Securities

Robinhood Asks Full Ninth Circuit to Hear IPO Disclosure Case

Sept. 15, 2025, 2:24 PM PDT

The full Ninth Circuit should consider Robinhood Markets Inc.'s arguments for dismissing an investor suit over revenue metrics before the trading platform's initial public offering, the company told the appeals court.

A three-judge panel's majority was wrong to revive the proposed class action, Robinhood said Sept. 12 in a petition to the US Court of Appeals for the Ninth Circuit. The panel's reasons conflicted with decisions of the US Supreme Court, the Ninth Circuit, and other circuits, Robinhood said.

Further, the decision raises issues of exceptional importance, the company said. "The panel's holding that public companies are required to disclose *all* material interim information if it relates in any way to a prior disclosure threatens to dismantle the existing periodic reporting system and poses significant risks to long-settled expectations and practices in U.S. capital markets," it said.

The case widens a circuit split on an important and recurring securities law question, attorneys have said in the wake of the Aug. 29 divided panel decision.

The panel's majority said information about declines in certain metrics merely needed to be "material" to prompt updated disclosures in registration and prospectus documents between regular quarterly reports. The US District Court for the Northern District of California incorrectly used a stricter standard from the First Circuit for the investors to meet, the two judges said. That standard "is not the law of this circuit," they said.

Judge Milan D. Smith Jr. and Judge Jed S. Rakoff of the Southern District of New York, who sat by designation, made up the panel's majority.

Judge Johnnie B. Rawlinson dissented in part, saying the court should have affirmed the dismissal of all the claims. "In light of Robinhood's significant disclosures regarding the panoply of risks it faced, there is simply no basis under our precedent for this litigation to proceed," she said.

Scott & Scott Attorneys at Law LLP, which represents the investors, declined to comment on the petition for rehearing en banc. Robinhood declined to comment beyond the filing but referred to its statement at the time of the panel decision saying that it looked forward “to demonstrating again that all claims should be dismissed.”

The petition was submitted by Cravath, Swaine & Moore LLP and Conrad Melitzky Kane LLP, representing Robinhood and members of its leadership, and Orrick, Herrington & Sutcliffe LLP, representing underwriters.

The case is Sodha v. Golubowski , 9th Cir., No. 24-1036, petition for rehearing en banc 9/12/25 .

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Goldman Sachs, Morgan Stanley defeat Archegos investors' insider trading appeals

reuters.com/legal/government/goldman-sachs-morgan-stanley-defeat-archegos-investors-insider-trading-appeals-2025-09-16

Jonathan Stempel September 16, 2025

A screen displays the the company logo for Goldman Sachs on the floor at the New York Stock Exchange (NYSE) in New York City, U.S., May 7, 2025. REUTERS/Brendan McDermid/File Photo Purchase Licensing Rights, opens new tab

- Wall Street banks not liable for alleged front running
- Investors sued over losses from Archegos' 2021 collapse
- Archegos founder Hwang appealing fraud conviction

NEW YORK, Sept 16 (Reuters) - Goldman Sachs (GS.N), opens new tab and Morgan Stanley (MS.N), opens new tab defeated appeals by investors who said the banks' market manipulation and insider trading fueled the March 2021 collapse of Archegos Capital Management, the $36 billion family office run by the since-convicted Bill Hwang.
In a 3-0 decision on Tuesday, the 2nd U.S. Circuit Court of Appeals in Manhattan said Archegos was not an insider that owed fiduciary duties to companies whose stocks it owned.

This meant Archegos did not make Goldman and Morgan Stanley liable for allegedly front running the market by tipping them about its impending collapse, the court said.

Goldman and Morgan Stanley were accused in seven lawsuits of using their knowledge of Archegos' illiquidity to dump billions of dollars of Hwang's favorite stocks including ViacomCBS, Discovery, and five Chinese companies such as Baidu .

Investors in those stocks said the Wall Street banks, which had been two of Archegos' prime brokers, should cover their losses because they knew Hwang could not meet margin calls and also had to sell.

Lawyers for the investors did not immediately respond to requests for comment. Goldman and Morgan Stanley declined to comment.

HWANG, FORMER ARCHEGOS CFO APPEALING CONVICTIONS

Archegos' collapse stemmed from Hwang's use of financial contracts known as total return swaps to build an estimated $160 billion of stock exposure.

The collapse also caused billions of dollars in losses for banks such as Credit Suisse, which was later bought by Swiss rival UBS (UBSG.S), opens new tab, and Japan's Nomura

Holdings (8604.T), opens new tab.

Writing for the appeals court, Circuit Judge Maria Araujo Kahn also said Goldman and Morgan Stanley did not agree to act in Archegos' best interest, and found no proof they tipped preferred clients about its travails.

Hwang and former Archegos chief financial officer Patrick Halligan were convicted of fraud in July 2024, and later sentenced to 18 years and eight years in prison, respectively.

Both are appealing and free on bail. Hwang created Archegos in 2013, after his Tiger Asia funds settled a U.S. Securities and Exchange Commission insider trading case the prior December.

In July, Goldman, Morgan Stanley and Wells Fargo (WFC.N), opens new tab agreed to pay a combined $120 million to settle a lawsuit by former ViacomCBS shareholders who said the banks hid conflicts of interest.

Tuesday's decision upheld a March 2024 dismissal by U.S. District Judge Jed Rakoff in Manhattan.

The cases are In re Archegos 20A Litigation, 2nd U.S. Circuit Court of Appeals, Nos. 24-1159, 24-1161, 24-1162, 24-1166, 24-1173, 24-1177 and 24-1178.

Reporting by Jonathan Stempel in New York; Editing by Matthew Lewis

Class Action

Manage Newsletters

Morgan Stanley, Goldman Prevail in Archegos-Tied Claims Appeal

Sept. 16, 2025, 8:27AM PDT

Summary by Bloomberg AI

AI Generated

- Morgan Stanley and Goldman Sachs Group Inc. escaped investors' insider trading claims tied to Archegos Capital Management's collapse.
- The US Court of Appeals for the Second Circuit said Archegos wasn't an insider of the public companies and didn't owe the companies a fiduciary duty.
- The investors' misappropriation theory fell short because the banks didn't owe fiduciary duties to Archegos as brokers dealing "at arms length".

Morgan Stanley and Goldman Sachs Group Inc. escaped investors' insider trading claims tied to Archegos Capital Management's $36 billion collapse in March 2021.

Archegos wasn't an insider of the public companies in which those investors held shares, the US Court of Appeals for the Second Circuit said Tuesday. Thus the firm didn't owe the companies a fiduciary duty, and the banks aren't liable under an insider trading theory of as the firm's "tippees.".

The investors' misappropriation theory fell short because as brokers dealing "at arms length," banks didn't owe fiduciary duties to Archegos, Judge Maria Araújo Kahn's opinion said. And the alternative misappropriation claim lacked factual allegations to boost a theory that Morgan Stanley and Goldman tipped preferred clients of Archegos' imminent failure.

At oral arguments in May, the judges noted the system by which Bill Hwang's private investment firm quietly amassed large positions in companies was perhaps uncomfortable. But they questioned how to weigh liability for the two banks that acted as two of Archegos' prime brokers given the Securities and Exchange Commission's allowance of total return swap arrangements.

Judges also pushed back on whether all controlling shareholders have the same fiduciary duties, even without information normally associated with insider trading such as gathered from being a company executive.

Investors in companies including ViacomCBS Inc. and Discovery Inc. that saw huge selloffs through Archegos' implosion asked the appellate panel to reverse the 2024 dismissal of seven suits, which said banks sold large blocks of shares after receiving inside information that Archegos was likely to fail.

Banks had hedged Archegos' swapped positions by buying shares of the underlying stock, the Wall Street banks' brief said. Goldman and Morgan Stanley said the district court rightfully struck the suits given the brokers were closing out a contractual relationship with a defaulting counterparty.

Attorney David W. Hall of San Francisco, on behalf of investors including plaintiff-appellant Alexander Shapovalov, argued Morgan Stanley and Goldman front ran the implosion of a market manipulation scheme they enabled. Archegos was a controlling shareholder for insider status given its beneficial ownership, he said, and the lower court misdefined material nonpublic information as just internal corporate information.

Charles S. Duggan of Davis Polk & Wardwell LLP argued on the banks' behalf that they were deceived by Archegos and had a contractual right to the provided information about the hedge fund's exposures and ability to pay debts. Archegos only knew of its own risks; it neither had internal company information nor owned the shares themselves for the total return swap arrangements to confer insider status, he said.

Judges Eunice C. Lee and Sarah A. L. Merriam joined the opinion.

The banks declined to comment.

Multiple firms in addition to Hall's represent investors from the dismissed proposed class actions. Hall didn't immediately respond to an email seeking comment. Davis Polk represents Morgan Stanley. Cleary Gottlieb Steen & Hamilton LLP represents Goldman.

The case is In re: Archegos 20A Litig. , 2d Cir., No. 24-1162, affirmed 9/16/25 .

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Securities

LG, Zenith Added to Alphonso Shareholders' Suit Over Board Fight

Sept. 15, 2025, 3:50 PM PDT

LG Electronics Inc., Zenith Electronics Inc., and some of their executives should be held financially responsible for already determined harm to data collection company Alphonso Inc., two of its founders and a former officer allege.

LG, its subsidiary Zenith, and individual defendants improperly removed three minority-appointed Alphonso directors in a bid to squeeze out minority stockholders at an unfair price "and siphon value from Alphonso to LG," Ashish Chordia and the two other plaintiffs say. Their amended complaint was filed publicly Sept. 12 in the Delaware Chancery Court.

The new filing builds on a case in which those investors and others already received a favorable ruling. Vice Chancellor Nathan A. Cook concluded in 2024 following a trial that an interim Alphonso CEO breached a clause in the founder-aligned stockholders' agreement stemming from their sale of their majority interest in the startup to LG, and restored some of their rights. The Delaware Supreme Court affirmed that judgment in March.

The wrongful conduct has continued since the trial, the investors say.

The investors bring claims for declaratory relief and breaches of fiduciary duty. They seek a finding of fiduciary breaches and damages.

LG didn't immediately respond to an emailed request for comment on behalf of itself and Zenith.

Ross Aronstam & Moritz LLP and Davis Polk & Wardwell LLP represent the plaintiffs.

The case is Chordia v. Lee , Del. Ch., No. 2023-0382, amended complaint publicly filed 9/12/25 .

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Securities

UBS, Lloyds Prevail in Libor Case As 2nd Cir. Affirms Dismissal

Sept. 15, 2025, 10:23 AM PDT

UBS Group AG, Royal Bank of Scotland, and several other banks escaped a yearslong lawsuit claiming they manipulated Libor interest rates, after the Second Circuit on Monday affirmed a lower court's ruling that the plaintiffs failed to allege injury.

The ruling by the US Court of Appeals for the Second Circuit puts to rest claims that the banks conspired to manipulate the Sterling London Interbank Offered Rate in violation of US antitrust law.

At issue is a benchmark that tracks the average competitive interest rate at which leading banks may borrow in pound sterling in London from other banks.

In 2015, Sonterra Capital Master Fund Ltd. and other derivatives trader plaintiffs sued the banks, claiming their conduct violated the Sherman Act and the Commodity Exchange Act. Cooperatieve Rabobank UA and Lloyds Banking Group Plc were also named defendants that were part of the appeal.

The Second Circuit concurred with the district court's determination that the plaintiffs lacked standing but took a "more direct road to the same result," in an opinion written by Judge Richard J. Sullivan.

"Because Plaintiffs have failed to allege actual injury under the Sherman Act or CEA, we affirm the judgment of the district court without reaching any other issue," he wrote.

Sullivan also said that even assuming that the banks successfully manipulated the official rate on a given day, "plaintiffs do not explain how that rate being lower or higher caused them to suffer financial harm under the terms of the particular derivative contracts they held."

Judges Dennis Jacobs and William J. Nardini joined Sullivan in the opinion.

The plaintiffs are represented by Lowery Dannenberg PC. Gibson, Dunn & Crutcher LLP represents UBS. Herbert Smith Freehills New York LLC represents Lloyds. Milbank LLP represents Rabobank. King & Spalding LLP.

The case is Sonterra Capital Master Fund Ltd. v. UBS AG , 2d Cir., No. 19-2979, 9/15/25 .

Class Action

Manage Newsletters

BrainStorm Cell Therapeutics Investors Advance FDA Feedback Suit

Sept. 16, 2025, 8:30 AM PDT

Summary by Bloomberg AI

AI Generated

- BrainStorm Cell Therapeutics Inc. must face shareholder allegations it misrepresented FDA feedback on its stem-cell treatment's clinical testing for a fatal neurodegenerative disease.
- Investors adequately alleged the company mischaracterized the regulator's views and the safety of its treatment, and that these representations would've mattered to reasonable investors.
- The court found that investors sufficiently alleged losses tied to the revelation of purported misstatements, but failed to sufficiently allege insider trading by CEO Chaim Lebovits and BrainStorm.

BrainStorm Cell Therapeutics Inc. must battle shareholder allegations it rosily touted FDA feedback on its stem-cell treatment's clinical testing for a fatal neurodegenerative disease before failing to get approval.

Executives' awareness of Food and Drug Administration feedback contradicting their public statements sufficiently bolstered an inference of recklessness for securities fraud claims, Judge Dale E. Ho said Monday. Investors adequately alleged the biopharmaceutical company misrepresented the regulator's views imparted to it regarding the design of its clinical trials of a treatment for amyotrophic lateral sclerosis and a statistical effect on its results.

