies* the truth of a disclosure, that denial mitigates any corrective effect.

Certainly, all of these holdings have their origins in prior caselaw, but *Johnson & Johnson* offered a particularly stark application. Evidence about J&J’s talc and asbestos had been made public in various fora, including as trial exhibits in lawsuits, without much market reaction – until it was distilled into a jury verdict against J&J, an announcement of further lawsuits, and blog posts and press releases publicizing trial evidence. The Third Circuit reasoned that scattershot evidence introduced in prolonged public trials might not have been understood and acted upon by investors until clearer signals gave it credibility and informed the market of the kind of liability that J&J faced. The dissent, for the most part, objected only on the ground that the district court had not made these findings; they were the invention of the majority.

Anyway, all I can say is, this opinion is a gift to plaintiffs – not just for class cert but also for motions to dismiss, where arguments similar to J&J’s succeed in getting complaints dismissed on loss causation and materiality grounds – so it’s a shame it’s not for publication.

There is a flashing danger sign for plaintiffs, though, and this is an issue I discussed when the [Second Circuit managed to make the Supreme Court’s *Goldman* decision even worse](#). In *J&J*, the dissent especially focused on the need for subsequent disclosures to *correct earlier misstatements* in order to give rise to the inference that the initial lies impacted prices. That’s a problem because – as has frequently come up in the context of loss causation – very often the *effects* of a fraud are felt long before the market realizes it’s been fooled. Like, in an extreme case, a company might suddenly declare bankruptcy, and no one realizes it was due to anything except mismanagement, until months later a fraud is revealed – by which time, of course, there’s no price movement. It’s precisely because of that scenario that (most) courts (usually) hold that loss causation can be established without proof that the market was actually informed that the defendants lied to them. But if courts are just going to demand that kind of evidence at class certification, well, an awful lot of defendants are going to skate by so long as they can attribute fraud losses to other factors for a long enough time period.

And another thing. No new [Shareholder Primacy](#) podcast this week; Mike and I are on a light schedule until the end of August. But I jotted! [Here you can read my Jotwell review](#) of Bridget Read's book, [Little Bosses Everywhere: How the Pyramid Scheme Shaped America](#).

Litigation

Corporate Overhaul Challenge Kicks Off at Delaware Supreme Court

Aug. 1, 2025, 12:02 PM PDT

Summary by Bloomberg AI

AI Generated



- A shareholder is suing a Blackrock Inc. affiliate, asking the Delaware top court to reject key parts of this year's corporate law overhaul, specifically a legal safe harbor and a statutory provision making portions of the new law retroactive.
- The lawsuit targets changes that took aim at a court crackdown on conflicts of interest, which were backed by the corporate defense bar, private equity lobbyists, and the state's political establishment.
- The investor leading the lawsuit filed an opening brief, saying the safe harbor clauses and retroactivity sections violate state constitutional provisions, including the jurisdiction of Delaware's Chancery Court and the due process clause.

A closely watched Delaware case challenging this year's corporate law overhaul began in earnest Friday, when a shareholder suing a Blackrock Inc. affiliate asked the state's top court to reject key parts of the legislation.

The lawsuit targets a legal safe harbor covering certain types of self-dealing and a separate statutory provision making portions of the new law retroactive.

The changes—backed by the corporate defense bar, private equity lobbyists, and the state's political establishment—took aim at a court crackdown on conflicts of interest that has drawn escalating attacks from Elon Musk, other tech founders, and their allies.

Gov. Matt Meyer (D) pushed the legislation following news that high-profile firms including Meta Platforms Inc. were considering leaving the state, which funds a quarter of its budget with billions in corporate fees.

The resulting bill, signed in March, imposed a rigid definition of controlling stockholders, bolstered the presumption that board members are capable of independent oversight, and cut back investor access to corporate records.

The case directly before the state supreme court concerns a wind farm acquisition by Clearway Energy Inc., which is controlled by a joint venture between Blackrock and TotalEnergies SE.

Parallel challenges to the new law, state Senate Bill 21, have also surfaced in several other shareholder cases.

Delaware Chief Justice Collins J. Seitz Jr. agreed to fast-track the matter in June, saying it would be more efficient for the high court to deliver a legally binding interpretation in the near term instead of waiting for the growing wave of legal challenges to reach the appeal stage.

The move amped up the pressure on a five-member tribunal currently weighing a \$56 billion ruling against Musk that inspired his barrage against the state's judiciary.

The investor leading the lawsuit filed his opening brief Friday, saying the the safe harbor clauses run afoul of state constitutional sections prescribing the jurisdiction of Delaware's Chancery Court.

'The Nature of Equity'

Those provisions concern an arcane feature of the elite business tribunal: its role as an "equitable" tribunal designed for disputes that defy rigid categories. The safe harbor's "check-the-box approach is antithetical to the flexible and ever-evolving nature of equity" and incompatible with decades of precedents holding that lawmakers can't shrink the court's equitable jurisdiction unless it creates alternative remedies, Friday's filing says.

The retroactivity sections, meanwhile, violate another state constitutional provision commonly known as Delaware's due process clause, according to the brief. Courts in Delaware and across the country "have consistently recognized that a state legislature may not retroactively eliminate a cause of action that has accrued or vested," the filing says.

Answering briefs are due Sept. 5 from the joint venture and Meyer, who intervened in the case to defend the law.

The investor, Thomas Rutledge, is represented by Bernstein Litowitz Berger & Grossmann LLP, Equity Litigation Group LLP, and Morris Kandinov LLP. The joint venture is represented by Richards, Layton & Finger PA. Meyer is represented by Potter Anderson & Corroon LLP and Wachtell, Lipton, Rosen & Katz. Clearway is represented by Young Conaway Stargatt & Taylor LLP and Gibson, Dunn & Crutcher LLP.

The case is Rutledge v. Clearway Energy Grp. LLC , Del., No. 248, 2025, opening brief filed 8/1/25 .

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Securities Law News

This Week in Chancery Court: Biggie Smalls Legacy, Circana Trial

Aug. 4, 2025, 2:00 AM PDT

A record executive overseeing the Notorious B.I.G.'s late mother's estate is asking Delaware Chancery Court to enforce the status quo after he accused R&B singer Faith Evans, the rapper's widow, of trying to seize control of his musical legacy.

Here's a look at more from the court's calendar:

Monday: Barrow v. Evans, Del. Ch., No. 2025-0760, telephonic hearing 8/4/25.

At issue: Wayne Barrow sued Evans on behalf of the Voletta Wallace's estate after she died this year. He told Chancellor Kathaleen St. Jude McCormick that Evans is running Notorious B.I.G. LLC unilaterally—ignoring a 50-50 ownership split—while directing proceeds to the late Christopher Wallace's children “and presumably to herself.” The rapper, also known as Biggie Smalls, rocketed to fame in the mid-1990s before his unsolved death in a 1997 drive-by shooting. Evans moved to dismiss the lawsuit. Barrow wants the court to hold the line pending litigation.

Court action: A telephonic hearing on Barrow's motion to expedite and for a status quo order will be held.

Notorious B.I.G. Widow Faith Evans Sued for Catalog Takeover

Monday: Orlando v. Digital World Acquisition Corp., Del. Ch., No. 2024-0264, telephonic hearing 8/4/25.

At issue: The ex-CEO of the blank-check company that combined with Donald Trump's social media platform to bring it public is asking for legal fees to be covered by his old corporation. Patrick Orlando's been entangled in multiple court fights over Trump Media & Technology Group Corp., the special purpose acquisition company it combined with, and ARC Investment Global II LLC, the jointly-held entity formed to finance the transaction. His complaint seeking advancement against his SPAC noted parallel investigations into Digital World Acquisition Corp. and Orlando started by Joe Biden's Securities and Exchange Commission and the Department of Justice. He also faces litigation in Delaware over his alleged scheme to funnel millions of shares to offshore dummy entities.

Court action: A telephonic hearing will be held before Magistrate Christian Wright.

SEC Resolving Suit Against SPAC CEO That Took Trump Media Public

Trump Media Deal Architect Gets Stock Theft Lawsuit Put on Hold

Tuesday: Neptune Bidco US Inc. and The Nielsen Co. (US), LLC v. Circana, LLC, Del. Ch., No. 2025-0656, trial starts 8/5/25.

At issue: Vice Chancellor Nathan A. Cook had fast-tracked some claims in a multi-pronged bid by Nielsen Holdings Ltd. affiliates to close the sale of a segment to Circana LLC, which is allegedly trying to pull back over meddling by a former Nielsen affiliate. The media analytics giant is suing both Circana and Nielsen IQ, a consumer intelligence company—and direct competitor of Circana—that spun off in 2021. There was a one-day trial in another of the cases July 22. The court hasn't ruled yet.

Court action: A three-day trial kicks off in Wilmington, Del.

Nielsen Opens Two Legal Fronts in Effort to Close Circana Deal

Thursday: In re Endeavor Grp. Holdings, Inc. S'holders' Litig., Del. Ch., No. 2025-0663, hearing 8/7/25.

At issue: Carl Icahn's investment firm and a Swedish bank are fighting to lead a proposed class action alleging former Endeavor Group Holdings Inc. shareholders were jilted by insiders in Silver Lake's \$13 billion buyout. Icahn Enterprises and Handelsbanken Fonder AB told Vice Chancellor Lori W. Will they should lead the litigation against Silver Lake and Endeavor executives, including Hollywood mogul Ari Emanuel, because combined their clients had more than \$750 million in Endeavor shares. They are vying with an individual investor who had a stake of approximately \$750 in Endeavor to be named lead plaintiff. The suit is part of a larger legal fray over the deal, which includes a price challenge in what's likely the largest ever buyout arbitrage case.

Court action: A hearing on the motions for lead plaintiff and counsel will be held in Wilmington, Del.

Silver Lake, Ari Emanuel Hit With New Endeavor Buyout Challenge

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Securities Law News

BlackRock, State Street, Vanguard Must Face Antitrust Suit (2)

Aug. 1, 2025, 1:11 PM PDT

A federal judge in Texas largely denied a request by the world's largest asset managers to dismiss a lawsuit brought by Republican state attorneys general claiming they colluded to reduce coal output, in a case that threatens how the US firms oversee trillions of dollars.

US District Judge **Jeremy Kernodle** in Texas said most of the claims brought by the states can proceed, including allegations that BlackRock Inc., Vanguard Group Inc. and the asset management arm of State Street Corp. collectively used their stock to attempt to substantially lessen competition. Kernodle dismissed part of the lawsuit that was based on alleged violations of state law.

In his Friday ruling, Kernodle said the states "have identified enough circumstantial evidence to suggest that defendants agreed to collectively pressure coal companies to reduce the output of coal in the relevant markets and disclose future output information."

Read more: [BlackRock, Vanguard Fight High-Stakes Texas Collusion Case](#)

In a statement, BlackRock said the case "is based on an absurd theory that coal companies conspired with their shareholders to reduce coal production. This case is not supported by the facts, and we will demonstrate that."

State Street said the case seeks to advance a "new and dangerous antitrust theory."

"It poses unnecessary risk to investors and energy markets," the firm said in a statement. "There is no collusion here, and we remain confident that the facts and legal substance are on our side."

Vanguard said it's disappointed in the court's decision and welcomes the "opportunity to vigorously defend against plaintiffs' claims."

Texas Lawsuit

In their lawsuit, Texas and other Republican-led states claimed the asset managers colluded to pressure coal producers to reduce their production under the guise of pursuing environmental goals. The states cite the firms' participation in carbon-reduction alliances as evidence of a "syndicate."

Texas Attorney General **Ken Paxton** celebrated the ruling as a key win in his legal fight against the companies.

"BlackRock, State Street, and Vanguard — three of the most powerful financial corporations in the world — created an investment cartel to illegally control national energy markets and squeeze more money out of hardworking Americans," he said in a statement.

BlackRock, State Street and Vanguard hold major stakes in coal producers and profited when energy prices soared, according to the suit.

More recently, the firms have pulled back from ESG in the US and participation in groups such as Climate Action 100+ and Net Zero Asset Managers Initiative. Texas even removed BlackRock from its blacklist of companies that boycott fossil fuels.

Antitrust Law

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

Lawyers for the three firms argued at a hearing in June that the firms did nothing to influence coal companies.

"The antitrust claims in this case are unprecedented, they're unsound and they're unsupported," said Gregg Costa, a lawyer representing BlackRock. "The claims just don't add up."

(Updates with company comments from fourth paragraph.)

--With assistance from **Silla Brush**, **Erin Fuchs** and **Loukia Gyftopoulou**.

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Securities Law News

Deep Dive

S&P 500 Defy ESG Backlash by Keeping Sustainability Oversight

Aug. 1, 2025, 7:43 AM PDT

Verizon Communications Inc., Target Corp., Caterpillar Inc., and hundreds of other big companies say their boards are still closely watching sustainability and corporate social responsibility initiatives, even as an anti-ESG wave hits US businesses.

The vast majority of S&P 500 members, about 430 companies, had a board committee responsible for overseeing sustainability or CSR activities as of 2024, the last year data was available for most firms, according to a Bloomberg Law analysis. The tally has remained steady since 2022, after the number of boards with a committee supervising environmental, social, and governance programs doubled from 2018.

Fewer than half of the companies, about 215 firms, had board panels with CSR or sustainability oversight duties in 2018. The jump came as companies increasingly embraced work to confront climate change and promote diversity, equity, and inclusion.

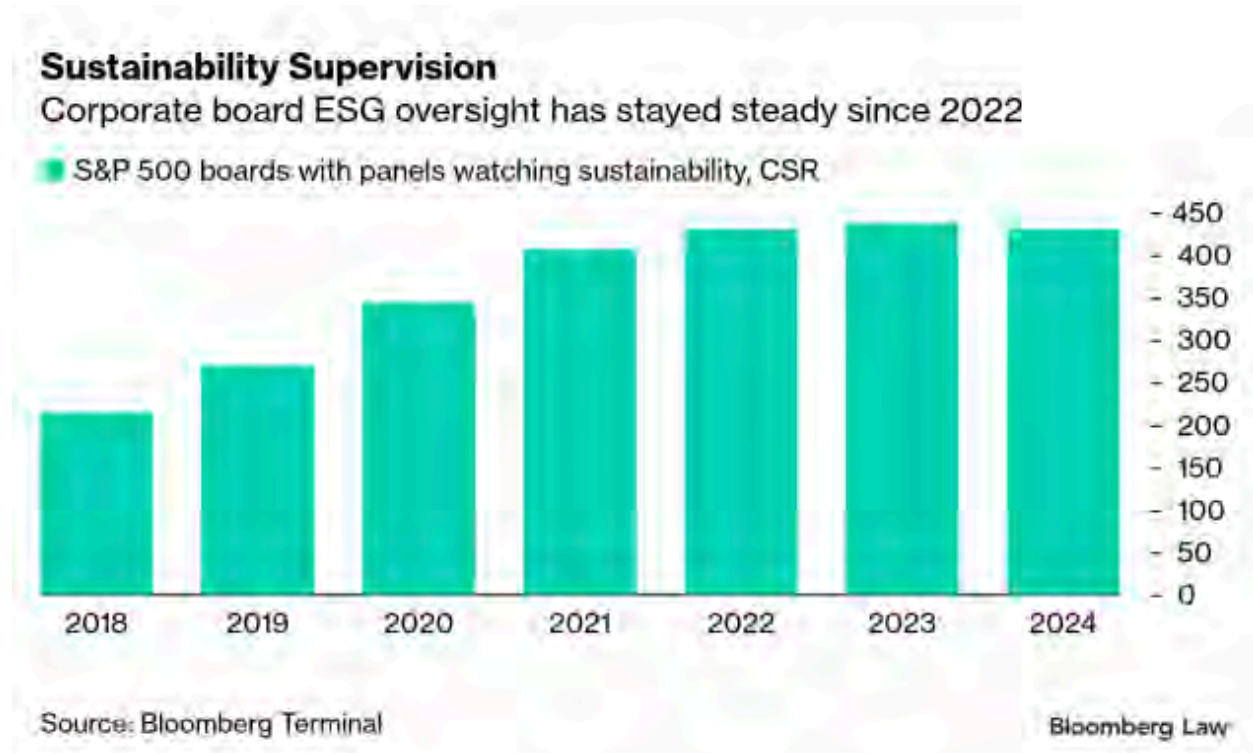
CEOs from Target, Caterpillar, and more than 175 other companies in 2019 pledged through the Business Roundtable to serve customers, employees, suppliers, and communities, not just shareholders. George Floyd's 2020 murder by police then led many firms to boost DEI efforts, as BlackRock Inc. and other large asset managers were increasing pressure on companies to address climate risks at the time.

Verizon, Target, and Caterpillar are among several companies that have abandoned or retooled their environmental and social efforts since 2023, while preserving board oversight of those matters to some degree. Anti-DEI activists and President Donald Trump have pushed businesses to ditch ESG programs, with his administration vowing to root out what it says is "illegal DEI."

Large companies still receive ESG-related questions from investors, employees, customers, and regulators whose concerns vary from one country to another, making sustainability committees a pragmatic choice for businesses, said Anthony Goodman, who leads the board effectiveness practice at management consulting firm Korn Ferry.

"Companies can't ignore all those other pressures that are on them in this country and in other countries," Goodman said. "They have to be constantly thinking about this."

Representatives of Verizon, Target, and Caterpillar didn't respond to requests for comment.



Changing Language

Bloomberg Law reviewed Bloomberg Terminal data on S&P 500 boards with stand-alone sustainability committees or other panels that have explicit oversight for sustainability, CSR, health and safety, or energy efficiency activities.

The information comes from a company's primary corporate governance filing, such as its annual proxy statement. The years the data cover are approximate. They're aligned with each company's fiscal year or the calendar year of its corporate governance filing.

Verizon's board has overseen ESG-related issues through its Corporate Governance and Policy Committee since at least 2020, holding five to seven meetings per year. The telecommunications giant has changed how it talks about the panel, however.

Verizon said in its 2025 proxy statement released in April that the committee oversees "responsible business matters," after describing the panel in 2024 as a "hub for oversight of ESG, including ESG commitments, reporting and engagement, corporate responsibility and sustainability." The committee's charter, however, still uses "ESG" and "sustainability" when discussing its duties.

The language shift this year came as Verizon sought Federal Communications Commission approval to acquire Frontier Communications. Trump's FCC chairman, Brendan Carr, had raised concerns in February about Verizon's DEI efforts. The agency ultimately approved the merger in May, after Verizon told Carr it was ditching its DEI policies.

But Verizon and other companies are hard put to strip sustainability and corporate social responsibility oversight obligations from board committees, even as they rethink what they say about ESG, said Jerry Bowyer, CEO of Bowyer Research. His firm has helped shareholders at Verizon, Black Rock, and other companies raise concerns about pro-ESG initiatives.

"Once they get into this stuff, then what are they going to do? Fire that committee?" Bowyer said. "What does that say to the world?"

Keeping Committees

Target has maintained its board's sustainability oversight as well, despite revising some of its ESG-related language earlier this year. The board's Governance & Sustainability Committee has held five meetings per year since its creation in 2021.

Target is fighting shareholder litigation over its 2023 LGBTQ+ Pride Month marketing. Florida and other Target investors said in lawsuits that shareholders lost billions of dollars after a conservative backlash to the Pride campaign.

The retailer's Governance & Sustainability Committee failed to oversee social and political issues and risks stemming from Target's ESG activities, the investors said. Target sought to toss the case, disputing the investors' allegations.

Judge John Badalamenti of the US District Court for the Middle District of Florida denied the company's request last year. "The existence of the GSC implies a structured investigation and analysis of social and political risks," he said in an order.

If boards scuttled their sustainability committees, it would be unlikely to stop shareholder litigation over ESG issues, said Tensie Whelan, founding director of the New York University Stern Center for Sustainable Business. A company without a board sustainability committee still can face ESG-related shareholder litigation, if investors say environmental or social initiatives lost them money, she said.

"People who are angry about that are going to sue," Whelan said. "They're going to sue whether or not you have a board committee associated with it."

Caterpillar also kept its Sustainability and Other Public Policy Committee after the construction equipment manufacturer said it reworked DEI programs last year. The announcement followed pressure from anti-diversity activist Robby Starbuck.

The committee oversees social issues and evaluates sustainability and public policy risks tied to the company's operations, among other responsibilities, according to Caterpillar's 2025 proxy statement released in April. The panel also supervised sustainability when it was known as the Public Policy and Governance Committee prior to 2022.

The committee had three meetings in 2022 and five gatherings in both 2023 and 2024.

"The fact is that this is important to companies," Goodman said. "They are paying attention to it, and they are doing the work."

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Securities Law

View Sued by Insurer Over Coverage for Shareholder, SPAC Cases

Aug. 4, 2025, 7:20AM PDT

StarStone Specialty Insurance Co. sued View Operating Corp.—formerly known as View Inc.—and Vidul Prakash, alleging it doesn't owe defense or indemnity coverage under an excess liability insurance policy for lawsuits and third-party subpoenas related to View's 2021 de-SPAC merger transaction and public offering.

The Aug. 1 complaint in the US District Court for the Northern District of California alleges the insurance policy contains a securities exclusion barring coverage for claims arising from any public offering of the insured company's equity securities or subsequent trading.

It says View's de-SPAC merger qualified as an initial public offering subjecting related lawsuits to the exclusion. The complaint also argues third-party subpoenas issued in an SEC lawsuit don't allege any wrongful acts triggering coverage.

StarStone seeks a declaration that it owes no coverage obligations for the *SEC v. Prakash* lawsuit, the *Mehedi v. View Inc.* securities class action, or third-party subpoenas issued to former View executives in the SEC case. It argues the securities exclusion precludes indemnity and that the subpoenas don't meet the policy's definition of a covered claim.

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

Cozen O'Connor represents the plaintiff.

The case is StarStone Spec. Ins. Co. , N.D. Cal., No. 5:25-cv-06485, complaint 8/1/25 .

This story was produced by Bloomberg Law Automation.

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Class Action

EV Maker Nikola Asks Court to Lower Priority of Investor Claims

Aug. 4, 2025, 9:01AM PDT

Summary by Bloomberg AI

AI Generated



- Nikola Corp. is seeking to lower the priority of a \$13 million claim tied to a securities class action over alleged misrepresentations about the company's business.
- The claim stems from shareholder losses on stock transactions and Nikola argued it should be treated differently from general creditor claims.
- Nikola's request is part of its efforts to confirm a liquidation plan expected to be filed by Sept. 2.

Bankrupt electric vehicle maker Nikola Corp. is seeking to lower the priority of a \$13 million claim tied to a securities class action over alleged misrepresentations about the company's business.

Nikola argued the claim should be treated differently from general creditor claims because it stems from shareholder losses on stock transactions. Even with a settlement agreement, bankruptcy law allows such claims to be paid after other creditors, the company said in an Aug. 1 filing in the US Bankruptcy Court for the District of Delaware.

Nikola and several former officers and directors were sued in a securities class action certified on Jan. 6 in the US District Court for the District of Arizona.

The case sought to resolve claims for losses allegedly suffered by investors who bought Nikola stock between June 4, 2020, and Feb. 25, 2021. They alleged their losses were due to false and misleading statements and omissions in public filings and social media about Nikola's business plan and prospects.

Lead plaintiff Vincent Chau filed the \$13 million claim on April 28 based on a settlement term sheet agreed to in January, nearly a month before the bankruptcy. However, Nikola said it had told the lead plaintiff that it would be unable to consummate the settlement outlined in the term sheet.

Nikola also asked the court last month to lower the priority of an \$80.2 million claim from the US Securities and Exchange Commission, part of a \$125 million civil penalty. The company said in a July 25 filing that the SEC's claim violates bankruptcy law's "absolute priority rule" because it seeks to distribute estate funds to equity holders through a "fair fund."

Nikola's requests are part of its efforts to confirm a liquidation plan expected to be filed by Sept. 2.

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

The case is Nikola Corp. , Bankr. D. Del., No. 25-10258, memorandum of law 8/1/25 .

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Arguing Class Actions: Arbitral Adventurism—'Ford Motor Warranty Cases' and the Restoration of Doctrinal Integrity

August 04, 2025 By Adam J. Levitt



Adam J. Levitt, founding partner of DiCello Levitt. Courtesy photo

The California Supreme Court's unanimous decision in *Ford Motor Warranty Cases*, No. S279969 (July 3, 2025), represents a watershed moment in arbitration jurisprudence, definitively rejecting the notion that equitable estoppel can be weaponized to bind consumers to arbitration agreements they never executed. This decision crystallizes a fundamental principle: Traditional contract doctrines cannot be distorted merely because arbitration is at stake. The ramifications extend far beyond automotive warranty litigation, signaling judicial intolerance for corporate attempts to transform third-party arbitration clauses into universal escape hatches from liability.

In *Ford Motor Warranty Cases*, Ford's strategy exemplified an increasingly common corporate gambit: attempting to leverage dealer-consumer arbitration provisions to shield manufacturers from warranty liability. The theoretical foundation—that warranty claims are somehow "intertwined" with sales contracts—represents a radical departure from established estoppel principles. Conclusively rejecting Ford's effort, the California Supreme Court recognized that this approach would effectively permit nonsignatories to cherry-pick favorable provisions from contracts they neither negotiated nor executed.

The weakness of Ford's position becomes especially apparent when examining its proposed doctrinal framework. Rather than satisfying the traditional elements of equitable estoppel—particularly detrimental reliance—Ford advocated for an arbitration-specific rule requiring only that claims "rely on the terms" of a contract containing an arbitration clause. This proposed standard would eviscerate decades of estoppel jurisprudence in favor of a results-oriented doctrine designed solely to expand arbitral jurisdiction.

The significance of the California Supreme Court's *Ford Motor Warranty Cases* decision lies partly in its sophisticated navigation of the Federal Arbitration Act's preemptive scope. By grounding its analysis in *Arthur Andersen LLP v. Carlisle*, 556 U.S. 624 (2009), and *Morgan v. Sundance*, 596 U.S. 411 (2022), the court demonstrated that federal arbitration policy mandates equal—not preferential—treatment of arbitration agreements. This interpretive approach transforms what Ford characterized as pro-arbitration federal policy into a constraint on arbitral expansionism.

The court's reliance on traditional state-law estoppel principles represents masterful judicial federalism. By emphasizing that the FAA requires application of traditional state law principles, the court simultaneously respected federal supremacy on the one hand, while preserving California's sovereign authority over contract formation and enforcement principles on the other.

Central to the court's analysis was its recognition that warranty obligations under the Song-Beverly Consumer Warranty Act exist independently of contractual arrangements between buyers and sellers. Cal. Civ. Code § 1792's mandate that "every sale of consumer goods ... shall be accompanied by the manufacturer's ... implied warranty" creates obligations that arise by operation of law, not contractual negotiation.

This statutory framework fundamentally undermines any attempt to characterize manufacturer warranties as creatures of dealer-consumer contracts. The warranties exist because the legislature mandated them, and not because contracting parties bargained for them. To permit manufacturers to invoke dealer arbitration clauses would effectively allow private parties to contract away statutory consumer protections—a result the legislature could not, and did not, intend.

The court’s critique of *Felisilda v. FCA US LLC*, 53 Cal. App. 5th 486 (2020) deserves particular attention. *Felisilda*’s conclusion that warranties somehow emanate from sales contracts reflects a fundamental error, conflating the transactional occasion that triggers warranty obligations with the source of those obligations. The California Supreme Court’s rejection of this reasoning restores doctrinal coherence by recognizing that temporal coincidence does not establish legal identity.

Significantly, the California Supreme Court’s *Ford Motor Warranty Cases* decision effectively forecloses what might be termed “contractual parasitism”—the practice of nonsignatories selectively invoking favorable provisions from third-party agreements in California. The traditional requirement of detrimental reliance serves as a critical gatekeeping function, ensuring that estoppel remains an equitable doctrine, rather than a strategic weapon.

For corporate defendants across industries, the message is unambiguous: Arbitration clauses cannot be transformed into jurisdictional black holes that absorb all related claims, regardless of contractual privity. Banks, technology companies, health care providers, and other industries that have attempted similar strategies must now recalibrate their arbitration playbooks.

Practitioners representing consumers should aggressively challenge attempts to invoke third-party arbitration clauses through a multi-pronged approach. First and foremost, counsel must demand strict compliance with traditional estoppel elements, forcing defendants to identify specific acts of detrimental reliance, rather than accepting conclusory assertions of claim “intertwining.” This requires more than perfunctory argument—it demands meticulous deconstruction of each estoppel element, demonstrating the absence of any conduct by the plaintiff that could have induced reliance by the manufacturer.

