

Class Action

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This Week in Chancery Court: Musk, J&J Appeals, Coinbase, Novo

Oct. 13, 2025, 2:01 AM PDT

Summary by Bloomberg AI

AI Generated



- Delaware's highest court will hear appeals of Chancery Court rulings against Tesla Inc. and Johnson & Johnson, which could alter the landscape for executive pay and M&A deals.
- The Chancery Court will see disputes involving Coinbase Global Inc. and Elliott Investment Management, and a settlement over technology used in the oral version of the diabetes drug Ozempic.
- The court cases include allegations of insider trading, excessive expenses, and breaches of merger agreements, with companies and investors seeking various forms of relief, including damages and settlement approvals.

Delaware's highest court this week takes up appeals of Chancery Court rulings against Tesla Inc. and Johnson & Johnson, which could alter the landscape for executive pay and M&A deals.

The Chancery Court will see disputes involving Coinbase Global Inc. and Elliott Investment Management, and a settlement over technology used in the oral version of the diabetes drug Ozempic. Let's look at highlights from both courts' calendars:

Monday: Grabski v. Andreessen, Del. Ch., No. 2023-0464, oral arguments 10/13/25.

At issue: Coinbase board members, including CEO Brian Armstrong and venture capital titan Marc Andreessen, have spent two years battling claims they dodged \$1 billion in losses by dumping nearly \$3 billion in stock around its public listing. After a judge let the insider trading lawsuit move forward, a special committee of the crypto giant's board paused the litigation, conducted an investigation, and then moved to end the case. The shareholder leading the lawsuit argues the internal probe was plagued by pervasive conflicts of interest around Andreessen's business empire, especially his ties to another director and Wilson Sonsini Goodrich & Rosati PC, the law firm that led the investigation.

Court action: Oral arguments on the motion to terminate the litigation will be held in Wilmington, Del.

Coinbase Insiders Lose Bid to Escape Investor's Stock Dump Suit

Monday: Abraham v. Am. Mart Co. LLC, Del. Ch., No. 2023-0865, oral arguments 10/13/25.

At issue: American Mart Co. LLC wants to exit investor litigation alleging minority shareholders were forced out of the Wirtz family's stake in Breakthru Beverage Group LLC, a top US liquor wholesaler. The investor filed the August 2023 lawsuit "as a thinly veiled attempt to get a second chance at an appraisal of his stock" after failing to meet certain deadlines, according to the company's brief. The transaction at the lawsuit's heart was the buyout of American Mart Corp., a holding company controlled by the family that owns the NHL's Chicago Blackhawks, in 2022 by American Mart Co., a newly formed entity. Wirtz family members who served on the American Mart Corp. board aren't named as defendants.

Court action: Oral arguments on the motion to dismiss will be heard in Georgetown, Del.

Wirtz Intermediate Holding Company Restructuring Draws Lawsuit

Monday: Hecate Holdings LLC v. Repsol Renewables N. Am., Inc., Del. Ch., No. 2024-0928, oral arguments 10/13/25.

At issue: The dispute over the ownership of Hecate Energy Group LLC was settled just as two renewable energy companies, Hecate Holdings and Repsol Renewables, were set for trial in January. However, Repsol now alleges Hecate and its lawyers at Winston & Strawn LLP engaged in misconduct and created a conflict of interest over a joint venture company. The law firm seeks to dismiss Repsol's claims.

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

Repsol Hit With Buyout Lawsuit Over Hecate Renewables Business

Tuesday: Eller Assocs., Inc. v. SRP Cap. Advisers LLC, Del. Ch., No. 2025-1095, teleconference 10/14/25.

At issue: Vice Chancellor Bonnie W. David will consider pending motions in a dispute where Paul Singer's Elliott Investment Management alleges a Texas-based private equity firm, Stronghold Investment Management, has been charging excessive expenses to oil and gas-focused private equity funds. Elliott seeks partial summary judgment, expedited proceedings, and a status quo order. Separately, Elliott has filed a books-and-records demand seeking access to internal Stronghold files to investigate the expenses it said were inflated by tens of millions of dollars.

Court action: Teleconference.

Singer's Elliott Escalates Battle With Texas Private Equity Firm

Wednesday: In re Tesla, Inc. Derivative Litig., Del., No. 534,2024, oral arguments 10/15/25.

At issue: The case that's dominated the corporate law conversation for well over a year finally gets an airing before the high court. Musk and Tesla are fighting for the multi-billion compensation package the electric-vehicle maker offered him in 2018 for being CEO. Chancellor Kathaleen St. Jude McCormick initially voided the deal in January 2024, then rejected it again at the end of that year following a new shareholder vote. The current value of the 2018 pay package is \$125.3 billion, according to the Bloomberg Billionaires Index. Delaware corporate law amendments drafted in response to complaints about Chancery Court opinions involving Musk and other powerful business leaders will come before the justices next month.

Court action: The Delaware Supreme Court hears arguments in Dover, Del.

Tesla Investor Who Got Musk Pay Tossed Fires Back at His Appeal

Wednesday: Johnson & Johnson v. Fortis Advisors LLC, Del., No. 490,2024, oral arguments 10/15/25.

At issue: The pharmaceutical giant is appealing an order to pay \$1 billion in damages for breaching merger agreements to prioritize a surgical robot in development when it acquired Auris Health Inc. for \$3.4 billion. Vice Chancellor Lori W. Will held J&J liable for "almost immediately" breaking its promise to prioritize regulatory approvals for the deal's flagship product. Over \$2 billion in earnout payments hinged on the regulatory process.

Court action: The Delaware Supreme Court hears arguments in Dover, Del.

J&J Loses \$1 Billion Court Ruling on Surgical Robot Deal (3)

Friday: In re Emisphere Techs., Inc. S'holders Litig., Del. Ch., No. 2021-0025, settlement hearing 10/17/25.

At issue: Vice Chancellor Nathan A. Cook must give final approval to a \$32 million settlement to end litigation over Novo Nordisk AS's \$1.8 billion acquisition of technology used in the oral version of the diabetes drug Ozempic. The proposed deal would resolve claims that Lionsgate chairman Mark Rachesky exploited his control of Emisphere Technologies Inc. to force a sale that steered value to insiders. The Danish drug giant wasn't named as a defendant. The attorneys who represented the Emisphere shareholders leading the litigation seek a \$8.3 million fee award. One class member, IsZo Capital LP, objects to the settlement.

Court action: The settlement hearing will be held in Wilmington, Del.

Novo Agrees to \$32 Million Pact Ending Ozempic-Related Deal Case

—With assistance from Mike Leonard and Bloomberg Law Automation.

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Class Action

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Marex Sued After Short Seller Accounting Practice Accusations

Oct. 10, 2025, 1:14 PM PDT

Summary by Bloomberg AI

AI Generated



- Marex Group PLC allegedly inflated financial figures through off-book intercompany transactions and other accounting practices, according to a pair of investor-proposed class actions.
- The lawsuits allege these practices painted a rosier picture of the financial services firm's fiscal results to those acquiring or short-selling its shares before a short-seller report levied financial reporting accusations.
- The suits seek damages for alleged Securities Exchange Act of 1934 violations by Marex, CEO Ian Lowitt, and Chief Financial Officer Rob Irvin.

Marex Group PLC inflated financial figures through off-book intercompany transactions and other accounting practices, a pair of investor-proposed class actions said.

The lawsuits, filed in the US District Court for the Southern District of New York, allege these practices painted a rosier picture of the financial services firm's fiscal results to those acquiring or short-selling its shares before a short-seller report levied financial reporting accusations in August.

Both suits seek damages for alleged Securities Exchange Act of 1934 violations by Marex, CEO Ian Lowitt, and Chief Financial Officer Rob Irvin.

They were each filed Thursday, one the day after Marex touted upbeat preliminary financial results for the third quarter of 2025, the first harkening back to that short-seller's report.

Ningi Research, which produced the report, said on social media Aug. 5 that Marex was "a financial house of cards built on a multi-year scheme of accounting manipulation, intercompany transactions, and fake profits."

Marex's share price dropped 6.2% to close at \$35.31 that day.

Marex's CEO said the following week that the company rebutted "all of the allegations" after analyzing the report.

Still, shareholder Ravishanker Narayanan's complaint, referencing Ningi's report, alleges Marex concealed selling "over-the-counter financial instruments to itself" and having "inconsistencies in its financial statements between its subsidiaries and related parties, including as to intercompany receivables and loans."

Glancy Prongay & Murray LLP and Holzer & Holzer LLC represent Narayanan, who is seeking to represent a class of those who acquired Marex securities from May 16, 2024, through Aug. 5, 2025.

The other complaint, filed by Michaella G. Katz, alleges Marex didn't tell investors "that it improperly inflated its cash flow and the revenues, assets, and profits of its Market Making segment through off-book intercompany transactions."

Katz's complaint doesn't mention the Ningi report, but echoes similar accounting accusations with a class period ending the day of its publication.

Marex has had multiple financial restatements in recent years, Katz said: "The frequency, scale, and nature of these adjustments raise serious questions about the reliability of Marex's reported numbers, especially in light of the company's sprawling and increasingly opaque group structure."

Scott+Scott Attorneys at Law LLP and Criden & Love PA represent Katz, who seeks to represent a class of those who sold short Marex securities from Aug. 14, 2024, through Aug. 5, 2025.

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

The case is *Narayanan v. Marex Grp. PLC*, S.D.N.Y., No. 1:25-cv-08393, complaint filed 10/9/25. The case is *Katz v. Marex Grp. PLC*, S.D.N.Y., No. 1:25-cv-08368, complaint filed 10/9/25.

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Litigation

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Exscientia Wins Dismissal of Investor Suit Over CEO Misconduct

Oct. 13, 2025, 7:56 AM PDT

A federal judge in New Jersey dismissed securities-fraud claims against an AI drug discovery company, rejecting assertions that failing to disclose the Exscientia CEO's alleged sexual misconduct violated securities law.

The plaintiffs argued that not disclosing the CEO's actions meant the company's code of conduct and statements about inclusivity were misleading. But most of the statements in question were simply "inactionable puffery," wrote Chief Judge Renee Marie Bumb of the US District Court for the District of New Jersey.

"To hold a company liable for securities fraud for failing to live up to its stated aspirations could turn all corporate wrongdoing into securities fraud," Bumb wrote. "The law requires more."

Plaintiffs brought claims against Exscientia as well as ex-CEO Andrew Hopkins and ex-board chair David Nicholson. Hopkins had inappropriate relationships with female subordinates, and when Nicholson learned of the misconduct he failed to act, plaintiffs claimed.

The company's stock fell 23% after the company announced Hopkins' removal and Nicholson's resignation.

But the company didn't have a duty to disclose the misconduct because excluding that information didn't make the company's code of conduct misleading, Bumb found.

"The #MeToo movement and its fallout—alone—cannot turn otherwise aspirational statements in a company's code of conduct into actionable statements for securities fraud," the order states.

Plaintiffs are represented by Rosen Law Firm and Pomerantz LLP. Defendants are represented by Saul Ewing LLP.

The case is *In re Exscientia PLC Sec. Litig.*, D.N.J., No. 24-cv-5692, motion to dismiss granted 10/10/25 .

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Class Action

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Hertz Investors Advance Lawsuit Over Electric Vehicle Demand

Oct. 13, 2025, 9:25 AM PDT

Summary by Bloomberg AI

AI Generated



- A federal court ruled that Hertz Global Holdings Inc. investors can proceed with a proposed class action alleging the car rental company over-invested in electric vehicles and then misrepresented demand for them.
- The investors adequately pleaded securities fraud for two sets of statements, including a statement that EV rental demand was "very strong" across all aspects of the business, which Judge Kyle C. Dudek said was false.
- Hertz's directors and top executives face a parallel shareholder derivative suit, and the case will continue with Levi & Korsinsky LLP as lead counsel for the investors and Davis Polk & Wardwell LLP and Foley & Lardner LLP representing Hertz.

Hertz Global Holdings Inc. investors can proceed with a proposed class action alleging the car rental company over-invested in electric vehicles and then misrepresented demand for them, a federal court ruled.

The investors adequately pleaded securities fraud for two sets of statements, Judge Kyle C. Dudek said Oct. 10 for the US District Court for the Middle District of Florida. Some other statements targeted in the suit weren't materially misleading and must be trimmed away, Dudek said.

The investors alleged that in 2021, Hertz announced an initial order of 100,000 Tesla vehicles as part of a mission to "offer the largest EV rental fleet in North America and one of the largest in the world." But by 2023, Hertz allegedly sold half of its EV fleet on soft demand, writing off hundreds of millions of dollars in the process. The issue caused an overall 54% selloff in which the share price declined \$5.49 per share, the investors said.

The investors adequately alleged a Hertz statement that EV rental demand was "very strong" across all aspects of the business was false against the background of the data Hertz had, Dudek said. And although words like "strong" can be too vague for liability in some contexts, "they can create liability when tied to more concrete facts," he said.

Here, Hertz touted its bet on EVs, he said. "So when Hertz's CEO later characterized EV demand as 'very strong,' reasonable investors could have interpreted this statement to mean the bet was paying off," he said.

And Hertz can't rely on cautionary statements to protect a statement that growth in demand supported a projection of a fivefold increase in EV rentals for 2023 because the risk of lagging demand had already materialized, Dudek said.

Hertz's directors and top executives face a parallel shareholder derivative suit that's also before Dudek, who was until recently the magistrate judge in both cases.

Levi & Korsinsky LLP is lead counsel for the investors. Davis Polk & Wardwell LLP and Foley & Lardner LLP represent Hertz.

The case is *Doller v. Hertz Global Holdings, Inc.*, M.D. Fla., No. 2:24-cv-00513, 10/10/25 .

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Litigation

Delaware Supreme Court Set to Hear Elon Musk Compensation Case

The appeal, scheduled for argument on Wednesday morning before all five justices in Dover, consolidates several separate challenges to two 2024 decisions from Chancellor Kathaleen St. J. McCormick.

October 13, 2025 at 12:33 PM By  **Ellen Bardash**



Elon Musk. Photo: Qilai Shen/Bloomberg

One of the most closely-watched cases in recent Court of Chancery history is set to be argued before the Delaware Supreme Court on Wednesday, giving Elon Musk a final chance to ask a Delaware court to weigh in on the fairness of his compensation plan at the electric vehicle maker Tesla.

The appeal, scheduled for argument at 10 a.m. before all five justices in Dover, consolidates several separate challenges to two 2024 decisions from Chancellor Kathaleen St. J. McCormick. [The first](#), issued in January, resolved claims brought to trial over five days in November 2022 and addressed in post-trial briefing submitted in early 2023. In that decision, McCormick determined the process by which Tesla's board approved Musk's compensation plan in 2018 was flawed, and she ordered complete rescission of the pay package.

The [second decision](#) on appeal was issued in December. Tesla and Musk had moved for reconsideration of her original trial opinion after Tesla shareholders voted in the summer of 2024 to ratify Musk's compensation plan, and counsel for Tesla shareholder Richard Tornetta, the plaintiff in the Chancery case, asked the court to approve a fee award consisting of 29.4 million shares of Tesla stock. McCormick's December decision addressed both topics, declining the defense motion and awarding plaintiffs counsel \$345 million.

Tornetta is represented by Bernstein Litowitz Berger & Grossmann, Andrews & Springer and Friedman Oster & Tejtel. Tornetta's [brief](#) argues McCormick was correct in applying entire fairness as the standard of review and that the court was within its discretion in both rescinding Musk's pay plan and determining the fee award. He claims McCormick was right to decline to change her decision after the ratification vote and to reject challenges to Tornetta's adequacy as a representative for shareholders at large.

Tesla's directors, including Musk, are represented by Quinn Emanuel Urquhart & Sullivan; Cravath, Swaine & Moore; and Ross Aronstam & Moritz. They [claim](#) McCormick's decisions should be overturned for two reasons: first, because the compensation package was fair in both its price and the process through which it was approved, and second, because rescission was not the proper remedy, and the plaintiff was entitled to, at most, nominal damages.

Sullivan & Cromwell; Ashby & Geddes; DLA Piper; Morris, Nichols, Arsht & Tunnell; and Richards, Layton & Finger are representing Tesla. The company outlined in its [brief](#) two issues it has with the outcome of the Chancery case, both of which have to do with McCormick's second decision. Tesla claims when its stockholders voted in 2024 to ratify Musk's compensation package, that was a process that fixed what McCormick identified in her original decision as having been flaws in the 2018 process, and therefore she was wrong not to reverse the rescission.

Tesla also says the \$345 million fee award to plaintiff's counsel was exorbitant. While McCormick based the record-setting fee amount on the finding that counsel had recovered for the company a deal valued at \$2.3 billion, Tesla alleges all attorneys actually netted for shareholders was a new vote, a benefit that can't be quantified.

A group of shareholders who objected to the outcome of the Chancery case have also called the fee award unreasonably large. Those objectors, represented by Margrave Law; Klehr Harrison Harvey Branzburg; GradyLaw; Munger, Tolles & Olson; and Stanford professor Joseph A. Grundfest, [claim](#) Tornetta should not have been allowed to proceed as the class representative for Tesla shareholders because he supported the unwinding of a transaction the majority of shareholders supported, then didn't adequately push back on the size of his counsel's fee request.

Eight amicus briefs have been filed with the court, six of which support Tesla, generally arguing that affirming the Chancery decision would have far-reaching consequences in terms of allowing Delaware courts to weigh in on corporate acts. The [Texas Association of Business](#), [U.S. Chamber of Commerce](#), [Sequoia Capital](#) and [Washington Legal Foundation](#) all filed briefs advocating for reversal, as did a group of [Tesla retail stockholders](#) and a group of current and retired [practitioners and professors](#).

In support of the appellees, law professor [Charles M. Elson](#) filed a brief arguing that reversal would upturn settled Delaware law, and a group of [corporate law academics](#) claims the 2024 ratification vote didn't meet the legal standard needed to cleanse the transaction.

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Class Action

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Musk, Corporate Power Debates at Delaware's Top Court: Explained

Oct. 11, 2025, 2:00 AM PDT

Summary by Bloomberg AI

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- The Delaware Supreme Court will consider the fairness of Elon Musk's "moonshot" pay package as Tesla Inc.'s CEO in an appeal set for oral arguments.
- The high court is also considering other high-profile appeals, including the Ken Moelis case and a case involving Johnson & Johnson's effort to overturn an order to pay \$1 billion in damages for breaching merger agreements.
- The court will hear arguments on attorney payouts, including an objection to a \$345 million fee award to the plaintiff's lawyers in Musk's pay package appeal, and consider provisions in a new law covering certain types of self-dealing.

It's the Delaware Supreme Court's turn to consider the fairness of Elon Musk's "moonshot" pay package as Tesla Inc.'s CEO.

That appeal, set for oral arguments Wednesday, ushers the justices directly into the "DExit" drama stirred up by Delaware's lower, but premier, business court. Musk's influence looms over a slate of high-profile appeals over the next month that should clarify how much control powerful shareholders and founders can have over corporate decisions.

In related news: the high court's still considering the Ken Moelis case that stoked arguments the Delaware Chancery Court had tilted too far in favor of minority shareholders.

"Musk is the noise, but the signal is really about how far Delaware is willing to go to police the boardroom," said Monte Mann of of Armstrong Teasdale LLP.

Musk's Big Deal

Oct. 15: The world's richest person wants the high court to find a trial judge was wrong to reject the multi-billion compensation package Tesla offered him in 2018. The deal's value, initially worth \$2.6 billion, has sometimes since soared above \$100 billion, depending on the electric-vehicle maker's performance.

Tesla says Chancellor Kathaleen St. Jude McCormick defied shareholders' will, while Musk and other directors argue the rejection wasn't fair given what he's done to hit the package's required milestones. The investor who successfully challenged the deal, Richard Tornetta, says Tesla's reliance on a 2024 shareholder vote as a "ratification" of its board's decision has "no basis in Delaware law."

Musk won't see this kind of derivative challenge in the carmaker's new corporate home of Texas. The state blocks a shareholder like Tornetta, who held nine shares when he challenged Musk's 2018 pay package, from doing the same thing unless they meet a 3% ownership threshold. Tesla also updated its corporate bylaws to match.

Musk and Tesla also return to Chancery Court on Oct. 22 to defend against some of the last claims filed there before the carmaker's reincorporation in Texas. They include allegations about insider trading, Musk's acquisition of Twitter Inc., and his artificial intelligence side projects.

J&J Earnouts

Oct. 15: The justices get a bit of a reprieve from existential questions hovering over Delaware's corporate dominance, pivoting to Johnson & Johnson's effort to overturn an order to pay \$1 billion in damages for breaching merger agreements to prioritize the surgical robot in development when it acquired Auris Health Inc. for \$3.4 billion.

Chancery Court often hears claims from corporate founders who say buyers duped them into a deferred-payment structure or sabotaged sales to sidestep contingent post-deal payments known as "earnouts." Vice Chancellor Lori W. Will found J&J breached its contractual pledge to put "commercially reasonable efforts" toward securing regulatory approvals.

An opinion might not broadly impact M&A deals because earnout provisions typically get tailored specifically to the parties involved, said Stephen Vaughn of Morris, Manning & Martin LLP. Clarity around the "commercially reasonable efforts" concept wouldn't hurt, though, because such generalizations open the door for litigation.

For example, Vaughn said, "if the seller has a business plan for how they're going to hit revenue in the future, then incorporate that business plan and make it the threshold by which the buyer's conduct will be measured, as opposed to vague ideas of what might have been 'commercially reasonable.'"

Attorney Payouts

Oct. 29: While arguing that Musk deserves his pay package, Tesla and the billionaire have teed up another question for the justices: How much should the plaintiffs' lawyers get?

Musk's pay package appeal includes an objection to the \$345 million fee award to Tornetta's attorneys. The carmaker separately appealed a \$176 million in fees awarded in a yet another case where a pension fund challenged four years of compensation for Tesla directors.