The investors also satisfactorily pleaded BrainStorm mischaracterized a subgroup of patients with less advanced ALS as "pre-specified" and the safety of its treatment, the US District Court for the Southern District of New York judge said. They sufficiently alleged these representations would've mattered to reasonable investors.

And they adequately pleaded losses tied to the revelation of purported misstatements, despite BrainStorm's protest that stock drops were tied to the FDA's 2023 rejection of its NurOwn treatment.

"While it ultimately may be difficult to disentangle precisely how much of the decline in BrainStorm's share prices was due to the release of information revealing the misleading or false nature of these specific statements, the Court cannot conclude that Plaintiffs have failed to meet their relatively low burden of adequately alleging loss causation here," Ho said.

But the stockholders failed to sufficiently allege insider trading by CEO Chaim Lebovits and BrainStorm during the proposed class period, Ho said. BrainStorm had sold more than $73 million in stock through at-the-market offerings, and Lebovits off-loaded nearly $1 million worth of his own shares.

Ho trimmed other allegations about BrainStorm and its executives' interpretation of clinical data and NurOwn's approval prospects, finding them not actionable for being overly general and corporate puffery. Investors also didn't plausibly plead statements about biomarker data were misleading.

Stock Drops

The class would include those who got BrainStorm stock from Feb. 18, 2020, through Sept. 27, 2023.

BrainStorm's share price plummeted almost 48% on Sept. 25, 2023, the trading day after an FDA advisory committee released documentation saying survival time post-NurOwn was worse than a placebo in study, among other issues.

The stock price plunged another near 48% to close at $0.20 on Sept. 28, 2023, the day after the committee voted that there wasn't substantial evidence of NurOwn's effectiveness for treating ALS. That was the stock's steepest one-day drop in almost three years, according to data compiled by Bloomberg.

BrainStorm swiftly withdrew NurOwn's application.

The FDA cleared BrainStorm for another ALS trial this summer which the company said should generate enough data for a new application.

The Nasdaq delisted BrainStorm in July.

The Rosen Law Firm PA represents the investors. Goodwin Procter LLP represents BrainStorm, Lebovits, and former executives Stacy Lindborg and Ralph Kern. Lindborg remains on BrainStorm's board, and Kern's on its scientific advisory board. Neither law firm nor BrainStorm immediately responded to emails seeking comment.

The case is Sporn v. BrainStorm Cell Therapeutics Inc. , S.D.N.Y., No. 1:23-cv-09630, 9/15/25 .

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Profile | **Litigators**

'Nothing Is Ever Deleted': San Diego Attorney Brett Schreiber Reflects on Digital Evidence Behind Landmark Tesla Verdict

Schreiber, of Singleton Schreiber of San Diego, discusses his Florida upbringing, the Tesla case, and the future of technology-driven litigation.

September 16, 2025 at 11:46 AM By **Lisa Willis**

Brett Schreiber of Singleton Schreiber, lead trial counsel for plaintiffs Dillon Angulo & Naibel Benavides. Courtesy photo

This story was first published by the Daily Business Review.

Brett Schreiber, lead counsel at Singleton Schreiber in San Diego, has built a reputation as one of the nation's foremost trial lawyers in personal injury and wrongful death.

As head of the firm's practice group, Schreiber has secured numerous multimillion-dollar verdicts and settlements in cases ranging from automobile accidents and defective products to medical malpractice and dangerous roadways.

One of those cases brought him back to his native South Florida recently, landing him in the international legal spotlight in *Benavides v. Tesla* with a $243 million jury verdict for his clients.

It was a full-circle moment for the rising attorney.

“I grew up in the 305," Schreiber said, referencing the area code slang for the Miami area. "I was excited to have the opportunity to come back to Florida to try the case."

After Schreiber's opening and closing statements and all the evidence and testimony in between, the Florida federal jurors found Tesla 33% responsible for the 2019 crash that killed a 22-year-old woman and severely injured her boyfriend.

The Californian's journey began in Broward and Miami-Dade, where he grew up in a family steeped in public service. His father, Alan Schreiber, was the renowned Broward public defender who preceded Howard Finkelstein, who ruled the office in Miami for decades.

"He was a good kid. Funny and bright," Finkelstein recalls. "Just like his old man in that way."

Brett recalls, "When I was 4, when I was 8, when I was 12, when I was 16, we would go on the campaign show of South Florida politics. We spent our weekends during campaign season doing literature jobs, shaking hands and kissing babies and asking people to vote for my dad." Al Schreiber held office from 1977 to 2005 and was affectionately known as “Big Al” and “Bossman.” He died in 2021 at 77.

But as he matured, young Schreiber had other plans.

“If I stayed in South Florida, with my dad having been in elected office for nearly 30, 40 years at that point, I was going to be Al Schreiber’s kid—and there was nothing wrong with that," Brett Schreiber said. "But it was not the path I wanted to take.”

After earning his undergraduate degree at Florida State and working as a legislative intern and lobbyist in the Florida Senate, Schreiber set his sights westward for law school. He married his Nova High School prom date and packed the car. “We knew we wanted to go west. We both found programs that we could get into here and so we landed in San Diego 25 years ago and have never looked back,” he said.

A Rapid Rise in the Courtroom

Schreiber’s courtroom prowess was evident early. “I tried my first serious injury case to verdict in my second year of practice,” he noted. Before founding Singleton Schreiber, he was a partner at Thorsnes Bartolotta McGuire, a prominent San Diego plaintiffs firm. His diverse legal experience included serving as a legislative intern in the Florida Senate, working as a lobbyist, clerking with a boutique South Florida law firm concentrating on criminal defense, civil litigation and family law, and interning with the San Diego Public Defenders' Office.

Over the years, Schreiber has become known for taking on complex, high-stakes cases. “I was never just a run-of-the-mill car crash lawyer. Those cases are fine. I’ve handled them. But I was always drawn to cases that were a bit more challenging,” he explained.

Schreiber’s most recent—and perhaps most consequential—case, where he served as lead counsel, was a wrongful death lawsuit against Tesla, stemming from a 2019 crash involving the company’s Autopilot system that killed Naibel Benavides and injured Dillon Angulo in the Florida Keys. The Miami-Dade jury ruled in favor of the plaintiffs. The verdict is now under appeal.

To Schreiber, the case was about more than individual justice. “It wasn’t just about one person. It was truly an opportunity to push for safer products, for safer roads, really just to make safer communities,” he said.

Seeking Out Your Practice Specialty

Not long before he started his own firm, the attorney became very curious about the future of self-driving cars and the potential litigation it would lead to.

"It's interesting how we find areas of specialization, and also how marketing works in a very nonlinear way," Schreiber said. "It was actually 10 years ago I was intrigued by this idea of autonomous vehicles, when I read an article one day back in 2015, where it showed this Google car that had been pulled over in Menlo Park, and there was a cop standing outside the window holding his ticket book, and no one in the driver's seat. So it begs the question ... who's responsible? So I just started studying the issue more."

Schreiber said that led him to emphasize the importance of digital evidence in modern litigation: “The world is digitized, right? All of the data on these cars … It’s a computer talking to a computer. And what we’ve learned from that is nothing, nothing is ever deleted.”

Schreiber’s team uncovered that Tesla had withheld critical crash data for years. “We were able to show that Tesla had data on how and why the crash occurred for four and a half years, and yet they told us, they told federal investigators, they told [National Highway Traffic Safety Administration], they told the Florida Highway Patrol, they told the magistrate, the district court that they didn’t have it, and we were able to ultimately prove that was not true,” he recounted.

This led to what Schreiber believes is “probably one of the largest sanction awards levied in the history of the American civil justice system because of their withholding of data.” It was also the first Tesla lawsuit to make it to a jury.

Although Tesla CEO Elon Musk was not a party to the case, his influence loomed large, the attorney suggested. “I had never had the CEO of the manufacturer, outside live-tweeting and misrepresenting and overhyping what the vehicle could do,” Schreiber said, noting that Musk’s public persona was a significant factor during jury selection.

Advice for the Now and Next Generation

Schreiber went head-to-head and toe-to-toe with Tesla's legal machines. NLJ 500-ranked Bowman and Brooke tapped defense lead counsel Joel H. Smith out of South Carolina to lead the case.

Schreiber’s advice to Big Law is clear: “When you are dealing in the world, living in the world of digital evidence, which we all are, it is not something that you can ignore … you need to understand this stuff at a deep level if you’re going to do the work.”

Don't take no for an answer, he advised. "If you are a defense lawyer representing an entity that's developing these newer vehicles, which, again, are all just computers talking to each other, and someone tells you, 'Oh no, we don't have that data,' ask again. Dig deeper, ask harder questions, because chances are, it exists somewhere."

He said one of the reasons they got the result in Florida that they did was the story of the cover-up. "It was ultimately brought into evidence," Schreiber said.

Other advice for trial lawyers going up against Big Law firms is to develop a deep understanding of digital evidence: "Nothing is ever deleted,” and to always dig deeper when data is in question.

To young lawyers, he offered encouragement: “Trust your instincts … don’t ever give up. Don’t be afraid of failure, but be terrified of regret.”

News | Privacy

Disney Faces Onslaught of Children's Online Privacy Litigation, MDL Petition Following FTC Settlement

"As children spend increasingly more time on internet-connected devices, it is imperative for streaming companies which produce children's shows to abide by online and digital privacy laws," said Blake Yagman, a partner at Spiro Harrison & Nelson.

September 12, 2025 at 05:49 PM By **Kat Black**

What You Need to Know

- Just days after Disney reached a $10 million settlement with the FTC, the entertainment giant has been hit with at least five class actions accusing it of violating the Children's Online Privacy Protection Act.
- The lawsuits accuse Disney of illegally siphoning the personal data of children under the age of 13 through "kid-directed" video content published on YouTube.
- One of the plaintiffs is petitioning to consolidate the five actions in the Southern District of New York.

Credit: chrisdorney/Adobe Stock

The Walt Disney Company has been slammed with a wave of class actions targeting its alleged violations of children's digital privacy in the wake of its landmark $10 million settlement with the Federal Trade Commission, which accused the entertainment giant of breaching federal children's privacy laws by unlawfully collecting data from minors under the age of 13 from YouTube without parental consent.

At least five class action complaints against Disney were filed in California, Washington and New York federal courts between Sept. 5 and Sept. 11, just days after the settlement was announced on Sept. 2. The claims are backed by Spiro Harrison & Nelson; Morgan & Morgan and Milberg Coleman Bryson Phillips Grossman; Ahdoot & Wolfson; Emery|Reddy; and Lynch Carpenter.

Causes of action include violations of the Video Privacy Protection Act, the Federal Wiretap Act, the Pennsylvania Wiretap Act and the New York General Business Law; intrusion on seclusion; trespass to chattels; negligence; unjust enrichment; and invasion of privacy.

"Every child is afforded the most robust protection of their right to privacy," said Timothy Emery, a founding member of Emery|Reddy who is representing the plaintiffs in Seattle federal court, in an emailed statement.

"The law is unequivocally clear on this point."

The suits echo the FTC's allegations against Disney, which contended in a complaint filed by the U.S. Department of Justice that Disney flouted the Children's Online Privacy Protection Act (COPPA) of 1998 by failing to appropriately label "kid-directed" content it had uploaded to YouTube as "Made For Kids," which enabled Disney to illegally mine the personal data of minors for use in targeted advertising. All five complaints allege the same COPPA violations, though none have been brought under the federal statute.

COPPA, which tightened its restrictions in April, requires websites, apps and online services to obtain parents' and guardians' "verifiable" consent before collecting the personal information of children under the age of 13. YouTube has required content creators since 2019 to designate videos shared on the platform as "Made for Kids" or "Not Made for Kids" to comply with a settlement it reached with the FTC over similar COPPA claims.

"As children spend increasingly more time on internet-connected devices, it is imperative for streaming companies which produce children's shows to abide by online and digital privacy laws," said Blake Yagman, a partner at Spiro Harrison & Nelson who is representing the plaintiffs in a New York federal case, in an email.

"Because Disney is a household name synonymous with television programs made for minors, they, as much as any company, have a critical obligation to abide by protocols and safeguards intended to protect the data of children who stream and watch their programs."

Yagman said that he anticipates more lawsuits against Disney will follow on the heels of a petition to the Judicial Panel on Multidistrict Litigation, which was filed today. Plaintiff Ashley Popa, represented by Lynch Carpenter on behalf of her minor children, filed a motion to consolidate the five actions against Disney in the U.S. District Court for the Southern District of New York given that "all arise from the same unlawful invasion of privacy that captured the personal information of thousands (or millions) of children without their parents' consent."

The Walt Disney Company did not return an email seeking comment by press time.

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

Litigation

Manage Newsletters

EPA Effort to Roll Back PFAS Limits Decried as Assault on Health

Sept. 16, 2025, 2:30 AM PDT

Summary by Bloomberg AI

AI Generated

- The Trump administration's EPA is asking a court to partly vacate portions of a rule setting drinking water limits for four types of PFAS, which people living in contaminated neighborhoods say is "an assault" on their health.
- The EPA wants to void a mixtures limit and an enforceable limit on three of the four chemicals, citing flawed procedures during the rulemaking, but plans to support limits on two other PFAS chemicals.
- The move is supported by groups like the American Water Works Association and the Association of Metropolitan Water Agencies, but opposed by environmental organizations and community groups who say it will harm public health and benefit chemical manufacturers.