Equally critical is the strategic framing of warranty and consumer protection claims as arising from legislative mandate, rather than contractual negotiation. By emphasizing the statutory genesis of these obligations, practitioners can effectively sever any purported connection to dealer agreements. This approach transforms what defendants characterize as contract disputes into questions of statutory compliance, fundamentally altering the analytical framework.

Furthermore, the growing body of state supreme court authority rejecting arbitration-specific rules provides powerful ammunition. Practitioners should leverage this precedential momentum as evidence of a broader jurisprudential shift away from arbitral expansionism, positioning their arguments within this larger narrative of judicial restraint.

When defending against arbitration motions premised on third-party agreements, the tactical approach requires equal sophistication. The primary objective involves establishing through discovery that the defendant never relied on any representation by the plaintiff regarding arbitration, making equitable estoppel doctrinally impossible. This necessitates targeted discovery requests designed to expose the absence of any communications or conduct that could support a reliance claim.

Simultaneously, counsel must vigilantly resist attempts to recharacterize statutory obligations as contractual duties. This requires maintaining bright-line distinctions between legislatively imposed duties and negotiated obligations, where available, constantly reinforcing that warranty claims arise by operation of law rather than private agreement. Any blurring of these categories must be immediately challenged as both doctrinally incorrect and strategically motivated.

The California Supreme Court’s *Ford Motor Warranty Cases* decision arrives at a crucial juncture in arbitration’s evolution. After decades of expansion, mandatory arbitration faces increasing scrutiny from courts, legislatures, and commentators. By rejecting Ford’s overreach, the California Supreme Court helps preserve arbitration’s legitimacy by ensuring it remains consensual, rather than coercive.

Ford Motor Warranty Cases marks not merely the resolution of a specific dispute, but the articulation of limiting principles that will shape arbitration law for years to come. The decision establishes that—despite corporate defendants’ best efforts to strip their own customers of their Seventh Amendment protections—while Supreme Court precedent requires valid arbitration agreements to be enforced, those agreements cannot be transformed through defendants’ aspirations or judicial alchemy into instruments of universal preclusion.

For the sophisticated practitioner, the message is clear: The era of arbitral adventurism is ending. Courts will no longer tolerate attempts to manufacture consent through creative applications of equitable doctrines. In its *Ford Motor Warranty Cases* decision, the California Supreme Court has spoken unanimously and clearly, and its message reverberates throughout the arbitration landscape: Consent cannot be conjured, estoppel requires reliance, and arbitration agreements—like all contracts—bind only those who actually agree to be bound.

Adam J. Levitt is a founding partner of DiCello Levitt, where he heads the firm’s class action and public client practice groups. He can be reached at alevitt@dicellolevitt.com.

Thank you to DiCello Levitt associate Eaghan Davis for contributing to this column.

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California Brief

Meta Illegally Recorded Women's Menstrual Data, Jury Finds (2)

Aug. 1, 2025, 2:39 PM PDT; Updated: Aug. 1, 2025, 3:54 PM PDT

Meta Platforms Inc. violated California privacy law by secretly recording the sensitive menstrual health data of millions of women who used the popular period tracking app Flo, a jury decided Friday in the first major privacy verdict against a Big Tech company.

The eight-person federal jury in San Francisco determined that Meta collected the private data through a chunk of code known as a software development kit that was embedded on the Flo app and recorded users' answers to questions about whether they wanted to get pregnant and the date of their last period.

The jury, composed of five women and three men, reached the verdict after about three hours of deliberations.

The social media giant is now on the hook for a potentially hefty damages award, with the California Invasion of Privacy Act carrying a \$5,000 penalty per violation and a state-specific class consisting of every woman who used the app during a 28-month stretch from late 2016 to early 2019.

A Meta spokesperson said in a statement that "we vigorously disagree with this outcome and are exploring all legal options."

"The plaintiffs' claims against Meta are simply false," the statement said. "User privacy is important to Meta, which is why we do not want health or other sensitive information and why our terms prohibit developers from sending any."

Meta attorney Andrew Clubok of Latham & Watkins LLP said after the verdict that the company plans to file a motion to throw out the jury's decision.

"This is a landmark moment in the effort to safeguard digital privacy rights," the plaintiffs' attorney Michael Canty of Labaton Keller Sucharow LLP said after the verdict. "Our clients entrusted their most sensitive information to a health app, only to have it exploited by one of the world's most powerful tech companies."

Meta maintained throughout trial that it never received the data at issue and that Flo was ultimately responsible for collecting it. The plaintiffs "mixed together a lot of things that Flo did and tried to ascribe it to Facebook," Meta attorney Michele Johnson, also of Latham, told the jury during closing arguments.

"This lawsuit was manufactured by attorneys, it was started by attorneys," Johnson said.

The plaintiffs pointed to evidence from its computer expert, who testified that he dissected the Flo app and revealed how data was sent to Meta as soon as users answered Flo's opening health questionnaire. "It's instantaneous," Canty told the jury during closing statements. "That information is recorded, collected, and sent to Facebook."

Meta stood as the last remaining defendant in the sweeping privacy class action first filed in 2021 that also targeted Flo, Google LLC, and data analytics company Flurry Inc. over similar claims of illegal data sharing.

Flo reached an eleventh-hour settlement with the plaintiffs the day before the case was sent to the jury, and Google settled weeks before the the start of the two week long trial. Flurry agreed to pay \$3.5 million in a settlement penned earlier this year.

Flo, founded in London in 2015, is among the most popular fertility tracking apps on the market with over 60 million active users. It reached a \$1 billion valuation last year. The startup had already faced criticism of its handling of user data before the suit, with the Federal Trade Commission reaching a settlement with Flo in 2021 requiring it to notify users of how it shared data with third parties.

Tech companies handling women's health data have faced increased scrutiny over their privacy practices, especially after the US Supreme Court's 2022 ruling ending the federal right to abortion and opening the floodgates for states to criminalize the practice.

Meta and other tech companies in recent years have faced an increase in lawsuits under the California Invasion of Privacy Act, a 1960s era law prohibiting the wiretapping of a private conversation, based on the theory that its software kits used by app and website developers will secretly record user data.

Lowey Dannenberg PC and Spector Roseman & Kodroff PC are also part of the plaintiffs' co-lead counsel. Gibson, Dunn & Crutcher LLP also represents Meta.

The case is *Frasco v. Flo Health Inc.*, N.D. Cal., No. 3:21-cv-00757, 8/1/25 .

(Adds statement from plaintiffs' counsel in eighth paragraph.)

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'This Verdict Is a Wake-Up Call:' Jury Trial Finds Meta Breached State Privacy Law in Class Action Against Fertility App

August 01, 2025 | By  **Kat Black**

What You Need to Know

- A jury verdict in a landmark data privacy case found that Meta violated the California Invasion of Privacy Act by illegally siphoning sensitive sexual and reproductive health data from a fertility tracking app, Flo Health.
- The verdict came a day after Flo Health, originally a co-defendant, announced that it had reached a settlement with plaintiffs.
- Co-defendant Google reached a settlement with plaintiffs just two weeks shy of the scheduled trial.



Meta Headquarters along 1 Hacker Way in Menlo Park, CA. Photo: Marc Olivier Le Blanc

A San Francisco federal court jury on Friday found Meta Platforms Inc. violated the California Invasion of Privacy Act in a landmark data privacy class action, which accused the Big Tech giant of illegally mining sensitive sexual and reproductive health data from Flo Health Inc., an app-based online fertility tracking platform.

Labaton Keller Sucharow senior partners Michael P. Canty and Carol C. Villegas served as lead trial plaintiffs' counsel in the case.

"Meta chose profits over privacy. The jury saw this for what it was—a betrayal of trust and a violation of California law," Villegas said in an emailed statement.

"This case was about more than just data; it was about dignity, trust and accountability. The jury's decision affirms that no company, no matter how large, is above the law when it comes to protecting consumers' most intimate information."

District Judge James Donato of the U.S. District Court for the Northern District of California presided at the trial, which opened on July 21 at the Philip Burton Federal Courthouse in San Francisco.

The verdict was solely against Meta, though Flo was also a defendant in the trial before it [announced](#) Thursday it had reached a settlement in the class action. Flo was represented by counsel from Dechert, which did not immediately respond to requests for comment.

"We are pleased to confirm that the matter has been resolved and that the facts came out at the trial," Flo said Thursday in a statement shared with The Recorder.

"We have always maintained that the claims lacked merit, and as the case progressed, the lack of evidence to support these allegations became increasingly clear in Court. Importantly, this settlement includes no admission of wrongdoing. We can now put the matter behind us so we can continue to focus on serving our customers and delivering our mission to advance the future of women's health."

More details about the terms of the settlement, which is subject to final court approval, will become available in the coming weeks, it said.

London, U.K.-based Flo, which was founded in 2015 and is currently valued at \$1 billion, had previously reached a [settlement](#) in June 2021 with the Federal Trade Commission, which similarly alleged that it shared "millions" of users' private information with third-party businesses.

The class action, filed in January 2021 by Labaton Keller Sucharow, Lowey Dannenberg and Wagstaffe, von Loewenfeldt, Bush & Radwick, originally involved multiple defendants, including Meta, Flo, Google and data analytics companies Flurry and AppsFlyer.

The case contended that Flo unlawfully shared intimate user data, including details about pregnancies, fertility plans, menstrual cycles and sexual histories, with third-party tech companies. Flo's co-defendants, it said, breached the wiretapping provision of CIPA by eavesdropping on Flo users' in-app communications through software development kits—or snippets of code that provide data analytics and software-building tools to app developers—installed in the Flo Health app.

Google reached a settlement with the plaintiffs just two weeks ahead of the trial. Donato dismissed all claims against AppsFlyer in June 2022, and Flurry—now owned by Yahoo—settled with the plaintiffs for \$3.5 million in March.

Per court records related to Flurry's [settlement](#), plaintiffs' counsel predicted that the nationwide class could include up to 38 million Flo app users in the United States, leaving companies in violation of the statute on the hook for potentially \$190 billion. CIPA's wiretapping provision imposes a \$5,000 penalty per transgression.

In an emailed comment, Canty called the verdict "a landmark moment in the effort to safeguard digital privacy rights."

"Our clients entrusted their most sensitive information to a health app, only to have it exploited by one of the world's most powerful tech companies," he said. "We are proud to represent consumers in shaping the future of digital privacy. This verdict is a wake-up call to companies that view consent as a formality and transparency as optional."

Michele Johnson of Latham & Watkins, who defended Meta at trial, could not immediately be reached for a comment.

"We vigorously disagree with this outcome and are exploring all legal options," a Meta spokesperson said in an emailed statement.

"The plaintiffs' claims against Meta are simply false. User privacy is important to Meta, which is why we do not want health or other sensitive information and why our terms prohibit developers from sending any."

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Litigation

DuPont, Chemours, Corteva Reach Settlement in NJ PFAS Suit (1)

Aug. 4, 2025, 4:19 AM PDT; Updated: Aug. 4, 2025, 4:47 AM PDT

DuPont, Chemours, and Corteva are offering up to \$875 Million to settle PFAS pollution allegations made by New Jersey's Department of Environmental Protection.

New Jersey's DEP alleges E.I. du Pont de Nemours and Co. and the other two companies with historical ties to du Pont are liable for violations of multiple state pollution laws by discharging per and polyfluoroalkyl substances (PFAS) for years from the Chambers Works facility and other sites despite knowing they could harm people's health and damage the environment.

The proposed settlement is subject to approval by the US District Court for the District of New Jersey, which has overseen the state's lawsuit since it was filed in 2019.

If approved, the agreement would resolve all legacy contamination claims related to the companies' four current and former operating sites—Chambers Works, Parlin, Pompton Lakes and Repauno—along with allegations of statewide PFAS contamination including from the use of aqueous film forming foam, a type of fire suppressant made with PFAS.

The \$875 million would be paid out over a 25-year period starting within 30 days of a Judicial Consent Order being entered.

Chemours would be responsible for 50% of the payments, or approximately \$250 million. DuPont would be responsible for 35.5% of settlement payments, or approximately \$177 million, and Corteva would be responsible for the remaining 14.5% of settlement payments, or approximately \$72 million. The allocations are based on a January 2021 Memorandum of Understanding between the corporate parties.

The companies announced the settlement Monday following Judge Renee Marie Bumb's decision to proceed with the state's lawsuit through trials that began in May.

The state's allegations extended to the 3M Co., but it resolved those claims in May through a package of natural resource damage, PFAS abatement, and other payments totaling up to \$450 million.

The case is New Jersey Dep't of Env'tl. Protection v. E. I. du Pont de Nemours and Co. , D.N.J., No. 19-14766, settlement announced 8/4/25 .

(Updated throughout with additional reporting.)

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Law firm Quinn Emanuel accused of turning on ex-client in fintech case



reuters.com/legal/government/law-firm-quinn-emanuel-accused-turning-ex-client-fintech-case-2025-08-01

Mike Scarcella

August 1, 2025

A gavel and a block is pictured on the judge's bench in this illustration picture taken in Delaware, U.S., June 9, 2021. REUTERS/Andrew Kelly/File Photo [Purchase Licensing Rights, opens new tab](#)

Aug 1 (Reuters) - A financial technology provider previously represented by Quinn Emanuel accused the law firm of betraying its loyalties and violating ethics rules by taking the case of a former executive suing the company over his termination.

In a [filing, opens new tab](#) in the case in California federal court on Thursday, Pagaya Technologies ([PGY.O](#)), [opens new tab](#) asked a judge to disqualify Quinn Emanuel from representing Hugh Edmundson in the lawsuit he filed in June.

In the new filing Pagaya and its hedge fund affiliate Theorem Technology accused Quinn Emanuel of breaking attorney ethics rules in its new work for Edmundson, a former top executive at Theorem. Pagaya had acquired Theorem last year.

"The firm is a repeat offender, having been disqualified multiple times for this exact misconduct," lawyers for Pagaya and Theorem at law firm Gibson Dunn wrote. Pagaya said Quinn Emanuel had "brazenly violated its ethical obligations by turning around and suing its own client."

Quinn Emanuel in a statement on Friday said "Pagaya is no longer a client, and our current work is not related to what we did for them before."

In a statement on Friday, a spokesperson for law firm Gibson Dunn said "Quinn Emanuel is suing its former client over matters about which it previously advised — a clear conflict of interest that courts have not hesitated to disqualify firms for in the past."

Last year, Quinn Emanuel was [disqualified](#) from representing Elon Musk's social media platform X in a lawsuit accusing data-scraping company Bright Data of illegally copying and selling content. The law firm had previously represented Bright Data in another lawsuit. In an April letter from Quinn Emanuel to Edmundson's attorneys, which was included in the court file, the firm had said the "suggestion of a conflict on the part of Quinn Emanuel is false and inaccurate."

The firm also said it had set up "appropriate ethical screens out of an abundance of caution" to separate its prior work for Pagaya with its representation of Edmundson.

Edmundson's lawsuit accused Pagaya and Theorem of wrongful termination, retaliation and other claims stemming from his firing in April from Theorem, where he was chief investment officer. Edmundson founded Theorem in 2014.

Edmundson alleged that "almost immediately after the merger closed, defendants began systematically dismantling Theorem's independence and strategic decision-making authority."

Quinn Emanuel provided legal work last year to Pagaya on non-compete and non-solicitation provisions related to Theorem employees, Pagaya said.

It further alleged that Quinn Emanuel's prior work for the company has created a "direct and incurable conflict of interest."

In Thursday's court filing, Pagaya said that Edmundson's lawsuit was baseless and that its claims are governed by a binding arbitration agreement.

The case is Hugh Edmundson v. Pagaya Technologies et al, U.S. District Court, Northern District of California, No

For plaintiff: Diane Doolittle and Michael Liftik of Quinn Emanuel

For defendants: Brian Ascher, Katherine Smith and George Adams III of Gibson, Dunn & Crutcher

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[US judge slashes fees for IBM lawyers in billion-dollar software contract fight](#)

[US judge rebukes law firm Quinn Emanuel, awards \\$3 million sanction in Guardant case](#)

[From Harvard to Musk, law firm Quinn Emanuel juggles Trump's friends and foes](#)

[Lawyers for Musk's X Corp kicked off data-scraping case](#)

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Exclusive: Tesla's brand loyalty collapsed after Musk backed Trump, data shows



reuters.com/business/autos-transportation/teslas-brand-loyalty-collapsed-after-musk-backed-trump-data-shows-2025-08-04

Chris Kirkham

August 4, 2025



Item 1 of 2 U.S. President Donald Trump talks to the media next to Tesla CEO Elon Musk, at the White House in Washington, D.C., U.S., March 11, 2025. REUTERS/Kevin Lamarque/File Photo

[1/2]U.S. President Donald Trump talks to the media next to Tesla CEO Elon Musk, at the White House in Washington, D.C., U.S., March 11, 2025. REUTERS/Kevin Lamarque/File Photo [Purchase Licensing Rights, opens new tab](#)

- Household vehicle-registration data shows fewer Tesla owners are opting for another one
- The EV maker for years had the highest customer loyalty in the industry
- Tesla also loses ground in its ability to win over customers from other brands

LOS ANGELES, August 4 (Reuters) - Tesla ([TSLA.O](#)), [opens new tab](#) for years had more repeat U.S. customers than any other major automotive brand but its loyalty has plunged

since CEO Elon Musk endorsed President Donald Trump last summer, according to data from research firm S&P Global Mobility shared exclusively with Reuters.

The data, which has not been previously reported, shows Tesla's customer loyalty peaked in June 2024, when 73% of Tesla-owning households in the market for a new car bought another Tesla, according to an S&P analysis of vehicle-registration data in all 50 states.

Stay up to date with the latest news, trends and innovations that are driving the global automotive industry with the Reuters Auto File newsletter. Sign up [here](#).

That industry-leading brand loyalty rate started to nosedive in July, that data showed, when Musk endorsed Trump following an assassination attempt in Pennsylvania on the Republican nominee.

The rate bottomed out at 49.9% last March, just below the industry average, after Musk launched Trump's budget-slashing Department of Government Efficiency in January and started firing thousands of government workers.

Tesla's U.S. loyalty rate has since ticked back up to 57.4% in May, the most recent month the S&P data is available, putting it back above the industry average and about the same as Toyota ([7203.T](#)), [opens new tab](#) but behind Chevrolet ([GM.N](#)), [opens new tab](#) and Ford ([F.N](#)), [opens new tab](#).

S&P analyst Tom Libby called it "unprecedented" to see the runaway leader in customer loyalty fall so quickly to industry-average levels. "I've never seen this rapid of a decline in such a short period of time," he said.

Tesla and Musk did not respond to requests for comment.

On Monday, [Tesla granted Musk 96 million shares](#) worth about \$29 billion, a move aimed at keeping the billionaire entrepreneur at the helm as he fights a court ruling that voided his original pay deal for being unfair to shareholders.

The timing of Tesla's plunging brand loyalty suggests the CEO's involvement in politics turned off customers in the EV pioneer's eco-conscious customer base, some analysts said. "If they have Democratic leanings, then perhaps they consider other brands in addition to Tesla," said Seth Goldstein, an analyst at Morningstar.

Tesla's aging model lineup also faces stiffer competition from an array of EVs from legacy automakers including General Motors ([GM.N](#)), [opens new tab](#), Hyundai ([005380.KS](#)), [opens new tab](#) and BMW ([BMWG.DE](#)), [opens new tab](#). The only new model Tesla has released since 2020, its triangular Cybertruck, has proved a flop despite Musk's prediction of hundreds of thousands of annual sales.

On an April earnings call, Tesla CFO Vaibhav Taneja singled out "the negative impact of vandalism and unwarranted hostility towards our brand and people," but also said there were "several weeks of lost production" when the company retooled factories to produce a

refreshed version of its top-selling Model Y.

Musk on the April call said that "absent macro issues, we don't see any reduction in demand."

Tesla vehicle sales overall are falling globally and have declined 8% in the United States the first five months of 2025, according to S&P. Sales fell 33% over the first six months of the year in Europe, where public backlash to Musk's politicking has been particularly fierce.

Musk's increased political activism was "very bad timing" for Tesla, said Garrett Nelson, an analyst who tracks the EV maker at CFRA Research, because it came exactly as the company faced heightened competition from Chinese EV makers and other traditional automakers. He said his top concerns for Tesla are its loss of market share and "what can be done to repair the brand damage."

LOYALTY NOSEDIVE

Tesla remains the U.S. electric-vehicle sales leader but has seen its dominance erode as Musk last year delved into politics and focused Tesla more on developing self-driving technology than on new affordable models for human drivers.

Customer loyalty is a closely watched auto-industry metric because it is "much more expensive" to take new customers from competitors than to retain existing ones, said S&P's Libby.

S&P offers some of the most detailed industry data on automotive purchases because it analyzes vehicle registration data from all 50 states on a household-by-household basis. Unlike survey data, it follows actual vehicle transactions to track how consumers migrate among brands and models.

From the fourth quarter of 2021 through the third quarter of last year, more than 60% of Tesla-owning households bought another one for their next car purchase, the data show. Only one other brand – Ford – posted a quarterly loyalty rate exceeding 60% during the period, and only once.

CUSTOMER DEFECTIONS

S&P's data also examines another aspect of the automotive market: Which brands and models are taking customers away from others, and which ones are losing them?

Until recently, Tesla was in a different stratosphere than other automotive brands on this metric. For the four years prior to July 2024, Tesla, on average, acquired nearly five new households for every one it lost to another brand.

No other brand from a major automaker was even close: Hyundai's luxury Genesis brand was the next best, acquiring on average 2.8 households for every one it lost, followed by Kia and Hyundai, which acquired on average 1.5 and 1.4 households, respectively, for every one they lost. Ford, Toyota and Honda lost more households on average than they gained during that period.

Tesla's average inflow of customers started to decline in July 2024 along with its loyalty rate. Since February, Tesla has been gaining fewer than two households for every one it loses to the rest of the industry, its lowest level ever, according to the data.

"The data shows clearly that the net migration to Tesla is slowing," Libby said.

Brands that now attract more Tesla customers than they lose to Tesla include Rivian, Polestar, Porsche and Cadillac, the data show.

Brian Mulberry, client portfolio manager at Tesla investor Zacks Investment Management, said he isn't concerned about Tesla's long-term earnings because he expects enormous profits from its plans to operate robotaxis and license self-driving technology to other automakers.

Tesla launched a small test of robotaxis in Austin in June, giving rides to hand-picked fans and Internet personalities but the service isn't available to the general public. If Tesla succeeds in expanding the technology, Mulberry said, "there's a case to be made that Tesla doesn't need to sell cars and trucks anymore."

Reporting by Chris Kirkham in Los Angeles. Editing by Brian Thevenot and Michael Learmonth.

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

Chris Kirkham is a business reporter in Los Angeles who writes about Tesla, electric vehicles and the wider automotive industry. He previously worked at The Wall Street Journal and the Los Angeles Times, and has covered topics including tobacco, worker safety, gambling, and the economy over a two-decade career. Contact him at chris.kirkham@thomsonreuters.com or on Signal at [chris_kirkham.51](https://signal.me/#x1abc2chris_kirkham)

<https://bsky.app/profile/annmlipton.bsky.social/post/3lv12mhvris2r>



Ann M. Lipton

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So they're claiming this is an award under the 2019 incentive plan. That's because if they say it's a new award, they need a shareholder vote under NASDAQ rules.

Except, of course, when SHs voted on the 2019 plan, no way they expected it applied to Musk. His comp was voted on just one year earlier.



Brian JM Quinn @bjmquinn.bsky.social · 7h

Tesla hands Musk a new \$25 Billion pay package to replace his existing DE package (unless the Tormetta ruling is overturned - no double dipping!)

www.sec.gov/ix?doc=/Arch...

[https://www.sec.gov/ix?](https://www.sec.gov/ix?doc=/Archives/edgar/data/0001318605/000110465925073263/tm2522385d1_8k.htm)

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"http://www.w3.org/TR/xhtml1/DTD/xhtml1-strict.dtd">
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19



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This is from the 2019 plan, and I assume is the cover for why they claim they can use it for Musk:

"The Board intends the 2018 CEO Performance Award to be the exclusive form of compensation for Mr. Musk until it is completed, expires or otherwise terminates."



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Link or the above quote:

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tsla-pre14a_20190611.htm

www.sec.gov

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This would of course be a huge accounting charge to Tesla, which they're avoiding by claiming it's unlikely to be awarded. Why? Because, they claim, it's likely they'll win the Tornetta appeal in Delaware and get the original package restored.

1 5



Ann M. Lipton @annmlipton.bsky.social · 6h

Past that, I'll need an accounting person to help me - let's say they're wrong and lose the Tornetta appeal. Do they have to take an accounting bath then, or will the award be treated as highly contingent as of grant date?

1 6



Ann M. Lipton @annmlipton.bsky.social · 6h

[@fmckenna.bsky.social](https://bsky.social/fmckenna) help?

2 1 3



Francine McKenna @fmckenna.bsky.social · 5h

My Wharton colleague Dan Taylor testified about this in the trial. He is best guy. Complicated stuff.

4

Small businesses helped build Musk's empire. Their unpaid bills add up to millions



[cnn.com/2025/07/31/us/elon-musk-company-unpaid-liens-invs](https://www.cnn.com/2025/07/31/us/elon-musk-company-unpaid-liens-invs)

Audrey Ash, Blake Ellis, Melanie Hicken, Kyung Lah

July 31, 2025

When Jennifer Meissner's small pipe welding business landed a multimillion-dollar contract to help build a sprawling new Texas headquarters for Tesla, she was convinced it was her company's big break.

Instead, she says the deal led her into personal and professional bankruptcy – unable to pay dozens of her workers at Christmastime. Meissner said that was her last resort after Tesla, which is owned by the world's richest man, stopped paying her company for work they'd already done.

"They just don't understand how many lives they completely trashed," Meissner said. "Working with a company as big as (Tesla) is, you trust the fact they are going to pay their bills."

As Musk has relied on small businesses to help him grow his multibillion-dollar empire, many contractors claim they were not paid – and at least two say they were forced into bankruptcy as a result, according to a CNN review of civil lawsuits and construction liens against companies including Tesla, SpaceX and X.

Even an attorney representing the carmaker in Meissner's bankruptcy case acknowledged that Tesla has a habit of not promptly paying its bills.

"I don't disagree that it does take Tesla some time to pay," the attorney said in court last year, adding "that goes for legal bills, too ... I know it full well."

In Texas, where Musk has been rapidly expanding operations, contractors have filed liens for more than \$110 million against Tesla in the last five years, with more than \$24 million still allegedly owed to dozens of businesses, CNN's analysis shows.

Tesla, SpaceX and X did not respond to multiple requests for comment.

Tesla has at times argued in court that it didn't pay contractors because of shoddy work or missed deadlines, but most disputes never made it that far.

Those who claim they are owed money, many of them mom-and-pop businesses, say Musk's corporations often stall for months before paying invoices, if they pay at all. This can lead to a devastating ripple effect as interruptions to cash flow make it difficult for vendors to pay employees and keep operations running.

Other big companies that launched major construction projects in the state have been subject to far fewer liens. Apple, for example, has roughly \$1.2 million in unpaid liens in the counties where it hired contractors to build its headquarters — less than 10% of the amount owed by Tesla.

Tesla's corporate strategy mirrors the ruthless cost-cutting approach Musk, the automaker's CEO and largest individual shareholder, has become known for. At Twitter, now known as X, he [slashed jobs and budgets](#) after taking over and allegedly [stopped paying rent](#). And as the one-time head of the Department of Government Efficiency, he ordered entire agencies shuttered with little regard to the effect on taxpayers or services, critics said.

For the first seven years Meissner's company was in business, she prided herself on not once being late to pay her workers, she told CNN. After securing the business deal with Tesla in 2022, she said her company's annual revenue grew exponentially, and she hired even more employees. With business booming, she was also hopeful that she would finally be able to start setting aside money for her special needs daughter, whom she adopted at the age of seven.

But after dedicating the entire work crew at Professional Process Piping to the project with Tesla for more than a year and investing her own money in expensive equipment, Meissner said Tesla abruptly stopped paying the company's invoices and more than \$1 million in work went unpaid at the time.

Her world was turned upside down in a matter of months, she said. She took out high-interest loans, and for the first time was unable to pay the workers who remained loyal to her despite the financial difficulties.

