

Starbucks investor suit over understaffing, high wait times presses on

2025 SECDBRF 4331 • By Andrew Allard

WESTLAW Securities Enforcement & Litigation Daily Briefing • November 21, 2025

(November 21, 2025) - Starbucks and former CEO Laxman Narasimhan must face a proposed class action claiming the company hid staffing issues in its U.S. stores that decreased customer traffic and eroded billions in shareholder value.

[*Garbaccio v. Starbucks Corp. et al.*, No. 24-cv-1362, 2025 WL 3228275 \(W.D. Wash. Nov. 19, 2025\).](#)

U.S. District Judge John H. Chun of the Western District of Washington partially denied the defendants' motion to dismiss, saying the suit adequately alleges that Narasimhan touted a "reinvention plan" for the company, even as it led to understaffing and dismal sales.

Judge Chun granted the motion in part, dismissing claims related to Starbucks' disclosures about competition in China and removing former Chief Financial Officer Rachel Ruggeri from the lawsuit.

Starbucks' image 'undermined'

Three pension funds appointed as lead plaintiffs filed a consolidated complaint Feb. 3 alleging that Starbucks' reinvention plan, announced in 2022 to improve store efficiency, was instead increasing wait times and driving customers away.

Narasimhan continued to praise the plan, telling investors in a January 2024 earnings call that it was improving employee and customer experiences, the complaint says.

The funds allege that despite these assurances, the plan caused systemic understaffing, increased wait times and a rise in abandoned mobile orders, which "undermined Starbucks' image as a premium brand."

The truth emerged April 30, 2024, when Starbucks released its second-quarter 2024 financial results, revealing a decline in store traffic and sales, the suit says. The company's share price fell more than 15% the next day — one of the steepest single-day drops in its history.

The suit includes a claim under the anti-fraud provisions of Section 10(b) of the Securities Exchange Act of 1934, [15 U.S.C.A. § 78j\(b\)](#), and Securities and Exchange Commission Rule 10b-5, [17 C.F.R. § 240.10b-5](#).

Narasimhan is also liable as a control person under Section 20(a) of the Exchange Act, [15 U.S.C.A. § 78t\(a\)](#), the complaint says.

Judge: Plausible allegations

The defendants asserted in an April 4 motion to dismiss that the suit fails to identify any materially false misstatements or omissions. The challenged remarks were either nonactionable puffery or accurate reports about the company's historical results, according to the motion.

The complaint also fails to establish a strong inference of scienter, or deceptive intent, because it does not plead a plausible motive or assert allegations about the defendants' knowledge, the motion said.

The court dismissed some claims, including those based on statements about the company's fourth-quarter performance in 2023. The plaintiffs failed to show that staffing issues and declining traffic began before 2024, according to Judge Chun.

But he allowed some claims related to the reinvention plan to proceed, saying Narasimhan's statements touting its success were not accompanied by meaningful cautionary language.

The plaintiffs also plausibly alleged that Starbucks misled investors by highlighting increased Starbucks Rewards member activity while concealing a simultaneous spike in mobile order abandonment due to long wait times, Judge Chun wrote.

The court also said the plaintiffs adequately pleaded scienter as to Narasimhan, citing his repeated assertions that he was deeply involved in the reinvention plan and directly oversaw store operations.

However, the plaintiffs failed to make similar allegations about Ruggeri, prompting the court to dismiss the claims against her without prejudice.

Erika L. Oliver of [Robbins Geller Rudman & Dowd LLP](#) represents the lead plaintiffs.

Pallavi Mehta Wahi of [Latham & Watkins LLP](#) represents the defendants.

By Andrew Allard

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TNL tennesseelookout.com/2025/11/20/tennesseans-challenge-states-private-school-voucher-program

November 20, 2025



The program has two categories of students, 10,000 set aside for those whose family incomes hit 300% of the federal subsidized lunch program, up to \$180,000, and 10,000 for students with no family income requirement.

"I've raised nine children in Memphis, and all of them have attended Shelby County Schools," said Apryle Young, a plaintiff in the lawsuit. "I've seen what our teachers can do when they have resources, and what happens when those resources disappear. We need to invest in our public schools, not abandon them."

The plaintiffs contend the law violates the education clause of the state constitution by diverting state money from underfunded schools and preventing an adequate education for students by funding schools outside the state's system of free public schools.

The lawsuit says the voucher program is unconstitutional because participating private schools don't have to meet the same academic standards, accountability measures such as tests and civil rights protections as public schools.

Private schools can discriminate against students with disabilities, LGBTQ students and those of certain religions, all of which would be illegal for public schools, the plaintiffs say. Nor are private schools required to follow the state's curriculum or special education services guaranteed for state and federal law, a release says.

In addition, teachers at participating private schools don't have to follow state certification requirements or give the state's main standardized test, which is used to determine student proficiency and teacher and school effectiveness, the release says.

"They call this 'school choice,' but the choice isn't yours, it's the private school's," said one of 10 plaintiffs, Crystal Boehm, a Hamilton County parent and preschool teacher. "They can reject your child for a disability, for your family's religion, for any reason at all. Meanwhile, public schools that educate everyone are losing the funding they need."

The plaintiffs are represented by the American Civil Liberties Union of Tennessee, Education Law Center and Southern Poverty Law Center, in addition to the Southern Education Foundation and Robbins Geller Rudman & Dowd law firm.

Lawmakers passed Lee's private-school voucher program in a January special session after postponing it in 2024 for lack of support.

The Department of Education released important dates Thursday for families wanting to apply for the money for the 2026-27 school year.

"In its first year of implementation, the Education Freedom Scholarship Program has been a remarkable success, and I look forward to continuing to deliver families with quality educational choices to best serve their students' unique needs," Education Commissioner Reynolds said in a statement.

Lee has said his only regret about the program is that it can't be available to all students, though he is planning to try to expand it next year.

The governor's spokesperson, Elizabeth Johnson said late Thursday, "Every child deserves an opportunity to succeed, and the Education Freedom Act empowers Tennessee parents to choose the school that best fits their child's needs while further investing in public schools. We're confident the court will uphold this important program that the vast majority of Tennesseans support and more than 40,000 families applied for, and look forward to serving even more students when applications open for the 2026-27 school year."

The state estimated 66% of the students who receive the funds would be returning private-school students. The Lee administration refused to show how many of the 20,000 students receiving the vouchers attended private schools last year.

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- November 21, 2025 8:15 am This article has been updated with a comment from Gov. Bill Lee's spokesperson.

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But ARE Plaintiffs' Counsel Fee Awards in Delaware Excessive?

K [dandodiary.com/2025/11/articles/corporate-litigation/but-are-plaintiffs-counsel-fee-awards-in-delaware-excessive](https://www.dandodiary.com/2025/11/articles/corporate-litigation/but-are-plaintiffs-counsel-fee-awards-in-delaware-excessive)

Kevin LaCroix

November 23, 2025



In the current heated [DExit debate](#) over whether companies incorporated in Delaware should reincorporate elsewhere (usually Texas or Nevada), one factor often cited is the expense of litigating in Delaware, usually as a shorthand reference to a contention that plaintiffs' counsel's fee awards in Delaware's court are out of control. This argument typically cites to a few recent cases in which the fees awarded unquestionably were large; recent academic studies have taken the argument further to contend that the fees awarded in some cases were excessive.

However, a more recent study, based on a comprehensive overview of all Delaware court fee awards in the last ten years, challenges the premise that fee awards are out of control; the study finds, rather, that fee awards generally have been within reasonable bounds, and argues that a very small number of outliers should not drive the analysis of the issues. The study concludes that Delaware's flexible approach to fee awards provides the appropriate incentives for plaintiffs' counsel and includes safeguards to protect against excessive fee awards. Perhaps most significant in light of the current controversy is the study's authors' finding that "we find no evidence that Delaware fees are systematically excessive."

The November 5, 2025, study, written by Delaware Court of Chancery Judicial Clerk Gilda Sophie Prestipino and Stanford Law School Professor Michael Klausner, can be found [here](#). The authors' November 20, 2025, *Harvard Law School Forum on Corporate Governance* post about the article, entitled "Attorneys' Fee Awards in Delaware: Some Much-Needed Data to Calm the Waters," can be found [here](#).

Background

Over recent years, Delaware's courts have developed a framework governing fee awards for plaintiffs' attorneys in class actions and derivative suits. The framework incorporates a multifactor analysis that takes into account the benefits conferred in the litigation, the time and effort of counsel, the relative complexity of the litigation, the risk inherent in the fee arrangement, and the standing and ability of counsel. Of these factors, the Delaware Supreme Court has said that the benefit conferred is the most important one. The Supreme Court has endorsed an approach where the fee award percentage increases for cases that settle later in the litigation process.

In recent months, high dollar value attorneys' fee awards in certain high-profile Delaware cases have raised concerns that have stirred controversy and even triggered legislative action. The two awards most often cited are the [\\$345 million fee award in *Tornetta v. Musk*](#) (in which case the court rescinded Tesla CEO Elon Musk's \$51.4 billion pay package) and the [\\$266 million award in the Dell Technologies settlement](#).

Recent academic papers ([here](#) and [here](#)) by Joseph Grundfest and Gal Dor of Stanford Law School, discussing cases in which the Delaware Chancery Court awarded attorneys' fees with *lodestar multipliers of seven or more*, have further fueled the controversy. (The "lodestar" is based primarily on the time attorneys have worked on a case multiplied by an appropriate hourly rate.)

The controversy surrounding the amount of plaintiffs' fee awards has sparked outrage. Recent [public commentary has suggested](#) that numerous companies have cited "over-inflated fee awards" as one reason they have moved out of Delaware. (It is relevant to point out here that Texas, one of the states often cited as an alternative to Delaware, has a [fee limit of four times the lodestar](#).)

In February 2025, the Delaware legislature, sensitive to the current DExit threat, passed [Senate Concurrent Resolution No. 17](#), adjacent to [SB 21](#) (which was designed to address perceived concerns fueling the DExit phenomenon), requesting the Council of the Corporation Law Section of the Delaware State Bar Association to prepare a report of recommendations for legislative action regarding attorneys' fee awards in corporate litigation cases. The initial deadline was March 31, 2025, which was extended to December 31, 2025.

The Paper's Analysis

In their paper, the authors analyze ten years of Delaware attorneys' fee award data relating to 193 settled cases, six cases litigated through trial, and 33 cases that were mooted and voluntarily dismissed. The data shows that in general awards are far short of the seven times lodestar multiple that has triggered discussion. The authors conclude that the median lodestar multiple for all settled cases is 1.43 and the mean multiple is 1.86. Even at the 75th percentile of all fee awards, the multiple is 2.42 times the lodestar. The author's note that among settled case, only two of 193 resulted in fees seven times the lodestar.

The authors note further that cases with the high lodestar multiples on which critics have focused also involved very high shareholder recoveries, an observation the authors suggest should be unsurprising since fees are based primarily on a percentage of the plaintiffs' monetary recovery or other benefit provided. One would expect, the authors note, that "some high-recovery cases result in fees that are a high value of the potential recovery," adding that the hours a plaintiffs' lawyer devotes to a case "are not necessarily proportionate to the recoveries."

To get at these issues further, the authors break down the analysis, focusing on fee awards only in cases with monetary recoveries (in recognition that in cases without monetary recoveries the value of the benefit conferred could be debated). The analysis shows that generally the lodestar multiplier used in the fee award increases as the dollar value of the settlement increases. In the largest quartile of cases with monetary settlements (involving settlements between \$44 million and \$1 billion), the mean and median lodestar multiples were 2.74 and 2.61, respectively, and even in the 75th percentile of settlements within that bracket, the lodestar was 3.35.

The "bottom line," the authors note is that the "high fee awards on which the critics concentrate constitute a thin tail in the distribution of settled and tried cases." The authors acknowledge that "the visibility of the outliers makes them politically salient." However, from a policy perspective, the authors "question whether the statistical tail should wag the dog," adding that occasional high fees in high-recovery cases are a "natural result of a regime that provides plaintiffs' lawyers an incentive to pursue the largest recovery they can obtain for shareholders."

The authors reject proposals that would limit fee awards to a specified percentage or to a lodestar multiple cap. A lower percentage fee limit, even just for high recovery cases, "would tend to reduce plaintiffs' attorneys' incentives to obtain the

best recovery for their clients” adding that in cases requiring the greatest amount of legal work, “the incentives to press forward for the best recovery for shareholder could be impaired.”

A loadstar-based cap, the authors suggest, “would be worse, both from an incentive and judicial economy perspectives.” Plaintiffs’ lawyers would have no incentive to settle cases early for high amounts, as they would have incentives to keep billing hours at the capped multiple rate. Later in the case, plaintiffs’ lawyers, rather than risking a loss, would have an incentive to accept a lower settlement as long as it yields fees at the cap. “Creating such a misalignment of lawyer and client interests is a high price to pay for reducing fees in 1% of the cases.” Legislative intervention to address outliers, the authors suggest, is unnecessary.

Discussion

In the academic corner of this debate, two of the key antagonists happen to both be law professors at Stanford Law School – that is, Professors Joseph Grundfest and Michael Klausner. I happen to be acquainted professionally with both of them, and it is my hope to continue good relations with both of them. I would not want my remarks here to impair those good relations.

All of that said, I have to imagine that the atmosphere in the Stanford Law School faculty lounge might be just a little bit frosty these days. Among other things, the paper Klausner co-authored says with respect to the papers that Grundfest co-authored on the Delaware attorneys’ fee issue that the Grundfest co-authored papers reflect analysis that is “based on minimal data and suffers from other methodological flaws.” Ouch! To be sure, in saying this, the paper Klausner co-authored is expressly citing the work of other academics critical of the papers Grundfest co-authored. But still.

I have one other preliminary observation, which that is that Professor Klausner arguably has a dog in this fight. As he himself notes in a footnote at the outset of the paper, Klausner is currently acting as co-counsel in Delaware Chancery Court cases on behalf of plaintiffs involving special purpose acquisition companies. Meaning no disrespect, but from one perspective, it could be argued that Klausner might not be a totally disinterested participant in the debate over the size of plaintiffs’ attorneys’ fees in Delaware. (I have previously written on this blog about Professor Klausner’s involvement in the Delaware SPAC-related litigation, for

example, [here](#).) I suppose it could also be questioned what difference it makes even if he is an interested commentator. He was after all forthcoming about his interest.

I will say that for all of the fee award analysis in the Klausner co-authored paper, there is still the problem of the massive fee awards in the Tesla and Dell cases. While they may be outliers, and they and other large fee award cases may represent only a very small percentage of all fee award cases, the numbers involved are so large that of course they are dominating the debate. Fee awards of, in one case, more than a third of a billion dollars, and in the other case, more than a quarter of a billion dollars, simply boggle the mind.

Professor Klausner does a brave job defending the existing system that allowed these outsized awards. I very carefully read his and his co-author's essay about making sure the system is providing the necessary incentives for plaintiffs' lawyers to continue to push for the very best recovery for their clients. I have two observations about this analysis; one has to do with effects and consequences, and the other has to do with incentives.

First, with respect to effects and consequences. I note that even conceding for the sake of argument everything that the authors have posited with respect to incentivizing plaintiffs' counsel, there is still the critical issue of public perception of the courts and their processes. The fact is that the size of the largest fee awards is mind-boggling, and almost inevitably begs the question whether something has gone terribly wrong. I think there is a very real danger that the appearance of uncontrolled plaintiffs' fee awards runs the risk of bringing disrepute upon the court. And in the midst of the current DExit debate, the Delaware courts' reputation is a matter of critical concern.