A settlement requires the board to return stock options valued up to \$735 million and forgo three years of pay. Both sides supported the accord, but Tesla says the fee award is an unearned windfall for the pension fund attorneys who led the case.

Nine-figure lawyer paydays are relatively rare in Delaware, but the high court cautiously green-lit them last year when it upheld a \$267 million award for lawyers who reached a \$1 billion settlement over a contentious stock conversion at Dell Technologies Inc.

The DExit Defense

Nov. 5: The shareholder who sued a BlackRock Inc. affiliate involved in a wind farm acquisition wants the justices to reject provisions in a new law covering certain types of self-dealing, as well as with language making portions of the law retroactive, arguing S.B. 21 violates the Chancery Court's jurisdiction and Delaware's due process clause.

Musk wasn't directly involved in the Delaware legislature's corporate law overhaul earlier this year, but the amendments followed his urging corporate leaders to abandon the state that's long been the Fortune 500's corporate home.

The amendments rigidly define "controlling stockholder," strengthens the presumption of independence for directors, and limits investor access to internal company files. Corporate defense attorneys, private equity lobbyists, and Gov. Matt Meyer (D) have said Delaware needed to restore litigation predictability shaken by rulings that cracked down on conflicts of interest. The state, whose budget relies heavily on revenues generated by its corporate primacy, also needs to forestall a potential exodus to more-controlling-shareholder-friendly jurisdictions, such as Texas and Nevada.

—With assistance from Mike Leonard.

– With assistance from Mike Leonard.

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Class Action

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Prager Metis Reaches Deal With FTX Victims Over 'Clean' Audit

Oct. 10, 2025, 8:43 AM PDT

Public accounting firm Prager Metis CPAs LLC has reached a proposed settlement with FTX cryptocurrency and account holders allegedly harmed by the exchange's collapse, according to a federal court filing.

The amount Prager has agreed to pay to settle class claims it conducted a "clean" 2020 audit of FTX Trading and FTX US hasn't been made public yet. A request for preliminary court approval—in which settlement terms typically become available—is expected within about 90 days, the parties told the US District Court for the Southern District of Florida Thursday.

The plaintiffs allege Prager Metis and another firm, Armanino LLP, reported that FTX's books met generally accepted accounting standards despite "the virtual absence of accounting and financial systems and controls, corporate governance structures, and other controls" at the company

The problems were "so glaring and obvious" that a new CEO appointed in connection with FTX's bankruptcy discovered them within days, the complaint against the auditors says

Separate claims are proceeding against alleged promoters, including celebrities and influencers—some of whom have already reached settlement agreements in the litigation, in which the plaintiffs are seeking damages of about \$21 billion beyond the estimated \$9.2 billion ceiling in bankruptcy court

Boies Schiller Flexner LLP and the Moskowitz Law Firm PLLC are lead counsel for the digital asset and account holders. Sidley Austin LLP represents Prager. Hunton Andrews Kurth LLP and Sidley Austin represent Armanino.

The case is *In re FTX Cryptocurrency Exchange Collapse Litig.*, S.D. Fla., No. 1:23-md-03076, notice filed 10/9/25 .

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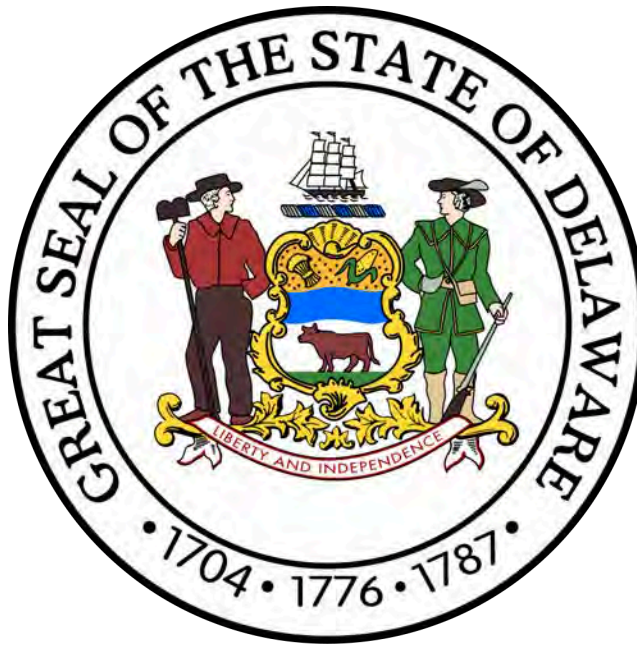
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Another Legal Norm Shattered

 abovethelaw.com/2025/10/another-legal-norm-shattered

Kathryn Rubino

October 10, 2025



[Courts](#)

An insult to the state of Delaware.

By [Kathryn Rubino](#) on October 10, 2025 5:58 pm

Delaware is a special place, a special bar, and this nomination is norm shattering.

—Sen. Chris Coons (D-Del.) [on the elevation](#) of White House lawyer Jennifer Mascott to the Third Circuit, Donald Trump's third appellate judge appointed in his second term. Mascott did not get a blue-slip from either Delaware senator ([the tradition](#) of seeking home state senator approval before confirming a judge, which the first Trump administration [abandoned](#) to get more lifetime appointment for conservative nominees), and is not even a member of the Delaware bar. Mascott was confirmed by the Senate, 50-47 with Sen. Lisa Murkowski (R-Alaska) crossing party lines to vote against the nomination.

Securities lawyers in today's legal market: Where did the reserve bench go — and how can companies rebuild it?

 [reuters.com/legal/legalindustry/securities-lawyers-todays-legal-market-where-did-reserve-bench-go-how-can--pracin-2025-10-13](https://www.reuters.com/legal/legalindustry/securities-lawyers-todays-legal-market-where-did-reserve-bench-go-how-can--pracin-2025-10-13)

Steven Henry

October 13, 2025

Commentary

[Government](#)
[Steven Henry](#)

October 13, 2025 7:45 AM PDT Updated 4 hours ago

Commentary Attorney Analysis from Westlaw Today, a part of Thomson Reuters.

A man walks through the street carrying a briefcase in Manhattan, New York City, U.S., August 19, 2020. REUTERS/Andrew Kelly/File Photo [Purchase Licensing Rights, opens new tab](#)

October 13, 2025 - Two decades ago, the legal market for securities lawyers was deep, stable, and well-supplied. Law firms and public companies alike maintained robust benches of attorneys with expertise in securities regulation, corporate governance, and capital markets. If a public company needed to hire, it could choose from a wide pool of well-trained candidates — many of whom had cut their teeth at top firms and were ready to step in-house.

Today, that landscape looks very different. The bench has thinned considerably, and demand for securities talent far outpaces supply. Companies are feeling the squeeze — and not just public ones. Private companies preparing for IPOs, SPAC transactions, or complex financings are also competing for the same limited pool of lawyers.

But while the pipeline is constrained, companies are not without options. There are strategic, actionable steps they can take to attract and retain top-tier securities counsel. It starts with understanding how we got here.

In 1997, there were more than 6,500 publicly traded companies in the U.S. Today, that number hovers around 4,700 — a near 30% decline. The reasons are well-documented: Sarbanes-Oxley increased the regulatory burden, private equity offered attractive alternatives to public markets, M&A consolidation reduced the number of standalone entities, and IP-heavy companies increasingly opted to stay private.

This contraction had a downstream effect on law firms. As the volume of routine securities work declined, firms pivoted toward higher-growth areas — private equity, M&A, and tech transactions. Securities work became more specialized, and fewer associates were trained in it. The result: a generation of lawyers with limited exposure to public company advisory work, and a diminished pipeline for in-house securities roles.

While it remains true that most securities lawyers still begin their careers at law firms, there are more companies now hiring earlier in the pipeline, sometimes even directly out of law school, though more commonly after a few years of firm experience. This change acknowledges the talent shortage companies have faced over the past few years and evolving preferences among younger lawyers who want to work closer to the business with more manageable hours and long-term leadership opportunities.

Over the past decade, securities teams at public companies have also evolved along with these changes. To support earlier hires — especially amid increased regulatory complexity, IPO activity, and governance pressures — companies are taking steps to expand securities lawyers' roles. Many are building stronger training and onboarding programs and offering more competitive compensation to attract law firm attorneys in-house.

The role of the securities lawyer has gradually evolved from a purely technical function to one of strategic importance. Today, they serve not only as legal experts but also as key business advisors, working closely with executive teams, finance, and investor relations. Their work increasingly supports broader corporate responsibilities and long-term growth initiatives to ensure a company's decisions are strategically advantageous as well as compliant.

Once securities lawyers land in-house, they tend to stay. Their roles are high-impact, high-visibility, and often deeply embedded in the company's strategic and governance functions. Many are already on track for GC succession, making them unlikely to entertain lateral moves — even for significant compensation.

This creates a retention challenge for companies. Even when a company is willing to pay top dollar, the pool is shallow and the best candidates are often already spoken for.

Despite the headwinds, companies have meaningful levers they can pull to make securities roles more attractive and sustainable:

1. Compensation that reflects market realities

Securities lawyers are among the most highly compensated legal professionals. While the median salary for U.S. lawyers is around \$145K, securities counsel routinely earn base salaries in the high \$200Ks, with cash bonuses ranging from 25% to 45%. All-in compensation often exceeds \$400K.

To compete, companies should consider creative compensation structures — especially long-term incentives (LTIs), equity grants, performance-based awards, and vesting schedules that align with retention goals. These tools can add meaningful value without inflating short-term budgets and often make the difference in closing a candidate.

2. A clear path to leadership

Securities lawyers sit at the nexus of legal, finance, and strategy. They manage board governance, interface with investor relations, and oversee disclosure. Their exposure to high-level business issues makes them natural candidates for GC succession.

To attract great candidates, companies should be explicit about this potential path during recruitment. Signaling that the role is part of a broader leadership trajectory costs nothing and can be a powerful draw for top talent.

3. Proximity to decision-makers

Access to the C-suite and Board is another differentiator. While securities lawyers may not be ultimate decision-makers, their ability to contribute to leadership conversations and influence strategy is highly valued. Offering this exposure not only enhances the role's appeal but also accelerates the lawyer's development and business acumen.

The demand for securities lawyers is not limited to public companies. Private companies preparing for IPOs or navigating complex financings also need seasoned securities counsel. These lawyers handle Reg D offerings, investor disclosures, governance structuring, and pre-IPO readiness. Their expertise is critical — and increasingly scarce.

The market for securities lawyers is fundamentally out of balance. Demand is high. Supply is low. Compensation is rising. And the traditional training pipeline has narrowed.

For companies — especially those with public reporting obligations — this means rethinking how they recruit, retain, and develop securities talent. It is no longer enough to post a job and hope for the best. Success requires a strategic approach: competitive compensation, a clear path to leadership, and meaningful engagement with the business.

The bench may be thin, but with the right strategy, companies can build it back up.

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Reforms prompt big money appeals in IL biometrics cases

 [legalnewsline.com/cook-county-record/reforms-prompt-big-money-appeals-in-il-biometrics-cases/article_3319e899-f9bf-4208-be28-af4f9d171442.html](https://www.legalnewsline.com/cook-county-record/reforms-prompt-big-money-appeals-in-il-biometrics-cases/article_3319e899-f9bf-4208-be28-af4f9d171442.html)

Jonathan Bilyk, Jonathan Bilyk

October 13, 2025

Dirksen Federal Courthouse, Chicago

Jonathan Bilyk

Editor's note: This is the second installment in a series of stories discussing the legal landscape surrounding the Illinois Biometric Information Privacy Act in the wake of the 2024 BIPA law reform. In a coming story, The Record will discuss the challenges posed by the law on Illinois' push to attract new tech development and infrastructure.

CHICAGO - Even as reforms seem to have edged down the number of biometric privacy lawsuits targeted at businesses in Illinois, appeals courts are being tasked with the job of unraveling yet another legal knot surrounding Illinois' controversial and stringent law, with many millions or even billions of dollars at stake.

This fall and, likely, through the winter months, a federal appeals court in Chicago will hear arguments from trial lawyers and the businesses they are suing on a key legal question surrounding the reforms Illinois state lawmakers enacted last year revising the law known as the Illinois Biometric Information Act (BIPA.)

The dispute will center on competing ways of reading the new version of the BIPA statute. Specifically, the controversy centers on whether the BIPA reforms should be interpreted to apply to lawsuits filed before the law was changed, or if they should only apply to those suits hitting businesses after lawmakers added the key new language, which at least appears to limit the explicit ability of trial lawyers to use the law to level massive demands for money from employers and other businesses operating in Illinois.

In the summer of 2024, Illinois Democratic state lawmakers and Gov. JB Pritzker handed a rare win to businesses in Illinois when their interests collide with trial lawyers, amending the BIPA law by passing the legislation docketed as Senate Bill 2979.

For about a decade, a growing number of trial lawyers have used the BIPA law to hit businesses with thousands of class action lawsuits and a smaller number of individual actions.

The BIPA law, passed in 2008, lays out specific provisions governing how businesses can collect, store, share and use people's unique biometric identifying information, which can include scans of people's fingerprints, retinas and "facial geometry," as well as recordings of

their voices. It further requires businesses that scan people's biometrics to provide certain kinds of written notices and secure written authorization from people before scanning those physical features.

Some of the lawsuits have made headlines, generating settlements worth hundreds of millions of dollars from giant tech companies, like Google and Meta, the parent company of Facebook and Instagram.

The lawsuits have been driven largely by the seeming ability for plaintiffs and their lawyers to demand potentially astronomical payouts under the law's statutory damages provision. While other states have biometric privacy laws, Illinois' law is the only one that provides plaintiffs with a so-called right of private action, allowing them to sue businesses directly, instead of relying on a state agency to first move against alleged violations of the BIPA law.

The law gives plaintiffs the ability to demand \$1,000 or \$5,000 per violation, depending on how malicious plaintiffs can prove defendants may have been in allegedly violating BIPA's rules.

However, until last summer, potential payouts under BIPA lawsuits could have been massive - at least, as interpreted by the Illinois Supreme Court.

Under Illinois Supreme Court rulings, the law was interpreted broadly, as plaintiffs could bring their lawsuits against businesses without showing they were ever actually harmed, and they could demand payment for each and every allegedly illegal biometric scan.

When multiplied across entire workforces, for instance, with each worker scanning a fingerprint multiple times per day, damages under this interpretation could quickly climb up to what even the Illinois Supreme Court called "annihilative damages" of many millions or even billions of dollars.

The prospect of such "per scan" damages also enticed a mounting number of people to bring their own individual claims, as well. For instance, some plaintiffs have sought to cash in on potential claims worth \$5,000 for every time they scanned their fingerprint when punching a biometric time clock at work, potentially in pursuit of massive individual windfalls.

In all cases - whether lawsuits brought as class actions or individual lawsuits - their lawyers could typically stand to collect about one third of any money paid out by defendants to resolve the legal claims.

However, under SB2979, state lawmakers added language to the BIPA law, essentially declaring the law should be read to limit damages only to \$1,000 or \$5,000 per person, not per scan.

While businesses and their lobbying advocates had hoped for more substantial reforms, they still welcomed the changes, which at least appeared to limit the possibility of a business being slammed with potentially catastrophic and business-killing damages at trial, even if plaintiffs can't show anyone was actually harmed by alleged technical violations of the BIPA law.

[Preliminary data appears to show the reforms have at least slowed the rate at which BIPA lawsuits were multiplying, based on estimates provided by the law firm of Duane Morris](#). That firm regularly defends businesses against such BIPA lawsuits.

However, following the passage of the reforms, Illinois courts have continued to address arguments surrounding the reforms, and specifically how to apply the reforms to lawsuits filed before Pritzker signed SB2979 into law.

The law remains silent on whether it should be applied retroactively, driving the new controversy.

In court, businesses facing those lingering BIPA suits have argued the law should apply to those past suits, as they say it should be apparent that lawmakers always intended the damages to be restricted to one payout per individual, not multiplied across potentially hundreds of scans.

Judges, however, have largely continued to side with plaintiffs and their trial lawyers, who have argued the lawmakers' silence on the question means the reforms and its damages limits should apply only proactively. Plaintiffs in lawsuits filed before the passage of SB2979 should still be able to claim damages of \$1,000 to \$5,000 per scan, as allowed under the Illinois Supreme Court's decision.

A number of those cases have been appealed and consolidated [before the U.S. Seventh Circuit Court of Appeals in Chicago](#).

The appeals court has not taken any action on the appeals, to date. But the court has laid out a briefing schedule. An opening brief has been filed by railroad operator Union Pacific, the primary defendant in the consolidated action.

At the same time, the U.S. Chamber of Commerce has waded into the action, as well, [filing a brief in support of Union Pacific and other targeted businesses in the appeal](#).

In that brief, the Chamber called on the court to declare the reforms retroactive, saying it should be apparent that lawmakers intended for the change to protect businesses - and particularly, small businesses - from the risk of financial ruin under the law.

The Chamber noted that in the 12 months before SB2979 was passed, "349 BIPA cases were filed in Illinois state courts, including approximately 75 filed against small businesses."

"Behind these numbers are real employers operating in Illinois and across the country," the Chamber wrote in its brief. "They include nursing homes, employment staffing agencies, a door and window manufacturer, a furniture store, a transportation company, a ping-pong social bar, and a nonprofit organization serving Chicago's North Lawndale Neighborhood.

"Stalwart Illinois institutions like the Blommer Chocolate Company, Garrett Popcorn, El Milagro tortilla company, and the Windy City Limousine Company were all named in BIPA lawsuits before the legislative amendment went into effect.

"The outcome of this case will determine whether these businesses face the risk of devastating damages awards," the Chamber said.

Despite the potential big stakes, attorney John Ochoa with the firm of Smith Amundsen in Chicago, cautioned that any decision may not necessarily have as substantial an effect on the outcome of many of these cases as some on both sides may hope.

The reason, Ochoa said, is that BIPA settlements have rarely reflected the "per scan" damages demands spelled out in the lawsuits.

"Almost all cases were already settling on a per person basis, even before the (reform) legislation," Ochoa said.

"There were potentially some big numbers, but everyone recognized those were kind of ridiculous.

"The numbers were almost make-believe," he said.

As a result, after SB2979, plaintiffs' settlement demands haven't substantially declined, Ochoa said - at least, not yet.

"If there was a decline, I haven't seen it," he said.

He conceded the outcome of the appeal could play a role in future BIPA settlement negotiations in class actions, where the "threat" under the "per scan" damages interpretation likely "nudged up amounts a little bit."

But while class actions may not be significantly impacted, Ochoa said the outcome of the case could undercut individual BIPA claims. In those cases, a BIPA claim that is now worth hundreds of thousands of dollars or more, could slip to just \$5,000 or less.

In one of the consolidated cases pending before the Seventh Circuit, for instance, two individual plaintiffs, identified as Rashaan Edwards and John Gregg, are suing trucking company Central Transport. According to the complaint, Edwards and Gregg worked at Central's facility in suburban Hillside.

Each claimed they worked for Central from Oct. 1-Oct. 31, 2023, and scanned their fingerprints at least four times per work day on the facility's biometric time clock, amounting to at least 88 alleged BIPA violations for each man.

So, they are each seeking payouts of \$88,000 to \$440,000 or more from Central Transport.

According to court documents, however, without the "per scan" multiplier, the plaintiffs could only seek \$15,000 each.

They are represented in the case by attorneys Adam J. Feuer and Nick Wooten, and others with the firm of DJC Law, of Chicago and Austin, Texas.

For those and similar individual plaintiffs - most of whom filed their claims before the reforms of SB2979 were enacted - Ochoa said the viability of their claims will hinge on the outcome of the appeals currently before the Seventh Circuit.

Ultimately, however, the fate of the case may yet fall to the Illinois Supreme Court. The Seventh Circuit may yet punt on the case, deferring to the state high court to answer the key question on retroactivity.

The Seventh Circuit, however, has not yet indicated how it will proceed.

Visa, Mastercard agree to \$199.5 million settlement in merchants' class action

 [reuters.com/legal/government/visa-mastercard-agree-1995-million-settlement-merchants-class-action-2025-10-13](https://www.reuters.com/legal/government/visa-mastercard-agree-1995-million-settlement-merchants-class-action-2025-10-13)

Mike Scarcella

October 13, 2025

Visa and Mastercard cards are placed on a keyboard in this illustration taken September 24, 2025. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights, opens new tab](#)

Oct 13 (Reuters) - Visa ([V.N](#)), [opens new tab](#) and Mastercard ([MA.N](#)), [opens new tab](#) have agreed to pay a combined \$199.5 million to settle a nearly decade-old class action that accused them of forcing merchants to swallow some of the costs of fraudulent transactions involving counterfeit, lost, or stolen cards.

A [proposed settlement, opens new tab](#) was filed on Friday in the federal court in Brooklyn, and requires approval from Chief U.S. District Judge Margo Brodie.

Merchants first sued the payment networks in 2016, alleging they violated antitrust law by moving in lockstep to change rules on chargebacks, which are reversed payments triggered by customer disputes. The shift exposed businesses to greater costs without any reduction in transaction fees.

Under the new framework, merchants became liable for chargebacks if they had not upgraded point-of-sale systems to accept chip-enabled cards.

Visa said it will pay \$119.7 million, and Mastercard will pay \$79.8 million, according to the settlement. Two other defendants, Discover and American Express, agreed earlier to pay a combined \$32.2 million to resolve the merchants' claims against them.

All four companies denied any wrongdoing in agreeing to settle the class action.

In a statement, Mastercard said it welcomed the resolution and emphasized its efforts to promote adoption of advanced technology "to protect Mastercard purchases at every step."

Visa and attorneys for the merchants did not immediately respond to requests for comment.

In a court filing, plaintiffs' lawyers called the deal "an excellent outcome for the class." They said the settlement represents about 13% of the plaintiffs' best-case damages estimate and more than 50% of a conservative benchmark provided by Visa and Mastercard's experts.

The proposed accord is separate from the \$5 billion that Visa and Mastercard agreed to pay in 2019 to resolve merchant claims that they improperly fixed credit and debit card fees.

