

Class Action

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Acadia Set to Face Trial in Investor Class Suit Over Quality (1)

Oct. 17, 2025, 7:21AM PDT; Updated: Oct. 17, 2025, 9:24AM PDT

Summary by Bloomberg AI

AI Generated



- Acadia Healthcare Co. Inc. lost its bid to avert trial in an investor class action alleging the company misrepresented its patient care, staffing, and regulatory compliance.
- Chief Judge William L. Campbell Jr. granted the investors' request for presumptions of class-wide reliance on any omissions or misstatements they show to be pertinent to investment decisions at trial.
- The case should go to trial due to material disputes of fact over whether 2017 earnings guidance for Acadia's UK facilities was knowingly false and evidence of loss causation.

Acadia Healthcare Co. Inc. lost its bid avert trial in an investor class action alleging the behavioral health-care provider misrepresented its patient care, staffing, and regulatory compliance.

Chief Judge William L. Campbell Jr. also granted the investors' request for presumptions of class-wide reliance on any omissions or misstatements they show to be pertinent to investment decisions at trial. Acadia failed to identify any evidence to rebut a presumption tied to withheld information and didn't sufficiently refute the assumption connected to alleged misrepresentations, the US District Court for the the Middle District of Tennessee said Thursday.

The jury won't be instructed on the element of reliance, a required pleading for securities fraud claims which links alleged misstatements to market selloffs, Campbell said. The pension funds leading the case don't need to "put on proof positive of reliance, as to themselves or the class, on any misstatements or omissions that they show to be material."

The case should go to trial given material disputes of fact over whether 2017 earnings guidance for Acadia's UK facilities was knowingly false and evidence of loss causation, he said.

Trials are a rarity in the realm of securities fraud class actions, as pressure on companies or other defendants to settle mounts.

Acadia's expert testimony about lacking a statistically significant share price decline after reports allegedly corrected misrepresentations failed to rebut investors' presumption of reliance under *Basic Inc. v. Levinson*, Campbell said. Nor did Acadia adequately claim a mismatch between the substance of the purported misrepresentation and corrective disclosure, a tool defendants can use for rebuttal under a US Supreme Court ruling involving Goldman Sachs Group Inc.

"Defendants' bald contention as to the generic nature of the alleged misstatements is insufficient to rebut the *Basic* presumption or create a genuine issue of material fact as to their ability to do so," Campbell said.

And Acadia didn't adequately aver an investment adviser for one of the pension funds would've traded its stock even if it knew the price was impacted by alleged fraud to rebut the presumption.

Classwide Reliance

Investors can plead presumptions of reliance under *Affiliated Ute Citizens of Utah v. US*, in which a shareholder must sufficiently plead omitted information would've mattered to a reasonable stockholder in making investment decisions, and *Basic*. Under *Basic*, the presumption is investors rely on the stock's price, which absorbs all public information including any pertinent misrepresentations while trading in an efficient market.

The court previously certified a class of investors who acquired Acadia stock from April 30, 2014, through Nov. 15, 2018.

Robbins Geller Rudman & Dowd LLP, class counsel, didn't immediately respond to an email seeking comment. Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich LLP and Pitta LLP also each represent one of the pension funds leading the case.

King & Spalding LLP and Riley & Jacobson PLC represent Acadia. These law firms didn't immediately respond to emails seeking comment.

The case is *St. Clair Cnty. Emp's Ret. Sys. v. Acadia Healthcare Co. Inc.*, M.D. Tenn., No. 3:18-cv-00988, 10/16/25.

(Updates with additional reporting throughout.)

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Securities

Wirecard Investors Plan to Abandon Recovery Bid in Fraud Suit

Oct. 16, 2025, 1:56 PM PDT

Wirecard AG investors intend to voluntarily dismiss their proposed class action over an alleged €1.9 billion fraud, they told a federal court.

The case is unable to proceed toward trial, and no money is likely to remain after German bankruptcy proceedings conclude, the American investors told the US District Court for the Eastern District of Pennsylvania on Wednesday. The filing preceded a hearing Thursday in Germany's top civil court, the Federal Court of Justice in Karlsruhe, where investors argued for equal footing with creditors for payouts.

Financial-services provider Wirecard invented fictional escrow accounts worth about \$2 billion in "the largest fraud in German postwar history," the US investors alleged

The plaintiffs went after Ernst & Young Global Ltd.'s accounting affiliate in Germany over its auditing services to Wirecard, but dropped an appeal of the claims' dismissal

Meanwhile, claims against Wirecard are paused, and former CEO Markus Braun, who defaulted in the US case, has depleted his insurance for his legal representation in a criminal case in Germany, the investors said in their status report

Robbins Geller Rudman & Dowd LLP and Hagens Berman Sobol Shapiro LLP are lead counsel for the US investors.

The case is In re Wirecard AG Sec. Litig. , E.D. Pa., No. 2:20-cv-03326, status update 10/15/25 .

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Class Action

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Baxter International Hit With Investor Suit Over IV Pump Rollout

Oct. 17, 2025, 6:30 AM PDT

Summary by Bloomberg AI

AI Generated



- Baxter International Inc. and its executives allegedly misled shareholders about systemic safety issues with its new IV fluid pump, which led the company to halt sales and caused a stock drop.
- A pension fund filed a complaint in the US District Court for the Northern District of Illinois, seeking to represent a class of investors who acquired Baxter stock between February 2022 and July 30 of this year.
- The complaint asserts violations of the Securities Exchange Act and seeks compensatory damages, claiming that statements from Baxter and its executives regarding the Novum LVP launch were materially false and misleading.

Baxter International Inc. and its executives allegedly misled shareholders about systemic safety issues with its new IV fluid pump, which eventually led the company to halt sales, causing a stock drop.

Although executives said the US launch of its Novum IQ large volume pump was going well, there were "recurring life-threatening defects in the devices that Baxter could not adequately correct" and failed to disclose to investors, a pension fund asserted in a complaint filed Thursday in the US District Court for the Northern District of Illinois.

The fund seeks to represent a class of investors who acquired Baxter stock between February 2022 and July 30 of this year.

Baxter's Novum LVP—a device that delivers intravenous fluids to patients—launched in the US last year after an initial release in Canada. Leading up to the US rollout, executives touted the device as an "important long-term value driver for the company" and the "great feedback" being received from customers, the suit says.

In public statements and on calls with investors, the company and its executives ensured shareholders that the Novum LVP had “the most advanced safety features,” and that all initial issues that came to light when the device rolled out in Canada were addressed. But in April the company issued a warning to its customers about an underinfusion risk associated with the Novum LVP, which triggered a recall by the US Food and Drug Administration. However, executives “continued to publicly tout its successful rollout,” the complaint alleges.

Baxter in July issued another warning to customers, citing 79 reports of serious injuries and two reports of deaths between June 2023 through May 2025 related to overinfusion and underinfusion risks associated with the Novum LVP. The FDA issued a second recall before the company announced on July 31 that it was pausing all shipments and planned installations, without committing to a timeline for resuming sales. Baxter’s stock dropped more than 22% that day, the complaint says.

Statements from Baxter and its executives regarding the Novum LVP launch were materially false and misleading because they failed to disclose the systemic defects causing widespread malfunctions and the heightened risk of having to halt its sales due to those safety issues, the fund claims.

The complaint asserts violations of the Securities Exchange Act, and seeks compensatory damages.

Baxter didn’t immediately respond to a request for comment.

Cohen Milstein Sellers & Toll PLLC and Labaton Keller Sucharow LLP represent the fund.

The case is Elec. Workers Pension Fund, Loc. 103 IBEW v. Baxter Int’l Inc. , N.D. Ill., No. 1:25-cv-12672, complaint filed 10/16/25 .

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Securities

Fat Brands Beats Investor's Lawsuit Over Federal Founder Probes

Oct. 16, 2025, 11:57 AM PDT

Restaurant franchiser Fat Brands Inc., as well as current and former leadership, defeated shareholder allegations of misrepresenting its cooperation with federal investigations into a 2020 merger and founder-CEO Andrew Wiederhorn.

The investor leading the proposed class lawsuit failed to sufficiently allege an inference of intent or recklessness to deceive by former co-CEOs about related-party transactions concerning Wiederhorn, Judge Michael W. Fitzgerald said in a filing Wednesday memorializing an in-chambers order. The stockholder's argument on a mental state to defraud regarding the government's investigations rested on statements the US District Court for the Central District of California judge found to be non-actionable opinions.

Investor Mitchell Kates didn't adequately back up allegations of non-cooperation with investigators, and certain alleged misstatements weren't actionable or sufficiently pleaded as misleading, Fitzgerald said. Kates can replead one more time.

Fat Brands's common stock price plummeted almost 28% on May 10, 2024, when the Biden administration's Justice Department announced a \$47 million fraud case against Fat Brands, Wiederhorn, a former chief financial officer, and an outside accountant. The Securities and Exchange Commission announced a civil lawsuit against Fat Brands, Wiederhorn, and two former CFOs over disclosures about related-person transactions regarding the founder and his family the same day.

That plunge was Fat Brands share price's sharpest one-day drop since its 2017 market debut, according to data compiled by Bloomberg.

The Justice Department got those criminal charges involving Wiederhorn, a President Donald Trump donor, and others dropped in August after acting Los Angeles US Attorney Bill Essayli argued dismissal would align with the administration's new enforcement priorities. The SEC case had been stayed.

The DOJ's reversal of the charges, which accused Wiederhorn of treating the company "as his personal slush fund," happened after the White House fired the case's lead prosecutor and Essayli privately met with the executive's defense attorneys, according to prior reporting by Bloomberg Law.

Other Cases

Despite dismissing Kates' allegations for now, Fitzgerald didn't agree with the defendants that the lawsuit should've been dismissed for drawing from other cases, including a shareholder derivative lawsuit in Delaware Chancery Court and the recently-dismissed criminal indictment.

"Plaintiff will thus need to reckon with any consequences of that dismissal, if any, in any further amended complaint," Fitzgerald said.

Fat Brands—which owns Fatburger, Johnny Rockets, and other restaurant brands—announced last week they reached a settlement to resolve those derivative claims, pending court approval.

Wiederhorn, also Fat Brands's chairman, was renamed CEO in September, a role he'd stepped down from in 2023 amid the federal probe.

The Rosen Law Firm PA represents Kates, who seeks to represent a class of those who purchased various types of Fat Brands securities from March 23, 2022, through May 10, 2024.

Sheppard, Mullin, Richter & Hampton LLP represents Fat Brands, Wiederhorn, and the former co-CEO's Kenneth J. Kuick—currently CFO—and Robert G. Rosen. Neither of these law firms nor Fat Brands immediately responded to emails seeking comment.

The case is Kates v. Fat Brands Inc. , C.D. Cal., No. 2:24-cv-04775, 10/15/25 .

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Semi-Annual Reporting and Securities Fraud Risk

 [businesslawprofessors.com/2025/10/semi-annual-reporting-and-securities-fraud-risk](https://www.businesslawprofessors.com/2025/10/semi-annual-reporting-and-securities-fraud-risk)

Ann Lipton

October 17, 2025



By [Ann Lipton](#) on October 17, 2025

[I spoke to Law.com about the potential switch to semi-annual reporting](#), and one of the questions I was asked concerned securities fraud risk – more? less?

Answer: it's complicated.

On the one hand, fewer statements means fewer potentially false statements, and so fewer opportunities for someone to bring a lawsuit over what you say.

On the other hand, probably a lot of companies will continue to speak to the market – and even voluntarily disclose quarterly earnings. Except, they may not include all of the details that a 10-Q would include. Depending on what they choose to disclose, and whether they change their practices over time, there might be some vulnerability to a charge of misleading half-truths/omissions.

Additionally, semi-annual reporting means the market will be receiving less information on the company, and the information it does receive may come as a surprise, resulting in more volatility. Surprise information, coupled with a big price movement, is the stuff securities fraud actions are made of. Fewer disclosures means fewer opportunities to telegraph changed expectations and slow walk the stock in a particular direction.

But on the other hand! Securities fraud actions live or die by the event study – proof that the market was efficient, and proof that the false statements (and revelations of the truth) impacted pricing. But price movements are much harder to detect when the stock price is volatile ordinarily; it takes an unusually large swing to identify the impact of a particular disclosure. That may make it hard for plaintiffs to assemble the proof they need, either for the merits or for class certification.

So. I guess we'll see. Unless everything is shifted to arbitration, in which case, we won't.

And another thing. On this week's [Shareholder Primacy](#) podcast, Mike Levin and I talk about Duke Energy's supermajority voting requirements and the attempts to change them. [Here at Apple](#), [here at Spotify](#), and [here at Youtube](#).

Class Action

Manage Newsletters

Wells Fargo, Others Rout Investor Class in Ponzi Scheme Suit (2)

Oct. 17, 2025, 6:02 AM PDT; Updated: Oct. 17, 2025, 10:26 AM PDT

Summary by Bloomberg AI

AI Generated



- Judge Alan D. Albright adopted a magistrate judge's recommendation to deny class certification to about 700 investors in the alleged scheme.
- Purported victims got different pitches and relied on misrepresentations to varying degrees, and the US District Court for the Western District of Texas "will likely have to engage in a transaction-by-transaction inquiry to determine each defendants' liability."
- "The rules allow us to ask the Fifth Circuit for a chance to appeal this, and we are preparing to ask for that appeal," Texas-based attorney Patrick Zummo said.

Wells Fargo Bank NA and investment advisers won't have to face class claims by investors in an alleged \$155 million Ponzi scheme seeking to hold them liable.

Judge Alan D. Albright Thursday adopted a magistrate judge's recommendation to deny class certification to about 700 investors in the alleged scheme involving two companies, Clean Energy Technology Association Inc. and Freedom Impact Consulting LLC. Purported victims got different pitches and relied on misrepresentations to varying degrees, Magistrate Judge Derek T. Gilliland said in his report last month, and the US District Court for the Western District of Texas "will likely have to engage in a transaction-by-transaction inquiry to determine each defendants' liability."

This case—against the bank, two advisory firms, and their principals—follows on a Securities and Exchange Commission lawsuit against Clean Energy, Freedom Impact, and their leaders

Citizens & Northern Bank was released from this lawsuit, which alleges the defendants "made the Ponzi scheme possible," earlier this year

"The rules allow us to ask the Fifth Circuit for a chance to appeal this, and we are preparing to ask for that appeal," Texas-based attorney Patrick Zummo, who represents the investors, said in a phone call

McGuireWoods LLP represents Wells Fargo. Thompson, Coe, Cousins & Irons LLP represents advisers Premier Law Group and Mauricio Rauld. Brackett & Ellis PC represents PV Advisors PLC and Timothy Gertz. None of these law firms nor Wells Fargo immediately responded to emails seeking comment.

The case is Goldovsky v. Rauld , W.D. Tex., No. 6:24-cv-00159, 10/16/25 .

(Updates with a comment from the investors' attorney in the fifth paragraph.)

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<https://www.wsj.com/opinion/motley-rice-utah-opioid-litigation-derek-brown-optumrx-2b6be72e>

OPINION REVIEW & OUTLOOK [Follow](#)

Another Attorney General Fires Motley Rice

Utah quits teaming up with the firm on opioid lawsuits. Let's hope there are more.

By [The Editorial Board](#) [Follow](#)

Oct. 16, 2025 8:31 pm ET



The law firm Motley Rice office in Cherry Hill, N.J. ANDREW KELLY/REUTERS

The plaintiffs lawyers at Motley Rice are used to living large on government contracts, but now another state has reconsidered the wisdom of teaming up with the trial firm. This week Utah Attorney General Derek Brown fired Motley Rice from a state contract to conduct opioid litigation and sue private companies.

Motley Rice has made a name as the kingpin of opioid litigation, but its tendency to prioritize its own interests is catching up with it. In a letter, the state says it “intends to hire new counsel for the cases covered under the Legal Services Contract.”

The contract may be ended “with or without cause,” so no justification is necessary from Mr. Brown. But Motley Rice was challenged recently in Utah federal court by pharmacy benefit manager OptumRx, which sought to have Motley Rice disqualified,

arguing that its representation of state and private clients at the same time violates ethics rules.

“Motley Rice’s lawyers obtained confidential government information about OptumRx while serving as government lawyers,” Optum wrote in its disqualification motion. That information “could be used to OptumRx’s material disadvantage in this litigation.”

Motley Rice launched its opioid litigation campaign in Washington, D.C., Hawaii, and Chicago, where local governments hired its lawyers as “special assistant attorneys general” to pursue cases on the public’s behalf. Those contracts were good for generating headlines and rustling up new business for similar lawsuits around the country.

The public-private arrangement lets the firm employ the powers of a government subpoena to gather information that it can then deploy elsewhere. Motley Rice has argued there is no advantage from overlapping claims or access to confidential governmental information. But that’s hard to credit.

Utah is only the latest to reconsider such arrangements. Montana Attorney General Austin Knudsen told Motley Rice to get lost in 2021. Iowa Attorney General Brenna Bird and Kansas Attorney General Kris Kobach ended their states’ relationships with the trial firm Morgan & Morgan in 2023.

Motley Rice still has contracts with other states and cities, including Washington, D.C., Hawaii and Alaska. Who’s next?

Videos

‘Miss Wagstaff, What Are You Doing?’ Aimee Wagstaff, Ordered Into Court, Denies Attacking Paraquat Settlement

U.S. District Chief Judge Nancy Rosenstengel, of the Southern District of Illinois, ordered plaintiffs’ attorney Aimee Wagstaff not to interfere with settlement negotiations in the paraquat multidistrict litigation.