She said she couldn't afford to sue Tesla to demand payment given the financial hole she was in, which affected her own finances as well because she had personally guaranteed a number of the business loans for rental trucks and other subcontractors.

"I know how it felt, living paycheck to paycheck and not being able to pay bills. I know. And I swore that having the company, I was never going to have my men not paid," she said. "And when that happened, that hit worse than anything else."

Tesla ultimately came to an agreement with Meissner in bankruptcy court, with its lawyer claiming in the settlement that the contractor had "overbilled the project and provided substandard labor and services." Tesla agreed to pay Professional Process Piping's subcontractors \$650,000, but Meissner says she is still out hundreds of thousands of dollars and isn't sure if she'll ever recover financially.

Millions of dollars in unpaid work

To create Tesla's 10-million-square-foot production hub outside of Austin, Texas – known as the Gigafactory – contractors were hired for demolition, plumbing, painting and even to install robots that help build the carmaker's vehicles, according to lien filings. Workers were also hired by SpaceX to run wiring and put in drywall, among a large number of other construction tasks, as the company expanded its Starlink facility in rural central Texas—dubbed “Project Echo.” And when Musk completed a high-profile takeover of the social media company formerly known as Twitter, which he rebranded X, contractors provided services ranging from private jet flights to janitorial work.

CNN reached out to more than 100 companies that filed liens and lawsuits against Musk-owned companies, but even those willing to speak with reporters were hesitant to go on the record – citing Musk's power, frequent use of non-disclosure agreements and history of retaliating against critics with lawsuits and public attacks.



Contractors were hired to do all different kinds of construction work at the Gigafactory project, but many say they were never paid for the work they did.

Thomas Allison/Bloomberg/Getty Images

On their face, liens don't necessarily mean that a company has done anything wrong. There could be other factors at play in some cases – such as substandard work or a contractor failing to pay the subcontractors they hired. Liens can also be filed as a way to encourage businesses to pay more quickly.

But experts interviewed by CNN said liens are a last resort for businesses still needing to be paid. And a large number of liens could indicate a company is “notoriously bad at paying its contractors on time,” said Scott Wolfe Jr., a former attorney and founder of a company that analyzes construction liens.

Some lienholders told CNN they still hoped to be paid for their work, while others said they had written off the losses and doubted they'd ever see the money they claim to be owed. They described how excitement about major contracts with the company eventually turned into financial crises and sleepless nights. One contractor even told CNN that he had been so excited to land a project with Tesla that he bought himself a brand-new Model X, which he says now only serves to remind him of the nightmare business deal.

A number of contractors interviewed by CNN said they weren't surprised by this business practice, noting how it aligned with Musk's reputation for penny pinching and slashing budgets at all costs – caring more about his personal missions than the people who get hurt along the way.

“His goal is to run through everything now – he doesn't care what or who that impacts – to save the future of the world,” said one entrepreneur about his impression of Musk. He spoke with CNN anonymously and said he remains a fan of Musk but that Tesla has a reputation in Austin of leaving contractors desperate to get paid – noting that his company had to take out extra lines of credit while awaiting payment from Tesla. “Tesla was probably one of the only companies we did business with where it just felt like they absolutely did not care about putting a company out of business.”

Several contractors said that in retrospect they would have hired attorneys to review the complicated contracts they signed, which they said included provisions that made it easier for Tesla to refuse to pay them.

Some companies have taken their complaints a step further and filed lawsuits instead of or in addition to liens.



Located outside Austin, Texas, the Tesla Gigafactory serves as global headquarters for the carmaker.

CNN

Sun Coast Resources, a Houston-based fuel supplier, alleged in a lawsuit from April that Tesla had refused to pay for nearly \$2.7 million worth of fuel that it delivered for construction machinery at Tesla's Gigafactory.

"While Tesla has never denied receiving the fuel, Tesla has offered a myriad of procedural reasons it has not paid," Sun Coast wrote in its lawsuit. "Moreover, Tesla has had constant personnel turnover and passed Sun Coast off from person to person who only conjures up some new reason as to why Tesla has not paid."

This month, Sun Coast Resources asked the court that the case be closed, and an attorney for the company told CNN the case had been resolved.

And in 2022, a small Austin-based company, Full Circle Technologies, said in court that it was forced to file bankruptcy when Tesla refused to pay for work it did supplying and installing security cameras and other equipment at the electric automaker's Gigafactory.

In bankruptcy filings, Full Circle Technologies said Tesla owed it nearly \$600,000 and that it was "forced to take on short term high interest loans to bridge the gap between performing the work for Tesla and the payment for its services." When a creditor began to levy the company's bank accounts, the company said it had no option but to file for bankruptcy. Tesla then made its own claim in the bankruptcy hearings, stating Full Circle actually owed the

carmaker money for allegedly breaching its contract. The two companies ultimately settled, but Full Circle CEO Abheeshek Sharma told CNN that Tesla was released from its obligation without paying a cent.

And when Full Circle wasn't paid, the company said it couldn't pay its subcontractors either. One of the subcontractors, Electra Link, filed its own lawsuit against Tesla in a last-ditch effort to get paid the roughly \$128,000 it said it was owed for the cabling it installed at the Gigafactory. It said Tesla had "ignored" its three written notices that it had not been paid and that Tesla "refused" to make any payments – prompting Electra Link to file liens against Tesla. Tesla turned around and countersued the company, claiming its liens were fraudulent because the contractor had only notified Tesla of the debt, and not the LLC used by Tesla for the project. The lawsuit was ultimately settled.



Musk, who drew criticism for slashing budgets across the federal government as the one-time head of the Department of Government Efficiency,

Chip Somodevilla/Getty Images

After Musk's high-profile purchase of Twitter in 2022, at least seven different businesses filed lawsuits for non-payment – all of which have since been resolved.

"Twitter responded with a campaign of extreme belt-tightening that amounted to requiring nearly everyone to whom it owes money to sue," attorney Ethan Jacobs wrote about the company's alleged refusal to pay contractors including marketing and consulting firms.

Another lawsuit cited emails saying that new management wanted to "hold firm" about not paying the invoice for private jet transportation that had already been provided. Twitter claimed it told the jet operator that the services had not been approved by an authorized employee and therefore it was not responsible for the expense.

Jacobs, who represented many of these companies in their litigation against the social media firm and said all of his cases settled, said he found it surprising that a businessman as powerful and high-profile as Musk would be brazen enough to have "a practice of not paying people until they sue."

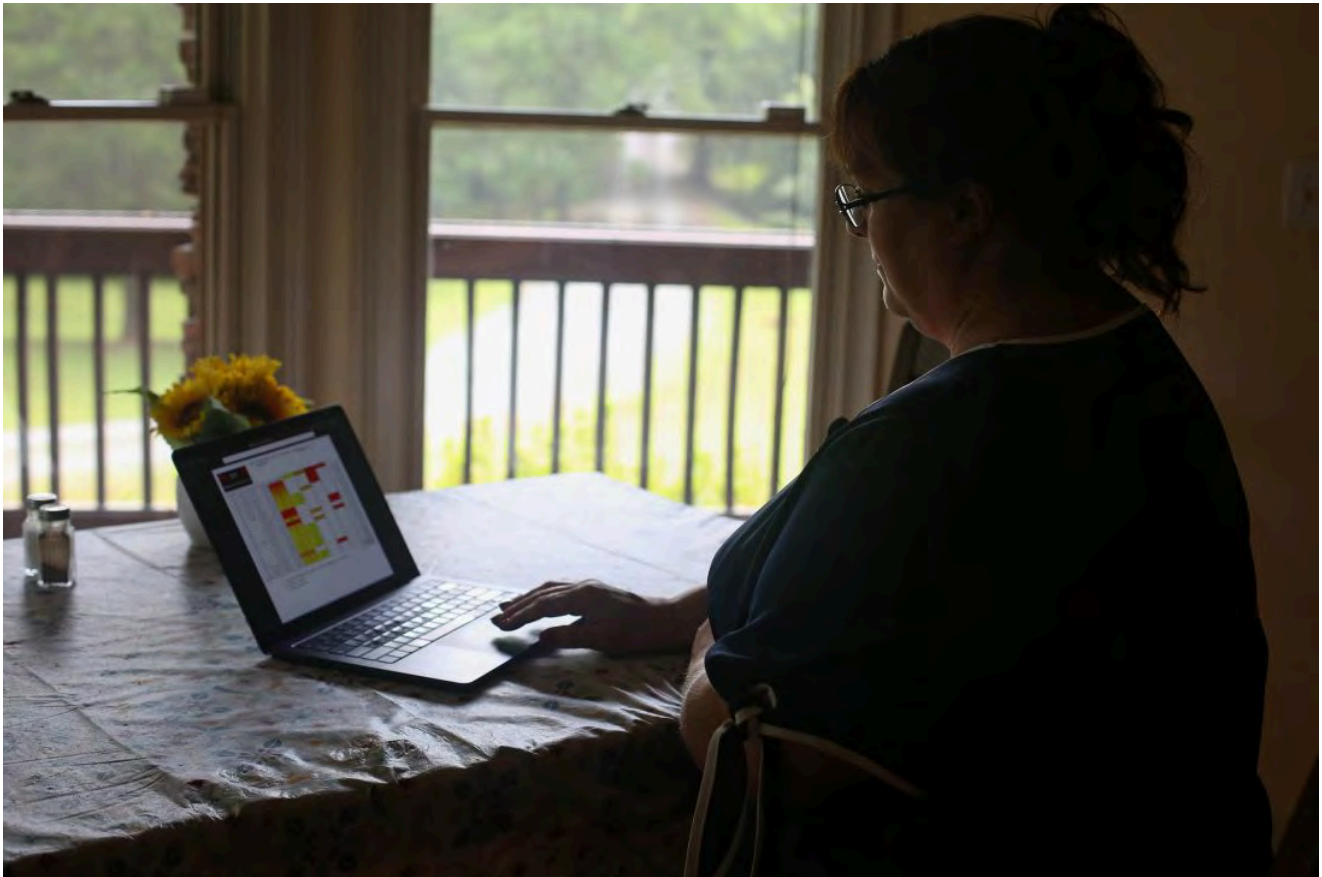
"They were essentially saying that they just decided not to pay until they had to," he said of X under Musk's leadership. "It's not the way I have generally seen people doing business."

'Standard business'

After Meissner of Professional Process Piping filed for bankruptcy, she said she liquidated all available retirement and savings accounts, sold land just to be able to afford an attorney and stopped sending her daughter to the ballroom dance lessons Meissner said had served as a form of therapy for her.

Meissner said she now works two jobs and will be working to pay off her debts for a long time. She also still worries that she could lose her house or car.

"It's been horrible," she said. "If I didn't have my family, I don't think I would have made it."



Jennifer Meissner says she couldn't pay her workers when Tesla suddenly stopped paying invoices.

Austin Steele/CNN

While every billion-dollar business is going to encounter some level of dissatisfied contractors or subcontractors, Meissner said the large number of liens that have been filed against Tesla indicate to her that this is simply the way the billionaire operates his companies.

"When there are that many (liens), that looks like standard business to me, and that's shady," she said, adding that she wants Musk to know just how many lives have been impacted by these practices. "It's not just my company, it's all the companies that support you. You own that business – your name is on it."

This story was updated to reflect that Musk, the CEO and co-founder of Tesla, is its largest individual shareholder.

Tesla Isn't Paying Its Bills While Musk Gets \$29B Payday: TDS



thedrive.com/news/tesla-isnt-paying-its-bills-while-musk-gets-29b-payday-tds

Joel Feder

August 4, 2025



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Good morning and welcome to *The Down Shift*, or *TDS* for short.

The Down Shift is *The Drive*'s new weekday early morning quick-hit news rundown bringing the latest automotive stories from around the globe that are bubbling both overnight and in the early am hours. Pair *TDS* with a Pop-Tart and coffee.

0:06

Today marks the second week of *TDS* and feedback during the the first week of this new series was both received and heard. Thank you for submitting so many comments and emails (via tips@thedrive.com). The feedback was appreciated, valuable, and is being listened to. Based on feedback, today's *TDS* will include a quick round up of all weekend race results, which was a great idea. Keep the feedback coming.

TDS is not a full-featured news story or in-depth reporting. It's light, quick, and short, but heavy on news that keeps you informed heading into the day. Each story is summarized in a single sentence with a link providing the ability go to deeper for more information.

The first cup of coffee is gone here, so let's get into it.

 What I'm driving: I spent the weekend taking the 2025.5 Volvo XC90 T8 plug-in hybrid on a road trip up north, and learned a twin mattress, boxspring, associated frame, and bedding all fit in the back. The more you know!

 Tesla has [not been paying bills](#) leading some companies to file bankruptcy as the automaker [approves a 96 million award of shares](#) to CEO Elon Musk worth \$29 billion, but a jury said [Tesla was partly to blame in a fatal crash](#) and it might cost the automaker \$243 million, the automaker's [China-made EV sales fell](#) 8.4% in July, and [brand loyalty collapsed](#) after Musk backed Trump.

 Aston Martin said it will [sell its minority stake of its Formula 1 team](#) to free up cash, but it will maintain its sponsorship agreement.

 Bugatti [teased a new car called Solitaire](#), which will debut on August 7 and is said to be the art of coachbuilding.

 Electrify America has no [plans on slowing its rollout of electric car chargers](#) and the expansion of its fast-charging network despite the current administration and political climate.

 The [Mercedes-Benz GLC EV electric crossover's face](#) was revealed with a grille covered in LED lights that has almost a retro vibe to it, all as the automaker [pivots from an EV-only offensive to a mixed-powertrain](#) defensive strategy.

 Foxconn plans to [sell its Lordstown assembly plant](#) in Ohio for \$88 million, which it bought from General Motors in 2022.

🏁 Weekend Race Results:

- Formula 1 Hungarian Grand Prix: McLaren's Lando Norris won after holding off Piastri with Mercedes' George Russell coming in third.
- NASCAR Cup Series Iowa Corn 350: William Byron from Hendrick Motorsports won, marking his second win of the season.
- NASCAR Xfinity Series HyVee Perks 250: Sam Mayer from Haas Factory Team Ford took his first win of the season and the first for the Haas Factory Team.
- USAC Indiana Sprint Week: The final race and weeklong championship at the Tri-State Speedway was won by Kevin Thomas Jr.

<https://bsky.app/profile/maxkennerly.bsky.social/post/3lvlonme6a22l>



Max Kennerly @maxkennerly.bsky.social · 27m

If you, regular person, did anything like this after a fatal car accident, you would be prosecuted for a variety of crimes, including insurance fraud.

If you then repeatedly lied to the courts about it, like Tesla did, you'd get prosecuted for that too, plus stiff monetary sanctions.

Carl Quintanilla @carlquintanilla.bsky.social · 1h

".. Within about three minutes of the crash, the Model S uploaded a "collision snapshot"—video, CAN-bus streams, EDR data, etc.—to Tesla's servers .. The vehicle then deleted its local copy, resulting in Tesla being the only entity having access."

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Tesla withheld data, lied, and misdirected police and plaintiffs to avoid blame in Autopilot crash



Fred Lambert | Aug 4 2025 - 8:54 am PT

0 Comments



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453



California Brief

Tesla Must Pay \$243 Million Over Fatal Autopilot Crash (2)

Aug. 1, 2025, 12:56 PM PDT

Tesla Inc. was told by a jury to pay \$243 million over a 2019 Autopilot crash in Florida that killed a young woman and seriously injured her boyfriend, the first significant court loss for the automaker in litigation related to its driver-assistance technology.

A jury in Miami federal court found Friday that Tesla was 33% to blame for the collision. A Tesla Model S ran a stop sign at a T intersection in the Florida Keys and rammed into the couple's parked Chevrolet Tahoe while they were standing next to it.

Jurors issued their verdict after less than a day of deliberations following a three-week trial. The jury determined that the Tesla S driver was 67% responsible for the crash and that Tesla should pay \$42.5 million to compensate the victims for their losses. The panel also awarded \$200 million in punitive damages against Tesla.

Tesla had argued the driver was entirely at fault because he was distracted when he dropped his mobile phone on the floorboard.

"Today's verdict is wrong and only works to set back automotive safety and jeopardize Tesla's and the entire industry's efforts to develop and implement life-saving technology," Tesla said in a statement. "We plan to appeal given the substantial errors of law and irregularities at trial."

The Miami suit is one of a handful of crash cases that have gone to trial and the verdict tarnishes Tesla's near-perfect record in court. The electric-vehicle maker prevailed in two previous trials in California over Autopilot-related crashes and has struck confidential accords to resolve several cases that blamed defective technology for deadly accidents.

The verdict comes as Tesla Chief Executive Officer Elon Musk faces enormous investor pressure after the company's stock has been battered, first by his close affiliation with President Donald Trump, and then by his dramatic falling out with the president.

Musk has staked Tesla's future in part on autonomous driving as the company is launching a robotaxi business. But when Tesla recently announced disappointing second-quarter earnings, Musk warned that the company is in for a few "rough quarters" as incentives like the EV tax credit go away in the US.

Read More: Tesla Goes to Trial Over Fatal Autopilot Crash in Florida

At trial, the jury heard testimony from the driver of the Model S, family members of the woman who died, company engineers and various outside experts who discussed whether Autopilot played a role in the collision.

George McGee, the driver of the Model S, had engaged his vehicle's driver-assistance system while traveling home from work. In the moments before the collision, data obtained from the vehicle showed that he had pressed the accelerator to 17 miles (27.4 kilometers) per hour over the posted speed limit, leading him to override the vehicle's adaptive cruise control before he went off the road.

McGee testified that he had been on hold on with American Airlines trying to modify an upcoming flight. He said his phone fell and he was looking for it just before the crash. As his car left the road, McGee said he felt the texture of the road change under his tires and he remembered "jamming on the brakes."

During questioning, he told jurors that he knew he was completely responsible for operating the car, but that he expected Autopilot to assist him in the event he made a mistake.

"In that case, I do feel like it failed me," he said, according to a transcript of his testimony.

The family of Naibel Benavides Leon, the woman who was killed, reached a confidential settlement with McGee in 2021 in a separate lawsuit.

Read More: Tesla to Fight California's Claim It Overhypes Autopilot

Lawyers for the estate of Benavides Leon and her boyfriend, Dillon Angulo, argued Tesla's Autopilot encourages complacency and that the company and Musk have overstated the system's capabilities, leading drivers to be overconfident in its abilities.

They also alleged that Tesla failed to add safeguards to ensure the software was only available on roadways where it was designed to be used and features to monitor the attentiveness of drivers.

"Today's verdict represents justice for Naibel's tragic death and Dillon's lifelong injuries, holding Tesla and Musk accountable for propping up the company's trillion-dollar valuation with self-driving hype at the expense of human lives," Brett Schreiber, lead attorney for the crash victims, said in a statement.

Tesla, as it has in other cases, blamed driver error for the collision. Lawyers for the company argued repeatedly that McGee was an aggressive driver with a history of speeding, and that he took his eyes off the road and his hands off the wheel despite warnings in the owners' manual that drivers must stay engaged.

The company has maintained there were no defects in its software and that Autopilot operated exactly as designed. Throughout the trial, Tesla defense attorney Joel Smith said no driver-assistance technology on the market in 2019 would have been able to prevent the crash.

The automotive industry categorizes automation systems in vehicles from Level 0 to 5, based on what features are available. Level 0 features simply pass on information to the driver, like sounding a warning when you're driving out of a traffic lane. Tesla's Autopilot is classified as Level 2 because it requires constant driver input and supervision.

The case is Benavides v. Tesla, 1:21-cv-21940, US District Court, Southern District of Florida (Miami).

(An earlier version of the story corrected the damages amount. Updates with details from the trial and a statement from lawyer for crash victims.)

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Tesla withheld data, lied, and misdirected police and plaintiffs to avoid blame in Autopilot crash



electrek.co/2025/08/04/tesla-withheld-data-lied-misdirected-police-plaintiffs-avoid-blame-autopilot-crash

Fred Lambert

August 4, 2025



Tesla was caught withholding data, lying about it, and misdirecting authorities in the wrongful death case involving Autopilot that it lost this week.

The automaker was undeniably covering up for Autopilot.

Last week, a jury found Tesla partially liable for a wrongful death involving a crash on Autopilot. I explained the case in the verdict in [this article](#) and [video](#).

But we now have access to the trial transcripts, which confirm that Tesla was extremely misleading in its attempt to place all the blame on the driver.

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The company went as far as to actively withhold critical evidence that explained Autopilot's performance around the crash.

Tesla withheld the crash-snapshot data that its own server received within minutes of the collision

Within about three minutes of the crash, the Model S uploaded a “collision snapshot”—video, CAN-bus streams, EDR data, etc.—to Tesla’s servers, the “Mothership”, and received an acknowledgement. The vehicle then deleted its local copy, resulting in Tesla being the only entity having access.

What ensued were years of battle to get Tesla to acknowledge that this collision snapshot exists and is relevant to the case.

The police repeatedly attempted to obtain the data from the collision snapshot, but Tesla led the authorities and the plaintiffs on a lengthy journey of deception and misdirection that spanned years.

Here, in chronological order, is what happened based on all the evidence in the trial transcript:

1 | 25 Apr 2019 – The crash and an instant upload Tesla pretended never happened

Within ~3 minutes of the crash, the Model S packaged sensor video, CAN-bus, EDR, and other streams into a single “snapshot_collision_airbag-deployment.tar” file and pushed it to Tesla’s server, then deleted its local copy.

We know that now, thanks to forensic evidence extracted from the onboard computer.

The plaintiffs hired Alan Moore, a mechanical engineer who specializes in accident reconstruction, to forensically recover data from the Autopilot ECU (computer).

Based on the data, Moore was able to confirm that Tesla had this “collision snapshot” all along, but “unlinked” it from the vehicle:

“That tells me within minutes of this crash Tesla had all of this data ... the car received an acknowledgement ... then said ‘OK, I’m done, I’m going to unlink it.’”

The plaintiffs tried to obtain this data, but Tesla told them that it didn’t exist.

Tesla’s written discovery responses were shown during the trial to prove that the company acted as if this data were not available.

2 | 23 May 2019 – Tesla’s lawyer scripts the homicide investigator’s evidence request

Corporal Riso, a homicide investigator with the Florida Highway Patrol (FHP), sought Tesla’s help in retrieving telemetry data to aid in reconstructing the crash.

He was put in contact with Tesla attorney Ryan McCarthy and asked if he needed to subpoena Tesla to get the crash data.

Riso said of McCarthy during the trial:

“He said it’s not necessary. **‘Write me a letter and I’ll tell you what to put in the letter.’**”

At the time, he didn’t see Tesla as an adversary in this case and thought that McCarthy would facilitate the retrieval of the data without having to go through a formal process. However, the lawyer crafted the letter to avoid sending the police the full crash data.

Riso followed the instructions verbatim. He said during the trial:

“I specifically wrote down what the attorney at Tesla told me to write down in the letter.”

But McCarthy specifically crafted the letter to omit sharing the collision snapshot, which includes bundled video, EDR, CAN bus, and Autopilot data.

Instead, Tesla provided the police with infotainment data with call logs, a copy of the Owner’s Manual, but not the actual crash telemetry from the Autopilot ECU.

Tesla never said that it already had this data for more than a month by now.

3 | June 2019 – A staged “co-operation” that corrupts evidence

Tesla got even more deceptive when the police specifically tried to collect the data directly from the Autopilot computer.

On June 19, 2019, Riso physically removed the MCU and Autopilot ECU from the Tesla.

Again, the investigator thought that Tesla was being collaborative with the investigation at the time so he asked the company how to get the data out of the computer. He said at the trial:

I had contacted Mr. McCarthy and asked him how I can get this data off of the computer components. He said that he would coordinate me meeting with a technician at their service center, the Tesla service center in Coral Gables.

Tesla arranged for Riso to meet Michael Calafell, a Tesla technician, at the local service center in Coral Gables with the Autopilot ECU and the Model S' MCU, the two main onboard computers.

To be clear, Tesla already had all this data in its servers and could have just sent it to Riso, but instead, they lured him into its service center with the piece of evidence in his custody.

What ensued was pure cinema.

Michael Calafell, who testified never having been tasked with extracting data from an Autopilot ECU before, connected both computers to a Model S in the shop to be able to access them, but he then claimed that the data was "corrupted" and couldn't be access.

Riso said during his testimony:

I brought the center tablet [MCU] and the flat silver box [Autopilot ECU] with multicolored connectors to the Tesla service center."

"I watched Mr. Calafell the whole time. The evidence was in my custody. I did not let it out of my sight."

However, the situation got a lot more confusing as Calafell swore in an affidavit that he didn't actually power the ECU, only the MCU, on that day, June 19.

Only years later, when Alan Moore, the forensic engineer hired by the plaintiff, managed to get access to the Autopilot ECU, we learned that Tesla undeniably powered up the computer on June 19 and the data was accessible.

4 | 2019 – 2024 – Repeated denials and discovery stonewalling

Through years of communications with the police, the plaintiffs and the court through the investigation and later the discovery process for the lawsuit, Tesla never mentioned that it had all the data that explained how Autopilot saw the crash, which everyone was seeking, sitting on its servers for years.

The facts are:

- Tesla had the data on its servers within minutes of the crash
- When the police sought the data, Tesla redirected them toward other data
- When the police sought Tesla's help in extracting it from the computer, Tesla falsely claimed it was "corrupted"
- Tesla invented an "auto-delete" feature that didn't exist to try explain why it couldn't originally find the data in the computer
- When the plaintiffs asked for the data, Tesla said that it didn't exist

- Tesla only admitted to the existence of the data once presented with forensic evidence that it was created and transferred to its servers.

5 | Late 2024 – Court orders a bit-for-bit NAND-flash image

By late 2024, the court allowed the plaintiffs to have a third-party expert access the Autopilot ECU to try to access the data that Tesla claimed was now corrupted.

The court allowed the forensic engineers to do a bit-for-bit NAND flash image, which consists of a complete, sector-by-sector copy of the data stored on a NAND flash memory chip, including all data, metadata, and error correction code (ECC) information.

The engineers quickly found that all the data was there despite Tesla's previous claims.

Moore, the forensic engineer hired by the plaintiffs, said:

“Tesla engineers said this couldn't be done... yet it was done by people outside Tesla.”

Now, the plaintiffs had access to everything.

6 | Feb-Mar 2025 – The forensic “treasure-trove” reveals the file name & checksum

Moore was astonished by all the data found through cloning the Autopilot ECU:

“For an engineer like me, the data out of those computers was a treasure-trove of how this crash happened.”

The data that Tesla had provided was not as easily searchable, the videos were grainy, and it was missing key alerts and timestamps about Autopilot and its decision-making leading up to the crash.

On top of all the data being so much more helpful, Moore found unallocated space and metadata for ‘snapshot_collision_airbag-deployment.tar’, including its SHA-1 checksum and the exact server path.

7 | May 2025 – Subpoenaed server logs corner Tesla

Armed with the the newly found metadata, plaintiffs were able to subpoenaed Tesla's AWS logs.

Tesla still fought them, but facing a sanctions hearing, Tesla finally produced the untouched TAR file plus access logs showing it had been stored **since 18:16 PDT on 25 Apr 2019**—the same three-minute timestamp Moore had highlighted.

The automaker had to admit to have the data all along.

During the trial, Mr. Schreiber, attorney for the plaintiffs, claimed that Tesla used the data for its own internal analysis of the crash:

They not only had the snapshot — they used it in their own analysis. It shows Autopilot was engaged. It shows the acceleration and speed. It shows McGhee's hands off the wheel.

Yet, it didn't give access to the police nor the family of the victim who have been trying to understand what happened to their daughter.

8 | July 2025 Trial – The puzzle laid bare for the jury

Finally, this entire situation was laid bare in front of the jury last month and certainly influenced the jury in their verdict.

The jury was confronted with clear evidence of Tesla trying to hide data about the crash, and then, they were shown what that data revealed.

The data recovered made a few things clear:

- Autopilot was active
- Autosteer was controlling the vehicle
- No manual braking or steering override was detected from the driver
- There was **no record of a "Take Over Immediately" alert**, despite approaching a T-intersection with a stationary vehicle in its path.
- Moore found logs showing **Tesla systems were capable of issuing such warnings**, but **did not** in this case.
- Map and vision data from the ECU revealed:
 - Map data from the Autopilot ECU included a flag that the area was a **"restricted Autosteer zone."**
 - Despite this, the system **allowed Autopilot to remain engaged** at full speed.