People living in neighborhoods contaminated by PFAS say they feel betrayed by the Trump administration's attempt to eliminate Biden-era drinking water limits for four types of the "forever chemicals."

"It's an assault, a full blown attack on our health," said Emily Donovan, co-founder of Clean Cape Fear, a volunteer grassroots community group in North Carolina that formed in 2017 after scientists documented the presence of per- and polyfluoroalkyl substances (PFAS) in drinking water drawn from the Cape Fear River.

"It feels like nothing short of a further assault on our communities," said Loreen Hackett, who lives in Hoosick Falls, N.Y., where PFAS and other chemicals released by a plastics plant created a Superfund site.

Both individuals reacted to a motion the Environmental Protection Agency submitted Sept. 11 to the US Court of Appeals for the District of Columbia Circuit asking it to partly vacate portions of the nation's first-ever rule setting drinking water limits for PFAS.

The EPA asked the court to void a novel mixtures limit the rule included that required water systems to use a unitless "hazard index" to determine whether combinations of four PFAS were too risky. The four are perfluorononanoic acid (PFNA), perfluorohexane sulfonic acid (PFHxS), hexafluoropropylene oxide dimer acid (HFPO-DA), which is commonly called "GenX," and perfluorobutanesulfonic acid (PFBS).

The agency also asked the court to vacate an enforceable 10 parts per trillion (ppt) limit the EPA set on three of those four chemicals: PFNA, PFHxS, and HFPO-DA.

The EPA's motion, however, told the court it plans to support its decision to set enforceable limits on perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS) because the agency's actions "adhered to the statute's requirements."

Flawed Procedures

Procedural errors the EPA made during the rulemaking justify vacatur, the agency told the court.

The Chemours Co., which makes HFPO-DA, the American Water Works Association (AWWA), and the Association of Metropolitan Water Agencies (AMWA), all of which are challenging the EPA's regulation in court, issued statements supporting the EPA's goal of protecting people from potentially harmful levels of PFAS in drinking water.

The agency was right, however, to point to its own flawed rulemaking procedures as justifying nullification of the portions of the rule, they said.

"The introduction of a complicated Hazard Index calculation, along with reduced opportunities for public comment, strayed" from the rigorous, Congressionally-mandated requirements of the Safe Drinking Water Act, said AWWA and AMWA in a statement. The groups represent water utilities that would be tasked under the rule with ensuring PFAS is removed from the water supply, which they've warned would be costly and burdensome.

If the court grants the motion, "EPA's request will reopen the opportunity for meaningful public input and ultimately lead to a more scientifically defensible final rule," the two water groups said.

"There's substantial evidence showing that EPA, under the previous administration, used flawed science and improper rulemaking procedures in setting its drinking water limits for HFPO-DA," said Chemours, the sole US producer of that chemical. "These concerns were raised by multiple entities, including EPA's own Science Advisory Board."

The Science Advisory Board's report, issued in 2022, praised many of the scientific choices and methods the EPA proposed to use to underpin its regulation. But, the board also urged the EPA to correct methodological flaws, inconsistencies, and other problems.

Health Benefits

The final rule would reduce exposure to PFAS, offering up to 105 million US residents $1.5 billion in annual benefits from “fewer cancers, lower incidence of heart attacks and strokes, and fewer birth weight-related deaths,” the EPA estimated in 2024.

The Safe Drinking Water Act forbids the EPA from weakening any drinking water standard once it’s been set, said Earthjustice and the Natural Resources Defense Council in a joint statement.

“In essence, EPA is asking the court to do what EPA itself is not allowed to do,” said the two organizations that intervened in the litigation to support the agency’s regulation.

EPA’s motion appears to be “a desperate grasp at procedural straws” to attack safeguards communities fought to receive for years, said Hackett. Tests have shown her blood levels of PFHxS exceed the national average, and she’s convinced there’s a link between the PFAS in water she drank for decades and the breast cancer she has fought.

The EPA’s action have nothing to do with the word “protection” in its name, Hackett said. “Given the choice, would you let your children drink toxins?”

Unlike PFOA and PFOS, which are no longer produced in the US, GenX remains commercially relevant, with Chemours trying to increase its production, said Donovan, referring to an air emissions permit the company has requested and recently modified. Eliminating drinking water limits for that chemical “doesn’t benefit anyone except chemical manufacturer and other PFAS polluters,” she said.

Yet she hasn’t lost hope. The court may reject the EPA’s motion, Donovan said. “Justice has a long arch; we know we will prevail.”

The case is Am. Water Works Ass’n v. EPA , D.C. Cir., 24-01188, EPA’s Motion Filed, 9/11/25 .

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Securities

Deep Dive

Push to End Quarterly Reports Points to Waning Investor Clout

Sept. 16, 2025, 2:00 AM PDT

A renewed drive to end quarterly reporting would potentially save public companies time and money—but investors worry such a shift would worsen an increasingly opaque environment characterized by dwindling shareholder power.

The Long-Term Stock Exchange, a national securities exchange that launched in 2020, plans to petition the Securities and Exchange Commission in the next couple of weeks to bring public company fiscal reporting requirements down to twice a year, said Bill Harts, LTSE's chief executive officer.

The semiannual reporting initiative—which became an SEC priority after President Donald Trump backed itin a social media post Monday—is seen as a way for companies to focus on long-term value instead of short-term results. But fewer reports could starve info-hungry investors who are already battling pro-business initiatives on multiple fronts.

An SEC spokesman said the agency "is prioritizing this proposal to further eliminate unnecessary regulatory burdens on companies." To change the current schedule, the agency would likely undertake a rulemaking process, which includes a formal proposal and public comment period.

The agency has already taken deregulatory steps this year and recently included a proposal to "rationalize disclosure practices" in its regulatory agenda.

If implemented, a six-month schedule would cut costs and save time for publicly traded companies, especially smaller ones, and give more private companies the confidence to join their ranks, Harts said. But Meagan Reda, a partner at Olshan Frome Wolosky LLP who represents activist investors, says the accountability and transparency risks aren't worth the payoff.

Tariff impacts have started showing up in company filings, and general inflation is still a concern. Shareholders need more information right now, not less, Reda said.

"In quote-unquote normal items, there might be a rational discussion of the pros and cons," said Bruce Herbert, founder and chief executive of ESG wealth manager Newground Social Investment. "But in this environment," it's harder to rationalize, he said.

Investors Praise Quarterly Data

A shift to semi-annual reporting would curtail investor access to corporate information at a time activists are already worried about weakened power.

A pro-business SEC in Trump's second term has already withdrawn more than a dozen proposed rules, including one that would have strengthened ESG disclosures, and released guidance making it easier for companies to exclude certain shareholder proposals from proxy ballots. On Monday, the agency also backed ExxonMobil Corp.'s effort to hamstring activist investors by enlisting more retail investors to vote in line with leadership's recommendations.

The fight over how much say shareholders should have is playing out in Congress, where the House Financial Services Committee is eyeing legislation to lessen shareholders' influence over companies, especially when it comes to ESG.

Many financial modeling tools, which are used to create a full picture of a company's performance and help investors make decisions, use quarterly data, Newground's Herbert said.

"Quarterly data is much more consistent and accurate over time than larger gaps because too much can happen in the meantime," he said.

Companies would also likely keep tracking quarterly data internally—it just wouldn't be available to shareholders, Herbert said.

When the first Trump administration was considering moving toward semiannual reporting, institutional investors like BlackRock Inc. argued in favor of keeping quarterly requirements.

"We believe the potential loss in transparency and timely availability of information to investors would outweigh the potential benefits," BlackRock said in comments to the SEC.

California pension fund CalPERS, the Council of Institutional Investors, and the International Corporate Governance Network expressed similar views.

Another "big three" institutional investor, State Street Investment Management, said in SEC comments that quarterly reporting protected investors, but that the requirements should be streamlined to preserve company resources.

Black Rock and State Street did not immediately respond to comment requests.

Companies Pushed for Reform

Public company listings have fallen by 50% since the 1990s, according to Columbia Business School research. This is partly because the overhead costs associated with going public—a large part of which is reporting—are too high, Harts said.

“It turns out that biannual reporting can be better not only for the companies but for investors as well” because it gives time for more complete information, he said.

Companies also wouldn’t have to report less frequently. A rule change would just give them the option.

When a similar rule change was on the table in 2019, companies that participated in the public comment period gave mixed feedback.

FedEx Corp., for one, said quarterly reporting allows stockholders to reliably evaluate performance. At the same time, it said, requirements have grown more complex, so there are opportunities to cut them down.

Quarterly reports, or 10-Qs, also aren’t the primary source for investor decision-making, Ball Corp. said in comments to the SEC around the same time.

“The cycle of preparing quarterly 10-Q filings is time-consuming, costly and distracts management from activities that would generate returns for investors,” Ball wrote. “Moving to semi-annual filings would help balance the benefit with the cost of preparing such filings.”

FedEx and Ball did not immediately respond to comment requests.

The financial cost of quarterly reporting isn’t the only concern for companies. Less information could actually hurt them long-term, said David Becher, a fellow at Drexel University’s Raj & Kamla Gupta Governance Institute.

Financial models would be less calibrated without frequent data, so companies’ volatility could spike, he said. That could mean a host of consequences.

“If I’m lending to you, yes, I’m a little more uncertain, so I want a risk premium,” Becher said of lenders.

The New York Stock Exchange, the world’s largest stock exchange, fell somewhere in the middle in 2019 comments to the SEC.

The exchange reviews quarterly reporting to monitor compliance—but practices could be changed to support semiannual reporting instead, it said.

“Investors need transparency, while the issuer side needs disclosure standards that focus on material information and are not unduly burdensome,” the exchange said. “These two needs are not in opposition.”

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Securities

Opinion

Earnings Reports Don't Need to Be Quarterly: Allison Schrager

Sept. 16, 2025, 3:00 AM PDT

Once again, the president is questioning what purpose is served by publicly traded companies issuing quarterly earnings reports. Not only did Donald Trump raise this issue back in 2018 — so did Barack Obama in 2015.

Which just goes to show that the arguments against quarterly financial reports are neither crazy nor new. It was not until 1970 that the US Securities and Exchange Commission required quarterly reporting, and it has not been required in the UK since 2014.

I have argued that more transparency is generally better. A more frequent flow of information can lead to fewer surprises, less market volatility and a lower cost of capital. It also leaves less room for fraud and other financial shenanigans.

But there is a cost to transparency. Proponents of semiannual reporting (often corporate CEOs) argue that if would encourage firms to be more long-term in their thinking and strategy. If so, there is little evidence for it. Long-term investing requires thinking years ahead. Would releasing financial results and guidance just twice a year instead of four times make that big a difference?

There is a natural experiment in the UK, which went from semiannual to quarterly reporting in 2007, and then back to semiannual in 2014. A CFA study found no big changes in capital expenditures or research and development with either switch. Another study found no evidence of more long-term thinking from more frequent reporting. And it's worth noting that even though they are allowed to issue semiannual financial reports, 90% of UK companies continued to report quarterly.

The CFA report did find that smaller firms were more likely to report semiannually after 2014. Less frequent reporting would be the big benefit for them. In 2016, audit costs alone (includes quarterly and annual reporting) accounted for 0.05% of revenue of large firms and 0.33% for small firms. Most of that cost is the annual report, which firms would still have to produce, but these are only audit costs. There is also the time senior staff must devote to the reports and earnings calls, which is a larger drain on firms with fewer employees.

One of the issues facing US markets in the last several decades has been the decline in initial public offerings. There are several reasons for the drop, including a change in market structure that favors acquisition over going public, the stunning growth of private markets, and increased compliance costs with regulations that were added following the Enron bankruptcy and the financial crisis.

It's not that ditching quarterly reports could by itself revive the IPO market. But it wouldn't hurt. Things may only be getting worse for smaller companies, which will struggle to raise capital in a higher-rate environment and a more challenging private equity market, even as tariffs eat into their profits.

Letting small firms report semiannually would be some relief. The SEC could theoretically let only small firms report less frequently — but based on the UK experience, introducing this sort of distortion is probably unnecessary. Bigger firms will probably still report quarterly, either to ensure analyst coverage or because they worry that semiannual reporting would be a bad signal to markets.

One of the supposed drawbacks of semiannual reporting is that it will hurt the retail investor, because institutional investors rely on other data, some of it proprietary, and will continue to get the information they need. But most US households are in the market through mutual funds; only 20% even buy individual stocks. And if less frequent reporting entices more small firms to go public, retail investors would benefit — they would have access to growing companies normally available only in the private market.

A few years ago, I might have argued that moving to semiannual reporting was a net negative, mainly because it would reduce transparency. But the current (and likely future) financial environment is challenging for small firms, and private markets are too opaque. In that context, if less frequent reporting lures some private companies into public markets, then it could help both businesses and investors alike.

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Securities

SEC 'Prioritizing' Trump's Push to Cull Quarterly Reporting (2)

Sept. 15, 2025, 5:50 PM PDT

Wall Street's main regulator said it is "prioritizing" a proposal from Donald Trump to reduce the frequency of corporate earnings reports, after the president again stepped into a long-running debate over transparency in American capitalism.

The Securities and Exchange Commission said in a statement it is pursuing a proposal to "further eliminate unnecessary regulatory burdens on companies." The move followed a social media post by Trump earlier Monday calling for an end to the quarterly reports that companies issue to share financial results with investors.

The SEC mandated for companies to report quarterly in 1970, part of its decades-long push to increase transparency following the stock market crash in 1929. For investors and executives alike, the future of quarterly reporting could reshape incentives in the world's biggest equity market — determining whether US companies stay chained to the clock or win more freedom to focus on the long game.