October 17, 2025 at 04:00 AM By  **Amanda Bronstad**

What You Need to Know

- Aimee Wagstaff, who appeared on Tuesday with a legal ethics attorney representing her, told U.S. District Chief Judge Nancy Rosenstengel that she was only looking out for the best interests of her clients, many of whom would be excluded from the settlement and are pursuing cases in the Philadelphia Court of Common Pleas.
- At issue was a planned video conference next month in which Aimee Wagstaff intended to discuss the details of the proposed paraquat settlement, which is confidential.
- U.S. District Chief Judge Nancy Rosenstengel was concerned that Aimee Wagstaff had emailed lawyers on the listserv for an organization called Women En Mass, which includes attorneys in the multidistrict litigation, and appeared to be ‘heading this up to, you know, subvert the MDL settlement process.’



Nancy Rosenstengel, U.S. District Chief Judge for the Southern District of Illinois. January 8, 2013.

A federal judge appeared unpersuaded after a brief hearing in which plaintiffs' attorney Aimee Wagstaff insisted she never planned to sabotage a pending settlement in the paraquat multidistrict litigation.

Wagstaff, of Denver's Wagstaff Law Firm, who appeared on Tuesday with a legal ethics attorney representing her, told U.S. District Chief Judge Nancy Rosenstengel that she was only looking out for the best interests of her clients, many of whom would be excluded from the settlement and are pursuing cases in the Philadelphia Court of Common Pleas, according to a transcript of the hearing.

Rosenstengel, on Oct. 6, [ordered Wagstaff to appear](#) in her courtroom in East St. Louis, Illinois. At issue was a planned video conference next month in which Wagstaff intended to discuss the details of the proposed paraquat settlement, which is confidential.

"So, Miss Wagstaff, what are you doing?" Rosenstengel said at the start of the hearing.

Wagstaff told the judge that many plaintiffs' lawyers are concerned about the injuries and exposure requirements in the settlement but haven't received enough information to advise their clients.

"But it's not—I'm not attacking the MDL deal, but I do want to push back a little on the fact that I should be able to share my concerns and, and create a place where people can talk about this," Wagstaff said, according to the transcript. "I mean, I am—what I want is to advocate the best, the best result for my clients. And in doing so, help other plaintiffs' lawyers have information."

Rosenstengel wasn't convinced.

"A lot of it sounds like just that," the judge said. "That you are trying to undermine the MDL settlement."

Rosenstengel acknowledged Wagstaff's frustration at not getting enough information about the settlement and directed Randi Ellis, the special master, to host a meet-and-confer for lead counsel to share those details. But she also ordered Wagstaff not to undermine lead counsel's efforts with attempts to "blow up the settlement."

"So, I'm not going to get into, 'He said, she said,' who said what when," Rosenstengel said, according to the transcript. "I just think you all need to get together and talk about this."

Wagstaff's attorney, Michael Downey, of Downey Law Group in St. Louis, Missouri, said there was "no attempt to undermine the dignity of this court or the settlement itself," according to the transcript.

Rosenstengel, however, was concerned that Wagstaff had emailed lawyers on the listserv for an organization called Women En Mass, which includes attorneys in the multidistrict litigation, and appeared to be “heading this up to subvert the MDL settlement process.”

But Wagstaff, who has some paraquat cases in the multidistrict litigation, insisted she had cleared the email with Ellis, the special master, before sending it.

“This wasn’t done in secret. This wasn’t something I was trying to hide,” she said. “Did I call the co-leads before? No, I didn’t. Maybe that was my, you know, fatal flaw.”

Wagstaff: ‘People Are Frustrated’

The multidistrict litigation, which alleges that paraquat, a pesticide made by Syngenta and Chevron, causes Parkinson’s disease, has been rocky for plaintiffs’ lawyers so far. In 2023, Rosenstengel began [ordering depositions and subpoenas](#) due to growing concerns that “a significant number of plaintiffs” did not “plausibly allege exposure” to paraquat.

Last year, Rosenstengel, who had scheduled 16 cases for potential bellwether trials, [tossed the plaintiffs’ sole general causation expert](#) in four of them—a significant blow to plaintiffs’ lawyers with more than 5,000 cases in the multidistrict litigation. The expert’s conclusions were based on what Rosenstengel called a “methodological flip-flop.” Plaintiffs have appealed that order to the U.S. Court of Appeals for the Seventh Circuit.

Wagstaff and Rosenstengel have clashed before in the multidistrict litigation. In 2021, the judge [appointed Wagstaff](#) to the plaintiffs’ executive committee. But, one month later, Wagstaff resigned and is now leading paraquat cases in the Philadelphia Court of Common Pleas.

At Tuesday’s hearing, Wagstaff began her statements by apologizing for her resignation, which Rosenstengel had brought up in her order this month. She said she resigned after discovering who was on the leadership team and that their strategies for the litigation did not align with hers.

“And so, right away I resigned, because I thought that I could be replaced and I didn’t want to get too far down the road with me sort of doing that,” Wagstaff said, according to the transcript. “But it was never meant to be any offense to you or to this court. And I understand how that looks and I deeply apologize for that.”

But Rosenstengel, in her order, raised new concerns that Wagstaff appeared to be “recruiting litigants she does not represent to reject the global settlement before details are known to her.” She threatened potential sanctions or other remedies against Wagstaff to prevent future disruptions to the settlement discussions, which have been ongoing since May 9, when



Aimee Wagstaff

Rosenstengel delayed discovery deadlines to give lawyers time to finalize the details. Last month, she vacated the first bellwether trial, which was scheduled for Tuesday.

Wagstaff, in court, insisted that lead counsel in the paraquat multidistrict litigation did not return her emails or host a webinar or other conference to inform lawyers about the settlement.

“There are a few people who called me, since your order came out, saying, ‘Thank God, finally, we can maybe get some information,’” Wagstaff said. “There is a complete dearth of information out there about what is going on, and people are frustrated.”

Khaldoun Baghdadi, of San Francisco’s Walkup, Melodia, Kelly & Schoenberger, co-lead counsel in the paraquat multidistrict litigation, disputed Wagstaff’s claims. He told Rosenstengel that

lead counsel hosted a Sept. 18 webinar about the settlement’s details, and 263 plaintiffs’ lawyers attended.

“Miss Wagstaff did indeed reach out to us after scheduling the webinar and then wanted to talk about it,” Baghdadi said, according to the transcript. “There was no way for us to interpret it apart from an effort to basically attempt to gain leverage in the Philadelphia proceedings or elsewhere. There’s nothing much more to add, above that.”

Page printed from: <https://www.law.com/2025/10/17/miss-wagstaff-what-are-you-doing-aimee-wagstaff-ordered-into-court-denies-attacking-paraquat-settlement/print/>

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State Privacy Laws, Plaintiffs Target Websites as Danger of Cookie Monsters Grows

"Plaintiffs have gone after online chat, search functions, cookies, pixels—virtually anything on a website involving a third party," BakerHostetler's Justin Yedor said.

October 16, 2025 at 03:41 PM By  **Chris O'Malley**



Credit: SFIO CRACHO/Adobe Stock

With online privacy laws soon to take effect in three more states, companies and their legal departments must understand what cookies, pixels and other tracking devices are lurking on their websites, attorneys said.

Such laws are on the books in 20 states, with Indiana, Kentucky and Rhode Island set to join the crowd in January. At that point, an estimated 50% of U.S. consumers will be covered by these state online privacy protections.

"There's a lot of risk right now in the website area and it's coming from all different places," Justin Yedor, a partner at Baker & Hostetler, said Wednesday. "This is a topic that probably impacts

virtually every businesses."

The risk also comes from plaintiffs lawyers, who have been scrutinizing websites and pursuing novel theories such as state wiretapping laws.

Even web chatbots are under scrutiny, with California Gov. Gavin Newsom [signing legislation](#) this week to protect children from harm posed by AI-powered versions of the tools.

The California Consumer Protection Act, which went into effect in 2020, is the nation's most comprehensive state online privacy law. A recent application of CCPA illustrates the financial perils companies can face for lax online privacy mechanisms.

In July, California Attorney General Rob Bonta sued San Francisco-based Healthline Media LLC, alleging cookies and pixels on the site communicated data about readers to advertisers—even when users opted-out of such information sharing.

Cookies and pixels are bits of data sent to and from a browser to identify and track visitor actions.

Visitors to the health and wellness website could read about a medical condition and later see an ad to treat the malady, in what's known as cross-context behavioral advertising.

Even after making a "triple-opt-out," investigators "found online trackers still placed 118 cookies associated with third-party advertising companies, including cookies used to track a person across websites," the complaint stated. "They also saw internet transmissions to dozens of advertising companies, including transmission of unique identifier cookies."

In a settlement, Healthline agreed to pay \$1.55 million. in civil penalties. The company, which admitted no wrongdoing, also made site changes and entered into a compliance program.

Healthline said in a statement it will be "transparent with our on-site visitors about the personal information the site collects and by allowing visitors to opt-out of personal information collection as it relates to advertising."

BakerHostetler's Yedor urged companies to make sure they are clear about "very specific" contractual terms with vendors that support the website.

Some vendors may be merely service providers to keep the site running. But if those vendors are processing personal information about someone—such as IP addresses and cookie identifiers—that could be considered a "sale" of information in certain instances, Yedor said.

"It's important to understand what's in your agreements in order to know whether you need to provide an opt-out to a consumer for a specific type of technology," he added.

Whether cookies, pixels or other trackers, "make sure you understand what it's for," said Yedor.

State online privacy laws, while generally not providing a right of private action, carry per-violation fines that can run around \$7,500. Multiplied by the number of site visitors, the cost of violations could run into the millions of dollars.

Compounding the risk, some states have worked together on enforcement cases, Yedor noted.

In addition, plaintiffs lawyers have brought suit, trying to use state and federal wiretapping laws that prohibit eavesdropping. Some of these legal arguments "stretch the imagination," given that these laws date back decades to when telephones were the hi-tech of their era, Yedor said,

Nevertheless, there have been thousands of demand letters sent to all sorts of businesses over the last few years in attempts to bring online privacy cases under wiretapping laws.

"Plaintiffs have gone after online chat, search functions, cookies, pixels—virtually anything on a website involving a third party," Yedor said.

One reason is the potential to collect statutory damages.

"Truly understand what tracking technologies are on your site when they're being set and make sure you have the right controls so that you can make those decisions about when to provide opt-in consent and when to provide an opt-out," Yedor added.

Yedor said he led development of a proprietary database for BakerHostetler known as a "cookie classification service." It scans a client's website to identify cookies and analyzes whether their use requires an opt-out—among other functions.

"If you have a whole bunch of cookies on your site and you don't know what they do, and you don't know whether the vendors are service providers or processors, that can pose a lot of risk in terms of state privacy law compliance, wiretapping claims and all sorts of other claims," added Yedor.

If the past is any indicator, new laws and legal theories in regard to online privacy are likely to continue to vex corporate counsel.

It's only been about five years since plaintiffs' firms began in earnest to cite wiretap statutes in suing companies that use "session replay" technology that tracks users clicks and mouse movements, Holland & Knight attorneys Caitlin Saladrigas and William Farley wrote in a [recent note to clients](#).

The plaintiffs focused on website chatbots and pixels, with a number of large health systems sued over the use of the Meta pixel in confidential patient-facing portals. The pixels allegedly

transmitted patient information to third parties for advertising purposes—sometimes showing up on a patient's Facebook page.

In 2022, Partners Healthcare System reached an [\\$18.4 million settlement](#) with patients over tracking pixels that provided such information without patients' consent. Partners, now known as Mass General Brigham, admitted no wrongdoing in agreeing to the settlement.

A new battlefield is emerging over the use of generative AI tools that provide analytics on customer service calls to call centers, Saladrigas and Farley wrote.

The AI agents transcribe and analyze conversations—essentially eavesdropping, plaintiffs have alleged.

"This recent flurry of activity raises the question of whether these claims will become the next wave of wiretap litigation," the attorneys wrote.

Page printed from: <https://www.law.com/2025/10/16/state-privacy-laws-plaintiffs-target-websites-as-danger-of-cookie-monsters-grows-/print/>

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California Brief

Authors Claim Salesforce Used Pirated Books to Train AI Models

Oct. 16, 2025, 12:05 PM PDT

Two fiction authors are suing Salesforce Inc. alleging the company unlawfully downloaded, stored, and copied books to develop its artificial intelligence language models.

Salesforce's training datasets contain Book3 corpus, a data set holding "hundreds of thousands of copyrighted books that were acquired without the authorization or consent of the authors," E. Molly Tanzer and Jennifer Gilmore said in a Wednesday complaint filed in the US District Court for the Northern District of California.

A spokesperson for Salesforce said the company doesn't "comment on pending legal matters."

Tanzer and Gilmore join an slew of copyright suits that writers have pursued against companies developing AI language models. Anthropic PBC, the AI startup that developed Claude, agreed to pay at least \$1.5 billion in September to settle authors' claims related to 500,000 books it downloaded from pirate sites.

Salesforce, a leading provider of cloud-based software as a service technology for customer relationship management, uses training datasets The Pile and RedPajama, which are available to download on an AI database called Hugging Face, the complaint said. Both of these data sets contained the Book3 corpus subset until they were removed from the Hugging Face site in October 2023 for reported copyright infringement.

Shawn Presser, the person who assembled the Books3, has allegedly confirmed in public statements that his dataset includes "all of Bibliotik" — a site the authors say contain approximately 196,640 pirated books. Now Salesforce allegedly has unauthorized access to these books, including the plaintiffs' work, since it download The Pile before March 2022 and Red Pajama before June 2023.

"The implication is that if a dataset contains unlawfully-obtained copyrighted material, each step of the training pipeline may result in an unauthorized use (i.e., infringement) of that copyrighted work," the complaint said.

The complaint also cites a June 2023 blog post where a Salesforce employee disclosed the AI training models used to develop its X-Gen series of language models. A versions of RedPajama was included in that list until the chart was removed from the blog two months later, the lawsuit claims.

“Even though Salesforce was internally using copyrighted books it obtained without authorization, compensation, or consent, its executives made statements ostensibly siding with the copyright holders,” the plaintiffs added, citing a January 2024 interview with the company’s CEO and a December 2023 blog stating the AI models were trained on a “legally compliant dataset” derived from public sources.

Tanzer and Gilmore seek to certify a class of persons or entities that own a registered US copyright for any work Salesforce downloaded, copied, stored, or used to develop its large language models from October 15, 2022, to present day.

They also request a declaration of willful infringement and the destruction of all copies of works Salesforce made or used in violation of their copyrights, in addition to statutory damages.

Joseph Saveri Law Firm LLP represents Tanzer, Gilmore, and the proposed class.

The case is Tanzer v. Salesforce, Inc. , N.D. Cal., No. 3:25-cv-08862, complaint filed 10/15/25 .

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Salesforce sued by authors over artificial intelligence software

 [reuters.com/sustainability/boards-policy-regulation/salesforce-sued-by-authors-over-artificial-intelligence-software-2025-10-16](https://www.reuters.com/sustainability/boards-policy-regulation/salesforce-sued-by-authors-over-artificial-intelligence-software-2025-10-16)

Blake Brittain

October 16, 2025

Salesforce logo is seen in this illustration taken August 5, 2025. REUTERS/Dado Ruvic/Illustration/File Photo [Purchase Licensing Rights, opens new tab](#)

Oct 16 (Reuters) - Cloud-computing firm Salesforce ([CRM.N](#)), [opens new tab](#) was hit with a proposed class action lawsuit by two authors who alleged the company used thousands of books without permission to train its artificial intelligence software.

Novelists Molly Tanzer and Jennifer Gilmore [said in the complaint, opens new tab](#) filed on Wednesday that Salesforce infringed copyrights by using their work to train its xGen AI models to process language.

A Salesforce spokesperson declined to comment on the lawsuit on Thursday.

"It's important that companies that use copyrighted material for ... AI products are transparent," attorney Joseph Saveri, who represents the authors and has brought similar lawsuits on behalf of copyright owners against tech companies, said on Thursday. "It's also only fair that our clients are fairly compensated when this happens."

Authors, news outlets and other content owners have filed dozens of lawsuits against tech companies including OpenAI, Microsoft and Meta Platforms for allegedly misusing their material in AI training. Anthropic agreed to a [landmark \\$1.5 billion settlement, opens new tab](#) with a separate group of authors suing it for copyright infringement in August.

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Tanzer and Gilmore said in their lawsuit that Salesforce used thousands of pirated books written by them and others to train xGen. The lawsuit said that Salesforce CEO Marc Benioff has previously criticized AI companies for using "stolen" training data to build their models and said that paying content creators for their work would be "very easy to do."

"Benioff is right — technology companies like Benioff's own Salesforce that use the intellectual property of copyright holders like Plaintiffs and Class members should fairly compensate them," the complaint said.

Reporting by Blake Brittain in Washington; Editing by Cynthia Osterman

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California Brief

Benioff Slammed by Longtime VC Ally Over San Francisco Comments

Oct. 16, 2025, 1:12 PM PDT

Venture capitalist Ron Conway is leaving the board of Salesforce Inc.'s philanthropic foundation after blasting Chief Executive Officer Marc Benioff for calling on President Donald Trump to send the National Guard to San Francisco.