Moore commented on the last point:

"Tesla had the map flag. The car knew it was in a restricted zone, yet Autopilot did not disengage or issue a warning."

This was critical to the case as one of the arguments was that Tesla dangerously let owners use Autopilot on roads it was not designed to operate on as it was specifically trained for highways.

The National Transportation Safety Board (NTSB) had even warned Tesla about it and the automaker didn't geofence the system.

The NTSB had wrote Tesla:

“Incorporate system safeguards that limit the use of automated vehicle control systems to those conditions for which they were designed (the vehicle's operational design domain).”

The driver was responsible for the crash and he admitted as such. He admitted to not using Autopilot properly and not paying attention during the crash.

However, the main goal of the plaintiffs in this case was to assign part of the blame for the crash to Tesla for not preventing such abuse of the system despite the clear risk.

The logic is that if Tesla had implemented geofencing and better driver monitoring, the driver, McGee, would have never been able to use Autopilot in this case, which could have potentially avoided putting himself in the situation that led to the crash.

That's on top of Autopilot failing at what Tesla has repeatedly claim it could do: stop those crashes from happening in the first place.

Electrek's Take

Tesla fans need to do a quick exercise in empathy right now. The way they are discussing this case, such as claiming the plaintiffs are just looking for a payout, is truly appalling.

You should put yourself in the family's shoes. If your daughter died in a car crash, you'd want to know exactly what happened, identify all contributing factors, and try to eliminate them to give some meaning to this tragic loss and prevent it from happening to someone else.

It's an entirely normal human reaction. And to make this happen in the US, you must go through the courts.

Secondly, Tesla fans need to do a quick exercise in humbleness. They act like they know exactly what this case is about and assume that it will “just be thrown out in appeal.”

The truth is that unless you read the entire transcripts and saw all the evidence, you don't know more about it than the 12 jurors who unanimously decided to assign 33% of the blame for the crash to Tesla.

And that's the core of the issue here. They want to put all the blame on the driver, and what the plaintiffs were trying to do was just assign part of the blame on Tesla, and the jurors agreed.

The two sides are not that far off from each other. They both agreed that most of the blame goes to the driver, and even the driver appears to agree with that. He admitted to being distracted and he quickly settled with the plaintiffs.

Top comment by [Doug I](#)

Liked by 19 people

Tesla programming the auto-delete of forensic data is corporate implementation of pre-planned destruction of evidence. There is no other reason to do it.

This is criminal, and worse than VW dieselgate

Regulators in all countries where AP was sold should be looking at criminal charges and billions in fines

[View all comments](#)

This case was only meant to explore how Tesla's marketing and deployment of Autopilot might have contributed to the crash, and after looking at all the evidence, the jury agreed that it did.

There's no doubt that the driver should bare most of the responsibility and there's no doubt that he didn't use Autopilot properly.

However, there's also no doubt that Autopilot was active, didn't prevent the crash despite Tesla claiming it is safer than humans, and Tesla was warned to use better geo-fencing and driver monitoring to prevent abuse of the system like that.

I think a 33% blame in this case is more than fair.

Tesla's \$243 Million Autopilot Verdict Reveals a Glaring Flaw

B[bloomberglaw.com/bloombergtterminalnews/bloomberg-terminal-news/T0H4EKGQ1YS8](https://www.bloomberglaw.com/bloombergtterminalnews/bloomberg-terminal-news/T0H4EKGQ1YS8)

Liam Denning

August 4, 2025



Eyes on the road.

Photographer: Jasper Juinen/Bloomberg

A Miami jury just found for the humans. [The \\$243 million of damages levied](https://www.bloomberglaw.com/bloombergtterminalnews/bloomberg-terminal-news/T0H4EKGQ1YS8) against Tesla Inc. over a fatal Autopilot crash in 2019 represent a black eye for a company that has often successfully blamed human error in prior accidents. It will hopefully be more than that: an impetus to fix a glaring flaw in the drive for ever more automated vehicles.

An unusual aspect of this case, *Benavides v. Tesla*, was that the driver admitted he was at fault, having sped through a stop sign while searching for a dropped cellphone, killing Naibel Benavides Leon and seriously injuring her boyfriend as they stood next to their parked SUV. The jury did indeed blame the distracted driver but assigned him only two-thirds of that blame. The rest was laid on Tesla. Not only must it pay its share of compensatory damages to the victims, amounting to about \$43 million, but also \$200 million of punitive damages.

Elon Musk, chief executive officer of Tesla, says the company will appeal the verdict. Even so, the outcome is a timely rebuke of how Tesla markets its technology. The jury accepted the plaintiffs' argument that while the driver was clearly at fault, Tesla's actions had enabled that.

During the trial, the driver said that although he knew he was responsible for operating his Model S, he had expected his Autopilot system to help if he made an error. Autopilot combines autosteer and dynamic cruise control and is designed to relieve some of the driver's workload rather than displace it altogether by keeping the vehicle centered in its lane and maintaining a safe distance from vehicles in front when traveling. Ask yourself if that is what springs to mind when you hear the word "autopilot" as opposed to a general sense that such a machine pilots itself. The judge raised that confusion when allowing the case to proceed to trial.

This question of overhyping vehicle automation systems has hung over the entire sector, and Tesla in particular, for years. In its defense, Tesla points to language and warnings that drivers must maintain supervision and be ready to intervene at any time with Autopilot, which comes standard with all its vehicles (and similarly for its more advanced Full Self Driving (Supervised) assistance package upgrade).

But Tesla, with Musk often leading the charge, has frequently indulged in hyperbole, too. In a September 2016 press conference on Autopilot cited by the plaintiffs, Musk claimed the vehicle's vision system [meant it should not hit something it detects](#), even if it didn't recognize it — "an alien spaceship" for example. That same year, Tesla released a [video exaggerating Autopilot's capabilities](#) that began with onscreen text claiming "the car is driving itself." This weekend, the same day Tesla's board [awarded Musk shares worth more than 100 times](#) the damages, he posted on X that ["Teslas can drive themselves!"](#) Find the nuance in that if you can.

Safety watchdogs have tussled with Musk about Autopilot's capabilities and marketing. The National Transportation Safety Board, which lacks enforcement powers, has [repeatedly called on Tesla](#) to actively limit the kinds of roads on which Autopilot can be used and beef up driver monitoring when in use, both relevant to the Benavides case. In December 2023, Tesla was [forced to recall more than 2 million vehicles](#) to address deficiencies in keeping drivers engaged when using Autopilot. Only last week, arguments wrapped up in a case brought against Tesla by the California Department of Motor Vehicles claiming it misled customers about the capabilities of both Autopilot and FSD.

By squarely placing blame on Tesla, along with a punishment, the jury in Miami sends a powerful signal that enough is enough. "The intention of a verdict like this is to force a change," says Donald Slavik, a leading product liability lawyer with particular expertise in auto software systems, who is currently involved in three separate cases that contend

Autopilot played a role in accidents that killed or injured people outside the Tesla vehicles. That the two victims in the Florida accident were pedestrians is important, he says. As innocent bystanders, they had not bought into the hype around Autopilot but paid a huge price nonetheless — unwitting avatars for the risks posed by such systems not only to drivers and passengers but potentially anyone.

The verdict comes amid Tesla's rollout of a robotaxi service in Austin, Texas, the [limitations of which also serve to emphasize](#) the gap between Musk's earlier claims and the company's actual capabilities. The same goes for its launch last week of a ride-hailing service in the Bay Area. Tesla pointedly doesn't refer to these vehicles, which have drivers behind the wheel, as robotaxis because it doesn't have the permits to offer that sort of service in California. Nonetheless, Musk conflated this Uber-like offering with the robotaxis in Austin in a [recent post on X](#). Tesla's famously forgiving investors may thereby get to enjoy the illusion of expanding robotaxi-ish coverage while California's regulators are presented with a glorified taxi service.

When it comes to advanced driver assistance systems, this blurring of the lines isn't just a marketing choice but an inherent challenge. Numerous studies indicate that [increased automation can cause pilots](#) and drivers to put excessive trust in such systems. When drivers switch from active control to more passive supervision of partial automation — but with a continuing need to intervene quickly if necessary — the mind wanders, and they can quite literally bore themselves (or others) to death. Hying the system's capabilities exacerbates this. "You can't make an unreasonable ask of people and then hold them solely accountable when they fail," says Philip Koopman, an autonomous-vehicles safety expert and author.

The conversation around vehicle autonomy centers far too much on its supposed apotheosis, robotaxis, and the technology packed into them. This overshadows today's far more common reality of partial automation and the need to focus on what Michael Brooks, executive director for the Center for Auto Safety, calls "human factors engineering." As much as Musk and others talk up the wonders of each generation of hardware and software, it is us, the "wetware," that backstops them and assumes the liability.

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These Behind-the-Scenes Emails From Tesla Meekly Begging the State of California to Allow Its Horrible Robotaxis Are Unintentionally Hilarious

F

futurism.com/emails-tesla-california-robotaxis

Frank Landymore

August 3, 2025

Email exchanges between Tesla and California regulators [obtained by Politico](#) reveal a comical discrepancy between what Elon Musk is saying his Robotaxi services can do publicly, and what the automaker is actually telling authorities behind closed doors.

This week, Tesla [launched a ride-hailing service](#) in San Francisco, in what is being framed as an expansion of its Robotaxi efforts that started as an invite-only program in Austin, Texas last month, where it immediately began charging customers for rides.

Note that we say it's a "ride-hailing service," because Tesla hasn't obtained all the necessary permits to operate a robotaxi service in California. The use of the term "robotaxi" is conspicuously absent in both the company's and Musk's messaging about the Bay Area roll-out.

Also, there's this detail: Tesla's not-a-robotaxis come with a human supervisor [sitting in the driver's seat](#), which is a step backward from its Austin program, which features a safety monitor sitting in the front passenger seat.

And for all of Musk's boasts of deploying a million robotaxis by the end of next year, Tesla is in reality walking such a precarious tightrope with regulators that it scrambled to apologize for one of its employees merely suggesting in a social media post that the automaker would be operating unsupervised rides in Los Angeles this year. It only had permission to operate a "transportation service" with regular cars from the California Public Utilities Commission (CPUC).

"Please know that Tesla is aware of the various permitting requirements," Casey Blaine, Tesla senior counsel of regulatory affairs, wrote in a groveling email to Miguel Acosta, the autonomous vehicle chief at the California Department of Motor Vehicles, per *Politico*. "We understand that drivered and driverless autonomous rideshare operations would require obtaining additional permits from both the DMV and the CPUC."

Apologizing for the incident, Blaine went on to frame the Tesla program as more like a ride-hailing service like Uber, according to *Politico*, using strikingly different language from Musk's public promises of a robotaxi service that would threaten the leader in the industry, [Waymo](#). In a glaring admission, Blaine said Tesla would use supervised, Full Self-Driving software

that's "functionally the same" as the FSD available in regular Tesla cars. FSD is not capable of operating without a human behind the wheel, and is officially classified as driver assistance software.

To his adoring fans, however, Musk continued to keep up the charade — much to the chagrin of regulators. Before a July meeting with Acosta, Musk made a post on X saying that the Robotaxi service would come to the Bay Area "probably in a month or two," and claimed that it was just "waiting on regulatory approvals." But no recent applications had been submitted by the automaker, according to *Politico*. Before another meeting that month, Musk again boasted in an earnings call that he sought to launch a full-blown robotaxi service in the state by the end of year.

At other times, the automaker outright went behind regulators' back. Ahead of the San Francisco launch, Tesla had insisted that it would take a "phased approach" beginning by limiting rides to Tesla employees, before gradually expanding to their friends and family, and eventually, the general public. It reiterated these intentions as recently as last Thursday.

Then on Friday, [Business Insider reported](#) that Tesla was jumping straight into inviting select Tesla owners into the program and charging them for rides — a clear violation of the agreed terms. CPUC spokesperson Terrie Prosper warned that Tesla can't use an autonomous vehicle to transport the public whatsoever, regardless of whether it has a safety driver and whether it charges for rides.

In November, Acosta reached out to Tesla after [Business Insider reporting](#) previously came out about its secretive test driver program "Project Rodeo," in which it allegedly instructed participants to purposely get the cars into perilous situations and only intervene at the last moment.

Tesla's defense? That its cars weren't autonomous enough to "implicate" the guidelines in its decade-old safety driver permit. "Rodeo drivers are trained to always and immediately intervene whenever they believe their vehicles may be about to perform a behavior that may create an unsafe situation for themselves and/or other road users," Eric Williams, Tesla counsel of regulatory affairs, wrote in a letter to Acosta.

In short, Musk and Tesla are talking a big game to investors and its wide-eyed fans about how amazing its Robotaxis will be — but its private groveling with regulators suggests that it's fibbing to at least one of those groups.

More on Tesla: [Tesla Robotaxi Gets Stuck in Infinite Loop as Support Tries to Break It Out](#)

Tesla's July China-made EV sales fall 8.4%

By Reuters

August 4, 2025 2:51 AM PDT Updated 8 hours ago

Tesla charging station in Beijing

Tesla cars charge at a Supercharger charging station of the electric vehicle (EV) maker in Beijing, China March 24, 2025. REUTERS/Florence Lo/File Photo Purchase Licensing Rights, opens new tab

Companies

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Tesla Inc

BEIJING, Aug 4 (Reuters) - Tesla's (TSLA.O), opens new tab sales of China-made electric vehicles fell 8.4% in July from a year earlier, reversing a small increase in June, amid rising competition from rivals offering lower-priced new models.

Deliveries of Tesla's China-made Model 3 and Model Y vehicles, including exports to Europe and other markets, reached 67,886 cars last month, down 5.2% from June, data from the China Passenger Car Association showed on Monday.

Top Chinese rival BYD (002594.SZ), opens new tab, with its Ocean and Dynasty lineups of EVs and plug-in hybrids, delivered almost flat global passenger car sales at 341,300 vehicles in July. Tesla's July reading followed a 0.8% rise year-on-year in sales of its China-made EVs in June, which ended an eight-month losing streak, but fell short of stopping quarterly declines. Elon Musk's EV company, grappling with weak demand and a backlash among some consumers against his political views, posted its biggest quarterly sales decline globally in over a decade in the second quarter.

Aiming for growth from robotaxis and humanoid robots, the company is also working on a new, cheaper car, but sources have told Reuters the vehicle, a stripped-down version of its best-selling Model Y, would be delayed by at least several months.

The Chinese auto market, the world's largest, is in the midst of a price war that has bruised automakers, suppliers and dealerships and prompted authorities to call for a truce.

Tesla is preparing to launch a six-seat, longer-wheelbase version of its Model Y in China. A longer-range, rear-wheel drive Model 3 is also coming to the Chinese market.

Reporting by Qiaoyi Li, Zhang Yan and Brenda Goh. Editing by David Goodman and Mark Potter

<https://www.reuters.com/business/autos-transportation/teslas-july-china-made-ev-sales-fall-84-2025-08-04/>

News from Bloomberg Terminal

Elon Musk Awarded \$30 Billion in Bid to Keep Him At Tesla for Years

Aug. 4, 2025, 9:34AM PDT

The interim deal requires Musk, whose foray into politics has roiled the electric vehicle company, to remain an executive for two years.

By Faiz Siddiqui and Margot Amouyal

(Washington Post) -- Tesla's board of directors renewed its commitment to Elon Musk on Monday by awarding him about \$30 billion worth of shares in an effort to keep the company's chief executive, the world's richest person, from turning his attentions elsewhere.

The board said it approved 96 million restricted shares, with a market value of nearly \$30 billion, calling the award a demonstration of faith.

As a condition to vest the shares, Musk has to continue serving as a Tesla executive for at least two more years and cannot sell the shares for five years.

A court battle is underway in Delaware over Musk's 2018 compensation package that would have given the CEO \$55.8 billion in Tesla shares, after a judge ruled last year that the payout was awarded through an unfair process. If Musk wins that legal battle and secures the 2018 package, the one announced Monday would no longer apply.

"Elon has demonstrated these unmatched leadership abilities time and time again," Tesla board members Robyn Denholm and Kathleen Wilson-Thompson wrote in a letter to shareholders posted on X, the social media site owned by Musk.

Denholm and Wilson-Thompson emphasized the importance of keeping Musk focused on Tesla as the electric vehicle company moves more into artificial intelligence and robotics. Tesla's stock price and sales slumped after he took on an active role in the administration of President Donald Trump. Their alliance shattered in a barrage of insults in early June.

The stock award appears aimed at addressing, for now, looming questions over Musk's continued commitment to the company.

"We believe this grant will now keep Musk as CEO of Tesla at least until 2030 and removes an overhang on the stock," Dan Ives, analyst with Wedbush Securities, said in a note to investors early Monday morning.

Last year, Musk publicly pleaded for more control over the automaker as the fight in Delaware over his compensation package played out.

"I am uncomfortable growing Tesla to be a leader in AI & robotics without having ~25% voting control. Enough to be influential, but not so much that I can't be overturned," he posted on X, in what appeared to be a threat to take his AI bets elsewhere. "Unless that is the case, I would prefer to build products outside of Tesla."

In their letter to shareholders Monday, Tesla board members nodded to the AI arms race as a motivating factor.

"The war for AI talent is intensifying, with recent months including multi-billion-dollar acquisitions of companies and nine-figure cash compensation packages for non-founder, individual AI engineers," they wrote. "Even among this group of highly talented individuals, no one matches Elon's remarkable combination of leadership experience, technical expertise, and, arguably most importantly, decades-long proven track record of building the most revolutionary and profitable businesses across different industries."

It was not immediately clear whether the latest deal might draw legal challenges similar to those targeting Musk's disputed 2018 pay package. Several of the board members involved in approving that deal remain part of the panel.

After a Delaware Court of Chancery judge struck down that deal, citing board members' lack of independence, Tesla shareholders voted last year to restore it. But the vote, a demonstration of support for Musk, did not reverse the judge's decision, and the matter is now with the Delaware Supreme Court.

Musk addressed the lingering matter of his control over the company on Tesla's earnings call late last month, which showed ongoing profit and revenue challenges. An analyst asked whether he was comfortable taking the electric vehicle maker in an AI-focused direction without more of a stake.

"That is a major concern for me, as I've mentioned in the past, and I hope that is addressed at the upcoming shareholders meeting," Musk said, referring to Tesla's annual shareholder meeting scheduled for November. "Yeah, it is a big deal. I don't want to find that I've got so little control that I can easily be ousted by activist shareholders after having built this army of humanoid robots."

"As I've mentioned before, I think my control over Tesla should be enough to ensure that it goes in a good direction but not so much control that I can't be thrown out if I go crazy," he added.

The analyst reassured Musk that he would not.

"Well ..." Musk said with a laugh.

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-0- Aug/04/2025 16:34 GMT

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BUSINESS | AUTOS

Elon Musk Gets \$23.7 Billion Stock Award From Tesla to Stay Focused

Electric-vehicle maker's board grants 96 million new shares to its chief executive

By [Theo Francis](#) [Follow](#) and [Denny Jacob](#) [Follow](#)

Updated Aug. 4, 2025 11:16 am ET



Tesla Chief Executive Elon Musk. PHOTO: TINGSHU WANG/REUTERS

[Tesla](#) TSLA **1.79%** took a “first step” to keep its leader [Elon Musk](#) focused on the [struggling electric-vehicle maker](#), awarding the world’s richest man one of the biggest-ever stock awards to stick around for at least two years.

Tesla’s board approved a stock award for Musk that it tentatively valued at \$23.7 billion, which he can claim in two years unless a court rescues his prior, larger stock-option grant. Musk has run Tesla without a pay package since his [\\$50 billion option award was tossed](#) by a court in 2024.

The electric-vehicle maker said its “interim award” of 96 million shares will vest as long as Musk remains on the job as chief executive or under another executive title heading product development or operations, according to a securities filing. It

described the award as a “first step, good faith payment” [to keep the world’s richest man engaged](#).

Tesla’s business has been in a funk this year amid falling vehicle sales as investors fret about how much time Musk is spending on other pursuits. After stepping back from his work as a White House adviser in late May, he has overseen the launch of Tesla’s robotaxi service. But he also has been rounding up billions in funding for [money-losing xAI](#) while SpaceX overcame a Starship rocket explosion in June to successfully send four astronauts to the International Space Station.

Musk has said that his willingness to run Tesla for the next five years is contingent on his ability to have greater control of the company. In a video interview at the Qatar Economic Forum in May, Musk said he wanted enough voting control that he couldn’t be “ousted by activist investors.”

“It’s not a money thing. It’s a reasonable control thing over the future of the company,” he said. “Especially if we’re building millions—potentially billions—of humanoid robots. I can’t be sitting there and wondering if I’m going to be tossed out for political reasons by activists. That would be unacceptable. That’s all that matters.”

A Delaware judge has twice struck down Musk’s 2018 pay package, including after a decision that followed a shareholder vote in 2024 that approved the compensation for a second time. The ruling has loomed over Tesla’s board as it has sought to keep Musk focused on Tesla amid other companies he oversees and a [brief tenure in Washington, D.C.](#), leading a cost-cutting effort under the Trump administration.

The stock traded higher Monday on the news. The company currently sports a market valuation of roughly \$970 billion. Musk owned about 20% of the company’s shares as of Dec. 31, the company said in a late-April securities filing.

Tesla said its latest pay package would have been valued around \$23.7 billion based on the company’s closing stock price on Friday, had approvals been obtained. The underlying shares were worth about \$29.1 billion at Friday’s closing price, but Musk would have to pay \$2.2 billion at vesting under the award’s terms. The company reduced the valuation by about \$3 billion to reflect restrictions on the award, including the two-year vesting period.

Musk won’t receive the new Tesla award if the company wins a case before the Delaware Supreme Court and he is subsequently able to exercise \$50 billion in options he received in 2018. The company is appealing an earlier Chancery Court decision [invalidating that pay package](#).

“We are confident that this award will incentivize Elon to remain at Tesla,” board members Robyn Denholm and Kathleen Wilson-Thompson said in a statement on X, the social-media platform owned by Musk.

Tesla also hinted at more developments to come in Musk’s pay. In a letter to shareholders, the two directors, serving as a special board committee, said it “continues our work to address a longer-term CEO compensation strategy,” with plans to put it to a shareholder vote at the company’s Nov. 6 annual meeting.

The directors acknowledged that Musk’s time is divided between several companies and Tesla needed to provide him with an incentive to stay focused on the EV maker.

“To be clear, losing Elon would not only mean the loss of his talents but also the loss of a leader who is a magnet for hiring and retaining talent at Tesla,” the directors wrote.

The letter pointed to the company’s market-capitalization gains following Musk’s 2018 pay package, which it said “resulted in a \$2.3 billion stock-based compensation charge to Tesla but brought about \$735 billion of increased market capitalization.”

In its decision invalidating that pay package, the Delaware Chancery Court called Tesla’s process for devising and awarding it “deeply flawed,” citing close ties between Musk and company directors and other factors. It isn’t clear when the Delaware Supreme Court might decide Tesla’s appeal, and no hearing date has been set.

At the company’s tentative valuation, the new stock award would outstrip most or all pay packages for CEOs at publicly traded companies, retaining the distinction Musk gained in 2018 as the highest-paid chief on record.

Equity awards can grow to be significantly larger than their initial valuations, in large part based on changes in the underlying share price, drawing a contrast between the cost of the compensation to the company and the value of what the executive eventually receives.

Tesla said it wouldn’t record compensation expense for the award on its financial statements, arguing that it doesn’t expect the conditions will be found “probable of being met.” It said it would re-evaluate at least quarterly and recognize the expense if it concludes the award is likely to be met, including after the two-year vesting period.

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Tesla Inc

Tesla board awards \$30bn of shares to Elon Musk

Billionaire chief executive threatened to leave electric-vehicle maker if he was not given more stock



Following lacklustre results last month, Elon Musk renewed his threat to leave Tesla © Reuters

Kana Inagaki in London

Published 7 HOURS AGO | Updated 05:38



Tesla's board has approved the award of 96mn shares worth about \$30bn to Elon Musk as part of a new pay deal after the billionaire chief executive threatened to leave the electric-vehicle maker if he was not given more stock.

In a filing on Monday, [Tesla](#) said the decision was recommended by a special committee formed by the board comprising just the chair, Robyn Denholm, and her fellow director Kathleen Wilson-Thompson. It was then approved by the board.

“Retaining Elon is more important than ever before,” the company said in a letter to shareholders on Monday. “We are confident that this award will incentivise Elon to remain at Tesla.”

Tesla shares were up about 2 per cent in pre-market trading at \$309.

Tesla and Musk have been embroiled in a legal battle in Delaware for seven years over a previous \$56bn award, the largest in US history. The package [was struck down](#) in January 2024 by Delaware judge Kathaleen McCormick, who ruled that it was excessive and said that board members were in thrall to Musk.

Musk has since repeatedly threatened to leave the company unless he is given more control over it. Following lacklustre results last month, Musk [renewed](#) that threat, warning that he could “easily be ousted by activist shareholders”.

“I think my control over Tesla should be enough to ensure that it goes in a good direction, but not so much control that I can’t be thrown out if I go crazy,” Musk told investors in a briefing call.

The addition of 96mn shares will raise Musk’s holding from just under 13 per cent to about 16 per cent.

To receive the new award, Musk must pay the company \$23.34 per share of restricted stock as it vests, which the company said was equal to the exercise price per share of the 2018 pay award.

If reinstated on appeal by Delaware’s Supreme Court, the 2018 package would increase Musk’s ownership of Tesla to more than 20 per cent. Musk would then forgo the new award.

Tesla’s board is battling to resolve uncertainty over Musk’s future amid declining sales and pressures created by his fractious relationship with US President Donald Trump, who has implemented anti-EV policies since returning to the White House.

Musk has promised to refocus his attention on Tesla after the carmaker’s sales collapsed in Europe and other key markets during his time working in the Trump administration, which ended in a [spectacular falling out](#) between the two men earlier this year.

In their letter to shareholders on Monday, Denholm and Wilson-Thompson stressed that the award was “a critical first step” to keep Musk focused on Tesla and indicated that they were working on other steps to ensure he remained committed to the company.

They added that retaining Musk was critical to attracting talent as Tesla shifts its pivot to artificial intelligence and autonomous robotaxis, which they hope will generate the group’s main source of revenue in the future.

Wedbush analyst Daniel Ives said he believed the award would keep Musk as Tesla chief executive until at least 2030 and it removed a downward pressure on the stock.

“Musk remains Tesla’s big asset and this comp issue has been a constant concern for shareholders once the Delaware soap opera began,” Ives added.

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California Brief

Tesla Approves Interim Stock Award for Musk Ahead of Pay Vote

Aug. 4, 2025, 3:34 AM PDT

Tesla Inc. approved an interim stock award of 96 million shares for Chief Executive Officer Elon Musk and said it would put a longer-term CEO compensation strategy ahead of a vote at the EV maker's Nov. 6 annual meeting.

Shares in Tesla rose 2.6% as the Tesla board emphasized the importance of retaining Musk at the helm. The board said the reward was a first step 'good faith' payment to Musk, in a filing released Monday. "After all, a 'deal is a deal.'"

The move comes after a prior compensation package valued in excess of \$50 billion was struck down by a judge. It's currently being appealed to the Delaware Supreme Court.

The proposal underscores Musk's grip on the company and could ensure that he won't relinquish the CEO title in the near term. Musk has served as the automaker's top executive since 2008. He told Bloomberg in an interview in May that he's committed to still being at the helm in five years.

A special board committee has been exploring ways to offer Musk a new compensation agreement after shifting Tesla's legal home to Texas last year. Musk's prior plan was voided by the Delaware Chancery Court after a shareholder lawsuit.

[Read More: Tesla Fights to Save Musk's Record Pay Plan in Legal Appeal](#)

Tesla's board is sticking with Musk despite his competing priorities. Besides overseeing four other companies, politics has taken up a lot of Musk's attention this year. His decision to bankroll President Donald Trump's reelection campaign and lead the DOGE effort to remake the federal government sparked a backlash against the electric vehicle maker.

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BUSINESS | **C-SUITE**

For a Few CEOs, Pay Keeps Growing—by the Billions

Big stock awards have grown much bigger for chief executives of Palantir and Broadcom, driven by market gains and, in some cases, complex multipliers



The compensation of Palantir CEO Alex Karp gained more than \$6 billion last year. PHOTO: STEPHEN VOSS FOR WSJ

By *Theo Francis* [Follow](#)

Updated Aug. 4, 2025 10:33 am ET

It is the latest ultraexclusive achievement for chief executives of the biggest U.S. companies: the billion-dollar year.