The case is B&R Supermarket Inc et al v. Visa Inc et al, U.S. District Court, Eastern District of New York, No. 1:17-cv-02738-MKB-JAM.

For plaintiffs: George Aguilar and Michael Nicoud of Robbins; John Devine of Devine Goodman & Rasco; and Thomas Amon of Law Office of Thomas G. Amon

For Visa: Matthew Eisenstein and Robert Vizas of Arnold & Porter Kaye Scholer

For Mastercard: Kenneth Gallo and Brette Tannenbaum of Paul, Weiss, Rifkind, Wharton & Garrison

Read more:

[Apple, Visa and Mastercard win dismissal of merchant antitrust lawsuit over payment fees](#)

[Mastercard defeats mobile wallet platform's antitrust lawsuit](#)

[Visa hit with merchant class action after US Justice Dept antitrust lawsuit](#)

[Visa settles Discover unit's antitrust lawsuit over debit card network](#)

Reporting by Mike Scarcella

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Class Action

Manage Newsletters

Walgreens, AIG Clash Over Duty to Defend Opioid Crisis Litigation

Oct. 10, 2025, 2:09 PM PDT

Summary by Bloomberg AI

AI Generated



- American International Group Inc. units must pay Walgreen Co.'s defense costs in litigation alleging it fueled the opioid crisis because at least some of the underlying claims could be covered, Walgreens' attorney said.
- AIG is seeking a summary judgment that it has no duty to defend the pharmacy under a series of umbrella policies spanning sixteen years.
- The dispute is among several high-profile insurance coverage fights related to claims over the opioid epidemic, with fellow retail pharmacy giants CVS Health Corp. and Rite Aid Corp. having lost to their carriers on similar issues.

American International Group Inc. units must pay Walgreen Co.'s defense costs in litigation alleging it fueled the opioid crisis because at least some of the underlying claims could be covered, the retail pharmacy chain told an Illinois state judge Friday.

If even one of the allegations in the underlying complaints is potentially covered, "that is the end of the story," Walgreens' attorney, Paula Litt of Honigman LLP, said in a hearing in Illinois Circuit Court, Cook County.

Walgreens sued its liability insurers in May 2022, seeking coverage for the underlying opioid suits, which were brought mainly by state and local governments.

AIG is seeking a summary judgment that it has no duty to defend the pharmacy under a series of umbrella policies spanning sixteen years.

The dispute is among several high-profile insurance coverage fights related to claims over the opioid epidemic.

Fellow retail pharmacy giants CVS Health Corp. and Rite Aid Corp. have lost to their carriers on similar issues in Delaware's high court, and others, such as Publix Super Markets Inc., are still litigating appeals.

The policy language at issue in the opioid insurance disputes is also being raised in the context of other public nuisance litigation, for example over gun violence or social media addiction.

Across the spectrum of public nuisance cases, insurers have, like AIG, argued that the underlying suits don't allege an accidental "occurrence," a threshold requirement to trigger coverage.

Insurers have also relied on a coverage defense that is the focus of a separate motion in the Walgreens case, arguing that the underlying litigation doesn't seek damages "because of bodily injury," another condition precedent to coverage.

AIG's counsel acknowledged that motion Friday, telling the court that if it accepted that argument, there would be no need to decide the occurrence issue because it would foreclose coverage under all the policies.

The insurers only need to win on one of the two issues to defeat coverage, whereas Walgreens must win on both to get coverage, Willkie Farr & Gallagher's Christopher St. Jeanos, arguing for AIG, told Judge Cecilia A. Horan.

The suits against Walgreens, however, didn't trigger AIG's duty to defend because taken as a whole, they alleged only harm that was the "natural and ordinary consequence" of Walgreens' intentional conduct—thus, not an accident— St. Jeanos said.

Although the complaints allege some intentional conduct, that doesn't mean there is no potential at all for coverage, Litt said.

In order to determine whether negligence claims could be covered, the court must consider whether the underlying plaintiffs could feasibly prove those claims without also proving a scheme or conspiracy by Walgreens, Litt said.

Under Illinois law, the court must resolve any doubt in favor of the policyholder, she added. "This is a high bar for them, a low bar for us."

The case is Walgreen Co. v. ACE Am. Ins. Co., Ill. Cir. Ct., No. 2022ch04283, hearing 10/10/25 .

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Class Action

Manage Newsletters

Agri Stats Agrees to Limit Wage Data in Poultry Processing Deal

Oct. 13, 2025, 7:30 AM PDT

Summary by Bloomberg AI

AI Generated



- Agri Stats Inc. agreed to stop sharing plant-level wage data in a settlement with workers in a long-running wage suppression suit.
- The lawsuit led to poultry processing giants paying a combined \$398 million to resolve the claims, with Agri Stats being the last plaintiff to settle claims from low-wage poultry processing workers.
- Agri Stats will stop sharing plant-level wage data for workers involved in processing chicken and turkey, according to a settlement agreement filed Oct. 10 in the US District Court for the District of Maryland.

Agri Stats Inc. agreed to stop sharing plant-level wage data in a settlement with workers in a long-running wage suppression suit that saw some of the largest US poultry processors pay nearly \$400 million.

Fort Wayne, Ind.-based Agri Stats is the last plaintiff to settle claims from low-wage poultry processing workers in class action litigation originally filed in 2019. The lawsuit led to poultry processing giants such as Perdue Farms Inc., Tyson Foods Inc., and Butterball LLC pay a combined \$398 million to resolve the claims.

Agri Stats will stop sharing plant-level wage data for workers involved in processing chicken and turkey, according to a settlement agreement filed Oct. 10 in the US District Court for the District of Maryland.

Plaintiffs “believe that with the removal of these plant-level fields, recipients of future Agri Stats reports will be unable to reconstruct the labor fields that processor Defendants previously used to suppress their workers’ wages,” the settlement agreement said.

Agri Stats and counsel for the plaintiffs couldn’t immediately be reached for comment Monday.

Agri Stats is a data provider for poultry and other meat processors.

Low-wage workers claimed that poultry processors used data collected by Agri Stats and Webber, Meng, Sahl & Co. Inc. to violate the Sherman Act by conspiring to drive down their hourly wages and salaries at poultry processing operations. Weng, Meng, Sahl & Co. and the plaintiffs settled in 2021.

The \$398 million settlement is the largest ever financial recovery for an antitrust action in the Fourth Circuit.

Judge Stephanie A. Gallagher of the federal district court in Maryland approved the settlement with poultry processors in June.

The Justice Department filed its own wage suppression antitrust case against the poultry processors and data providers and said the settlement with Agri Stats wouldn't provide sufficient relief to the plaintiffs, according to the Oct. 10 agreement.

The plaintiffs are represented by firms including Hagens Berman Sobol Shapiro LLP, Cohen Milstein Sellers & Toll PLLC, and Handley Farah & Anderson PLLC.

Hogan Lovells US LLP represents Agri Stats.

The case is Jien v. Perdue Farms Inc. , D. Md., No. 1:19-cv-02521, Motion for Preliminary Approval of Settlement 10/10/25 .

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Carmakers accused in huge UK lawsuits of cheating diesel emissions tests

 [reuters.com/sustainability/climate-energy/carmakers-face-key-trial-uk-lawsuits-decade-after-dieseldgate-scandal-2025-10-13](https://www.reuters.com/sustainability/climate-energy/carmakers-face-key-trial-uk-lawsuits-decade-after-dieseldgate-scandal-2025-10-13)

Sam Tobin

October 13, 2025

- UK court to decide if diesel vehicles had 'defeat devices'
- About 1.6 million claimants suing carmakers for compensation
- Manufacturers say claims are 'fundamentally flawed'
- Key trial comes decade after VW 'dieseldgate' scandal

LONDON, Oct 13 (Reuters) - Some of the world's biggest carmakers manipulated diesel emissions tests because they "would rather cheat than comply with the law", lawyers for over 1.6 million claimants told London's High Court on Monday, at the start of a huge trial.

A decade on from Volkswagen's [VOWG.DE](https://www.vowg.de), [opens new tab](#) 'dieseldgate' scandal, which cost the German automaker billions of euros, the claimants are suing rival manufacturers in one of the largest mass lawsuits in English legal history.

Owners of diesel vehicles made by Mercedes-Benz ([MBGn.DE](https://www.mbg.de), [opens new tab](#)), Ford ([F.N](https://www.ford.com)), [opens new tab](#), Nissan ([7201.T](https://www.nissan.co.uk)), [opens new tab](#), Renault ([RENA.PA](https://www.rena.com)), [opens new tab](#) and the Stellantis-owned ([STLAM.MI](https://www.stlam.com)), [opens new tab](#) brands Peugeot and Citroen between 2012 and 2017 allege the companies cheated emissions tests.

The manufacturers are accused of using unlawful "defeat devices", which detected when vehicles were being tested and ensured nitrogen oxide (NOx) emissions were kept within legal limits under test conditions.

The claimants' lawyers say NOx emissions were far higher when the cars were on the road – in some cases up to 12 times test limits – causing harm to the environment and entitling consumers to compensation.

The manufacturers, however, say the claims are fundamentally flawed and argue there are justified reasons why systems to control emissions are calibrated to work differently in certain conditions.

They also reject any similarity with the scandal that erupted in 2015, when VW admitted using defeat devices, and which has hung over the motor industry ever since.

'DEFEAT DEVICES' TRIAL BEGINS

The trial, which will conclude next year with a judgment expected in mid-2026, will focus on a sample of 20 diesel vehicles produced by the five manufacturers, who are being sued by nearly 850,000 of the claimants.

The High Court will determine whether those sample vehicles contained prohibited defeat devices, with any damages owed to be decided at a further trial next year.

The court's ruling will also be binding on another 800,000 or so similar claims against other manufacturers including Stellantis-owned Vauxhall/Opel and BMW.

It is not the first time London's High Court has been asked to decide on defeat devices, having ruled against VW in 2020. VW [settled those claims](#) without any admission of liability in 2022.

A Ford sign on a car is seen, by a Ford motor dealership in London, Britain, November 20, 2024. REUTERS/Mina Kim [Purchase Licensing Rights, opens new tab](#)

VW has had to pay more than 32 billion euros (\$37 billion) in vehicle refits, fines and legal costs, while former Chief Executive Martin Winterkorn faced criminal charges, though his trial was [suspended on health grounds](#) earlier this month.

The scandal has stretched beyond VW to other manufacturers and suppliers, some of whom have paid fines and reached settlements in the United States and elsewhere to resolve investigations into diesel vehicle emissions.

Tom de la Mare, one of the claimants' lawyers, said manufacturers across the industry made "a conscious decision" to prioritise customer convenience over preventing pollution.

He described the carmakers' approach as being that "we would rather cheat than comply with the law".

AUTOMAKERS REJECT 'LONG SHADOW' OF VW SCANDAL

The manufacturers at the centre of the trial, though, reject that and say the claimants have been distracted by the "long shadow" of VW's troubles.

Renault's lawyer Alexander Antelme said in court filings that the claimants were working on the "false assumption that the features of 'VW dieselgate' applied across the entire automotive industry".

The carmakers also stress that lower NOx levels often mean higher amounts of other pollutants are emitted and that there are good engineering or safety reasons for regulating emissions.

All methods of emissions control involve "trade-offs between different emissions and the need for the diesel engine to operate properly and safely", Antelme argued.

The current group of claims has previously been valued by the claimants' lawyers at around 6 billion pounds (\$7.97 billion).

(\$1 = 0.8645 euros)

(\$1 = 0.7528 pounds)

Reporting by Sam Tobin; Editing by Elaine Hardcastle and Peter Graff

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Brexit**Carmakers and motorists clash over post-Brexit law in 'dieselgate' case**

Lawyers acting for 1.6mn vehicle owners say failure to follow EU precedents would make UK a 'defeat-device island'



Protesters gather outside the Royal Courts of Justice in London on Monday as the High Court heard a trial on whether systems installed in several manufacturers' diesel vehicles were designed to cheat clean air laws © Carlos Jasso/AFP/Getty Images

Alistair Gray and **Kana Inagaki** in London

Published 45 MINUTES AGO



Brexit has become central to a multibillion-pound lawsuit over diesel emissions, as lawyers acting for UK motorists battle with carmakers over the degree to which court rulings from Europe should help determine the outcome.

A long-awaited [High Court](#) trial began this week in a case which 1.6mn vehicle owners have brought against manufacturers including Mercedes-Benz, Ford, Peugeot-Citroën, Renault and Nissan over claims they installed “defeat devices” to manipulate tests for nitrogen oxide emissions.

The lawsuit, among the largest collective actions in English legal history, comes a decade after Volkswagen sent shockwaves through the global car industry by admitting it had cheated on emissions tests.

VW is not one of the five “lead defendants” in the first part of the highly complex case that began on Monday but is part of a larger group of 13 [carmakers](#) that could be affected by the eventual ruling.

Although the UK is no longer part of the EU, European emissions regulations that took effect long before its departure are central to the High Court case because the rules have been “assimilated” into domestic law.

Since Brexit, however, judges at the European Court of Justice in Luxembourg have issued rulings that interpret the question of what constitutes a “defeat device” in a way that is more onerous for carmakers.

While the courts in England and Wales are generally not bound by post-Brexit rulings from the ECJ, legislation that enacted Britain’s departure from the EU at the end of 2020 said judges “may have regard” to such decisions.

Lawyers acting for Mercedes-Benz, which is defending the largest number of claims in the diesel emissions case, said at the start of the trial that the High Court should not follow the European rulings, which were “wrong in principle”.

“Since the court is not bound to follow these flawed decisions, it should not do so,” counsel for the German car group said in written arguments.

But lawyers acting for the motorists contend that the post-Brexit rulings are “highly persuasive” and the High Court should not depart from them without “sufficiently compelling legal reasons”.

A divergent interpretation would “undermine legal certainty” and mean different rules apply in Northern Ireland, which “creates obvious practical problems”, counsel for the claimants said in written arguments.

Under the Windsor framework, which sets out the post-Brexit status of Northern Ireland, some ECJ rulings are binding on the province but not the rest of the UK.

Opening the claimants' case on Monday, Thomas de la Mare KC told the court that "on the defendants' take, mainland Great Britain becomes some kind of defeat-device Brexit island" that is "cut off from the mainstream law of the EU".

The manufacturers deny the claims made against them, variously arguing that the claimants are erroneously seeking to associate the entire industry with the VW dieselgate scandal, have misunderstood the emission control systems and that their case is fundamentally flawed.

The trial began on Monday after the presiding judge declined to sign off on a request made by one of the main firms representing motorists to stand aside as a lead solicitor on the case.

Pogust Goodhead said last week it wanted to relinquish its central role following departures of senior staff. It said the carmakers were making "attempts to exploit" the situation, which "risked becoming a serious distraction".

Mrs Justice Sara Cockerill told parties in the case on Friday that while she was "not shutting the door" entirely on the request, its implications were "far from clear" and she was "not currently prepared to make the order sought".

Pogust Goodhead said it welcomed her decision "that the status quo is the best course at this time, which means that Pogust Goodhead will continue as lead solicitor, along with Leigh Day".

Additional reporting by Suzi Ring

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Carmakers Face UK Trial a Decade After Dieselgate Scandal (1)

Oct. 13, 2025, 6:19 AM PDT

Summary by Bloomberg AI

AI Generated



- Car manufacturers including Mercedes-Benz Group AG, Ford Motor Co. and Renault SA are facing a trial after about 1.6 million British car owners claimed compensation for the manipulation of their vehicles to cheat on emission tests.
- The manufacturers deny they used prohibited “defeat devices,” with lawyers for Mercedes-Benz arguing the claims are flawed and lawyers for Renault and Nissan saying the claimants’ case is fundamentally misconceived.
- The trial, which covers cars made between 2012-2017, can result in billions of pounds in liabilities for car manufacturers if the court agrees with the lawyers for car owners.

Car manufacturers including Mercedes-Benz Group AG, Ford Motor Co. and Renault SA are facing a mass class-action style trial after about 1.6 million British car owners claimed compensation for the manipulation of their vehicles to cheat on emission tests.

The high court in London kicked off a three-month trial against five car manufacturers also including Nissan Motor Co. and a unit of Stellantis NV. All deny they used prohibited “defeat devices.”

The manufacturers decided they would “rather cheat than comply with the law,” Thomas de la Mare, a lawyer for car owners argued on Monday.

The cars didn’t have any prohibited devices and the claims are flawed and incoherent, lawyers for Mercedes-Benz argued. “The claimants’ case is fundamentally misconceived. It is untenable in law and unsupported by the facts,” lawyers for Renault and Nissan said in court filings.

The trial, which covers cars made between 2012-2017, is expected to run until March 2026. Following the trial, the judges will decide whether the manufacturers are liable to compensate. A separate trial later will decide the quantum of compensation, if the court rules against the companies.

Read More: [Four Ex-VW Managers Convicted in Germany Over Diesel Scandal](#)

The case can result in billions of pounds in liabilities for car manufacturers if the court agrees with the lawyers for car owners. The ruling will also set a precedent for cases against nine other carmakers in the UK and similar cases in the Europe.

"We believe that the claims are without merit and will vigorously defend ourselves against them or any group action with the necessary legal means," a Mercedes-Benz spokesperson said.

Stellantis said it firmly believes that its vehicles and engines fully comply with all applicable emission regulations and will strongly defend against these claims, which are unfounded.

Spokespeople for Ford, Nissan and Renault all separately denied the allegations and said their companies will contest the case.

The allegations tied to the original 2015 scandal have cost Volkswagen AG more than [\\$30 billion](#).

Volkswagen is not among the five lead defendants in the UK trial. The claims are not justified and Volkswagen will "defend them robustly," its spokesperson said.

"Fourteen of the biggest car manufacturers operating in the UK are facing these claims which, if proven, would demonstrate one of the most egregious breaches of corporate trust in modern times," according to Leigh Day's senior partner **Martyn Day**.

(Updates with statements from spokespeople for carmakers in the ninth paragraph.)

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Palisades Fire defendant list grows to 12

DJ [dailyjournal.com/articles/387988-palisades-fire-defendant-list-grows-to-12](https://www.dailyjournal.com/articles/387988-palisades-fire-defendant-list-grows-to-12)

LA Fires

Oct. 13, 2025

The new master complaint adds telecommunications companies, government entities and a private museum to the list of claimed defendants for Los Angeles' worst fire.

Defendants in the first amended complaint filed July 10, 2025:

City of Los Angeles acting by and through the Los Angeles Department of Water and Power: The complaint alleges that LADWP's electrical and water systems failed during the fire, contributing to ignition and worsening suppression efforts.

City of Los Angeles: The city is accused of maintaining numerous overgrown and abandoned lots that constituted a "dangerous condition of public property," violated brush-clearance laws, contributing to ignition and spread of the fire.

California Department of Parks and Recreation: The complaint refers to dangerous fire conditions at Topanga State Park.

State of California: The owner of the parkland where the fire allegedly began, is accused of maintaining a dangerous condition of public property and violating brush-clearance requirements.

New defendants named in the master complaint filed Oct. 8, 2025.

Southern California Edison Company: SCE is alleged to have negligently operated and maintained electrical infrastructure that either ignited or exacerbated the fire.

Edison International: SCE's parent company is accused of exercising managerial and financial control while failing to implement safety oversight or preventive measures.

Charter Communications: Accused of improperly installing, maintaining, or attaching telecommunications equipment to shared utility poles, thereby overloading or destabilizing electrical infrastructure and increasing the risk of ignition.

Frontier Communications: Accused of improperly installing, maintaining, or attaching telecommunications equipment to shared utility poles, thereby overloading or destabilizing electrical infrastructure and increasing the risk of ignition.

AT&T Inc: Accused of improperly installing, maintaining, or attaching telecommunications equipment to shared utility poles, thereby overloading or destabilizing electrical infrastructure and increasing the risk of ignition.

County of Los Angeles: Alleged to have failed to enforce fire safety regulations and vegetation management.

Las Virgenes Municipal Water District: Accused of failing to maintain or supply adequate water pressure and volume for firefighting during the blaze.

Sempra Energy: Accused of negligently operating gas infrastructure that allegedly worsened the fire's spread or caused secondary explosions. Plaintiffs also claim they failed to adequately monitor or shut down gas lines in the affected area.

Southern California Gas Company: Accused of negligently operating gas infrastructure that allegedly worsened the fire's spread or caused secondary explosions. Plaintiffs also claim they failed to adequately monitor or shut down gas lines in the affected area.

J. Paul Getty Trust: Accused of failing to maintain vegetation and fire breaks on its property adjoining the ignition area.

Mountain Recreation and Conservation Authority: Accused of failing to manage brush and fire hazards on its open-space lands and to have allowed dangerous conditions to persist despite knowledge of extreme fire risk in the region.

Grigsby, et al. v. City of Los Angeles acting by and through the Los Angeles Department of Water and Power, 25STCV00832 (L.A. Super. Ct., filed Jan. 13, 2025).

#387988

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Utilities and telecoms face crossfire in widening Palisades Fire case

DJ [dailyjournal.com/articles/387985-utilities-and-telecoms-face-crossfire-in-widening-palisades-fire-case](https://www.dailyjournal.com/articles/387985-utilities-and-telecoms-face-crossfire-in-widening-palisades-fire-case)

LA Fires

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Oct. 13, 2025

The Palisades Fire master complaint broadens litigation to 12 defendants, alleging shared responsibility among utilities and telecoms, potentially triggering crossclaims and complex liability battles over Los Angeles' worst wildfire.

Alexander Robertson IV of Robertson & Associates

The individual plaintiffs' master complaint in the Palisades Fire litigation has significantly expanded the scope of the litigation, with claims against a dozen defendants who are accused of having contributed to the fire in some shape or form. The complaint could pit defendants against each other to escape liability for Los Angeles' worst wildfire.

The new complaint, filed Wednesday, is more than 180 pages. It groups the defendants and apportions the allegations accordingly. For example, Charter Communications, Frontier Communications and AT&T Inc. are each accused of improperly installing telecommunications equipment on utility poles shared by other defendants, which allegedly overloaded or destabilized the electrical infrastructure in the burn area.