"It saddens me immensely to say that with your recent comments, and failure to understand their impact, I now barely recognize the person I have so long admired," Conway said in an email sent Thursday to Benioff and several board members of San Francisco-based Salesforce. A copy of the message was reviewed by Bloomberg News.



Ron Conway in 2015.

Photographer: David Paul Morris/Bloomberg

Conway told Benioff that he was “shocked and disappointed by your comments calling for an unwanted invasion of San Francisco by federal troops and by your willful ignorance and detachment from the impacts of the ICE immigration raids of families with NO criminal record, attacks on freedom of speech, and other unlawful policies.”

On Wednesday, Trump floated San Francisco as a potential target for National Guard deployments as part of his federal crime crackdown. Benioff told the New York Times last week that he supported such a move. “If they can be cops, I’m all for it,” he said.

Conway declined to comment through a spokesperson, while Benioff didn’t respond to a request for comment. A Salesforce representative said in a statement, “We have deep gratitude for Ron Conway and his incredible contributions to the Salesforce Foundation board.”

The email was reported earlier Thursday by the Times.

Trump has moved to deploy US troops and federal law enforcement officials to major cities — including Los Angeles, Washington, Memphis, Chicago and Portland — to target crime and counter demonstrations against his deportations of undocumented migrants. The president has claimed that Democratic state and local officials have failed to protect citizens and allowed violence to spiral out of control, even as San Francisco’s crime rates have fallen in recent months and the city is on track to see the fewest homicides since the 1950s.

Conway’s acrimonious message lays bare a larger conflict within Silicon Valley, as tech luminaries, including some longtime Democratic donors like Benioff, have flocked to Trump. In the tight-knit circle of big tech and venture capital, that shift is causing tensions that are now bubbling up to the surface.



Marc Benioff

Photographer: Michael Short/Bloomberg

Conway, 74, has long been an ally of Benioff's and served on the foundation's board for more than a decade. The founder of SV Angel, Conway has been a major political donor, backing Democrat Kamala Harris for president on 2024. He has also been involved in local San Francisco causes, including helping fund Mayor **Daniel Lurie's** inauguration.

The comments caused an uproar in San Francisco, where Benioff, 61, held his firm's Dreamforce event this week, which attracts tens of thousands of Salesforce employees and customers. Comedians Kumail Nanjiani and Ilana Glazer canceled their performances at the three-day event, though neither publicly criticized Benioff or Salesforce, according to the San Francisco Standard.

In his email, Conway lambasted Benioff for his threats to move the event from the city. "Dreamforce is important to San Francisco and the city bends over backward to make it a success," he said. "But San Francisco does not need a federal invasion because you don't like paying for extra security for Dreamforce."

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Borrowers sue major US banks over alleged prime rate-fixing scheme

 [reuters.com/legal/government/borrowers-sue-major-us-banks-over-alleged-prime-rate-fixing-scheme-2025-10-17](https://www.reuters.com/legal/government/borrowers-sue-major-us-banks-over-alleged-prime-rate-fixing-scheme-2025-10-17)

Mike Scarcella

October 17, 2025

A Bank of America logo is seen on the entrance to a Bank of America financial center in New York City, U.S., July 11, 2023. REUTERS/Brendan McDermid [Purchase Licensing Rights, opens new tab](#)

Oct 17 (Reuters) - JPMorgan Chase ([JPM.N](#)), [opens new tab](#), Bank of America ([BAC.N](#)), [opens new tab](#), Wells Fargo ([WFC.N](#)), [opens new tab](#) and other major banks are facing a new lawsuit alleging they conspired to fix the U.S. prime interest rate for more than 30 years, causing consumers and small businesses to pay inflated borrowing costs.

The [proposed class action, opens new tab](#), filed on Thursday in federal court in Connecticut, claims that eight large banks have coordinated since at least 1994 to set their prime lending rates to match a benchmark published by The Wall Street Journal as the "WSJ Prime Rate" that is set at exactly 3 percentage points above the federal funds rate.

The WSJ Prime Rate serves as a benchmark for trillions of dollars in consumer and small-business loans, including credit cards and home equity lines of credit, according to the lawsuit.

The two consumer plaintiffs, who are seeking to represent an estimated class of hundreds of thousands of borrowers nationwide, claim they paid artificially inflated interest on loans indexed to the WSJ Prime Rate. The lawsuit said that about 70% of all consumer loans for amounts under \$1 million are indexed to the rate.

"This alleged conspiracy impacts millions of hard-working consumers pursuing the American Dream to own a home or need a small-business loan," Patrick McGahan, a lawyer for the plaintiffs, said in a statement.

JPMorgan, Bank of America Wells Fargo and other defendants including Citibank and U.S. Bank either declined to comment or did not immediately respond to a request for one.

The Wall Street Journal and its publisher Dow Jones are not named as defendants in the lawsuit. Dow Jones did not immediately respond to a request for comment.

Up until 1992, according to the complaint, the Journal published a range of prime rates, including the lowest and highest rates from large banks, which the lawsuit said fostered competition among banks. The WSJ Prime is now a single number, derived from a group of

banks.

The lawsuit disputes public statements from the banks that they independently set their own prime rate based on a number of factors.

“Despite publicly stating otherwise, defendants’ reported prime rates are the product of an agreement to fix rates,” the lawsuit said.

The lawsuit claims that years of data showing near-perfect alignment in prime rate pricing among the banks makes it “impossible” they were acting independently.

The case is Normandin et al v. JPMorgan Chase Bank N.A. et al, U.S. District Court, District of Connecticut, No. 3:25-cv-01749.

For plaintiffs: Patrick McGahan, Carmen Medici and Karin Garvey of Scott + Scott

For defendants: No appearances yet

Read more:

[Big banks win dismissal of Libor-rigging litigation in New York](#)

[Mortgage tech firm, big lenders accused of nationwide price-fixing scheme](#)

[Ten big banks defeat antitrust lawsuit in US over bond trades](#)

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Reporting by Mike Scarcella

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Class Action

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Boy Scouts Claimants Seek to Ax Agreements With Mass Tort Firm

Oct. 15, 2025, 11:50 AM PDT

Summary by Bloomberg AI

AI Generated



- A group of Boy Scouts of America sex abuse claimants sought to terminate legal and contingency fee agreements with Slater Slater Schulman LLP, accusing the firm of deceiving thousands about the treatment of their claims.
- The claimants said Slater has failed to meet legal and ethical client obligations while standing to collect tens of millions of dollars in contingency fees, and has done little more than basic paralegal work since signing up claimants.
- Slater has been accused of hiding the truth from clients about the status of their claims, and the claimants are seeking to have the firm's fees denied or limited to \$250 per claimant.

A group of Boy Scouts of America sex abuse claimants sought to terminate legal and contingency fee agreements with Slater Slater Schulman LLP, accusing the mass tort law firm of deceiving thousands about the treatment of their claims.

The Slater firm, which represented roughly 14,600 child sex abuse claimants in the Boy Scouts bankruptcy case, has failed to meet legal and ethical client obligations while standing to collect tens of millions of dollars in contingency fees, according to a motion filed Tuesday in the US Bankruptcy Court for the District of Delaware.

The complaints against Slater come as frustration builds among the more than 60,000 people who have received just 1.5% recoveries on claims of being sexually assaulted as children by scout masters and volunteers.

The group of several dozen claimants, being represented by a former executive director of the Justice Department's bankruptcy monitoring unit, said Slater has done little more than basic paralegal work since signing up claimants en masse several years ago and should either be denied all of its fees or receive no more than \$250 per claimant.

"For decades the attorneys at Slater, Slater and Schulman have been committed to securing justice for injured people and they continue fighting on behalf of their clients every day," attorney Clifford Robert of Robert and Robert PLLC, who represents Slater, said in a statement. "These scurrilous accusations are an attempt to undermine their efforts."

'Irregularities'

Slater has for years failed to provide comprehensive representation for Boy Scouts abuse victims, including giving updates and discussing settlement options, according to the motion, which was signed by attorney Lawrence Friedman, who led the US Trustee Program between 2002 and 2005.

Those failures culminated in the public notification last month of an investigation into "irregularities" of claim submissions by the firm to the \$2.46 billion bankruptcy trust set up to distribute settlement funds, the group said.

Slater knew since June 2024 that the Scouting Settlement Trust paused the processing of nearly 10,000 claims it submitted for evaluation, but for roughly a year and a half it hid the truth from clients and told them that their claims were "in the queue" to be reviewed, the group said.

Claimants who have asked to terminate Slater's legal services have been told that the 40% contingency fee agreements are "iron clad" and that the law firm will file a lien against any settlement award they receive, they said.

"Slater's business practices in this case, as well as those by other mass tort law firms that follow the same claims accumulation business model, should be closely examined and no longer tolerated by this court or other bankruptcy courts administering mass torts," the claimants said.

Slater has recently acknowledged procedural and factual issues within claims it submitted to the settlement trust, and it has agreed to pay the expenses of a third party to review the submissions.

Boy Scouts filed for bankruptcy in 2020 to address increasing exposure to child sex abuse lawsuits. The organization, which rebranded this year as Scouting America, came out of from bankruptcy in 2023 through a Chapter 11 plan that was accepted by a majority of claimants but has been appealed to the US Supreme Court by a small group of opponents.

In addition to Friedman, the moving claimants are represented by Scheer Law Group LLP, and Rosner Law Group LLC.

The case is *In re Boy Scouts of Am.*, Bankr. D. Del., No. 20-10343, motion filed 10/14/25 .

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California Brief

Ex-Twitter Workers Cast Doubt on Class Deal in Severance Lawsuit

Oct. 17, 2025, 4:42 AM PDT

A potential class settlement between Elon Musk's X Corp. and laid-off Twitter Inc. employees seeking \$500 million in severance payments appears to be in peril, two former workers told a federal appeals court.

The plaintiffs who announced in August that they'd reached a class-wide settlement have changed course and hired new lawyers to pursue only individual claims, two former Twitter employees said Thursday in a motion seeking to intervene in the lawsuit. The employees, Diana Ye and James Kurtz, asked the US Court of Appeals for the Ninth Circuit for permission to step in and either continue negotiating the class settlement or resume litigation if a deal can't be reached.

The plaintiffs, Courtney McMillian and Ronald Cooper, announced the tentative settlement one month before the case was scheduled to be argued in the Ninth Circuit. No details about the settlement's terms have been made public.

Former Twitter employees have filed multiple severance lawsuits against X and Musk since his 2022 acquisition of the platform. A lawsuit filed by former CEO Parag Agrawal and other high-ranking officers was allowed to advance to discovery, and the company's former chief marketing officer recently advanced a lawsuit claiming her termination was wrongly deemed as being for cause in order to deny her a hefty severance payout.

The lawsuit by McMillian and Cooper says about 6,000 people were wrongly denied benefits under Twitter's severance plan, which allegedly provides payments as high as six months' base pay plus one additional week of pay for each full year of service. A California federal judge sided with Musk and X and granted their motion to dismiss, which argued there's "no such thing" as a Twitter severance plan governed by the Employee Retirement Income Security Act.

The employees appealed to the Ninth Circuit, receiving support from the US Department of Labor. According to the department's amicus brief, the Twitter severance policy qualifies for ERISA coverage because it pays benefits on an ongoing basis, regardless of whether it requires "particularized discretion" to administer.

The plaintiffs' about-face negatively affects the rights of other Twitter employees, Ye and Kurtz said in their motion.

"For the last two and a half years, absent class members have relied on the existence of this class action as the method for vindicating their severance claims against Twitter," they said. "The public announcement of the settlement in principle only strengthened this interest. Proposed Intervenor continue to see a class action as the best and most efficient method for pursuing these claims."

Ye and Kurtz are represented by Sanford Heisler Sharp McKnight LLP, who previously represented McMillian and Cooper. McMillian and Cooper are now represented by Lichten & Liss-Riordan PC. Morgan, Lewis & Bockius LLP represents the defendants.

The case is McMillian v. X. Corp. , 9th Cir., No. 24-5045, motion to intervene 10/16/25 .

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California Governor Signs Litany of AI Safety Bills

 [law.com/therecorder/2025/10/15/california-governor-signs-litany-of-ai-safety-bills](https://www.law.com/therecorder/2025/10/15/california-governor-signs-litany-of-ai-safety-bills)

Michael Gennaro

October 15, 2025

Credit: beavera / AdobeStock

In the first state law of its kind, California Gov. Gavin Newsom this week signed legislation to establish comprehensive safety requirements on AI-powered chatbots, aiming to protect minors from potential harm while preserving the state's leadership in artificial intelligence innovation.

Senate Bill 243 requires chatbot operators to implement suicide-prevention protocols, notify minor users every three hours that they are conversing with AI and take "reasonable measures" to prevent companion chatbots from generating sexually explicit content. The law also mandates that chatbots direct users to crisis resources when appropriate.

"We can continue to lead in AI and technology, but we must do it responsibly—protecting our children every step of the way," Newsom said in a statement Monday. "Our children's safety is not for sale."

The signing comes nearly two months after the parents of 16-year-old Adam Raine [sued](#) ChatGPT maker OpenAI in San Francisco state court, alleging the chatbot encouraged their son to take his own life and provided detailed suicide instructions.

Scope Questions Remain

Legal experts note potential gaps in the legislation's scope, however. Luiza Jarovsky, AI governance expert and co-founder of the AI, Tech & Privacy Academy, questioned whether general-purpose AI chatbots like ChatGPT will be covered by SB 243, even when users employ them as companions.

The law defines a "companion chatbot" as an AI system that "provides adaptive, human-like responses" and is "capable of meeting a user's social needs." This may exclude general-purpose chatbots not explicitly marketed as companions but used for emotional support—precisely the scenario in the Raine case.

"It is extremely important that laws aiming to regulate AI chatbot harm take that into consideration and do not frame 'AI companions' too narrowly," Jarovsky wrote in her newsletter. "AI companies have realized that making AI chatbots more friendly, agreeable,

and sycophantic increases user loyalty and dependency, so this is how various general-purpose AI systems are being fine-tuned today."

There was a mixed industry response to SB 243. OpenAI praised the law as "a meaningful move forward" for AI safety standards. Character AI said it "welcomes working with regulators and lawmakers" and will comply with SB 243. Meta and Google did not respond to [Law.com](#)'s requests for comment on SB 243 or the other AI safety bills Newsom signed.

Tech industry group TechNet opposed SB 243, and child safety organizations including Common Sense Media and Tech Oversight California withdrew their support, citing "industry-friendly exemptions" that weakened the bill's protections.

Broader Tech Package

Beyond chatbot regulations, Newsom signed Assembly Bill 56, requiring social media platforms to add mental health warning labels, and AB 621, which heightens deepfake pornography penalties, allowing victims to seek up to \$250,000 in civil relief.

Assembly Bill 316 prevents AI developers from claiming their technology acted autonomously as a defense in civil actions.

Christabel Randolph, associate director at the Center for AI and Digital Privacy, [praised](#) Newsom for signing AB 316 in a post on LinkedIn.

"It reinforces that accountability ultimately lies with the human behind the machine—developer, deployer, operator. One can't say 'the AI did it' and avoid responsibility. Happy to have been involved as CAIDP California worked on this bill through the legislative process," she wrote.

Assembly Bill 1043 mandates that device-makers like Apple and Google implement age-verification tools in their app stores. Starting in 2026, any device sold in California, such as phones, tablets and laptops, will ask for the primary user's age during setup, sorting them into age brackets. The brackets are intended for developers to help manage content appropriately for different age groups.

Google endorsed the bill. Kareem Ghanem, Google's senior director of government affairs, called it "one of the most thoughtful approaches we've seen" in keeping children safe online.

Apple, however, did not publicly endorse the measure and did not respond to [Law.com](#)'s request for comments on whether it endorsed AB 1043. In the past, the company has warned that broad, device-level verification rules risk exposing sensitive information.

Stricter Bill Vetoed

Newsom [vetoed](#) Assembly Bill 1064, which would have prohibited businesses from making companion chatbots available to California minors unless the chatbot was not "foreseeably capable" of encouraging self-harm, violence or disordered eating. Meta and the Computer & Communications Industry Association opposed the bill, arguing it would threaten innovation.

The legislative push comes as AI companies face mounting legal challenges. In addition to OpenAI, parents have sued Character AI and Google, alleging their chatbots contributed to mental health crises and suicides among teenagers.

Frontier AI Regulation

Two weeks before signing the chatbot safety measures, Newsom approved SB 53, the "Transparency in Frontier Artificial Intelligence Act," making California the first state to regulate the most powerful AI models. The law requires transparency in how companies incorporate safety standards, establishes a consortium to develop a public computing cluster, creates mechanisms for reporting critical safety incidents and protects whistleblowers.

Jarovsky noted that SB 53's intersection with the European Union's AI Act will create compliance challenges, as many companies will be subject to both laws. While the E.U. uses "general-purpose AI model" with criteria for systemic risk classification, California opted for "foundation model" and "frontier model," defining the latter as models trained using computing power greater than 10^{26} operations, which is at the cutting-edge of current large language models.

"The definitions intersect, but do not match," Jarovsky wrote, adding that "Californian authorities should also publish more technical guidelines on what models will be classified as 'foundation models,' especially as the field continues to evolve."

California's Outsized Influence

California is home to 32 of the world's 50 leading AI companies. Requirements enacted in California often become de facto national standards, as companies find it more efficient to implement uniform policies rather than maintain different systems for different states.