Two bosses made it last year—holding stock-based pay that swelled in value by at least 10 figures in a single year. Alexander Karp clocked more than \$6 billion in gains at government intelligence contractor [Palantir Technologies](#) [PLTR](#) **3.51%** ▲ . Hock Tan’s pay grew by \$1.15 billion at chip maker [Broadcom](#) [AVGO](#) **2.84%** ▲ .

Only two other S&P 500 CEOs have hit that mark in recent years, according to data from public-company data provider MyLogIQ. Cryptocurrency exchange [Coinbase Global’s](#) [COIN](#) **1.55%** ▲ Brian Armstrong in 2021, at \$2.1 billion, and—naturally—[Elon Musk](#). The [Tesla](#) [TSLA](#) **1.52%** ▲ CEO can boast billion-dollar gains in three years, including a record of \$43 billion in 2020, though all are part

of a pay package that a Delaware court [declared invalid](#). On Sunday, Tesla granted Musk a new, “interim” stock award that it [tentatively valued at \\$23.7 billion](#), with the promise of more this fall.

The outsize gains, while still rare, show how today’s CEO pay packages can swell far beyond their original valuations through a combination of soaring share prices and multipliers tied to company-performance targets. The billion-dollar gains are all the more notable because fewer big-company CEOs have been receiving [pay packages initially valued at \\$100 million](#) or more.



Brian Armstrong, CEO of Coinbase Global PHOTO:
DAVID PAUL MORRIS/BLOOMBERG NEWS

These gains reflect only changes in the value of stock and option awards the executives received as part of their continuing compensation, and before vesting, when the CEOs can generally sell, hold or exercise as they see fit. Not included: The often sizable stakes that CEOs, especially founders, hold outright in their companies, which can also gain or lose value over time.

Palantir, Broadcom and Coinbase declined to comment. Tesla didn’t respond to requests for comment.

Until 2023, companies weren’t obliged to update investors on the [value of past equity awards](#) over time. Now, disclosures stretching back five years show the roller-coaster of valuations that can translate to billion-dollar gains.

Stock and option grants often vest over years or even a decade, sometimes only if the company meets a combination of financial, operational or stock-market targets along the way. The awards can balloon in value—or shrink to nothing—as share prices and profits fluctuate.

A single mega-grant

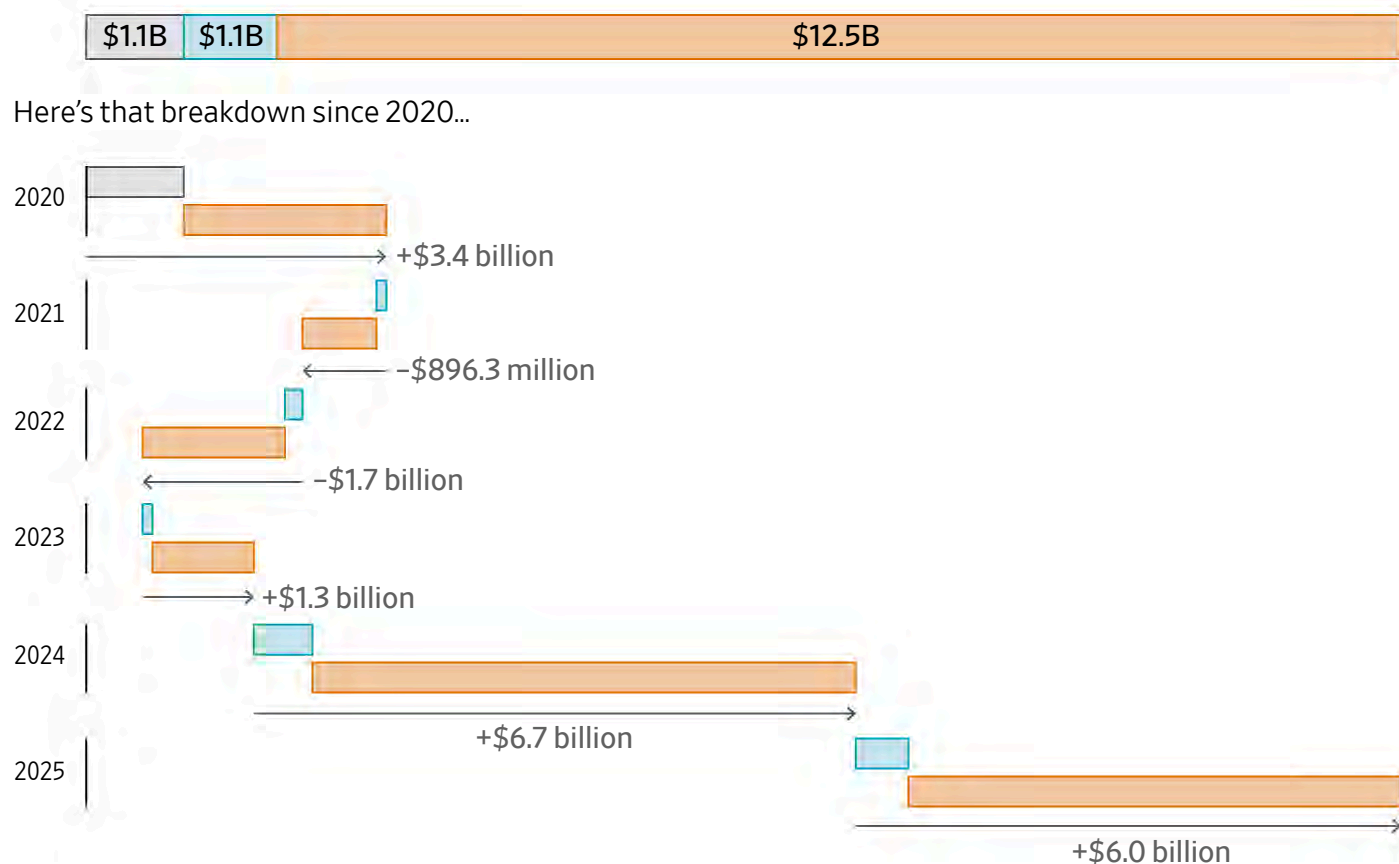
Karp [has run Palantir](#) for two decades. Named for magical “seeing stones” from J.R.R. Tolkien’s Lord of the Rings novels, the company makes just over half of its revenue from government business, such as analyzing intelligence and military data.

Karp’s multibillion-dollar boost last year came from a single mega-grant of options and restricted stock in 2020, a little of which vests each quarter over a decade. The award’s initial \$1.1 billion

valuation made it one of the biggest ever reported, and Karp hasn't received significant new equity since.

Pay Raise

Palantir CEO Alexander Karp's 2020 equity award has soared in value to **\$14.7 billion** as the company's stock rose, including the **initial award** and **vested** and **unvested** gains.



Note: Through July 22, 2025. Excludes changes in equity awarded before 2020.

Source: Infinite Equity

Drew An-Pham/WSJ

The month after Palantir granted the stock and options to Karp, it listed its shares on the New York Stock Exchange, ensuring that the full equity award vests if Karp stays on the job. The award rapidly jumped in value, to \$3.3 billion at the end of 2020, tracking Palantir shares.

It shrank by 75% over the next two years before recovering. By the end of 2024, the award was valued about \$7.5 billion higher than at the beginning of the year, according to calculations by Terry Adamson, a partner at Infinite Equity, which designs and values equity pay packages.

Karp's equity award has likely gained another \$6 billion in value so far this year, given Palantir's soaring share price, Adamson said. The company's shares have doubled year to date and are up more than 16-fold from 2020.

The multiplier effect

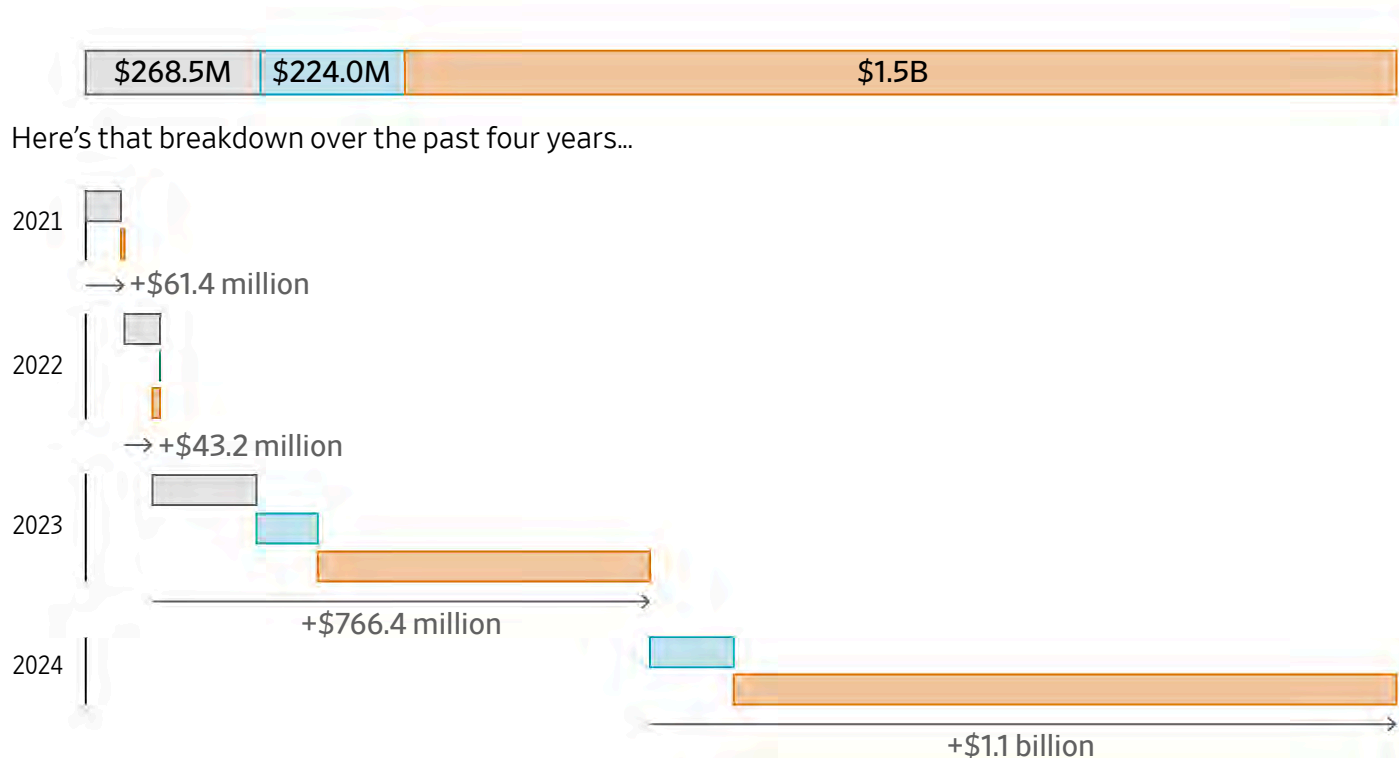
Tan has received three infusions of Broadcom restricted stock since 2021. One made him the highest-paid CEO in The Wall Street Journal's [2023 pay ranking](#), which uses initial values for equity awards without subsequent changes.

The chip maker valued those awards at about \$2 billion by early November last year, its fiscal-year end, up from almost \$269 million initially. Broadcom shares almost quadrupled in the same period, while the S&P 500 gained about 47%.

One award more than doubled in value, to \$54 million, between the board's mid-December 2020 decision to make it and an early April shareholder vote finalizing it. By late October 2021, Broadcom valued it at \$61 million. That fiscal year, Broadcom's shares rose 50%. Under the award's terms, Tan would receive additional shares if Broadcom's stock sufficiently outperformed the S&P 500 over three years. Strong performance led the company to value the award at its maximum potential that October.

A Similar Boom

For Broadcom CEO Hock Tan, three equity awards since 2021 grew to **\$2.0 billion** by early November 2024, including **new equity** and **vested** and **unvested** gains.



Note: Excludes changes in equity awarded before 2021.

Source: MyLogIQ

Drew An-Pham/WSJ

Tan received no new equity in 2024, but the earlier awards added \$1.1 billion in value, or 132%, during the fiscal year. Broadcom shares roughly doubled.

Broadcom has said that, under Tan, the company has outperformed competitors. In securities filings, it said his 2023 pay reflected \$32 million a year over five years and he won't receive bonuses or additional equity through October 2027.

So far, Tan and Karp have vested in only some of their 10-figure gains—and the remainder could shrink if the companies' share prices fall. Karp had vested in about \$530 million of just over \$7.5 billion in gains through the end of 2024, Adamson estimates.

Hock Tan, CEO of Broadcom PHOTO: BLOOMBERG NEWS

Further vesting this year likely added another \$600 million.

Tan has vested in about \$224 million of the growth in his equity awards, Broadcom's securities filings indicate. If Broadcom's share price stays above about half of its recent level into December, gains on Tan's 2023 award are likely to vest. The company's shares are up about 74% since November.

Write to Theo Francis at theo.francis@wsj.com

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Guest Post: Backing Into an IPO



dandodiary.com/2025/08/articles/director-and-officer-liability/guest-post-backing-into-an-ipo

Kevin LaCroix

August 4, 2025



Posted in [Director and Officer Liability](#)



Sarah Abrams

Over recent years, many companies have pursued paths for going public as an alternative to a traditional IPO, including, for example, through a reverse merger, and or a SPAC transaction. In the following guest post, Sarah Abrams, *Head of Claims Baleen Specialty, a division of Bowhead Specialty*, takes a look at these alternatives, and considers what these kinds of transactions may mean in terms of potential D&O liability exposure. I would like to thank Sarah for allowing me to publish her article as a guest post on this site. I welcome guest post submissions from responsible authors on topics of interest to this site's readers. Please contact me directly if you would like to submit a guest post. Here is Sarah's article.

Tron, a China-based cryptocurrency platform, recently [went public through a reverse merger with SRM Entertainment Inc. \(SRM\)](#), a Nasdaq-listed manufacturer of custom toys and souvenirs. Much of the [press](#) surrounding the Tron and SRM merger stems from Tron founder Justin Sun's prior fraud charges and various connections to President Trump. However, spotlighting the less complex process to take a company public may make Tron a reverse merger influencer. In addition, the SEC's March [announcement](#) to expand confidentiality over regulatory filings and [lumpier traditional IPO activity](#) during the first half of 2025 may add to the transaction's appeal.

[D&O underwriters should recall, however, the early 2010s wave of Chinese reverse mergers that resulted in a slew of securities class actions and regulations](#). Several Chinese companies obtained a U.S. listing through mergers with public shell companies. These transactions ultimately resulted in dozens of U.S. securities lawsuits. In many cases, the

underlying operating companies were not the business enterprises they were represented to be. There were scandals. There are lessons as well, lessons with important D&O insurance underwriting implications.

However, given the current SEC relaxation of certain filing requirements for reverse mergers and Tron's media exposure, reverse mergers may again increase in popularity. If this happens, will there be increased risk for D&O underwriters of companies involved in the deal? To determine whether this type of transaction may impact executive risk exposure, the following discusses what a reverse merger is, that it is not a SPAC, as well as the historical regulatory inquiries and securities litigation against reverse mergers.

First, what is a reverse merger? A reverse merger is an alternative to an initial public offering (IPO) or direct public offering (DPO). The reverse merger transaction allows a privately held company to go public by acquiring a controlling interest in, and merging with, a public operating or public shell company. The [SEC defines a "shell company"](#) as a publicly traded company with (1) no or nominal operations and (2) either no or nominal assets or assets consisting solely of any amount of cash and cash equivalents.

In a reverse merger transaction, the private operating company shareholders exchange their shares of the private company for either new or existing shares of the "shell" public company. At the end of the transaction, the shareholders of the private operating company own a majority of the public company, and the private operating company has gone public by acquiring a controlling interest in a public company and having the public company assume operations of the operating entity.

Because the public company is already registered with the [Securities and Exchange Commission](#) (SEC) before the merger, the go-forward [registration](#) process is relatively straightforward and less expensive. That does not mean, however, that there will be less shareholder scrutiny over the transaction and representations made by both the private and public companies ahead of a reverse merger. [It is important to recall that, in 2011, numerous Chinese reverse merger companies became the target of shareholder suits, government investigations, and scathing analyst reports for alleged financial and accounting fraud.](#)

Thus, D&O underwriters on both the shell public company program and the private company merging to go public may want to acknowledge that the ease of access to US capital markets through a reverse merger may itself raise red flags. In addition, awareness of the current [Nasdaq](#) and [SEC](#) enforcement rules impacting reverse mergers may be critical for D&O carriers offering regulatory coverage. Similarly, D&O underwriters should be aware of the public statements by company leadership and company directives, which may be used as purported proof of fraud or misrepresentation in a future securities claim.

Take, for example, Tron and SRM's reverse merger, in which SRM raised \$100 million via private placement to acquire Tron's native TRX tokens and establish a treasury. Specifically, SRM issued 100,000 shares of preferred stock convertible to 200 million common shares worth 50 cents each. The offering is linked to warrants that carry the right to acquire an additional 220 million shares at 50 cents each, meaning the total investment could reach \$210 million. SRM used the proceeds of the capital infusion to complete Tron's merger into SRM through the acquisition of Tron's tokens. [SRM rebranded as Tron Inc.](#) and Tron made its official public debut on July 24 as trading of its shares began on the Nasdaq.

Justin Sun, founder of Tron, has previously been charged with fraud by the SEC for manipulating the market for Tron's TRX token. A [court filing](#) in February showed that Sun and the SEC were exploring a resolution to the [civil fraud case](#), as part of the Trump administration's unwinding of the prior administration's crypto enforcement actions. That filing came after Sun purchased tokens issued by the Trump family's crypto bank World Liberty Financial for \$75 million. SRM has now rebranded as Tron Inc., with Sun joining as an advisor. Shares of SRM went up 460% after the announcement, lifting the company's market cap to about \$140 million.

Should Tron shares plummet as a result of any actions or statements made by Sun, [loss causation damages asserted in a future securities class action](#) may be significant. Loss for D&O insurers may be substantial should such a case survive the motion to dismiss stage. One such previous securities case involving a reverse merger, and which survived the motion to dismiss stage, was the 2011 securities class action, [Henning v. Orient Paper, Inc.](#) Orient Paper, a Chinese company, entered the U.S. public markets through a reverse merger and shareholders successfully alleged that it made false statements regarding related-party transactions, issued inflated financials for 2008 and 2009 (over 2,700%), and used a disbarred and unlicensed auditor.

Orient Paper was not the only reverse merger securities case from that time involving purported egregious fraud and, even [though it has been over a decade since the SEC had to suspend or halt trading of dozens of reverse merger companies due to untimely, incomplete, or inaccurate financial information](#), the market still experienced [SPAC mania, fallout, and comeback](#) in the meantime. That experience with SPACs may also be informative to underwriters

SPACs, Special Purpose Acquisition Companies, are "blank check" companies created by raising funds to acquire a private "target" company and take it public. Differently, a reverse merger involves a private company merging with a public company. In a SPAC merger, the target company is identified before the merger happens, but in a reverse merger, the private company is often already in control of the public shell company. So, is a company that has gone public by reverse merger a better D&O underwriting risk than a SPACd public company?

The 2019 transaction involving [Social Capital Hedosophia Holdings Corp. \(IPOA\)](#) and [Virgin Galactic Holdings, Inc. \(SPCE\)](#) may provide some context as to whether a SPAC or reverse merger is more likely to attract securities claims. IPOA was a SPAC that completed a reverse merger with Virgin Galactic, a privately held spaceflight company. [Virgin Galactic became a subsidiary of IPOA and, after the merger, a publicly traded company under the ticker SPCE](#). Investors who bought into IPOA's IPO post-merger held shares of Virgin Galactic. And, as [D&O Diary](#) readers may also recall, post reverse merger, a securities class action lawsuit was brought against Virgin Galactic Holdings relating to its accounting of warrants issued by the SPAC.

While warrant accounting is a significant issue in a SPAC transaction, a reverse merger without a SPAC is direct, and the securities issued are generally accounted for following standard accounting principles to ensure an accurate reflection of the company's financial position. This may initially appear more favorable for D&O insurers considering reverse merger companies; in theory, a more accurate picture of the financial health of the company is publicly provided to its investors.

While D&O insurers may be as optimistic 15 years later about public companies exiting a reverse merger as Jason Sun is about the future of Tron, Inc., we have seen regulatory and litigation fallout from reverse mergers before. While this is a different time, with a different administration, securities fraud risks stemming from reverse mergers remain the same. Understanding the transaction as well as case scenarios may help keep all parties to the deal grounded in risk reality.

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Eric and Donald Trump Jr. to Own Millions of Shares in New U.S. Manufacturing SPAC

Trump brothers are backing the New America SPAC, which aims to merge with companies 'revitalizing domestic manufacturing'

By [David Uberti](#) [Follow](#) and [Ben Foldy](#) [Follow](#)

Aug. 4, 2025 7:53 am ET



Eric Trump and Donald Trump Jr. during the Republican National Convention last year. PHOTO: EVAN VUCCI/ASSOCIATED PRESS

Eric Trump and Donald Trump Jr. are helping to launch a SPAC targeting American manufacturers, adding to the array of companies the president's sons are involved in beyond their family's real-estate empire.

New America Acquisition I Corp. on Monday filed paperwork for what it hopes will be a \$300 million public offering on the New York Stock Exchange. SPACs, or [special-purpose acquisition companies](#), are listed shell companies that look for a private

company to merge with. The private company then takes the SPAC's listing, essentially going public while avoiding some of the red tape of a traditional initial public offering.

New America will search for merger targets "that play a meaningful role in revitalizing domestic manufacturing, expanding innovation ecosystems, and strengthening critical supply chains," a securities filing said.

The filing said the SPAC aims to buy one or more businesses with a combined enterprise value of at least \$700 million. (SPACs can raise additional capital after going public.)

As part of their involvement in New America as advisers, Donald Trump Jr. was awarded an interest in two million founder shares in the entity and Eric Trump received three million. Those shares can convert to common stock when the SPAC merges with its acquisition target, according to the filing, paper holdings that could be worth millions of dollars based on New America's target share price.

The SPAC's planned approach echoes one of President Trump's rationales for [sweeping tariffs](#), which he has said will boost American industry and jobs and put the U.S. on more even footing with global trade partners.

The SPAC will be led by Chief Executive Kevin McGurn, who is described in a LinkedIn profile as a longtime media and tech executive. Kyle Wool, president of a small investment firm that is growing into a key player in the Trump sons' expanding business portfolio, is also an adviser.

The first family's fast-widening empire has drawn scrutiny from those who say the Trumps' investments pose conflicts of interest. The president has pledged to boost the cryptocurrency industry, where the family [is now a major player](#). The Trumps are a large stakeholder in the crypto project World Liberty Financial, and the Trump brothers have a substantial interest in a bitcoin-mining company. President Trump this year also launched a Trump-branded memecoin.

Donald Jr., meanwhile, has increasingly backed companies he says are antiwoke as an investor, adviser and board member. The president's eldest son is a partner in 1789 Capital, a venture-capital firm that aims to invest in a so-called ["Republican/Parallel" economy](#) in which businesses cater to customers' conservative values.

Both Eric and Donald Jr. are also involved in overseeing a [Trump mobile-phone business](#).

SPACs exploded in popularity in 2020, though many delivered disappointing returns that led to a slowdown in new deals. During the Biden administration, securities regulators [sought to curb SPACs' appeal](#).

Businesses associated with President Trump and his family have used SPACs before. [Trump Media & Technology Group](#), parent company of social-media platform Truth Social, went [public through a SPAC last year](#) and gave President Trump a [multibillion-dollar paper fortune](#) at the time. Last month, the Donald Jr.-backed online firearm retailer [GrabAGun](#) went public in a similar deal. The company's stock has since plunged in value.

Shares in the New America SPAC will be offered with the help of investment banks D. Boral Capital and Dominari Securities, a subsidiary of the firm that Wool—an adviser for New America—helps run.

Dominari named Eric and Donald Jr. as advisers earlier this year. The firm previously underwrote the IPO of a Donald Jr.-backed drone manufacturer and has since invested alongside the president's sons in a [new bitcoin-mining venture](#).

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Videos



US politics & policy

Trump's sons launch investment vehicle to target a US manufacturer

Blank cheque firm will look for companies able to benefit from federal tax credits or contracts



Donald Trump's elder sons have in recent months become actively involved in several publicly listed companies that stand to benefit from the president's actions © Pool/ABACA via Reuters Connect

George Steer in New York

Published 2 HOURS AGO



Eric Trump and Donald Trump Jr are backing a new blank cheque investment vehicle targeting US manufacturers and looking to benefit from government spending.

The launch of New America Acquisition I Corp marks the latest Trump family foray into public markets. The vehicle will seek to buy a US company that plays “a meaningful role in revitalising domestic manufacturing, expanding innovation ecosystems, and strengthening critical supply chains”, the group said on Monday.

The vehicle’s Securities and Exchange Commission filing said it would target a company “well-positioned to benefit from federal or state-level incentives, such as grants, tax credits, government contracts or preferential procurement programs” and where “the US government has an identifiable economic or security interest”.

A person close to the Spac, which aims to raise \$300mn in an offering on the New York Stock Exchange, did not rule out a merger with a crypto group, however.

The target company “could be in crypto . . . but it’s more likely to be something in data centres, drones, something bricks and mortar. An investment in a great American company”, the person said.

Trump Jr and Eric Trump own 2mn and 3mn founder shares in New America respectively, and have taken positions on the board of the Florida-incorporated vehicle’s advisory board, filings show.

Donald Trump’s sons have in recent months become actively involved in several private and publicly listed companies that stand to benefit from the president’s embrace of digital assets and attempts to revitalise US manufacturing and the so-called patriotic economy.

Trump Jr has backed weapons retailer GrabAGun — shares in which have tumbled 44 per cent since it listed through a Spac merger in mid-July — as well as cryptocurrency miner American Bitcoin, where Eric Trump is chief strategy officer.

New America’s offering will be underwritten by two firms: Dominari Securities, which is headquartered in Trump Tower and counts Eric Trump and Trump Jr on its advisory board, and D Boral Capital, a New York-based boutique investment bank that helped list the president’s media company Trump Media & Technology Group via a Spac in 2022.

Dominari’s chief executive Kyle Wool is also a member of New America’s advisory board.

The Financial Times reported in April that shares in Dominari Holdings, which owns Dominari Securities, rose by 580 per cent in the six weeks before its February 11 filing revealing that the president’s sons had joined its advisory board.

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California Brief

Apple CEO Tells Staff AI Is 'Ours to Grab' in Hourlong Pep Talk

Aug. 1, 2025, 1:53 PM PDT

Apple Inc. Chief Executive Officer **Tim Cook**, holding a rare all-hands meeting following earnings results, rallied employees around the company's artificial intelligence prospects and an "amazing" pipeline of products.

The executive gathered staff at Apple's on-campus auditorium Friday in Cupertino, California, telling them that the AI revolution is "as big or bigger" as the internet, smartphones, cloud computing and apps. "Apple must do this. Apple will do this. This is sort of ours to grab," Cook told employees, according to people aware of the meeting. "We will make the investment to do it."

The iPhone maker has been late to AI, debuting Apple Intelligence months after OpenAI, Alphabet Inc.'s Google, Microsoft Corp. and others flooded the market with products like ChatGPT. And when Apple finally released its AI tools, they fell flat.



Apple CEO Tim Cook rallied employees around the company's AI efforts.

Photographer: David Paul Morris/Bloomberg

But Cook struck an optimistic tone, noting that Apple is typically late to promising new technologies.

"We've rarely been first," the executive told staffers. "There was a PC before the Mac; there was a smartphone before the iPhone; there were many tablets before the iPad; there was an MP3 player before iPod."

But Apple invented the "modern" versions of those product categories, he said. "This is how I feel about AI."

An Apple spokesperson declined to comment on the gathering.

The hourlong meeting addressed a range of topics, including the retirement of operating chief **Jeff Williams**, increasing Apple TV+ viewership and advances in health care with features like the AirPods Pro hearing-aid technology. It also touched on donations and community service by Apple employees, the company's goal to become carbon neutral by 2030, and the impact of regulations.

"The reality is that Big Tech is under a lot of scrutiny around the world," Cook said. "We need to continue to push on the intention of the regulation and get them to offer that up, instead of these things that destroy the user experience and user privacy and security."