A Charter Communications representative said they did not have a comment at this time. Frontier Communications and AT&T representatives did not respond to requests for comment.

Los Angeles Department of Water and Power (LADWP) is represented by Munger, Tolles & Olson LLP and denies responsibility for the fire, based on the claims it did not ensure enough water for firefighters to stop the flames from spreading.

The plaintiffs employed a similar strategy in the Maui wildfire litigation, pushing the defendants to settle and contribute to the settlement fund, said Alexander Robertson IV, who filed the complaint on Wednesday. Robertson is the founder of Robertson & Associates and co-lead counsel for thousands of Palisades Fire victims.

Robertson noted that the "communications defendants" have indemnity agreements with the LADWP to use its power poles to hang their communications lines.

"If any damage is caused by communications companies to third parties through negligence and LADWP gets sued, those defendants are required to indemnify LADWP," Robertson said.

Patricia L. Glaser, who heads Glaser Weil Fink Howard Jordan & Shapiro LLP's litigation department, commented that the master complaint could trigger cross-complaints between the defendants that evolve into "mini-trials" before a special master to determine how much each party is liable for. She said she saw a similar situation when she represented MGM Grand in litigation stemming from the 1980 fire in which seemingly every subcontractor was sued.

"My experience is: Some of it is justified. Some defendants will appropriately be spanked," Glaser said in a phone interview Friday. Glaser represents homeowners in connection with first-party insurance in these types of cases. She is not involved in the Palisades Fire litigation.

"It becomes incredibly complex in terms of procedure," Glaser continued. "It is critical for the judicial officer to get hold of this immediately and assign the primary defendant counsel and the primary plaintiffs' counsel."

But is it to the plaintiffs' benefit to have the defendants suing each other?

"It's to our benefit to find the truth," James P. Frantz replied. "We can fine tune it during the litigation when each party is deposed, and we get the docs, and they point the finger at each other, and we get to the most likely cause."

Frantz is the founder of Frantz Law Group and is on the steering committee in the Palisades litigation. *Grigsby, et al. v. City of Los Angeles acting by and through the Los Angeles Department of Water and Power*, 25STCV00832 (L.A. Super. Ct., filed Jan. 13, 2025).

#387985

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News | **Environmental Law**

Pinsent Masons, Kennedys Called to Defend Corporates in Largest-Ever UK Environmental Lawsuit

The firms have been brought in to defend the companies from claims they have caused extensive pollution in the U.K.

October 13, 2025 at 04:57 AM By  **Habiba Cullen-Jafar**



England- UK: View from Symonds Yat Rock, a famous view point overlooking the Wye Valley in the Forest of Dean. Credit: William/Adobe Stock

Pinsent Masons and Kennedys have been instructed to represent the corporate defendants in what is expected to be the U.K.'s largest-ever environmental lawsuit, concerning extensive pollution across three major U.K. rivers.

Almost 4,000 people are taking part in the class action claim, filed at the High Court last week, which names two corporate entities, an industrial poultry supplier and a sewage company, as the main alleged perpetrators of pollution affecting the rivers Wye, Lugg and Usk.

In the largest environmental group action of recent times, almost 4,000 residents and business owners are seeking substantial damages from Welsh Water and leading chicken producers Avara

Foods and Freemans of Newent, for their potential role in polluting the rivers.

Avara, the largest poultry farmer in the region, processes a reported “two million chickens a week”, according to a release from law firm, Leigh Day, which is representing the claimants.

Meanwhile the claim also alleges Welsh Water has discharged polluted sewage directly into the rivers.

The 3,943 claimants have alleged that pollution has had a severe impact on businesses, recreation, tourism and property values since August 2019.

The claim is being led by Leigh Day international and group claims partner [Oliver Holland](#), who said: “This is the largest legal action concerning environmental pollution ever brought in the U.K. In a context where government and regulators have failed to prevent the degradation of our rivers the court has become the last avenue for justice. Our clients believe they have no other option but to seek accountability through the legal system—and this marks the next step in that journey.”

The companies have denied claims that they're responsible for 'extensive' pollution in three Welsh rivers.

Avara, which supplies poultry to retailers such as Tesco, Nando's and McDonald's, has instructed Pinsent Masons to defend it in the suit.

Meanwhile, Welsh Water, has instructed Kennedys.

Both firms declined to comment.

Avara Food said it in a statement, that while it shares concerns about the River Wye's condition, it believed the legal claim to be based on a "misunderstanding, as no manure is stored or spread on poultry-only farms that supply Avara Foods." The company also noted the significant employment it provides to the local area.

Meanwhile, Welsh Water also dismissed the claims, stating they "intend to defend this case robustly", and instead emphasised the investment they have made into the river Wye despite financial constraints as a "not-for-profit company".

Class actions have been increasingly used to amp up pressure on corporate entities for their impact on the environment. Slaughter and May was instructed by Australian mining giant BHP when thousands of claimants, represented by Pogust Goodhead, sought £36 billion in damages for a deadly 2015 mining dam spill in Brazil.

OPINION: RFK's Tylenol-autism link bails out his class action lawsuit-industry friends

 [legalnewsline.com/legislation-and-government/opinion-rfk-s-tylenol-autism-link-bails-out-his-class-action-lawsuit-industry-friends/article_191e09f2-355b-4e4e-88c5-8b2d4df47241.html](https://www.legalnewsline.com/legislation-and-government/opinion-rfk-s-tylenol-autism-link-bails-out-his-class-action-lawsuit-industry-friends/article_191e09f2-355b-4e4e-88c5-8b2d4df47241.html)

Yaël Ossowski, John O'Brien

October 13, 2025

Kennedy Jr.
<https://www.hhs.gov/>

The federal health bureaucracy's [latest](#) health advice deals with Tylenol, pregnancy, and a supposed link to autism and other neurodevelopmental disorders. It's a controversial flag for the Trump administration to plant, but it's on-brand for Health and Human Services Secretary Robert F. Kennedy Jr., who [knows](#) precisely what he's doing.

RFK Jr. is relying on select studies and [questionable experts](#) for his autism claims, using the bully pulpit of federal power to issue new warnings and guidance that will prove fodder in future lawsuits. Kennedy made [his career](#) as a tort lawyer suing companies, halting projects, and twisting science to achieve symbolic courtroom wins that [reaped his firm](#) hundreds of millions of dollars.

Now that he's in control of a federal agency, his most recent announcement will provide an immediate boost for a specific group to which he once belonged: plaintiff lawyers who chase class-action lawsuits against American companies.

Even Senator Elizabeth Warren (MA-D), who herself has received six-figures in campaign contributions from the Thornton Law Firm, one of New England's largest, identified [this exact concern](#) in her initial [interrogation](#) of RFK during his confirmation hearings.

The claim that Tylenol's primary active ingredient, acetaminophen, is a culprit for these disorders might feel out-of-the-blue to most Americans, but for legal analysts who have consumed decades of legal advertising and litigation recruitment campaigns, it's an [old story](#).

Mass tort and multidistrict litigation against Tylenol's alleged links to these disorders have escalated in recent years, culminating in a [large federal lawsuit](#) in the Southern District of New York that combined 441 separate cases.

The goal was to extract a record penalty or settlement amount from Tylenol maker Kenvue, a spin-off of Johnson & Johnson.

Those efforts hit a brick wall in December 2023 when a federal judge [issued](#) a 148-page opinion [disqualifying](#) all of the expert witnesses provided by the plaintiffs who claimed a link, labeling their testimonies as “incomplete, unbalanced, and at times misleading”.

The opinion highlighted that five expert witnesses paid by the plaintiff attorneys [cherry-picked](#) the studies to make their claims, downplaying those that didn't show causation while emphasizing evidence that fit their narrative. The court ruled the evidence [could not](#) be admitted.

In non-legal terms, the plaintiffs' case was completely shredded. Since then, the firms involved have [filed an appeal](#) of the ruling, which is still ongoing and could deliver an opinion as early as November.

Oddly enough, RFK, President Trump, and FDA Commissioner Marty Makary [highlighted](#) research in their Oval Office press conference on Tylenol and autism by Andrea Baccarelli, dean of the T.H. Chan School of Public Health at Harvard University - the same expert witness the court [shut down](#) for being “sloppy” and misleading. To say nothing of being paid \$150,000 for his testimony.

The Tylenol-autism announcement is made all the more curious by the fact that Kennedy Jr. [was once](#) the primary spokesman for one of the largest and most prosperous injury law firms in the nation.

By granting oxygen to these claims, RFK Jr.'s statements have already invigorated the same class-action law firms, which are [practically giddy](#) at the prospect of bringing new claims to court against Tylenol to try to force a settlement. These lawyers work on contingency fees, with some plaintiff fees reaching as [high as 40%](#) of total compensation. Most class-action members are left with pocket change.

Expect to see a new wave of legal advertising targeting plaintiffs for future cases that may take years to settle. Now is as good a time as any for Congress to consider putting some guardrails on how people can manipulate American courts.

As RFK's reign at HHS continues, we know this will be far from the last medical and legal controversy to flood courtrooms. Without some reasonable limits, there's no telling which drug, medicine, or common consumer product will be targeted next.

Apple sued over use of copyrighted books to train Apple Intelligence

 [reuters.com/sustainability/boards-policy-regulation/apple-sued-over-use-copyrighted-books-train-apple-intelligence-2025-10-10](https://www.reuters.com/sustainability/boards-policy-regulation/apple-sued-over-use-copyrighted-books-train-apple-intelligence-2025-10-10)

Blake Brittain

October 10, 2025

Logo of an Apple store is seen as Apple Inc. reports fourth quarter earnings in Washington, U.S., January 27, 2022. REUTERS/Joshua Roberts/File Photo [Purchase Licensing Rights, opens new tab](#)

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Oct 10 (Reuters) - Apple ([AAPL.O](#)), [opens new tab](#) was hit with a lawsuit in California federal court by a pair of neuroscientists who say that the tech company misused thousands of copyrighted books to train its Apple Intelligence artificial intelligence model.

Susana Martinez-Conde and Stephen Macknik, professors at SUNY Downstate Health Sciences University in Brooklyn, New York, [told the court, opens new tab](#) in a proposed class action on Thursday that Apple used illegal "shadow libraries" of pirated books to train Apple Intelligence.

A separate group of authors [sued Apple last month](#) for allegedly misusing their work in AI training.

TECH COMPANIES FACING LAWSUITS

The lawsuit is one of many high-stakes cases brought by copyright owners such as authors, news outlets, and music labels against tech companies, including OpenAI, Microsoft ([MSFT.O](#)), [opens new tab](#), and Meta Platforms ([META.O](#)), [opens new tab](#), over the unauthorized use of their work in AI training. Anthropic [agreed to pay \\$1.5 billion](#) to settle a lawsuit from another group of authors over the training of its AI-powered chatbot Claude in August.

Spokespeople for Apple and Martinez-Conde, Macknik, and their attorney did not immediately respond to requests for comment on the new complaint on Friday.

Apple Intelligence is a suite of AI-powered features integrated into iOS devices, including the iPhone and iPad.

"The day after Apple officially introduced Apple Intelligence, the company gained more than \$200 billion in value: 'the single most lucrative day in the history of the company,'" the lawsuit said.

According to the complaint, Apple utilized datasets comprising thousands of pirated books as well as other copyright-infringing materials scraped from the internet to train its AI system.

The lawsuit said that the pirated books included Martinez-Conde and Macknik's "Champions of Illusion: The Science Behind Mind-Boggling Images and Mystifying Brain Puzzles" and "Sleights of Mind: What the Neuroscience of Magic Reveals About Our Everyday Deceptions."

The professors requested an unspecified amount of monetary damages and an order for Apple to stop misusing their copyrighted work.

Reporting by Blake Brittain in Washington, Editing by Alexia Garamfalvi and Rod Nickel

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Thomson Reuters

Blake Brittain reports on intellectual property law, including patents, trademarks, copyrights and trade secrets, for Reuters Legal. He has previously written for Bloomberg Law and Thomson Reuters Practical Law and practiced as an attorney.

CA court hits lawyer with \$10K fine for AI citations, issues warning

 [legalnewsline.com/south-california-record/ca-court-hits-lawyer-with-10k-fine-for-ai-citations-issues-warning/article_4c991205-90b7-4bee-86d2-f25fbee8991e.html](https://www.legalnewsline.com/south-california-record/ca-court-hits-lawyer-with-10k-fine-for-ai-citations-issues-warning/article_4c991205-90b7-4bee-86d2-f25fbee8991e.html)

Michael Carroll, Jonathan Bilyk

October 13, 2025

The Ronald Reagan State Building in downtown Los Angeles is home to the California Court of Appeal for the Second Appellate District

[Wikimedia Commons / Coolcaesar](#)

LOS ANGELES - A California appeals court has transformed a run-of-the-mill employment-claims decision into a stern warning to attorneys who file legal briefs using artificial-intelligence tools that contain fabricated case quotations or cases that are nonexistent.

[In a Sept. 12 opinion](#), the California Second District Court of Appeal imposed a \$10,000 fine on a Los Angeles plaintiff's attorney, Amir Mostafav, for submitting an opening brief riddled with AI-generated fabrications. Of 23 case quotations cited in the brief, 21 were made up, according to the opinion.

The appeals court described the fine as conservative in the realm of legal AI snafus and noted that Mostafav's conduct was not intentional and that he expressed remorse for the brief's content.

The appeals court said no California court has addressed the issue of the creation of bogus legal authority by AI sources.

"We therefore publish this opinion as a warning," the court stated. "Simply stated, no brief, pleading, motion or any other paper filed in any court should contain any citations – whether provided by generative AI or any other source – that the attorney responsible for submitting the pleading has not personally read and verified."

The decision resulted from the appeal of a decision by the Los Angeles County Superior Court rejecting plaintiff Sylvia Noland's causes of action against a Beverly Hills office building owner, Land of the Free L.P. Noland, who worked for the owner as a leasing agent, alleged that Land of the Free was liable for wage-and-hour violations, wrongful termination, breach of contract and penalties under the state's Private Attorneys General Act (PAGA). The appeals court affirmed the Superior Court's decision.

Mostafavi did not respond to a request for comment about the sanction – a copy of which was forwarded to the California State Bar. But the appeals court decision indicated that the attorney wrote the initial drafts of certain briefs but then “enhanced” them using the AI tool ChatGPT. He then submitted them to other AI platforms in a bid to assure accuracy, but Mostafavi acknowledged that he did not actually read the final versions of the briefs before filing them with the court.

The Judicial Council of California recently approved a task force’s proposed guidance to court staffs and judicial officers on the use of artificial intelligence. It allows courts to either bar the use of generative AI or to adopt a policy using the guidance by Dec. 15.

“The task force’s work includes the consideration of court staff or judicial officers using generative AI tools and how to guard against fabrications and other potential challenges of the technology,” the council’s spokesman, Blaine Corren, told the *Southern California Record* in an email. “... The task force is also reviewing the impact of artificial intelligence on the admissibility of proffered evidence in court proceedings.”

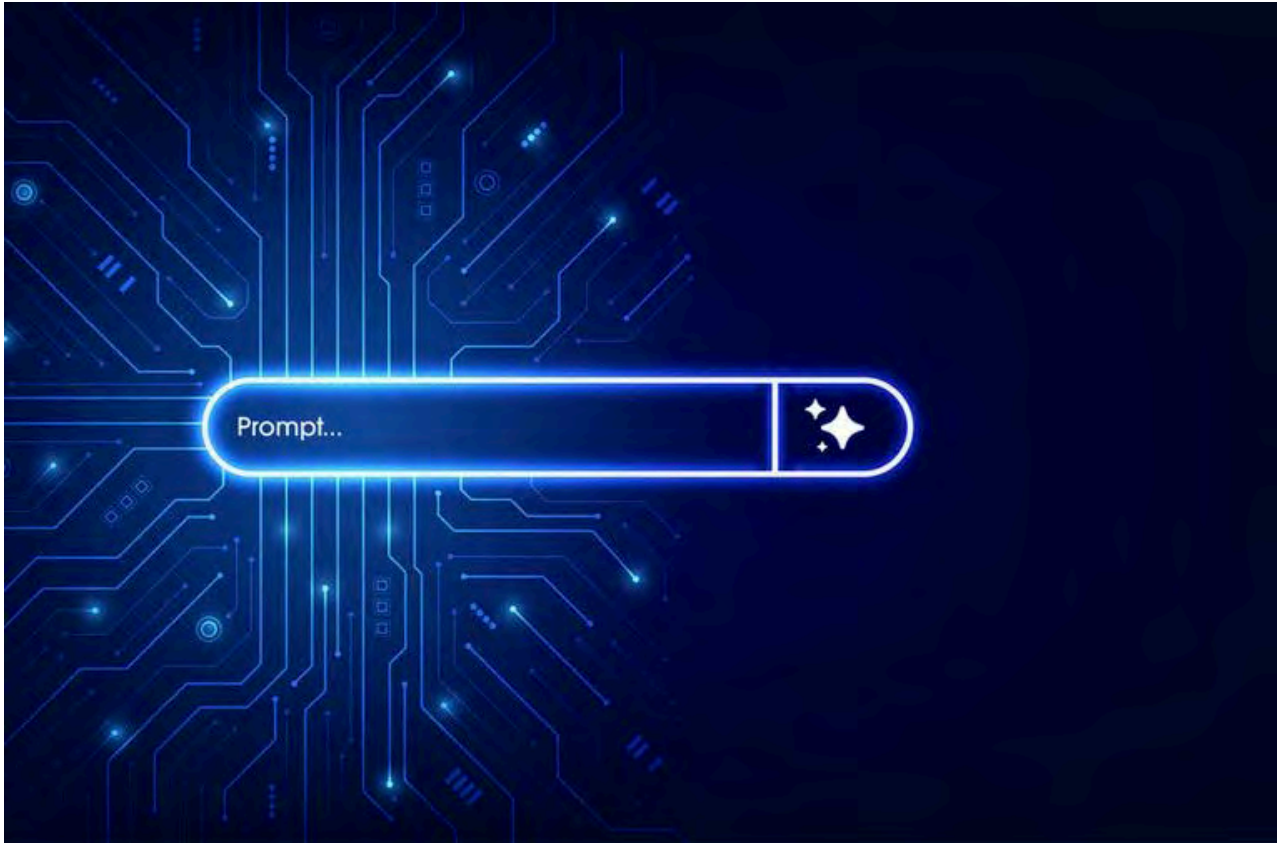
[The Judicial Council task force’s report](#) said generative AI offers potential benefits for the management and administration of California courts, but the panel cautioned that it poses significant risks. Those risks, however, can be addressed through court training and human oversight, the task force said.

Among the guidelines it proposed are prohibitions on submitting any confidential information or personal identifiers to public AI platforms, requirements that judicial officers who use AI tools personally assure the accuracy of the resulting material and a directive to remove biased or offensive content produced by AI tools.

Lawyers Send Millions of Queries to AI Tools Despite Security Risks, Firm Bans

Lawyers are rapidly adopting AI tools like ChatGPT and Claude, with Anthropic reporting 6 million monthly legal queries, despite significant security and accuracy concerns.

October 09, 2025 at 04:00 AM By **Laura Lorek**



Credit: S and V Design/Adobe Stock

Tech giants are accidentally disrupting the legal industry through artificial intelligence tools, according to recent reports from OpenAI and Anthropic.

OpenAI's ChatGPT and Anthropic's Claude now field millions of queries from attorneys drafting contracts and researching case law, despite the tools remaining prone to fabricating information and lacking the security features law firms require.

Anthropic reports 200,000 daily queries from lawyers on its Claude platform alone, equivalent to approximately 6 million monthly queries. Lawyers are using generative AI tools to prepare legal briefs, interpret regulations, and draft everything from wills to patent applications, according to company data.

"Lawyers are now willing to use technology more quickly than maybe they have in the past," said Damien Riehl, an attorney who specializes in large language models.

But the rapid adoption comes with significant risks. Large language models are prone to hallucinations, or making up information, such as case citations that don't exist. The tools have also been shown to have built-in biases against people of color and women. And they raise concerns about copyright infringement and privacy issues.

Usage of ChatGPT and Claude by lawyers is likely split between solo and small firms without strict policies and larger firms that use "shadow AI," in which employees use personal devices despite workplace prohibitions, Riehl said.

"Everything we as lawyers do is based on words," Riehl said. "We ingest words, analyze words, and output words, and it turns out that large language models do all three of those things at superhuman speed and at a postgraduate level."

Law firms are providing attorneys with secure, licensed versions of AI tools, rather than public ChatGPT, to protect client confidentiality, said Greg Lambert, chief innovation officer with Jackson Walker in Houston. The firm uses four primary AI tools: Lexis+ AI, Westlaw Precision AI, Harvey.ai, and Microsoft Copilot.

At Jackson Walker, the firm has an AI use policy developed by its general counsel, and attorneys cannot access the firm's AI tools until they have read, agreed to, and signed off on the policy, Lambert said. General AI tools, such as ChatGPT, Claude, and Gemini, are prohibited for legal research because they lack sufficient security, he said.

"If you're not paying for the product, you are the product," Lambert said about the free tools.

At the firm, lawyers use AI primarily as a "sounding board" for idea generation and reviewing work, Lambert said. Typical applications include meeting transcription and summarization, improving time entry narratives, and identifying potential issues in contracts, he said.

"It's more for bouncing ideas, thinking of things that you may have overlooked, but remembering that you're still the expert at this," Lambert said on appropriate AI use.

Legal professionals are primarily adopting ChatGPT as a research and documentation tool, rather than for technical tasks, [according to a new OpenAI study](#). That places legal professionals in the middle tier of the adoption process. They are ahead of manual and trade professions, but less technically integrated than fields in science, technology, engineering and math.

OpenAI's study of 40,000 users found that legal professionals most often ask about information retrieval, decision-making, problem-solving, interpreting information, giving advice, and creative thinking.