The state's regulatory posture may face federal headwinds. The Trump administration's recently launched America's AI Action Plan emphasizes "winning the AI race" through mega projects, investments, and partnerships, an approach that could prioritize innovation over regulation.

"In parallel to the federal government's actions aimed at 'winning the AI race,' California appears to be setting itself apart," Jarovsky said, questioning whether federal authorities might attempt to curtail the state's regulatory efforts.

The legislation reflects Newsom's attempt to balance competing interests: maintaining California's position as the global AI leader while addressing concerns about technology's impact on young people's mental health. Whether that balance satisfies either tech companies or child safety advocates remains to be seen as implementation details emerge.

Vals AI Report Shows Gen AI Tools Outperforming Lawyers on Legal Research Tasks

Law firms including Reed Smith, Fisher Philips, McDermott Will & Schulte, Ogletree Deakins, Paul Hastings and Paul Weiss contributed to the Vals AI study evaluating AI tools from Alexi, Counsel Stack, Midpage and Open AI.

October 16, 2025 at 11:00 AM By  **Ella Sherman**

What You Need to Know

- Vals AI's report on Open AI and legal research tool vendors found that their responses were more accurate and authoritative than human lawyers.
- Vals AI compiled 200 U.S. legal research questions from legal professionals to gauge the performance of gen AI tools.
- Legal AI tools fell short of ChatGPT when asked to survey 50 states for a specific primary law.



Credit: 767 growth.ai/Adobe Stock

Generative artificial intelligence tools appear to be besting lawyers in certain aspects of legal research, according to a report released Thursday by LLM evaluation startup Vals AI. The latest edition of the Vals Legal AI Report showed that tools from Lexi, Counsel Stack, Midpage and Open AI responded to legal research questions with better accuracy and authoritativeness than human lawyers.

The legal research report evaluated Lexi, Counsel Stack, Midpage and Open AI on their gen AI tools' responses to 200 U.S. legal research questions. The questions were gathered from legal professionals at law firms including Reed Smith, Fisher Philips, McDermott Will & Schulte, Ogletree Deakins, Paul Hastings and Paul, Weiss, Rifkind, Wharton & Garrison.

Examples of questions and instructions posed to the AI tools included, "Is there a California provision that allows a right of rescission or treble damages if a sponsor sells through an unlicensed broker? Search California primary law to answer this question," and, "Does the Federal Trade Commission regulate or have jurisdiction over nonprofit organizations or trade associations? Search federal primary law and case law to answer this question."

Meanwhile, legal professionals from law firms developed answers to the questions to build a lawyer baseline—or the control group—to compare with the AI tools' outputs. Responses gathered from the AI tools were evaluated on their authoritativeness, based on the kinds of primary or secondary sources they used; appropriateness, based on whether the language was comprehensible; and accuracy.

Overall, Lexi, Counsel Stack, Midpage and ChatGPT's responses received higher aggregated weighted scores than the control by at least five percentage points. While the lawyer baseline was 69%, Lexi had a score of 77%, Counsel Stack had 78%, Midpage had 76% and ChatGPT had 74%.

Of the AI products tested, ChatGPT was the only generalist AI product involved that is not specifically designed to perform legal work.

The report's project lead Tara Waters told Legaltech News that she wasn't surprised ChatGPT performed strongly side by side with the legal AI products, but she expected it to be better at citing and sourcing.

"I was actually personally surprised that ChatGPT doesn't seem to be, yet, well-engineered for the sourcing and citation," she said. "When you actually read through the detail of their outputs, [they] still continue to [have] broad web-based sources, they were not very specific in a lot of cases, we're not really locating the authoritative legislation, which in a lot of states, for example, and at a federal level is publicly available. Those are easily googleable."

But the legal-specific AI tools had their weaknesses as well. Although legal-focused AI tools had promising overall scores, they fell short of ChatGPT when asked to survey 50 states for a specific primary law.

“That's surprising because I would've thought you could engineer these tools to operate with infinite perseverance, so to speak—they could just procedurally check each one of these 50 states and then summarize their findings. They don't get tired like humans do. But actually, those questions significantly reduce the score or ability of the tools, and that was across the board,” Vals AI CEO and co-founder Rayan Krishnan said.

He speculated that legal tools may be limited in the jurisdictions where they conduct research, they may not be up to date with the latest state legislation, or they may not be engineered to answer that kind of question.

“Even if these tools are getting 70% accuracy, that remaining 30% is really valuable to have human input for,” Krishnan said.

Waters said she hopes to eventually make Vals AI's evaluation process more repeatable and automated.

“There's a strong sense, though, that there still needs to be some human involvement in the scoring and review process,” she said. “There won't ever be a pure automated answer for this, but there's certainly—I hope that we'll be able, across the piece of all the tasks that we've set out to evaluate to do that, be able to do that more repeatedly and on a more frequent basis.”

This Vals Legal AI Report comes several months after Vals AI released its first benchmark study in [February](#). The startup evaluated Thomson Reuters, Harvey, vLex, LexisNexis and Vecflow to determine the accuracy of legal AI platforms and their ability to perform case analysis and transactional work.

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Securities

Best Lawyers, Best AI: Ropes & Gray's Plan to Grow M&A With Tech

Oct. 17, 2025, 2:00 AM PDT

Big Law's Ropes & Gray is competing for a wider range of deals work, thanks to artificial intelligence tools, according to the firm's leaders.

"There's an opportunity for top firms to recapture a lot of work that we've lost on cost," Julie Jones, Ropes & Gray's chair, said in an interview.

Massive law firms such as Kirkland & Ellis and Latham & Watkins dominate the deals market by scoring a high volume of transactions. Ropes & Gray—among the country's 10 largest law firms by revenue, but about half the size of those rivals by headcount—targets a smaller segment of high-value private equity, life sciences, and other deals.

AI can make the deal process more efficient and reduce costs for clients, said Jones, private equity practice leader David Blittner, and M&A partner Jackie Cohen. That will free up the firm's lawyers to take on more deals and mid-sized transactions that usually generate lower fees.

"Every single large asset aggregator right now has different products at different parts of the capital spectrum," said Blittner, who advises private equity sponsors such as Avista Healthcare Partners and New Mountain Capital. "You want to be able to walk through every single door of an asset manager. You don't want to turn away business because you want to be embedded."





Julie Jones

Photo: Ropes & Gray

The firm uses off-the-shelf legal tech tools—from providers such as Harvey and Hebbia—which it then tailors to clients' needs, with specific tech stacks designed for different practice areas. It is testing “hundreds” of such tools, according to Jones.

“You take the tools, you figure out what you think is best in class, and you develop bespoke adaptations,” she said. “We are, in a way, systems integrators for our big clients. That is a new area of lawyering, creating the prompts and the processes.”

Those products increasingly are a central part of client pitch meetings.

“We now send our technology people to pitches,” Jones said.

“We’re actually competing against the combination of best-in-class tool and best-in-class lawyers, which is kind of fun,” she said. “I’ve only seen tool-based competition like that in the last four or five weeks.”

Mid-Market Play

Jones, an M&A partner, took the reins at Ropes & Gray in 2020 and was elected to serve a second term in 2024. She has represented TPG Inc. on several transactions at the Boston-founded firm where she began her career.

Ropes & Gray snagged the 20th spot on the latest Bloomberg Law league tables, advising on nearly \$100 billion worth of M&A deals through the first three quarters of this year. Its biggest deals this year include acting as health care regulatory counsel for Walgreens Boots Alliance Inc. in its \$10 billion take private acquisition by Sycamore Partners LLC in March.

The firm’s M&A tally is about a quarter of the amount by leaders such as Kirkland and Latham. But those firms each steered more than 500 deals during the same time, compared with about 185 transactions for Ropes & Gray.

Ropes’ move to take on more mid-market work will have the firm competing with Big Law rivals that have largely aimed at deals valued at under \$1 billion, such as WilmerHale, Eversheds Sutherland, K&L Gates, and Akerman LLP.

Associates at the firm recently used AI to slash their time working on a “very unique deal in the crypto space,” said Cohen, who has advised National Amusements Inc. related to the Paramount Skydance merger, among other large corporate clients. She gave the associates a term sheet, along with a collaboration agreement “from a completely different area of the law” and asked them to create a first draft of an agreement.

"It took about 20 minutes," Cohen said, rather than the "four or five hours of research and putting things together" typically expected. "Did we change that draft monumentally between then and when we sent it out? We did, but it eliminated that four to five hours of just searching and trying to figure out where to start."

It's "way too early" to conclude that the tools are going to replace large swaths of junior associates, according to Jones. Tech developments could have in-house corporate legal departments shifting more work to outside firms.

"That could come largely at the expense of in-house group size and not external counsel," she said. "They don't need people at a lower cost monitoring their precedent and thinking about what their standards are—that's just going to be tracked in an automated way."

"But they can't match what law firms can do and see across industry competitors and when entering a new area of subject matter expertise," Jones said. "That's going to have to come from law firms."

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<https://www.wsj.com/finance/jefferies-shares-pare-losses-after-ceo-says-first-brands-defrauded-bank-49e76efb>

MARKETS & FINANCE

Jefferies Shares Pare Losses After CEO Says First Brands Defrauded Bank

Rich Handler doesn't see bankrupt auto parts supplier as sign of broader issues

By [Lauren Thomas](#) [Follow](#) and [Alexander Gladstone](#) [Follow](#)

Updated Oct. 17, 2025 12:04 pm ET



First Brands' Autolite spark plugs at a Provo, Utah, store. GEORGE FREY/BLOOMBERG NEWS

[Jefferies Financial Group](#) JEF 5.27% ▲ appears to have calmed investors' worst fears about the bank's involvement in the collapse of auto parts maker First Brands Group.

"We believe we were defrauded," Jefferies Chief Executive Officer Rich Handler said at the bank's previously scheduled investor day Thursday.

Jefferies' shares rose roughly 5% Friday morning after having tumbled 11% Thursday following a report in The Wall Street Journal that detailed the [firm's ties to First Brands](#) through both its investment banking and asset-management divisions.

Concerns about wider credit issues also had sent the banking sector tumbling Thursday.

Jefferies' shares are still down around 20% over the past month, having begun their slide as First Brands careened toward bankruptcy amid a flurry of media revelations.

Jefferies had been hired over the summer to help First Brands refinance corporate loans, while its asset-management division had extended \$715 million of financing tied to the company's accounts receivable. The refinancing never happened, and the asset-management division stopped receiving payments from First Brands in mid-September. Roughly \$45 million of the financing was held by a Jefferies fund while its investors held the rest.

First Brands filed [for bankruptcy](#) late last month. Jefferies management said Thursday they are working "around the clock" to get any money back it is owed.

"It's very clear—and we're as frustrated as anybody else—we don't know exactly what happened with First Brands, and the details will come out as the bankruptcy process unfolds," Handler said.

Fears about systemic credit problems Thursday were primed when a fresh instance of alleged credit fraud was disclosed at two smaller banks. But banking stocks edged up Friday, and executives say they didn't see contagion spreading, despite multiple instances of fraud now appearing.

[Fifth Third Bancorp](#), which initially raised concerns about fraud at subprime auto lender Tricolor sparking those broader issues, said Friday it had given its portfolio a comprehensive review and wasn't concerned about a broader credit collapse.

Handler echoed that Thursday. "I think the environment is generally pretty darn good," he said.

Analysts had mixed reactions to First Brands' impact on Jefferies. [Morgan Stanley](#) said in a research note Thursday that the drop in Jefferies' share price "reflects concerns over potential legal risk, broader reputational risk, alleged conflict controls, and potential disclosure issues" covered in the Journal article around how the refinancing was marketed to investors.

Oppenheimer said in a separate note that it expects Jefferies' exposure to First Brands to have "very little if any financial impact."

One question at the investor day centered on whether the Jefferies' fund was too concentrated in First Brands' receivables. Jefferies President Brian Friedman suggested that the bank didn't view it that way because the receivables were from several different First Brands customers.

"With hindsight, obviously it's a different view than with foresight," he said.

The Journal reported that in some cases, First Brands was responsible for collecting customer payments and sending them to the fund, an arrangement that can be riskier.

Meanwhile, investors are cheering the progress Jefferies has made in investment banking, following [a push in recent years to lure the best bankers to the firm](#) and win work on bigger deals and IPOs.

Some of the firm's top bankers used Thursday to highlight recent market-share gains. Jefferies is currently the number six bank in mergers and acquisitions globally and fifth in the Americas, according to Dealogic data, the bankers said.

Handler suggested that there was more to come, asking if he was allowed to say that the bank is having a good quarter so far.

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Videos

Jefferies Group Inc**Jefferies was 'defrauded' by First Brands, says chief executive**

Rich Handler's comments came as investors dumped US regional bank stocks over credit quality worries



Jefferies chief executive Rich Handler insisted the unravelling of First Brands had not inflicted significant damage on the bank's core business © Angus Mordant/Bloomberg

Euan Healy, Ortenca Aliaj and Robert Smith in London

Published 3 HOURS AGO | Updated 09:35



Jefferies believes it was “defrauded” by First Brands Group, the bank’s chief executive has told rattled investors, as Wall Street fights to contain the damage from the car parts group’s bankruptcy.

Rich Handler’s comments came as investors dumped US regional bank stocks over worries about credit quality. The KBW regional bank index shed 6 per cent on Thursday, before recovering slightly by Friday afternoon.

The collapse of [First Brands](#) and car lender [Tricolor](#), combined with the disclosure in recent days that Western Alliance and Zions Bank have identified allegedly fraudulent activity by borrowers, have prompted concerns about lax lending standards during a credit boom.

The Vix index — known as the “fear gauge”, which tracks volatility — reached its highest level since April on Friday morning before easing.

“I’ll just say, this is us personally, we believe we were defrauded, OK”, [Handler](#) said, after fielding several questions on First Brands at the bank’s investor day on Thursday; the comments were published in a regulatory filing on Friday.

Jefferies’ shares have fallen more than 25 per cent over the past month, as it grapples with its exposure to First Brands and the reputational damage from having helped the company raise billions of dollars in debt from other investors. The shares were up more than 4 per cent by early afternoon on Friday.

One investor said the \$715mn of exposure of Jefferies’ Point Bonita fund to First Brands seemed to be “a risk management 101 failure”.

Ian Lapey, a portfolio manager at investment firm Gabelli, added it appeared more difficult to cast the First Brands debacle as “idiosyncratic” given other recent incidents, such as the Jefferies hedge fund that took a hit from an investment in an [alleged Ponzi scheme](#).

Jefferies’ president Brian Friedman said in response that Point Bonita’s exposures were largely to First Brands’ investment grade-rated customers, describing that as a “meaningful risk mitigant”.

While Point Bonita, a private credit vehicle that invested in invoice-related debt, is heavily exposed, Jefferies’ own balance sheet is far less exposed, because it only owned a small portion of the equity backing the fund.

Handler, who at one point joked that an analyst’s questions were “giving my general counsel a heart attack”, insisted the unravelling of First Brands had not inflicted significant damage on the bank’s core business.

“We’re basically having a good — can I say we’re having a good quarter? Allowed to? Can I say that?” Handler said.

Friedman added: "If this was fraud and we don't know, there's been suggestions, there's going to be a knockdown process of a bankruptcy court and we're going to see what's learned and we're going to see what the resolution is going to be."

Jefferies' leveraged finance business has also faced scrutiny for helping First Brands raise money from loan investors on numerous occasions. This included an attempted \$6bn deal that was ultimately postponed in August as questions grew around the company's finances.

Handler and Friedman on Sunday said they were "aware of nine other banks being involved in acquisitions or loan arrangements for First Brands".

Handler noted at Thursday's investor day that Jefferies' mergers and acquisitions team often advised First Brands' takeover targets, rather than the company itself.

"So, it wasn't like [we] were in cahoots with them as they were accumulating this," Handler said. "We were actually helping clients sell their companies and they were the buyer."

US regional banks sought to reassure investors on Friday, with Truist Bank, Regions, Fifth Third, Comerica, Ally Bank and State Street reporting third-quarter earnings.

Truist chief executive Bill Rogers described to analysts recent loan losses as "idiosyncratic and uncorrelated events" and said overall credit quality was strong.

The failures of First Brands and Tricolor have led to a war of words over whether banks or private credit firms are to blame for propping up troubled businesses.

Handler said: "I think there's a fight going on right now between the banks and direct lenders who each want to point fingers at each other and say, it's your fault, no, it's your fault."

Jefferies declined to comment. First Brands and its founder Patrick James did not immediately respond to requests for comment.

A spokesperson for James told the Financial Times earlier this week that the Malaysian-born businessman "has not been accused of any wrongdoing" and was confident that an independent investigation as part of First Brands' bankruptcy "will vindicate him".

Securities

Manage Newsletters

Fifth Third 'House-to-House Search' Finds Just Two Bad Car VINs

Oct. 17, 2025, 9:34AM PDT

Summary by Bloomberg AI

AI Generated



- Fifth Third Bancorp executives conducted a "house-to-house" search through its loan collateral after Tricolor Holdings' collapse and potential double-pledging of autos to creditors.
- They found two discrepancies out of 120,000 vehicles and are tracking those exceptions down, according to Greg Schroeck, the bank's chief credit officer.
- The bank regards the Tricolor episode as an isolated event after conducting an "end-to-end" review of its entire asset-backed finance portfolio, and still feels "very good" about the portfolio.