The authors may be correct that the data do not support the conclusion that fee awards in Delaware are "systematically excessive" – but it may also be true that even if the fee awards in Delaware are not *systematically* excessive, they are perhaps *occasionally* excessive, and that occasional excess is a large enough problem that it can't be ignored. And arguably should be fixed.

And, second, with respect to the issue of plaintiffs' counsel's incentives, I think it would not be too cynical to say that most lawyers would be sufficiently motivated by the prospect of a nine-figure fee award, even if the award does not in the end quite come to a third or even a quarter of a billion dollars. In that regard, it should be noted that under the authors' own analysis, the mean, median, and 75th

percentile loadstar multipliers were in every category of the authors' analysis *below* the four times lodestar multiplier cap that Texas has mandated. Given that, how constrained would plaintiffs' lawyers' incentives really be, even if the Delaware legislature were to impose some sort of cap or limit on plaintiffs' fee awards?

It may be as the authors suggest that mere "outliers" should not drive the debate on the attorneys' fee award issue. It may be that the tail should not wag the dog. However, there are other values at stake here other than ensuring the plaintiffs' lawyers' incentives. In particular, public perception of the courts and their processes matter. That would be true even if we were not in the midst of the DExit debate. But given that we are in the midst of the DExit debate, public perception arguably matters even more.

I could be wrong, of course, but I suspect that in the end, the Delaware legislature, very much alarmed by the threat to the state that the DExit phenomenon represents, will opt for some sort of top end limit or cap on plaintiffs' fee awards.

Those readers interested in the data and analytic issues (especially with respect to methodology) will want to review the [recent commentary](#) of Anthony Rickey of Margrave Law LLC, especially at the end of the article where he discusses the Klausner co-authored analysis. Rickey questions whether, given changes in the case law in Delaware's courts over time, the fee awards over the ten year period studied can be analyzed together or rather should be broken out to separate the effects of merger objection cases and mootness fee awards.

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Judge rejects objections to Schwab settlement, lawyers' fees

 [reuters.com/legal/government/judge-rejects-objections-schwab-settlement-lawyers-fees-2025-11-24](https://www.reuters.com/legal/government/judge-rejects-objections-schwab-settlement-lawyers-fees-2025-11-24)

Mike Scarcella

November 24, 2025

The company logo for Financial broker Charles Schwab is displayed at a location in the financial district in New York, U.S., March 20, 2023. REUTERS/Brendan McDermid [Purchase Licensing Rights, opens new tab](#)

WASHINGTON, Nov 24 (Reuters) - A federal judge in Texas on Monday granted final approval to a settlement resolving claims that Charles Schwab's [\(SCHW.N\)](#), [opens new tab](#) merger with TD Ameritrade violated antitrust law and awarded the plaintiffs' lawyers \$8.25 million in fees, overruling complaints that the deal provided no direct payout to class members.

U.S. District Judge Amos Mazzant in his [ruling, opens new tab](#) said the settlement, which provides non-monetary benefits for nearly 25 million Schwab customers, is fair and reasonable.

Mazzant rejected several objections to the deal, including claims that the settlement or at least the plaintiffs' fee request should be denied because Schwab had agreed only to implement an antitrust compliance program and not to pay into a settlement fund.

The lawsuit, filed in 2022, alleged Schwab's merger substantially lessened competition in the retail order flow market, harming customers through reduced price improvement on trades. Schwab had denied any wrongdoing in agreeing to settle.

Schwab and lead attorneys for the plaintiffs did not immediately respond to requests for comment.

According to the plaintiffs, the compliance program Schwab agreed to adopt could yield price improvements on trades worth \$10.7 million to \$14.5 million in monthly savings for retail customers.

The state of Iowa in an [objection to the settlement](#) said the plaintiffs' lawyers should not receive an "outsized reward" in fees for a class action that did not lead to a large recovery.

Schwab supported the settlement and [did not oppose, opens new tab](#) the fee award. Mazzant found the attorneys' hours and rates reasonable given the complexity of the case.

The judge said injunction-only settlements are allowed and that the compliance program offers meaningful benefits. The settlement does not bar individuals from suing for damages.

The case is Corrente et al v. The Charles Schwab Corporation, U.S. District Court, Eastern District of Texas, No. 4:22-cv-00470-ALM.

For plaintiffs: Yavar Bathaee and Brian Dunne of Bathaee Dunne; Christopher Burke of Burke LLP; Chad Bell of Korein Tillery; and Elizabeth DeRieux of Capshaw DeRieux

For Schwab: Jason Mendro and Cynthia Richman of Gibson, Dunn & Crutcher; Veronica Moyé of King & Spalding; and Melissa Smith of Gillam & Smith

Read more:

[Wealth management firms to pay \\$25.5 million to settle employees' class action](#)
[Lawyers face objections to multimillion-dollar fees after no-cash settlement with Schwab](#)

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Securities

This Week in Chancery Court: Discovery in Focus Sale Challenge

Nov. 24, 2025, 2:00 AM PST

It's a quiet week at the Delaware Chancery Court, with state courts closing for the Thanksgiving holiday weekend.

A couple hearings from the Chancery calendar:

Monday: In re Peloton Interactive, Inc. S'holder Deriv. Litig., Del. Ch., No. 2022-1051, teleconference 11/24/25.

At issue: In July, the US District Court for the Eastern District of New York gave final approval for a settlement mandating corporate governance changes to resolve three lawsuits alleging Peloton Interactive Corp. and its senior leaders pocketed millions from insider trading while hiding safety problems with the fitness company's treadmills. The litigation in Chancery Court now must be formally closed. Each plaintiff in the lawsuits will receive a \$1,500 service award, and a \$1.75 million fee award will be shared by all plaintiffs' counsel, according to a filing in the Chancery Court.

Court action: Teleconference.

Peloton, Board Settle Insider Trading Cases on Treadmill Safety

Tuesday: Anchorage Police & Fire Ret. Sys. v. Adolf, Del. Ch., 2024-0354, teleconference 11/25/25.

At issue: Goldman Sachs and former executives of Focus Financial Partners Inc. sought to dismiss an investor challenge to Focus' \$7 billion sale to a private equity firm. Chancellor Kathaleen St. Jude McCormick decided April 3 to convert the motions to dismiss into motions for summary judgment to allow a pension fund limited discovery into the issues surrounding their theory that a strategic buyer was excluded from the sale process. McCormick now will consider the pension fund's motion to compel regarding the scope of that discovery, which the defendants oppose.

Court action: Teleconference.

Focus' \$7 Billion Sale Hit With Proposed Investor Class Action

Securities

Blue Ridge Bankshares' \$2.5 Million Investor Deal Gets Court Nod

Nov. 21, 2025, 11:28 AM PST

Blue Ridge Bankshares Inc.'s \$2.5 million settlement earned a federal court's final approval to resolve investor allegations tied to its loan accounting.

The US District Court for the Eastern District of New York magistrate judge who'd previously recommended the agreement be preliminarily approved granted his official final blessing several months after taking over as the presiding judge of the case. Magistrate Judge Joseph A. Marutollo granted class counsel one third of the sum, about \$833,333, in attorneys' fees and about \$45,415.00 in expenses reimbursed, plus awarded the investor leading the case \$3,500, according to docket entries Thursday.

The suit, which Blue Ridge denied wrongdoing in for the settlement, alleged a briefly-employed lending executive made ill-advised loans in 2022 amounting to around \$60 million

Blue Ridge's share price fell almost 34% the day after saying it had to restate certain financials for incorrectly recording the loans—the stock's steepest single-day decline since 2013, according to data compiled by Bloomberg

The class includes those who got Blue Ridge stock from Feb. 3, 2023, through Oct. 31, 2023

Rosen Law Firm PA is class counsel. McGuireWoods LLP represents Blue Ridge Bankshares, the holding company of Blue Ridge Bank NA. Neither law firm immediately responded to an email seeking comment.

The case is Hunter v. Blue Ridge Bankshares, Inc. , E.D.N.Y., No. 1:23-cv-08944, final judgment 11/20/25 .

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Judge in Generic Pharma MDL Orders Firms Halt 'Rife With False and Misleading Statements' About Claims Process

U.S. District Judge Cynthia Rufe, of the Eastern District of Pennsylvania, gave the claims recovery firms seven days to provide lead counsel with a list of names and contact information for all class members they contracted with, and to disclose all marketing efforts, including emails, websites, social media posts.

November 21, 2025 at 05:35 PM By  **Amanda Bronstad**

What You Need to Know

- The motion comes as class action attorneys are grappling with the advent of third parties that, through the use of technology, have advertised their services to assist potential class members in making settlement claims, usually for a fee
- In lead counsel's motion about the claims recovery firms, Liebenberg mentions that some have encouraged class members to opt out of the settlements.
- Th claims are for settlements with Apotex Corp., Heritage, Sun/Taro and Sandoz, four drugmakers in multidistrict litigation accused of fixing the prices of generic drugs.



A federal judge in Pennsylvania ordered more than half a dozen “claims recovery firms” and individuals associated with them to rescind their contracts with class members obtained through misleading solicitations that promised a share of antitrust settlements with generic pharmaceutical manufacturers.

In a Nov. 19 order, U.S. District Judge Cynthia Rufe of the Eastern District of Pennsylvania barred the claims recovery firms from interfering with the distribution of settlements with Apotex Corp., Heritage, Sun/Taro, and Sandoz, four drugmakers in multidistrict litigation accused of fixing the prices of generic drugs.

Rufe gave the firms seven days to provide lead counsel with a list of names and contact information for all class members they contracted with, and to disclose all marketing efforts, including emails, websites, social media posts, and correct any false or misleading statements, particularly since the claims process has not yet begun.

She ordered them to show up for a Dec. 3 hearing.

The order grants a motion filed by lead counsel for the end-payer plaintiffs for relief to halt and correct misleading, false and deceptive marketing, including emails, websites and social media posts, of the claims recovery firms.

“Their extensive marketing campaigns, websites, social media postings, and emails are rife with false and misleading statements and material omissions,” Roberta Liebenberg, of Philadelphia’s Fine, Kaplan & Black, wrote in the Nov. 11 motion. For example, she wrote, one firm promises a chance to share in a \$600 billion fund, which it says is part of a government program rather than a class action.

“Many of the solicitations create a false sense of urgency by warning EPP class members they must act imminently before fictitious deadlines,” she wrote. “The claims recovery firms also misrepresent that they are working with lawyers who are part of the MDL, but the only law firm named in any of the solicitations has nothing to do with the MDL.”

Emails to the claims recovery firms and individuals named in the order, if identified, were either not returned or bounced back. They include Lightwave Solutions and Pearl Logic.

Gerry Blum, of Innovation Programs, one of the claims recovery firms, declined to comment, and Paul Flowers, at Superior Insurance Advisors, another claims recovery firm, told Law.com in an email, “Whistleblowers typically get put under the microscope when there's a larger game at play.

This is no different. When looking to see whose best interests are being upheld, my personal motto is to follow the dollar... That tells the story."

Liebenberg and Paul Costa, of Fine Kaplan, another lawyer involved in the litigation, did not respond to a request for comment.

The motion comes as class action attorneys are grappling with the advent of third parties that, through the use of technology, have advertised their services to assist potential class members in making settlement claims, usually for a fee. In his [2023 order](#) granting final approval of Juul's \$255 million settlement, U.S. District Judge William Orrick of the Northern District of California upheld the settlement administrator's rejection of thousands of claims filed by a claims recovery firm called ClaimClam.

'None of This is True'

In her motion, Liebenberg wrote that many class members in the generic pharmaceutical antitrust litigation are confused, some of whom have reached out to lead counsel. In a declaration, Liebenberg said one of them was Steve Serck, university counsel at Gardner-Webb University, who received an Oct. 23 email from Mark Hoffman, of Lightwave Solutions Inc.

The email, attached to the declaration, states that Lightwave "has a relationship directly with the consortium of attorneys that is handling the multi-district litigation" and will act as a liaison under a subrogation agency agreement with a law firm referred to as David Grossman & Associates, or Grossman & Kelly, which would receive 30% of the recovery. "The deadline to sign up for this is now December 1st, 2025," the email says.

"None of this is true," Liebenberg wrote in italics. "Indeed, there is no need for any class member to do anything at this time."

Grossman also works with another "claims recovery firm," Pearl Logic Inc., she wrote. Her motion names six others working with Pearl Logic—Andy Crawford, Christine Anderson, Christine Pierce, Keith Anderson, Barry Rowley and Nelson Griswold—some of whom have made false statements about their involvement in the case on their LinkedIn posts.

Pearl Logic, she wrote, is disseminating a nine-page document with several facts about the settlements and gives the false impression that lead counsel hired it.

"Taken together," she wrote, "they create the false impression that there is a massive recovery available to anyone who signs up with Pearl Logic in the next month or two and that unless one signs up with Pearl Logic—which has been supposedly appointed by lead counsel and the government to process and verify claims—they will get nothing."

Other entities are Shaynaz Malleck and Acrutiv/Hudson Planning Group, which each have websites devoted to the litigation, and Gerald Blaum, of Innovation Programs, who sent a Nov. 6 email to Costa, stating that, “One of the groups I have been discussing this with is Lancaster Lebanon Intermediate Unit 13. Their solicitor spoke to the solicitor of another Intermediate Unit, who said they spoke to you and came away concerned that there may be some fraud involved with what we are doing. I can't tell you how distressing that is to all of us associated with our efforts. It's very important to me personally and potentially to all the people I have been talking with to be aware of anything that is not proper and above board. Can you please either call me or respond to this email as soon as possible?”

On Tuesday, Liebenberg updated her request to include additional misleading information disseminated by Pearl Logic or individuals associated with it, including Rocky Cathey and Larry DiGiovanni, who sent an Oct. 29 email listing companies that had signed up such as Kroger's, Target and American Airlines. Other firms are Superior Insurance Advisors and Paul Flowers, who posted a YouTube video called “Exposing Big Pharma's \$600B Secret Payout—Act Now to Claim Your Share”; Employers Consulting Group; and Richard Giraldez of Remote Medical Solutions.

This week, Rufe granted final approval as to the [\\$58 million settlement](#) with Apotex, which agreed to pay \$48 million, and Heritage Pharmaceuticals and Emcure Pharmaceuticals, together contributing \$10 million. The Apotex payment may be reduced to about \$12 million, Rufe wrote, based on the number of opt-outs from the settlement.

In lead counsel's motion about the claims recovery firms, Liebenberg mentions that some have encouraged class members to opt out of the settlements.

Liebenberg sought an order declaring opt-out requests submitted by the claims recovery firms as invalid. She also sought a curative notice to class members who may have received the solicitations, paid for by the claims recovery firms. She cited a [June 5](#) order by U.S. Magistrate Judge Joseph Spero of the Northern District of California that invalidated mass opt-outs solicited by a claims recovery firm as part of a \$7.25 million privacy class action settlement with Patreon.

Rufe granted those requests. Next month's hearing, she wrote, would determine whether the firms obeyed her order and “whether further relief or actions are required to ensure that funds from the settlement are distributed to the plaintiff calls in full and in accordance with past and future orders of this court.”