Cook often holds town hall-style chats when visiting Apple's offices around the world, but companywide meetings from the Steve Jobs Theater at headquarters are unusual.

[Read More: Why Apple Still Hasn't Cracked Artificial Intelligence](#)

The remarks followed a blockbuster earnings report, with sales growing nearly 10% during the June quarter. That beat Wall Street expectations and eased concerns about iPhone demand and a slowdown in China.

Apple still faces myriad challenges, including Trump administration tariffs and a regulatory crackdown on its business practices. The company said Thursday that tariffs would bring a \$1.1 billion headwind this quarter, though Apple was upbeat about sales growth. It also said that App Store revenue rose by a percentage in the double digits last quarter, despite efforts in the EU and elsewhere to further restrict that business.

Echoing comments he made during the earnings conference call, Cook told employees the company is investing in AI in a "big way." He said 12,000 workers were hired in the last year, with 40% of the new hires joining in research and development roles.

Apple's chip development efforts, led by executive **Johny Srouji**, are key to the company's AI strategy, Cook said. Apple is working on a more powerful cloud-computing chip — code-named Baltra — to power artificial intelligence features, Bloomberg News has reported. It's also setting up a new AI server manufacturing facility in Houston.

[Read More: Apple Is Developing Specialized Chips for Glasses and AI Servers](#)

The meeting included **Craig Federighi**, senior vice president of software engineering, who discussed the future of Apple's Siri voice assistant. The company had planned to roll out a Siri overhaul as part of Apple Intelligence earlier this year, adding the ability to tap into user data to better fulfill requests. It was delayed, spurring management changes for the company's AI work.



Craig Federighi, senior vice president of software engineering, said Apple is planning a bigger Siri upgrade than expected.

Photographer: Philip Pacheco/Bloomberg

Federighi explained that the problem was caused by trying to roll out a version of Siri that merged two different systems: one for handling current commands — like setting timers — and another based on large language models, the software behind generative AI. “We initially wanted to do a hybrid architecture, but we realized that approach wasn’t going to get us to Apple quality,” Federighi said.

Now, Apple is working on a version of Siri that moves to an entirely new architecture for all of its capabilities. That iteration is slated for as early as spring, Bloomberg News has reported, though Apple executives haven’t confirmed a timeline other than a release next year.

“The work we’ve done on this end-to-end revamp of Siri has given us the results we needed,” the engineering executive told employees. “This has put us in a position to not just deliver what we announced, but to deliver a much bigger upgrade than we envisioned. There is no project people are taking more seriously.”

Read More: Apple’s New Siri Chief Enlists Vision Pro Talent to Start Comeback Bid

Federighi cited leadership changes, including putting Vision Pro creator **Mike Rockwell** and his headset software leadership team in charge of Siri, as a driving force in improving the product. He said Rockwell and his group have “supercharged” the company’s work in the area.

In his speech, Cook also pushed employees to move more quickly to weave AI into their work and future products.

"All of us are using AI in a significant way already, and we must use it as a company as well," Cook said. "To not do so would be to be left behind, and we can't do that."

Employees should push to deploy AI tools faster, and urge their managers and service and support teams to do the same, he said.

Cook also addressed the company's retail strategy, stressing that the current plan is to focus on opening new stores in emerging markets and upping the investment in Apple's online store. The iPhone maker is opening outlets in India, the United Arab Emirates and China this year, and is preparing to add its first location in Saudi Arabia next year.



Samsung's Galaxy foldable devices should see competition from a foldable iPhone next year.

Photographer: Michael Nagle/Bloomberg

"We need to be in more countries, and you'll see us go into more emerging markets in particular," Cook said. That doesn't mean Apple will ignore other places, he said, but a "disproportionate amount of growth" will be in new areas.

Read More: Apple's 2027 Product Blitz Can't Come Soon Enough

The CEO also shared his enthusiasm about upcoming products, though he didn't get specific. "I have never felt so much excitement and so much energy before as right now," he said.

Bloomberg News has previously reported that Apple plans to launch its first foldable iPhone next year and is also working on a stream of smart home devices. New headset products, smart glasses, a push into robotics and a redesigned iPhone for the two-decade anniversary are also underway.

"The product pipeline, which I can't talk about: It's amazing, guys. It's amazing," Cook said. "Some of it you'll see soon, some of it will come later, but there's a lot to see."

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How AI Can Raise Airline Ticket Prices

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Max Chafkin

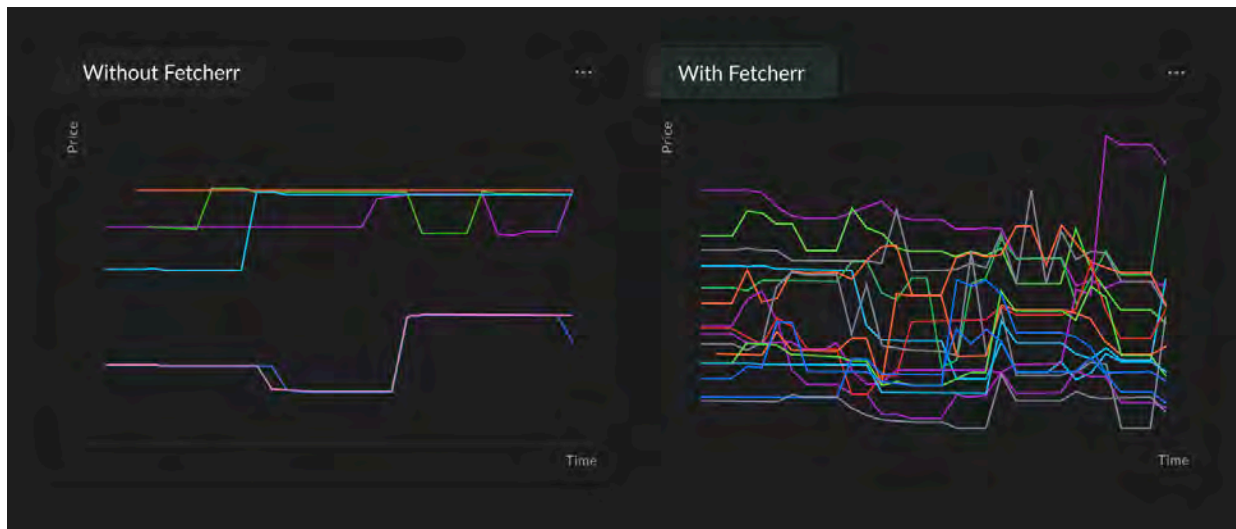
August 4, 2025

Photo illustration: 731; photos: Adobe Stock (3); Getty Images (1)

Frequent flyers and consumer-rights advocates often complain about the convoluted nature of airline ticket prices. Discount tickets can quickly become expensive through the use of “drip pricing,” extra fees for once-free amenities such as checked bags, the good snacks or a seat next to your child. And a dizzying array of fare classes with “dynamic” prices that shift over time has made it much harder to get a deal by planning ahead, or even to know whether the price you’re offered today is [better or worse than the one you’ll be offered tomorrow](#). According to a white paper, whose details haven’t been previously reported, this opacity might soon get much worse.

The paper was authored by Uri Yerushalmi, co-founder and chief AI officer of [Fetcherr](#), an Israel-based software startup that works with Delta Air Lines Inc. and several other carriers and that’s marketing its services more widely. In it, Yerushalmi describes a pilot artificial intelligence program that Fetcherr created for an unspecified partner airline. He describes taking a relatively simple pricing structure and replacing it with a head-spinningly complex one, featuring many more fare classes with prices that swing wildly from one moment to the next. According to the paper, which the company shares with prospective customers, such pricing structures are so complex they “go beyond human cognitive limits.”

The paper describes the system as a “large market model” that uses an approach similar to generative AI systems, such as OpenAI’s Dall-E image generation tool. But instead of creating original art, the model is designed to ingest complex information about markets and to create pricing strategies that the paper says can dramatically raise revenue. Yerushalmi refers to this, rather unsubtly, as the “exploitation phase.”



A screenshot from the Fetcherr white paper shows how AI pricing affects fares for one of the company's partner airlines. Each line is a ticket category. On the left: A pre-AI dynamic pricing structure. On the right: The AI version, with many more fare classes and wild price fluctuations.

Source: Fetcherr white paper

Higher ticket prices will certainly be appealing to airlines, which drastically raised fares during and after the pandemic but have since had to [offer discounts to entice travelers](#). But the complex strategies described in the white paper could fuel concerns that surfaced in July after Delta President [Glen Hauenstein](#) mentioned Fetcherr on his company's earnings call. Hauenstein said Delta was using Fetcherr to help on the pricing of 3% of its domestic network and planned to increase that to 20% by the end of the year. He said that the company was in a "heavy testing phase" and that "we like what we see."

The blowback was quick. A group of Democrats in the Senate, led by Arizona's [Ruben Gallego](#), [wrote a letter](#) to Delta Chief Executive Officer [Ed Bastian](#) suggesting the program might "present data privacy concerns" and "will also likely mean fare price increases up to each individual consumer's personal 'pain point' at a time when American families are already struggling with rising costs." Missouri Senator [Josh Hawley](#), a Republican, [described the Delta system](#) as "the worst thing I have heard from the already awful airline industry." A Texas congressman, Democrat [Greg Casar](#), introduced a [bill to ban "surveillance pricing"](#) nationally.

Competing airlines have been similarly critical. American Airlines Group Inc. CEO [Robert Isom](#), either out of a genuine sense of outrage or because he saw an opportunity to needle Delta, used his own earnings call to suggest that AI pricing schemes represented a "[bait and switch](#)" and were unethical. "It's not something we would do," Isom said. Southwest Airlines Co. has also said it doesn't use AI in pricing.

WATCH: Flights May Become More Expensive Thanks to AI

Fetcherr said in a statement that its software “does not allow for individualized or personalized pricing” and “will not use, collect or receive any Personally Identifiable Information.” It added that the software could also be used to lower fares by cutting prices in times of low demand.

A Delta spokesman declined to comment on Fetcherr’s marketing materials, noting that the company works with other airlines. In a [July 31 letter to Gallego, Peter Carter](#), the company’s chief external affairs officer, described Fetcherr as a “decision-support tool” that Delta analysts “oversee and fine-tune.” He wrote that the AI tool “recommends pricing adjustments in both directions” and characterized the system as an extension of the dynamic pricing models that airlines have used for decades. “There is no fare product Delta has ever used, is testing or plans to use that targets customers with individualized prices based on personal data,” Carter wrote.

Earlier statements by both Fetcherr and Delta somewhat undercut these denials. A 2024 Fetcherr blog post, first reported by the [website Thrifty Traveler](#), suggested the company’s future outlook included “individualized pricing” that would consider behavioral data such as purchase history and the “real-time context of each booking inquiry,” so airlines could understand “each customer as an individual, optimizing every interaction for maximum value.” The company deleted this section of the blog post around the time the Delta blowback started. In a statement, Fetcherr said that the deleted section was clearly labeled as a futuristic prediction and that the blog acknowledged regulatory concerns about privacy.

Delta, meanwhile, previously suggested that it plans to use generative AI to raise prices on certain customers. “We will have a price that’s available on that flight, on that time to you, the individual,” Hauenstein said at an investor event in November. He said Delta was using Fetcherr to present some customers with “optimized offers” that were testing the limits of their price range. “Could we take a \$20 increase in our fares and not see a decline in market share? Could we take a \$40?” he mused.

Analysts attending the event seemed to love the idea. “The Holy Grail on supply and demand is sort of meeting each and every individual’s personal demand curve,” said [Michael Linenberg](#), a managing director at Deutsche Bank. Hauenstein agreed. “The Holy Grail is to get you the right offer in your hand at the right time,” he said.

Customers, of course, might be less interested in being on the receiving end of an AI-powered “exploitation phase.” But such systems are becoming much more common, says [Lindsay Owens](#), the executive director of Groundwork Collaborative, a left-leaning economic policy think tank. “Over the last decade, we’ve seen this emergence of a kind of cottage industry of high-tech pricing advisers,” says Owens, who’s writing a book on the subject.

“This isn’t going to stop at Delta,” she continues, noting that retailers and ride-hailing companies are already experimenting with similar tools. “The airline industry is going to export these practices to other industries.”

UBS Group AG**UBS pays \$300mn to settle Credit Suisse mortgage-backed securities case**

Swiss bank resolves outstanding obligations relating to US probe linked to 2008 financial crisis



UBS has been working through a number of legacy legal issues it inherited after taking over Credit Suisse © Bloomberg

Simon Foy in London

Published 9 HOURS AGO



UBS has agreed to pay \$300mn to resolve a legacy Credit Suisse case in the US related to the mis-selling of residential mortgage-backed securities in the run-up to the 2008 financial crisis.

The Swiss lender said on Monday it had reached an agreement with the US Department of Justice to draw a line under a 2017 settlement Credit Suisse made with US authorities over the alleged mis-selling of mortgage-linked investments.

UBS, which acquired its rival as [part of an emergency rescue](#) in 2023, said the new agreement would “resolve all of Credit Suisse’s outstanding consumer relief obligations under the 2017 settlement by paying \$300mn”.

It marks the latest settlement by UBS as the Swiss lender works through a number of legacy legal issues it inherited after taking over Credit Suisse. In May, UBS [agreed to pay \\$511mn](#) following an investigation into how Credit Suisse helped wealthy Americans hide more than \$4bn from authorities by the DoJ.

“With this agreement, UBS has resolved another of Credit Suisse’s legacy issues, in line with its intention to resolve legacy matters at pace in a fair and balanced way, and in the best interest of all its stakeholders,” UBS said on Monday.

The bank said it expected to recognise a credit in its third-quarter results in its non-core unit “from the release of the contingent liability” as a result of Monday’s announcement.

Lenders were accused of misleading investors about the quality of residential loans underpinning mortgage-backed securities that plummeted in value during the 2008 financial crisis, leaving investors with significant losses.

UBS agreed to pay \$1.44bn in 2023 to settle its own US probe over the alleged mis-selling of mortgage-backed securities, wrapping up the last remaining case brought by the government against Wall Street groups over the issue.

Separately, UBS has ordered bankers to [scale back sales of complex currency derivatives](#) after clients suffered heavy losses linked to Donald Trump’s “liberation day” tariff announcements, the Financial Times reported last week.

The bank told advisers to stop pitching the structured FX products to many clients amid growing concerns about sales practices and whether the products were suitable.

UBS already made more than 100 “goodwill” payments to customers who lost money when the US dollar moved sharply in the wake of Trump’s April tariff announcements.

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California Brief

DOJ Must Explain Drop of Trump Donor, Fatburger Franchisor Case

Aug. 1, 2025, 5:00 PM PDT

The Justice Department must explain why it moved to drop corporate fraud charges against Andrew Wiederhorn, a donor to President Donald Trump and FAT Brands Inc. founder and chairman, a Los Angeles federal judge ordered Friday.

The government defers to prosecutors in most dismissal requests unless they are “clearly contrary to manifest public interest,” Judge R. Gary Klausner said. But he said DOJ must at least state a reason for dropping the indictment alleging Wiederhorn, FAT Brands, its former chief financial officer, and an outside accountant concealed \$47 million from the IRS. He ordered DOJ to file the explanation with the US District Court for the Central District of California within seven days.

Bloomberg Law reported that Acting US Attorney Bill Essayli privately met with opposing counsel in the Wiederhorn case shortly after he assumed an interim role and was considering dismissing the major investor fraud indictment if his position became more permanent.

Essayli signed a motion to dismiss the case Tuesday, immediately before he was set to become “acting” US Attorney.

The DOJ described Wiederhorn in his indictment as a “serial tax cheat.” He’d pleaded guilty two decades ago to federal felony counts related to his business and financial dealings at Wilshire Credit Corp.

Federal judges don’t always request explanations when prosecutors move to dismiss a case.

Judge Serena R. Murillo granted dismissal Wednesday at the request of prosecutors in the case of Alejandro Orellana, who faced felony charges for allegedly distributing face shields at an anti-deportation protest in LA, without asking why.

Essayli’s office didn’t immediately respond to a request for comment.

The case is USA v. Wiederhorn , C.D. Cal., No. 2:24-cr-00295, 8/1/25 .

Ben Penn in Washington also contributed to this story.



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OptumRx Moves To DQ Motley Rice In Utah Opioid Case

By **Ryan Boysen**

Law360 (August 1, 2025, 4:22 PM EDT) -- Pharmacy benefit manager OptumRx has moved to disqualify Motley Rice LLC from representing the state of Utah in an opioid crisis lawsuit, claiming the firm clearly violated ethical rules by investigating OptumRx on behalf of government entities, then suing OptumRx in a private capacity.

In a **motion** filed Thursday, OptumRx said Motley Rice's representation of Utah blatantly violates Rule 1.11(c) of the Utah Rules of Professional Conduct, which prevents attorneys from using "confidential government information" obtained when they were "a public officer" in private lawsuits.

A few years ago, Motley Rice represented Hawaii, Chicago and Washington, D.C., as those governmental entities investigated whether to sue pharmacy benefit managers, or PBMs, like OptumRx for allegedly exacerbating the opioid crisis.

In that capacity, Motley Rice attorneys were deputized as special assistant attorneys general and were acting on behalf of the government with powers not available to private litigants, OptumRx said. In that capacity, Motley Rice sought and obtained troves of confidential information from OptumRx, the motion said.

Now, Motley Rice represents Utah as a private client suing OptumRx over the exact same issue and could very well use that confidential information to its advantage, OptumRx claimed.

"The rule is designed to protect against abuses of government power and the erosion of public trust," OptumRx said. "The concerns are so grave that the rules prohibit a former government lawyer from taking on a representation in which they theoretically could use confidential government information to their opponent's material disadvantage — even if they do not use the information at all."

Anticipating the common rebuttal that its disqualification motion is nothing but a cynical ploy to disadvantage Utah in the litigation, OptumRx urged U.S. District Judge David Barlow to take its allegations seriously.

"Simply put, this motion is not a litigation tactic," OptumRx said. "It is grounded in legitimate and clear-cut ethical concerns."

To bolster its case, OptumRx pointed to an ethics opinion it commissioned from two legal ethics experts, Sari Montgomery of Robinson Stewart Montgomery & Doppke LLC and Wendy J. Muchman, a professor at Northwestern University Pritzker School of Law. Muchman is on the American Bar Association's Standing Committee on Ethics and Professional Responsibility.

"There can be no more obvious violation of Rule 1.11(c)' than Motley Rice's violation here," the motion said, quoting from Muchman and Montgomery's opinion.

OptumRx has previously attempted to disqualify Motley Rice on the same basis in other cases. Thus far those attempts have all failed.

Motley Rice plays a leadership role in the national multidistrict litigation over the opioid crisis, and OptumRx moved to disqualify the firm in late 2023.

Before OptumRx filed its disqualification motion in the MDL, U.S. District Judge Dan Aaron Polster warned OptumRx's attorneys that doing so would damage the "level of professional cooperation" among the attorneys in the case and "will clearly have negative repercussions for your clients," according to a transcript.

Judge Polster ultimately **denied** the motion in March 2024, finding that while Motley Rice's previous investigations of OptumRx on behalf of government entities do raise troubling ethical questions, ultimately those concerns are moot because OptumRx is required to turn over the same documents Motley Rice obtained in civil discovery for the MDL anyway.

"The MDL Repository Orders require OptumRx to produce the investigation documents in the MDL, where all other plaintiffs' attorneys can use them," Judge Polster wrote. "It is obvious that Motley Rice's possession and knowledge of the Investigation documents cannot, by itself, cause a material disadvantage to OptumRx, when every other plaintiff's attorney also has them."

OptumRx begged to differ, however.

"So far, the courts that have ruled on the motions have denied them based on several legal and factual errors, all of which trace back to the MDL court's ruling," OptumRx said. "Each of those decisions was wrong."

On a straightforward letter-of-the-law basis, OptumRx said that whether the information Motley Rice obtained while deputized as a government attorney ultimately ends up available in civil discovery shouldn't matter.

That information is clearly "confidential government information," so Motley Rice is clearly prohibited from suing OptumRx from the get-go.

"If a government lawyer could use confidential government information to the adverse party's material disadvantage in the civil litigation, then the lawyer must decline the representation," OptumRx said. "The potential for misuse is so acute and the concerns are so grave that the mere possibility that the attorney could use the information requires disqualification."

Beyond that, OptumRx said Motley Rice did obtain information in the course of its investigations that still hasn't been turned over in discovery in the MDL or other lawsuits, including "mental roadmaps and strategic insights about OptumRx."

Neither party responded Friday to requests for comment.

OptumRx is represented by Bentley J. Tolk and Rodger M. Burge of Parr Brown Gee & Loveless.

Utah is represented by Douglas J. Crapo, Peishen Zhou, Stevenson C. Smith and Kevin M. McLean of the Utah Attorney General's Office and Elizabeth Smith and Linda Singer of Motley Rice LLC.

The case is State of Utah v. Express Scripts Inc. et al., case number 2:25-cv-00088, in the U.S. District Court for the District of Utah.

--Additional reporting by Mike Curley. Editing by Rich Mills.



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Texas Judge Says States Can Pursue BlackRock Coal Suit

By **Spencer Brewer**

Law360 (August 1, 2025, 7:19 PM EDT) -- A Texas federal judge Friday gave Texas and other states the go-ahead to pursue claims that BlackRock Inc. and other asset managers used market muscle to decrease coal production, saying the states plausibly showed that the asset managers breached antitrust laws.



A Texas federal judge Friday said states could proceed with their claims that BlackRock and other asset managers violated antitrust laws. (Photo by Jaque Silva / SOPA Images/Sipa USA)

U.S. District Judge Jeremy D. Kernodle wrote in a Friday **opinion** that Texas and several other states sufficiently alleged that the asset managers, including BlackRock, State Street Corp. and Vanguard Group Inc., acquired substantial holdings in publicly held coal producers and then used their market power to force the producers to **lower their coal output**. The asset managers argued that they were merely passive investors and that no plausible agreement exists, and thus they are **shielded from the claims**, but Judge Kernodle disagreed and denied their motion to dismiss.

"Defendants claim that they are entitled to the statutory safe harbor for passive investors," he said. "But the safe harbor is unavailable to investors who, as defendants allegedly did, use their stock through proxy voting or otherwise to bring about or attempt to bring about the substantial lessening of competition."

Friday's opinion mostly kept intact the states' suit, while dismissing claims brought under Louisiana Unfair Trade Practices Act and Nebraska's consumer protection statute.

The states alleged that the asset managers agreed to decrease coal production in the name of environmental stewardship, according to the opinion. They also alleged that BlackRock separately violated state consumer protection laws by advertising certain funds as not following an environmental, social and governance investment strategy while using funds that pursue an ESG agenda through engagements and proxy voting.

At the current stage of the case, the court has to assume that the states' allegations are true, Judge Kernodle said. In this case, the states have pointed to dozens of specific examples of the asset managers' conduct that support the theory that they joined hands to lower coal production.

The asset managers allegedly joined climate initiatives and publicly pledged to use their stock holdings to take action on climate change, according to the opinion. Those pledges allegedly included stated goals to completely cease coal production to achieve net-zero emissions, Judge Kernodle wrote.

"Plaintiffs have identified enough circumstantial evidence to suggest that defendants agreed to collectively pressure coal companies to reduce the output of coal in the relevant markets and disclose future output information," Judge Kernodle wrote. "Defendants allegedly engaged in parallel conduct, such as BlackRock's and Vanguard's joining one of the climate initiatives on the exact same day, with State Street's joining just a few weeks later."

The states **received the backing** of the U.S. Department of Justice and Federal Trade Commission, which issued a statement in the case proclaiming that while antitrust laws typically allow for shareholder advocacy, they don't allow activism that harms competition.

In a Friday press release, the Texas Office of the Attorney General claimed it had scored a "major victory" against the asset managers.

"BlackRock, State Street, and Vanguard — three of the most powerful financial corporations in the world — created an investment cartel to illegally control national energy markets and squeeze more money out of hardworking Americans," Texas Attorney General Ken Paxton said in a statement. "Today's victory represents a major step in holding them accountable."

Anthony Buzbee of the Buzbee Law Firm, an attorney for Texas, said in a Friday statement that the court made it clear that, if true, the plaintiffs' allegations state a valid claim.

"We are very pleased with the ruling and look forward to taking deposition testimony of the individuals involved in the alleged scheme," he said.

A BlackRock spokesperson said the company is pleased that Judge Kernodle dismissed several of the states' consumer protection claims. By pursuing "forced divestment," the states are "undermining the Trump administration's goal of American energy independence" because forced divestment will harm coal companies' ability to access capital and invest in their businesses.

"This case is based on an absurd theory that coal companies conspired with their shareholders to reduce coal production," the spokesperson said. "This case is not supported by the facts, and we will demonstrate that."

Vanguard spokesperson Netanel Spero said the company is disappointed in the court's decision but will "vigorously defend against plaintiffs' claims and will continue to give investors the best chance for investment success."

The other states in the suit are Alabama, Arkansas, Indiana, Iowa, Kansas, Missouri, Montana, Nebraska, West Virginia, Wyoming, Indiana and Louisiana.

Representatives for the other parties didn't immediately respond to a request for comment.

BlackRock is represented by Gregg Costa, Prerak Shah and Rachel Brass of Gibson Dunn & Crutcher LLP and Thomas Mueller, Jennifer Milici, Perry Lange, John O'Toole, David Gringer and Lauren Ige of WilmerHale.

State Street Corp. is represented by Jason M. Powers, Stacey Neumann Vu, George M. Kryder, Megan

Cloud, Stephen M. Medlock and Mackenzie G. Newman of Vinson & Elkins LLP.

The Vanguard Group is represented by Robert D. Wick, John S. Playforth and Shadman Zaman of Covington & Burling LLP and Bradley C. Weber and Chase T. Cobb of Troutman Pepper Locke LLP.

Texas and Montana are represented by their respective attorneys general and David H. Thompson and Brian W. Barnes of Cooper & Kirk PLLC.

Texas is also represented by Anthony G. Buzbee and Christopher J. Leavitt of the Buzbee Law Firm.

The other states are represented by their own attorneys general.

The case is Texas et al. v. BlackRock Inc. et al., case number 6:24-cv-00437, in the U.S. District Court for the Eastern District of Texas.

--Additional reporting by Jessica Corso, Katryna Perera and Matthew Perlman. Editing by Rich Mills.

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PE Investor Can't Move Suit to Del., NC Judge Says

By **Sydney Price**

Law360 (August 1, 2025, 10:59 PM EDT) -- A North Carolina Business Court judge declined to allow a private equity investor to voluntarily dismiss its derivative lawsuit against the fund's asset manager and majority owner and move the case to Delaware, finding that the shareholder failed to plead facts demonstrating a legitimate derivative claim under Delaware law.

Allowing the move of the suit to the First State regarding an "undisputedly poor business deal" would waste judicial resources, Judge Matthew T. Houston said in a Thursday order. He granted plaintiff Weatherspoon Family LLC's request to file an amended complaint and denied the defendants' motion to dismiss pending the new complaint. Weatherspoon is suing defendants David B. Perkins and Hatteras Investment Partners LP and nominal defendant Hatteras Evergreen Private Equity Fund LLC, known as the Evergreen fund.

In its December 2024 suit, Weatherspoon alleges the Evergreen fund made futile investments in financial services startup The Beneficient Co. Group LLP beginning in December 2021, causing the fund to lose approximately \$40 million of the \$43 million in value it held in September 2021.

On Thursday, Judge Houston said Weatherspoon is entitled to its request to add new claims to its suit regarding "the nature of the alleged contractual arrangement between [Beneficient] and [Hatteras] that purportedly influenced [Hatteras'] decision-making in connection with the transaction at issue."

"The new allegations in plaintiff's proposed amended complaint go to the heart of the deficiencies identified by defendants and Evergreen fund in their motion to dismiss," the order says.

In its suit, Weatherspoon said it invested \$2 million in the Evergreen fund in 2017 in exchange for limited liability company membership interests. Weatherspoon has held those securities and has been a member of the fund continuously since that time, according to the suit.

Weatherspoon alleges the Evergreen fund's investments in Beneficient made by Hatteras and Hatteras majority owner Perkins caused the fund's value to sink, and that Hatteras' business relationship with Beneficient created a conflict of interest.