Tricolor Holdings' chaotic collapse and potential double-pledging of autos to creditors sent Fifth Third Bancorp executives on a "house-to-house" search through its loan collateral for other discrepancies.

They did find more – two, to be exact, out of 120,000 vehicles.

"We're tracking those two exceptions down," Greg Schroeck, the bank's chief credit officer, said during Friday's earnings call.

The retroactive hunt followed Fifth Third's revelation last month that it could face as much as \$200 million in losses from Tricolor's bankruptcy. Spreading concern about defaults sent shares of the bank and other regional lenders tumbling on Thursday. Overall, Fifth Third's third-quarter results mostly beat Wall Street consensus estimates, and the shares regained about 1.5% at midday in New York.

Read More: Tricolor Records Show Same Cars Tied to Thousands of Loans

Schroeck cited an "end-to-end" review of the bank's entire asset-backed finance portfolio that traced cash flows and collateral movements, as well as the VIN comparisons conducted with help from an outside firm. With the results in hand, the bank still regards the Tricolor episode as an isolated event, he said.

"Clearly, Tricolor was a fraud," Schroeck said. "There are things that we're going to have to do a little differently going forward based on the inspection. But based on the inspection, the house-to-house search that we did, I still feel very good about the portfolio."

Fifth Third launched the extra round of scrutiny as the bank and lenders including JPMorgan Chase & Co. and Barclays Plc faced hundreds of millions of dollars of losses on loans tied to Tricolor. The banks were so-called warehouse lenders to Tricolor, effectively offering short-term credit lines to fund the company's loans until it could sell bonds backed by those assets.

The lenders are looking into whether collateral for warehouse lines was double-pledged and federal prosecutors are looking into fraud allegations, Bloomberg has [reported](#).

Read More: JPMorgan, Fifth Third Among Banks Facing Tricolor Losses

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Securities

US Seeks Independent Bankruptcy Probe of First Brands Crash (1)

Oct. 16, 2025, 9:01 AM PDT

The federal watchdog for corporate bankruptcies joined a creditor's demand for an independent investigation of the troubled auto-parts supplier First Brands Group, which has admitted it can't find \$2.3 billion related to off-balance sheet financing deals.

The US Trustee argued in court filings that "serious allegations of fraud, dishonesty, incompetence, misconduct, or mismanagement," justifies a quicker-than-normal process to appoint a bankruptcy examiner in First Brands' insolvency case. Lawyers for the US Trustee, Kevin Epstein, asked the judge overseeing the bankruptcy to move up a hearing on the request to Oct. 29 from Nov. 17.

Earlier this month, Raistone, a provider of short-term financing, demanded an independent examiner to probe the missing \$2.3 billion, arguing the company's internal investigation "is woefully insufficient given the magnitude of potential misconduct at issue."

Both requests must be reviewed by US Bankruptcy Judge Christopher M. Lopez, who is based in Houston. Lopez is currently scheduled to consider Raistone's request next month.

Bankruptcy examiners report to the judge overseeing the Chapter 11 case and their investigations are separate from any probes by prosecutors or federal regulators. Examiners are regularly sought in bankruptcies where the US Department of Justice is investigating allegations of wrongdoing or mismanagement, including the failure of fraud-tainted crypto exchange FTX.

First Brands' late September bankruptcy filing, which listed more than \$10 billion of liabilities on its Chapter 11 petition, set off a round of damage limitation by Wall Street firms now attempting to size up their exposure to the company. A fund controlled by a unit of Jefferies Financial Group Inc. has about \$715 million invested in receivables due by First Brands' customers.

The case is First Brands Group, LLC 25-90399, US Bankruptcy Court, Southern District of Texas (Houston).

(Updates with context about roles of court-appointed examiners in the fifth paragraph.)

--With assistance from Jonathan Randles.

Securities

Banks' Trio of Alleged Frauds Sparks Fear of Broader Issues (2)

Oct. 17, 2025, 4:41 AM PDT

Relative to the collapse of First Brands Group and Tricolor Holdings, the hits disclosed by regional lenders Zions Bancorp and Western Alliance Bancorp seemed small — a figure in the tens of millions, not billions.

Still, the back-to-back reveal of loan fraud renewed the simmering debate on Wall Street about whether the era of freewheeling capital is about to cause a comeuppance for banks and non-banks alike.

In the case of Zions and Western Alliance, the alleged culprits were the same: investment funds tied to Andrew Stupin and Gerald Marcil, among other parties, borrowed the funds to finance their purchase of distressed commercial mortgage loans.

A lawsuit from Zions revealed its wholly-owned subsidiary, California Bank & Trust, provided \$60 million to the borrowers, and that an investigation found many of the notes and underlying properties were transferred to other entities — allegations that Stupin and Marcil's attorney said they "vehemently deny."

The disclosures add to other recent loan blowups, including subprime auto lender Tricolor Holdings, which filed for bankruptcy last month and triggered a near-total wipeout on some debt. That was followed by the collapse of auto-parts supplier First Brands Group, which owed more than \$10 billion to some of the biggest names on Wall Street.

While Zions and Western Alliance reported relatively small losses from the alleged fraud, the reaction from stock investors was much more significant: 74 of the biggest US banks shed more than \$100 billion in market value Thursday.

"This is an industry where investors — especially those that are new to this sector — tend to 'sell first and ask questions later,'" JPMorgan Chase & Co. analysts said in a note. The analysts, **Anthony Elian** and **Michael Pietrini**, said they were nevertheless questioning "why all of these credit 'one offs' are seemingly occurring in a short period of time."

'Cockroach' Warning

Brandon Tran, the lawyer representing Stupin and Marcil, said the accusations against his clients are "unfounded" and misrepresent the facts.

"We are confident that once all the evidence is presented, our clients will be fully vindicated," Tran wrote in an emailed statement.

Representatives for Western Alliance and Zions declined to comment.

Jamie Dimon, JPMorgan's chief executive officer, said Tuesday, before the latest round of disclosures, that investors should be "forewarned" that more credit problems were likely to emerge.

"When you see one cockroach, there are probably more," Dimon said after his bank released third-quarter earnings and outlined its \$170 million hit from Tricolor. "Everyone should be forewarned on this one."

Big banks like his can fairly easily absorb charge-offs of that size, but the totals are more worrisome for regional lenders, some of whom were caught up in a crisis of their own less than three years ago.

Zions sank 13% Thursday, the biggest plunge in six months, after it disclosed a \$50 million charge-off on the loan underwritten by its California Bank & Trust business. Western Alliance Bancorp tumbled 11% after it said it made loans to the same borrowers.

By Friday morning, however, investors took comfort from the fact that no major new concerns were raised in the third-quarter earnings reports released by several regional banks, including Fifth Third, which posted a provision that was smaller than analysts expected.

Shares of Fifth Third gained 2.6% in early New York trading. Zions advanced 0.7% and Western Alliance was up 1.5%.

And there were other signs that industry executives believe the problem might be contained: the level of money the biggest banks set aside in the third quarter to cover what they think their future bad-loan totals might look like.

While JPMorgan boosted its provision to \$3.4 billion, its five closest rivals were collectively setting aside the least in two years. One of them, Morgan Stanley, added nothing at all.

Read More: JPMorgan Stands Out on Credit Concern as Rivals Chop Provisions

(Updates shares, adds Fifth Third's provision in 15th and 16th paragraphs.)

--With assistance from **Georgie McKay** and **David Scheer**.

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Litigation

Manage Newsletters

Troubled Real Estate Firm at Center of Banks' Latest Loan Pinch

Oct. 17, 2025, 9:25 AM PDT

Summary by Bloomberg AI AI Generated



- Bad loans reported by Zions Bancorp NA and Western Alliance Bancorp can be traced back to the bankruptcy of a commercial real estate investment firm in Southern California earlier this year.
- Zions and Western Alliance filed lawsuits against an investor group, claiming they manipulated loan structures and wrongly stopped the lenders from receiving debt repayments before anyone else.
- The investor group, including Gerald Marcil, Andrew Stupin, and Deba Shyam, denies all allegations of wrongdoing, with their attorney stating that the claims are unfounded and misrepresent the facts.

Bad loans reported by Zions Bancorp NA and Western Alliance Bancorp this week can be traced back to the bankruptcy of a commercial real estate investment firm in Southern California earlier this year.

In a lawsuit filed Wednesday, Zions listed 16 addresses of properties pledged as collateral to more than \$60 million loaned to an investor group. When Newport Beach, California-based real estate firm MOM CA Investco LLC filed for bankruptcy in February, six of those properties were listed as investments.

Back when bankers at Zions subsidiary California Bank & Trust underwrote the loans in 2016 and 2017, they made sure the usual cushion to protect the lender was in the contract: Zions should be first in line for repayment should the borrower default and liquidate its assets, according to this week's complaint, filed in Los Angeles County Superior Court against defendants including **Gerald Marcil**, Andrew Stupin and Deba Shyam.



The Zions Bancorp headquarters in Salt Lake City on July 10, 2023.

Photographer: Kim Raff/Bloomberg

But two things went wrong simultaneously. First, MOM CA Investco filed for bankruptcy protection, leading to a planned sale of some its properties. Second, it turned out that, for those buildings that served as collateral for the loans Zions issued, other firms actually were ahead in line of the Salt Lake City-based bank to be paid should the real estate be liquidated.

A similar situation hit Western Alliance. The Phoenix-based bank sued an investor group including Marcil and Stupin, claimed they manipulated loan structures in a way that wrongly stopped the lender from receiving debt repayments before anyone else.

Western Alliance said the investor group still owes it more than \$98.6 million. Those loans were meant to be secured by real estate in Stupin and Marcil's investment funds, but the properties were already in foreclosure, which wasn't disclosed to the bank, according to a complaint filed in August in Los Angeles.

Representatives for Zions and Western Alliance declined to comment.

"My clients vehemently deny all the allegations of wrongdoing," Brandon Tran, an attorney representing Marcil and Stupin, wrote in an emailed statement. "These claims are unfounded and misrepresent the facts. We are confident that once all the evidence is presented, our clients will be fully vindicated."

Read More: [Banks' Trio of Alleged Frauds Sparks Fear of Broader Issues](#)

Behind the bankruptcy of MOM CA Investco is a group of Southern California commercial real estate investors who were friends before they became foes in court. The firm's portfolio included a hotel in the exclusive enclave of Laguna Beach and an apartment complex worth \$65 million in the town of Redlands, according to the February bankruptcy filing.

The case – a Chapter 11 reorganization – was dismissed in August. In the weeks leading up to the dismissal, the federal judge overseeing the case warned the property investors that the inability to get a deal wasn't in their interest. And throwing the case out of bankruptcy, said US Bankruptcy Judge Brendan Shannon said, wasn't the best option.

That's because, once the case was over, creditors would be free to file actions in state court to try seize various properties and sell them at fire-sale prices. After several court hearings in which the two main players in the real estate empire remained at odds, Shannon dismissed the Chapter 11.

Mohammad Honarkar and Mahender Makhijani founded MOM CA Investco in 2021 as a joint venture. At the time, Honarkar also ran a business selling mobile phones, while Makhijani acquired and managed distressed real estate for investors through an entity called Continuum Analytics. Among the largest investors in Continuum were Marcil and Stupin, and its legal owner is Shyam.

But the partnership soon went south, with Honarkar accusing his partners, who controlled the company, of fraud. At one point during their dispute, Makhijani used armed guards to take over some of the properties, and hired mobile billboards to drive around Laguna Beach displaying pictures of Honarkar and accusing him and two city employees of corruption, according to court filings.

Read More: [California Rental Empire Faces Fire Sale Risk in Court Fight](#)

The investors sued by Zions and Western Alliance – Marcil, Stupin and Shyam – have additional ties to a variety of investment vehicles linked to Makhijani, court filings show. The three were among the founding investors of Nano Banc, for which Makhijani is one of the largest referral sources.

Nano Banc had loaned the founders more than \$100 million, according to a March arbitration filing. And Zions found that for one property it had a first lien on – a building in Laguna Beach – the deeds were assigned to Nano Banc.

Another one – an apartment complex in Bellflower – had a deed assigned to the other bank suing the investors: Western Alliance.

--With assistance from Bob Van Voris and **Steven Church**.

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Tesla pay plan faces pushback as ISS urges vote against Musk's \$1 trillion package

 [reuters.com/business/proxy-advisory-firm-iss-recommends-voting-against-tesla-ceo-1-trillion-pay-plan-2025-10-17](https://www.reuters.com/business/proxy-advisory-firm-iss-recommends-voting-against-tesla-ceo-1-trillion-pay-plan-2025-10-17)

Reuters

October 17, 2025

Item 1 of 2 Elon Musk attends the opening ceremony of the new Tesla Gigafactory for electric cars in Gruenheide, Germany, March 22, 2022. To match Special Report TESLA-PRIVACY/CAMERAS Patrick Pleul/Pool via REUTERS/File Photo

[1/2]Elon Musk attends the opening ceremony of the new Tesla Gigafactory for electric cars in Gruenheide, Germany, March 22, 2022. To match Special Report TESLA-PRIVACY/CAMERAS Patrick Pleul/Pool via REUTERS/File Photo [Purchase Licensing Rights, opens new tab](#)

- ISS urges vote against Musk's \$1 trillion pay package
- Firm cites high pay opportunities, reduced board flexibility
- ISS values stock-based award at \$104 billion

Oct 17 (Reuters) - Tesla's ([TSLA.O](#)), [opens new tab](#) proposed \$1 trillion pay package for CEO Elon Musk came under renewed scrutiny on Friday after proxy adviser ISS urged investors to vote against what could be the largest compensation plan ever awarded to a company chief. This is the second consecutive year that Institutional Shareholder Services has urged shareholders to reject a compensation plan for Musk. Proxy advisers often sway major institutional investors, including the passive funds that hold large stakes in Tesla.

The ISS recommendation adds pressure on Tesla's board ahead of a closely watched November 6 shareholder meeting and renews scrutiny of Musk's compensation after a Delaware court earlier voided his \$56 billion pay package.

Musk's record Tesla [pay plan](#) could still hand him tens of billions of dollars even if he falls short of most of its ambitious targets, however, thanks to a structure that rewards partial achievement and soaring share prices.

Last month, Tesla's board proposed a \$1 trillion compensation plan for Musk in what it described as the largest corporate pay package in history, setting ambitious performance targets and aiming to address his push for greater control over the company.

ISS said that while the board's goal was to retain Musk because of his "track record and vision," the 2025 pay package "locks in extraordinarily high pay opportunities over the next ten years" and "reduces the board's ability to meaningfully adjust future pay levels."

Tesla's shares rose after the compensation plan was unveiled last month, as investors believe the pay package would incentivize Musk to focus on the company's strategy.

"Many people come to Tesla to specifically work with Elon, so we recognize that retaining and incentivizing him will, in the long run, help us retain and recruit better talent," Director Kathleen Wilson-Thompson said in a video posted to Tesla's X handle on Friday.

Unlike the 2018 pay deal, Musk will be allowed to vote his shares this time, giving him about 13.5% of Tesla's voting power, according to a securities filing last month. That stake alone could be enough to secure approval.

The proxy adviser cited the "astronomical" size of the proposed grant, design features that could deliver very high payouts for partial goal achievement and potential dilution for existing investors.

Tesla did not immediately respond to a Reuters request for comment.

ISS valued the stock-based award at \$104 billion, higher than Tesla's own estimate of \$87.8 billion.

The grant would vest only if Tesla reaches market capitalization milestones up to \$8.5 trillion and operational targets including delivery of 20 million vehicles, one million robotaxis and \$400 billion in adjusted core earnings.

The proxy adviser's guidance on Musk's pay was part of a wider set of voting recommendations issued on Friday.

Reporting by Akash Sriram in Bengaluru; Editing by Alan Barona and Pooja Desai

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AppLovin Pulls Mobile Product As Backdoor App Install Allegations Mount

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Kendra Barnett

October 15, 2025



By [Kendra Barnett](#)



Adtech firm AppLovin on Wednesday confirmed it has shuttered a mobile software product that was allegedly enabling downloads of apps onto user devices without consent.

A company spokesperson said in a statement shared with ADWEEK that AppLovin eliminated Array last quarter. The product enabled device makers like Samsung and service carriers like T-Mobile to surface on-device app recommendations and allow seamless direct app downloads.

The spokesperson said AppLovin decided to close down Array, a move [first reported by Bloomberg](#), because the product “was not economically viable.”

However, chief financial officer Matthew Stumpf last year cited Array, alongside a handful of other parts of the business, as key to AppLovin’s revenue growth. The LinkedIn profile of former AppLovin product lead Jia-Hong Xu previously claimed that Array’s direct download ad function was “the company’s top revenue driver.”

AppLovin has reassigned workers on the Array team to its burgeoning e-commerce business, the spokesperson said.

Founded in 2012, AppLovin helps developers monetize mobile apps with ads. Though it’s [become a Wall Street darling](#)—with a market cap swelling to around \$207 billion—it’s faced growing scrutiny this year, due in large part to [a smattering of short seller reports](#) in the spring and summer. These reports, from firms including Fuzzy Panda Research, Sakura Research, and Culper Research, detailed unsubstantiated allegations ranging from “deceptive, predatory” advertising to artificially inflated revenue through round-tripping practices.

Array’s closure comes on the heels of new research this week published by ad fraud researcher and former Harvard professor Ben Edelman—who also has a short position on AppLovin. Edelman has unearthed instructions within AppLovin source code that he says appear to instigate autonomous downloads of external mobile apps when users engage with an in-app ad powered by AppLovin.