The recently released study examines the rapid growth of ChatGPT, which launched in November 2022. By July 2025, ChatGPT had been used weekly by more than 700 million users, who collectively sent more than 2.5 billion messages per day, or approximately 29,000 messages per second, according to its report.

Last week, OpenAI introduced [GDPval](#), a tool designed to assess the capability of large language models to execute economically significant tasks in real-world scenarios. The evaluation spans 44 professions, including law, targeting functions typically performed by industry experts with 14 years of professional experience.

In a [study published in September](#), Anna Guo, an AI legal researcher, reported that 97% of all lawyers are now using AI tools for contract drafting. After evaluating 450 task outputs, 72 surveys, and 12 interviews with legal leaders, Guo found that AI tools matched or exceeded lawyers in drafting reliability. The top AI tool was slightly better than the best human lawyer, 73.3% vs. 70%. Legal AI identified risks that humans missed, warning of dangers in 83% of cases compared to 55% for general AI, while lawyers raised none.

Specialized legal AI did not significantly outperform general AI in reliability or usefulness, but offers better workflow integration and context handling, especially within Microsoft Word, according to the study.

The AI tools have empowered lawyers, alleviated tedious tasks, and created real excitement about doing legal work, Lambert said.

"There's a genuine increase in excitement and curiosity, I think, in enjoyment of doing our work," Lambert said.

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Forget Historic Litigation Analytics: How Savvy Legal Departments Look to the Future

Instead of relying on instinct or static historical data, general counsel can leverage predictive modeling to forecast motion outcomes, litigation costs, and case duration, allowing for the selection of counsel that is most likely to succeed in a specific matter.

October 13, 2025 at 12:22 PM By **James L. Michalowicz**

Dan Rabinowitz



AI Law or AI ethics business concept.

For decades, in-house practitioners have chosen outside litigation counsel through instinct, personal networks, and anecdotal experience, often defaulting to a familiar name, a trusted former colleague, or a firm remembered for a handful of “big wins.” More recently, some have attempted to bring data into the process, but the data most often used has been backward-looking: win–loss records, billing histories, or motion grant rates. While useful, those metrics rarely correlate with future performance in the unique circumstances of a new matter. Today, however, forward-looking general counsel are beginning to adopt the same kind of predictive analytics that have already reshaped other high-stakes industries.

Professional baseball and financial services may not appear to share obvious markers of success, yet in both, modern achievement hinges on the ability to detect patterns and correlations hidden within massive stores of data. Michael Lewis' "Moneyball" popularized this idea more than 20 years ago, revealing how moving beyond surface-level statistics to predictive models of future performance gave early adopters a decisive competitive edge. What began in baseball as a fringe experiment is now firmly embedded in the front offices of every major professional team. Finance has undergone a similar transformation. For decades, portfolio managers relied on past returns, anecdotal signals, and accumulated experience—much as many lawyers still do today. Now, forward-looking forecasts built from thousands of variables consistently outperform traditional methods, uncovering risks and opportunities invisible to even the most seasoned professionals. The lesson across both industries is clear: Once predictive analytics demonstrate their value, they evolve quickly from disruptive innovation to indispensable infrastructure. Litigation now stands on the cusp of the same transformation.

Corporate legal departments now stand at the same inflection point. Instead of relying on instinct or static historical data, general counsel can leverage predictive modeling to forecast motion outcomes, litigation costs, and case duration, allowing for the selection of counsel that is most likely to succeed in a specific matter. The shift is foundational: a move from describing what has happened to anticipating what will happen, and from managing litigation as a reactive process to treating it as a forward-looking system of informed choices.

So why now? What's changed?

The answer lies not in the sheer accumulation of litigation data, but in its transformation into structured, enriched information that can serve as inputs for predictive models. For years, analytics platforms scraped dockets and compiled case information, but the outputs were largely descriptive: motion counts, timelines, grant rates, billing averages. This was useful for summarizing the past but was never designed to anticipate the future.

What is different today is the ability to convert raw litigation data into multidimensional profiles of both the case participants and the decision-makers who shape its course. That means understanding not only who the parties are, but their fundamental composition and posture, including their industry, size, and litigation history. It means constructing detailed judicial profiles that capture a judge's tendencies in motion practice, pace of proceedings, and the biographical traits that correlate with judicial behavior. And it means evaluating attorney performance beyond basic win rates, drilling into how specific lawyers and firms perform on motions to dismiss, summary judgment, or class certification, segmented not just by case type and venue, but by the identities of their clients, adversaries, and the judge presiding.

Once enriched in this way, litigation data becomes the fuel for probabilistic modeling. The output is a forward-looking forecast: the likelihood of prevailing on a dispositive motion, the expected time to resolution, the anticipated cost exposure—in other words, analytics that anticipate the future rather than merely describe the past. For general counsel, this means the opportunity to dramatically improve their approach to managing dockets by selecting the most effective counsel, constructing more reliable budgets, and anticipating how long matters are likely to take.

Selecting Counsel Most Likely to Succeed

Historically, the choice of litigation counsel has been driven as much by relationships as by results. Familiar names, longstanding panel arrangements, and anecdotal reputations have often determined which lawyers are entrusted with high-stakes matters. The process, while comfortable, has rarely been grounded in objective evidence of how counsel would perform in the unique context of a new case.

Predictive modeling alters this equation. By analyzing millions of data points, enriched with the specific characteristics of the matter at hand, probabilistic forecasts can identify which attorneys and firms are most likely to succeed in that particular dispute. The analysis accounts for the constellation of variables that shape outcomes: the nature of the opposing party, the dynamics of the venue, and the tendencies of the assigned judge.

The result is a far more rigorous and defensible process for counsel selection. General counsel can move beyond anecdote and reputation to empirical foresight, pinpointing the lawyer whose predicted performance best aligns with the demands of the case. In doing so, they ensure that the most strategically suited advocate is deployed for each matter, turning what was once an exercise in familiarity into one grounded in measurable advantage.

Building More Accurate Litigation Budgets

Budgeting has long been one of the most difficult responsibilities for corporate legal departments. Litigation costs are highly variable, case-specific, and frustrating. Litigation teams do not always have a good process for setting reserves, which can be scrutinized at the corporation's highest levels. And in-house counsel often need backup to effectively advise their business leaders when the tendency is to fight every case to the end.

Case costs are often shaped by factors beyond counsel's control: the outcome of key motions, the tactics of the opposing party, or the workload and behavioral tendencies of the assigned judge. Confronted with this uncertainty, most departments have relied on reactive budgeting, constructing estimates from averages or best guesses and knowing those projections will likely shift as the matter unfolds.

Predictive modeling allows comparisons across outside counsel, showing how different choices alter financial exposure. The result is far greater strategic control: budgets grounded in real-world probabilities rather than rough approximations, and forecasts that enable executives and boards to plan with confidence.

Understanding Case Duration

One of the most persistent challenges in litigation management is uncertainty around timing. Cases can stretch on for years, with little visibility into how quickly or slowly a matter is likely to move. For general counsel, this uncertainty complicates everything from resource allocation to settlement strategy.

Predictive modeling brings clarity to this blind spot. By analyzing trajectories of similar matters, filtered by venue, case type, and, most importantly, judicial behavior, probabilistic forecasts can project how long each stage is likely to take, how long the matter is expected to last overall, and how that may change depending on counsel chosen.

Armed with these insights, legal departments can build more realistic timelines, anticipate pressure points, and better communicate expectations to outside counsel and business leaders.

Conclusion

The story playing out in corporate legal departments today mirrors transformations that have already reshaped many other high-stakes industries. General counsel who adopt predictive analytics will sharpen their ability to manage risk, select counsel, and control costs, while redefining how legal departments create value for their organizations. Just as in sports and finance, the early adopters will capture a lasting advantage: greater influence, greater credibility, and a reputation for foresight that others cannot easily replicate.

Past performance may explain yesterday, but only predictive insight can shape tomorrow.

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New York court system sets rules for AI use by judges, staff

 [reuters.com/legal/government/new-york-court-system-sets-rules-ai-use-by-judges-staff-2025-10-10](https://www.reuters.com/legal/government/new-york-court-system-sets-rules-ai-use-by-judges-staff-2025-10-10)

Sara Merken

October 10, 2025

AI (Artificial Intelligence) letters are placed on computer motherboard in this illustration taken, June 23, 2023. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights, opens new tab](#)

Oct 10 (Reuters) - The New York state court system on Friday set out a new policy on the use of artificial intelligence by judges and other court staff, joining at least four other U.S. states that have adopted similar rules in the past year.

The [interim policy, opens new tab](#), which applies to all judges, justices and nonjudicial employees in the New York Unified Court System, limits the use of generative AI to approved products and mandates AI training.

New York's policy prohibits judges and staff from inputting confidential or privileged information, or documents that have been submitted in court, into a generative AI program that doesn't operate on a private model. Private models, as defined by the policy, operate under the control of the court system and do not share data with public tools.

The court did not immediately respond to a request for comment about how the new policy would be monitored.

It is "critical to ensure that material that reflects harmful bias, stereotypes, or prejudice" does not appear in work product, according to the policy. Judges and staff are responsible for their work, and AI technology must be used in a manner consistent with their ethical obligations, the policy states.

"While AI can enhance productivity, it must be utilized with great care," Chief Administrative Judge Joseph Zayas said in a statement. "It is not designed to replace human judgment, discretion, or decision-making."

States including [California](#), [Delaware](#), [Illinois](#) and Arizona have adopted AI rules or policies, while other states are assessing the use of generative AI within their courts.

Lawyers across the country have increasingly been hit with [fines and other sanctions](#) from judges for apparent misuse of AI, as fictitious case citations and other errors continue to show up in legal filings. Professional conduct rules don't bar lawyers from using AI, but attorneys can be disciplined for failing to vet court submissions.

Judges are also facing scrutiny. U.S. Senate Judiciary Committee Chairman Chuck Grassley on Monday [asked two federal judges](#) to answer questions about whether AI was used to prepare recent orders that contained "substantive errors."

Reporting by Sara Merken

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News from Bloomberg Terminal
OpenAI Keeps Doing Deals
Oct. 13, 2025, 11:44AM PDT

By Matt Levine

(Bloomberg Opinion) --

OpenAI

The essence of finance is time travel. In the future, your factory will make widgets and you will sell them profitably, so you can borrow money, today, to build the factory to make the widgets to sell to repay the money. If you go to a bank with an architect's plans for the widget factory, and a business plan for making and selling the widgets, and a good track record of profitably manufacturing and selling widgets, the bank will be happy to lend you the money to build the factory. The bank has people who understand widgets; it can model up a widget factory pretty easily. It will figure out an appropriate leverage level for the factory and lend you that amount of money at, like, 8% interest.

Tech startups are an extreme version of this. In the future, human life will be utterly transformed by your invention: We will live on Mars or socialize in the metaverse¹ or commute in self-driving flying cars or have omniscient robots in our pockets that can fulfill every human desire. Presumably, also, you can turn that into money. So you can raise money, today, to build the metaverse or cars or robots. I once wrote about Nikola Corp., the hydrogen-powered truck startup:

What you want, when you invest in a startup, is a founder who combines (1) an insanely ambitious vision with (2) a clear-eyed plan to make it come true *and* (3) the ability to make people believe in the vision *now*. "We'll tinker with hydrogen for a while and maybe in a decade or so a fuel-cell-powered truck will come out of it": *True*, yes, but a bad *pitch*. The *pitch* is, like, you put your arm around the shoulder of an investor, you gesture sweepingly into the distance, you close your eyes, she closes her eyes, and you say in mellifluous tones: "Can't you see the trucks rolling off the assembly line right now? Aren't they beautiful? So clean and efficient, look at how nicely they drive, look at all those components, all built in-house, aren't they amazing? Here, hold out your hand, you can *touch* the truck right now. Let's go for a drive." That's not *true*, but it's a nice *metaphor*; the goal is to get the investor to see the future, so she'll give you money today, so that you can build the future tomorrow.

This is harder to model, though. How much money will you make selling the metaverse or the omniscient robots? A large amount, probably, but you are not going to have a detailed spreadsheet projecting your margins to a tenth of a percentage point. "Ehhh omniscient robots, come on," you say to investors, and they say "yes of course" and give you money. But this will be based more on feel and enthusiasm and competitive dynamics than on detailed financial modeling. Also it will be *equity*. Investors will give you money now in exchange for a slice of the enormous profits of your world-changing vision, not for a fixed 8% return.

How much will they give you? Well, if you are very very very very good at pitching your vision, they might give you tens of billions of dollars. Global venture capital investment is something like \$368 billion per year; getting 10% of that would be an astonishing feat.

What if you want, say, \$1 trillion? That is harder. You can go to Masayoshi Son with your vision, and you can put your arm around his shoulder and gesture sweepingly into the distance and whisper "omniscient robots," and he might say "yes, here is all the money I have," but that's still not \$1 trillion. To raise \$1 trillion, you need more than a compelling science-fiction vision of your world-changing product. You need a compelling science-fiction vision of world-changing financial engineering.

By this metric Sam Altman is surely the greatest tech founder in history. Sure sure sure sure sure chatbots, but look at this, man:

Altman recently told employees that OpenAI wanted to build 250 gigawatts of new computing capacity by 2033, according to people familiar with the matter, a plan that would cost over \$10 trillion by today's standards. He has said that OpenAI would have to create new financing tools to help fund this massive build-out but hasn't shared many details on what that would look like.

No! Wrong! He has shared tons of details of what his new financing tools will look like! He shares more every day! Here's today's:

Broadcom Inc. shares jumped after OpenAI agreed to buy the company's custom chips and networking equipment in a multiyear deal, part of an ambitious plan by the startup to add artificial intelligence infrastructure. ...

Investors sent Broadcom shares up as as much as 11% on Monday, betting that the OpenAI alliance will generate hundreds of billions of dollars in new revenue for the chipmaker. But the details of how OpenAI will pay for the equipment aren't spelled out. While the AI startup has shown it can easily raise funding from investors, it's burning through wads of cash and doesn't expect to be cash-flow positive until around the end of this decade.

The financing tool is, you go to Broadcom and you put your arm around their shoulder and you gesture sweepingly in the distance and whisper "omniscient robots" and they whisper "yesssss" and you say "we'll need a few hundred billions dollars of chips and equipment from you" and they say "of course" and you say "good" and they say "do you have hundreds of billions of dollars" and you whisper "omniscient robots" again and they are enlightened. And then you announce the deal and Broadcom's stock adds \$150 billion of market capitalization and you're like "see" and they're like "yes" and you're like "omniscient robots" and they're like "I know right." That is the financing tool! In some loose postmodern sense, OpenAI has *borrowed* hundreds of billions of dollars from Broadcom. You can buy hundreds of billions of dollars of equipment to build the robots to sell for money to pay for the equipment, because you've gotten everyone to believe.

The Financial Times explains:

The mammoth chip order means OpenAI could spend another \$350bn to \$500bn on top of the roughly \$1tn of chip and data centre deals it has signed in recent months as it races to secure the computing power to run services such as ChatGPT. ...

The deals have bound some of the world's biggest tech groups to OpenAI's fortunes, despite questions about how OpenAI will fund them as the cost dwarfs the start-up's existing revenues.

Also:

The deals have bound some of the world's biggest tech groups to OpenAI's ability to become a profitable business that can meet its increasingly steep financial obligations.

"OpenAI is in no position to make any of these commitments," said Gil Luria, analyst at DA Davidson, who added it could lose about \$10bn this year.

"Part of Silicon Valley's 'fake it until you make it' ethos is to get people to have skin in the game. Now a lot of big companies have a lot of skin in the game on OpenAI," he added.

If you owe the bank \$100, that's your problem. If you owe Broadcom *\$500 billion*, that's Broadcom's problem. If you owe every big tech company hundreds of billions of dollars, that is their problem. Surely they'll find a solution! Or you will. The money will figure itself out.

How? Well, in a world with insatiable demand for AI inference, probably you can raise quite a lot of money in *debt* to pay for the data centers. The bet here is something like "by the time we are actually building these data centers, they will be less like science-fiction speculation and more like widget factories, and people will be comfortable financing them based on cash-flow models." But, for now, backstopping that theory is another theory, something like "OpenAI has a \$500 billion equity value so surely it could raise more money to pay its bills." The Financial Times notes:

OpenAI's recent blockbuster deals have added a new layer to its complicated ownership structure, leading to more uncertainty over when and how its powerful shareholders will get an eventual payout. ...

OpenAI's boundless capital requirements meant its backers – including Microsoft, SoftBank and Josh Kushner's Thrive Capital – would see their shareholding diluted through further fundraising, said people familiar with the company's plans. ...

"Most people would prefer to have a smaller piece of a bigger pie," said a senior OpenAI executive.

The Wall Street Journal adds:

OpenAI's deals with chip and cloud companies in the past few months have helped fuel a global rally in tech stocks. Each agreement has raised the already high expectations set by Altman in describing the seemingly infinite amount of compute needed to bring forth the AI revolution. The deals have surprised some competitors who have far more modest projections of their computing costs.

Last week, we discussed OpenAI's deal with Advanced Micro Devices Inc., in which OpenAI essentially *spent* some of that global tech rally on chips: OpenAI agreed to pay AMD tens of billions of dollars for chips, but it took back warrants on AMD's stock; those warrants instantly became worth tens of billions of dollars as AMD's stock rallied on news of the deal. The Broadcom deal does not have that sort of explicit monetization of OpenAI's ability to add equity value to every company it touches. But does it *implicitly* monetize that ability?

I have previously written that "nobody in history has ever been better at, like, business negging than Sam Altman." And:

When Sam Altman, the chief executive officer of OpenAI, goes around publicly worrying that AI might kill us all, what he is *really* saying is "I am building a technology that is unimaginably powerful and will transform every aspect of human life, so it sure must be worth a lot of money." If he just *said* that, you might be skeptical; it is obviously in his self-interest to talk about how powerful his technology is. But instead he goes around *worrying* about it, which makes him seem more credible: It is *not* obviously in his self-interest to talk about how dangerous his technology is and how carefully he needs to be checked. It's more subtly in his self-interest to do that.

Same with the computing costs. "The deals have surprised some competitors who have far more modest projections of their computing costs," because he is *better at this* than they are. If you go around saying "I am going to build transformative AI efficiently," how transformative can it be? If you go around saying "I am going to need 1,000 new nuclear plants to build my product," everyone knows that it will be a big deal.

Crypto liquidations

Schematically here is how crypto market structure works. I think Dogecoin will go up. You think Dogecoin will go down. Dogecoin is trading at, let's say, \$0.20. I go to a crypto exchange and make a bet on Dogecoin. I put down \$100 for my bet, at 20-to-1 leverage; effectively, I have bought \$2,000 worth of Dogecoin (10,000 coins) for \$100. If Dogecoin goes up to \$0.25, my position is worth \$2,500; I have made \$500 of profit on my \$100 bet. If Dogecoin goes down to \$0.19, my position is worth \$0; I have lost my \$100 bet, and my bet is closed out.

You, meanwhile, put down \$100 for a 20-to-1 levered bet *against* Dogecoin. If Dogecoin goes down to \$0.15, you make \$500 of profit on your \$100 bet. If Dogecoin goes up to \$0.21, your position is worth \$0; you have lost your \$100 bet, and your bet is closed out.

Notice, though, that my \$100 bet was on \$2,000 worth of Dogecoins. How does the crypto exchange get \$2,000 worth of Dogecoins, if I have only given it \$100? One possible answer is "the crypto exchange borrows \$1,900 from someone else to buy my \$2,000 worth of Dogecoins," but a moment's reflection will tell you that that's not the answer. The answer is that the crypto exchange *doesn't* buy any Dogecoins. The crypto exchange is not in the business of buying Dogecoins; it is in the business of matching bets. I bet \$100 that Dogecoin will go up, and you bet \$100 that Dogecoin will go down, and the crypto exchange matches our bets against each other. If I win, you lose, and vice versa; there are no actual Dogecoins involved.

This is not the *only* crypto market structure: There are many exchanges where you can give the exchange \$2,000 and get \$2,000 worth of Dogecoin, which the exchange really holds in your account. There are probably some exchanges where you can give the exchange \$1,000 and get \$2,000 worth of Dogecoin, with the exchange finding someone else to finance the other \$1,000 to actually buy the Dogecoin. But if you are getting 20-to-1 leverage on Dogecoin, nobody is buying any Dogecoin. You are making a pure derivative bet on the price of Dogecoin.

In crypto this sort of derivative bet is conventionally called a "perpetual futures contract," or "perp." In other markets it has other names. European stock traders might call it a "contract for difference." Old-timey American stock traders would have called it "bucketing."

I have simplified things by saying that you and I bet against each other. Actually in the first instance we bet against the exchange: I have a perp that will pay me if Dogecoin will go up, but I do not look to you for payment; I look to the exchange. The exchange will probably run a matched book (if I am long \$2,000 of Dogecoin someone else has to be short \$2,000 of Dogecoin), particularly if it is a decentralized exchange with no balance sheet of its own. But that is not a law of nature, and sometimes crypto exchanges are in effect long or short massive amounts of crypto bets against their customers. The famous example is of course FTX.

But let's assume there's a matched book: The only bets at the exchange are me betting that \$2,000 worth of Dogecoin will go up, and you betting that it will go down. Let's say Dogecoin (actual Dogecoin, traded on other, less leveraged exchanges) goes down to \$0.17. In theory, I have lost \$300 (my account has negative \$200 in it) and you have made \$300 (your account has positive \$400 in it). But in practice my account balance on a decentralized crypto exchange can never be negative: I set up that account with a crypto wallet, not my name and credit card, and there's no recourse to me. If my balance gets below zero, my account is liquidated but no one can ask me for more money. So really what happens is that my account has zero, your account has positive \$400, and the exchange has the \$200 of collateral (\$100 each) that we posted. The exchange owes you \$400 but only has \$200. So the exchange calls you up and says "hey sorry actually your short Dogecoin bet is closed, and it was closed at \$0.19. Here's the \$200 you made." And if you are like "wait no Dogecoin is at \$0.17," that's not the exchange's problem.