"Subject to SEC Approval, Companies and Corporations should no longer be forced to "Report" on a quarterly basis (Quarterly Reporting!), but rather to Report on a 'Six (6) Month Basis,'" Trump said on social media. "This will save money, and allow managers to focus on properly running their companies."

Shifting away from quarterly reporting "seems like a gigantic step backward," said **Nell Minow**, chair of ValueEdge Advisors, which consults institutional investors on corporate governance issues. US markets have stayed so robust because this level of transparency boosts trust, she said.

But critics have argued that such reporting has its downsides. The practice increases costs, pushes companies to focus on the short-term — hampering investment and innovation — and can lead to overreactions by investors, opponents say.

Whether Trump's intervention sparks serious regulatory change remains to be seen, but his comments throw fresh political fuel on a debate that goes to the heart of how the US measures corporate performance.

After Trump's comments in 2018, the agency asked for public comment on quarterly reporting, but didn't finalize a change to requirements.

Read More: Wall Street Raises Alarm on Trump Push to End Quarterly Earnings

Adena Friedman, Nasdaq Inc.'s chair and chief executive officer, said the exchange supported reforms to reduce the burden on public companies, including giving firms the option to report either quarterly or semi-annually, according to a statement on LinkedIn. The exchange proposed companies having the option to do semi-annual reporting in a policy paper earlier this year.

Trump compared the US reporting process to China's, suggesting that Beijing had a system in place that was more efficient and cost-effective for businesses in that country.

In Europe, most firms are only mandated to report every six months, but many still file quarterly results for several reasons, including investor expectations.

Supporters of quarterly reporting say it's necessary to keep investors informed and reduces the chances of market manipulation.

"Companies spend far too much time on the churn of quarterly reporting," said **Matt Powell**, a longtime sports industry analyst and current senior adviser for BCE Consulting. "On the other hand, you need to balance that with investors having enough good information to make intelligent decisions."

'Misses Get Bigger'

Shifting to reporting every six months could also boost uncertainty and volatility on earnings results.

"While the goal would be to get investors and companies to become more long-term focused, it would increase uncertainty in the equity market and could lead to a lowering of valuations," said **Brian Nick**, head of portfolio strategy at Newedge Wealth. "Earnings season moves could also be larger as misses get bigger and more consequential."

SEC Chairman **Paul Atkins** has been a frequent critic of disclosures that many companies view as overly burdensome without providing significant benefit to shareholders.

The agency included a possible proposal on its recently-issued regulatory agenda to "rationalize disclosure practices" — a potentially wide-ranging topic that could eventually encompass a number of measures.

(Updates with additional details throughout.)

--With assistance from **Natalia Kniazhevich**, **Nicola M White** and **Phil Kuntz**.

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Securities

Bitcoin Fans Slam Billion-Dollar Rush for Altcoin Balance Sheets

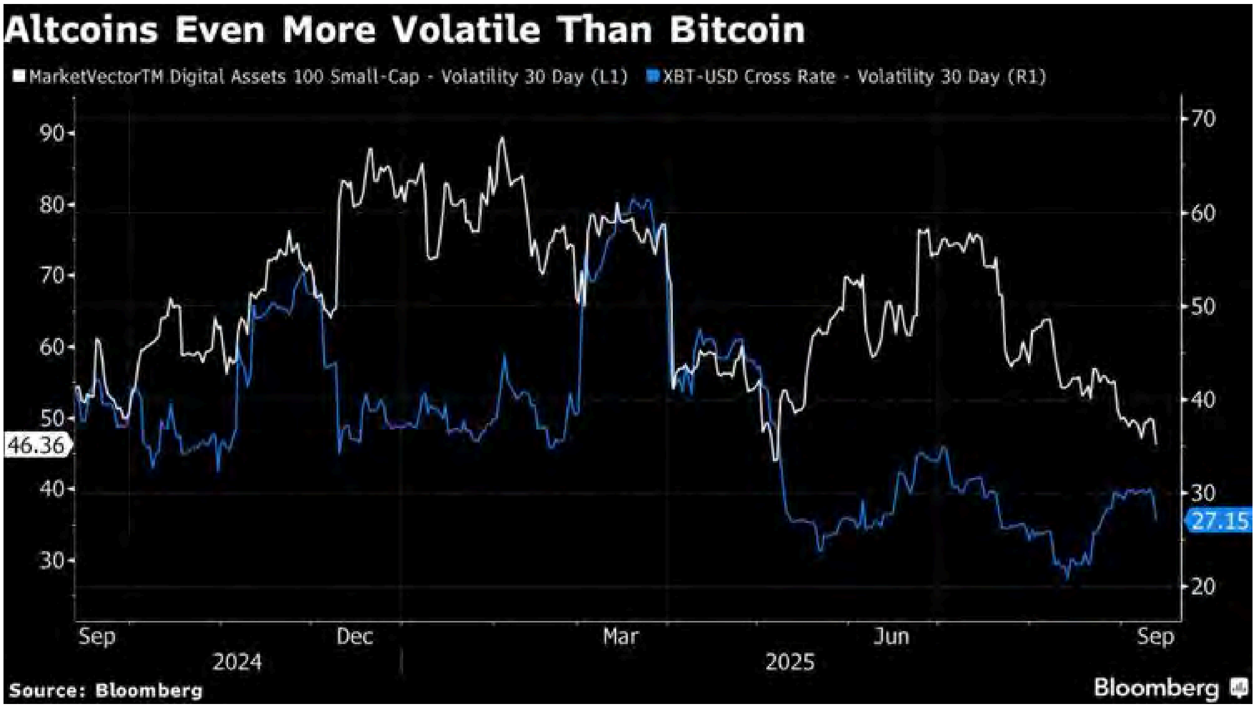
Sept. 15, 2025, 11:41 AM PDT

A long-simmering clash between Bitcoin purists and altcoin advocates is reaching a high-stakes battleground: the corporate-treasury boom.

As companies load unprecedented sums of digital assets onto their balance sheets, the debate over which tokens belong — and why — is playing out through equity markets, with real capital now on the line.

The collision centers on two competing visions of how value should be stored and grown. On one side are the Bitcoin maximalists: firms built on the idea that a hard supply cap and ideological purity make Bitcoin the only legitimate treasury asset. On the other are altcoin challengers, offering portfolios built around yield-generating tokens like Ether and Solana — and promoting an investment case premised on dynamic returns.

This time around, altcoin prices are rallying and the clash has real capital at stake as institutional money flows into the strategies — challenging the notion that Bitcoin is the only crypto asset that belongs on the balance sheet. On Monday, Pantera Capital announced it closed $500 million in funding for another Solana-backed digital asset treasury, called Helius.



“Bitcoin offers stability and simplicity. Altcoins offer utility, diversification, and innovation,” said Sam Tabar, CEO of Bit Digital, a $544 million Ether treasury firm. “The smart strategy is blending both — Bitcoin for resilience, altcoins for growth.”

There will never be more than 21 million Bitcoin in circulation, a much-vaunted hard cap that proponents use to position the token as a kind of digital gold. Some of the largest altcoins, including Ether and Solana, are not subject to such limits. That’s become an attack vector for Bitcoin maxis.

Another is volatility. While Bitcoin itself is no stranger to wild price swings, altcoins are a different ball game entirely.

“Ethereum makes for a horrible asset for a treasury company,” said **Matt Cole**, chief executive officer of Strive Inc., during a panel at the Bitcoin Asia conference in Hong Kong late last month. Strive is a Bitcoin treasury company formed through the recent merger of Asset Entities and **Vivek Ramaswamy**’s Strive Enterprises.

Read more: Michael Saylor’s Model Shows Cracks as Crypto-Stock Losses Mount

Some of the biggest names in investing see things differently. Already, more than $16 billion in Ether has been squirreled away by digital asset treasury companies — or “DATs” — including BitMine Immersion Technologies and SharpLink Gaming, according to data compiled by EthereumTreasuries.net. Billionaire tech investor **Peter Thiel** has taken sizable stakes in two of those firms. Billions more have been stockpiled by Solana buyers.

The numbers pale in comparison to Bitcoin treasuries, with about 190 public companies already hold more than $116 billion, according to BitcoinTreasuries.net. But the shift is notable. A growing number of investors now see value in strategies that break with the Bitcoin-centric model pioneered by Strategy Inc.'s **Michael Saylor**.

That growth, in theory, comes in the form of yield derived from crypto-centric tactics such as staking, restaking and lending. Altcoins are better suited to producing yield, some argue, because they can be deployed in a variety of exotic trades in decentralized finance markets. Generally speaking, Bitcoin cannot.

"The success of a DAT boils down to its ability to generate yield," said **Cosmo Jiang**, general partner at Pantera. "A Solana treasury is fundamentally more compelling and more able to sustain a premium over time."

Karl Naïm, chief commercial officer of XBTO, thinks Bitcoin buyers will also need to find creative ways to eke returns out of their holdings — by issuing bonds or preferred instruments, for example. "Bitcoin treasury companies have enjoyed a period where simply buying and holding was enough to generate market enthusiasm and justify lofty valuations," he said. "That moment has passed."

Pressure Mounts

Bitcoin and altcoin treasury stocks recorded stunning gains earlier in 2025, but both categories are now under pressure as their momentum fades. Japanese hotelier-turned-Bitcoin-proxy Metaplanet Inc. is a case in point: after a spectacular rise, its shares have retreated about 70% from a mid-June high.

In the altcoin space, ALT5 Sigma Corp., which holds the WLFI token issued by Trump-linked World Liberty Financial Inc., is down about 50% in just over a week. Thiel-backed biotechnology turned-Ethereum-treasury company ETHZilla is down nearly 68% since launch.

Regardless of the token, the past few months will go down in history as "DAT summer," according to Christopher Perkins, president of investment firm CoinFund LLC. "Every DAT is different, every token is different," he added. "Anytime you generate yield, there's a risk but there's also opportunity."

The question is whether a flight to perceived quality in the next market downturn will hit altcoins in its wake.

"Altcoins tend to suffer very badly in the bear market," said Adam Back, co-founder of blockchain infrastructure provider Blockstream Corp., in an interview at the Hong Kong conference. Back is a renowned Bitcoin bull who also heads a treasury firm focused on the token.

Most altcoins ultimately go to zero, according to Back. "And if that happens to a treasury company, it's just going to be a fat failure."

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Tesla Doors Probed by US Regulator After Trapping Occupants

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bloomberglaw.com/bloombergterminalnews/bloomberg-terminal-news/T2OOV7GOYMTO

Richard Clough September 16, 2025

US auto safety regulators are probing whether Tesla Inc. door handles are defective, scrutinizing an approach the company has taken with millions of vehicles sold for more than a decade.

The National Highway Traffic Safety Administration disclosed Tuesday that it's evaluating electrically powered doors becoming inoperative on the 2021 Model Y. While the population of cars is limited — an estimated 174,290 vehicles — the regulator said it's assessing the scope and severity of this condition, and suggested its probe could be expanded.

"This investigation will also assess the approach used by Tesla to supply power to the door locks and the reliability of the applicable power supplies," NHTSA said in a document posted on its website. Every Tesla on the US market has electrically powered doors, according to the company's owner manuals.

The probe comes days after a Bloomberg News investigation uncovered a series of incidents in which people were injured or died after they were unable to open doors when Teslas lost power, particularly after crashes. NHTSA has received more than 140 consumer complaints related to doors on various Tesla models getting stuck, not opening or otherwise malfunctioning since 2018, Bloomberg found.

Read More: Tesla Doors Can Trap People Desperate to Escape

Of the vehicle owners' complaints Bloomberg identified, seven were among the nine "failure reports" that NHTSA cited in initiating its probe. The agency is specifically zeroing in on the issue of doors becoming inoperative due to insufficient power supply from low-voltage batteries. In several cases, parents told the regulator they were unable to reopen the doors of their Tesla to retrieve a child from the back seat, or to place a child in the back seat.

"Entrapment in a vehicle is particularly concerning in emergency situations, such as when children are entrapped in a hot vehicle," NHTSA said.

Further Action

For now, the agency said it's focusing on the operability of electric door locks from outside the vehicle, since there's no way to manually open Tesla vehicles' doors in this circumstance. But the regulator said it's also on the lookout for incidents where occupants have trouble getting out of Teslas using the company's manual releases.

"The agency will continue to monitor any reports of entrapment involving opening doors from inside of the vehicle" and will "take further action as needed," NHTSA said.

The door issues are of growing concern among auto-safety advocates and have drawn the attention of regulators outside the US. While Tesla was early in popularizing flush-to-the-door handles that are electrically powered, many car manufacturers have adopted similar designs. Critics have said this can complicate rescue efforts and puts the onus on passengers to find manual release latches they're not accustomed to using.

Tesla didn't immediately respond Tuesday to a request for comment on NHTSA's probe. During an interview last week, Tesla chair Robyn Denholm declined to comment on Bloomberg's investigation into the door handles, beyond saying that the board "takes seriously" any safety incidents.

Breaking Windows

NHTSA noted that while Tesla's vehicles have manual releases inside, "a child may not be able to access or operate the releases even if the vehicle's driver is aware of them." In some instances, owners told the agency they resorted to breaking a window to get back into their vehicle.

"It's good to see that NHTSA is probing this serious issue," said Rosemary Shahan, president of the Sacramento, California-based Consumers for Auto Reliability and Safety. "No one should have to resort to breaking the windows to get into their own car when their child or pet is trapped inside because the door handles fail to work."