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Meta buried 'causal' evidence of social media harm, US court filings allege

 [reuters.com/sustainability/boards-policy-regulation/meta-buried-causal-evidence-social-media-harm-us-court-filings-allege-2025-11-23](https://www.reuters.com/sustainability/boards-policy-regulation/meta-buried-causal-evidence-social-media-harm-us-court-filings-allege-2025-11-23)

Jeff Horwitz

November 23, 2025

- Plaintiffs allege Meta hid product risks from users and authorities
- Meta accused of ineffective youth safety features and prioritizing growth over safety
- Meta opposed unsealing of internal documents in court
- Meta allegedly ignored valid research findings on mental health impacts
- TikTok allegedly influenced National PTA to publicly support its safety claims

Nov 22 (Reuters) - (This Nov. 22 story has been corrected to remove the reference to Instagram in paragraph 1 and 2. It also corrects the type of lawsuit in paragraph 1 and removes reference to Clegg in paragraph 4)

Meta shut down internal research into the mental health effects of Facebook after finding causal evidence that its products harmed users' mental health, according to unredacted filings in a lawsuit by U.S. school districts against Meta and other social media platforms.

In a 2020 research project code-named "Project Mercury," Meta ([META.O](#)), [opens new tab](#) scientists worked with survey firm Nielsen to gauge the effect of "deactivating" Facebook, according to Meta documents obtained via discovery. To the company's disappointment, "people who stopped using Facebook for a week reported lower feelings of depression, anxiety, loneliness and social comparison," internal documents said.

Rather than publishing those findings or pursuing additional research, the filing states, Meta called off further work and internally declared that the negative study findings were tainted by the "existing media narrative" around the company.

Privately, however, a staffer insisted that the conclusions of the research were valid, according to the filing.

"The Nielsen study does show causal impact on social comparison," (unhappy face emoji), an unnamed staff researcher allegedly wrote. Another staffer worried that keeping quiet about negative findings would be akin to the tobacco industry "doing research and knowing cigs were bad and then keeping that info to themselves."

Despite Meta's own work documenting a causal link between its products and negative mental health effects, the filing alleges, Meta told Congress that it had no ability to quantify whether its products were harmful to teenage girls.

In a statement Saturday, Meta spokesman Andy Stone said the study was stopped because its methodology was flawed and that it worked diligently to improve the safety of its products.

"The full record will show that for over a decade, we have listened to parents, researched issues that matter most, and made real changes to protect teens," he said.

PLAINTIFFS ALLEGE PRODUCT RISKS WERE HIDDEN

People walk behind a logo of Meta Platforms company, during a conference in Mumbai, India, September 20, 2023. REUTERS/Francis Mascarenhas [Purchase Licensing Rights, opens new tab](#)

The allegation of Meta burying evidence of social media harms is just one of many in a late Friday filing by Motley Rice, a law firm suing Meta, Google ([GOOGL.O](#)), [opens new tab](#), TikTok and Snapchat ([SNAP.N](#)), [opens new tab](#) on behalf of school districts around the country. Broadly, the plaintiffs argue the companies have intentionally hidden the internally recognized risks of their products from users, parents and teachers.

TikTok, Google and Snapchat did not immediately respond to a request for comment.

Allegations against Meta and its rivals include tacitly encouraging children below the age of 13 to use their platforms, failing to address child sexual abuse content and seeking to expand the use of social media products by teenagers while they were at school. The plaintiffs also allege that the platforms attempted to pay child-focused organizations to defend the safety of their products in public.

In one instance, TikTok sponsored the National PTA and then internally boasted about its ability to influence the child-focused organization. Per the filing, TikTok officials said the PTA would "do whatever we want going forward in the fall... (t)hey'll announce things publicly(,), (t)heir CEO will do press statements for us."

By and large, however, the allegations against the other social media platforms are less detailed than those against Meta. The internal documents cited by the plaintiffs allege:

1. Meta intentionally designed its youth safety features to be ineffective and rarely used, and blocked testing of safety features that it feared might be harmful to growth.
2. Meta required users to be caught 17 times attempting to traffic people for sex before it would remove them from its platform, which a document described as "a very, very, very high strike threshold."
3. Meta recognized that optimizing its products to increase teen engagement resulted in serving them more harmful content, but did so anyway.
4. Meta stalled internal efforts to prevent child predators from contacting minors for years due to growth concerns, and pressured safety staff to circulate arguments justifying its decision not to act.
5. In a text message in 2021, Mark Zuckerberg said that he wouldn't say that child safety was his top concern "when I have a number of other areas I'm more focused on like building the metaverse." Zuckerberg also shot down or ignored requests by Nick Clegg, Meta's then-head of global public policy, to better fund child safety work.

Meta's Stone disputed these allegations, saying the company's teen safety measures are effective and that the company's current policy is to remove accounts as soon as they are flagged for sex trafficking.

He said the suit misrepresents its efforts to build safety features for teens and parents, and called its safety work "broadly effective."

"We strongly disagree with these allegations, which rely on cherry-picked quotes and misinformed opinions," Stone said.

The underlying Meta documents cited in the filing are not public, and Meta has filed a motion to strike the documents. Stone said the objection was to the over-broad nature of what plaintiffs are seeking to unseal, not unsealing in its entirety.

A hearing regarding the filing is set for January 26 in Northern California District Court.

Reporting by Jeff Horwitz in San Francisco; Editing by Nick Zieminski and David Gregorio

Meta halted internal research suggesting social media harm: court filing

 [cnbc.com/2025/11/23/meta-internal-research-social-media-harm-court-filing.html](https://www.cnbc.com/2025/11/23/meta-internal-research-social-media-harm-court-filing.html)

Jonathan Vanian

November 24, 2025

Key Points

- Meta halted internal research that purportedly showed people who stopped using Facebook became less depressed and anxious, according to a legal filing containing newly unredacted information that was released on Friday.
- The legal brief is related to high-profile multidistrict litigation from plaintiffs such as school districts, parents and state attorneys general against companies like Meta, YouTube, Snap and TikTok.
- “We strongly disagree with these allegations, which rely on cherry-picked quotes and misinformed opinions in an attempt to present a deliberately misleading picture,” Meta spokesperson Andy Stone said in a statement.



Mark Zuckerberg, chief executive officer of Meta Platforms Inc., during a dinner with tech leaders in the State Dining Room of the White House in Washington, DC, US, on Thursday, Sept. 4, 2025. US President Donald Trump said he would be imposing tariffs on semiconductor imports “very shortly” but spare goods from companies like Apple Inc. that have pledged to boost their US investments. Photographer: Will Oliver/EPA/Bloomberg via Getty Images

Will Oliver | Bloomberg | Getty Images

[Meta](#) halted internal research that purportedly showed that people who stopped using Facebook became less depressed and anxious, according to a legal filing that was released on Friday.

The social media giant was alleged to have initiated the study, dubbed Project Mercury, in late 2019 as a way to help it “explore the impact that our apps have on polarization, news consumption, well-being, and daily social interactions,” according to the legal brief, filed in the United States District Court for the Northern District of California.

The filing contains newly unredacted information pertaining to Meta.

The newly released legal brief is related to high-profile multidistrict litigation from a variety of plaintiffs, such as school districts, parents and state attorneys general against social media companies like Meta, [Google's](#) YouTube, [Snap](#) and TikTok.

The plaintiffs claim that these businesses were aware that their respective platforms caused various mental health-related harms to children and young adults, but failed to take action and instead misled educators and authorities, among several allegations.

“We strongly disagree with these allegations, which rely on cherry-picked quotes and misinformed opinions in an attempt to present a deliberately misleading picture,” Meta spokesperson Andy Stone said in a statement. “The full record will show that for over a decade, we have listened to parents, researched issues that matter most, and made real changes to protect teens—like introducing Teen Accounts with built-in protections and providing parents with controls to manage their teens’ experiences.”

“YouTube is a streaming service where people come to watch everything from live sports to podcasts to their favorite creators, primarily on TV screens, not a social network where people go to catch up with friends,” the Google spokesperson said. “We’ve also developed dedicated tools for young people, guided by child safety experts, that give families control.”

Snap and TikTok did not immediately respond to a request for comment.

The 2019 Meta research was based on a random sample of consumers who stopped their Facebook and Instagram usage for a month, the lawsuit said. The lawsuit alleged that Meta was disappointed that the initial tests of the study showed that people who stopped using Facebook “for a week reported lower feelings of depression, anxiety, loneliness, and social comparison.”

Meta allegedly chose not to “sound the alarm,” but instead stopped the research, the lawsuit said.

"The company never publicly disclosed the results of its deactivation study," according to the suit. "Instead, Meta lied to Congress about what it knew."

The lawsuit cites an unnamed Meta employee who allegedly said, "If the results are bad and we don't publish and they leak, is it going to look like tobacco companies doing research and knowing cigs were bad and then keeping that info to themselves?"

Stone, in a series of [social media posts](#), pushed back on the lawsuit's implication that Meta shuttered the internal research after it allegedly showed a causal relationship between its apps and adverse mental-health effects.

Stone characterized the 2019 study as flawed and said it was the reason that the company expressed disappointment. The study, Stone said, merely found that "people who believed using Facebook was bad for them felt better when they stopped using it."

"This is a confirmation of other public research ("deactivation studies") out there that demonstrates the same effect," Stone said in a separate post. "It makes intuitive sense but it doesn't show anything about the actual effect of using the platform."

Stone [pushed back further](#) on the lawsuit's characterization of the study on Monday via separate posts on X, emphasizing that the portion of the study that the filing highlighted was only a "pilot" test that was one part of multi-tiered research.

"The study was intentionally designed to overcome expectation effects in order to understand the real impact of deactivation. It included a staged approach, starting with a pilot to see if these efforts would work," Stone said in the X posts.

"Unfortunately, they did not. And that is the reason this study did not continue."

— *CNBC's Lora Kolodny contributed reporting.*

WATCH: [Final trades: Meta, S&P Global and Idexx Lab.](#)

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VIDEO00:51

Final Trades: Meta, S&P Global and Idexx Lab

Meta Ordered to Pay Nearly Half-Billion Euros to Spanish Media Outlets for Privacy Violations

The mercantile court in Madrid ruled that Mark Zuckerberg's social media giant had exercised an unfair market advantage by extracting personal data of internet users in violation of European law and using it to create more effective advertising.

November 20, 2025 at 02:45 PM By **Joseph Wilson**

BARCELONA, Spain (AP) — Spanish legacy media companies in Spain scored a victory against social media giant Meta after a Madrid-based court ordered Thursday that it must pay news outlets nearly half a billion euros in damages.

According to a court statement, the mercantile court No. 15 of Madrid ruled that Mark Zuckerberg's social media giant had exercised an unfair market advantage by extracting personal data of internet users in violation of European law and using it to create more effective advertising.

The parent company of Instagram and Facebook will have to pay 481 million (\$554 million) in damages to 81 Spanish media outlets which brought the suit to court.

"The illicit treatment of this enormous quantity of personal data meant Meta had an advantage that Spanish online media could not match," the court wrote in a statement. "Meta's actions harmed the online advertising revenues of Spanish digital media outlets."

The court agreed with the Spanish media outlets that Meta had violated European regulations for five years, before the American company updated its legal base of consent on compiling personal data in 2023 to bring it in line with European law.

The 2018 EU rules, known as the [General Data Protection Regulation](#), require companies that collect personal data of users to adhere to technical and organizational measures aimed at protecting user privacy.

Meta said it will appeal, calling the ruling "baseless."

"This is a baseless claim that lacks any evidence of alleged harm and willfully ignores how the online advertising industry works," Meta said in a statement. "Meta complies with all applicable

laws, and has provided clear choices, transparent information and given users a range of tools to control their experience on our services.”

This is not the first time Meta has run afoul of the EU data norms. In 2022, [Irish regulators slapped Meta](#) with a 265 million-euro (then \$277 million) fine for breaking them.

The Spanish court said that its ruling could influence other legal cases in Europe, including in France where Meta faces a similar case.

Meta has been pushing for the EU to loosen its regulations, which offer better protection to users than in the United States.

Last week, Spain's financial markets supervisor has slapped Elon Musk’s X with a 5 million-euro (\$5.8-million) fine for allowing an unauthorized cryptocurrency platform alleged of using fraudulent publicity to advertise on the social media network.

AP business writer Kelvin Chan contributed to this story from London.

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Page printed from: <https://www.law.com/therecorder/2025/11/20/meta-ordered-to-pay-nearly-half-billion-euros-to-spanish-media-outlets-for-privacy-violations/print/>

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Securities

PayPal's Honey Sheds Influencers' Affiliate Link Hijacking Suit

Nov. 21, 2025, 2:17 PM PST

Influencers alleging PayPal Inc.'s browser shopping extension Honey stole their affiliate link commissions didn't identify a cognizable injury, a federal judge said Friday dismissing the lawsuit.

"At bottom, the problem with the" complaint "is that it does not establish the Plaintiffs were in fact entitled to those commissions pursuant to their contracts with the merchants," said Judge Beth Labson Freeman of the US District Court for the Northern District of California.

The content creators alleged Honey supplanted their affiliate links and reduced their commissions. The extension claimed to aggregate online coupons and help users easily find deals while shopping online. PayPal bought the company for \$4 billion.

Freeman noted that an important part of the affiliate marketing system was all-or-nothing "last click attribution," meaning that if multiple people advertise the same product to a consumer the last-selected link gets credited for the sale.

The content creators said that PayPal surreptitiously reloads the merchant's website and replaces their affiliate links with its own. PayPal then gets the credit for a sale, though Honey didn't drive the consumer to make the purchase, the complaint said.

But the content creators can't establish an injury by saying they were denied commissions under an industry standard when their complaint said the commissions were due because of their contracts with the merchants, Freeman said.

The complaint didn't have any allegations about the terms of the plaintiffs' agreements with the merchants, Freeman said.

The influencers' theory "at bottom amounts to no more than asking the Court to look at the state of the industry and guess as to how likely it is that PayPal has diverted commissions away from them," Freeman said.

Freeman said that even if the influencers had sufficiently alleged standing, the dearth of allegations related to the merchant contracts would be fatal to their business tort claims.

The complaint didn't allege any "breach of any duty of care," the judge said.

Without such a pleading, the complaint showed that the content creators and PayPal were "at most strangers, such that a claim for negligence cannot lie," Freeman said.

Freeman dismissed the complaint with leave to amend within 45 days.

The content creators were represented by Girard Sharp LLP, Lieff Cabraser Heimann & Bernstein LLP, and Cotchett, Pitre & McCarthy LLP.

PayPal was represented by Orrick, Herrington & Sutcliffe LLP.

The case is In re PayPal Honey Browser Extension Litig. , N.D. Cal., No. 5:24-cv-09470, 11/21/25 .

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Class Action

Manage Newsletters

Invisalign Maker Gets Final OK on its \$31.8 Million Settlement

Nov. 21, 2025, 5:09 PM PST

Align Technology Inc. received final approval Friday of a \$31.75 million settlement to resolve claims it colluded in raising the prices of its popular Invisalign teeth-straightening products.

Judge Vince Chhabria of the US District Court for the Northern District of California gave final approval of the agreement and certified a class of consumers after holding they satisfy each component of Rule 23 of the Federal Rules of Civil Procedure. The judge previously denied two other proposed settlements, citing concerns of a coupon program offered to the class members.