At the time the Evergreen fund made an investment in Beneficient in December 2021, Hatteras and Perkins knew or should have known of "red flags" surrounding the transaction, the suit alleges. For example, a U.S. Securities and Exchange Commission filing from November 2021 revealed that commission had recently launched an investigation of Beneficient and its parent company GWG Holdings Inc. to look into accounting issues at Beneficient.

In June 2023, Beneficient went public through a merger with a special purpose acquisition company, and within a month of the transaction, Beneficient's stock price had fallen from approximately \$8 per share to approximately \$2.65 per share, according to the suit.

Beneficient completed a reverse stock split in April 2024 to maintain compliance with the Nasdaq's listing requirements, the suit says. As of the date the suit was filed, Beneficient's shares traded at around 2 cents each, according to the complaint.

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

Weatherspoon is represented by Matthew E. Lee, Jeremy R. Williams and Eric G. Steber of Milberg Coleman Bryson Phillips Grossman PLLC, Paul Malfeldt of Malmfeldt Law Group PC and Scott Silver of

Silver Law Group.

Hatteras Investment Partners LP and Perkins are represented by Melanie Black Dubis, Jack K. Belk and Corri Ann Hopkins of Parker Poe Adams & Bernstein LLP.

Hatteras Evergreen Private Equity Fund LLC is represented by William Gregory Gaught, Jennifer K. Van Zant and Gabrielle E. Supak of Brooks Pierce McLendon Humphrey & Leonard LLP.

The case is Weatherspoon Family LLC v. Hatteras Investment Partners LP, case number 2024CVS38870, in the North Carolina Business Court.

--Editing by Marygrace Anderson.

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2nd Circ. Affirms Class Cert. In VRDO Suit Against Banks

By **Katryna Perera**

Law360 (August 1, 2025, 9:16 PM EDT) -- The Second Circuit on Friday upheld a lower court order granting class certification to a group of American cities and others that are accusing eight large banks of inflating interest rates on debt securities known as variable rate demand obligations, saying the district court applied the correct legal standard in granting certification.

Certification **was granted** in New York federal court in 2023 to a class of individuals and entities that directly paid interest expenses on variable rate demand obligations that had interest rates reset on a weekly or daily basis pursuant to remarketing agreements with the defendants at any point from Feb. 1, 2008, to Nov. 30, 2015.

According to an **opinion** issued by a three-judge panel of the Second Circuit on Friday, the defendants — which include Merrill Lynch, Barclays Capital Inc. and Goldman Sachs & Co. — argued on appeal that the district court erred in granting certification by applying the wrong legal standard when assessing whether the class met the predominance requirement.

Specifically, the banks said the district court failed to conduct the necessary "rigorous analysis" to determine whether predominance had been met, and instead only conducted an "inquiry" under the 1993 U.S. Supreme Court case **Daubert v. Merrell Dow Pharmaceuticals Inc.** to determine whether the plaintiffs' expert reports were admissible, and then deferred to the reports when certifying the class.

The banks further argued that the lower court failed to weigh their competing expert evidence showing that the predominance requirement had failed.

However, the appeals court panel said Friday the banks misread the district court's order.

"The district court properly proceeded in two stages, first determining that plaintiffs-appellees' expert testimony was admissible under Daubert, and then examining both sets of expert reports to conclude that common issues of law and fact predominated at trial," the opinion states. "In fact, the district court made explicitly clear that Daubert 'does not end the analysis,' and subsequently explained why defendants-appellants' arguments against class certification fell short."

The panel also rejected the banks' argument that the district court's analysis wasn't rigorous enough, noting that after finding the plaintiffs' expert reports to be admissible, the lower court went on to consider "issues disputed and undisputed" by the banks, "before ultimately deciding that the common issues to the case ... predominated over individual issues."

The banks also argued in their appeal that the district court "improperly discounted [their] individualized defenses to injury and causation in assessing predominance," and flipped the burden of proving that common questions would predominate onto them rather than the plaintiffs, according to the opinion.

But the panel disagreed on Friday, saying the district court "clearly considered" the banks' main argument against certification and "explicitly acknowledged" that the moving party has the burden of proof.

"And, as the district court noted, plaintiffs-appellees overcame that burden here by providing

evidence showing that 'virtually all [variable rate demand obligations] had their rates inflated at least once during the conspiracy period,' thereby raising an issue that was common to the class," the opinion states.

In a statement to Law360 on Friday, Daniel Brockett of Quinn Emmanuel Urquhart & Sullivan LLP, counsel for the class, said: "We and our clients are pleased with the Second Circuit's decision affirming the grant of class certification for plaintiff issuers of VRDO bonds and look forward to continuing to prosecute this case against the banks and for the benefit of the now certified-class."

Counsel for the banks did not immediately respond to requests for comment Friday.

The suit accused several financial institutions that acted as remarketing agents to state and local issuers of conspiring to rig rates on VRDOs, a kind of tax-exempt bond often used to finance big-ticket municipal projects.

As a result, while these banks raked in hundreds of millions of dollars in fees, state and local issuers were forced to pay billions of dollars in inflated interest rates for the bonds and left with less money to spend on public works projects and services, according to the suit.

The lead plaintiffs are the city of Philadelphia, the mayor and City Council of Baltimore and the San Diego Association of Governments, a California metropolitan planning agency also known as SANDAG.

U.S. Circuit Judges Pierre N. Leval, Richard C. Wesley and Richard J. Sullivan sat on the panel for the Second Circuit.

The class is represented by Quinn Emanuel Urquhart & Sullivan LLP, Wollmuth Maher & Deutsch LLP and Susman Godfrey LLP.

The banks are represented by WilmerHale, Skadden Arps Slate Meagher & Flom LLP, Paul Weiss Rifkind Wharton & Garrison LLP, O'Melveny & Myers LLP and Allen Overy Shearman Sterling.

The appellate case is City of Philadelphia v. Bank of America Corp., case number 24-297, in the U.S. Court of Appeals for the Second Circuit. The district court case is The City of Philadelphia v. Bank of America Corp. et al., case number 1:19-cv-01608, in the U.S. District Court for the Southern District of New York.

--Editing by Michael Watanabe.



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Azure Power Seeks Final OK Of \$23M Investor Deal

By **Katryna Perera**

Law360 (August 1, 2025, 9:50 PM EDT) -- Investors of an India-based solar energy company asked a New York federal judge on Friday to grant final approval to a \$23 million settlement they reached with the company and its top brass, alleging they misrepresented the company's compliance with anti-corruption and anti-bribery laws, and the methods through which the company won bids for projects.

Lead plaintiff Serap Lokman filed a **motion** for final approval, stating that the deal reached with Azure Power Global Limited is an excellent result for the class, following nearly two years of litigation. According to court filings, the proposed class includes all individuals and entities who purchased or acquired Azure equity shares between Jan. 1, 2020, and Nov. 20, 2024.

According to the motion, the deal is fair and reasonable, was reached through arm's-length negotiations and represents a recovery of approximately 16.3% of the suit's maximum recoverable damages.

Lokman also argued that final approval should be granted because, although her claims were meritorious, there was a significant risk with continued litigation.

"Discovery in this case would have been a particularly complicated, lengthy, and costly process because much (if not all) of the discovery was located in India and would have likely required lead plaintiff to pursue several Letters Rogatory under the Hague Convention on Taking Evidence Abroad — which could take more than a year to yield documents, much less schedule, compel and take depositions — and hire translators and interpreters to decipher the documents and translate deposition testimony," the motion states.

"Further, some of the relevant events had taken place over six years ago, and there were indications of partial spoliation of evidence," the motion further states.

According to the motion, class counsel from Levi & Korsinsky LLP also plan to request attorney fees worth no more than one-third of the settlement amount, or approximately \$9.2 million.

Court filings state that Azure is a power producer and solar energy provider headquartered in New Delhi, India. The suit alleged the company and its former top brass made false and misleading statements about Azure's compliance with anti-corruption and anti-bribery laws, how it was winning project bids, and certain related operating metrics.

The investors claimed certain bids and projects "were won by, and fraught with, corruption and other infirmities."

According to investors, this conduct later led to a delay in Azure's filings with the U.S. Securities and Exchange Commission, the departure of its executives, the resignation of its auditors, and the delisting of its equity shares from trading on the New York Stock Exchange. Investors further claimed they were damaged after acquiring shares at artificially inflated prices.

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

The investors are represented by Shannon L. Hopkins, Gregory M. Potrepka, Andrew E. Lencyk, David C. Jaynes, Morgan M. Embleton and Amanda D. Foley of Levi & Korsinsky LLP.

Azure is represented by Douglas W. Henkin and Brian E. Cohen of Dentons US LLP.

The individual defendants are represented by Sameer Advani and Amanda M. Payne of Willkie Farr & Gallagher LLP.

The case is Gilbert v. Azure Power Global Limited et al., case number 1:22-cv-07432, in the U.S. District Court for the Southern District of New York.

--Editing by Vaqas Asghar.

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Malibu Boats Inks \$7.8M Investor Settlement Over Sales Woes

By **Emilie Ruscoe**

Law360 (August 1, 2025, 10:20 PM EDT) -- Powerboat maker Malibu Boats Inc. has agreed to pay \$7.8 million as part of a deal to end a proposed investor class action alleging the company pushed one of its key dealers to the brink of bankruptcy by "pump[ing] the dealer full of boats" amid a post-COVID-19 boat business bust.

In a Thursday filing in Manhattan federal court, MBI investor the Retiree Benefit Trust of the City of Baltimore asked U.S. District Judge Lorna G. Schofield to grant preliminary approval to the proposed class action settlement, describing it as an excellent result for shareholders in light of the company's "limited available cash and actively eroding directors' and officers' liability insurance policies, which made a larger recovery highly improbable and speculative."

The pension fund said the settlement "represents a highly favorable result" by providing recovery of an estimated 11% to 32% of likely recoverable damages for the allegedly harmed investors.

In support of that characterization, the investor cited an analysis of securities class action settlements in 2024, asserting that last year the "typical" securities class action recovery was roughly 7.3% of estimated damages, noting that its recovery percentage could be, potentially, over four times as high.

If finalized, the deal would end claims that, beginning in 2022, "when the COVID-induced [boat sales] boom began to wane, [the company and certain of its executives] began strongarming [the company's dealer] into purchasing over \$100 million of unneeded, high-margin Malibu boats to maximize MBI's profits."

According to the investor, MBI was one of the companies that saw its fortunes buoyed by the COVID-19 pandemic "as socially distancing customers flocked to buy boats."

In its 2021 fiscal year, the pension fund claimed, MBI said its sales grew 42% compared to the year prior, and it saw 30% growth in its following fiscal year.

But by mid-2022, the investor claimed, boat sales were losing momentum amid factors including rising interest rates — and in an attempt to reassure investors, MBI representatives began making the claim that it was insulated from the downturn, asserting that its "premium" product buyers have "not really been affected by economic conditions or interest rates."

Contrary to that claim, the pension fund claimed, "retail demand for MBI's products was severely impacted" by those macroeconomic headwinds, leading the company to hatch a scheme to "pump hundreds of millions of dollars' worth of excess inventory into their distributors."

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

The Retiree Benefit Trust of the City of Baltimore is represented by Lester R. Hooker, Steven B. Singer, Joshua H. Saltzman and Sara DiLeo of Saxena White PA.

The defendants are represented by Sarah M. Lightdale, Aric H. Wu, Reed A. Smith, Anne E. Bigler and Brett De Jarnette of Cooley LLP.

The case is Retiree Benefit Trust of the City of Baltimore v. Malibu Boats Inc et al., case number 1:24-cv-03254, in the U.S. District Court for the Southern District of New York.

--Editing by Kelly Duncan.

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Steel Workers Want OK Of \$1.8M Deal In Inflated Stock Suit

By **Katryna Perera**

Law360 (August 1, 2025, 2:11 PM EDT) -- A former employee of Flat Rock Metal and Bar Processing has asked a Michigan federal judge to grant a green light to a \$1.8 million settlement in a suit claiming the trustees of the company's employee stock ownership plan allowed the plan to buy \$60 million in company stock at an inflated price.

Plaintiff Richard Bonds filed **a motion for preliminary approval** Thursday, saying the insurer of the defendants — which includes the Flat Rock Metal and Bar Processing employee stock ownership plan, or ESOP, and the trustee — will pay the settlement amount and class members will receive their share on a pro rata basis.

The motion said the deal should be preliminarily approved because it is fair, reasonable and adequate, was reached through arm's-length negotiations without any fraud or collusion and there are significant risks to continued litigation.

"Here, the litigation would be even more lengthy and expensive if this lawsuit were to proceed further. Plaintiff faced significant risks. Plaintiff and defendants had vastly different views about defendants' actions, their potential liability, and the likely outcome of the litigation," the motion said.

"In light of the inherent uncertainty, and potential for delay, a settlement of \$1.8 million — approximately \$4,205 per participant before fees and other costs are applied — is a good result for the class," the motion said.

According to the motion, Bonds will ask the court for a service award not to exceed \$10,000 and class counsel from Bailey & Glasser LLP and Varnum LLP will petition for an award of attorney fees worth no more than one-third of the settlement amount, or approximately \$594,000.

The motion also asks the court to certify the settlement class, which includes all participants in the Flat Rock Metal and Bar Processing ESOP and the beneficiaries of such participants as of the Nov. 24, 2020, ESOP transaction or any time thereafter, whether or not such participants or beneficiaries were vested.

The Nov. 24, 2020, transaction formed the basis of Bond's suit. According to the complaint, filed in 2023, the November 2020 transaction was guided by trustee Richard Heeter and Capital Trustees LLC and the ESOP purchased all outstanding shares in SAC Ventures Inc., a holding company for several steel processing companies, including Flat Rock. The plan purchased 1 million SAC shares for \$60 million, according to the complaint.

The SAC stock was sold by SAC President Peter F. Shields and SAC Treasurer Paul J. Lanzon II, who are named as defendants in the suit along with Capital Trustees and Marianna F. Heeter, the administrator of Heeter's estate.

According to Bonds, Heeter and Capital Trustees failed to diligently investigate the deal or negotiate a fair price on behalf of the plan, resulting in the ESOP paying more than the stock was worth. Bonds said that although the plan paid \$60 million for the shares, the shares were valued at \$3.6 million one month after the transaction and \$17.1 million as of Dec. 31, 2021.

The stock purchase was financed by a loan from SAC, which Bonds has claimed made it a prohibited

transaction under the Employee Retirement Income Security Act.

The settlement comes after U.S. District Judge George Caram Steeh largely denied the trustee and selling shareholders' motions to dismiss the complaint **last year**.

Counsel for Bonds declined to comment Friday and counsel for the defendants did not immediately respond to requests for comment.

Bonds is represented by Gregory Y. Porter, Ryan T. Jenny, Patrick Muench and Laura Babiak of Bailey & Glasser LLP and Perrin Rynders, Aaron M. Phelps and Justin M. Wolber of Varnum LLP.

The defendants are represented by Michael L. Scheier, Jacob D. Rhode, Brian P. Muething and Carson E. Miller of Keating Muething & Klekamp PLL.

The case is Bonds v. Capital Trustees LLC et al., case number 2:23-cv-12045, in the U.S. District Court for the Eastern District of Michigan.

--Additional reporting by Carolyn Muyskens. Editing by Stephen Berg.

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\$34M Milk Price-Fixing Deal Wins Preliminary Approval

By **Jared Foretek**

Law360 (August 1, 2025, 7:15 PM EDT) -- A New Mexico federal judge gave an initial OK to two settlements between a class of dairy farmers and two national milk cooperatives dropping price-fixing claims in exchange for \$34.4 million and an end to the alleged scheme.

In an order issued Thursday, U.S. Magistrate Judge Damian L. Martinez granted preliminary approval to two deals that would enshrine the dissolution of the Greater Southwest Agency, or GSA — a joint entity formed by defendants Dairy Farmers of America, or DFA, and Select Milk — and bar the companies from sharing nonpublic milk pricing information.

The class action complaint was brought in 2022 by dairy farmers claiming DFA and Select had conspired to artificially depress prices for their supply of raw Grade A milk. According to the complaint, the two cooperatives controlled at least 75% of the dairy market in DFA's Southwest region — comprised of New Mexico, most of Texas, eastern Arizona, the Oklahoma panhandle and southwestern Kansas — and shared crucial pricing information through the joint entity.

Plaintiff farmers claimed the defendants controlled production limits imposed on farmers and strategically "depooled" higher-priced milk such as Class III milk, used for cheese, under the Federal Milk Marketing Order in order to drive down prices across the board.

"These allegations are based on a comprehensive investigation by plaintiffs' counsel, which included assessment of: the history of the dairy industry and dairy production in the United States; the history and structure of DFA, Select, and GSA ... federal milk policy and pricing ... and coordination with and analysis by plaintiffs' economic experts," the plaintiffs said in their unopposed motion for preliminary approval last month.

Under the terms of the proposed settlement, DFA would pay \$24.5 million and Select would pay \$9.9 million. The GSA was already dissolved as a result of the litigation, but both companies will have to implement and maintain antitrust training programs. They will also have to offer periodic virtual webinars for Southwest area farmers.

"DFA and Select have ... agreed to provide considerable non-monetary consideration as part of the settlement agreements," the plaintiffs wrote in their motion. "Most notably, DFA and Select agreed to dissolve GSA, which plaintiffs allege was one of the primary mechanisms through which the alleged conspiracy was effectuated."

The plaintiffs in the case are also seeking class certification as part of the deals. Under the proposed terms, the classes would include all dairy farmers in the Southwest area region who produced and sold Grade A milk to DFA and Select between Jan. 1, 2015, and June 30 of this year.

Lockridge Grindal Nauen PLLP, Hagens Berman Sobol Shapiro LLP and Scott + Scott Attorneys at Law LLP were appointed class counsel as part of Judge Martinez's order Thursday.

In March 2024, U.S. District Judge Margaret Strickland rejected the defendants' motion to dismiss the case for failure to state a claim, holding that the plaintiffs had plausibly alleged illegal parallel pricing conduct.

DFA and Select said the Capper-Volstead Act shielded the cooperatives from antitrust liability by permitting them to communicate and coordinate collectively about "marketing, handling, processing, and preparing their products."

But Judge Strickland held that the law had more specific, limited purposes.

"While forming an agreement with a competing cooperative to market or sell dairy may be permitted under Capper-Volstead ... an agreement to depress prices paid to members, as plaintiffs allege, is not," she said. "The objective of Capper-Volstead is to allow agricultural cooperatives to operate for the mutual benefit of their members, and actions outside of that objective are subject to antitrust law."

Attorneys for both sides did not immediately respond to request for comment Friday.

The plaintiffs are represented by Brian D. Clark, W. Joseph Bruckner and Stephen J. Teti of Lockridge Grindal Nauen PLLP, Steve W. Berman, Shana E. Scarlett, Abby R. Wolf and Elaine T. Byszewski of Hagens Berman Sobol Shapiro LLP, Karin E. Garvey, Patrick J. McGahan, Michael P. Srodoski of Scott + Scott Attorneys at Law LLP and Mark T. Baker of Peifer Hanson Mullins & Baker PA.

Dairy Farmers of America is represented by Sarah M. Ray, Alfred C. Pfeiffer Jr. and Gregory W. Swartz of Latham & Watkins LLP, Linda M. Vanzi and Melanie Stambaugh of Rodey Dickason Sloan Akin & Robb PA and W. Todd Miller and Lucy S. Clippinger of Baker & Miller PLLC.

Greater Southwest Agency is represented by Douglas A. Baker of Atkinson Baker & Rodriguez PC.

Select Milk Producers is represented by Dalva L. Moellenberg of Gallagher & Kennedy PA and Timothy B. Hardwicke, Brian P. Borchard and Kathryn L. Couey of GoodSmith Gregg & Unruh LLP.

The case is Othart Dairy Farms LLC et al. v. Dairy Farmers of America Inc. et al., case number 2:22-cv-00251, in the U.S. District Court for the District of New Mexico.

--Editing by Stephen Berg.

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Meta Illegally Recorded Flo Users' Data, Calif. Jury Finds

By **Allison Grande**

Law360 (August 1, 2025, 11:36 PM EDT) -- A California federal jury Friday found Meta Platforms Inc. liable for violating the state's wiretap law by using a data analytics tool to retrieve sensitive health data from users of the popular menstrual tracking app Flo, in what plaintiffs' counsel called "one of the first times" a major tech company has been held accountable for such practices.



A jury has found that Meta used a data analytics tool to record Flo users' menstrual and sexual health information in violation of the California Invasion of Privacy Act. (Photo by Eliot Blondet/Abaca/Sipa USA(Sipa via AP Images)

Following several days of testimony, the eight-member jury returned a verdict that the plaintiffs had proven, by a preponderance of the evidence, that Facebook parent company Meta had intentionally recorded the sensitive menstrual and sexual health information that users entered into the Flo app in violation of the California Invasion of Privacy Act.

Meta received this information through a software development kit embedded in the app, a tool that the social media giant provided to Flo Health Inc. to enable it to track user behavior and perform various other functions, an expert for the plaintiffs **told the jury** during trial. Once women begin using the Flo app, the software tool starts transmitting information about them back to Meta's servers, the expert testified.

Labaton Keller Sucharow LLP, which served as co-counsel for the certified class of Flo app users, welcomed the "historic" jury verdict holding Meta liable for its role in the unauthorized collection and commercial use of women's sensitive health information, which the plaintiffs argued Meta "exploited" to

strengthen its targeted advertising business.

"This verdict sends a clear message about the protection of digital health data and the responsibilities of Big Tech," Labaton Keller partners Michael P. Canty and Carol C. Villegas, lead trial attorneys in the case, said in a joint statement. "Companies like Meta that covertly profit from users' most intimate information must be held accountable. Today's outcome reinforces the fundamental right to privacy — especially when it comes to sensitive health data."

A Meta spokesperson said Friday that the company "vigorously disagree[s] with this outcome and [is] exploring all legal options."

"The plaintiffs' claims against Meta are simply false," the spokesperson said. "User privacy is important to Meta, which is why we do not want health or other sensitive information and why our terms prohibit developers from sending any."

The jury reached its verdict on the heels of the other remaining defendant in the case, Flo Health, informing the court **Thursday** that it had reached a deal midtrial to resolve the app users' claims that it had illegally shared sensitive health data of millions of women, including information about the dates and lengths of their periods, with Meta and Google LLC without permission.

The settlement announcement followed U.S. Judge James Donato's comments the prior day, made outside the presence of the jury, that he **would likely toss** the plaintiffs' California Confidentiality of Medical Information Act claim — the only allegation remaining against Flo — due to a lack of evidence.

In response to a verbal motion made that day by Flo's counsel to decide in its favor on the claim, Judge Donato told counsel for the plaintiffs that after listening to the evidence presented at trial, he had "doubts" about the CMIA allegation. The evidence presented at trial didn't seem to show that Flo meets the statute's definition of healthcare provider or that the app users could be considered "patients," the judge said.

The high-stakes dispute dates back to 2021, when several app users filed proposed class actions that were subsequently consolidated against Flo, Meta, Google and a pair of mobile app analytics providers. The lawsuits were lodged in the wake of **a settlement** between Flo and the Federal Trade Commission that required Flo to gain affirmative consent before sharing personal health information with ad companies.

According to the consolidated complaint, while the app repeatedly assured users between 2017 and 2019 that their intimate health data would remain protected and confidential, Flo Health, in reality, collected and disclosed the information to dozens of third parties, including Google and Meta, for advertising and other commercial purposes beyond providing analytics to Flo.

The case was trimmed in 2022, when Judge Donato granted Flo's motion to dismiss the plaintiffs' claims of Stored Communications Act violations. He also cut claims of unjust enrichment against Meta, Google and ad company Flurry, but denied all other motions to dismiss.

In September, Google **lost a bid** to escape the suit via summary judgment, with Judge Donato rejecting the company's arguments that the plaintiffs lacked standing and had consented to the disclosures.

Flurry, a now-defunct mobile app analytics firm that the plaintiffs claim offered a software development kit that Flo Health incorporated into its tracking app and also allegedly received intimate health data from the Flo app, reached a \$3.5 million settlement with app users to end its involvement in the suit **in March**.

Following that resolution, Judge Donato **in May certified** both a nationwide class and a California subclass of potentially millions of Flo app users who entered menstruation or pregnancy information into the app between Nov. 1, 2016, and Feb. 28, 2019. Less than a week later, Judge Donato **trimmed the suit** with respect to Flo and Meta, finding that Meta must face a certified class claim alleging it violated the California Invasion of Privacy Act and Flo must face a claim accusing it of violating the Confidentiality of Medical Information Act, while granting their summary judgment bids on the remaining claims.

Shortly before the trial was set to kick off, Google and the plaintiffs struck a deal, telling the court **on July 7** that they had reached an "agreement in principle on the terms of a settlement that will resolve all claims against Google."

The trial against Flo and Meta **began on** July 21. The five named plaintiffs testified the next day, **telling jurors** they never gave the app permission to share their menstruation-tracking app data.

An expert testifying for Meta **on July 24** backed the company's key defense against the state law privacy claim, testifying that Flo's app collected the data, not Meta. That day's testimony also included the expert's acknowledgment that members of Meta's communications team made "inappropriate" menstruation-related jokes while discussing the issue.

The two-week trial resumed on July 30, the day Judge Donato made his remarks about the viability of the CMIA claims against Flo, before concluding Friday with the jury's verdict.

Canty, the Labaton Keller partner who served as co-counsel for the plaintiffs, called the verdict a "landmark moment in the effort to safeguard digital privacy rights," adding that the jury's siding with the app users' arguments that Meta knowingly recorded and exploited their sensitive health data should serve as "a wake-up call to companies that view consent as a formality and transparency as optional."

The app users are represented by Carol C. Villegas, Michael P. Canty, Jake Bissell-Linsk, Danielle Izzo and Gloria J. Medina of Labaton Keller Sucharow LLP, Christian Levis and Amanda Fiorilla of Lowey Dannenberg PC, Diana J. Zinser and Jeffrey L. Kodroff of Spector Roseman & Kodroff PC, James M. Wagstaffe of Adamski Moroski Madden Cumberland & Green LLP, Ronald A. Marron, Alexis M. Wood and Kas L. Gallucci of The Law Offices of Ronald A. Marron, Kent M. Williams of Siri & Glimstad LLP and William Darryl Harris II of Harris Legal Advisors LLC.

Meta is represented by Andrew B. Clubok, Melanie M. Blunschi, Kristin Sheffield-Whitehead and Michele D. Johnson of Latham & Watkins LLP and Elizabeth K. McCloskey and Abigail A. Barrera of Gibson Dunn & Crutcher LLP.

Flo is represented by Brenda R. Sharton, Benjamin M. Sadun, Clare Putnam Pozos, Theodore Yale and Allison Ozurovich of Dechert LLP.

The case is Erica Frasco et al. v. Flo Health Inc. et al., case number 3:21-cv-00757, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bonnie Eslinger and Dorothy Atkins. Editing by Jay Jackson Jr.

Update: This article has been updated to add counsel information for Flo.



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Hyundai, Kia Can't Get Rehearing On Cities' Car Theft MDL

By **Mike Curley**

Law360 (August 1, 2025, 1:15 PM EDT) -- The Ninth Circuit won't hold an en banc rehearing on an appeal from Hyundai Motors America Inc. and Kia America Inc. seeking to dismiss negligence claims by cities in three of seven states in multidistrict litigation over their alleged failure to install anti-theft technology in millions of vehicles.

In a **one-page order Thursday**, the circuit judges said the panel that initially heard the case voted unanimously against holding an en banc rehearing, and no judge of the full court called for a vote, leaving in place the panel's decision to allow those negligence claims to move ahead.

Representatives for the parties could not immediately be reached for comment Friday.

In the MDL, the plaintiffs allege that Hyundai and Kia failed to outfit millions of vehicles in model years 2011 through 2022 with industry-standard engine immobilizers that would keep the cars from being started without their keys, thereby leaving them more vulnerable to theft.

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

The present interlocutory appeal has the automakers challenging a district court decision regarding Ohio, Wisconsin and New York municipalities that allowed their negligence claims to go forward. The insurers involved in the MDL are not parties to the appeal, and consumers in the MDL received final approval of a \$145 million settlement **in October**.

In April, attorneys for the automakers **argued** the negligence claims should be dismissed because there is no duty to protect against harms by third-party crimes, unless there is a relationship between the defendant and plaintiff, or defendant and bad actor.

In June, the panel majority sided with the municipalities, affirming the district court's decision not to dismiss the Wisconsin and Ohio law claims, while asking New York's highest court of appeals to weigh in on the "novel" question of whether the automakers owe a duty under that state's laws.