Owners of other Teslas beyond the 2021 Model Y have registered similar complaints with NHTSA about doors no longer working after low-voltage battery failures. Bloomberg found reports along these lines associated with a 2012 Model S, a 2023 Model 3, and 2020, 2022 and 2023 Model Ys.

Bloomberg also reported last week on an incident involving a low-voltage battery failure leading to a child being trapped in the back seat of a Model 3. The mother of a roughly 18-month-old girl described buckling her daughter into the car, then spending a frantic roughly two hours getting her daughter out with the help of police. The mother didn't register a complaint with NHTSA.

In response to Bloomberg's investigation published Sept. 10, NHTSA said it was aware of incidents cited in the article, as well as complaints about Tesla's doors entered in its database.

China Scrutiny

Electrically powered doors already have come under greater scrutiny in China, where a top regulator is reportedly considering a ban on fully concealed door handles. Europe also has taken incremental measures to improve post-crash rescue and extrication protocols.

Part of the problem has been that crash tests are designed to measure impact survivability, not whether occupants can quickly get out of vehicles afterward. Issues with egress can be particularly challenging for people with disabilities, pets, young children or elderly occupants.

The latest NHTSA action focuses on “a very narrow segment of Tesla vehicles” and doesn’t adequately address issues faced by occupants inside, said Michael Brooks, executive director of the Center for Auto Safety, a Washington-based advocacy group. He called on the agency to propose rules to ensure manual releases are in standardized, easy-to-find locations.

“The fact that manual release locations are noted in the owner’s manual is not sufficient to advise passengers or ride-share occupants, who do not have a chance to read the manual when a fire or other emergency circumstance is in progress,” Brooks said in an email.

The new NHTSA investigation adds to other active inquiries targeting Tesla, including a probe of whether its Full Self-Driving system is defective following multiple crashes. Another is assessing the effectiveness of a Tesla software update that aimed to make its driver-assistance system Autopilot safer.

Electric vehicles

US car safety regulators launch Tesla Model Y door handle investigation

NHTSA evaluation follows complaints from parents whose children were trapped inside locked car

The safety regulator will look into more than 174,000 vehicles of the 2021 Model Y to examine 'the operability of the electronic door locks' from outside of the car © Qilai Shen/Bloomberg

Kana Inagaki in London

Published 4 HOURS AGO | Updated 09:22

US car safety regulators have opened an investigation into the door handles of Tesla's flagship Model Y model following complaints that children were trapped inside the car after parents were unable to unlock the doors.

The National Highway Traffic Safety Administration said on Tuesday that its preliminary evaluation would look into more than 174,000 vehicles of the 2021 Model Y to examine "the operability of the electronic door locks" from outside of the car when the EVs fail to receive enough power.

"Entrapment in a vehicle is particularly concerning in emergency situations, such as when children are trapped in a hot vehicle," the agency said. It added that it would "take further action as needed" as it monitors any additional reports of entrapment.

According to its review so far, the NHTSA said the incidents seem to occur when the electronic door locks do not receive enough voltage from the vehicle.

The probe was triggered following nine reports from vehicle owners who said they were not able to open the doors to their Model Y. The most commonly reported problem involved parents not being able to reopen a door to remove a child from the back seat after stepping outside the vehicle.

The owner manual outlines ways to restore power to the electronic door locks so they can be operated from outside the vehicle. But the agency said the incidents suggested the process was not well known to owners.

The company introduced the electronic door locks in the Model S, which was launched in 2012, pioneering a new design that blends in with the vehicle's exterior design, but has also raised safety questions.

Tesla was not immediately available for comment.

The company has released a new version of its bestselling Model Y this year as it hopes to revive sales, which have been hit by increasing competition from newer Chinese players as well as a consumer backlash to chief executive Elon Musk's political activism.

It is also facing multiple NHTSA probes into Musk's claims about the capabilities of its driver-assistance systems, which are the subject of thousands of customer complaints about unexpected braking and acceleration.

In March, the company also recalled more than 46,000 Cybertrucks in the US to replace an exterior panel that could fall off while driving.

Musk has increasingly shifted the group's focus from car making to self-driving robotaxis and artificial intelligence.

But Tesla also needs to sell 12mn more electric vehicles along with a series of other formidable targets for the billionaire entrepreneur to receive a newly proposed pay package worth $1tn over the next decade.

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Kana Inagaki

News from Bloomberg Terminal

Ex-Wirecard Exec Found in Moscow With Spy Links, Reports Say

Sept. 16, 2025, 11:05 AM PDT

By Tim Loh

(Bloomberg) --

Former Wirecard AG executive Jan Marsalek is living in Moscow and seems to be working with Russian intelligence services, according to a joint investigation by a consortium of media organizations.

Marsalek is being protected by Russian authorities and has been unreachable for Western investigators, according to the reports from news outlets including Der Spiegel and ZDF Frontal.

The probe features recent photos of Marsalek in Moscow, cellphone location and other data and pictures of what appears to be a new passport with an assumed name. The other media companies involved include Russian investigative site The Insider, Austria's Der Standard and PBS Frontline.

Marsalek was one of the key figures behind Wirecard's spectacular downfall five years ago, when the firm admitted that €1.9 billion ($2.3 billion) it had reported as assets may have never existed. He fled when the scandal became public and was believed to be hiding in Russia or Belarus.

Marsalek's lawyer, Frank Eckstein, didn't immediately respond to emailed requests for comment.

--With assistance from Karin Matussek.

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Shoe Brand Vans' Turnaround Turmoil Sparks Investor Suit

By **Sydney Price**

Law360 (September 15, 2025, 8:58 PM EDT) -- Outdoor apparel company V.F. Corp. has been hit with a proposed securities class action accusing it of misleading investors about the progress it made on a corporate turnaround strategy intended to return its shoe brand Vans to positive growth.

According to the **complaint filed Friday** by shareholder Sharon Brenton, VFC's largest brands are Vans, The North Face, Timberland, and Dickies. VFC announced its "Reinvent" strategy in 2023, to, among other things, attempt to revive the struggling Vans brand, the suit states. But, almost two years after it announced the plan, VFC said Vans had experienced significant growth deceleration and signaled the sales decline would continue in the subsequent quarters, according to the complaint.

The suit's proposed class period begins Oct. 30, 2023, the day VFC announced "Reinvent," a four-prong plan to improve its North American business, according to the complaint. The company had told investors it will take time for the initiatives to take full effect, but that it expected to make progress "beginning quickly."

For the next several quarters, VFC stated it was "encouraged" by the progress it was making on its turnaround strategy, Brenton said. For example, on Oct. 28, 2024, VFC said Vans' overall performance was down 11% year-over-year, an improvement from being down 21% in the previous quarter, and that the benefits of the inventory cleanup actions were starting to positively affect profitability.

Then, on May 21, 2025, VFC announced Vans was performing below expectations. On that day, VFC told investors Vans' overall performance was down 20% year-over-year in the fourth fiscal quarter after being down 8% in the prior quarter, according to the suit. The company attributed the results to low traffic at its stores and websites, and it said that challenges could continue into subsequent quarters, according to the complaint.

Brenton alleged the statements VFC and its executives made on May 21 contradict the statements made in other investor calls during the proposed class period.

"Defendants' statements included, among other things, confidence in the company's plans to rebuild the Vans brand including reportedly positive results from a significant inventory reset in early 2024, the appointment of a new Vans president, and a myriad of new product launches and go-to-market strategies, by highlighting sequential revenue growth in the Vans brand," Brenton said.

Analysts reacted swiftly and negatively to the news, and VFC's shares fell approximately $2.28 each, or about 16%, to close at $12.15 on May 21, according to the complaint

In addition to VFC, the suit's individual defendants include its CEO Bracken P. Darrell, Chief Financial Officer Paul Aaron Vogel and former CFO Matthew H. Puckett.

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

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

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

Counsel information for the defendants was not available on Monday.

The case is Brenton v. V.F. Corp. et al., case number 1:25-cv-02878, in the U.S. District Court for the District of Colorado.

--Editing by Lakshna Mehta.

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Congress Must Resolve PSLRA Issue For Section 11 Litigants

By **Bruce Braun and Tommy Hoyt** (September 15, 2025, 4:37 PM EDT)

Editor's note: Law360 welcomes opinionated commentary and debate in our Expert Analysis section. To submit op-eds or rebuttals, or to speak to an editor about submissions, please email expertanalysis@law360.com.

Bruce Braun

Tommy Hoyt

Section 11 of the Securities Act could use a refresh.

Such is the view of the U.S. Securities and Exchange Commission's investment advisory committee, which, on March 6, formally recommended that the commission "consider administrative remedies to protect the viability of Section 11" in light of the U.S. Supreme Court's June 2023 **decision** in Slack Technologies LLC v. Pirani,[1] which, in the committee's view, so elevated Section 11 standing requirements as to "minimize compensation available to investors — and to undermine the deterrent effect of Section 11."[2]

But Section 11's troubles are not constrained to the courthouse door. In this article, we discuss a separate structural ambiguity at the intersection of Section 11 and the Public Securities Litigation Reform Act that has long frustrated the ability of Section 11 litigants to achieve fast and fair settlements. While the SEC may be able to remedy ambiguity around how Section 11 actions begin, we argue that Congress should step in to clarify the terms on which Section 11 actions may end.

Where multiple defendants face joint liability for an indivisible injury and one defendant settles, their nonsettling co-defendants are often statutorily entitled to a judgment reduction credit that reduces the scope of their remaining liability by either (1) the amount paid by the settling defendant (the pro tanto approach), (2) the percentage of responsibility attributed to the settling defendant (the proportional approach), or (3) the higher of the two. As with any statutory protection, these credits only work as intended when grounded in unambiguous text that spells out when and how they apply.

Conversely, where a judgment reduction formula is unclear, confusion often abounds and parties struggle to price a potential settlement with the sort of confidence necessary to resolve their disputes efficiently.

Plaintiffs may become reluctant to enter otherwise fair settlements out of fear that doing so will prejudice their interests against nonsettling defendants. Nonsettling defendants often attempt to torpedo proposed settlements out of fear that the court might stick them with an unfavorable judgment reduction formula. In many cases, mutual distrust sets in, and efficiency suffers. Such is the case in contemporary securities litigation.

The central conundrum is this: Section 11 of the Securities Act of 1933, Title 15 of the U.S. Code, Section 77k, empowers investors to recover from issuers, directors, underwriters, outside auditors and certain other enumerated individuals for damages caused by false or misleading statements in a registration statement.

Faced with a broad menu of eligible defendants, investors routinely elect to sue across multiple defendant categories at once. Inevitably, certain Section 11 defendants will seek to settle before others. When this happens, nonsettling litigants are left with no clear answer as to whether or how the earlier settlements will affect the scope of their potential liability.

This uncertainty owes to the text of the PSLRA, which entitles nonsettling Section 11 defendants to a particular, defendant-friendly judgment reduction credit after an outside director settles, but says nothing about what happens when any other sort of defendant — like an issuer or an auditor — settles.[3] Thus, whenever a Section 11 defendant other than an outside director settles, the statute is silent on whether their nonsettling brethren may obtain a commensurate reduction in the eventual judgment.

The PSLRA's specificity as to one defendant type and silence as to others serves neither litigants nor justice. The result of this statutory uncertainty is a general chilling effect on settlement.

Plaintiffs may be naturally reluctant to accept even generous settlement offers from cash-poor defendants out of fear that doing so could hobble their ability to recover from deeper-pocket defendants in the future. Defendants, meanwhile, are left with no clear road map for how to price settlement when the law provides no direction on whether to discount for settling co-defendants' relative wrongdoing. This, of course, makes it all the harder for the parties to reach a meeting of the minds on valuing settlement opportunities.

It does not have to be this way. Congress could and should amend the PSLRA to clarify which judgment reduction formulas apply to which categories of Section 11 defendants. Unless and until that happens, courts are left to fill the void.

This article examines the origins of the PSLRA's ambiguity, the gap-filling interpretations of the courts, and a possible legislative solution that could eliminate the uncertainty of Section 11 litigation and promote faster and fairer settlements.

Statutory Background

The PSLRA's judgment reduction provision provides that if a

> covered person enters into a settlement with the plaintiff prior to final verdict or judgment, the verdict or judgment shall be reduced by the greater of (i) an amount that corresponds to the percentage of responsibility of that covered person; or (ii) the amount paid to the plaintiff by that covered person.[4]

The statute then defines "covered person" to mean

> (i) a defendant in any private action arising under [the Exchange Act of 1934]; or (ii) a defendant in any private action arising under [Section 11 of the Securities Act of 1933], who is an outside director of the issuer of the securities that are the subject of the action.[5]

Thus, under the most natural reading of the statute, the judgment reduction provision does not apply to the settlement of Section 11 claims against non-outside-director defendants.

But why would Congress enact such a limitation? Research suggests that the answer comes down to nothing more than careless drafting.

The judgment reduction provision is one of several reforms lumped under the PSLRA's "Proportionate Liability" subheading.[6] This is an awkward fit. While the other reforms in the subsection concern how to slice the proverbial damages pie among various defendants, the judgment reduction provision determines the overall size of the pie.