He also observed what he described to ADWEEK as “very unusual idiosyncrasies,” including language indicating a five-second countdown timer linked to an ‘autoInstallDelayMs’ instruction that appears to be designed for triggering app installs.

Edelman also compiled 208 posts from users complaining that apps were appearing on their devices even though they didn’t believe they had consented to downloading them. Some complaints, reviewed independently by ADWEEK, indicated that these apps automatically downloaded after users clicked on an ad, when trying to exit an ad, and even in cases where users claimed they did not touch their screens at all. Edelman believes unwanted downloads stem from the Array product, though the allegation is unproven.

Edelman has conducted tests on a variety of his own devices as well, but has never witnessed an automatic app install via an AppLovin ad in these tests, he said.

"I never managed to get it to happen to me," he said. "That's okay. I've never seen a meteor, but I know that meteors exist through the scientific process. And so, too, here I have a scientific process that is sufficient to reach conclusions, even if I'd rather see the meteor with my own eyes."

AppLovin's spokesperson rejected Edelman's claims outright, saying: "We have never installed an application without explicit user consent." They said AppLovin's app ads redirect to app stores and "that's where a user consents to download something or not."

A T-Mobile spokesperson said in a statement that "T-Mobile does not install apps on customers' devices without their consent." They added that the mobile carrier ran a pilot program with AppLovin that allowed users to consensually download apps from ads, but that the pilot has ended. Samsung did not respond to a request for comment.

In March, AppLovin [hired lawyers to investigate claims made by various short sellers](#).

AppLovin is currently being probed by the U.S. Securities and Exchange Commission over its data collection practices and allegations that the company breached contracts with some partners in an attempt to bolster its ads business, [Reuters reported last week](#).

Despite swirling allegations about its business, AppLovin's stock has continued to surge this year, up nearly 75% since the start of 2025.

Update Oct. 15 at 2:57 p.m. ET: This story has been updated to include a statement from T-Mobile.

[AppLovin Hires Law Firm to Investigate Short Report Claims](#)

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<https://www.wsj.com/business/invite-to-an-anti-dei-activist-prompts-hr-pros-to-pull-out-of-industry-event-ed514287>

BUSINESS

Invite to an Anti-DEI Activist Prompts HR Pros to Pull Out of Industry Event

Robby Starbuck, a force behind the push to end corporate diversity programs, is set to address a human-resources conference in Kentucky

By [Ray A. Smith](#) [Follow](#)

Updated Oct. 17, 2025 12:17 pm ET



Conservative activist Robby Starbuck is set to speak to human-resources group SHRM later this month. BESS ADLER/BLOOMBERG NEWS

Quick Summary

- Human-resources professionals are withdrawing from a conference and canceling memberships because of SHRM's invitation to conservative activist Robby Starbuck.

[View more](#)

Human-resources professionals are pulling out of their marquee conference on inclusion and some have canceled their memberships in SHRM, the industry's chief lobbying group, after the organization invited conservative activist Robby Starbuck to speak.

Starbuck, the driving force behind [online campaigns](#) to end diversity, equity and inclusion programs, has prompted companies including [Walmart](#), [Harley-Davidson](#) and [Tractor Supply](#) to abandon or dial back [their DEI efforts](#). His status as a headline guest for an industry that has for years made DEI policies in Corporate America a central plank of its platform is a sign of just how quickly companies have reversed course on those practices.

Starbuck is scheduled to take the stage at SHRM's convention in Louisville, Ky., later this month alongside liberal CNN political commentator Van Jones for a conversation moderated by SHRM President Johnny C. Taylor Jr.



SHRM President Johnny C. Taylor Jr. says the group tries to showcase diverse points of view.

ARUN SANKAR/AFP/GETTY IMAGES

Taylor defended the decision to include Starbuck, despite the blowback, saying the group's mission is to showcase diverse points of view so HR professionals have a better understanding of the business landscape.

"The only way you can effectively build a strategy to support your point of view on diversity is to understand what the other point of view is," Taylor said. "Particularly in the case of someone who has been quite successful at getting major companies to back off of their D&I initiatives, why wouldn't you want to hear?"

SHRM, formerly known as the Society for Human Resource Management, hasn't experienced any marked drop in membership, Taylor said, adding that

some new members have cited the organization's willingness to invite Starbuck as their reason for joining the organization. Attendance at this year's conference, which is expected to total more than 1,000 people, is lower than in past years, he said. Other diversity-related conventions have also experienced declines in interest, he added.

In response to the controversy, Taylor extended the length of the talk with Starbuck to leave time for audience participation. Starbuck said he is happy to open himself up to

a question-and-answer session where no questions are off-limits.

“Sure, some say I’m divisive but many others don’t, and they appreciate me being their voice,” said Starbuck, who is Latino. “Businesses need to understand the entire country, not just one narrow worldview that became [dominant in HR circles](#).”

Many SHRM members have taken to LinkedIn and other social-media platforms to condemn the decision to host Starbuck, who has called DEI “poison” on X, where he has more than 850,000 followers. Some cited the invitation to Starbuck as another sign of what they view as SHRM’s backpedaling on DEI in response to growing pushback on the programs.

Last year SHRM surprised and rankled many members when [it dropped the “E” from DEI](#), backing away from “equity,” which in human-resources parlance is the notion that companies should take steps to level the playing field for workers. Earlier this year, the organization changed the name of its annual Inclusion conference to Blueprint.

Those moves occurred after a June 2023 Supreme Court [ruling on affirmative action](#) in college admissions had ripple effects in the business world.

Many legal teams inside companies assumed that once affirmative action was upended, they could face legal challenges to their internal [DEI initiatives](#), many of which were put in place or augmented in recent years. As they braced for [increased scrutiny](#), companies such as [Ford Motor](#) and [UBS Group](#) stopped providing workplace data to gay-rights lobbying groups and ended special grants directed to businesses led by women of color. Others rebranded race-based employee resource groups as part of marketing departments.

“This was the final straw for me,” said Paul LaLonde, vice president of people and culture with a nonprofit organization in the Chicago area, who stressed that he was speaking for himself and not his employer.

Once LaLonde saw HR peers expressing outrage online at the invitation and learning more about Starbuck’s beliefs and comments, he turned off the auto-renewal on his SHRM membership. He had been a member for more than a decade.

“He just talks about DEI in inflammatory ways,” LaLonde said, adding that he didn’t want his money supporting SHRM anymore.

While LaLonde said he wants to hear from people he doesn't agree with, Starbuck's comments feel especially incendiary to him. "You're pretty much saying anybody who's not like me is poison," he added.

Renee Rudczynski, a consultant at Mercer, canceled her plans to attend the conference. "I had friends who are not white call me crying, like this is just one more slap in the face," she said.

Others, such as Susan Bigler, a senior account manager in the South Florida office of a large insurance broker, said they support SHRM's inclusion of Starbuck on the program.

"As leaders, we have to be able to handle those conversations that aren't always comfortable," Bigler said, adding that she was speaking for herself, not her employer. "How else do we grow if we don't listen to other people who maybe don't line up with our thoughts and our belief systems?"

Starbuck said he doesn't feel the need to defend his invitation and that he isn't appearing before the group to fight.

"I'm there to speak honestly, exchange ideas and hopefully spark policies that build better workplaces," he said. "I've reshaped more workplace policies than any other private citizen in the last two years. That's just reality. Ignoring arguments that are clearly resonating with both workers, executives and customers would be a strategic mistake for any organization."

Write to Ray A. Smith at Ray.Smith@wsj.com

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Bitcoin Extends Slide as \$600 Billion Erased Since Crypto Crash

Oct. 17, 2025, 5:49 AM PDT

Summary by Bloomberg AI AI Generated

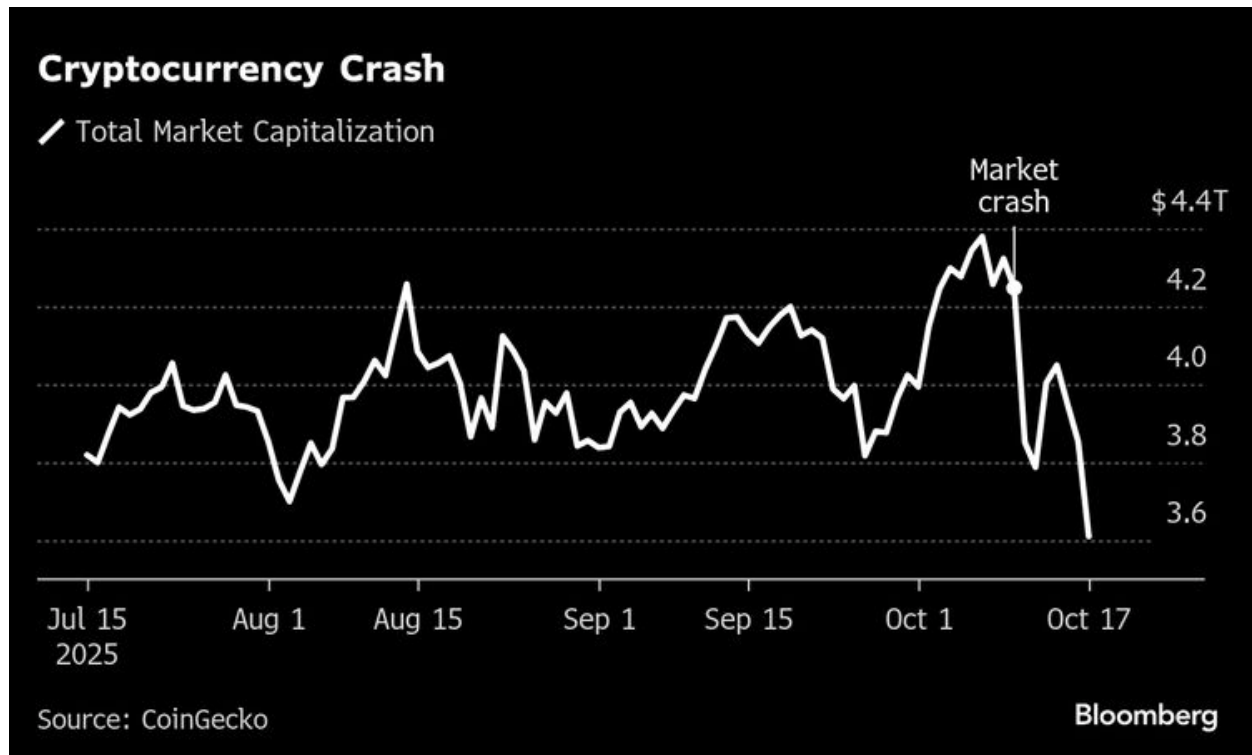


- Bitcoin has failed to live up to its billing as a safe harbor asset, dropping as much as 4% to \$103,550, the lowest level since June.
- The total value of the crypto market has shrunk by over \$600 billion since last Friday, with Ether slipping under \$3,700 and retreating around 25% from its August peak.
- The fall in crypto prices coincides with escalating US-China trade tensions and anxiety over hidden credit losses, with investors withdrawing a net \$593 million from US-listed Bitcoin and Ether exchange-traded funds on Thursday.

After a week-long rout that erased hundreds of billions in digital-asset value, Bitcoin has again failed to live up to its billing as a safe harbor asset.

Once cast as a hedge against market turmoil – a “digital gold” for the blockchain age – the original cryptocurrency continued its slide on Friday, dropping as much as 4% to \$103,550, the lowest level since June. Ether, the second-largest token, slipped under \$3,700 and has now retreated around 25% from its August peak.

The total value of the crypto market has shrunk by over \$600 billion since last Friday, data compiled by CoinGecko shows.



Meanwhile, the Binance-linked token BNB tumbled as much as 11% on Friday, before paring its slide. The world's largest crypto exchange was cited by analysts as a [key driver](#) of the record spree of liquidations on Oct. 10 and 11 as users encountered technical glitches and price discrepancies. Binance has offered customers and businesses nearly \$600 million in [compensation](#) following the crash.

The fall in BNB on Friday "seems in line with the larger market selloff for now," said **Yoann Turpin**, co-founder of crypto market maker Wintermute. The activity is also likely a sign of repricing, Turpin said, after a surge mid-week failed to form a lasting recovery.

Bitcoin set an all-time high of \$126,251 on Oct. 6. Days later, more than \$19 billion in [liquidations](#) sparked by escalating US-China trade tensions coincided with a sharp selloff that encompassed most major tokens. About \$1.2 billion in leveraged positions are liquidated over the past 24 hours, according to Coinglass data, far below last week's total, but underscoring that leverage remains elevated in a fragile market.

Heavyweights including Kraken, Circle, BitGo and Ripple are pushing [deeper](#) into regulated finance – seeking trust charters, payment rails and card products.

"What's striking is the timing of the crash coinciding with major players pursuing banking licenses," said Rachael Lucas, analyst at BTC Markets. The pivot to traditional financial infrastructure "signals a strategic hedge against volatility, aiming to build legitimacy," she added.



Risks stemming from the US and China sparring over trade continue to [plague](#) risk assets beyond crypto.

The collapses of First Brands Group and Tricolor Holdings have revived anxiety over hidden credit losses, while fraud-linked [write-downs](#) at Zions Bancorp and Western Alliance wiped more than \$100 billion from US bank market value in a single day.

Investors withdrew a net \$593 million from US-listed Bitcoin and Ether exchange-traded funds on Thursday as risk-off sentiment swept through markets. The put-to-call ratio for Bitcoin on the crypto derivatives platform Deribit rose to 1.33 over the past 24 hours, signaling increased hedging against further price declines. Put options provide downside protection by giving holders the right to sell an asset at a predetermined price.

"Derivatives are where stress is concentrated," Timothy Misir, head of research at digital asset analytics firm BRN said in a note.

"Dealers are buying protection; that raises the cost of short-term downside insurance and increases the chance of violent two-way moves."

With longstanding havens such as gold and silver continuing to hit fresh [highs](#), Bitcoin has disappointed. It fell as much as 6.3% in the week to Oct. 12, the most since early March and hasn't yet bounced back. The same is true of most cryptocurrencies.

"More than anything, I think crypto is acting like a canary in the coal mine suggesting the market is on edge because of emerging credit worries," said Matthew Hougan, chief investment officer at Bitwise.

[Explainer: How Bitcoin Found a New Purpose After Crypto Crash](#)

--With assistance from **Olga Kharif**.

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Musk, Twitter Investors Denied Early Wins In Fraud Suit

By **Katryna Perera**

Law360 (October 16, 2025, 5:10 PM EDT) -- Elon Musk and investors of X, formerly known as Twitter, are headed toward trial in a class action suit accusing the billionaire of intentionally tanking the social media platform's stock price, after a California federal judge denied the parties' cross-motions for an early win in the case.

U.S. District Judge Charles R. Breyer issued a one-page **order** on Wednesday denying the investors' partial summary judgment motion and Musk's **motion** for summary judgment. The judge did not provide any reasoning for his ruling.

The order comes a few days after Musk argued that he should be **allowed to keep his lead trial counsel**, Quinn Emanuel Urquhart & Sullivan LLP partner Alex Spiro, despite the investors' bid to **disqualify** him.

The suit accuses Musk of attempting to **drive down** Twitter's stock price to back out of a promise to buy the social media company or to renegotiate a lower price. Musk first tried to back out of the promised \$44 billion purchase but later **agreed to close** the deal after the company sued him in Delaware.

In 2023, Judge Breyer ruled that the investors had plausibly alleged Musk violated securities laws with a series of tweets that said the deal was "temporarily on hold" pending details about data regarding the number of alleged fake Twitter accounts but that he was "still committed to acquisition."

Musk also stated that fake and spam accounts make up at least 20% of Twitter's users, but investors said the statement misled the investing public to believe that Musk had received bot user data from Twitter, when in fact he had not.

In September 2024, the judge **certified a class** of investors who sold the publicly traded stock or call options, or purchased put options of Twitter, from May 13, 2022, through Oct. 4, 2022.

The investors are represented by Joseph W. Cotchett, Mark C. Molumphy, Tyson C. Redenbarger, Gia Jung, Elle D. Lewis and Caroline A. Yuen of Cotchett Pitre & McCarthy LLP and Francis A. Bottini Jr., Aaron P. Arnzen and Albert Y. Chang of Bottini & Bottini Inc.

Musk is represented by Stephen A. Broome, Alexander B. Spiro, Jesse A. Bernstein, Jonathan E. Feder, Joseph C. Sarles, Matthew A. Bergjans and Michael T. Lifrak of Quinn Emanuel Urquhart & Sullivan LLP.

The case is Giuseppe Pampena v. Elon R. Musk, case number 3:22-cv-05937, in the U.S. District Court for the Northern District of California.

--Editing by Emily Kokoll.



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Semler Investor Sues For Details Of Strive Bitcoin Merger

By **Emilie Ruscoe**

Law360 (October 16, 2025, 10:55 PM EDT) -- An investor in healthcare-focused bitcoin treasury company Semler Scientific Inc. has sued to block a shareholder vote on Semler's proposed acquisition by another corporate bitcoin holder until it provides more information on the deal.

In a **complaint filed Tuesday** in Chicago federal court, Semler investor Terry Tran took aim at the company and its board of directors, alleging Semler has failed to explain to the company's shareholders how the proposed acquisition by Strive Inc. is a fair deal financially.

According to the investor, Semler's Oct. 10 acquisition registration filings with the U.S. Securities and Exchange Commission failed to adequately lay out the "financial impacts of the proposed transaction on the combined company and the financial fairness of the proposed transaction."