The suit was brought in 2021 by Invisalign customers who claimed they paid more than they should have due to the company's collusion with now-defunct SmileDirectClub

The class is composed of US customers that bought SmileDirectClub aligners for personal use during the period beginning Oct. 22, 2017, until Aug. 18, 2022

Chhabria also approved the class' motion for attorneys' fees, granting their counsel with Hagens Berman Sobol Shapiro LLP \$7.93 million in fees, reimburses roughly \$2.8 million in expenses, and gives the three class representatives \$7,500 each

The case is Snow v. Align Technology Inc. , N.D. Cal., No. 3:21-cv-03269, 11/21/25 .

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California Brief

Trump's Mark on Ninth Circuit Tested as Challenges Progress

Nov. 24, 2025, 1:45 AM PST

The influence of President Donald Trump's judicial picks on the nation's largest appeals court faces an initial test as the historically liberal San Francisco-based bench weighs challenges to the administration's agenda.

Trump reshaped the US Court of Appeals for the Ninth Circuit during his first term. He flipped four seats once held by judges tapped by Democrats and left the court with nearly as many Republican-appointed active judges as Democratic ones.

The appeals court's more balanced composition increases the odds that progressive litigants challenging Trump's second term agenda might wind up with a panel of majority Republican-appointed judges. The Ninth Circuit has 16 Democratic and 13 Republican appointees.

It also makes their chances of winning a case heard en banc—a process where a randomly selected group of active judges rethinks a panel ruling—more of a wildcard. The court has said it will reconsider a trial judge's ruling blocking the administration from deploying troops into Portland, Ore.

The Ninth Circuit was more appealing to litigants challenging policies during the first Trump administration, given its composition at the time, said University of Pittsburgh law professor Arthur Hellman. "Now, there are several other circuits that look at least as attractive, if not more so," Hellman said.

And ideological changes to the circuit courts may be dissuading progressive litigants from choosing to file as many cases in that circuit.

The Ninth Circuit is the largest appeals court. But the majority of major challenges against the second Trump administration have been filed in the DC Circuit, followed by the Boston-based First Circuit, according to Bloomberg Law's litigation tracker, which includes significant cases against the executive branch.

"When you have a case that can be brought anywhere in the country, as much of these are, why would you want to take a chance on the Ninth Circuit?" Hellman asked.

'Hard Pivot'

The first Trump administration inherited a Ninth Circuit with more than twice the number of Democratic-appointed judges as Republican appointed ones, plus several vacancies. Trump then installed 10 judges on the court between 2018 and 2020.

One sign of change since: the Ninth Circuit was the eighth most reversed court out of eleven appeals courts, excluding the DC and Federal Circuits, last Supreme Court term. In comparison, the Ninth Circuit had the highest reversal rate from 1994 to 2015, according to data from Brian Fitzpatrick, a Vanderbilt University law professor who specializes in federal courts.

The Supreme Court reversal data as an early indicator that the Ninth Circuit is becoming more ideologically balanced—or at least more in line with the US Supreme Court, which has a 6-3 conservative majority, Fitzpatrick said. Fitzpatrick's data is based on final decisions on the merits of cases and doesn't include interim emergency orders.

"These recent appointments that we've seen have firmed up the mainstream numbers, and I think now the court is just not as out of step as it used to be with the US Supreme Court," he said.

With the confirmation of Eric Tung, his first Ninth Circuit pick of his second term, Trump has appointed more than a third of the active bench, and 11 of the court's 13 Republican-picked judges. The last time that court that many Republican appointees was in 1996, according to Hellman's research.

"It is a really hard pivot to be honest with you," Fitzpatrick said.

That pivot appears to have staying power, as judges choose to retire during administrations that match the party of the president who appointed them. The court remained at a 13-16 ideological split through the Biden administration, with all of Joe Biden's nominees to the court filling seats vacated by other Democratic appointees.

The second Trump administration has notched some preliminary wins at the Ninth Circuit, which covers federal trial courts in California and eight other western states.

In September, a three-judge panel lifted most of a ruling against Trump's executive order suspending refugee admissions, after finding the government was likely to win that part of the case. All three judges on the panel were appointed by Republican presidents, including two George W. Bush appointees and one of Trump's picks.

Last month, a split three-judge panel of two Trump appointees and a Clinton appointee paused a ruling that temporarily blocked the administration from deploying National Guard members to Portland.

The full appeals court later vacated that ruling and agreed to rethink it en banc. Under the Ninth Circuit's procedures, the case will be reconsidered by a panel of 10 randomly selected active judges, plus the court's chief judge. The rehearing hasn't yet been scheduled.

The court's unique, random selection procedures mean a Republican majority en banc court is possible.

In late 2019, for instance, seven Republican-appointed judges were picked to rehear a challenge to the Trump administration's so called 'abortion gag' rule. The court later ruled 7-4, along those ideological lines, in favor of the administration.

"That process does introduce this element of uncertainty," said Susan Haire, a University of Georgia political science professor who studies appeals courts.

Muted Impact

Still, the Ninth Circuit has remained a destination for challenges to the second Trump administration's policies, including by West Coast states filing in their home districts. The party of judge's appointing president also doesn't necessarily dictate the outcome of their rulings.

All of the district courts within the Ninth Circuit still have a majority of Democratic appointees, making those courts more favorable venues for lawsuits prior to appeal.

And the impact of the recent infusion of Trump appointees on the Ninth is blunted by the significant number of semi-retired senior judges on the court who still hear cases and by the structure of the appellate process.

"The odds are that the panels will not be made up entirely of all judges appointed by Trump, but in fact kind of a mix here and there," Haire said. "At least at the appellate level, unlike district courts or certainly the Supreme Court for other reasons, it's going to be more muted."

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Booking.com Faces European Damage Claims That Could Potentially Reach Billions

Building on 2024 decisions from the European Court of Justice and Spain's independent regulatory authority, claims are expected to be filed on behalf of hotels in Spain, France, the Netherlands and the United Kingdom.

November 24, 2025 at 12:10 PM By  **Alex D'Elia**



Puerto Rico San Juan beach in the Caribbean; Credit: Maridav/Adobe Stock

Booking.com is facing multiple legal actions across Europe, including a high-profile collective redress claim in the Netherlands joined by more than 267,000 consumers, a case that could have significant financial and reputational implications for the online travel giant.

The Dutch consumers, who have booked a hotel room through Booking.com since 2013, joined a collective redress claim funded by Burford Capital's Bidwell, with De Brauw Blackstone Westbroek advising Booking.com.

Booking.com will also face other claims across Europe in 2026, as thousands of hoteliers seek damages over the online platform's practices. Claimants have turned to Geradin Partners,

Eskariam, Stephenson Harwood, and other firms for advice in those cases.

The opt-out claim filed in the Netherlands this month is brought by the Consumer Competition Claims Foundation (CCC) and *Consumentenbond*, advised by Lindenbaum, a litigation firm in Amsterdam, where Booking.com is headquartered.

The claim centers around two concerns: Booking.com's price parity clauses and dark patterns—allegedly manipulative sales practices that lead consumers to buy quicker and not look for better alternatives, according to Stefan Tuinenga, a partner at Lindenbaum.

"The latter is a violation of consumer law, and the first one is a violation of competition law," said Tuinenga.

Depending on how often someone booked, damages may amount to hundreds of euros per person, the claimants said in a statement. The total harm suffered by Dutch consumers since 2013 could amount to about €1 billion (\$1.15 billion), according to a preliminary calculation by consultancy Copenhagen Economics.

CCC held discussions with Booking.com after the collective action was launched in June, but, according to CCC Chairman Bert Heikens, talks failed to produce the desired outcome, leading to Booking.com being summoned to court.

Booking.com has previously stated that the company has "always fought to provide the best possible prices and transparent booking experience to travelers and strongly contest any allegations to the contrary."

De Brauw Blackstone Westbroek partners Machteld de Monchy and Jolling de Pree are counseling Booking.com on the matter, according to Tuinenga.

Grounds for Looming Claims

Efforts are also underway for more claims to be filed against Booking.com in France, Spain, and the Netherlands next year.

They follow two findings from 2024: a [September decision from the European Court of Justice](#) (ECJ) regarding the platform's price parity clauses, which prohibited hotels from offering overnight stays at prices lower than those offered on Booking.com; and a fine of €413 million from Spain's National Commission on Markets and Competition (CNMC) that found Booking.com abused its dominant position in the market.

Until 2015, Booking.com engaged in wide parity clauses across Europe, meaning hotels could not offer better prices on any other channels—including competing platforms like Expedia—than those offered on Booking.com.

Booking.com then adopted narrow parity clauses in 2015, only restricting hotels from offering better prices on their own websites, according to the court.

The ECJ judges said price parity clauses do not fall outside the scope of European competition law as they cannot be classified as “ancillary restraints”. They found wide parity clauses are liable to reduce competition between hotel reservation platforms and carry the risk of ousting small platforms and new entrants.

De Brauw Blackstone Westbroek represented Booking.com before the court with a team that included de Pree.

Booking.com’s price parity clauses have been removed across the European Union as a part of its compliance with the Digital Markets Act, under which Booking.com has been designated as a gatekeeper.

“We continue to believe that parity clauses have enabled us to provide good prices, great prices on our platform to customers,” said Peter Lochbihler, Booking.com's global head of public affairs.

He said Booking.com interprets the ECJ ruling as simply stating that price parity clauses fall under the scope of competition law—not that they were anti-competitive—and any anti-competitive effects are to be judged case by case.

Spain and France

Eskariam and Geradin Partners have formed an alliance to bring damages claims in Spain and France against Booking.com on behalf of hotels.

Compass Lexecon consulting estimates that Booking.com’s price parity clauses have cost Spanish hoteliers €3–4 billion over 20 years—highlighting the massive financial stakes in the ongoing legal battles. Additional damages could be claimed for Booking.com's abuse of its dominant position in the market found by Spain’s CNMC, according to Juan Álvarez Goya, COO at Eskariam.

Spain’s regulatory authority found Booking.com imposed—through a narrow price parity clause, among others—unfair trading conditions on hotels located in Spain and restricted competition from other online travel agencies.

The CNMC also found a lack of transparency around Booking.com's preference schemes, which impact how hotels are positioned on the platform and were also [scrutinized by the Italian Competition Authority](#).

Booking.com is “firmly convinced” that the programs are pro-competitive and bring value to partners and travelers, said Lochbihler. Booking.com has appealed the €413 million fine in Spain with the support of Clifford Chance.

Eskariam expects to file its claim on behalf of hotels by the second quarter of 2026, possibly in Barcelona where Booking.com's Spanish subsidiary is based, according to Álvarez Goya. Nearly 1,000 hotels have already signed on to the first claim, which will be followed by others.

“This is a case that has only just begun,” said David Fernández, CEO of Eskariam.

Some 1,000 French hotels are also expected to join a national claim seeking damages for Booking.com's “illicit” practices from 2015 to 2024, said Marc Barennes, the Geradin partner leading the action. The total amount of damages suffered by French hoteliers is estimated to be nearly €1.5 billion.

The claim, expected to be filed in Paris in the first half of next year, will also encompass an issue of excessive pricing stemming from Switzerland, where the [Price Supervisor ordered this year](#) that Booking’s commission rates for Swiss hotels were too high and had to be reduced by almost a quarter. That decision is also being appealed by Booking.com.

The Netherlands & U.K.

A pan-European collective action supported by HOTREC, an umbrella association of hotels, restaurants, bars and cafés in Europe, and more than 30 national hotel associations, is being prepared with the legal support of Volker Soyez, a partner at Schneider Geiwitz.

More than 15,000 hotels from across Europe have registered in the claim that will zero in on Booking.com's price parity clauses. The largest number of participants come from Italy, the Netherlands, Greece, Austria and Germany, according to HOTREC.

Germany has banned parity clauses since the Federal Supreme Court ruled in 2021 that Booking.com's narrow parity clause applied in the country violated competition law. The claim is expected to be lodged in the Netherlands in early 2026 and be lengthy, Soyez said, as the bundled claims will have to be analyzed individually.

In the U.K., Stephenson Harwood has been tapped, among other counsel, by the Bed and Breakfast Association to prepare opt-out collective proceedings against Booking.com regarding

the platform's price parity policies. The team is led by partners Genevieve Quierin, Ben Sigler and Tim Knight.

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California Brief

Insight

Litigation Funders Looking to Invest in Law Firms Face Hurdles

Nov. 24, 2025, 1:30 AM PST

The litigation funder Burford Capital intends to purchase minority stakes in US law firms. And more recently, AmLaw 50 firm McDermott Will & Schulte has announced that it is in preliminary discussions regarding a potential restructuring in which it would sell a portion of its operations to a third-party investor.

Legal ethical rules (outside of a few specific jurisdictions such as Arizona) prohibit non-lawyers from owning law firms, but Burford has alluded to using management service organizations in acquiring law firms.

These businesses, known as MSOs, contract with another company to provide administrative and operational services for a fee. Any industry can use an MSO, but the MSO structure has become the go-to method for private equity funds to “acquire” professional services firms in places that only licensed professions, such as medical practices or certified public accounting firms, can own them.

The complexity of these acquisitions results from the legal and regulatory hurdles faced by non-professionals seeking ownership and operation of these entities.

Medical Management

Medical practices were the first professional services industry to attract widespread private equity attention. State laws governing the corporate practice of medicine generally prohibit acquisitions of these practices by non-physicians. These laws prevent unlicensed corporations from owning medical practices, controlling their activities, or employing physicians.

To circumvent those laws, an MSO acquires all of a medical practice’s non-medical assets and then contracts to provide services, rather than take direct ownership of a medical practice. If left unfettered, an MSO could absorb all of the medical practice’s income, leaving only enough money to compensate the medical practitioners remaining at the practice.

States such as New York and California restrain this structure through fee-splitting prohibitions that limit the health-care MSO's ability to capture profits from the practice. While many states prohibit non-professionals from directly influencing the physician/client relationship, the MSO's ability to take on direct administrative functions and apply significant financial pressures enables them to exert substantial control.

Law Firm Entrance

The use of MSOs in the law firm space is a much newer trend—one that private equity firms (and especially litigation funders) seeking new outlets for their investment capital are keen to explore.

For traditional litigation finance firms, which are adept at underwriting risks associated with litigation outcomes and collection risk, investing in MSOs would seem like a natural fit.

As with health-care practices, the MSO structure for law firms entails a firm essentially splitting into two parts: One being the legal service-providing, client-facing portion, and the other being the MSO, which takes over functions related to administration, accounting, technology, human resources, and real estate.

MSOs typically provide the capital necessary for the practices to succeed, avoiding the need for additional borrowing. Cutting-edge computer technology, cybersecurity safeguards, and artificial intelligence tools have become a necessary part of practicing law in the US and, for many smaller law firms, prohibitively expensive. The ability to access outside capital through MSOs may be a perfect solution for some firms.

Demographics also play a role. Many “founder” law firms are led by an aging generation that may be looking to scale back their duties and/or take some money off the table. Being relieved of the administrative responsibility of running the firm and selling non-legal assets to the MSO may be an attractive solution for them.

MSO Challenges

Whether MSOs in the law firm space comply with legal ethical rules is uncertain. The vast majority of states prohibit ownership of law firms by—and the sharing of legal fees with—non-lawyers. MSO investors would argue that they're vendors, no different from the law firm's outside messenger service.

The counterargument is that MSOs would become so entwined with the day-to-day management of the firm that it isn't reasonable to believe they aren't interfering with the firm's attorney-client relationships.

Only one decision so far, from the Texas Commission on Professional Ethics, has touched on the issue. The commission ruled that MSO fees based on a percentage of the firm's revenues would constitute prohibited fee-sharing.