Despite the incongruity of the two concepts, Congress saw fit to subject the entire subsection to a single set of defined terms. Yet contemporaneous committee notes indicate that Congress was singularly focused on the former concept — slicing the pie — when it defined those terms.[7]

In light of their singular focus on protecting the interests of outside directors when apportioning damages, the PSLRA's drafters defined outside directors as covered persons in Section 11 actions and introduced a litany of reforms in Title 15 of the U.S. Code, Section 78u-4(f), which is ostensibly designed to accrue to the benefit of said covered persons.[8]

The judgment reduction provision is not one of those reforms. It earned no mention in the committee notes. It confers no special benefit upon outside directors.

Yet, Congress nonetheless placed the judgment reduction provision under the "Proportionate Liability" subheading and carried through its use of the "covered persons" defined term. In so doing, Congress confounded all parties when it comes to sizing the pie.

This was almost certainly inadvertent: After all, limiting the judgment reduction provision to after an outside director settles does not significantly benefit outside directors — only those who remain in the action after an outside director settles. Besides, the PSLRA's drafters only sought to single out outside directors when it came to slicing the pie, out of concern that joint and several liability discouraged qualified people from seeking board positions.[9] The committee notes reveal no similar concern with directors when it comes to the judgment reduction provision.

Moreover, according to the committee notes, the PSLRA aimed to "protect investors, issuers, and all who are associated with our capital markets from abusive securities litigation."[10] But certainly all defendant categories would be better protected if they were always entitled to the PSLRA's generous judgment reduction provision whenever any sort of codefendant settles — not just outside directors.

Had Congress not placed the judgment reduction provision under the "Proportionate Liability" subheading and carried through the "covered persons" defined term, this would be the result. Instead, the PSLRA engendered 30 years of confusion with a judgment reduction provision, which, contrary to its stated aims, does not reduce the risk borne by outside directors.

Court Gap-Filling

Where Congress mumbles, courts are compelled to enunciate.

While the text of the PSLRA provides no clear direction on whether or how to reduce potential liability upon the settlement of Section 11 defendants other than outside directors, courts have been forced to address the issue over the past 30 years. In general, courts reinterpret the judgment reduction provision to apply across the board, regardless of whether the settling party is an outside director. In essence, courts read Title 15 of the U.S. Code, Sections 78u-4(f)(7)(B) as though it referred to any Section 11 defendant and not just covered persons.

The clearest example of this judicial gloss comes from the U.S. District Court for the Northern District of California's 2015 decision in Rieckborn v. Velti PLC.[11] In that case, a class of investors pursued a variety of securities claims — including under Section 11 — against an issuer, along with its directors, officers, auditors and underwriters. Eventually, the issuer, directors and officers sought approval of a proposed settlement which provided that "any final verdict or judgment obtained against [the nonsettling auditors and underwriters] shall be reduced in accordance with applicable law."

The nonsettling defendants objected, arguing that, in the absence of a clear statutory formula, the settling parties' vague reference to "applicable law" prejudiced both nonsettling defendants, who "need to know what method will be used so that they can structure their defense of the case accordingly" and class members who "do not know what future recovery they might … be forgoing in return for the partial settlement payments."[12]

The settling parties shrugged off these points and asked the court to approve their settlement without regard for "the liability of the other defendants," which, they argued, could be later determined at the damages phase of trial.[13]

After motion practice and argument, the court fashioned a solution that gave all sides a bit of what they wanted: It held that nonsettling defendants "are entitled to know the nature of their risk now, not at the eve of trial," but nonetheless approved the settlement subject to a rewrite that clarified that the PSLRA's judgment reduction formula "should apply to … all Securities Act claims, including uncovered Securities Act claims."[14]

It reached this conclusion by examining "extremely persuasive" pre-PSLRA case law, observing the complete dearth of authority for the plaintiffs' contention that only a pro tanto judgment reduction formula could apply to uncovered Section 11 defendants, and considering fundamental fairness.[15] The court in Rieckborn therefore revised the settling parties' agreement to "clarify that applicable law in this case requires that all claims pending against the Nonsettling Defendants be reduced according to the judgment reduction method set out in Section 78u-4(f)(7)(B)."[16]

Other federal courts have similarly cited pragmatic grounds to endorse Section 11 settlements that specify that all nonsettling defendants shall receive the full PSLRA judgment reduction, even where the settling defendant is not technically a covered person.[17]

Research has not identified cases explicitly barring nonsettling Section 11 defendants from obtaining the full benefit of the PSLRA's judgment reduction credit. Still, the Supreme Court has not weighed in, and Congress has never revised the statute's offending language, so lower courts continue to differ on how strictly to interpret the text of the PSLRA.[18]

Possible Legislative Solutions

The legislative intervention necessary to clarify the PSLRA's judgment reduction provision with regard to Section 11 settlements would be minimally invasive. To maintain continuity with the case law and the PSLRA's original goals, the reform should, in effect, codify Rieckhorn and entitle all Section 11 defendants to the same judgment reduction formula upon the settlement of any of their co-defendants.

The least disruptive means of achieving this end would be to not redefine "covered persons" as that term of art applies across the statute, but to instead replace the term with more inclusive plain language in the body of the judgment reduction provision itself. Specifically, we propose that Congress should amend Title 15 of the U.S. Code Section 78u-4(f)(7)(B) as follows:

> If ~~a covered person~~ **any defendant in a private action arising under this chapter or section 77k of this title** enters into a settlement with the plaintiff prior to final verdict or judgment, the verdict or judgment shall be reduced by the greater of--
>
> (i) an amount that corresponds to the percentage of responsibility of ~~that covered person~~ **the settling defendant**; or
>
> (ii) the amount paid to the plaintiff by ~~that covered person~~ **the settling defendant.**

By establishing a uniform judgment reduction credit for all Section 11 defendants, Congress would remove unnecessary statutory ambiguity and enable litigants to price potential settlements with greater certainty, thereby making it easier for all parties to quickly resolve their disputes on fair terms.

In addition to accelerating case resolutions, this clarifying reform would level the playing field among different categories of Section 11 defendants and advance the PSLRA's stated objective of protecting "all who are associated with our capital markets from abusive securities litigation." For the good of our legal system and capital markets, Congress should consider it.

Bruce Braun is a partner and global co-leader of the litigation practice at Sidley Austin LLP.

Tommy Hoyt is a managing associate at the firm.

[1] Slack Techs. LLC v. Pirani, 143 S. Ct. 1433 (2023).

[2] https://www.sec.gov/files/iac-aproved-slack-reccommedation-030625.pdf.

[3] 15 U.S.C. §§ 78u-4(f)(7)(B); 78u-(4)(f)(10)(C).

[4] 15 U.S.C. §78u-4(f)(7)(B).

[5] 15 U.S.C. § 78u-4(f)(10)(C).

[6] 15 U.S.C. § 78u-4(f).

[7] H.R. CONF. REP. 104-369, 37-38, 1995 U.S.C.C.A.N. 730, 736–37.

> The current system of joint and several liability creates coercive pressure for entirely innocent parties to settle meritless claims rather than risk exposing themselves to liability for a grossly disproportionate share of the damages in the case.
>
> In many cases, exposure to this kind of unlimited and unfair risk has made it impossible for firms to attract qualified persons to serve as outside directors. …
>
> Accordingly, the Conference Committee has reformed the traditional rule of joint and several liability. The Conference Report specifically applies this reform to the liability of outside directors… because the current imposition of joint and several liability for non-knowing Section 11 violations by outside directors presents a particularly glaring example of unfairness. By relieving outside directors of the specter of joint and several liability under Section 11 for non-knowing conduct, Section 201 of the Conference Report will reduce the pressure placed by meritless litigation on the willingness of capable outsiders to serve on corporate boards.

[8] Id.

[9] Id.

[10] Id. at 731.

[11] Rieckborn v. Velti PLC , 2015 WL 468329 (N.D. Cal. Feb. 3, 2015).

[12] N.D. Cal. No. 3:13-cv-03889 Dkt. 178.

[13] Id. at Ex. A.

[14] 2015 WL 468329.

[15] "This approach is also the most fair. In essence, the choice between pro tanto and proportional rules is a choice as to which party should bear the risk of a bad settlement, settling plaintiff or nonsettling defendant. Given that the settling plaintiff's level of control over the settlement outcome is, in most cases, exponentially greater than the nonsettling defendant's, it is appropriate to place this risk on the plaintiff, who then has a financial incentive to make sure that each defendant pays his respective share of damages." Id. (internal citations omitted).

[16] Id.

[17] See e.g., Neuberger v. Shapiro , 110 F. Supp. 2d 373, 382 (E.D. Pa. 2000) ("Plaintiffs bear the risk of an improvident settlement, not the non-settling defendants"); In re: Initial Pub. Offering Sec. Litig. , 226 F.R.D. 186, 204 (S.D.N.Y. 2005) ("in enacting the PSLRA, Congress was primarily interested in ensuring that a non-settling party would not be exposed to liability for more than its percentage of responsibility for plaintiffs' damages").

[18] Compare Gruber v. Gilbertson , 647 F. Supp. 3d 100, 105 (S.D.N.Y. 2022) (loosely interpreting the statute so "covered person" means "among other things, any defendant in a securities action") with In re: Puda Coal Sec. Inc. et al. Litig. , No. 11CIV2598DLCHBP, 2017 WL 65325, at *16 (S.D.N.Y. Jan. 6, 2017) (strictly interpreting the statute so "[a] 'covered person' is defined to mean a defendant in any Exchange Act private action or an outside-director who is a defendant in a private action arising under Section 11 of the Securities Act").

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Compass Diversified Faces Shareholder Suit Over $265M Deal

By **Abigail Harrison**

Law360 (September 15, 2025, 7:56 PM EDT) -- Compass Diversified Holdings, a publicly traded statutory trust that buys industrial and branded consumer goods companies, was hit with an investor lawsuit in Connecticut federal court alleging that poor financial management of one of its companies ended up tanking Compass' stock price 62% years later.

Shareholder John Kamp filed the derivative lawsuit, accusing Compass and its leaders of shelling out $265 million for California luxury jewelry designer and maker Lugano but failing to properly oversee its finances. When the truth came out in 2025, share prices plummeted and damaged investors, Kamp said in **a complaint filed Thursday**.

In September 2021, Compass paid $265 million for a majority stake in Lugano. Compass invested heavily and Lugano's revenues grew to more than 21% of the company's total net sales for the fiscal year ending in December 2024, according to the complaint.

Between March 2023 and May 2025, referred to in the complaint as the "relevant period," Compass leaders "touted" its internal controls and repeatedly represented to investors that its financial reporting to the U.S. Securities and Exchange Commission and investors was accurate.

"However, in reality, Lugano's financial reporting was heavily distorted, which weakened the company's internal controls and made Compass' financial statements extremely vulnerable to inaccuracies," Kamp said.

Kamp said that in May 2025, Compass announced in a press release the resignation of Lugano's CEO Mordechai Ferder. The release also said investors should no longer rely on management's financial statements for the fiscal year 2024, according to the complaint.

The announcement followed an investigation into Lugano's accounting practices by a Compass audit committee that had identified "unrecorded financing arrangements" and "irregularities" in Lugano's sales, cost of sales, inventory and accounts receivable, Kamp said.

When the news broke, the price per share of Compass' stock fell around 62%, from a closing price of $17.25 per share on May 7, 2025, to close at $6.55 per share on May 8, 2025, according to the complaint.

During the relevant period, Compass leaders failed to disclose that its internal controls over financial reporting were "severely defective," that financial statements contained errors or that Lugano had violated generally accepted accounting principles. As a result, Compass' reported 2022-2024 financial results were not accurate, Kamp said.

Kamp also said Compass leaders caused it to repurchase its own stock at prices that were artificially inflated by the misrepresentations in Lugano reporting. The buyback of just less than 900,000 shares over a year and half at inflated prices caused Compass to overpay by more than $13 million, Kamp said.

Compass will spend millions of dollars cleaning up the mess, Kamp said. Already, the trust and its executives were sued in California federal court **in June** in a securities class action over the same deal with Lugano.

Elias J. Sabo, Ryan J. Faulkingham, Stephen Keller, Patrick A. Maciariello, Alexander S. Bhathal, James J. Bottiglieri, Gordon M. Burns, Harold S. Edwards, Larry L. Enterline, Nancy B. Mahon, Teri R. Shaffer and Heidi Locke Simon were named as defendants.

Compass Group Management LLC and Compass Group Diversified Holdings LLC were also named as nominal defendants.

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

Kamp is represented by Timothy Brown of The Brown Law Firm PC.

Counsel information for Compass was not immediately available Monday.

The case is Kamp v. Sabo et al., case number 3:25-cv-01505, in the U.S. District Court for the District of Connecticut.

--Editing by Stephen Berg.

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Chancery OKs Public Access To Some SpaceX Suit Docs

By **Jeff Montgomery**

Law360 (September 15, 2025, 10:09 PM EDT) -- Nonprofit news organization ProPublica won a limited Delaware Court of Chancery order Monday for the contested release of some documents and video kept under seal in a Chinese company's suit against a private equity firm over a muffed deal to line up a $50 million investment in SpaceX.

The ruling came in a suit brought by Chinese company Leo Investments Hong Kong Ltd. against California-based Tomales Bay Capital LP after Leo says it agreed to invest $50 million in Space Exploration Technologies Corp. in November 2021 but was later shut out of the deal.

Vice Chancellor J. Travis Laster's decision included a string of rulings on ProPublica's right of access and opposition from parties in the case.

Leo won a single dollar in its suit against Tomales Bay, an affiliate and managing partner Iqbaljit Kahlon in a ruling that cited failures of the duty of candor.

Scrutiny of the case and parties lingered after the decision, and ProPublica sought withheld materials, including video, deemed confidential in some cases despite being docketed or referenced in court.