This is called "auto-deleveraging." Here is how Hyperliquid, a big decentralized exchange, describes it:

If a user's account value or isolated position value becomes negative, the users on the opposite side of the position are ranked by unrealized pnl and leverage used. ... Those traders' positions are closed at the previous mark price against the now underwater user, ensuring that the platform has no bad debt.

Auto-deleveraging is an important final safeguard on the solvency of the platform. There is a strict invariant that under all operations, a user who has no open positions will not socialize any losses of the platform.

The people with *winning* positions socialize the losses. If you have a winning bet, someone has a losing bet. If the people with losing bets have lost more than they had, then you don't get all of your winnings.

(Incidentally I once discussed this structure with Sam Bankman-Fried, of FTX, on Bloomberg's *Odd Lots* podcast. He was quite dismissive of it, arguing that FTX had a much better liquidation system to prevent winning bettors from socializing losses. It did, until it didn't.)

Anyway this is a bummer for you if you were betting that Dogecoin would go down: You were right, and you only got a portion of your winnings. It is more annoying if you weren't doing that. What if you were an arbitrageur? You saw that traders on the decentralized exchange wanted to be long Dogecoin, so you did an arbitrage: You bought \$2,000 of Dogecoin in real life, and you sold \$2,000 of Dogecoin (via perp futures) on the decentralized exchange, effectively "manufacturing" the futures out of spot Dogecoin. The price of Dogecoin drops to \$0.17, and:

1. You have a \$300 loss on your spot position.
2. You should have a \$300 gain on your perp position, but you don't, because I have walked away from my bet and there's only \$100 to pay you.
3. You have a net \$200 loss on your hedged position.
4. Also, though, your short position is closed, but your long position isn't: You still own \$1,700 of Dogecoin "naked," without an offsetting short position.
5. You might as well sell your Dogecoin to cut your losses and get back to flat.

The upshot is that when Dogecoin goes down by 5% (from \$0.20 to \$0.19), (1) gamblers who are long 20-to-1 levered perpetual Dogecoin futures get wiped out, (2) arbitrageurs who were *short* perpetual Dogecoin futures are auto-deleveraged and have to sell Dogecoin to remain hedged, (3) there's lots of selling and no buying, (4) prices go down even more, (5) gamblers who were long 10-to-1 levered perpetual Dogecoin futures get wiped out, (6) etc.

Where is the limit? Well, in theory, at some level of liquidations, long-term fundamental value investors will see value. They will say "okay when Dogecoin fell from \$0.20 to \$0.18, that was one thing, but now Dogecoin is trading at just \$0.15, which is well below its fundamental value." So they will step in and buy Dogecoin, planning to make money when rationality sets in and the price of Dogecoin returns to its fundamental value. You see the problem here don't you? ²

Anyway. There was a crypto crash last week. Bloomberg's Muyao Shen and Olga Kharif reported:

A record \$19 billion in bets evaporated and crypto prices tumbled, due in large part to newly severe China tariffs announced by President Donald Trump. A combination of factors – leverage, automatically triggered sales, a lack of liquidity at odd hours for global trading – fueled what might have been a less dramatic obliteration of positions.

From the morning hours in Asia through the afternoon in the US on Saturday, traders, executives and market-data analysts were wondering who, exactly, had suffered losses. Did a large entity get completely hosed – or was this a case of a lot of small bettors watching their holdings evaporate to zero? More than 1.6 million traders were liquidated, according to data tracker CoinGlass. ...

That said, liquidations were concentrated on smaller coins beyond Bitcoin and Ether, known as altcoins. Leverage tends to be higher and liquidity much lower in those less familiar tokens.

Quite a lot of crypto traders were making levered perp bets on altcoins, crypto exchanges regularly offer 40 or 50 or 100 to 1 leverage, and so when prices move slightly all those bets go to zero. Also the people who were making levered bets *against* those altcoins had their own trouble, as the losing bettors got liquidated:

Despite being smaller than rival Binance, Hyperliquid experienced the most extinguished trades in dollar value during the 24-hour-period selloff, at \$10 billion, according to CoinGlass.

"Hyperliquid had the most amount of long liquidation, and least amount of liquidity to match," said Ebtikar.

A risk-management mechanism called auto-deleveraging, or ADL, contributed.

ADL is designed to automatically close profitable or highly leveraged positions when liquidated trades exceed a certain capacity covered by insurance. Exchanges incorporate it to protect them from losses during extreme market volatility, but many market participants also blamed ADL for making the selloff worse. ...

"This mechanism is not without complications, especially for participants with more complex portfolios," said Spencer Hallarn, global head of OTC trading at crypto investment firm GSR.

"Quantitative liquidity providers and market-neutral participants can quickly find the winning sides of their trades closed prematurely due to ADL, leaving their overall books imbalanced and subject to market beta which can lead to problems, and a necessity to quickly pare imbalanced risk," he said.

Right, yes, if a ton of crypto market structure consists of 40-to-1 levered bets, then you are going to have a lot of levered losing bettors blowing up, but you are also going to have a lot of weird results for the levered *winning* bettors. They can only get paid out of the losing bets.

Here is a more cynical take from John Hempton:

Lots of [altcoins] will make 10-15% moves in discontinuous markets. The way your exchange guards against going bust is by not actually buying all the crypto that [the customer] thinks he owns.

An exchange that doesn't buy the underlying asset they have promised their clients is known as a "bucket shop." This comes from the 1920s practice of gambling houses "trading" in stocks but really keeping all the money in a bucket. ...

Bucket shops do not buy all the shares (or coins) necessary to hedge every client position. This is because they can't manage the risk of a market plunge.

But as a result, they have a big problem in a bull market.

Imagine your little crypto exchange, now a bucket shop, does not actually buy \$100K of \$ATOM on [the customer's] behalf. Then suppose \$ATOM doubles – a realistic outcome in the recent bull market. Now you owe [the customer's] a net \$110k and you simply haven't earned it. You have a very big shortfall. ...

There is a solution to this insolvency, a simple one. One that was known in the 1920s as a "bucket shop drive" and was a discussion point in *Reminiscences of a Stock Operator*.

The idea is that, if you are a bucket shop that is systematically short crypto to your highly levered customers, an occasional 10% price drop can be very good for business: The customers all get wiped out and you keep their deposits. I don't think that this explanation is necessary, just because standard crypto market structure *explicitly* buckets customer orders into matched books, but it is fun to think about.

-3x ETF

In arguably related news, my Money Stuff podcast co-host Katie Greifeld reported last week:

A violent rally in shares of Advanced Micro Devices this week forced the demise of the GraniteShares 3x Short AMD exchange-traded product, which aimed to offer three times the inverse performance of the stock. The extinction event was a stunning surge of as much as 38% in AMD on Monday after the chipmaker announced a deal with OpenAI, sinking the ETP and cratering its net-asset value to zero. As such, "no redemptions payments will be made," according to the GraniteShares website. The issuer declined to comment to Bloomberg News.

If you have 50x levered Dogecoin, a 2% move will wipe you out. If you have 3x levered short AMD, a 38% move will wipe you out. Can't really complain about that; you got the experience you paid for.

People are worried about stock buybacks

One simple model of the stock market is:

1. Lots of investors allocate X% of their assets to stocks. The actual X will vary from investor to investor: Institutions might have a 60/40 portfolio (60% in stocks), individuals might follow the "100 minus age" rule of thumb, etc. Also some investors will have explicit numerical asset-allocation mandates, while others will just follow a vague gut instinct of "I should have some stocks and some bonds and check periodically to make sure it's not way out of line." And these target allocations can shift over time: Once upon a time prudent investors didn't put that much money in stocks, but over the years it has become more normal to invest more in stocks, and now investors are increasingly crypto-curious. Still you can sort of average all of this out and say "over the medium term the market as a whole targets roughly an X% allocation to stocks," for some X.
2. The stock market keeps *shrinking*: Public companies get bought by private equity, giant private companies like SpaceX and OpenAI delay going public because there is plenty of money available in private markets, and the public companies that are left tend to be big and profitable and mature and spend a lot of their profits on stock buybacks, which further reduce the supply of stocks.
3. Therefore stock-market valuations have to go up: People want to keep the same percentage of their portfolio in stocks, but the supply of stocks keeps shrinking, so the value of the remaining scarce stocks has to go up.

This model does not necessarily make economic sense. From a strictly rational economic perspective, you might say "I buy stocks to get long-term exposure to economic growth, and as the public stock market shrinks and becomes more mature, it provides a smaller share of future economic growth, so I should reduce my allocation to public stocks and buy more private equity or crypto or whatever." But those are complicated conversations, and if you have a simple heuristic like "60% stocks," it might be sticky even as the makeup of the stock market changes.

Victor Haghani and James White have a fun paper out along these lines on "The Impact of U.S. Stock Buybacks: Theory vs Practice," noting that buybacks – which shrink the total size of the stock market – should have a *levered* impact on prices:

The impact of buybacks on share prices arises from many investors using incomplete heuristics to determine how much of an asset they want to hold. For example, if they want to hold a constant proportional amount of some asset, and the available amount of the asset is reduced, the only way this can be accommodated is for the price of the asset to go up. ... [For] fixed-weight allocators (e.g. 50% equities / 50% other assets): To absorb 3% of stock repurchases, prices must rise ~6%. ...

Fixed-weight asset allocators are probably the most common investor type, considering the trillions of dollars invested in target date funds, balanced funds, and in endowments, pension funds and foundations who very infrequently change their asset allocation. ... We can see how buybacks on the order of 3% could plausibly push up prices by 3 - 5%.

It is interesting to note that over the past ten years, the US Price-Earnings multiple has increased by 4% per annum. The 3% - 5% per annum potential impact of buybacks provides one explanation of this increase.

I should say that this is not *just* a story about buybacks; it is more broadly a story about shrinking public stock markets and “private markets are the new public markets.” There’s a trillion dollars of stock value – about 1.5% of the value of all publicly listed US stocks – just in OpenAI, SpaceX and Stripe; if those companies went public, they would more or less offset the \$1.2 trillion of estimated buybacks this year. If the big private companies stay private and the big public companies keep buying back stock, then public stocks will get more scarce, which might make them more expensive.

Welcome gift

What is the state of the art methodology for stealing quantitative trading secrets from your employer when you leave to take a new job at a different quantitative trading firm? Obviously, like, “email all of the trading algorithms to your Gmail” doesn’t work; your old employer tracks and probably blocks that. “Download them to a thumb drive,” or “print them on the office printer,” will also probably get you caught. “Pull up the trading algorithms on your work laptop over the weekend, and then use your personal iPad to take photographs of your laptop screen” is maybe somewhat better tradecraft. “Take the photographs using an iPad provided to you by your new employer” is I suppose a nice touch. This is not any sort of advice.

Here is a UK judicial ruling in a lawsuit brought by G-Research against a data scientist named Pierre Allain, who worked there from 2021 until 2025. “On Friday 21 March 2025, the defendant accepted a job offer from one of G-Research’s principal competitors, Citadel Securities LLC”; on Monday, March 24, he resigned from G-Research. Over the weekend, he did this:

Over a three day period between Saturday 22 and Monday 24 March 2025, the day that he resigned (and when he should have been at work), the defendant took 1,087 photographs which contain the claimants’ confidential information (as displayed on his laptop screen which was logged in remotely to the first claimant’s IT systems) using a personal iPad that had been given to him as a welcome gift by Citadel Securities just days before; and (ii) over a period of months, dating back to at least 17 July 2024, the defendant had created, and frequently amended, several text files in markdown format which contain the claimants’ confidential information. Over 400 of the photographs relate to ‘Humber’, which the claimants allege is a highly valuable trading strategy, only recently developed by the first claimant following the expenditure of significant time and resources. In the text files, the defendant repeatedly recorded that he could (amongst other things) “replicate” Humber for a competitor.

His defense is that “the photographs were part of an aide memoire, and that he acted impulsively in taking them” and never shared them with his new employer.

Things happen

From Tricolor to Saks, Bonds Are Now Crashing at Breakneck Speed. Bank deregulation set to unlock \$2.6tn of Wall Street lending capacity. Thinking Machines Lab Co-Founder Departs for Meta. Warner Bros. Is Said to Rebuff Paramount Takeover Approach. Paramount Circling Warner Bros. Discovery After Rebuffed Approach. First Brands' Founder Patrick James Steps Down as CEO. Jefferies Defends First Brands Deals, Says Losses Manageable. Brookfield to Acquire Remaining Oaktree Stake for \$3 Billion. Silver Roars Higher as Short Squeeze Rocks the London Market. Kalshi Raises Funds at \$5 Billion Valuation, to Expand Overseas. Senegal Raises \$795 Million in Oversubscribed Regional Bond Sale. US Lifeline Buys Argentina Time as Investors Urge FX Overhaul. Warren Asks Hedge Fund Group If It Played Argentina Bailout Role. The Former Banker Betting on Unprofitable Business of Flood Insurance. The Real AI Risk is 'Meh' Technology That Takes Jobs and Annoys Us All. Amateur gold prospecting. NIL injury insurance.

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1. Lol, remember?
2. In reality, Binance's postmortem on the crypto deleveraging says: "Historical limit orders (some dating back years, as far as 2019, e.g., IOTX, ATOM) had remained open on the platform. During extreme market sell-off and the lack of buying orders, sell orders continue to execute against these long-standing limit orders, pushing token prices to sharply drop momentarily." Instead of value investors stepping in, what happens is that people who put in buy orders in 2019 and forgot about them had those orders executed when prices dropped far enough.

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Crypto Crash Leads to Customer Bail-Ins to Prevent Some Exchanges from Failing

 [nakedcapitalism.com/2025/10/crypto-crash-leads-to-customer-bail-ins-to-prevent-some-exchanges-from-failing.html](https://www.nakedcapitalism.com/2025/10/crypto-crash-leads-to-customer-bail-ins-to-prevent-some-exchanges-from-failing.html)

Yves Smith

October 13, 2025

One of the crypto phenomena bizarrely not often enough discussed in polite company is the frequency of crypto exchange failures. High profile, significant customer-impact events like the implosion of GotX and FTX seem to be related to the category of "shit happens". But crypto exchange failures happen with such frequency that there's even a genre of academic genre dedicated to studying them to identify in advance which exchanges are less vulnerable to collapse, apparently so as to aid crypto punters. A recent one found that there had been over 500 crypto exchange failures since 2014.¹ CryptoWiser's [Exchange Graveyard](#) provides one compilation.

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Mind you, this sort of thing is unheard of in the real world of public markets, as in regulated securities and commodities. We've recounted how the Chicago Merc nearly did fail in the 1987 stock meltdown.² We have warned repeatedly of the fact that a new favored mechanism for preventing exchange failure, that of central counterparty clearinghouses, are "too big too fail" entities and are at risk of failure in a serious market downdraft. Nasdaq Clearing got into trouble in 2018 when a customer loss exceeded his reserves, [forcing other clearinghouse members to pay 107 million euros to reimburse the hit to the default fund](#) (see this Bank of International Settlements article for more detail).

A pause for some schadenfreude about the Trump-China-tariff-threat induced crypto meltdown on Friday:

My plan was to make \$100k trading crypto this year.

\$150k to go pic.twitter.com/b8o10cTf2T

— Not Jerome Powell (@alifarhat79) [October 12, 2025](#)

"So you put \$5,000 on a credit card to trade crypto, and in five years you turned it into \$9 million?"

"Yes Dave"

"And you then lost it all in twenty minutes, and in those five years you never paid off the credit card which now has a \$28,600 balance?"

"That's correct Dave" pic.twitter.com/1sUlolwRPY

— Michael McQuaid (@michaelgmcquaid) [October 12, 2025](#)

I made \$1,500,000 in one year

Lost \$2,000,000 in one hour

Welcome to crypto pic.twitter.com/h256FyqPTo

— AE Rami Al-Hashimi رامي الهاشمي (@rami_hashimi) [October 10, 2025](#)

The crypto swoon of last Friday not only resulted in a lot of leveraged players having positions closed out at a loss (producing at least one suicide), but also some customers with positions in profits also having accounts dinged to pay for losses at their exchange. Mind you, this practice is substantively no different than [the haircuts applied to bank depositors during bail-ins in Cyprus bank meltdowns in 2013, in Greece in 2015, and Spain in 2017](#).

It's entertaining to see CoinDesk try to talk about the near-failure of exchanges that triggered these actions, in a "nothing to see here" tone. Yet the piece admits these so-called auto-deleveraging, aka ADL was the last bulwark against failure. At the top of its article:

ADL is a last-resort backstop that activates only after liquidations and remaining buffers fail.

We'll get to some of the less-than-precise explanations. The short version is that the exchange raids the accounts of customers that have assets, supposedly according to rules, but as we'll see, this is not well disclosed despite pretenses otherwise.

US crypto players may have been subject to this sort of, erm, forced contribution. US regulations bar leverage of "spot" holdings. However, one type of contract identified as having been subject to forced liquidations is "crypto perpetuals." [They have been permissible in the US since July under CFTC regulations with 10x leverage](#). However, even a wee bit of poking in internet searches unearthed the fact that there are plenty of cooperative overseas

players who will take US customers, provided they use a VPN and misrepresent their domicile. Of course, having violated “know your customer” requirements, these crypto travelers are subject to rough handling if the exchange catches their misrepresentation and decides to Do Something. So US customers could have been exposed by playing even more so on the wild side.

[From CoinDesk:](#)

Auto-deleveraging is the emergency brake in crypto perpetuals that cuts part of winning positions when bankrupt liquidations overwhelm market depth and a venue’s remaining buffers, as Ambient Finance Founder Doug Colkitt explains [in a new X thread](#)....

Perpetual futures — “perps” in trading shorthand — are cash-settled contracts with no expiry that mirror spot via funding payments, not delivery. Profits and losses net against a shared margin pool rather than shipped coins, which is why, in stress, venues may need to reallocate exposure quickly to keep books balanced.

So let’s stop there. If you don’t own coins in your own wallet, you don’t own them. You are part of pool. Even with a wallet you may not own them (a bit more on that below; technically the wallet is the custodian of your keys....and what has your agreement provided with respect to the coins?) .

Back to CoinDesk:

In normal conditions, a blown-up account is liquidated into the order book near its bankruptcy price. If slippage is too severe, venues lean on whatever buffers they maintain — insurance funds, programmatic liquidity, or vaults dedicated to absorbing distressed flow.

Notice the gobbledegook. Returning to the article:

Colkitt notes that such vaults can be lucrative during turmoil because they buy at deep discounts and sell into sharp rebounds; he points to an hour during Friday's crypto meltdown when Hyperliquid's vault booked about \$40 million.

The point, he stresses, is that a vault is not magic. It follows the same rules as any participant and has finite risk capacity. When those defenses are exhausted and a shortfall still remains, the mechanism that preserves solvency is ADL.

The analogies in Colkitt's explainer make the logic intuitive.

He likens the process to an overbooked flight: the airline raises incentives to find volunteers, but if no one bites, "someone has to be kicked off the plane."

In perps, when bids and buffers will not absorb the loss, ADL "bumps" part of profitable positions so the market can depart on time and settle obligations.

And why should the customers subsidize the exchange?!?! At least in the US, when you are kicked off the plane, because regulations (after years of voter howling), you are compensated pretty well.

Again from the piece:

He also reaches for the card room.

A player on a hot streak can win table after table until the room effectively runs out of chips; trimming the winner is not punishment, it is how the house keeps the game running when the other side cannot pay.

How the queue works

When ADL triggers, exchanges apply a rule to decide who gets reduced first.

Colkitt describes a queue that blends three factors: unrealized profit, effective leverage, and position size. That math typically pushes large, highly profitable, highly leveraged accounts to the front of the line—"the biggest, most profitable whales get sent home first," as he puts it.

So all of these libertarian crypto bros have signed up for socialism: "From each according to his abilities?"

We conferred with derivatives maven Satyajit Das, who confirmed our reading:

- As you know, crypto makes Enron and Lehman look the Vatican of governance so nothing is surprising.
- I am not across all the details (I have read a few T&Cs but the tech-bros are not good at paperwork!) but:

I am unsure about ownership issues when you own bitcoins etc as it is via the wallet i.e. does the wallet act as a custodian or does it hold title with you as a beneficiary (the pool you mention suggests that the wallet or exchange is the owner with you having a stake in the collective holding i.e. a fund type arrangement)?

Many exchanges offer leverage or on a couple of occasions what seems to be derivatives on bitcoin (like the perpetual futures you mention). I have never worked out whether that means you own the crypto and they lend to you against it as a pledge or even how that works given that legal rights etc are not the strongpoint. Also providing leverage against an asset with 40+ monthly volatility suggests suicidal bravery!

I have tried to look at the waterfall in exchanges but it is opaque. Beside why would you need it as it always goes up!

- To me (what do I know!), the auto deleveraging looks like a margining and liquidation process designed to protect lenders etc. This would be only required if there was leverage involved. If you are a simple outright full funded owner than price falls don't matter do they? You simple lose what you have invested.
- Attempts at regulation resemble the blind leading the deaf and dumb. It will be interesting to see if moral hazard means that authorities socialise the losses (it is of course coincidental that the the US administration's insiders are heavily invested in the sector and the crypto industry major donors.
- You now it's not good when any industry (other than nibble and drinks) takes out pricey Super-Bowl ads.

A key point is that even a heavyweight like Das can't get to the bottom of the waterfalls (as in the ordering of who gets hit in the event of a loss at an exchange and the limits) makes a mockery of the CoinDesk handwave that this was all disclosed and those who were surprised at having gotten dinged didn't do adequate homework.

Sadly, it looks as if the crypto losses are not yet severe enough to deter the Trump Administration push to get everyone into the pool for the purpose of better fleecing.

¹ The largest single category was simply halting operations, so one is left wondering what happened to customer assets.