So MSO fees that are fixed or are “cost-plus” may be permitted, at least in Texas. But it's unclear how MSOs will be viewed in other US jurisdictions with more conservative legal ethics administrators.

Another big challenge for MSO investors in law firms is that their most valuable assets essentially walk out the door every evening: The law firm partners are generally free to retire or move to other firms at any time.

Because most forms of non-compete agreements for attorneys are unenforceable, it's difficult to guarantee that an investor's "collateral" will remain for the length of the investment term. Investors must ensure the rainmaking partners of the firm have enough incentive to stay. Providing these partners with minority equity in the MSO itself is one tool that health-care investors use.

Investments in law firms through MSOs are distinct from investments made through alternative business structures permitted in Arizona—and in some form, other US jurisdictions such as Utah and Washington, DC—in which the elimination of the fee-sharing rules permits direct investments in law firms.

Regardless of Burford's confidence in its ability to put capital to work, the growth in the law firm MSO space is bound to attract regulatory scrutiny. State bar associations and state judiciaries soon will raise concerns about the potential for private equity firms and litigation funders to exert undue influence over law firms and otherwise interfere with the attorney-client relationship.

Until each relevant jurisdiction lays out the parameters of what MSOs may and may not do, investors should proceed with caution and take lessons from the decades of experience built up by practitioners in the health-care MSO space.

This article does not necessarily reflect the opinion of Bloomberg Industry Group, Inc., the publisher of Bloomberg Law, Bloomberg Tax, and Bloomberg Government, or its owners.

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Write for Us: Author Guidelines

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Artificial intelligence**Insurers retreat from AI cover as risk of multibillion-dollar claims mounts**

AIG, Great American and WR Berkley seek permission to limit liability from AI agents and chatbots



AIG, Great American and WR Berkley have sought US permission to offer policies excluding liabilities tied to businesses deploying AI tools including chatbots and agents © FT montage/Getty Images

Lee Harris in London and **Cristina Criddle** in San Francisco

Published NOV 22 2025



Major insurers are seeking to exclude artificial intelligence risks from corporate policies, as companies face multibillion-dollar claims that could emerge from the fast-developing technology.

AIG, Great American and WR Berkley are among the groups that have recently sought permission from US regulators to offer policies excluding liabilities tied to businesses deploying AI tools including chatbots and agents.

The insurance industry's reticence to provide comprehensive cover comes as companies have rushed to adopt the cutting-edge technology. This has already led to embarrassing and costly mistakes when models "hallucinate" or make things up.

One exclusion WR Berkley proposed would bar claims involving "any actual or alleged use" of AI, including any product or service sold by a company "incorporating" the technology.

In response to a request from the Illinois insurance regulator about the exclusions, AIG said in a filing [generative AI](#) was a "wide-ranging technology" and the possibility of events leading to future claims will "likely increase over time".

AIG told the Financial Times that, although it had filed generative AI exclusions, it "has no plans to implement them at this time". Having approval for the exclusions would give the company the option to implement them later.

WR Berkley and Great American declined to comment.

Insurers increasingly view AI models' outputs as too unpredictable and opaque to insure, said Dennis Bertram, head of cyber insurance for Europe at Mosaic. "It's too much of a black box."

Even Mosaic, a speciality insurer at Lloyd's of London marketplace which offers cover for some AI-enhanced software, has declined to underwrite risks from large language models such as ChatGPT.

"Nobody knows who's liable if things go wrong," said Rajiv Dattani, co-founder of the Artificial Intelligence Underwriting Company, an AI insurance and auditing start-up.

These moves come amid a growing number of high-profile AI-led mistakes. Wolf River Electric, a solar company, sued Google for defamation and sought at least \$110mn in damages, after claiming its AI Overview feature falsely stated the company was being sued by Minnesota's attorney-general.

Meanwhile, a tribunal last year ordered Air Canada to honour a discount that its customer service chatbot had made up.

Last year, UK engineering group [Arup lost HK\\$200mn](#) (US\$25mn) after fraudsters used a digitally cloned version of a senior manager to order financial transfers during a video conference.

Aon's head of cyber Kevin Kalinich said the [insurance industry](#) can afford to pay a \$400mn or \$500mn loss to one company that deployed agentic AI that delivered incorrect pricing or medical diagnoses.

“What they can’t afford is if an AI provider makes a mistake that ends up as a 1,000 or 10,000 losses — a systemic, correlated, aggregated risk,” he added.

AI hallucinations typically fall outside standard cyber cover, which is triggered by security or privacy breaches. So-called tech “errors and omissions” policies are more likely to cover AI mistakes, but new carve-outs could narrow the scope of the coverage offered.

Ericson Chan, chief information officer of Zurich Insurance, said when insurers evaluated other tech-driven errors, they could “easily identify the responsibility”. By contrast, AI risk potentially involves many different parties, including developers, model builders and end users. As a result, the potential market impact of AI-driven risks “could be exponential”, he said.

Some insurers have moved to clarify legal uncertainty with so-called “endorsements” — an amendment to a policy — of AI-related risk. But brokers warn these require close scrutiny because in certain cases this has resulted in less cover.

One endorsement by insurer QBE extended some cover for fines and other penalties under the EU’s AI Act, considered the world’s strictest regime regulating the development of the technology.

But the endorsement, which other insurers have since mirrored, limited the payout for fines stemming from the use of AI to 2.5 per cent of the total policy limit, according to a large broker.

QBE told the Financial Times it was “addressing the potential gap [in AI-related risk] that may not be covered by other insurance policies”.

In broker negotiations, Zurich-based Chubb has agreed to terms that would cover some AI risks, but has excluded “widespread” AI incidents, such as a problem with a model that would impact many clients at once. Chubb declined to comment.

Meanwhile, others have introduced add-ons covering narrowly defined AI risks — for instance, a [chatbot going haywire](#).

Insurance brokers and lawyers said they feared insurers would start fighting claims in court when AI-driven losses significantly increase.

Aaron Le Marquer, head of insurance disputes team at law firm Stewarts, said: “It will probably take a big systemic event for insurers to say, hang on, we never meant to cover this type of event.”

California Worst Offender in AI-Hallucinated Errors in Legal Docs

An international database tracking artificial intelligence hallucinations in legal documents reveals California leads the nation, followed by Texas and Florida.

November 21, 2025 at 12:53 PM By **Laura Lorek**



Photo: Julia/Adobe Stock

This article was originally published by Texas Lawyer.

If ever there was support for attorney billing hours, this might be it: A new report discovered hundreds of cases of false citations and other errors in federal court documents tied to a reliance on artificial intelligence by nonlawyers.

Damien Charlotin, a lawyer and data scientist in France, [created a database](#) that tracks legal decisions involving generative AI that produced hallucinated content, such as fake citations. Charlotin has aggregated 569 cases worldwide, with 387 in the U.S. as of Thursday.

Users in California were the biggest culprits in the U.S., with 33 cases of hallucinations or fabrications found in generative AI-produced court documents, followed by Texas with 29 instances and Florida with 20, according to the database.

Rounding out the top 10 states where courts have seen the most hallucinated cases are New York, with 16 instances, including the very first one detected by a court in 2023.

Pennsylvania had seven cases, and Illinois 14—all detected in 2025 by Charlotin's count. Ohio, meanwhile, reported 12 cases, while Georgia had eight, North Carolina three and Michigan 11 so far this year.

"One key here is that, while the technology dates from November 2022 or even earlier for tech enthusiasts who knew about it, it became widespread only over the last year or so: You have Copilot in every Windows OS, [and] Google Search has AI results, etc.," Charlotin wrote in an email. "Still, a recent survey showed that 20 percent of people did not know about the existence of ChatGPT, which goes to prove that it takes time for people to adopt a technology."

Also, the majority of the cases Charlotin tracks don't involve lawyers, but self-represented litigants, he said. The database also focuses primarily on federal court cases.

It's not surprising that some of the most populous states with the most lawyers have the most incidences of hallucinated cases, said Sean C. Griffin of Longman & Van Grack in Washington, D.C.

"The more attorneys you have, the more you're going to have who are acting up," said Griffin, who also tracks hallucinated cases and often posts them on LinkedIn. He is currently the secretary-treasurer of the Federation of Defense & Corporate Counsel, and he is a Certified Information Privacy Professional, a Certified Artificial Intelligence Governance Professional and an expert in data security and privacy.

According to the latest [Clio Legal Trends Report](#), 79% of legal professionals now use AI, up from 19% in 2023, but only 25% use it extensively in their practice. Generative AI includes large language models like ChatGPT, Harvey, Claude and Gemini. Some court cases have listed the use of Microsoft Copilot in drafting documents.

"Why it keeps happening is a function of a few things," Griffin said.

"My mother-in-law used to say that most problems on Earth can be solved if you just wake up earlier," he said, "If you wake up earlier, you'll have more time to do whatever you need to do, and I think this holds in these cases."

Many of the hallucinated cases in legal documents involve routine procedures, like a motion for continuance, which most seasoned lawyers should be able to draft pretty easily, Griffin said.

"The shortness of time is a big reason why attorneys turn to this; they just don't have enough time to do what they need to do," he said.

The second most common excuse involves an attorney delegating work to a junior associate and failing to supervise others, Griffin said.

"People who rely on a brief written by their subordinate without double-checking the citations show a lack of supervision," he said.

The third excuse involves ignorance of how the technology works, Griffin said.

"I see a lot of people who will tell the court they had no idea what AI does and that they never used AI before they submitted this brief, or they had no idea they could hallucinate cases," he said.

The American Bar Association needs to do a better job of educating lawyers about AI and hallucinations, Griffin said.

In July 2024, the American Bar Association [issued its first guidance](#) on how lawyers should use AI in legal work. In its Formal Opinion 512, the ABA states that lawyers have an ethical duty to prevent and correct hallucinations in court documents generated by AI tools.

In February 2025, the Professional Ethics Committee of the State Bar of Texas released Opinion 705, which examines ethical considerations when attorneys use generative artificial intelligence. The committee notes that attorneys are obligated to understand how generative AI technology works, protect client confidentiality, verify any results produced by an AI program and adhere to fair billing practices.

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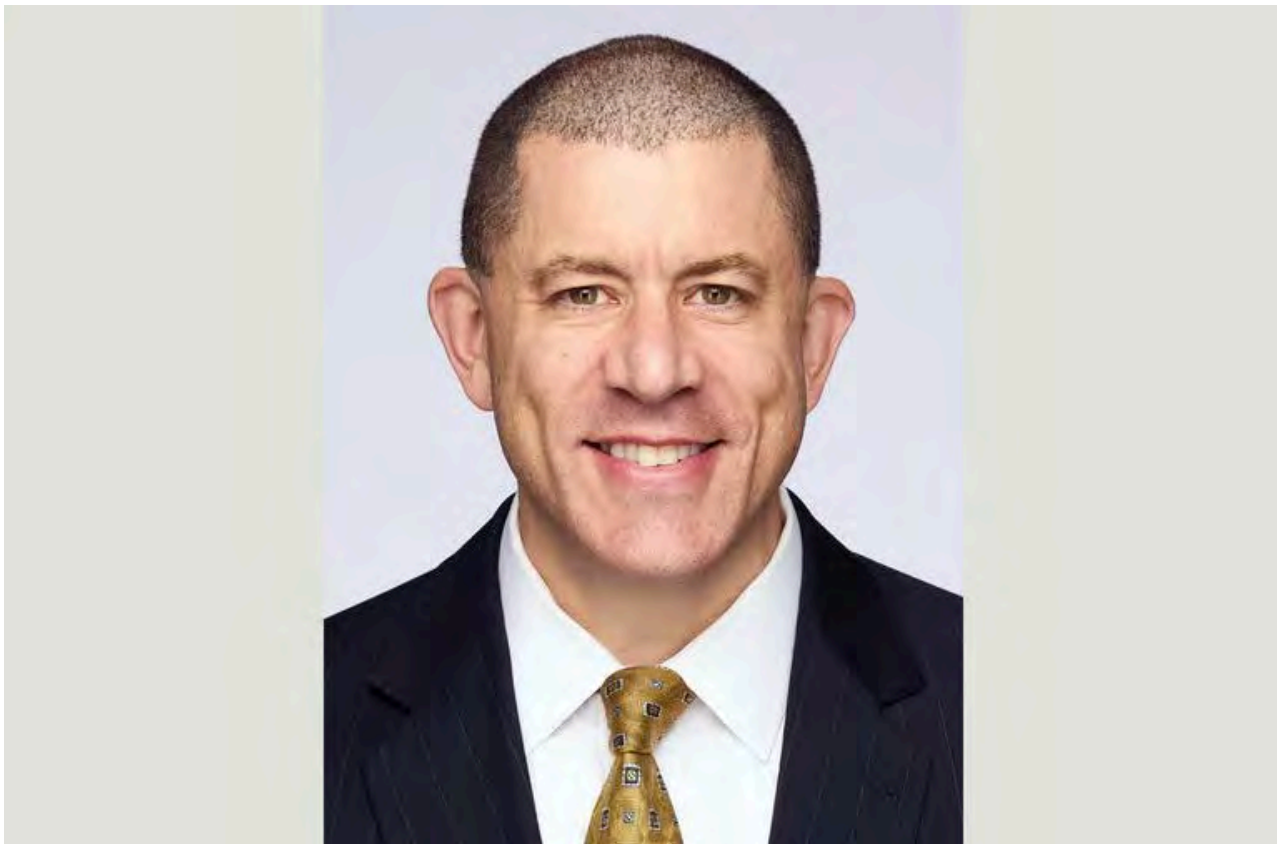
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Gen AI Class Action Key Decisions and Trends in 2025

Several key decisions were issued, including a trio that formed a three-way split of authority on how to determine whether training a gen AI model on copyrighted materials constitutes “fair use” under the Copyright Act. Additionally, one humongous settlement was reached.

November 24, 2025 at 08:08 AM By **Justin R. Donoho**



Justin Donoho of Duane Morris. Courtesy photo

This year has been a busy one in the generative artificial intelligence (gen AI) class action litigation landscape. New pleadings were filed, including several new class actions, several consolidated and amended complaints, and one appeal. Several key decisions were issued, including a trio that formed a three-way split of authority on how to determine whether training a gen AI model on copyrighted materials constitutes “fair use” under the Copyright Act. Additionally, one humongous settlement was reached.

Gen AI class actions typically allege that a gen AI developer violated copyright laws by generating infringing outputs and/or by using unauthorized copies of copyrighted works as inputs to train the developer’s models.

Many of these gen AI class actions are “bet-the-company” lawsuits, even for the world’s largest companies. Plaintiffs in gen AI class actions typically invoke the Copyright Act in order to seek billions—and sometimes even trillions—of dollars on the theory that thousands or millions of unauthorized copies of copyrighted works, times up to \$150,000 per copyrighted work for willful infringement, equals a crushing, settlement-inspiring number.

This year, the U.S. District Court for the Northern District of California issued three conflicting opinions that created a triple split of authority in gen AI class actions involving allegations that an AI developer downloaded copyrighted works from pirating websites to train its AI models in violation of the Copyright Act. The key issue in all three rulings was the extent to which an AI developer’s use of the plaintiffs’ works qualifies as a “fair use” under Section 107 of the Copyright Act. Each of the three opinions conflicted with the other, thus presaging further litigation over the hotly contested issue of fair use.