Among other things, the investor pointed to a statement in the SEC filing that Strive's common stock price per share had been valued at \$2.50 as part of the valuation process.

The investor noted that under generally accepted accounting principles, "when a company is acquired in a stock merger, the transaction date fair value is based on the trading price of the acquiring company's stock."

But in this case, Tran said, the stated \$2.50 price is "significantly lower than [Strive's] \$4.30 per share price prior to the announcement of the proposed transaction, significantly higher than the \$1.99 per share price on October 9, 2025, the day before the registration statement was issued, and significantly higher than the \$1.35 per share price at which Strive stock was issued on September 12, 2025," the transaction that brought Strive public.

As such, "the basis for this \$2.50 per share assumption is unclear," Tran's suit states, noting that any deviation from that \$2.50 value assumption would have an impact on the equity stake Semler's stockholders could expect to have after the deal closes.

Tran said the company is expected to soon schedule the special meeting at which Semler's shareholders are set to vote on whether to approve the acquisition, and shareholders are expected to soon receive the company's proxy statement.

"It is imperative that the material information that has been omitted from the Registration Statement be disclosed immediately so public stockholders may have time to consider the information that has been omitted and misrepresented and make a fully and fairly informed determination as to how to vote," the investor claimed.

When Semler and Strive announced their all-stock deal in September, Strive also said at the same time that it planned to buy \$675 million worth of bitcoin.

At the time, the parties estimated that the acquisition, which would see Semler shares exchanged for about 21 shares of Strive common stock, represented a premium of about 210% on the price of Semler common stock, or about \$90.52 per Semler share, based on trading prices prior to the deal's announcement.

But by the time the registration statement was filed, trading prices for Strive shares had fallen significantly to under \$2, a change which would seem to alter the parties' earlier assumption that the deal had a value of \$1.3 billion.

Tran described Semler as a company that has the cryptocurrency bitcoin as its primary treasury reserve asset.

When the company adopted its bitcoin treasury strategy in May 2024, the investor said, it became the second publicly traded company in the U.S. to do so, and the investor asserted without elaborating that Semler is "one of the leading corporate holders of bitcoin."

Outside its cryptocurrency undertakings, Tran said, Semler is a healthcare company that develops and markets products and services used to evaluate and treat chronic diseases. Among its other offerings, its flagship product measures blood flow in the extremities.

The individual defendants named in the suit include Semler CEO Douglas Murphy-Chutorian, board chair Eric Semler and two other directors of the company.

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

Plaintiff Terry Tran is represented by Shpetim Ademi, John D. Blythin, Guri Ademi and Jesse Fruchter of Ademi & Fruchter LLP.

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

The case is Tran v. Semler Scientific Inc. et al., case number 1:25-cv-12555, in the U.S. District Court for the Northern District of Illinois.

--Editing by Michael Watanabe.

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Peloton Moves To Toss Investors' Revived COVID-19 Suit

By **Jessica Corso**

Law360 (October 16, 2025, 7:29 PM EDT) -- Peloton has once again moved to dismiss a proposed class action lawsuit revived by the Second Circuit last month, saying that investors couldn't prove executives intentionally misled them into believing that a spike in demand during the first year of the COVID-19 pandemic was sustainable.

The exercise equipment manufacturer filed a renewed motion to dismiss the case in New York federal court on Wednesday, saying the suing investors could not prove scienter — a key element of a securities fraud claim that the Second Circuit did not touch on in **its August opinion**.

The complaint fails "because it alleges neither that defendants had 'motive and opportunity' to commit fraud, nor that defendants engaged in 'conscious misbehavior or recklessness,'" Peloton Interactive Inc. said. The company's former CEO, chief financial officer and president were also named as defendants.

The Second Circuit largely upheld the district court's earlier dismissal of the case, but said that three statements investors pointed to as potentially misleading could move forward.

One such statement was made by Peloton's former CEO John Foley during an earnings call in August 2021, describing the company's decision to reduce the price of its bike by \$400 as an "absolutely offensive" business strategy.

The Second Circuit said that his characterization of the bike price reduction as an "absolutely offensive" strategy was plausibly false or misleading because, according to the complaint, another company employee had stated that the price reduction was an attempt to increase sales due to the company's excess inventory.

But the appellate court didn't consider defendants' arguments that they had not intentionally misled investors about its prospective bike sales because the district court did not weigh in on those arguments **when dismissing the case**.

The majority said that the district court "may consider whether the plaintiffs have plausibly alleged scienter with respect to Foley's statement" on remand.

In an opinion that partially dissented from the majority's ruling, U.S. Circuit Judge Jon Newman said that he felt it was "highly unlikely that the plaintiffs' pleading of scienter can survive the defendants' motion to dismiss."

"I have a high degree of confidence that the complaint will ultimately be dismissed for lack of an adequate pleading of scienter and that the heavy pressure often felt to settle a class action securities fraud case will not yield a monetary recovery for the class in this case," Judge Newman said.

Peloton quoted the dissent in pushing for the lower court to toss the remainder of the lawsuit on Wednesday, stating that investors could not meet the "high bar" for pleading securities fraud.

"Far from alleging a strong inference of fraud, the [complaint] does the opposite: It validates the more compelling inference that defendants made extensive truthful disclosures while openly grappling with the extraordinary challenges posed by the pandemic, and that any imperfections in

those disclosures were at worst innocent mistakes in light of those uncertainties," the company said.

Peloton investors sued in 2022, arguing that the company surprised investors in November 2021 by announcing it had revised its full-year revenue guidance from \$5.4 billion to a range of between \$4.4 billion to \$4.8 billion "due to declining demand as its customers were increasingly free to exercise outside the home."

On the news, Peloton's shares declined by 35%, falling \$30.42 per share in one day, investors said in their most recent complaint.

Counsel for investors didn't immediately respond to a request for comment Thursday.

Peloton is represented by Stephen Ascher, Joanna Wright and Anna Windemuth of Jenner & Block LLP.

The investors are represented by Karin Fisch, Daniel Berger, Cecilia Stein and Mica Cocco of Grant & Eisenhofer PA, and Hannah Ross, Avi Josefson, Jonathan Uslaner and Caitlin Bozman of Bernstein Litowitz Berger & Grossmann LLP.

The case is City of Hialeah Employees Retirement System v. Peloton Interactive Inc. et al., case number 1:21-cv-09582, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Katryna Perera. Editing by Emily Kokoll.

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Fla. Pension Fund Sues To Block Exxon Retail Voting Program

By **Tom Lotshaw**

Law360 (October 16, 2025, 5:56 PM EDT) -- A police pension fund in Florida hit Exxon Mobil Corp.'s directors with a proposed class action seeking to halt an allegedly unlawful, first-of-its-kind voting program that allows retail shareholders to opt to automatically support the board's recommendations.

The City of Hollywood Police Officers' Retirement System said the retail voting program, or RVP, is the energy giant's latest attempt to stifle shareholders that have pushed to address environmental and climate issues or to elect new board members, and that it aims to shrink the voices of shareholders opposed to board proposals.

"The RVP, therefore, represents nothing but a blatant power grab through which the director defendants seek to weaponize retail shareholder apathy by sock-puppeting retail shareholders' voting discretion without providing the required disclosures under federal law, in order to crush the voting impact of security holders who read the proxy statements, participate in shareholder democracy, and legally vote their shares," the City of Hollywood Police Officers' Retirement System said in a complaint filed Tuesday.

According to the complaint, the program allows retail shareholders to opt to automatically vote their shares in alignment with the board at all future shareholder meetings unless they take steps to opt out. Such support can be for all matters, or exclude director elections or acquisitions, mergers and divestitures that require shareholder approval, the pension fund said.

While Exxon has characterized the program as an attempt to preserve shareholder value and boost participation, stating that it never hears from three-quarters of retail investors who hold almost 40% of its shares and rely upon its dividends, the pension fund hit back against the company's assertions.

"Defendants' desire to speak for retail shareholders in perpetuity instead of attempting to address retail shareholder apathy by stepping up good faith engagement speaks volumes. The RVP is a stark attempt to solidify the director defendants' control over the company, squelch dissent, and eliminate the influence of what the director defendants perceive to be annoying minority shareholders," the pension fund added.

Exxon moved **ahead with the voting program** in September, after staff at the U.S. Securities and Exchange Commission granted a request for no-action relief the very same day it was made, even though no such program has ever been put in place or openly considered by a publicly traded company, according to the pension fund.

The pension fund said Exxon's enrollment notice for retail shareholders to opt into the voting program violated nearly every federal requirement for solicitations, failing to provide information about matters to be acted upon or to appropriately state that the solicitation was being made by the board.

It also violated a rule regarding time limits for a proxy's validity, essentially turning it on its head by "substituting inertia" for a "system of informed and current shareholder participation," according to the pension fund.

"The RVP gives management a blank check; it grants perpetual and indefinite voting authority to management to vote shares however it chooses for meetings far beyond those following the

solicitation and for far more than one meeting," the pension fund said. "That the authority granted to management under the RVP can be canceled – just as it could be with any proxy – does not rehabilitate this plainly illegal program."

The pension fund aims to represent a class anticipated to include thousands of retail shareholders and alleges that directors breached fiduciary duties.

"We see this as an egregious violation of the federal laws governing proxy solicitation," Michael J. Barry, a Grant & Eisenhofer attorney who is representing the pension fund, said in a statement to Law360 on Thursday. "We expect to get an injunction prohibiting Exxon from corrupting any future votes of the stockholders through the use of illegally obtained proxies."

Exxon spokesperson Elise Otten did not immediately provide a comment Thursday, but characterized the City of Hollywood Police Officers' Retirement System as a regular plaintiff in shareholder cases, pointing to suits involving **Fiserv Inc.**, General Motors, **ASML Holding NV**, **Henry Schein Inc.** and **First Republic Bank**.

The pension fund is represented by Christopher A. Seeger of Seeger Weiss LLP and Michael J. Barry, William G. Passannante II and Edward M. Lilly of Grant & Eisenhofer.

Counsel information for Exxon and its board members was not immediately available.

The case is City of Hollywood Police Officers' Retirement System et al. v. Darren W. Woods et al., case number 3:25-cv-16633, in the U.S. District Court for the District of New Jersey.

--Editing by Patrick Reagan.



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Wells Fargo To Settle Investors' 'Sham' Hiring Case For \$85M

By **Jessica Corso**

Law360 (October 16, 2025, 4:46 PM EDT) -- Wells Fargo & Co. has agreed to pay \$85 million to exit an investor class action accusing it of conducting "sham" job interviews to meet diversity quotas, settling a yearslong dispute before it could reach trial in California federal court.

The investors filed **paperwork** Wednesday outlining the terms of the proposed deal, saying that Wells Fargo has agreed to pay \$85 million to settle with shareholders who acquired company stock between Feb. 24, 2021, and June 9, 2022.

A company spokesperson told Law360 on Thursday that Wells Fargo is "pleased to have reached a settlement."

Attorneys for the investors didn't respond to a request for comment on Thursday, but told the court Wednesday that they believed the deal was an "excellent" result for shareholders following three years of litigation.

"Plaintiffs and class counsel believe that the proposed settlement — reached just weeks before a hearing on defendants' summary judgment motion and while the parties were preparing for trial — is an excellent result for the class," the settlement said.

The trial had been scheduled for mid-March.

Wells Fargo shareholders sued in June 2022, shortly after it was publicly disclosed that the U.S. Department of Justice was investigating the bank over claims that managers were interviewing candidates for **already filled positions** to meet a company expectation that they consider a more diverse candidate slate.

The investors said "an astonishing \$17 billion in market capitalization" was wiped out over the course of two days as the company's stock price dropped by 10% in reaction to the news.

Wells Fargo reported last year that the investigation was closed without any action being taken by the Justice Department.

In April, U.S. District Judge Trina Thompson **certified the class** after refusing to dismiss the case last year, finding the investors sufficiently claimed the company made material misrepresentations about its diverse search requirement.

Wells Fargo appealed the class certification ruling to the Ninth Circuit, but the court said in July that it wouldn't hear the case. The parties informed Judge Thompson last month that they had reached a **tentative deal**, less than two weeks after the company announced a **deal** in a derivative lawsuit over similar claims.

The terms of the derivative settlement were outlined to the court on Monday, with Wells Fargo agreeing to create a \$100 million borrower-assistance fund for low- and moderate-income homeowners and with a promised payment of \$10 million to the company from an insurance policy held by board directors.

Wells Fargo and the individual defendants are represented by Christopher M. Viapiano, Brendan P.

Cullen, Leonid Traps, Sverker K. Hogberg and Alexis C. Holmes of Sullivan & Cromwell LLP.

The investors are represented by Jennifer L. Joost, Stacey M. Kaplan, Bennett Cho-Smith, Gregory M. Castaldo, Sharan Nirmul, Joshua A. Materese, Evan R. Hoey and Marianne Uy of Kessler Topaz Meltzer & Check LLP, David R. Kaplan, Emily R. Bishop, Lester R. Hooker and Dianne M. Pitre of Saxena White PA and Robert D. Klausner and Bonni S. Jensen of Klausner Kaufman Jensen & Levinson.

The case is SEB Investment Management AB et al. v. Wells Fargo & Co. et al., case number 3:22-cv-03811, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bonnie Eslinger. Editing by Adam LoBelia.

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Gabelli, Entwistle Make Lone Paramount Suit Pitch In Del.

By **Jeff Montgomery**

Law360 (October 16, 2025, 4:40 PM EDT) -- A fund of Paramount Global Inc. investor Mario Gabelli notified Delaware's Court of Chancery on Thursday that no other stockholders have sought to lead a suit challenging Paramount Global's \$8.4 billion acquisition by David Ellison's Skydance Media, with the fund seeking lead plaintiff status and Entwistle & Cappucci and Farnan LLP to be lead counsel.

Gabelli's complaint, filed Aug. 19, names Skydance, Harbor Lights Entertainment — formerly National Amusements Inc. — Shari Redstone and others and seeks damages for "unfair and inequitable merger consideration" received by Paramount controller NAI and its affiliates compared with Class A shareholders.

In a brief supporting the lead plaintiff appointment, Gabelli Value 25 Fund alleged that the Shari Redstone-led NAI parties facilitated the merger through a "corrupted sale process" that allowed them to garner a 165% premium for their shares compared with Class A stockholders.

The NAI parties held 77.4% of Paramount's Class A shares going into the deal, the complaint said, and allegedly relied on both voting control and a purportedly conflicted Paramount board to steer the deal to Skydance without a "majority of the minority" unconflicted shareholder approval.

"The NAI defendants' outrageous non-ratable premium agreed to by the Skydance defendants cost the Class A minority at least \$270 million in improperly diverted merger consideration," Gabelli said in its brief. Neglected along the way, according to the complaint, was an obligation to secure terms that maximized value to Class A shareholders "or, at the very least, was equitable."

NAI "crammed through" the deal, Gabelli alleged, using what the fund described as a rigged voting system favoring Skydance.

As a result, the lead plaintiff brief said, the NAI parties named in the suit "forwent proposals that would have paid the Class A minority 21.7% to 24.2% more per share, in favor of the Skydance proposal that directed hundreds of millions more to the NAI defendants at the expense of the Class A minority."

The case is assigned to Chancellor Kathaleen St. J. McCormick.

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

Gabelli's complaint named five members of Paramount's board special committee as well as NAI, Shari Redstone, Skydance Media and RB Tentpole LP, or "Redbird," a Skydance investor that participated in merger negotiations. Redbird will nominate two of Paramount's 13 board members and own 10% of Paramount's nonvoting Class B stock.

As part of the merger, Skydance paid NAI \$1.75 billion in cash and assumed \$650 million in NAI debt, with NAI receiving the equivalent of \$60.95 for its Class A shares and \$15 per share for its nonvoting Class B shares.

Gabelli owned 52% of the Class A shares held by non-NAI-aligned shareholders and reported investigating the deal for a year beginning in early 2024, supported by a documents inspection, according to the complaint.

Including affiliated funds and advisers publicly opposed to the deal, Gabelli said in its complaint that the dissident group's holdings would have determined the outcome if a majority of the minority vote had been required.

In addition, Gabelli argued that the Class A-shareholding minority opponents were offered only nonvoting Class B shares in New Paramount if they chose to roll over their Class A shares into the new company.

Gabelli Value 25 Fund Inc. is represented by Sue L. Robinson, Brian E. Farnan and Michael J. Farnan of Farnan LLP and Vincent R. Cappucci, Andrew J. Entwistle, Joshua K. Porter, Jessica A. Margulis and Andrew M. Sher of Entwistle & Cappucci LLP.

Skydance Media LLC is represented by David E. Ross and S. Michael Sirkin of Ross Aronstam & Moritz LLP and Blair Connelly, Zachary L. Rowen, Alexander L. Mills, Yan Birzu Chu, Jack M. McNeily, Matthew L. Strand, J. Christian Word and Stephen T. Nasco of Latham & Watkins LLP.

Barbara Byrne, Linda M. Griego, Judith McHale, Charles E. Phillips, Jr. and Susan Schuman are represented by Blake Rohrbacher, Daniel E. Kaprow, Christine J. Chen, Elizabeth J. Freud and Benjamin O. Allen of Richards Layton & Finger PA and Gary A. Bornstein, Michael P. Addis, Helam Gebremariam and Katherine DuBois of Cravath Swaine & Moore LLP.