² [From a 2011 post](#):

The failure of exchanges, contrary to popular perceptions, is not impossible. We came within three minutes of having the Chicago Merc and likely the NYSE fail in the 1987 crash. The Merc customer was where S&P index futures traded, and a customer failure to pay \$400 million meant that the Merc was similarly going to come up \$400 million short on a loan it owed to Continental Illinois. The executive responsible for the account said she could not forgive the repayment. It was only by happenstance that the bank's chairman was in early that morning and authorized the credit extension, allowing the Merc to open. Had the Merc collapsed, the odds of a knock-on NYSE failure were high. The New York Stock Exchange was also at risk of not opening, and its chairman John Phelan feared if it did close, it would never open again.

Securities

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Crypto's Biggest Crash Reveals a Market Littered With Pitfalls

Oct. 13, 2025, 6:26 AM PDT

Summary by Bloomberg AI AI Generated



- The crypto market experienced a brief but intense crash on Friday, with an index tracking altcoins dropping as much as 40% within minutes, due to a 100% tariff threat on Chinese imports by Donald Trump.
- Critics point to underlying issues in the crypto market's structure, including a lack of liquidity and excessive leverage, which makes it prone to violent selloffs, with \$19 billion worth of positions wiped out across trading venues.
- The crash was exacerbated by technical glitches and auto-deleveraging control mechanisms at exchanges, with Binance paying \$283 million in compensation to affected users, and has raised concerns about the sector's stability and regulatory recognition.

For a few manic hours on Friday, the world of digital assets – billed by proponents as the future of finance – replayed Wall Street's oldest reflex at machine speed during market stress: a stampede for the exits.

The spark was familiar but unexpected. Donald Trump's 100% tariff threat on Chinese imports rattled global markets bloated with speculative excess. But the pain was most acute in crypto, with an index tracking altcoins – the smaller tokens beyond Bitcoin and Ether that rely on fragile liquidity and speculative zeal – dropping as much as 40% within minutes.

While the crash was brief and prices have since [partially recovered](#), critics point to underlying issues in the crypto market's structure that makes it prone to violent selloffs. From a chronic lack of liquidity during weekend trading and excessive leverage to how major exchanges handle and report liquidations, these problems continue to dog a sector that's gained increased mass-market appeal since Trump returned to power.

"During this crash, depth evaporated and liquidation engines got overwhelmed," said **Justin d'Anethan**, head of partnerships at Arctic Digital, a boutique advisory firm focused on private markets in crypto. Auto-deleveraging control mechanisms at exchanges "poured gasoline on the fire" and "it felt less like a market and more like a trap snapping shut."

Read more: [Crypto's Record Selloff Sparks Intrigue Over Who Got Wiped Out](#)

As recriminations flew, market observers zeroed in on Binance, the dominant crypto exchange, and Hyperliquid, a fast-growing decentralized-finance platform. More than \$10 billion of leveraged bets were liquidated on Hyperliquid, and another \$2.4 billion on Binance, according to Coinglass, which compiles such data.



Coinglass estimated that a total \$19 billion worth of positions were wiped out across trading venues. It added that "the actual total is likely much higher" since Binance only reports one liquidation order per second.

A technical glitch on Binance exacerbated the selloff, and the exchange later said it paid \$283 million in compensation to affected users. It said the glitch didn't cause the market crash.

Read more: [Third-Largest Stablecoin Briefly Loses Dollar Peg in Crypto Rout](#)

Binance and Hyperliquid didn't immediately respond to requests for comment. "Hyperliquid is a blockchain where every order, trade, and liquidation happens onchain," Jeff Yan, the platform's co-founder, said in an X post on Monday. "Anyone can permissionlessly verify the chain's execution, including all liquidations and their fair execution for all users."

For an industry that spent the past three years trying to restore confidence following the catastrophic collapse of exchange FTX, Friday was an ugly reminder of how tenuous those gains are.

Leverage Buildup

At one point, \$7 billion vanished in a single hour, Coinglass data show. From Singapore to New York, one lesson echoed: When crypto algorithms seize control, there's no human left to intervene. Thin and fragmented liquidity on the weekend made it worse.

In digital assets, margin calls are not requests but automatic commands. When collateral falters, algorithms sell without pause. No time, no mercy. The same plumbing that keeps markets open 24 hours a day also ensures that when volatility strikes, losses cascade at a rapid clip.

Leverage had been quietly building for months. Hedge funds, retail traders and market-makers had shifted from holding tokens outright to using borrowed money to amplify returns. On the surface, risk appeared contained: positions seemed offset, funding rates calm. In truth, many trades were backed by the same pool of collateral, leaving the system fragile. When that collateral cracked, everything tied to it fell in unison.



In theory, crypto exchanges have a backstop. Each typically maintains an insurance fund – a pool of capital built from liquidation fees and trading penalties, designed to absorb losses when clients' margin runs out. When a leveraged trader's position collapses faster than it can be sold, the fund steps in to buy it, covering the shortfall so the market stays orderly. On calm days, these pools quietly earn money. In panic, they are the only thing standing between volatility and insolvency.

On Friday, they broke. As liquidations accelerated, losses outpaced the funds' capacity to absorb them. That triggered the system's final line of defence: auto-deleveraging.

While geopolitics was the trigger for the rout, "what really kicked the market is that Binance and some other exchanges, they started auto-deleveraging," said Re7 Capital founder **Evgeny Gokhberg**. "It's the worst flush in the history of crypto, and to a very large extent it was exacerbated by centralized exchanges changing their ADL parameters."

No Safety Nets

The massive unwinding of leverages spilled over to altcoins, which were eviscerated. Traditional markets have circuit breakers, clearing houses and moments to breathe. Crypto has none. Once liquidations hit, algos sell into whatever liquidity remains. When most traders are posting the same coins as security, the loop is self-reinforcing: Forced selling drives prices lower, triggering yet more forced selling. Within minutes, liquidity can disappear entirely.

"When massive long liquidations occur simultaneously without new willing counterparties, the system faces mathematical impossibility," market maker Caladan said in a research note. "There aren't enough losers to pay all the winners."

The timing is awkward. The market's collapse comes just as crypto is edging closer to mainstream legitimacy with Wall Street firms expanding digital-asset offerings, while retail traders plunge in. In Washington, a months-long push for a market-structure bill signals the clearest path yet toward regulatory recognition.

In traditional finance, it recalls the 2008 credit unwind and the 2020 Treasury squeeze – small shocks meeting hidden leverage and brittle liquidity – only in crypto the sequence can unfold in minutes, not days. Mainstream markets have buffers: brokers, settlement delays, central banks, while crypto relies on momentum.

--With assistance from **Sidhartha Shukla** and **Anna Irrera**.

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Securities

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Third-Largest Stablecoin Briefly Loses Dollar Peg in Crypto Rout

Oct. 11, 2025, 2:15 AM PDT

Summary by Bloomberg AI AI Generated



- Crypto project Ethena's yield-bearing stablecoin USDe briefly lost its dollar peg during a market rout.
- USDe fell to 65 cents against the dollar on Binance, but regained its price close to that of the US dollar shortly after the initial selloff.
- Ethena Labs said in a post that the token remains over-collateralized, and Binance is conducting a thorough review of the impacted users and the details surrounding the liquidations.

Crypto project Ethena's yield-bearing stablecoin briefly lost its dollar peg during a market rout that triggered record liquidations.

USDe, which is marketed as a "synthetic dollar" and currently offers holders a 5.5% yield, fell to 65 cents against the dollar on Binance. The token is designed to maintain a price close to that of the US dollar, which it regained shortly after the initial selloff.

Cryptocurrencies [tumbled](#) after US President Donald Trump said he would impose an additional 100% [tariff on China](#), sparking a rush for safe haven assets including gold and Treasuries. Over the past 24 hours, more than \$19 billion of bullish crypto bets have been wiped out, with more than 1.6 million traders liquidated, according to Coinglass data.

"Our team is currently conducting a thorough review of the impacted users, the details surrounding these liquidations, and the appropriate compensation measures," Binance said in a blog post about USDe and two other tokens that lost their pegs.

Ethena Labs didn't immediately respond to request for comments.



Source: Binance

USDe boasts a market value of \$14 billion, making it the third-largest digital dollar. Its price gyrations, however brief, were enough to spark concerns among investors. Ethena Labs said in a post on X that the token remains over-collateralized.

"Even a brief stablecoin depeg can shake the market," said Rachael Lucas, analyst at BTC Markets. "Traders rely on them for liquidity, lending, and collateral, so any loss of confidence can trigger liquidations and spill into wider crypto volatility."

The USDe token is backed by a reserve of digital assets, including stablecoins like USDT and USDC. Ethena uses a version of the basis trade for its stablecoin, which exploits price discrepancies in spot and futures markets, to generate yield.

When crypto markets are booming and funding rates – the interest paid by bullish traders to take on leverage for futures bets – are high, the mechanism Ethena relies on can translate into sky-high yields. But that gets tested during massive selloffs.

In the present downturn, the hourly funding rate for Ether fell to its lowest level since at least the unwinding of the yen-carry trade in Aug. 2024, a slide that threatens to squeeze returns on USDe.



Source: CryptoQuant

Ethena's governance token, ENA, also fell as much as 43% in the past 24 hours, according to CoinGecko data.

USDe's yield generating structure is a key differentiator from rivals USDT and USDC, the world's biggest stablecoins, which are mainly backed by highly liquid assets like US Treasury bills. Crypto data trackers CoinGecko and CoinMarketCap nevertheless classify USDe as a stablecoin.

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Class Action

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Explainer

Andreessen's Big Law Ties May Haunt Coinbase Case: Explained

Oct. 13, 2025, 2:00 AM PDT

Summary by Bloomberg AI

AI Generated



- Marc Andreessen's tech investments are complicating his exit from litigation in Delaware over billions in insider sales of Coinbase Global Inc. stock.
- The lawsuit alleges that Andreessen and other leaders exploited inside information to dump shares worth \$2.9 billion, dodging \$1 billion in losses after Coinbase's 2021 public listing.
- A hearing is set for Monday in Delaware's Chancery Court to consider a motion to terminate the lawsuit, with the investor leading the suit arguing that a company investigation was undermined by extensive conflicts of interest centering on Andreessen's venture capital empire.

Marc Andreessen's sprawling web of tech investments is complicating his exit from litigation in Delaware—a state he just pointedly spurned—over billions in insider sales of Coinbase Global Inc. stock.

The lawsuit confronting Andreessen and the crypto platform's other leaders, including CEO Brian Armstrong, says they dodged \$1 billion in losses after its 2021 public listing by exploiting inside information to dump shares worth \$2.9 billion. The investor leading the suit now says a company investigation aimed at shutting the case down was fatally undermined by extensive conflicts of interest centering on Andreessen's venture capital empire.

Those claims about overlapping influence networks—set for a hearing Monday in Delaware's Chancery Court—echo a major theme animating a cold war among competing constituencies that boiled over during a legislative push earlier this year to overhaul the state's best-in-class corporate laws.

Among the overhaul's most fiercely fought features was a section strengthening a presumption found throughout corporate law that directors and their advisers are generally capable of exercising independent oversight.

Scholars have portrayed that change as a rebuke of the elite business tribunal's chief judge, Chancellor Kathaleen St. J. McCormick, whose \$56 billion ruling against Elon Musk last year said he dominated the Tesla Inc. board. Monday's hearing comes as McCormick and her colleagues are being closely watched for signs they're adjusting their approach in response.

Here's where the dispute unfolding in McCormick's courtroom currently stands:

What Does the Lawsuit Allege?

The litigation, which began in 2023, involves so-called shareholder derivative claims technically asserted on Coinbase's behalf against Andreessen, Armstrong, and other executives. Like many derivative cases, the suit seeks to claw back cash allegedly looted by insiders. Derivative damages are typically paid into a corporation's coffers—rather than directly to investors—by its leaders or their insurers.

The scheme involved taking the company public through a direct listing rather than an initial public offering, a debut structure that prioritized gaining liquidity for insiders—and ensuring their stakes weren't diluted—over simply infusing Coinbase with sorely needed capital, according to the most recent version of the court complaint.

The allegations amount to a type of insider trading claim, although they're formally styled as fiduciary breaches, rather than securities law violations that could only be pursued in a federal forum. The lawsuit effectively says Andreessen, Armstrong, and their allies betrayed Coinbase by enriching themselves when they unloaded shares based on internal valuations showing the stock was overpriced.

The Coinbase board members have said they opted for a direct listing because the company was "exceptionally well-capitalized" when it went public. And because the listing structure required existing stockholders to sell shares into the open market, it would have been self-defeating to impose a lockup on insiders, they've argued.

They're also disputing that the tax valuations motivated any of the insider stock sales. Nearly all of those sales came within two days of the direct listing, which shows they were driven by a desire to monetize trapped investments, they say—otherwise, they would have kept selling stock at prices they believed to be inflated.

What's at Issue Monday?

McCormick let the lawsuit move forward in a preliminary ruling last year, saying its main theory was "reasonably conceivable."

The board then set up a special litigation committee of allegedly independent directors, who paused the case to investigate the allegations—a common step Coinbase had the right to take because derivative claims count as corporate assets.

The committee moved to terminate the suit, as special committees almost always do. It said in a 70-page filing in July that the claims are too weak to justify the financial cost and potential embarrassment of a protracted court fight.

The investor behind the lawsuit, Adam Grabski, then submitted his own 72-page legal brief opposing the motion. The filing—arguing the process was plagued by conflicts—focused on one of the committee members, angel investor Gokul Rajaram, and the Silicon Valley law firm that conducted the probe, Wilson Sonsini Goodrich & Rosati PC.

Rajaram has joined at least 50 Andreessen Horowitz investments in the past few years, while Wilson Sonsini represented the venture giant in 10 financing rounds that raised \$700 million during the 10-month investigation alone, according to Grabski's brief.

Given the "insularity and patronage" that characterize the tech venture ecosystem, where "deal flow" is the common currency, it's unrealistic to think someone immersed in that world "could level serious fiduciary claims against Andreessen without suffering any secondary fallout," the filing said.

What's at Stake for Delaware?

The Wilson Sonsini team is led by a former Delaware judge, Joseph R. Slight III, who returned to private practice in 2022. The role of retired judges in the corporate system has been a source of recent controversy, particularly the involvement of two prominent ex-jurists—though not Slight—in successive pieces of legislation that overrode landmark court rulings.

The second of those bills—this year's Delaware corporate law overhaul—generally weakened judicial review of self-dealing in an effort to restore the state's reputation with founders and other influential insiders who say the legal pendulum has swung too far toward minority investors.

One of those founders: Andreessen, who publicly blasted Delaware when he announced in July that he was moving his firm to Nevada.

In its motion to terminate the litigation, Coinbase's committee stressed the general presumption of director independence. Grabski's arguments boil down to a baseless "insinuation that Slight and his team of Delaware lawyers would cast aside their ethical obligations and reputations to skew an investigation in Andreessen's favor," the filing said.

Grabski countered that the independence presumption is replaced, in the special litigation committee context, by a "Caesar's wife" standard requiring the committee and its advisers to appear totally beyond reproach. And the burden of proof is on the committee, he has said.

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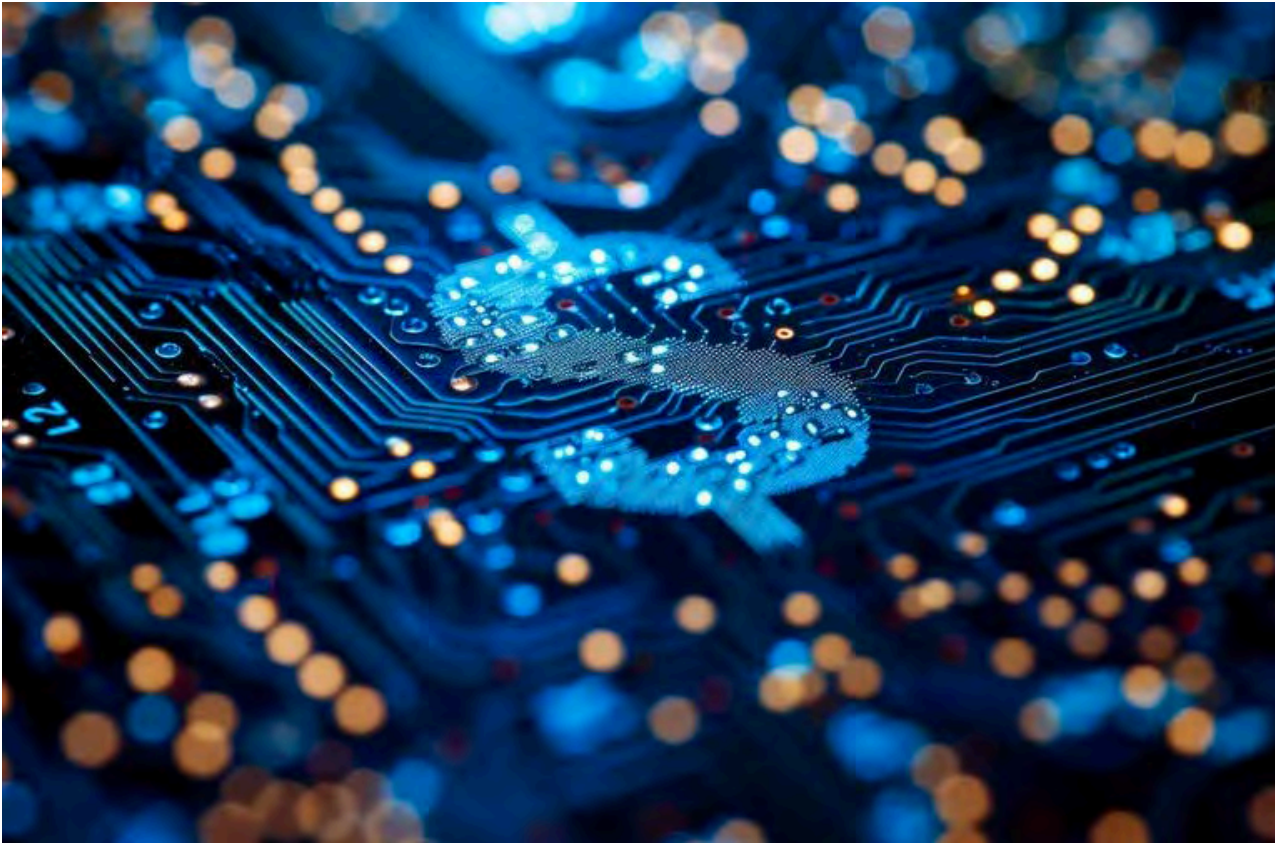
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Analysis | **Law Firm Competition**

Big Law Looks to Cash In on Crypto Push

A friendly government under Trump, market familiarity and steps toward regulatory clarity have spurred more legal work in the crypto space, which now has a market cap of over \$4 trillion.

October 13, 2025 at 06:22 AM By  **Patrick Smith**



Credit: AlirezA/Adobe Stock

As the cryptocurrency markets grow, so does the industry's demand for sophisticated legal counsel. Many Big Law firms are looking to cash in on the rush, finding that the crypto industry can boost nearly every practice, from M&A deals and IPOs to regulatory and litigation work.

And in the age of President Donald Trump, the market appears to be flourishing more than ever. As of October 2025, the market is valued at over \$4 trillion, according to industry assessments.

Davis, Polk & Wardwell has worked on five of the estimated seven crypto IPOs in 2025. Joe Hall, the head of the corporate governance practice and partner in the firm's capital markets transactions practice, said the opening of the capital markets to crypto, which happened in earnest after the U.S. elections in late 2024, has introduced new investors and other parties.

“We have been getting calls from all the banks, legal departments and internal committees,” Hall said. “And we are helping them understand the players in the game and which present the least risk.”

For Davis Polk, a firm with strong traditional banking relationships, that means marrying the firm’s history with cryptocurrency to its dynamic with the banks.

The presence of institutional investors suggests the mainstreaming of crypto, which likely means more competition on the law firm side, too. But that didn’t seem to bother Hall at the moment.

“Unless we are conflicted, we are definitely going to be in the mix (for work),” Hall said. “Not everyone, but one of the firms they look at. A lot of times on the company side, there is a lot of comfort when they see counsel has been involved in a longer list. It’s a pretty tight world.”

Hall said the firm’s ability to grab the lion’s share of the cryptocurrency IPOs is in part due to its earlier entry into the sector. “We have been involved in crypto in capital markets as a firm for over a decade. We started doing work for Grayscale before most firms had any kind of crypto practice,” he said, referring to the digital currency asset management company.

Hall said the firm also did a significant amount of work during the crypto winter of 2022 to 2023 to gain more experience in the market for attorneys in various areas.

Back in 2022, Terra LUNA collapsed. The FTX went bankrupt. The market cap for cryptocurrency [dropped by \\$2 trillion](#). The chairman of the SEC at the time, Gary Gensler, called crypto the “Wild West” and believed (with the notable exception of Bitcoin) that crypto was essentially an unregulated security and subject to SEC jurisdiction.

Then-candidate Trump promised to be much more friendly to the industry. He and his family even have [private investments in memecoins](#), which netted them over \$5 billion in digital wealth in September of this year after World Liberty Financial went public via a SPAC.

Since taking over the White House, the administration has disbanded the DOJ’s National Cryptocurrency Enforcement Team, closed ongoing investigations into crypto firms and had the SEC declare that memecoins do not need its regulation. It has also established a new task force, Crypto 2.0, led by Commissioner Hester Peirce, to develop a clearer framework for regulatory issues that previously relied on precedents involving other securities.

As crypto companies tap into public markets, M&A prospects grow, as does the need for regulatory counseling. Karen Ubell, co-chair of the digital currency and blockchain practice at Goodwin Procter, has been involved in the crypto space since 2013, with the firm creating a formal practice in 2015.

Having seen the up and down cycles over the past 12 years, and seeing the new environment crypto will be operating in, Ubell said she knows more parties and their lawyers will enter into the fray.

“We expect to see a lot more people being involved in this part of the industry and servicing clients that are exploring this technology,” she said.

But, like Davis Polk, Ubell believes that her firm’s history in crypto will allow Goodwin to pick up more than its share of regulatory work. “There will be people who can draw analogies and say they have been doing this and that, and it is like crypto,” she said. “But we can provide industry and technology knowledge, and we can use that to anticipate the regulatory and business issues.”