First, Judge William H. Alsup denied an AI developer’s motion for summary judgment on the issue of fair use. In short, Alsup held that an AI developer that allegedly copied over seven million copies of books “from a pirate site has infringed already, full stop.” With up to about \$10 trillion of potential statutory damages thereby continuing to hang in the balance as a result of this ruling, pending further decisions on the defendant’s additional defenses, and in lieu of an appeal, the parties promptly settled thereafter for \$1.5 billion, one of this year’s largest settlements in any type of class action lawsuit.

Two days after Alsup’s decision, Judge Vince Chhabria, by contrast, granted partial summary judgment for an AI developer, finding instead that “the plaintiffs are wrong that the fact that the AI developer downloaded the books from shadow libraries and did not start with an ‘authorized copy’ of each book gives them an automatic win. To say that the developer’s downloading was ‘piracy’ and thus cannot be fair use begs the question.” Judge Chhabria further held that to overcome a fair use defense, therefore, the named plaintiffs would need to show that the AI model either sufficiently regurgitated plaintiffs’ works in the model’s outputs or sufficiently diluted the market for the plaintiffs’ works, but since there was insufficient evidence in the record to show either regurgitation or market dilution, summary judgment was warranted for the defendant, leaving plaintiffs’ sole remaining copyright claim involving distribution of copies by way of participating in a filesharing network.

Two weeks later, Judge Lisa Cisneros granted a named plaintiff’s motion to compel an AI developer to produce documents and communications relating to licensing books for use as AI training data. In granting the motion, in part, Cisneros noted and disagreed with the prior two summary judgment decisions’ express holdings “that the negative impact on the plaintiffs’ ability to license their work for generative AI training is not a cognizable form of market harm under

factor four, and thus not relevant as a matter of law.” As Cisneros explained in disagreement with these prior decisions’ holdings that the market for licensing is not pertinent to determining fair use, Cisneros noted that the Copyright Act lists four factors courts consider to determine whether use of a copyrighted work is fair: “the purpose and character of the use ...; the nature of the copyrighted work; the amount and sustainability of the portion used in relation to the copyrighted work as a whole; and the effect of the use upon the potential market for or value of the copyrighted work.” Cisneros then concluded in favor of production, finding that “the Ninth Circuit has not yet addressed factor four in the context of AI” and finding no “controlling authority that forecloses a finding that evidence of an existing market for licensing material for training AI bears on the factor four analysis.”

The U.S. District Court for the Northern District of California also issued a class certification decision this year, granting it in part and denying it in part. In sum, the court held that where a collection of books downloaded from a pirating website contains sufficient file contents and metadata to readily determine whether the books are copyrighted, common issues predominate over others such that a “classic case for certification” is presented. By contrast, the same opinion held that, in the case of pirated collections that do not contain sufficient file contents and metadata to readily determine whether the books are copyrighted, individualized issues predominate over common ones such that class certification should be denied.

Additional notable decisions issued in 2025 in gen AI class actions include a decision denying class certification on the basis of the class definition being defined as a “fail-safe” class, dispositive decisions defining the contours of claims alleging that gen AI developers violated the Digital Millennium Copyright Act, a decision on the copyrightability of voice in the context of voice cloning technology, and multiple additional decisions on motions to compel, further clarifying the scope of documents that may or may not be discoverable in gen AI class actions.

In sum, with gen AI continuing to proliferate and the current presidential administration continuing the prior administration’s policy goals of sustaining and enhancing America’s global AI dominance, gen AI litigation is multiplying. We should expect to see an upward trend of key decisions and new cases in the remainder of this year and beyond as this burgeoning area of the law continues to unfold.

Justin R. Donoho *is special counsel at Duane Morris and a Certified Information Systems Security Professional (CISSP). He holds a J.D. from University of Chicago Law School and a B.S. in computer engineering from University of Illinois at Urbana-Champaign.*

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California Brief

Google Asks to Strike Class Allegations from AI Copyright Suit

Nov. 21, 2025, 2:17 PM PST

Google LLC asked a federal court to effectively end a class action from writers and artists who accused the tech giant of infringing copyrights through its AI training, arguing they violated a court order by broadening the boundaries of the proposed class members.

The plaintiffs engaged in “class-litigation-by-ambush” by adding two new class definitions and three new subclass definitions in their motion for class certification that differ “wildly” from their complaint, Google said in a motion for sanctions filed Thursday in the US District Court for the Northern District of California.

“Plaintiffs abandoned the class they actually pleaded—tacitly admitting that it cannot be certified—but they cannot avoid their problems by conjuring up new classes at the last minute, which are equally (if not more) defective than the original class,” Google wrote.

Two class lawsuits against Google—brought by journalist Jill Leovy and a group of artists including Jingna Zhang—were consolidated last year and are among the dozens of federal lawsuits accusing tech giants of infringing copyright protections when training large language models. The groups filed a second amended class complaint in September and their motion for class certification in October.

The plaintiffs added a “books class” and an “images class,” with the books class comprising three new subclasses including a “pirated books subclass” for authors whose books were acquired by Google through pirated websites. Google said they changed those class definitions without permission from the court.

“The appropriate sanction is for the Court to strike all class allegations from Plaintiffs’ complaint,” it said.

The class plaintiffs didn’t inform Google about the new class definitions despite having previously received an interrogatory from the company about them. The plaintiffs are automatically barred from using information that wasn’t disclosed in discovery, Google said.

"These are major, substantive changes that Google knew nothing about until it received Plaintiffs' certification motion more than two years into these cases," Google said. "Had Plaintiffs supplemented their interrogatory response as required, Google could have probed these new issues in discovery and fashioned its opposition strategy accordingly."

Counsel for the plaintiffs didn't immediately respond to requests for comment on the motion.

Joseph Saveri Law Firm LLP, Lockridge Grindal Nauen PLLP, Clarkson Law Firm PC, Bleichmar Fonti & Auld LLP and Matthew Butterick represent the plaintiffs. Wilson Sonsini Goodrich & Rosati represents Google.

The case is *In re Google Generative AI Copyright Litigation*, N.D. Cal., No. 5:23-cv-03440, motion filed 11/20/25.

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Securities

Deep Dive

AI Can Tell if You're Lying, App Marketed to Lawyers Contends

Nov. 24, 2025, 2:00 AM PST

Alex Rodriguez looked stern as he's asked in a "60 Minutes" interview if he ever used performance-enhancing drugs.

"No," Rodriguez, then the New York Yankees third baseman, said.

The 2007 interview was uploaded into an AI-powered tool that uses an algorithm to read Rodriguez's tone, facial expressions, and speech patterns in what's billed as a "truthfulness analysis." Four red bars flash across the screen along with the word "lie."

In the legal industry, there's already plenty of software powered by generative AI and machine learning that helps lawyers summarize documents, conduct research, and draft motions. Now, applications like TruthOrLie and Wexler.ai are trying to go beyond completing legal tasks and provide a way to supplement a lawyer's gut instinct. As the tech develops, lawyers will have to juxtapose the competitive advantages AI could bring against the potential for new ethical pitfalls.

"Truth isn't some app you can download," said Steven Delchin, a professional ethics attorney at Squire Patton Boggs. "I wish it was that easy, but this is a difficult area that we're getting into."

The video clip of Rodriguez, who admitted years after the "60 Minutes" interview that he used steroids, is featured alongside other snippets of notable people like former President Bill Clinton and former congressman Anthony Weiner in TruthOrLie's demo video.

The company, founded by entrepreneur Michael Breyer, fed videos of known incidents of people lying into an algorithm and asked it to identify similarities in speech, facial expressions, and body language between the liars. Then, when a lawyer feeds TruthOrLie a video or live feed of a deposition, AI looks for the cues it picked up on in its training data to determine the likelihood the subject is lying.

Ajit Bharwani, whose company, NextPhase.ai, uses TruthOrLie to evaluate candidates in job interviews, is an early user of the platform and takes its findings with a grain of salt.

"Do we rely on it 100%? No," Bharwani said. "It's still a new technology, so we're a little cautious."



WATCH: Can laws keep up with AI's fast pace?

A Nebulous Concept

London-based Wexler.AI takes a different approach to its use of artificial intelligence. It recently launched a live fact-checking feature, into which lawyers can upload case documents and evidence. Then, in a deposition, the Wexler tool can flag if the subject says something that contradicts the uploaded documents.

"We prefer to call it fact checking because it's all about facts, and we're checking the facts," Wexler's founder Gregory Mostyn said. "And it's not really up for us to determine whether something's a lie or not. That's quite a nebulous concept, you know, truth."

Everything Wexler flags can be independently verified, Mostyn said. It's speeding up the process of looking through files for inconsistencies and pointing those out when they come up. Lawyers are already trying to do that on their own, but they don't have a perfect memory or quick access to the same wide range of facts that AI does.

"It's not like you just plug it in, and you listen to the AI, and it tells you whether or not it's true," Mostyn said. "It basically shows you a possible contradiction. You check the source, and you decide what to do."

Deposition Assistant

Breyer, the TruthOrLie founder, said his platform can help make fishing expedition depositions more focused.

If a deposition subject tells a lawyer, for example, that they don't have a close relationship with a board member, and TruthOrLie comes back with a four-bar lie rating, Breyer said that lawyer is more likely to ask follow-up questions like "Have you ever had lunch with this board member?" or "How many times have you gone on vacation with this board member?"

The tool doesn't suggest specific follow-up questions, or even tell the lawyer directly to pursue certain details, but it points them in the right direction, Breyer said.

"All of a sudden, you know that this might be a relevant avenue to explore," Breyer said. "It could be critical for your trial, and it undermines the witness' credibility if they indeed were lying just a moment ago."

Breyer said internal testing shows TruthOrLie's accuracy rate as "constantly over 70%," which he said is an improvement over a lawyer making an educated guess. Humans can tell lies about as well as a coin toss: One study found that humans detect lies just 54% of the time.

Breyer has strong ties to the legal world. His father, Stephen, is a retired Supreme Court justice. The younger Breyer founded the courtroom transcription service CourtScribes. He said he's been developing the TruthOrLie technology for over two years.

Ethical Concerns

Lawyers have ethical obligations to understand the tech underlying these new AI tools, the data behind them, and their potential for errors, Delchin said. Those obligations fall under ethical rules for competence, which the American Bar Association has said includes tech usage.

Jonathan Sherman, a partner at Sterlington PLLC who has used TruthOrLie in witness preparation, said he doesn't have ethical concerns about using it, but would notify opposing counsel and offer it to them to use as well.

Mostyn and Breyer, meanwhile, said human involvement in using the tools minimizes the ethical questions they raise.

"AI in general is kind of breaking new ground in terms of the laws that are being developed," Breyer said.

He has even loftier hopes about his tech being useful in any situation that depends on the veracity of what someone is saying. What if, for example, TruthOrLie could assist when hiring a baby sitter? Or buying a house? Or going on a first date?

"I do see this technology as doing something that is positive, because just think of the costs that are involved in fraud or deception," Breyer said.

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Legal scholars warn AI hallucinations threaten criminal justice system

DJ [dailyjournal.com/articles/388734-legal-scholars-warn-ai-hallucinations-threaten-criminal-justice-system](https://www.dailyjournal.com/articles/388734-legal-scholars-warn-ai-hallucinations-threaten-criminal-justice-system)

Sounding a fresh alarm over a new threat--that artificial intelligence hallucinations could infect the criminal justice system--legal scholars on Friday asked the state Supreme Court for help.

Prominent law professors and scientists wrote to urge the justices to examine the first known allegation of a prosecutor submitting pleadings with bogus cites that appear to have been generated by artificial intelligence.

The issue arose in a habeas corpus proceeding out of Nevada County in which defense lawyers sought the pretrial release of a jail inmate who could not afford bail. The scholars asked the high court to issue a show cause order to investigate the district attorney's conduct and determine whether sanctions are appropriate.

Nevada County District Attorney Jesse D. Wilson has backed his deputy, who denied using AI in drafting the pleadings and instead attributed the mistakes to unintentional "scrivener's error."

It's bad enough when civil case court papers are marred by rogue content from generative AI programs, the scholars said. They cited 569 known instances in an AI hallucinations database through Nov. 20, 2025. Those cases, while serious, are chiefly about money.

But the use of false or misleading legal authority in the criminal justice system "will have grave consequences: inaccurate judicial decisions, unjustified deprivation of individual liberty, wrongful convictions and an erosion of public trust in the judicial system," the group wrote.

Among the 22 signers of the 10-page letter were Barry Scheck of Cardozo School of Law, a co-founder of Innocence Project; Erwin Chemerinsky, dean of UC Berkeley School of Law; Aditya Parameswaran, a UC Berkeley computer science professor; and Erin Murphy, a civil liberties professor at New York University School of Law.

The underlying case involves a challenge over the pretrial jailing of a Nevada County man who could not make bail after he was locked up on a gun charge. *In re: Kyle Kjoller on Habeas Corpus*, CR0005981 (Nev. Co. Super. Ct., filed Aug. 18,

2025).

Defense lawyers at the Nevada County Public Defender's Office in partnership with Civil Rights Corps are seeking high court review after a state appellate panel turned away their sanctions petition against the prosecutors who allegedly filed the pleadings.

The Nevada County District Attorney Office's answer contained what the defense said was fabricated authority, misrepresentations of the record and mischaracterization of accurate authorities. The prosecutor's briefing also cited a constitutional provision that has nothing to do with pretrial detention and release, the defense said.

Wilson, the district attorney, reached by phone on Friday, said, "We accept responsibility for all errors." He forwarded a statement dated Nov. 14:

"The Nevada County District Attorney's Office acknowledges that, in a recent matter, a prosecutor utilized artificial intelligence in preparing a filing, which resulted in inaccurate legal citations. Once discovered, the filing was immediately withdrawn. It is important to note that the filing was withdrawn prior to litigation on the legal issue."

That case was separate from Kjoller, Wilson said.

The statement added: "Our Office continues to learn the dynamics of AI-assisted legal work and its pitfalls, even within verified research platforms. We are implementing the appropriate guardrails in response to this." Those include ongoing training and an AI Policy Directive modeled on guidance from the State Bar and the Judicial Conference, it said.

Wilson said he's backing his deputy prosecutor, Madison J. Maxwell, in her contention that she did not use AI in drafting the Kjoller briefs. "This is our attorney's position, and I say, 'OK, fine, but we're not getting lost in the details. It doesn't matter. Errors are not OK. Everyone has to check citations.'"

Contradicting Wilson, the defense lawyers argued that the Kjoller pleadings submitted to the court contained likely AI hallucinations.

"The number and nature of the errors strongly suggested that the document had been prepared by generative AI," the defense lawyers wrote to the Supreme Court in their petition for review. *Kjoller v. Superior Court of Nevada County*, Case No. S293723, (Ca. S. Ct., filed Oct. 30, 2025).

An investigation is necessary to mitigate the risk of prosecutorial misconduct, wrongful conviction and erroneous adjudications, the scholars told the high court.

The Nevada County District Attorney's Office has not yet filed its opposition to the petition for review.

One study assessing the rate of AI hallucinations in response to a legal query found that commonly used programs hallucinate as often as 88%, the scholars stated. "Even AI-driven research tools offered by LexisNexis and Thomson Reuters--which claim to mitigate hallucination risk--have each been found to hallucinate between 17% and 33% of the time," they added.

In October, a court-appointed defense attorney was fined \$1,500 and reported to the State Bar for including a hallucinated citation and misrepresenting the law provided in other opinions in a motion to dismiss the criminal charges against his client.