In their petition for rehearing, the automakers agreed with the dissent from the majority's holding, in which U.S. Circuit Judge Bridget S. Bade said that the municipalities' state law claims were preempted by federal vehicle safety standards.

The companies argued likewise that the panel majority hadn't properly considered preemption, and that the full court should look to U.S. Supreme Court precedent, which they said supports preemption for the contested claims.

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

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

The municipalities are represented by Gretchen Freeman Cappio, Benjamin Gould, Ryan McDevitt and

Garrett Heilman of Keller Rohrback LLP.

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

--Additional reporting by Bonnie Eslinger. Editing by Alex Hubbard.

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3rd Circ. Asked To Revive Amazon Biometric Data Suit

By **Jack McLoone**

Law360 (August 1, 2025, 10:29 PM EDT) -- A federal judge erred in tossing class claims accusing Amazon of collecting consumers' voice data without their consent, including by finding that a third-party software company was a "financial institution," the named plaintiffs told the Third Circuit

The appellants' **reply brief**, filed Thursday, calls on the appellate court to vacate what it called an "absurd result" by U.S. Circuit Judge Stephanos Bibas, sitting by designation as a district judge in the District of Delaware, who determined that Pindrop Security qualifies as a "financial institution" exempt from liability under the Illinois Biometric Information Privacy Act and the Gramm-Leach-Bliley Act.

The court went too far in interpreting that Pindrop's authentication services on behalf of a financial institution qualify as "financial services," the appellants said.

"Pindrop's argument is flawed because it ignores a critical statutory prerequisite: such activities are deemed to be 'financial' in nature only when conducted by a 'financial holding company,'" which Pindrop is not," the appellants said in their brief.

The complaint alleged that Amazon Web Services Inc., through its cloud-based call center service, Amazon Connect, violated the Illinois law by collecting consumers' voice data without their consent while processing customer phone calls for insurance company John Hancock. Defendant Pindrop, a developer that offers software products on Amazon Connect to help verify callers, was ultimately **trimmed from the suit**.

In its own Third Circuit **brief**, Pindrop had argued that its financial institution stance is backed by the appellants' own admission that Pindrop provides authentication services. The software company also said the appellants ignored the text and regulations of the Gramm-Leach-Bliley Act, among other issues.

Pindrop had also argued that the appellate court can affirm the Delaware court's ruling based on the court record showing that its authentication services lack a connection to Illinois. However, the appellants said in their Thursday brief, Pindrop impermissibly raised that argument for the first time on appeal.

Amazon, in its own **brief** to the Third Circuit, had said Judge Bibas didn't abuse his discretion when he denied what the company described as "blanket requests" to extend discovery deadlines, saying the judge had correctly found that the appellants "squandered" eight months of fact discovery and repeatedly ignored his directives to more finely tailor their requests for information.

But Amazon's arguments "blatantly misstate the record," the appellants said, rebutting claims that their discovery requests lacked specificity.

The John Hancock customers, led by Christine McGoveran, filed their proposed class action in 2020. In his October opinion **granting summary judgment** to Amazon, Judge Bibas said the evidence produced in discovery showed that any collection of voice data was performed by Pindrop, which by that point had been removed from the suit.

Judge Bibas also said summary judgment was warranted because Illinois' biometric privacy law only applies to in-state conduct. The fact that three of the named plaintiffs placed their calls from Illinois is not enough to meet this standard, the judge held.

The summary judgment decision tossed the plaintiffs' claim under Section 15(b) of BIPA, the last of four allegations remaining from the original proposed class action complaint. Judge Bibas also refused to allow further discovery, closing the case for good. Three other claims were dismissed in 2023.

"While we cannot comment on the specifics of pending litigation, we remain confident in the judicial process and deeply respect the thoughtful decision already issued by the district court," a Pindrop spokesperson said in a statement sent to Law360. "We believe the facts and the law strongly support that ruling, and we trust the appellate court will give it the careful consideration it deserves."

Counsel for the appellants and Amazon did not immediately respond to requests for comment Friday.

The appellants are represented by Andrew D. Schlichter and Sean E. Soyars of Schlichter Bogard LLC.

Amazon is represented by Elizabeth B. Herrington, Jody C. Barillare, Michael E. Kenneally, Ari M. Selman, Jordan McCrary and Kyle Nodes of Morgan Lewis & Bockius LLP.

Pindrop Security is represented by Diana M. Torres, George W. Hicks Jr. and Andrew B. Bloomer of Kirkland & Ellis LLP.

The case is Christine McGoveran, et al. v. Amazon Web Services Inc., case number 24-3215, in the U.S. Court of Appeals for the Third Circuit.

– Additional reporting by Rachel Riley and Rachel Scharf. Editing by Karin Roberts.

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Rite Aid's \$6.8M Data Breach Settlement Gets Final OK

By **Matthew Santoni**

Law360 (August 1, 2025, 8:45 PM EDT) -- A Pennsylvania federal court has given its final approval to a \$6.8 million settlement of data breach claims against now-bankrupt Rite Aid Corp., including \$2.4 million in fees for attorneys from Ahdoot & Wolfson PC, Shub Johns & Holbrook LLP, Cotchett Pitre & McCarthy LLP, Laukaitis Law LLC and Hausfeld LLP.

U.S. District Judge Harvey Bartle III signed off on the final settlement, ending claims that the company should have done more to prevent and address a data breach discovered in June 2024, in which hackers made off with customer names, addresses, dates of birth and government ID numbers that Rite Aid had collected between 2017 and 2018.

"The court hereby approves the settlement, including the plans for implementation and distribution of the settlement relief, and finds that the settlement is, in all respects, fair, reasonable, and adequate to the class members, within the authority of the parties and the result of extensive arm's-length negotiations," **the judge's order** said Wednesday.

After the attorney fees, \$40,700 in costs, \$1.3 million for Kroll Settlement Administration and \$3,500 service awards for each of the four lead plaintiffs, there will be about \$3.06 million to be split among approximately 69,450 claimants nationwide.

Judge Bartle's **memorandum** noted that because California law provides for additional statutory damages, about 11,800 California claimants will get \$76 each from the settlement, while the remaining class members will receive \$38 each.

Five proposed class actions had been filed in the Eastern District of Pennsylvania following **the data breach**, in which an unknown third party impersonated a Rite Aid employee and gained access to certain Rite Aid business systems.

The suits, which were consolidated in August 2024, claimed Rite Aid failed to disclose the cyberattack sooner, didn't take reasonable steps to protect its data and didn't provide an adequate remedy for customers whose data was stolen — it only offered credit monitoring.

The pharmacy chain should have been extra cautious because it had already been subjected to another cyberattack in May 2023, affecting a smaller group of customers, the suits said.

The approved class was defined as "all residents of the United States whose personal information was compromised or potentially compromised in the Rite Aid data breach, including all persons who received notice of the data breach." Kroll Settlement Administration reached out to as many potential class members as it could, resulting in 69,450 claims, the memo said.

Judge Bartle said no one objected to the settlement after **it got preliminary approval** in March and only 24 class members opted out to potentially keep litigating on their own.

After Rite Aid **declared bankruptcy**, the court gave the opt-outs a chance to rejoin the settlement class and five of them did, the order said.

The pending bankruptcy and dissolution of the company was further reason for approving the settlement rather than forging ahead with litigation, the judge's memo said.

"The bankruptcy court's decision to lift the stay as to this action was contingent on the fact that the

settlement would be paid out solely through Rite Aid's insurance carrier, rather than through its own assets," the memo said. "As a result of the bankruptcy, the class members would have to seek judgments as unsecured creditors. They are far less likely to recover money under these circumstances."

Judge Bartle also noted that Rite Aid, being bankrupt, would likely be unable to withstand a judgment for more if the case continued to trial and the plaintiffs won.

Kroll had already spent more than \$1 million of its administration fee, citing the expense and difficulty of contacting more than 2 million potential class members, the memo said. The administrator said its costs could go up if the first round of claims did not exhaust the settlement fund, but its payment would be capped at the \$1.3 million approved by the judge.

"Class counsel worked diligently to secure this settlement on behalf of the class, and were able to preserve the entirety of the \$6.8 million common fund for class members despite Rite Aid's bankruptcy. We think this is an outstanding result, and we look forward to distributing the settlement benefits to the class," Andrew W. Ferich of Ahdoot & Wolfson PC told Law360 in an email.

Counsel for Rite Aid did not immediately respond to requests for comment Friday.

The class is represented by Andrew W. Ferich of Ahdoot & Wolfson PC, Benjamin F. Johns of Shub Johns & Holbrook LLP, Thomas E. Loeser of Cotchett Pitre & McCarthy LLP, Kevin Laukaitis of Laukaitis Law LLC and Ashley Crooks of Hausfeld LLP.

Rite Aid is represented by Mark S. Melodia, Mark H. Francis, Benjamin R. Wilson and Caitlin F. Saladrigas of Holland & Knight LLP.

The case is *Bianucci v. Rite Aid Corp.*, case number 2:24-cv-03356, in U.S. District Court for the Eastern District of Pennsylvania.

-- Additional reporting by Rae Ann Varona and Gina Kim. Editing by Stephen Berg.



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Tesla Sends Website Users' Data To Google For Ads, Suit Says

By **Gina Kim**

Law360 (August 1, 2025, 10:25 PM EDT) -- Tesla was slapped with a proposed class action in California federal court Thursday alleging it illegally shares its website visitors' information with third parties like Google through the deployment of tracking pixels for data monetization and advertising purposes, without their knowledge or consent.

In a **32-page complaint** filed in the Central District of California, plaintiff Peter Dawidzik accused the electric vehicle manufacturer of flouting the California Invasion of Privacy Act and unfair competition law through the surreptitious use and deployment of tracking software created by Google, Optimizely and X Corp., formerly known as Twitter.

Dawidzik alleged that the defendant is using the tracking tools to secretly collect website users' information for commercial purposes, despite privacy implications, without their knowledge or permission. Tesla's website can pick up detailed information about visitors' interactions, which are essential to user engagement, audience analytics and marketing optimization, the suit explained.

"Website users typically expect a degree of anonymity when browsing, particularly when they are not logged into an account," Dawidzik's suit alleged. "However, upon visiting the website, plaintiff's and class members' browsers executed third-party tracking scripts embedded by the defendant. These trackers operate in the background of the browsing session and collect detailed behavioral and technical information, which is then transmitted to external third-party servers without the users' active awareness."

Tesla's website, which operates as an advertising and data collection platform, allows visitors to look up cars and energy products, reserve orders, schedule a service, and manage their accounts, according to the suit.

The company utilizes tracking technology developed by Google Ads and DoubleClick, Twitter, and Optimizely, according to the plaintiff. These third-party companies, which are not named as defendants, gather and utilize pieces of visitors' information that's picked up through Tesla's website. The information is then used for profiling, data monetization and advertising that goes beyond Tesla's direct need for its own business purposes, Dawidzik said.

The tracking tools can gather detailed information about the web browser and device that's being used to visit the page, page views, time spent on the page, referral hyperlinks, IP addresses, operating system, screen resolution, scroll depth, mouse movements, cookies and more, which are in turn used for cross-device tracking and ad targeting, Dawidzik alleged.

The information can also be used as a real-time bidding auction for featuring ads to users, the plaintiff claimed.

"Once identity signals have been captured, targeted advertising and data monetization are managed through platforms like Google Ads / DoubleClick Tracker and Twitter Tracker," the suit said. "These platforms engage in real time bidding and programmatic advertising, allowing Tesla to auction ad access to users based on behavioral and identity linked data."

The third-party advertising entities, including the ones run by Twitter and Google, deploy live-time auction systems selling ad space to the highest bidder, leveraging a user's behavioral data that was

gathered when visiting Tesla's website, according to Dawidzik's suit.

"Plaintiff and the class members did not consent to the installation, execution, embedding or injection of the trackers on their devices and did not expect their behavioral data to be disclosed or monetized in this way," the complaint alleged. "By installing and using the trackers without prior consent and without a court order, defendant violated CIPA section 638.51."

Dawidzik asserts his claims on behalf of a proposed class of all those in the Golden State whose browser devices were subject to the installation or injection of the tracking pixels on Tesla's website.

Dawidzik asks the court to certify the class, appoint him as class representative and his attorneys as class counsel, find that Tesla's conduct violates the statutes alleged in the complaint, issue a judgment in the plaintiffs' favor, stop Tesla from continuing the alleged conduct, and to pay statutory damages, attorney fees and costs.

Dawidzik's suit against Tesla mirrors other similar proposed class action complaints filed against retailers like Etsy, LinkedIn and others accusing them of violating Golden State privacy laws through the purported use of tracking pixels.

In early July, Etsy **was hit with a lawsuit** by plaintiff Austin White in California federal court accusing it of using tracking pixels created by TikTok, Microsoft, Meta and Google for behavior profiling and real-time digital ad bidding auctions.

LinkedIn, too, was slapped with a proposed class action in February **alleging it illegally shared** with Meta and Adobe personal information belonging to its premium subscribers who watched online training courses on its LinkedIn Learning platform without their consent or knowledge.

American Express customer Philip Camacho filed a similar CIPA complaint **in April 2024** against the company accusing it of illegally sharing with Facebook sensitive financial and personally identifiable information of people who apply for credit cards online.

Representatives for Dawidzik and Tesla did not immediately respond to inquiries seeking comment Friday.

Dawidzik is represented by Reuben D. Nathan of Nathan & Associates APC and Ross Cornell of Law Offices of Ross Cornell APC.

Counsel information for Tesla was not immediately available.

The case is Peter Dawidzik v. Tesla Inc., case number 5:25-cv-01982, in the U.S. District Court for the Central District of California.

--Editing by Michael Watanabe.



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UBS To Pay DOJ \$300M To Settle Inherited Credit Suisse Case

By **Alex Davidson**

Law360, London (August 4, 2025, 1:05 PM BST) -- Swiss bank UBS said Monday it has agreed to pay the U.S. Department of Justice \$300 million to settle outstanding obligations inherited from the mortgage-backed securities business of Credit Suisse, the lender it acquired in 2023.

The agreement ends Credit Suisse's obligations under a settlement it reached with the DOJ in 2017, which resulted from its allegedly unlawful conduct in the earlier creation and sale of residential mortgage-backed securities. The home mortgages were bundled together into securities and sold to investors.

"With this agreement, UBS has resolved another of Credit Suisse's legacy issues, in line with its intention to resolve legacy matters at pace in a fair and balanced way and in the best interest of all its stakeholders," UBS said in a statement.

The 2017 settlement with the DOJ stated that Credit Suisse Securities (USA) LLC bundled hundreds of thousands of residential mortgage loans into securities from May 2005 through 2007, selling them to investors for tens of billions of dollars. The bank made claims about the quality of the loans that did not conform with information it received, according to the settlement.

Credit Suisse agreed under the terms of that settlement to provide \$2.8 billion in relief to consumers, in addition to a civil penalty of \$2.48 billion it had already paid, to remediate the harm caused by its allegedly unlawful conduct. It could earn credit for the \$2.8 billion it owes by providing relief, which includes allowing borrowers having trouble with their mortgage to delay the repayments — or not make them at all — and to fund affordable housing.

UBS took on Credit Suisse's liabilities and contract obligations when it acquired the **rival Swiss bank** in July 2023. The latest settlement with the DOJ announced Monday frees UBS of the historical obligation to provide consumer relief under the 2017 agreement.

Following this settlement, UBS expects to recognize a credit in the "non-core and legacy" section of its business when it publishes its next set of results. This section includes obligations which came with the acquisition of Credit Suisse. UBS will publish its results for July to September on Oct. 29.

This is the latest of several settlements that UBS has made with the DOJ.

UBS agreed in May to **pay more than \$510 million** to the justice department to settle an unrelated U.S. probe into how Credit Suisse Group helped tax evasion, including by preparing false income tax returns.

UBS also agreed in 2023 to pay \$1.44 billion to settle a civil action that alleged misconduct connected to its own underwriting and issuance of residential mortgage-backed securities in 2006 and 2007.

The bank did not immediately respond to requests for further comment.

--Editing by Ed Harris.



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BigLaw Associate Pay Unlikely To Budge Despite Inflation

By **Aebra Coe**

Law360 (August 1, 2025, 12:28 PM EDT) -- Many BigLaw associates haven't seen a base pay scale increase since 2023, and inflation-adjusted associate salaries at large law firms appear to have fallen to a decade low. Additionally, experts say it's unlikely most large law firms will offer a pay boost before the end of the year.

BigLaw firms have implemented pay scale increases every few years over the last decade. If that pattern were to keep repeating, associates who last saw a pay hike two years ago would likely be due for a raise this year. However, recruiters and other associate pay experts who spoke to Law360 Pulse aren't so sure that's in the cards, pointing to an uncertain economy, sluggish deal flow, and a less-than-brisk appetite for lateral associate hiring.

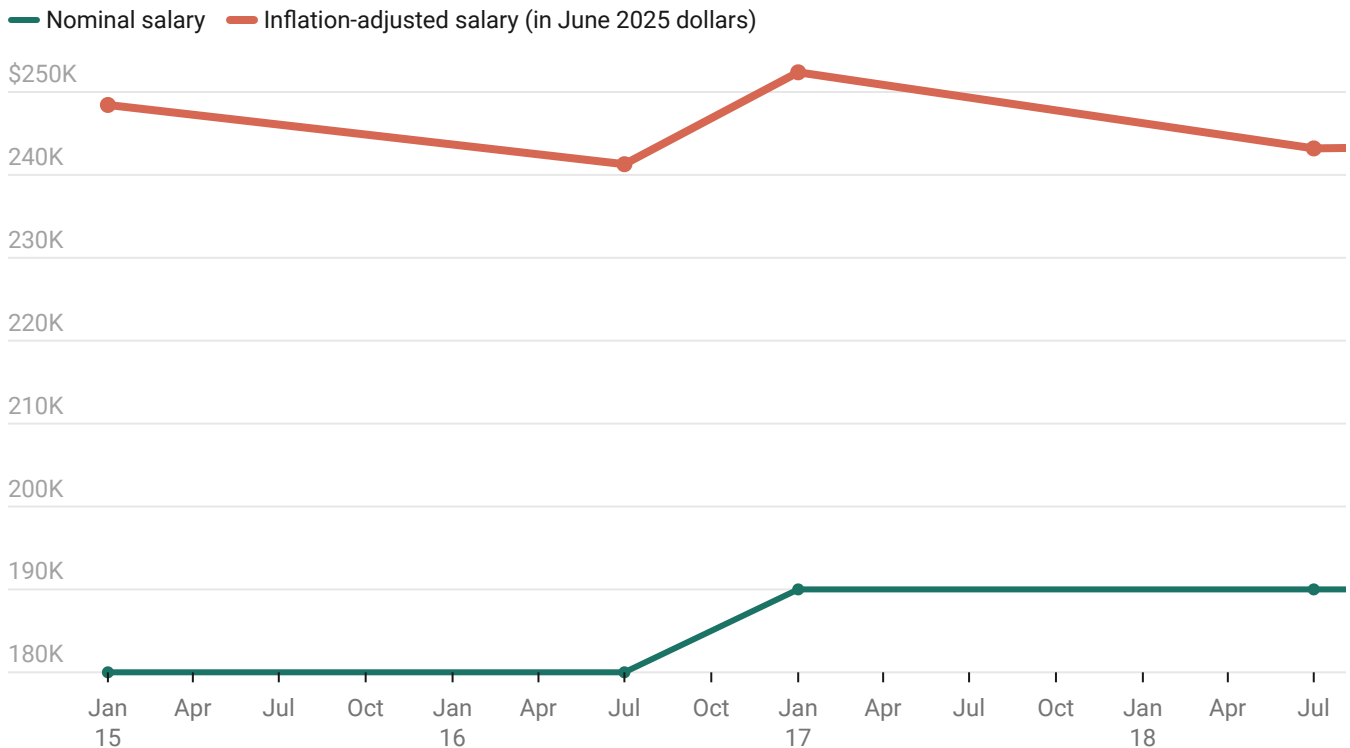
"In the normal course of things, the timing would be right for the most competitive firms to increase their associate pay scales," said Nikia Gray, executive director of the National Association for Law Placement. "However, it would not surprise me if it doesn't happen this year. With the lateral hiring market slowing, there is much less pressure on firms to raise compensation."

The BigLaw salary scale, which is often referred to as the Cravath scale and is adhered to by most of the largest law firms in the industry, has increased a number of times over the last decade — in 2016, 2018, 2021, 2022 and 2023. Yet it has failed to keep up with inflation, according to a Law360 Pulse analysis of salary data using the Bureau of Labor Statistics inflation calculator.

First-year associates across BigLaw generally earn \$225,000. That's less, when comparing prior salary scales adjusted to 2025 dollars, than any other year stretching back a decade, according to a Law360 analysis using the Bureau of Labor Statistics' CPI Inflation Calculator. Associate compensation scales rise at a relatively similar pace across seniority levels, so a comparison at the first-year level tends to play out fairly comparably across other class years.

BigLaw Starting Pay Has Stagnated

Looking at inflation-adjusted figures, BigLaw starting salaries barely budged over the last decade, and fell to a decade low in 2025.



Note: Inflation is based on a comparison between the cost of living the month the raises went into effect at market-leading firms in years when a raise was implemented and January 1 in all other years, compared to June 2025. Raises took effect in July in 2016, 2018, and 2021. Raises took effect in January in 2022 and 2024.

Source: Bureau of Labor Statistics; CPI Inflation Calculator; Law360 analysis • Created with [Datawrapper](#)

In most years over the last decade, first-year associate compensation hovered at around \$240,000 in 2025 dollars, and the average for the last decade — when looking at inflation-adjusted numbers — was \$239,000.

Nathan Peart, executive director of the associate practice group at recruiting firm Major Lindsey & Africa, said there are some signs that indicate to him another round of raises is not imminent.

He said that from his vantage point, the lateral market for associates is mixed. While there is a healthy appetite on the part of law firms for associate hires with specific skills at specific seniority levels, the same firms that are hiring are also laying off underperforming associates, he said.

"The bar [for performance] is very high and firms are being discerning on talent," Peart said.

Additionally, Peart added, he typically sees signing bonuses become more common in the lead-up to a round of raises, and he hasn't seen many of those lately.

Keith Gralitzer, a co-founder of the recruiting firm Momentum Search Group, said he agrees that many signs are pointing to law firms holding back on raises; however, he believes a handful of "leading" law firms could raise salaries anyway.

"We haven't seen the usual catalysts, like heightened M&A volume or intense lateral competition," Gralitzer said.

Despite that, firm needs for lawyers are surging in other transactional areas, including finance, real estate and bankruptcy, and litigation practices are thriving, he said.

"A salary raise this fall wouldn't surprise me, as leading firms may look to separate from the pack and address retention pressures," he said.

Another option when it comes to retention, and especially retention for high-performing associates, is for law firms to defer increasing base pay and instead offer larger-than-usual year-end bonuses this fall, according to Jessica Chin Somers, managing director at Kinney Recruiting.

"Large firms can always increase year-end bonuses, which they have historically done for their most profitable associates," Somers said. "Some particularly hardworking and valuable associates have consistently received above-market bonuses; this is not new and I suspect will continue."

Gray said that like Gralitzer she expects some disparity in the market around how firms act this year on associate compensation, with some firms that have performed better than others setting themselves apart from the rest of the industry with a pay boost.

"Most law firm leaders I have spoken to are proceeding cautiously and reevaluating their expectations for the year," Gray said. "Even if a few firms do increase their pay scales, we could see quite a few firms holding back this year."

--Graphics by Ben Jay. Editing by Robert Rudinger.

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Rising Star: Bleichmar Fonti's George N. Bauer



[law360.com/securities/articles/2358856/rising-star-bleichmar-fonti-s-george-n-bauer](https://www.law360.com/securities/articles/2358856/rising-star-bleichmar-fonti-s-george-n-bauer)

George N. Bauer

Bleichmar Fonti & Auld

- **Age:** 38
- **Home base:** White Plains, New York
- **Position:** Partner
- **Law school:** Brooklyn Law School
- **First job after law school:** Associate at Kirkland & Ellis

Biggest case of his career:

In January, Bauer was on a team of lawyers from three firms for whom Delaware's chancellor approved a [\\$176 million](#) stockholder class attorney-fee award in the Police and Fire Retirement System of the City of Detroit's [derivative suit](#) against Tesla. Filed in June 2020, the [suit involved allegations](#) of years of "outrageous" board stock awards that cost the company hundreds of millions of dollars.

Chancellor Kathaleen St. J. McCormick said the plaintiffs' attorneys had earned the fee by working "on a fully contingent basis for years with no certainty that they would ever receive a penny for their efforts."

During discovery, Bauer said, he took more than 20 depositions, including from the chair of Tesla's compensation committee. After years of back and forth, the attorneys were able to secure a settlement before going to trial. Tesla's board agreed to return 3.1 million stock options to shareholders and to implement corporate governance reforms to ensure fair director compensation in the future.

"The slate of governance reforms that we put in place as a result of our settlement, those have all existed in bits and pieces, but to have them comprehensively implemented at a company like Tesla for a period of time is somewhat novel," Bauer said.

The case could offer a blueprint for similar suits in the future, Bauer said, adding that he finds that particularly rewarding in a moment when cases like this are one of only a few avenues to call out corporate wrongdoing.

"There wasn't a line of other firms and other clients trying to take that case," Bauer said.

"People didn't really see the promise. But our team and our client did, and if not for our

litigation, that resolution never would have come about, and those directors' excessive compensation would have never been pulled back."

His proudest moment as an attorney:

At the end of last year, Bauer helped secure a class action settlement in California federal court against biotech company Enochian Bio-Sciences Inc, whose co-founder was prosecuted on murder-for-hire allegations that shareholders said [hurt the company's stock value](#).

Serhat Gumrukcu, who was convicted in March of murder-for-hire conspiracy in connection with the death of Gregory Davis of Vermont, led investors to discover not only that he had a criminal background, but also that he was not the licensed physician he held himself up to be, the suit alleged.

"The company touted him as the inventor of the drug products they were pursuing, cancer treatments and other things, and it turned out that this guy was not only a charlatan, he was very dangerous," Bauer said, recapping the suit's allegations. "He pretended to be a doctor. He went to people whose children were dying of diseases, promised them cures, took their money and never did anything."

In June 2024, Bauer argued against the defendants' motion to dismiss in court, and U.S. District Judge John W. Holcomb tossed the motion immediately after Bauer's arguments, commending Bauer for "excellent briefing and argument."

"Those moments where you make an argument, the judge agrees with your argument, and he tells you, right there on the spot, 'You won this argument,' they're few and far between, and they're very gratifying when they happen," Bauer said.

Why he's a securities lawyer:

When Bauer left Kirkland & Ellis LLP to join Bleichmar Fonti in 2020, he was primarily a white collar litigator, but he said the latter firm's robust securities practice piqued his interest. And he found that there was a lot of overlap between the two areas.

"I think what helped me with the transition most is that in the white collar space, especially when we're doing internal investigations, part of our job is to ask, 'Is there a fraud here?' That sort of investigation translates very easily from white collar to what we're doing here on the plaintiff's side."

Bauer said the practice is rewarding because for each case, he is tasked with learning about a new business, new technology or new industry. But also, he said he can feel like he's helping real everyday people. And as the son of a former police officer, he finds it gratifying to reap rewards for clients in public service.

"To hold wrongdoers at these companies accountable and to get recoveries for our clients and the classes at large is really important because these are the retirement plans and pension plans for public transportation workers or teachers or police officers or firefighters, real people and people who do service for the community,"

On the future of securities law:

Artificial intelligence is likely to impact Bauer's practice in the coming years, he said, noting that the widespread use of AI across major companies could generate more litigation around corporate wrongdoing.

"You're going to see companies using AI to draft their disclosures," Bauer said. "And who knows what kind of false and misleading statements are going to come out of AI writing disclosures for you? You're going to have frauds about how companies use AI because companies can deploy AI in many different ways, and sometimes they're more forthcoming about how they use it than other times."

But also, it's likely that more derivative lawsuits will come about as government enforcement wanes, Bauer said.

"If the plaintiffs' bar is the only institution holding companies and their officers and directors accountable for falsehoods in the market, especially when it's AI, I think maybe the number of cases are going to increase," Bauer said. "I think the sizes of cases are going to increase. There's going to be a lot of movement over the next 10 years."

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