Ubell said the lack of regulatory clarity — and the disagreement between whether the assets should be considered securities — chilled the industry over the last couple of years, as the risk of painful litigation prompted crypto firms to sit in something of a stasis. But that is changing.

“People are excited about the regulatory landscape (moving forward) but also scared of the future,” she said. “Agency regulations can change, and they would prefer legislation that can codify those regulations, as that would make it futureproof and will provide more entrants into the market.”

Michael Patrone, partner in Goodwin’s tech/life sciences, private equity and public M&A practices, said he only expects public M&A in crypto, whether traditional or SPAC merger, to pick up as more regulatory clarity eliminates risk.

“We have been on calls day and night,” he said. “We think there will be more M&A. The industry is so fragmented with participants ripe for consolidation.”

Competition

Joe Cutler, firmwide chair of the fintech industry group at Perkins Coie, said the Big Law market is crowded with people who say they do “blockchain” or “crypto,” but reinforced that there are still “few lawyers who truly understand the technology or the unique implications of how the law applies to it.”

“It is still true that the law firms that will dominate this market are those that truly spend time in the technology and who are not simply trying to apply old laws to a truly disruptive new business case,” Cutler said in an email.

Cutler has been involved in the industry since its inception and has witnessed its various cycles, ups and downs, as well as the changing public perception and regulatory environment. Now that the crypto market has opened up, Cutler said from the technical side, in the short term, we could

expect “stablecoin-based payment systems to offer immediate cost reduction to a number of markets that experience fee friction and latency, including the consumer payments market, international remittances, B2B settlement processes, and bank-to-bank ledger reconciliations.”

That will kick off more for firms. “Work for law firms will focus first on helping the industry participate in the rulemaking process and subsequently on helping clients comply with the resulting rules,” Cutler added.

In the medium term, he said, there will likely be fewer pure new products, leading to a “framing up of the structures” to support mainstream markets. “For law firms,” he said, “this will mean that the product counselors, IP lawyers, regulatory advisors and transactional lawyers will be busy.”

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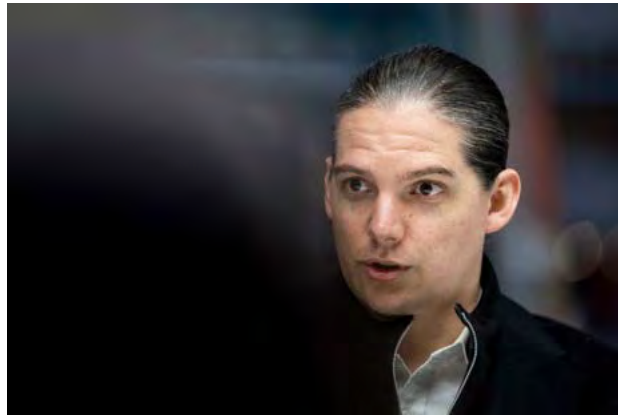
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Meta AI adviser spreads disinformation about shootings, vaccines and trans people

theguardian.com/technology/2025/oct/12/meta-ai-adviser-robb-starbuck

Jason Wilson

October 12, 2025



Robby Starbuck speaks in an interview in New York in March. Photograph: Bess Adler/Bloomberg via Getty Images

Critics condemn Robby Starbuck, appointed in lawsuit settlement, for 'peddling lies and pushing extremism'

A prominent anti-DEI campaigner appointed by [Meta](#) in August as an adviser on AI bias has spent the weeks since his appointment spreading disinformation about shootings, transgender people, vaccines, crime, and protests.

Robby Starbuck, 36, of Nashville, was appointed in August as an adviser by Meta – owner of Facebook, Instagram, WhatsApp, and other tech platforms – in an August lawsuit settlement.

Since his appointment, Starbuck has baselessly claimed that individual shooters in the US were motivated by leftist ideology, described faith-based protest groups as communists, and without evidence tied Democratic lawmakers to murders.

Starbuck's online posts have not changed in tenor since the "[anti-DEI agitator](#)" was brought into the Meta fold, and his Trump administration connections raise broader questions about the extent to which corporate America has capitulated to the Maga movement.

The Guardian repeatedly contacted Meta for comment on Starbuck's role, and his rhetoric online, but received no response.

The Guardian also contacted Starbuck via an email address associated with his website. In part, he responded: "It seems your piece is an attempted hit job meant to punish Meta for working with me on AI fairness. Nothing I've said has been on behalf of Meta – they work with people from every political background."

He added: "My role is simple: work to make AI fair for everyone, regardless of their views. That's a goal anyone who believes in fairness should support. What you're really trying here looks like cancel culture and activism dressed up as journalism, and I won't cower for holding the same views as the political party that won the popular vote less than a year ago in America."

Heidi Beirich, the co-founder of the Global Project Against Hate and Extremism, said: "It is appalling that Robby Starbuck was given a hand in Meta operations in any capacity. He peddles lies and pushes extremism, and it is hard to believe any of this will help make their platforms safer or better."

Eric Bloem, vice-president of corporate citizenship at the Human Rights Campaign Foundation, said: "People should be able to find safe, welcoming communities online. Robby Starbuck pushes a dangerous anti-LGBTQ agenda, spreading disinformation and denying the very existence of transgender people."

Starbuck's appointment to Meta via lawsuit

Starbuck, formerly a music video director, has gained attention as an opponent of corporate diversity, equity, and inclusion (DEI) programs. His pressure campaigns have frequently been directed at companies [who are perceived as having conservative customer bases](#), and have induced major American firms to abandon internal DEI measures, or to end their relationships with pro-LGBTQ organizations like the Human Rights Campaign.

Starbuck won his role in the aftermath of one such campaign.

In the midst of a summer 2024 campaign aimed at motorcycle manufacturer Harley-Davidson, Starbuck threatened Meta with a lawsuit over claims its Meta AI chatbot apparently made about him. In August 2024, Starbuck posted a screenshot purporting to show Meta AI's summary of a Facebook thread of Harley riders angry that the "company chose to go woke".

A screenshot in reply from a Harley-Davidson dealer appeared to show Meta AI asserting that Starbuck was, among other things, an adherent of the QAnon conspiracy theory, and had participated in the January 6 attack at the Capitol.

Starbuck [responded](#): "Wow thanks for sending, Meta will hear from my lawyers since I was never at J6 and have been a longtime critic of QAnon."

That lawsuit was filed last April. Starbuck's appointment to work with Meta was [part of the settlement](#). Other details of the settlement – including whether or not Starbuck was paid or is receiving ongoing compensation for the role – were not made public.

On 8 August, Meta's chief of global affairs Joel Kaplan [posted on X](#) a joint statement with Starbuck.

In part, the statement read: "Since engaging on these important issues with Robby, Meta has made tremendous strides to improve the accuracy of Meta AI and mitigate ideological and political bias."

The statement continued: "Building on that work, Meta and Robby Starbuck will work collaboratively in the coming months to continue to find ways to address issues of ideological and political bias and minimize the risk that the model returns hallucinations in response to user queries."

Bloem said: "There's nothing unbiased about [Starbuck's appointment]." He added: "Coupled with its January rollback of protections against hate speech across its platforms, this decision calls into question Meta's commitment to keeping LGBTQ+ people and others safe online."

'Portland is working with the terrorists'

[Starbuck](#) has [long](#) pushed vaccine [disinformation](#), and he has amplified false claims made by health secretary Robert F Kennedy Jr.

In July, he boosted a [debunked](#) claim made by Kennedy in an interview with Tucker Carlson, in which he claimed that hepatitis B vaccinations led to a 1,135% increase in autism risk, adding: "This is absolutely criminal. The people behind this belong in jail and the hep B shot should be pulled immediately from the childhood vaccine schedule."

As part of his anti-DEI push, Starbuck has also spread [overheated claims](#) and [falsehoods](#) about transgender and LGBTQ people.

He has also boosted such claims made by members of the Trump administration.

In March, boosting a claim [Donald Trump made in an address to Congress](#) that the government had spent "\$8m for making mice transgender", Starbuck wrote: "Democrats are trying to pretend that Trump was wrong about the government funding a study to turn mice

transgender. He was NOT wrong. This is the study and it's vile. Eighty female mice were 'sacrificed' after their last injection. Democrats funded this."

[In fact](#), the mice studies sought to gauge the effect of hormone therapy on maladies such as wound-healing, HIV, and infertility.

Starbuck's online demeanor has continued largely unchanged since he was appointed, with him backing far-right figures in America and around the world and posting dubious pro-Trump narratives.

Starbuck recently expressed support for authoritarians and he posted a video of Stephen Miller's speech on the [Memphis Safe Task Force](#), which has seen federal officers and national guard troops making arrests in there.

Starbuck added the caption: "I've been advocating for us to make Memphis safe again for YEARS now by carrying out similar initiatives @nayibbukele executed successfully in El Salvador and finally... It's happening."

El Salvador president Nayib Bukele, self-styled as the "world's coolest dictator", is celebrated by the far right in the US for his unconstitutional crackdown, which has seen up to more than 1.5% of the country's population imprisoned, almost a quarter of those without trial, [according to World Prison Brief](#).

Starbuck also baselessly asserted that city officials in Portland were working with anti-fascists, and appeared to urge a violent response. Starbuck [claimed](#) that injuries to rightwing online personality Katie Davis court indicated that "the leftist government in Portland is working with the terrorists", adding: "It's time to treat Antifa cells like we would treat Isis cells."

In a comment on this allegation, Starbuck wrote: "The record is not in dispute. Portland councillors Angelita Morillo and Candace Avalos both publicly defended an antifa activist charged with assaulting a federal officer. Morillo has even posted tips to help antifa evade law enforcement. "

He added: "When elected officials openly side with violent extremists, they are enabling them."

Morillo told the Guardian: "When influencers like Robby refer to 'terrorists', I'm not sure who they're talking about – the guy in the frog suit? The people doing the Cha-Cha Slide outside the Ice facility in Portland? I can't take anyone seriously who relies on sensationalized clips, AI content and outright lies to inform their thinking."

Avalos said: "People are free to say what they like on social media. That doesn't make their statements true, and it doesn't mean we have to take them at face value.

"As a federal judge found in her recent ruling against the administration, the idea that there are coordinated attacks from 'antifa, and other domestic terrorists', as Trump alleged on Truth Social, is simply 'untethered to the facts'. Who should we listen to: a sitting federal judge or someone with a Twitter account?"

She added: "When I advise my constituents on how to protect themselves from federal agents acting unlawfully, I am speaking to the vast majority of Portlanders, who rightfully oppose fascism and are certainly not terrorists."

Starbuck also claimed that a high profile Trump detainee who was once incarcerated in Bukele's brutal Cecot prison that "Kilmar Abrego Garcia [is] almost certainly an MS-13 member".

[Two](#) federal judges this year [rejected](#) the administration's claims that Abrego Garcia is a member of MS13, and the government was ordered to facilitate his return from El Salvador.

Commenting on his allegation, Starbuck wrote: "This is simple: an immigration court, DHS, and the president of the United States all identified Garcia as an MS-13 member. Denying it is no longer reporting – it's spin in the pursuit of your own make-believe narrative. So once again, my language was perfectly appropriate."

'This is domestic terrorism'

In recent weeks, Starbuck has energetically attempted to connect the alleged perpetrators of high-profile shootings to the Democratic party.

These claims culminated in a [video](#) posted to X in which he claimed that "in less than 2 weeks there have been 5 domestic terrorism attacks by leftists", citing the assassination of Charlie Kirk, the armed attack on an ABC affiliate in Sacramento, California; the attack on a wedding reception in Nashua, New Hampshire; and the attack on an Ice facility in Dallas. Another example he offered were purported chants of "Fuck Charlie Kirk!" by leftists in New York in the wake of Kirk's death.

In an [earlier post](#), he cited the same events and claimed: "This is domestic terrorism".

The man [accused of the Sacramento ABC attack](#) does have a long history of posting anti-Trump messages on social media, according to prosecutors, and spent two decades as "a lobbyist for healthcare, tribal and labor interests", according to the New York Times.

Evidence for connections between the other perpetrators and the Democratic party, or even the broader left, is either tenuous or non-existent.

The claim about chanting demonstrators appears to arise from [mid-September videos of counterprotesters](#) who, according to videos taken by independent journalists, disrupted a memorial vigil for Charlie Kirk in New York's Washington Square. The identities, allegiances, and organizational affiliations of the counterprotesters are unspecified, and few media outlets reported on the story except [Russian outlet](#) Pravda.

However, Joshua Jahn, who turned his gun on himself after the Dallas Ice attack, was [reportedly registered](#) as an independent in Oklahoma, and was described by friends as someone with "a vaguely libertarian bent who despised both major parties and politicians generally, including Trump, but who didn't engage with politics beyond that", [according to reporting](#) by journalist Ken Klippenstein.

Hunter Nadeau, accused of killing one and wounding two others in an attack on a country club in Nashua, New Hampshire, reportedly yelled "Free Palestine" during the attack. But state attorney general John Formella said Nadeau "made a number of statements during the shooting and appeared to be attempting to cause chaos in the moment as opposed to showing a hate-based motivation", [according to NPR](#).

Formella added: "We don't have any evidence to indicate that this was a hate-based act."

Tyler Robinson, the man accused of Charlie Kirk's murder, was reportedly [registered as a non-partisan voter in Utah](#), although family members indicated he had moved politically to the left, according to prosecutors.

Nevertheless, investigators [reportedly told NBC News](#) that "thus far, there is no evidence connecting the suspect with any leftwing groups".

All of the reporting clouding the political allegiances of the shooters was on the public record on 25 September, when Starbuck [replied](#) to an X user who challenged him that "every single one of the cases I just pointed out are leftists", blaming "left wing leaders ... and their crazy followers".

Starbuck reiterated his claims about each shooter to the Guardian and linked to four sources he claimed supported him, including a [Daily Mail story](#) about Facebook posts by Joshua Jahn's mother, and a [protest footage video](#) published to YouTube by one of the previously cited independent videographers.

He further responded with accusations about the Guardian, writing: "Why is the Guardian fixated on trying to downplay leftwing violence instead of investigating the clear surge of it?"

He added: "I don't have the luxury of ignoring this reality – my security team and the FBI are actively handling ongoing death threats against me. The dismissiveness from outlets like yours makes you complicit in emboldening this violence."

Meta adviser

The lawsuit that took Starbuck to Meta was carried out by a firm with Trump administration connections.

Dhillon Law Group (DLG) filed suit in Delaware on behalf of Starbuck. In a [press release](#), the firm said Meta's chatbot had made "provably false and defamatory statements" about Starbuck.

Between the original posts and the lawsuit, DLG founder Harmeet Dhillon was nominated and confirmed as Donald Trump's assistant attorney general for civil rights. Trump named her as his pick in December and she was confirmed in April, weeks before Starbuck's settlement.

According to Office of Government Ethics filings, Dhillon divested her ownership in Dhillon Law Group in the firm in favor of her brother, a non-equity partner in the firm.

In her 27 February ethics agreement, however, Dhillon wrote that she would "retain an interest in a portion of future recovery in 21 contingency fee cases based upon a fixed percentage of compensation".

The Guardian contacted the justice department to ask whether Starbuck's case was one of the 21 that Dhillon retained an interest in. Initially, an automated response warned that "during the current lapse in appropriations, this inbox will not be monitored on a regular basis".

A spokesperson subsequently responded in an email, writing: "AAG Dhillon does not currently have any role in cases involving Mr Starbuck and their relationship is one of friendship and former client."

The Guardian then asked whether or not she had a role in his case at the time it was settled in April.

The spokesperson said no.

The Guardian [previously reported](#) that Dhillon earned a six-figure salary as CEO of a nonprofit, the Center for American Liberty (CAL), according to filings from 2021, 2022 and 2023. During that period, Dhillon Law Group received more than \$1.3m as a contractor to the organization over two years. Dhillon, several CAL clients and Dhillon Law attorneys [also shared the services](#) of the same Republican-aligned PR operative.

During Dhillon's leadership, the CAL pursued a myriad of culture-war lawsuits on behalf of rightwing influencers, "de-transitioners" and parents of transgender children, and churches that had been subject to California's pandemic restrictions.

Beirich, the extremism expert, said: "This is just another example of Meta caving to Trump and his allies, and bogus charges of political bias, and makes a mockery of fair content moderation on Meta's various platforms."

Elsewhere in his comments to the Guardian, Starbuck wrote: "You should be honest with Guardian readers about the fact that you've been accused of extremely close ties with antifa."

EY

EY accused of misleading watchdog over NMC Health audit

Failed hospital operator's administrators seeking about £2bn damages from accounting firm in trial over missed 'red flags'



NMC's administrators from Alvarez & Marsal have accused EY of negligence © AFP via Getty Images

Ellesheva Kissin in London

Published AN HOUR AGO



EY has been accused of misleading the UK's accounting watchdog over its audit of NMC Health, as a £2bn trial into alleged negligence by the Big Four firm reaches its closing stages.

The FTSE 100 hospital operator collapsed in 2020 following the disclosure of billions of dollars of hidden debts. In a case that began in May, NMC's administrators from Alvarez & Marsal have accused EY of negligence, claiming its auditors missed a series of "red flags", and are seeking damages of about £2bn on behalf of NMC creditors who lost money.

The Financial Reporting Council [is still conducting a probe](#) into EY's work for the hospital group, but has not investigated the year that NMC administrators allege it was misled.

NMC administrators said in the High Court on Monday that EY partners had led the regulator to believe that its auditors could access key documents — a complete list of the risky transactions on NMC’s accounting system — when they could only view them on a device controlled by NMC staff.

A partner who led EY’s audit work on NMC for three years acknowledged during the trial that what EY told the FRC had been “incorrect and misleading”, lawyers for the administrators told the court. The administrators accepted that EY’s actions that misled the regulator could have been inadvertent.

Viewing the complete list of financial transactions is a crucial part of the audit process. NMC staff had given EY auditors various excuses for being unable to provide the full download of journal entries, according to the administrators.

However, a 2018 email from another of EY’s lead auditors revealed that he was “not sure (whether to) believe their so-called technical barriers”, cited in the administrators’ closing submissions. According to the closing submissions, that lead auditor also told the court that EY staff internally described NMC as the UK’s “number one red label audit”.

The scandal has sparked a catalogue of legal claims and regulatory investigations spanning London, New York and Abu Dhabi.

EY’s failure to view all the transactions or to secure access to NMC’s general ledger — a record of all its financial transactions — has been a key part of the administrators’ claim against the Big Four firm. They also allege that EY did not properly control communication with NMC’s banks, allowing “a large proportion” of financial statements to be manipulated by company executives.

EY, which was paid £14mn for its audits of NMC, has denied any negligence in its work signing off NMC’s accounts and is due to present its closing arguments in the case this week.

The accounting firm has argued during the trial that auditors should not bear the financial responsibility for “concealed” fraud involving 80 NMC staff, who EY said had circumvented the audit process and led to the company’s collapse — or if the administrators failed to examine other “obvious” avenues such as pursuing NMC staff.

Securities

Manage Newsletters

First Brands CEO Resigns and Leaves \$10 Billion Mess to Clean Up

Oct. 13, 2025, 8:49 AM PDT

Summary by Bloomberg AI

AI Generated



- Patrick James resigned as chief executive officer of First Brands Group after the company fell into bankruptcy, leaving Charles Moore to untangle its complex finances.
- James said he remains "deeply committed to the success of the business and the maximization of value of its customers, suppliers, employees and lenders."
- Moore's immediate priority is to ensure stability and dependability, as the company faces challenges including commingled assets and off-balance sheet financing that one creditor alleged has "simply vanished".

Before the world could learn much about **Patrick James**, who founded and led the auto supplier First Brands Group that fell into bankruptcy last month, he was gone.

James' resignation as chief executive officer, after a week that saw the [pain](#) from its sudden collapse reach financial firms around the world, leaves the work of untangling the company's complex and opaque finances to Charles Moore, a restructuring expert hired last month during rushed negotiations between the company and its top Wall Street creditors.

James, though a spokesperson, said he remains "deeply committed to the success of the business and the maximization of value of its customers, suppliers, employees and lenders." Moore, in a separate statement, emphasized that the "immediate priority is to ensure stability and dependability."

In the roughly two weeks since First Brands filed for bankruptcy, with more than \$10 billion owed to some of Wall Street's biggest names, much of the intrigue has centered around James, who was born in Malaysia, attended college in Ohio and has virtually no online presence. Through a series of aggressive debt-fueled acquisitions, he built First Brands into an auto-parts conglomerate.

Read More: [First Brands Blindsides Wall Street in 'Black Box' Loan Fiasco](#)

All the while, Moore, a 25-year turnaround veteran at Alvarez & Marsal who has restructured auto suppliers and the city of Detroit, has laid out in plain terms the many obstacles facing the company.

In bankruptcy court in recent days, Moore has said that certain assets backing inventory finance agreements may have been commingled with collateral securing the company's asset-based lending facility. Special advisers are probing whether some of the collateral used to raise trade debt was pledged more than once. An independent committee is investigating roughly \$2.3 billion in off-balance sheet financing that one creditor alleged has "simply vanished."

All those challenges make First Brands' [goal](#) – "to facilitate a sale process designed to deliver the best possible outcome for our stakeholders" – a substantial undertaking.

When First Brands filed Chapter 11 at the end of September, Moore's initial focus was on winning court approval of a \$500 million loan so the company can make payroll and keep operating. A judge approved the funding, but restricted how much it could initially spend to \$175 million, according to court records.

A lawyer for lenders has described First Brands' descent into bankruptcy as "a controlled crash landing," saying their teams did an estimated 10% to 20% of their typical due diligence before handing over emergency financing to keep the company running.

"Due to the Company's rapidly declining liquidity and the time needed for potential investors to complete further diligence, it became clear that any potential transaction would need to be implemented in court," Moore said in a filing.

(Recasts throughout and adds details.)

--With assistance from **Reshmi Basu** and **Jonathan Randles**.

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