"The right of access reaches its peak for materials a judge considers when making a decision, and particularly for trial materials," the vice chancellor wrote. "And some uses — such as showing materials in open court — render them non-confidential."

Complications remain, however. The vice chancellor noted that the parties cited parts of originally nonpublic depositions "lodged," or positioned for potential use, with only portions ultimately made public.

"By citing those portions, the parties ... took on the obligation to file those portions," the vice chancellor wrote. He gave the parties 10 days to file "public versions of the portions they used."

In another instance, SpaceX sought confidential treatment for a trial exhibit — an email — used in open court that attached stock purchase agreements. The company filed a public version withholding some categories, "but SpaceX did not have that option," the vice chancellor wrote.

"Parties must track when they reference the lodged depositions during pre-trial briefing, trial, post-trial briefing, and post-trial argument, then file public versions of those portions," the vice chancellor wrote. "It is not clear to me that sufficient demand exists for access to those portions of lodged depositions to warrant the incremental effort."

Showing materials in open court renders them nonconfidential, he wrote.

ProPublica said in a brief, "To deny public access to judicial records in the court's possession merely because they have not been formally filed would contravene the law and elevate form over substance."

The confidentiality of deposition testimony nevertheless became an issue when, in a pretrial order, a statement slipped through declaring that the lodging "or any other presentation of" deposition testimony would not constitute use in open court as a trial exhibit, Vice Chancellor Laster wrote.

"The parties did not call the five words to the court's attention during the pretrial conference, and the court did not catch them when reviewing the forty-three page, 153-paragraph order. Had they been noticed, the court would have stricken them," the vice chancellor wrote. "A judge sitting in equity has many powers, but not the power to alter reality. Playing the video clips in open court made the testimony public."

Counsel for the parties did not immediately respond to requests for comment.

Leo Investments is represented by A. Thompson Bayliss and Adam K. Schulman of Abrams & Bayliss LLP and Andrew W. Stern, Nicholas P. Crowell, Charlotte K. Newell and Peter J. Mardian of Sidley Austin LLP.

The Tomales Bay entities and Kahlon are represented by David E. Ross, Eric D. Selden, Thomas A. Barr and Gage Whirley of Ross Aronstam & Moritz LLP and Aaron H. Marks, Amal El Bakhar, Ahson T. Azmat, Elina Chen and Ava I. Roche of Kirkland & Ellis LLP.

ProPublica Inc. is represented by Karen E. Keller, Emily S. DiBenedetto and Virginia K. Lynch of Shaw Keller LLP and Lin Weeks of the Reporters Committee for Freedom of the Press.

The case is Leo Investments Hong Kong Ltd. v. Tomales Bay Capital Anduril III LP et al., case number 2022-0175, in the Court of Chancery of the State of Delaware.

--Additional reporting by Leslie Pappas and Katryna Perera. Editing by Brian Baresch.

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Rent The Runway Gets Investor Suit Trimmed On 2nd Look

By **Katryna Perera**

Law360 (September 15, 2025, 11:34 PM EDT) -- Designer dress rental company Rent the Runway convinced a New York federal judge to trim certain shareholder claims against it after the judge reconsidered an earlier ruling on a putative class action suit that alleges the company failed to inform investors about major challenges it was facing prior to its 2021 initial public offering.

U.S. District Judge Orelia E. Merchant issued a **memorandum and order** on Friday partially granting and denying a motion for reconsideration that the defendants filed **in November** asking the judge to rethink her **September 2024 order** that kept alive certain claims in the suit.

In arguing for reconsideration, the defendants said Judge Merchant erred in holding that Rent the Runway should have disclosed to investors that it allegedly suffered $6 million in lost revenue due to consumer thefts. The defendants argued the judge's holding was inconsistent with "well-settled Second Circuit law."

On Friday, Judge Merchant granted reconsideration of her ruling on the materiality of the revenue loss and dismissed the claim, finding that "neither quantitative nor qualitative factors support the finding that the alleged misstatements related to customer thefts were material."

The judge also reconsidered and dismissed claims of misstatements and omissions related to Rent the Runway's insurance coverage, based on the dismissal of the revenue loss statements.

However, Judge Merchant declined to reconsider her holding that the investors adequately alleged that the company failed to disclose that its shipping costs were rising due to a hike in rates and a decision to switch shipping vendors.

The judge said Friday that the investors sufficiently pled the claim, and she pushed back against the defendants' arguments that she overlooked news of the uptick in shipping prices "broadly reported by the media" prior to Rent the Runway's initial public offering.

"The fact that it was broadly reported generally that both FedEx and UPS 'approached several large shippers with new contracts that imposed double-digit increases through a combination of higher rates and fewer discounts' and that they had 'dropped hints to shippers that the annual rate increase would be higher than before' is insufficient to support the conclusion that it was widely reported that shipping rates had in fact increased," the order states.

Judge Merchant further stated that an account included in the complaint from a former employee to back up the shipping claims is sufficient at this stage of the litigation.

"Plaintiffs only need to plead the probability that [former employee-4] was in position to know what '[they are] talking about.' Here, plaintiffs have pleaded sufficient facts to support the probability that FE-4, as inventory manager, was in a position to know whether RTR was shipping enough during that relevant period of time," the order states.

"Even if the court were to agree with defendants that plaintiffs have not pleaded facts to support the probability that FE-4 would be in a position to know about comparative shipping costs between two carriers, this does not alter the court's conclusion as the order did not rest solely on FE-4's statement," the order further states.

The judge also retained the suit's negative causation claims, saying, "at the pleading stage, the proper inquiry for the court is not a final determination 'as to what losses occurred and what actually caused them' but only need to find that plaintiffs' allegations are plausible."

Finally, the judge denied the defendants' request that, alternatively, she certify her September 2024 order for interlocutory appeal, saying the defendants have failed to demonstrate that exceptional circumstances warrant appeal in the action.

The suit is on behalf of all individuals and entities who purchased Rent the Runway common stock in connection with the company's IPO. Rent the Runway is an online platform through which consumers can rent clothing for everyday wear or events through a subscription or one-off basis. Among others, actress Gwyneth Paltrow has served on the company's board of directors since 2021.

After the COVID-19 pandemic, demand for designer clothing rentals decreased significantly and Rent the Runway lost almost two-thirds of its subscribers, according to investors.

The suit claims offering documents for Rent the Runway's IPO were negligently prepared and contained several misstatements and omissions that were material to investors. A year after the IPO, in September 2022, Rent the Runway announced a major restructuring plan, which included firing approximately 24% of the company's corporate employees to save roughly $25 million to $27 million in 2023.

Investors say RTR's stock price fell from its offering price of $21 per share to $1.58 on Nov. 14, 2022, the day the current action was filed.

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

The investors are represented by Alfred L. Fatale III, Francis P. McConville, Jonathan Gardner, Charles Wood, Guillaume Buell, Joseph Nicola Cotilletta and Rachel Berger of Labaton Keller Sucharow LLP.

Rent the Runway and the individual defendants are represented by Mary Eaton and Meredith Kotler of Freshfields LLP.

The underwriter defendants are represented by Todd G. Cosenza and Charles D. Cording of Willkie Farr & Gallagher LLP.

The case is Sharma v. Rent the Runway Inc. et al., case number 1:22-cv-06935, in the U.S. District Court for the Eastern District of New York.

--Editing by Michael Watanabe.

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RTX Beats Investor Suit Over Engine 'Microcrack' Claims

By **Emilie Ruscoe**

Law360 (September 15, 2025, 8:22 PM EDT) -- Aerospace and defense company RTX Corp. escaped a proposed investor class action alleging it concealed a known defect affecting a subsidiary's aircraft engines after a Connecticut federal judge found the complaint didn't show the alleged misrepresentations were known to be false, or even just false, when they were made.

In a Friday opinion and order in federal court in New Haven, Connecticut, U.S. District Judge Victor A. Bolden dismissed the shareholder claims with prejudice, finding, among other things, that the latest version of the investor claims included "no facts to demonstrate that defendants were, in fact, aware of the magnitude or 'systemic' nature of the defect before it was disclosed to investors."

"Plaintiffs' allegations that defendants were aware in 2020 of the magnitude of the defect and thus misled investors until disclosing the need for a large-scale recall of [its GTF engines] are merely conclusory and cannot be sustained on a [motion] to dismiss, let alone the more stringent standard required by the [Private Securities Litigation Reform Act]," Judge Bolden said Friday.

He added that even if he wasn't tossing the claims because the investors failed to plead falsity, they hadn't shown that the company or its representatives intentionally misled anyone.

"The inference drawn from defendants' argument — that, over time, defendants grew to realize the magnitude of the problem and, at the appropriate time, disclosed that information to regulators and investors — is more plausible than any inference of [intentional misrepresentation]," Judge Bolden said.

In its September 2024 dismissal bid, RTX described the accusations as "a classic case of 'fraud by hindsight,'" **arguing** the company had faced significant challenges, including billions in associated costs, in connection with the defects, but it hadn't lied to investors about any of those headwinds.

"The far more compelling inference is the nonculpable one: that the information available to defendants evolved as Pratt gathered and analyzed scientific data, not that defendants defrauded investors," RTX said in 2024, referring to its subsidiary Pratt & Whitney.

"Like many securities fraud complaints that are filed on the heels of bad news and a stock drop, the complaint has virtually no well-pleaded allegations regarding the individual defendants' state of mind and must be dismissed on that basis," RTX said in 2024.

Judge Bolden's Friday dismissal order resolves consolidated investor claims that the company downplayed quality control issues affecting Pratt & Whitney even as it touted the fuel savings associated with the subsidiary's geared turbofan engines made between 2015 and 2021.

The investors pointed to market records showing the company disclosed that geared turbofan engines had developed cracks, trading prices for the company's shares fell by over 10%.

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

The investors are represented by Steven B. Singer, Kyla Grant, Joshua H. Saltzman, Lester R. Hooker and Scott Koren of Saxena White PA, Michael P. Canty, James T. Christie, Jacqueline R. Meyers and Kaicheng Yu of Labaton Keller Sucharow LLP, and Ian W. Sloss and Johnathan Seredynski of Silver

Golub & Teitell LLP.

The defendants are represented by John W. Cerreta of Day Pitney LLP and William Savitt, Graham W. Meli, Adam L. Goodman and Sunny S. Jeon of Wachtell Lipton Rosen & Katz.

The case is Peneycad v. RTX Corp. et al., case number 3:23-cv-01035, in the U.S. District Court for the District of Connecticut.

--Additional reporting by Brian Steele and Aaron Keller. Editing by Kristen Becker.

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Sears Investors Ink $9M Deal In Fiduciary Breach Case

By **Benjamin Morse**

Law360 (September 15, 2025, 6:19 PM EDT) -- A hedge fund manager and his firm will pay more than $9 million to end a long-running lawsuit alleging that they shortchanged investors when they took Sears Hometown and Outlet Stores Inc. private in 2019, according to a deal filed in the Delaware Court of Chancery.

The proposed settlement, filed Friday, would end litigation over Edward Lampert and ESL Investments' buyout of Sears Hometown, priced at $2.25 per share and later increased to $3.21 per share. Investors said Lampert used his control to push through an unfairly low deal.

"The primary subclass representatives have concluded that it is desirable that the claims ... be fully and finally settled."

If the deal is approved, it will compensate shareholders who took the $3.21 per share merger payout six years ago. The proposed settlement applies only to the "primary subclass" of investors. A separate group that pursued appraisal rights is not included and will continue to push its claims.

Under the agreement, Lampert and ESL will deposit $9.37 million into an escrow account in three installments, from which shareholders will receive payments once court approval and distribution procedures have wrapped up.

The investors' lawyers said they plan to seek up to one-third of the settlement for fees, plus reimbursement of litigation expenses, according to the terms of the settlement. The deal also allows a request for incentive awards of up to $25,000 for each subclass representative.

Lampert and ESL deny wrongdoing but agreed to the deal to avoid the costs and delays of further litigation, according to the settlement.

The case stems from Sears Hometown's 2019 merger with Lampert's Transform Holdco, which resulted in a $3.21 per share payout to minority holders. Stockholders sued, claiming the deal was unfair. After a four-day trial, Vice Chancellor J. Travis Laster ruled in 2024 that Lampert breached his fiduciary duties as a controller.

In 2018, the retail giant filed for bankruptcy. Shortly after, its board of directors discussed alternatives for the company, including a sale of the company to ESL, according to court papers.

The court initially found that minority shareholders were owed an extra $1.78 per share, but later revised the award to 85 cents per share. The litigation also resulted in a $3.1 million partial settlement in 2023 with three former Sears directors accused of breaching their duties.

Counsel for the investors declined to comment Monday. Counsel for Lampert and ESL Investments Inc. did not immediately respond to request for comment.

The investors are represented by Ned Weinberger, Mark Richardson, Michael C. Wagner, Jiahui "Rose" Wang and John Vielandi of Labaton Keller Sucharow LLP, Peter B. Andrews, Craig J. Springer, David M. Sborz and Andrews & Springer LLC and Samuel L. Closic and Seth T. Ford of Prickett Jones & Elliott PA.

The executive committee for the investors is represented by Donald J. Enright and Elizabeth K. Tripodi of Levi & Korsinsky LLP.

Edward S. Lampert, ESL Investments Inc., ESL Partners LP, RBS Partners LP, Transform Holdco LLC and Hometown Midco LLC are represented by Michael A. Pittenger, Matthew E. Fischer, Jacqueline A. Rogers, Nicholas D. Mozal and Charles P. Wood of Potter Anderson & Corroon LLP.