A 4th District Court of Appeal panel noted that the sanctioned conduct by LeRoy G. Siddell was not as serious as the misconduct that occurred thanks to the improper use of AI in a civil case reported in September, *Noland v. Land of the Free LP*.

"But it is particularly disturbing because it involves the rights of a criminal defendant, who is entitled to due process," the panel held. *People v. Alvarez*, D084581 (4th DCA, op. filed Oct. 2, 2025).

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Securities

AI Startup Raises \$75 Million to Take Junior Bankers' Grunt Work

Nov. 23, 2025, 11:00 PM PST

The artificial intelligence startup Model ML raised \$75 million as it looks to develop technology to replace much of the grunt work done by investment bankers — from creating pitch decks to working up due-diligence reports.

The early stage capital raising was led by investors FT Partners, and included Y Combinator Inc., QED Investors, 13Books Capital and LocalGlobe, according to a statement on Monday. The company, which was started about a year ago and is based in London and New York, raised \$12 million earlier this year. It declined to provide a valuation in either round.



Chaz Englander, left, and Arnie Englander.

Source: Model ML

The startup's technology is meant to speed up much of the drudgery that takes up hours of time for legions of Wall Streeters, Chief Executive Officer Chaz Englander said in an interview. For instance, its agentic AI technology helps private equity partners to write their first draft of their investment committee memo right off an email, a task that would otherwise involve a day of crunching marketing materials from PowerPoint presentations and private company databases.

Englander, 33, founded Model ML along with his younger brother Arnie, 28. Prior to this venture, he was behind a string of startups he built and sold, including Fat Llama, which was backed by Y Combinator when **Sam Altman** was the latter's president.

With banking veterans including former HSBC Holdings Plc boss **Noel Quinn** and ex-UBS Group AG chairman **Axel Weber** on its advisory board, Model ML has already been able to win some clients on Wall Street and among the big consultancy firms, Englander said.

Model ML has a team of 45 people, and will use the cash raised from the funding round to bolster its onboarding team in San Francisco, New York, London and Hong Kong, as well as hire more AI engineers, Englander said.

Though the firm was founded in the US, he said its engineering team was relocated partly for cost effectiveness to London in the King's Cross neighbourhood, where Google, DeepMind Technologies Ltd., and Meta Platforms Inc. have a significant presence.

Advancements in AI are spawning hundreds of startups that are promising to shake up a range of industries even as investors start to question if the technology has the potential to provide outsized returns in the near term. A tech stock rally sparked last week by Nvidia Corp. CEO **Jensen Huang's** assurances that the AI economy isn't a bubble quickly fizzled as those concerns returned to haunt the market.

But the skepticism hasn't stopped entrepreneurs or venture capital firms from pouring money in their hunt for a big winner in the AI space.

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<https://www.wsj.com/tech/meta-ai-data-center-finances-d3a6b464>

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AI Meets Aggressive Accounting at Meta's Gigantic New Data Center

Favorable treatment off the balance sheet hinges on some convenient assumptions

By [Jonathan Weil](#) [Follow](#)

Nov. 24, 2025 5:30 am ET



A rendering of Meta's data center in Richland Parish, La. META

It seems like a marvel of financial engineering: [Meta Platforms](#) META **3.09%** ▲ is building a \$27 billion data center in Louisiana, financed with debt, and neither the data center nor the debt will be on its own balance sheet.

That outcome looks too good to be true, and it probably is.

Indeed, it is quintessential structured finance—the point of which is to help companies try to achieve seemingly irreconcilable financial-reporting goals. Meta wants other people's money [to pay for the data center](#). Those investors want to know Meta ultimately has their backs. But at the same time, Meta wants to keep its near-pristine credit rating and doesn't want the extra assets and debt on its books.

Construction on the project was well under way when Meta announced a new financing deal last month. Meta moved the project, called Hyperion, off its books into a new joint venture with investment manager [Blue Owl Capital](#) OWL **0.53%** ▲ . Meta

owns 20%, and funds managed by Blue Owl own the other 80%. Last month, a holding company called Beignet Investor, which owns the Blue Owl portion, sold a then-record \$27.3 billion of bonds to investors, mostly to Pimco.

Meta said it won't be consolidating the joint venture, meaning the venture's assets and liabilities will remain [off Meta's balance sheet](#). Instead Meta will rent the data center for as long as 20 years, beginning in 2029. But it will start with a four-year lease term, with options to renew every four years.

This lease structure minimizes the lease liabilities and related assets Meta will recognize, and enables Meta to use "operating lease," rather than "finance lease," treatment. If Meta used the latter, it would look more like Meta owns the asset and is financing it with debt.

The favorable accounting outcome hinges on some convenient assumptions. Some appear implausible, while others are in tension with one another, making the off-balance-sheet treatment look questionable.

The joint venture is what is known in accounting parlance as a variable interest entity, or VIE for short. That term means the ownership doesn't necessarily reflect which company controls it or has the most economic exposure. If Meta is the venture's "primary beneficiary"—which is another accounting term of art—Meta is required to consolidate it.

Under the accounting rules, Meta is the primary beneficiary if two things are true. First, it must have "the power to direct the activities that most significantly impact the VIE's economic performance." Second, it must have the obligation to absorb significant losses of the VIE, or the right to receive significant benefits from it.

On the first point, consider this: If Meta doesn't have the power, who does? Meta is a hyperscaler. It knows how to run [data centers](#). Blue Owl is a financier. Whether the venture succeeds economically will come down to Meta's decisions, expertise and skill.

Blue Owl has control over the venture's board. But voting rights and legal form aren't determinative for these purposes. What counts under the accounting rules is Meta's substantive power and economic influence. Meta in its disclosures said "we do not direct the activities that most significantly impact the venture's economic performance." But the test under the accounting rules is whether Meta has the power to do so.

Accounting decisions Meta appears to be making about its data-center joint venture with Blue Owl

Does Meta have the power to direct the activities that most significantly impact the joint venture's economic performance?



Does Meta have the obligation to absorb potentially significant losses, or the right to receive potentially significant benefits, of the venture?



Consolidate the venture, meaning its assets and liabilities are on Meta's balance sheet.

No

Don't consolidate the venture. Keep it off balance sheet. Structure the deal as a lease, with a relatively short initial term.

META'S ACCOUNTING DECISION

Source: WSJ analysis of company filings

The second test—whether Meta has skin in the game economically—has an even clearer answer. Meta has operational control over the data center and its construction. It bears the risks of cost overruns and construction delays. Meta also has provided what is called a residual-value guarantee to cover bondholders for the full amount owed if Meta doesn't renew its lease or terminates early.

That guarantee complicates the lease accounting as well. Under the accounting rules, Meta's lease liabilities would have to include any renewals that are "reasonably certain." That is a high threshold and a judgment call. But there are factors that favor counting more than four years.

The guarantee mitigates the risk for bondholders, and provides an incentive for Meta to renew. If Meta walked away, and there wasn't a new tenant to take over, the guarantee by Meta is supposed to be sufficient to cover the outstanding debt.

Another judgment call: Under the accounting rules, Meta would have to include the residual-value guarantee in its lease liabilities if the payments owed are "probable." That could be in tension with Meta's assumption that the lease renewal isn't "reasonably certain."

If renewal is uncertain, the guarantee is more likely to be triggered. But if the guarantee is triggered, Meta would have to recognize the liability.

Ultimately, the fact pattern Meta relies on to meet its conflicting objectives strains credibility. To believe Meta's books, one must accept that Meta lacks the power to call

the shots that matter most, that there's reasonable doubt it will stay beyond four years, and that it probably won't have to honor its guarantee—all at the same time.

Artificial intelligence, meet artificial accounting.

Write to Jonathan Weil at jonathan.weil@wsj.com

Videos

The AI Industry Is Built on a Big Unproven Assumption

B [bloomberglaw.com/bloombergtterminalnews/bloomberg-terminal-news/T68LH4KGZAJ3](https://www.bloomberglaw.com/bloombergtterminalnews/bloomberg-terminal-news/T68LH4KGZAJ3)

Dina Bass

November 24, 2025

Illustration: Felix Decombat for Bloomberg Businessweek

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Summary by Bloomberg AI

AI Generated



- The AI boom has raised questions about tech companies improperly calculating the depreciation cycles of graphics processing units, which could impact the financial sustainability of the artificial intelligence market.
- Accounting rules give companies flexibility to calculate depreciation, and most have decided that GPUs are useful for five or six years, but some argue this may be overly optimistic.
- If many companies are making the same mistake, it could set off a larger reckoning, with potential consequences including loans becoming riskier and companies facing bigger future capital costs than acknowledged.



Illustration: Felix Decombat for Bloomberg Businessweek

The AI boom has many people asking scary questions like, “Is this technology going to take my job, and if so, how soon?” Some accountants are asking their own frightening question: “Are tech companies improperly calculating the depreciation cycles of graphics processing units?”

Although this one doesn’t have the same existential ring to it, answering the question could go a long way toward understanding the financial sustainability of the artificial intelligence market.

Photographer: Felix Decombat for Bloomberg Businessweek

GPUs, the chips used to train and run the most advanced large language models, are one of the biggest costs for AI companies. Most of them are borrowing money to buy as many GPUs as possible, as fast as possible. As they do, accounting rules require them to produce estimates of how long these chips will retain value. Choosing a longer period spreads out the cost over more time, allowing companies to report higher profits now. But there's a risk in claiming that equipment will be good for six years if, in reality, it will have lost almost all of its value in four. A company might have to buy new, even more expensive chips sooner than expected. Any loans it took out using the now-useless chips as collateral, meanwhile, could get complicated. At the very least, a company might have to write down the value of obsolete equipment, creating a one-time hit to profits.

Any of these things could get a business into trouble. If many companies are making the same mistake at the same time, it could set off a larger reckoning. What if the entire AI industry is less profitable than it appears, holding loans that are riskier than they seem, and facing bigger future capital costs than it's acknowledging?

The challenge is that there's no objective measure of how much a five-year-old GPU is worth to an AI company. ChatGPT, after all, is only about three years old. "Everyone says, 'I don't know how to finance a GPU, because I don't know how long it will last,'" says , the chief financial officer of ChatGPT's parent company OpenAI. She says that OpenAI is confident its GPUs will be useful for at least five years.



Friar and OpenAI CEO Sam Altman in September at the site of the Stargate data center in Abilene, Texas.

Photographer: Kyle Grillot/Bloomberg

The AI arms race has created incentives for anyone building AI infrastructure to adopt maximally aggressive financial maneuvers. Accounting rules give companies some flexibility to calculate depreciation, and most have decided that GPUs are useful for five or six years. In a different regulatory environment, the US Securities and Exchange Commission might ask tough questions to test the strength of the assumptions that led to these estimates. But under President , the agency has adopted a hands-off approach, according to [Francine McKenna](#), an adjunct lecturer in accounting at Montclair State University in New Jersey who writes a [popular blog about the field](#). “We’re in this incredibly fraught, dynamic, technologically advancing environment, and the SEC is out to lunch,” she says.

A company doesn’t have to be completely wrong to have a big impact on its balance sheet, especially given the scale of the investments being made in GPUs. “Even a small change of several months in the depreciation policies can change earnings in a given quarter by billions,” says Olga Usvyatsky, who writes about accounting issues such as server depreciation in her newsletter, [Deep Quarry](#).

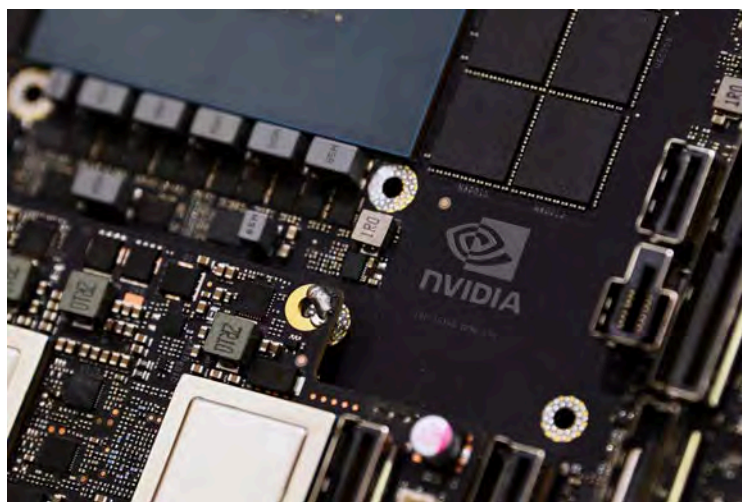
The industry’s biggest skeptics argue that tech companies are making more than small mistakes. , the hedge fund manager who rose to fame shorting the US housing market in the run-up to the 2008 financial crisis, [caused a stir](#) this month by estimating that hyperscalers—the companies building the biggest data centers—are [understating depreciation by \\$176 billion](#) between 2026 and 2028.

While some of the biggest investors in AI are companies such as Google, Meta and Microsoft, all profitable operations sitting on big piles of cash, that’s not true of everyone. Startups like and will need to continue raising massive sums of money to pay for their infrastructure plans, and so-called neoclouds—which own or operate AI-specific data centers and rent out computing power—are often financing these build-outs with debt. This last group is perhaps generating the most concern, given they’re smaller companies that in many cases are unprofitable and pay higher interest rates on their debt. If they falter, it’s bad news not only for their investors and lenders, but also for the chipmakers who sell equipment to them and the AI companies that rent space in their data centers.

It’s true that top-tier GPUs don’t remain state-of-the-art for very long. , which designs the most popular chips, has committed to releasing a more powerful model every year. Chief Executive Officer jokes about the disruption the company causes by pushing equipment into early obsolescence. But AI companies argue there’s plenty of value to be squeezed out of older GPUs. Although aging chips may not be ideal for the most complex tasks, such as training advanced models,

they're still perfectly adequate to handle user queries on existing models, a process known as inference. OpenAI, Friar says, still uses Nvidia's Ampere chips, which were released in 2020, for inference.

On Nov. 19, Nvidia CFO said that the useful life of GPUs is getting longer and that it was still selling its Hopper generation chips, initially released in 2022. In earnings reports earlier in the month, neoclouds and (one of the few companies that reports its chips depreciating over less than five years) reported healthy sales of the services they provide with the same and even older chips. When the first batches of contracts for computing power using older chips ended, they said, they were either renewed or snapped up by other clients.



Nvidia has committed to releasing more powerful models of its most popular chips every year.

Photographer: Akiko Kon/Bloomberg

As of now, the demand for lower-cost computing services using older chips is big enough that some companies have raised debt in deals that assumed the chips would have value for as long as a decade, according to Carmen Li, CEO of two chip-related businesses, Silicon Data and Compute Exchange. "I could argue it's not unfair," she says. She likens older GPUs to used cars. "There are people who always want to buy the latest, greatest cars. But there are people like me—I buy secondhand."

Older chips may not always be as marketable as they are today—demand driven at least in part by shortages of newer models, forcing customers to take whatever they can find. It isn't clear what would happen to the market for less advanced chips if those shortages ease over time. Even if demand persists, there are reasons to be wary. People in the industry have begun to talk about the "fungibility" of data center companies, shorthand for how easily chips being used for one

purpose can be retooled to do something else or serve another customer. Companies running less fungible facilities will incur more costs adjusting to shifts in the market.

A data center operator could also face problems if it builds a facility assuming it'll sell access to top-of-the line chips, only to find within a few years that its equipment is marketable only for lower-cost services. Those older chips are still taking up valuable real estate in server racks and burning through expensive electricity that would be better used on newer equipment. , managing partner at 's [M12](#) venture capital arm, likens it to a grocery store stocking low-margin, generic goods in prime locations. "You need to put your highest-selling stuff at that spot."