RB Tentpole LP is represented by Daniel B. Rath, Rebecca L. Butcher, Howard W. Robertson IV and Cheol W. Park of Landis Rath & Cobb LLP.

The case is Gabelli Value 25 Fund Inc. v. Harbor Lights Entertainment Inc. (fka National Amusements Inc.) et al., case number 2025-0921, in the Court of Chancery of the state of Delaware.

--Editing by Rich Mills.

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3 Firms Seek Lead Roles In Conn. Medical Data Breach Suit

By **Brian Steele**

Law360 (October 16, 2025, 4:03 PM EDT) -- Attorneys with three plaintiffs' firms are seeking appointment as interim co-lead counsel and liaison counsel in a series of proposed class actions that they want to consolidate, over a Connecticut medical rehabilitation network accused of waiting nine months to let patients know it was hit with a cyberattack that exposed private information.

David K. Lietz of Milberg Coleman Bryson Phillips Grossman PLLC and A. Brooke Murphy of Murphy Law Firm asked a New Haven Superior Court judge on Wednesday to name them interim co-lead class counsel in the three suits against Gaylord Specialty Healthcare, and to name Oren Faircloth of Siri & Glimstad LLP as liaison counsel.

According to **the motion**, the medical rehabilitation network took no position on the requests and did not oppose consolidating the three lawsuits it faces over the December 2024 data breach it disclosed in letters sent in September.

"Proposed counsel have successfully litigated numerous class actions involving data breaches and privacy claims on behalf of millions of consumers," the firms said. "Proposed counsel possess the necessary resources to prosecute this litigation, have the support of the plaintiffs from nearly all cases on file, are working together collectively already, and will continue to work in this fashion to manage this litigation effectively and efficiently."

"Moreover, proposed counsel have previously and repeatedly worked together to successfully prosecute data breach class actions across the country," they continued.

The first of the three cases, brought by Mary Ann Lion, hit the public docket Oct. 2, accusing the nonprofit of failing to adequately protect patients' personal information. Gaylord's main campus is in Wallingford, Connecticut, and it also offers physical therapy services in Cheshire, Cromwell, Madison and North Haven.

Plaintiffs John DeGennaro and Jimmie Smith brought similar complaints within days of Lion's filing; all are represented by Lietz, Murphy and Faircloth, among others.

Lietz is a senior partner at Milberg, based in Washington, D.C., and "has been appointed class counsel in no less than 80 data breach or data privacy cases that have been either preliminarily or finally approved by federal and state courts across the country" over the past five years, according to the motion.

Murphy is the founding member of the Oklahoma City-based Murphy Law Firm and "has litigated numerous data breach class actions across the country where she has obtained several successful rulings on issues of standing, pleading, and class certification," according to the motion.

New York City-based Siri & Glimstad is "a national leader in the data privacy class action space" and Faircloth, a member of the Connecticut bar, has extensive experience in class actions and Employee Retirement Income Security Act disputes, the motion says.

Lion's complaint brings claims including negligence, breach of implied contract and breach of confidence, alleging the incident exposed patients to a risk of identity theft. The organization violated the Health Insurance Portability and Accountability Act of 1996, or HIPAA, by failing to comply with

required privacy safeguards, according to Lion.

The organization did not notify the affected individuals for months, violating its duty to make a timely disclosure, the complaint alleged. It "knew or should have known" its security measures were inadequate, the patient said.

A page on Gaylord's website dedicated to the incident said the organization first "posted notification on its website and provided preliminary notice to the U.S. Department of Health and Human Services on February 28, 2025."

Each complaint seeks various forms of monetary relief for potentially thousands of class members, while DeGennaro and Smith also asked the court to order that Gaylord improve its data security practices.

Wednesday's motion said each case "arises from the same common set of alleged facts" and combining them would promote judicial efficiency, and avoid duplication and the possibility of inconsistent rulings.

Counsel for the plaintiffs and a representative of Gaylord did not immediately respond to requests for comment Thursday.

The proposed class is represented by David K. Lietz of Milberg Coleman Bryson Phillips Grossman PLLC, A. Brooke Murphy of Murphy Law Firm and Oren Faircloth of Siri & Glimstad LLP.

Counsel information for the defendant was not available Thursday.

The cases are DeGennaro v. Gaylord Farm Association Inc. d/b/a Gaylord Specialty Healthcare, case number NNH-CV25-6161065-S; Lion v. Gaylord Farm Association Inc. d/b/a Gaylord Specialty Healthcare, case number NNH-CV25-6161060-S; and Smith v. Gaylord Farm Association Inc. d/b/a Gaylord Specialty Healthcare, case number NNH-CV25-6161171-S, all in the New Haven Judicial District of the Connecticut Superior Court.

--Editing by Lakshna Mehta.



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6 Firms To Lead Aflac Data Breach Suit In Georgia

By **Chart Riggall**

Law360 (October 16, 2025, 6:01 PM EDT) -- A Georgia federal judge said Wednesday he's tapping six attorneys from as many firms to lead a proposed class action that was consolidated this summer out of nearly two dozen suits filed over an alleged data breach at Aflac Inc.

U.S. District Judge Clay D. Land said that the suit — consolidated from more than a dozen filed against the insurer — will be captained by attorneys from firms including Milberg Coleman Bryson Phillips Grossman PLLC, Beasley Allen Law Firm and Morgan & Morgan PA.

Also in the leadership team are representatives of Pope McGlamry Kilpatrick Morrison & Norwood PC, Kopelowitz Ostrow PA and Gibson Consumer Law Group, according to the Wednesday order.

Judge Land gave the attorneys 60 days to file an amended complaint in a suit consolidated in July behind lead plaintiff Eleanor Griffin. The suits allege that Georgia-based Aflac was hacked in June by a "sophisticated cybercrime group," compromising the personal information of its customers.

"The data breach was a direct result of defendant's failure to [implement] adequate and reasonable cybersecurity procedures and protocols necessary to protect individuals' private information which it was hired to protect," Griffin alleged. "As a result of the data breach, plaintiff and class members are now at a current, imminent, and ongoing risk of fraud and identity theft."

The plaintiffs have thus far brought claims for negligence, breach of implied contract and unjust enrichment, according to court records, and are seeking both monetary damages and improvements to Aflac's cybersecurity protocols.

The case is In re: Aflac Inc. Data Breach Litigation, case number 4:25-cv-00183, in the U.S. District Court for the Middle District of Georgia.

--Editing by Daniel King.

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Authors Say Salesforce Used Pirated Books To Train Its AI

By **Theresa Schliep**

Law360 (October 16, 2025, 6:39 PM EDT) -- A pair of authors accused Salesforce of improperly training its artificial intelligence models on copyrighted works, telling a California federal court Wednesday that the cloud-based software company used their pirated books in "its acts of massive copyright infringement."

In the proposed class action **complaint**, authors E. Molly Tanzer and Jennifer Gilmore said Salesforce relied on "notorious" datasets of pirated books to create its AI models called XGen, a series of products that the company first launched in March 2022.

The suit takes aim at Salesforce's use of two datasets, called RedPajama and The Pile, which the authors said "contain hundreds of thousands of copyrighted books that were acquired without the authorization or consent of the authors."

"Salesforce unlawfully downloaded, stored, copied, and used these datasets to develop the XGen series of LLMs," the complaint said.

Joseph R. Saveri of Joseph Saveri Law Firm LLP, who is representing the plaintiffs in the case, said in a statement that "[i]t's important that companies that use copyrighted material for generated AI products are transparent."

"It's also only fair that our clients are fairly compensated when this happens," he added.

A spokesperson for Salesforce declined to comment.

The suit is one of dozens to accuse developers of artificial intelligence models of infringing copyrighted materials. One of those cases has led to a \$1.5 billion deal between writers and Anthropic PBC to end the litigation. In September, the agreement **received preliminary approval** from a California federal judge.

While **that judge** and another considering a case against Meta had found that the fair use defense applied to the companies' AI training using copyrighted materials, both courts took issue with the storage of allegedly pirated books, and Meta **faces trial** on the issue.

Wednesday's suit against Salesforce focused on its use of allegedly pirated books. While Salesforce had at one point said on its website it had used data from RedPajama, it removed that information from its website and later said it was using a "legally compliant dataset," the authors said.

"Salesforces infringed on Plaintiffs and Class members's copyrighted works on a massive scale," the complaint said, adding the company "continued copying and storing the datasets, and used them to develop and train the XGen series of LLMs."

Tanzer, one of the plaintiffs in the case, is an author based in Colorado who owns registered copyrights, according to the complaint. Gilmore, the other plaintiff, is a Pennsylvania-based author who likewise owns registered copyrights, the suit said.

Tanzer and Gilmore are represented by Joseph R. Saveri, Christopher K.L. Young and William W. Castillo Guardado of Joseph Saveri Law Firm LLP.

Counsel information for Salesforce wasn't immediately available on Thursday.

The case is E. Molly Tanzer et al. v. Salesforce Inc., case number 3:25-cv-08862, in the U.S. District Court for the Northern District of California, San Francisco Division.

--Editing by Emily Kokoll.

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Fans Drop Biometric Privacy Suit Against Chicago Cubs

By **Jonathan Capriel**

Law360 (October 16, 2025, 9:31 PM EDT) -- Baseball game attendees who accused the Chicago Cubs of collecting, without consent, the biometric data of millions of fans at Wrigley Field have agreed to drop their proposed class action claims against the team and others.

U.S. District Judge Edmond E. Chang approved the **notice of voluntary dismissal** filed by lead plaintiffs Gabriel Berta and Jill Lichte, one day after the pair filed it. According to the minute order issued on Oct. 8, the dismissal is without prejudice.

The consolidated lawsuit accused the team, as well as Blue Star Security LLC and Protos Security — subsidiaries of private equity firm Southfield Capital — of violating the Illinois Biometric Information Privacy Act. It claimed their facial biometric information, along with that of millions of others, was captured in the "complex apparatus" of surveillance at Wrigley Field, "unbeknownst to the average baseball fan."

The Cubs never notified patrons of Wrigley Field that their face prints are being collected and stored in a database before they enter the stadium, the suit alleged.

Berta claimed he, along with other visitors and employees, never provided a written release for that data collection and was never told the specific purpose and length of time the team would store the biometrics. The Chicago Cubs also lack an adequate written, publicly available policy laying out their data retention schedule or guidelines for permanently destroying guests' identifiers, as required by BIPA, he said.

The case is Berta et al. v. Blue Star Security LLC et al., case number 1:25-cv-11138, in the U.S. District Court for the Northern District of Illinois.

--Additional reporting by Celeste Bott.

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Schools Look To Duck Early Admissions Antitrust Case

By **Matthew Santoni**

Law360 (October 16, 2025, 10:53 PM EDT) -- A proposed class action against 32 colleges and universities fails to turn the "early decision" application process into an alleged conspiracy not to compete for applicants, in part because the schools have no reason to entice committed students away from their first choice of colleges, the defendants argued to a Massachusetts federal court.

The schools, along with companies offering shared college-application platforms and an organization facilitating communication among institutions, asked the court to dismiss an antitrust lawsuit that claimed the schools kept tuition artificially high by agreeing to back off competing for prospects who had applied to their top-choice schools early.

In a joint brief filed Wednesday, the defendants argued the suit had not plausibly alleged a conspiracy among them, and that there was a rational reason for each school's decision not to poach other schools' early-decision applicants with bigger financial aid packages: They expected their own early-decision applicants to honor their commitments.

"Actively seeking to recruit or consider students committed to attending another institution through early decision would ignore students' commitments to other schools. It would be hypocritical for schools to disregard the very commitments they ask of their own applicants," said the **defendants' joint brief**. "...It would be remarkably wasteful to devote scarce resources to recruiting students who have already committed to attend their first-choice school — especially when schools could use those same resources to recruit the many other students who would not be reneging on their own commitments and would be more open to considering and potentially accepting such offers."

The defendants offered multiple reasons why the federal court should dismiss the lawsuit, including the alleged failure to plead a violation of antitrust law; the nonschool defendants' lack of any role in choosing which students to admit or offering financial aid; and for 20 of the schools and one application platform, arguments that Massachusetts courts lack jurisdiction over them.

In the "early decision" process, college applicants can apply for and be admitted to their top-choice schools months ahead of the typical application deadlines, in exchange for a promise to attend that school if they are accepted.

The **lawsuit**, filed in August, claimed that multiple schools use shared application platforms and the Consortium On Financing Higher Education, or COFHE, to communicate when an applicant has chosen early decision, and to agree that they will not offer more enticing financial aid packages to lure the applicant away from their chosen school.

The named defendant schools included Amherst College, Mount Holyoke College, Smith College, Wellesley College and Williams College in Massachusetts; Barnard College, Columbia University, Cornell University, the University of Rochester and Vassar College in New York; Bryn Mawr College, Haverford College, Swarthmore College and the University of Pennsylvania in Pennsylvania; Trinity College and Wesleyan University in Connecticut; Northwestern University and the University of Chicago in Illinois; Carleton College and Macalester College in Minnesota; Pomona College in California; Emory University in Georgia; Bowdoin College in Maine; Johns Hopkins University in Maryland; Dartmouth College in New Hampshire; Duke University in North Carolina; Oberlin College in Ohio; Brown University in Rhode Island; Vanderbilt University in Tennessee; Rice University in Texas; Middlebury College in Vermont; and Missouri's Washington University in St. Louis.

The application platforms "facilitated" the schools' alleged deal by only allowing prospects to apply early to one school at a time, and making them sign what appeared to be a contract promising that they would accept any early admission offers and withdraw their applications to other schools, the suit said.

In Wednesday's joint brief, the defendants said the complaint fell short of establishing a conspiracy.

The schools and vendors argued that the suit only pointed to "vertical agreements" up and down the chain of deciding who to admit and where to attend, not "horizontal agreements" among competing schools.

"Early Decision is a vertical agreement between non-competitors (e.g., student and school). It resembles an optional exclusive offer in which the student seeks early resolution of their admissions process and the prospect of a higher admission rate in exchange for a commitment to attend if admitted, so long as the financial aid package makes attendance possible," the brief said. "This process fully preserves — and indeed, promotes — competition among schools. Students decide for themselves whether to apply early and, if so, where, weighing the resulting potential costs and benefits."

The complaint lacked specifics about whether there was a concrete agreement among the schools not to compete, or to show that they acted in a "parallel" manner that would indicate a conspiracy, the brief said.

The defendants also claimed the suit didn't show specific harm to the four named plaintiffs, such as cheaper tuition they could have gotten at other schools.

"Plaintiffs must, but do not, trace their purported injuries — increased tuition and decreased financial aid — to the alleged conspiracy. No plaintiff offers factual allegations showing they would have paid less tuition or received more financial aid absent any alleged agreement," the joint brief said. "Plaintiffs' theories of harm simply layer implausible speculation on top of implausible speculation and thus fail to establish standing to sue."

The nonschool defendants — COFHE, Common Application Inc. and Scoir Inc. — **filed a separate brief** to add that they could not be held liable for "facilitating" the alleged conspiracy because they had no role in the decisions of whom to admit or how much financial aid to offer. They were not "hubs" in the alleged conspiracy because they were not involved in any coordination, the brief said.

"At most, plaintiffs' allegations against non-school defendants reduce to the claim that they function as neutral service providers by offering application forms, transmitting applications, or, as to COFHE, facilitating member communications. But courts have consistently refused to treat such entities as 'hubs' absent allegations of active orchestration," the brief said.

Twenty of the defendant schools, along with Scoir, **filed a third brief** to argue that they lacked sufficient contact with Massachusetts to be subject to its courts' jurisdiction, and should also be dismissed on those grounds. Merely recruiting students from Massachusetts was not enough to be "transacting business" there, they said.

"Incidental connections the non-Massachusetts defendants may have with Massachusetts are insufficient to qualify as 'transacting business' of a substantial character in this district," the out-of-state defendants' brief said. "Plaintiffs offer only the conclusory assertion that 'each defendant transacted business, was found, had agents, and/or resided in this district.' That allegation should be disregarded, as plaintiffs do not even attempt to plead facts to support it."

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

The plaintiffs are represented by Daniel H. Silverman, Benjamin D. Brown, Richard A. Koffman, Daniel McCuaig and Alex Bodaken of Cohen Milstein Sellers & Toll PLLC and Edward Diver, Peter Leckman and Kevin Trainer of Langer Grogan & Diver PC.

The defendants are represented by attorneys from Jenner & Block LLP, Choate Hall & Stewart LLP,

Steptoe LLP, Williams & Connolly LLP, Crowell & Moring LLP, Pillsbury Winthrop Shaw Pittman LLP, Morgan Lewis & Bockius LLP, Troutman Pepper Locke LLP, Faegre Drinker Biddle & Reath LLP, Skadden Arps Slate Meagher & Flom LLP, Cohen & Gresser LLP, Downey Law LLC, Saul Ewing LLP, Gibson Dunn & Crutcher LLP, Jones Day, Freshfields LLP, Ropes & Gray LLP, Sidley Austin LLP, Arnold & Porter Kaye Scholer LLP, WilmerHale, Baughman Kroup Bosse PLLC, White & Case LLP and Paul Hastings LLP.

The case is Alayna D'Amico et al. v. Consortium on Financing Higher Education et al., case number 1:25-cv-12221, in the U.S. District Court for the District of Massachusetts.

--Additional reporting by Aaron Keller. Editing by Bruce Goldman.

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