The case is In re: Sears Hometown and Outlet Stores Inc. Stockholder Litigation, case number 2019-0798, in the Court of Chancery of the State of Delaware.

--Additional reporting by Jeff Montgomery. Editing by Stephen Berg.

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2nd Circ. Upholds Dismissal Of Libor Rigging Claims

By **Sydney Price**

Law360 (September 15, 2025, 9:47 PM EDT) -- The Second Circuit on Monday affirmed the dismissal of investor lawsuits alleging multiple global banks, including UBS and Lloyds Bank, conspired to rig the benchmark interest rate Libor, which is tied to the British pound, finding the plaintiffs never showed they actually lost money from the alleged manipulation.

According to the order issued by the three-judge panel, the plaintiffs do not identify specific transactions where they suffered financial harm due to the alleged misconduct of the banks. It is equally plausible that the investors benefited from the alleged scheme, which sometimes inflated, deflated or held steady Libor, depending on the instance, the judges determined.

"Even assuming that defendants successfully manipulated the official rate on a given day, plaintiffs do not explain how that rate being lower or higher caused them to suffer financial harm under the terms of the particular derivative contracts they held," the opinion said.

The case was first filed in 2015 and accuses the banks of conspiring to rig Libor for Japanese yen between 2006 and 2011. Libor was the benchmark used to determine the rate at which banks borrowed foreign currency from one another.

In July 2024, plaintiffs Richard Dennis, Sonterra Capital Master Fund Ltd. and FrontPoint European Fund LP **appealed** the New York federal court's decision to dismiss their claims under the Sherman Act and the Commodity Exchange Act against several of the banks.

The benchmark was replaced by the Secured Overnight Financing Rate after a number of rate-rigging scandals came to light, and some of the world's largest banks paid billions in penalties to regulators in the United States and Europe to settle accusations that they participated in the market manipulation.

The Second Circuit already **revived the case** once in 2020, reversing a toss of the suit for lack of standing that the district court handed down in 2017.

Some of the 15 financial institutions sued in the case have since settled, and U.S. District Judge George B. Daniels last year partially dismissed the remaining claims against non-settling defendants like Bank of America and UBS.

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

U.S. Circuit Judges Dennis Jacobs, Richard Sullivan and William Nardini sat on the panel for the Second Circuit.

The investors are represented by Lowey Dannenberg PC and Lovell Stewart Halebian Jacobson LLP.

UBS is represented by Gibson Dunn & Crutcher LLP. RBS is represented by King & Spalding LLP. Lloyds is represented by Hogan Lovells and Herbert Smith Freehills LLP. Barclays is represented by Sullivan & Cromwell LLP. Rabobank is represented by Milbank LLP.

The case is Sonterra Capital Master Fund Ltd. et al. v. UBS AG et al., case number 24-1954, in the U.S. Court of Appeals for the Second Circuit.

--Editing by Emily Kokoll.

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Google Consumers' Attys Seek $85M In Fees For $700M Deal

By **Rae Ann Varona**

Law360 (September 15, 2025, 11:46 PM EDT) -- Attorneys who helped consumers reach a still-pending $700 million antitrust deal with Google in 2023 have urged a California federal judge to grant them $85 million in attorney fees, saying the settlement, reached alongside state attorneys general, was an "exceptional" result obtained in the "face of substantial litigation uncertainty."

Attorneys at Bartlit Beck LLP and Kaplan Fox & Kilsheimer LLP, representing consumers across the U.S., said in a motion Friday that the plaintiff states in the underlying antitrust lawsuit over Google's Play Store have estimated that the average consumer would receive more than 47% of a calculated overcharge.

That is an "outstanding result," the attorneys said.

Furthermore, they noted that the deal came against a backdrop of "acute risks," such as Google's challenge to consumers and states' standing to pursue damages for in-app purchases.

Google's motion for partial summary judgment on the standing issue "would have eliminated more than 99% of consumer and state plaintiffs' overcharge damages," the attorneys said.

The settlement between a group of state attorneys general, consumers and Google was first disclosed in **September 2023**. The **$700 million** price tag came in December 2023 and followed a **jury verdict** in a separate case, in which Fortnite developer Epic Games Inc. had won over the same Google Play conduct.

Google was accused of obstructing competition for apps on Android devices by making it difficult to install apps from outside Google's Play Store and requiring developers to pay substantial fees for in-app purchases. The tech giant was also accused of violating the federal Sherman Act by entering into agreements to dissuade major app developers from opening app stores that would compete with Google Play.

A motion seeking approval of the settlement remains **pending**.

The consumers' counsel said Friday that they are seeking an award of fees and expenses from the common fund "they were instrumental in creating."

In their motion, they said they "invested more than 98,200 hours of attorney and staff time in this case, contributed $8,612,447.41 to the litigation of consumer and state plaintiffs' overlapping antitrust claims, and worked collaboratively with the states throughout."

The $85 million represents 13.5% of the common damages fund and is reasonable under Ninth Circuit precedent, the attorneys said, and is on the "low end, based on settlements of similar size and complexity."

Among other factors that make the fee reasonable are the non-monetary benefits the settlement obtained for consumers, the attorneys said.

They said remedies afforded by the settlement "ensured that Google's wrongful conduct would be addressed regardless of the outcome of the Epic trial."

The attorneys also seek $5,000 incentive awards for six consumers, saying the individuals "devoted significant time to this litigation, including compiling relevant documents, and preparing and sitting for depositions."

Google and counsel for the consumers did not immediately respond to requests for comment Monday.

The consumers are represented by Karma M. Giulianelli of Bartlit Beck LLP and Hae Sung Nam of Kaplan Fox & Kilsheimer LLP.

The states are represented by Paula L. Blizzard, Brian D. Wang and Carolyn D. Jeffries of the Office of the Attorney General of California, Jessica V. Sutton and Sarah G. Boyce of the North Carolina Department of Justice, Jayme L. Weber of the Office of the Attorney General of Utah, David N. Sonnenreich and Marie W.L. Martin of the Office of the Attorney General of Utah and S. Ethan Bowers and Tyler T. Corcoran of the Office of the Attorney General of Tennessee.

Google is represented by Glenn D. Pomerantz, Kuruvilla Olasa, Justin P. Raphael, Dane P. Shikman and Jonathan I. Kravis of Munger Tolles & Olson LLP, Brian C. Rocca, Sujal J. Shah, Michelle Park Chiu and Richard S. Taffet of Morgan Lewis & Bockius LLP and Neal Katyal and Jessica L. Ellsworth of Hogan Lovells.

The case is In Re Google Play Store Antitrust Litigation, case number 3:21-md-02981, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bonnie Eslinger, Bryan Koenig and Matthew Perlman. Editing by Drashti Mehta.

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Stop & Shop Says Too Late To Swap Plaintiff In Wipes Suit

By **Mike Curley**

Law360 (September 15, 2025, 5:40 PM EDT) -- Stop & Shop on Monday urged a Massachusetts federal court to deny a bid to substitute new plaintiffs in a suit alleging its flushable wipes are not flushable as advertised, saying the plaintiff hasn't shown good cause for the change 14 months after the amendment deadline.

In the **response brief**, Stop & Shop said the deadline for Mark Schotte to amend his pleadings was June 20, 2024, but he waited until now — when discovery has already closed — to attempt to substitute new plaintiffs, despite knowing since August 2024 that he had been terminated from his job at a sewage plant and knowing this would impact his ability to represent the proposed class.

According to the brief, discovery and Schotte's deposition revealed that he had worked for several sewage plants, including for the Town of Essex, where he was terminated for cause in August 2024. The brief redacts the specific reasons for his firing.

Such a late amendment can't be premised on information that the plaintiff knew for more than a year, the company argued, adding his attorneys can't argue they only found out at Schotte's August 2025 deposition, as they should have vetted their plaintiff at the inception of the case.

Schotte filed suit in May 2023 alleging he purchased the wipes at a Stop & Shop in that community based on the label saying they are flushable, but then found out they would not break down in a reasonable amount of time after flushing, leading to clogs.

While Stop & Shop argued that a disclaimer on the back of the package would have told Schotte about the limits of the wipes' ability to be flushed, U.S. District Judge Indira Talwani **denied** its motion to dismiss, saying a jury could have found that disclaimer too small and vague for a reasonable consumer to see and rely on.

In August, Schotte moved to substitute two other named plaintiffs in the case while he would dismiss his claims without prejudice.

In Monday's brief, Stop & Shop further argued that anticipating arguments at the class certification stage is also not a basis for amending the complaint, adding Schotte's inadequacy to act as representative because of his firing is the "least" among the arguments Stop & Shop envisions making.

The store also argued that it would be unfairly prejudiced by such a late substitution, as it would require reopening discovery, deposing the two new plaintiffs, and investigating their claims the same way they had Schotte, which Stop & Shop said could take a year or more, and incur significant costs.

This is particularly true as fact discovery has shown that not only did Schotte not experience any clogging with the wipes he purchased, but none of the sewage entities that handle waste for his area reported any issues stemming from the wipes, Stop & Shop argued.

"After the close of discovery, on a full factual record, there is nothing to show the wipes at issue cause clogs or damage, and thus those wipes are 'flushable' even under Schotte's own definition," the company argued. "His claims are baseless. The court should not permit two new plaintiffs to now hit the reset button and attempt to start anew."

Representatives for the parties could not immediately be reached for comment Monday.

Stop & Shop is represented by S. Jamal Faleel and Andy Crowder of Norton Rose Fulbright US LLP.

Schotte is represented by Julian C. Diamond, Matthew A. Girardi and Neal J. Deckant of Bursor & Fisher PA and James J. Reardon Jr. of Reardon Scanlon LLP.

The case is Schotte v. The Stop & Shop Supermarket Co. LLC, case number 1:23-cv-10897, in the U.S. District Court for the District of Massachusetts.

--Additional reporting by Julie Manganis. Editing by Emily Kokoll.

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Trump Once More Floats The End Of The Quarterly Report

By **Jessica Corso**

Law360 (September 15, 2025, 9:13 PM EDT) -- President Donald Trump has again suggested that publicly traded companies be allowed to issue financial reports twice a year instead of quarterly, reigniting a debate that stalled during his prior term in office when the U.S. Securities and Exchange Commission did not pursue such rulemaking.

In a post on Truth Social, the president said that companies should be allowed to file earnings reports with the SEC every six months rather than quarterly.

"This will save money, and allow managers to focus on properly running their companies," he wrote.

Trump said any changes to the reporting rules were "subject to SEC approval."

The SEC indicated it is already acting on the idea.

"At President Trump's request, Chairman [Paul] Atkins and the SEC is prioritizing this proposal to further eliminate unnecessary regulatory burdens on companies," an agency spokesperson told Law360 on Monday.

This isn't the first time Trump has raised the possibility of **less frequent financial reporting** for publicly traded companies. He issued the same call during his first term and, at his request, the SEC **asked the public** to comment on the possibility.

Though the SEC ultimately did not move forward with a rule to do away with quarterly reporting, which has been in place since the 1970s, its request for comment saw more than 80 responses from major trade associations, investor advocacy groups and the Big Four accounting firms that are responsible for auditing many of those reports.

Critics of the quarterly reporting system argue that requiring companies to report with such frequency leaves management focused on short-term goals rather than long-term planning.

That's an argument championed by John Berlau of the Competitive Enterprise Institute, a think tank advocating for deregulation.

"Political figures on the right and left, including Hillary Clinton and Barack Obama, have decried companies forgoing long-term investments in research and development and employee well-being in order to 'make the quarter,'" Berlau, a CEI financial policy expert, said in a statement emailed to Law360 Monday.

The California Public Employees' Retirement System, the nation's largest public pension fund, told the SEC in 2019 that it has its own long-term goals of managing risk to workers' investments, and that doing away with quarterly reports could harm those goals.

"As an institutional investor with a long-term investment horizon, CalPERS favors a financial reporting structure focused on long-term growth and sustainability, but with the nearer term transparency to enable effective decision-making," the organization said in a letter to the securities regulator.

It told the SEC that getting rid of the quarterly report is "not the right answer" to encouraging long-term thinking by corporate managers. CalPERS said there could be other reforms that could work toward that goal, including the disclosure of environmental, social and governance information and discouraging companies from voluntarily providing forward-looking guidance.

The Managed Funds Association, which represents the global alternative asset management industry, also told the SEC in 2019 that it supports the quarterly reporting standard.

"As institutional investors in U.S. capital markets, private fund managers believe that the existing quarterly reporting framework ... has worked well," it said.

"A reduction in the frequency of reporting from quarterly to semi-annually would reduce the timeliness and usefulness of the information, which would make it more difficult for managers to analyze the performance of, and invest capital in, public companies," the association said.

And while some pushed to keep the quarterly reporting requirement, others have argued for even more frequent reports.

Neither CalPERS nor MFA responded to a request for comment Monday.

In a 2002 statement presented to Congress following the collapse of Enron, Brookings Institution senior fellow Robert Litan argued that the SEC should encourage monthly, weekly or even daily reporting for companies that could afford it.

He said doing so could discourage what he called earnings management, or attempts to manipulate financial reports so that they do not disappoint analysts.

Litan, who is also a shareholder at Berger Montague, told Law360 Monday that he stands by that position.

"A move toward six months, and less transparency, is a move in the wrong direction," he said in an email.

--Additional reporting by Tom Zanki. Editing by Adam LoBelia.