AI infrastructure companies are trying to sign customers up for longer commitments—sometimes five or six years—tied to a specific generation of chips. In some cases, they're also renting chips instead of buying them, as OpenAI is [seeking in a deal](#) it's negotiating with Nvidia, according to a person familiar with the talks. This reduces the chances they will be holding equipment they won't want in the future.

These deals may shift risk around, but it doesn't eliminate it. As companies use debt to finance their operations in various ways—in part with loans secured by GPUs—it's also unclear exactly how a shock would play out across the economy. Investors and regulators need to "realize the system is spreading the risk through all of it, and keep an eye on the magnitude of that," says , CEO of , an incubator for AI-powered financial software products.

CoreWeave CEO [Mike Intrator](#) says he understands the argument that GPUs might lose value more quickly than is generally assumed. "The problem with this narrative is that every data point that exists is telling a different story," he says. "I always look at this from the perspective of 'What are the people who are buying this, who are actually putting up money, telling us?' And they are telling us clearly that there is sustained demand for the infrastructure."

At the moment, access to his company's five-year-old Ampere chips is completely booked.

Read next: [Silicon Valley's Risky Plan to Revive Nuclear Power in America](#)

(Updates paragraph 5 with additional comment from OpenAI CFO Sarah Friar.)

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Securities

Corporate AI Risks Unclear Absent SEC Aid, Agency Advisers Say

Nov. 21, 2025, 11:17 AM PST

An SEC advisory body is eyeing how the agency could compel companies to disclose details on their use of artificial intelligence.

The Securities and Exchange Commission should issue guidance directing companies to define AI and disclose how they deploy the technology and how their boards oversee it, the agency's Investor Advisory Committee said in a Nov. 18 draft recommendation posted online Thursday. The non-binding proposal doesn't mention the Trump administration's push to stop state AI rules for companies.

The draft recommendation stems in part from a 2024 Deloitte and the USC Marshall School of Business report finding companies' level of AI risk reporting varied by sector, the committee said. Investors face difficulties assessing and comparing risks, according to the panel.

"Issuers have struggled with providing consistent disclosure to investors in the absence of comprehensive guidance from the Commission," the committee said in its draft recommendation.

An SEC spokesperson didn't immediately respond to a request for comment.

SEC's AI Work

The agency during the Biden administration warned companies against "AI washing," or overblown claims about the technology, with then-SEC Chair Gary Gensler in 2024 urging companies to be clear to investors when they discuss artificial intelligence. The SEC also brought cases over artificial intelligence claims, including a lawsuit in 2024 against the former CEO of AI company Joonko Diversity Inc.

The SEC under Chairman Paul Atkins in August announced an AI task force to incorporate the technology into the agency's operations. Beyond new corporate disclosures, the agency also should consider making public how it deploys AI to help companies and other market participants "understand how their actions will be evaluated," the Investor Advisory Committee said in its draft proposal.

More than 60% of S&P 500 companies disclosed AI risks in their annual reports, the 2024 Deloitte and the USC Marshall School of Business report said. And nearly a third of S&P 500 companies reported some AI scrutiny by boards in 2024, according to a separate study from ISS-Corporate.

The Investor Advisory Committee is scheduled to vote on whether to issue its recommendation at a Dec. 4 meeting.

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News from Bloomberg Terminal
Leave the Gold in the Ground
Nov. 24, 2025, 11:01AM PST

By Matt Levine

(Bloomberg Opinion) --

Underground gold

Gold is shiny and can be made into jewelry. For this and other reasons it is valuable and has been used as money for millennia. First there were gold coins, and later there was paper money backed by gold. Even now, gold is an important reserve asset, and people hold it in their financial portfolios in the form of gold futures, gold exchange-traded funds, etc.

A lot of gold sits in vaults underground. If you buy gold reserves or futures or ETFs, you get entries in a database entitling you to some of that gold underground.¹ There is a whole financial system built on moving gold around in which the gold doesn't actually move. The gold is heavy. Just the electronic database entries move. The gold sits there. Its shininess is abstract and potential; it is dark in the vaults.

Milton Friedman has a famous paper about this, comparing the gold in the vaults at the Federal Reserve Bank of New York to Yap money stones. On the island of Yap, in Micronesia, residents used large stone wheels as money. "A noteworthy feature of this stone currency," wrote an anthropologist quoted by Friedman, "is that it is not necessary for its owner to reduce it to possession": If I buy something for you for a big money stone, we don't move the stone from my house to your house; we just agree that now it belongs to you. Same with the Fed, notes Friedman. There is an anecdote about a Yapese man who acquired a "remarkably large and exceedingly valuable stone, which was placed on a raft to be towed homeward." The raft sank at sea, but everyone agreed that this did not affect the value or ownership of the stone: "The purchasing power of that stone remains, therefore, as valid as if it were leaning visibly against the side of the owner's house."

We talk a lot around here about what I call "abstract commodity space," the network of global warehouses that hold commodities to support futures trades. Financial market participants trade warehouse receipts – electronic records entitling them to some of the stuff in the warehouses – without necessarily moving anything *inside* the warehouses, or putting anything in or taking anything out.² We talked once about some nickel that JPMorgan Chase & Co. owned in one of those warehouses, nickel that turned out, when kicked, to be bags of rocks. Until someone kicked it, it functioned perfectly well as (abstract) nickel: JPMorgan's commodities trades were just as good as everyone else's, even though the underlying nickel was actually rocks.

There is a lot of gold in vaults underground, but there is also a lot of gold in *gold mines* underground. There are places on Earth with a lot of rocks that have gold in them, and with modern science you can make reasonably confident estimates of how much gold there is under your particular parcel. If gold is valuable, why is this gold still underground? Sometimes the answer is that no one knows it's there; sometimes the answer is that it is under an active gold mine and they're getting to it. But often the answer is that mining it is uneconomical: The gold is mixed with a lot of rock, and the cost of digging up all the rock and refining out the gold would be more than you'd get from selling the gold.

If you have a certain type of mind, or if you own a marginal gold mine, you might get to thinking that it is a bit wasteful – and environmentally destructive – to dig gold ore out of the ground, refine the ore into gold, form it into shiny bars of pure gold, and then stick it back underground so that people can trade electronic database entries entitling them to the gold. Why not *leave* it underground, skip all the other steps and *just* trade the database entries? If you own a gold mine, you can with reasonable confidence certify how much gold you have underground. That gold is there, in, uh, almost the same sense that the gold at the New York Fed is there. You could just go ahead and sell entitlements to it, without digging it up.

NatBridge Resources Ltd. is a gold mining company listed on the Canadian Securities Exchange. From its public filings, it seems that NatBridge has acquired various rights to parcels of land that contain gold, but it has never mined any gold. NatBridge has a better idea:

NatBridge Resources Ltd. ("NatBridge" or the "Company") (CSE: NATB | OTCID: NATBF | FSE: GI80) [last week] announced that it has reached an agreement with NatGold Digital Ltd. ("NatGold Digital") to tokenize the subsurface mineral rights for Land Parcels 45 and 46 within the Cahuilla Gold Project in Imperial County, California, subject to successful completion of NatGold Digital's due diligence, internal certification and title transfer. The transaction enables NatGold Digital to initiate its patent-pending digital mining process – the critical first step toward converting the project's mineral resources into NatGold Tokens.

"Having spent decades in the global mining industry, including my work as Chief Innovation Officer at Barrick Gold, I've focused on how digital mining can offer a complementary alternative to traditional extraction—one that strengthens the industry while easing pressure on the environment. In this context, NatBridge's work with NatGold Digital represents an important early step in applying these concepts, contributing to the natural evolution of how the sector may recognize and realize gold's value," said Michelle Ash, Executive Chair. ...

"This agreement marks the first project we present to NatGold Digital for tokenization," said Stephen Moses, Chief Executive Officer of NatBridge Resources Ltd. "It's a key milestone toward our goal of transforming our technically compliant gold resources into tradable digital assets as a Premier NatGold Miner and creating liquidity and long-term value for shareholders."

The theory seems to be that you get a technical report saying that your parcel contains gold – "Parcels 45 and 46 comprise approximately 12,290,139 tonnes containing an aggregate of 122,211 ounces of indicated gold resources, and 6,650 ounces of inferred gold resources at a 0.005 oz/ton cutoff grade" – and then you mint digital tokens representing that amount of gold.

And then you sell those tokens to, uh. To people who want digital tokens representing a certain amount of gold. Who are those people? I assume the answer is “crypto people.” We have talked a bunch about the funniest guy in crypto, James Howells, whose partner threw away a hard drive containing his private key to 8,000 Bitcoins. Howells is convinced that he knows the Welsh garbage dump where the hard drive ended up, and he wants to dig up the dump to find it, but the dump won’t let him. So he announced this summer that he was “planning to tokenize his legal ownership of the lost 8,000 BTC into a new Bitcoin Layer 2 smart token named Ceiniog Coin.” Of course he was! I wrote: “You could imagine people saying ‘well, Bitcoins at the bottom of a garbage dump aren’t worth as much as Bitcoins on the blockchain, but they are still Bitcoins, and if I can get them at 30 cents on the dollar that’s a good deal.’” The same analysis might apply to gold at the bottom of a gold mine.

That said, though, “people who want digital tokens representing a certain amount of gold” is, in the abstract, a *huge* market. Central banks that keep gold reserves at the Fed or the Bank of England, gold futures traders, investors in gold ETFs: They all spend many billions of dollars on digital tokens representing a certain amount of gold underground. The NatBridge tokens are just, you know, gold in a slightly different part of underground.³

A theme that I think a lot about these days is that modern finance creates layers of abstraction on top of real-world activity, and sometimes those abstractions become unmoored from the reality.⁴ A share of Apple Inc. stock encapsulates all of the labor and creativity that went into inventing the iPhone and manufacturing it and selling it and building app stores and everything else; all the factories and offices and decades of decisions are all reflected in the tradeable electronic token that is a share of stock. And you can just buy Apple shares on your phone without knowing about any of that stuff. The abstractions are so successful that you might lose sight of the underlying activity. The complex apparatus that links a share of Apple stock to all of its underlying reality is largely invisible, and sometimes people forget about it.

Similarly, gold is valuable in part because humans have valued shiny yellow jewelry for millennia, and in part because it is difficult and laborious to turn a parcel of rock into gold.⁵ When you trade an electronic token entitling you to some gold in a vault, the token encapsulates all of that labor and history. But maybe you don’t care; maybe you just want the token. Here’s a token.

Consultation fees

If you borrow money at 8% interest, that’s fine. That’s a normal interest rate, maybe a little high but normal enough. SoftBank Group Corp. did an 8.25% subordinated bond last month. The average interest rate for US BB-rated bonds hit 8% in 2023. Eight percent is fine.

If you borrow money at 16% interest, that’s kind of alarming. If you borrow money at 16% people will think that you are in distress.

If you *are* in distress, though, nobody will lend you money at 8%. Maybe they will lend you money at 16%. You might be willing to pay 16% – you need the money – but you will not want everyone to *know* about it. If everyone knows that you are borrowing at 16%, then that might set off a bad spiral of lost confidence.

The obvious trade is:

- You borrow \$100 at 8% interest.
- You pay the lender \$8 per year of interest (8%).
- You also give the lender a Christmas present of \$8 each year.⁶
- The lender gets \$16 per year (16%), but you get to say you only pay 8% of interest. The other \$8 is a Christmas present. What?

Does this work? Short answer no, long answer eh maybe sometimes. Bloomberg's Jackie Cai and Jin Wu report:

China's cash-strapped local governments are caught in a bind.

The financing vehicles they've used for decades need to roll over a mountain of debt. Investors are demanding high interest rates, but openly offering them risks making future borrowings far more expensive.

To get around the dilemma, some of the local government financing vehicles, commonly known as LGFVs, are making extra undocumented payments to investors when selling bonds.

There is an example in which an issuer sells a one-year bond with a face amount of 100 yuan and an interest rate of 8%. The issuer sells the bond to a bank for 100 yuan, the bank sells the bond to a customer for 93 yuan (a 16% yield to maturity), and the issuer "reimburses" the bank 7 yuan "as a consultation fee," perhaps "months after the sale." Net, the bank has intermediated a trade at 93 yuan, the customer has bought a bond with a 16% yield, the issuer has *paid* 16% for money, but it gets to say that it is paying 8%.

This is frowned upon – it "would breach conduct rules governing debt pricing and sales incentives as laid down by [Hong Kong's] Securities and Futures Commission" – but, you know. Sometimes banks *do* buy bonds at par and then resell them at a loss; bond underwriting can be a risky business. And sometimes banks *do* get consulting fees for, uh, consulting. It all sort of works separately; the question is whether it's a coincidence that the bank is losing money on the bond trade and making the same amount of money on consulting.

Vendor financing

The basic business of a big investment bank is that you have a collection of money services that you sell to clients, you get clients in the door by giving them some money service they desperately need right now, and once you have your hooks in them you start gently but firmly selling them all of your other money services. A startup is desperate for cash, you lend it money, you become its best friend, and years later you lead its lucrative initial public offering. A sleepy public company needs to refinance its bank debt, you lead the loan at tight margins, and years later you help sell the company in a lucrative merger mandate. You help a startup founder manage her personal finances, which gives you the inside track for the IPO, and then after the IPO there are a whole bunch of suddenly rich startup employees who are also looking for wealth management advice.

So we talk periodically about various banks launching or re-launching “One Bank” initiatives, telling bankers that they’ll be rewarded for cross-selling, etc.: This is the business, but bankers often resist it, because usually they get paid for selling *their* product, not their colleague’s products. A mergers-and-acquisitions banker might bring a corporate derivatives banker along to a client meeting, but she’ll roll her eyes during the derivatives pitch. But the bank wants the cross-selling.

Traditionally this is a matter of *cross-selling*: Banks use one sale to a client to open the door to other sales. In theory the trades could go in opposite directions: The bank could go to a bakery and say “need a loan?” and the bakery could say “sure, do you need cookies for your corporate cafeteria?” and there could be a mutually beneficial arrangement. Or the bank could go to the bakery first for the cookies, and once it has been onboarded to supply the cafeteria, the bank could go back and say “hey do you want financing to expand?” You hear less about this because:

1. Traditionally investment banks do not have a *ton* of inputs in their production process – just some bankers with phones and computers – so they are not dealing with that many suppliers, and
2. The people at the banks who *are* dealing with suppliers are *not bankers*: The person buying the cookies is the cafeteria manager, she is not a banker, and she is definitely not incentivized to cross-sell banking services.

But those things are just often true; they’re not laws of physics. A bank *could* ask its procurement teams to look out for M&A opportunities, and give them bonuses if they find any. Bloomberg’s Hannah Levitt reported last week:

At Morgan Stanley, which has grabbed the lead for tech IPOs so far this year but ranks third in overall investment-banking fees, executives have been leaning on its innovation team to make inroads that could ultimately lead to a revenue boost across its business. On its face, the group is charged with finding up-and-comers to sign on as vendors. But behind the scenes, the team has been giving the firm’s investment bankers and wealth advisers a foot in the door.

“We establish an initial relationship and then we try to expand it as much as possible,” Jed Finn, Morgan Stanley’s head of wealth management, said in an interview. “At some point there will be a need to access capital markets and advice. If we’ve been good partners for five, 10, 15 years, we’re going to get the benefit of that.”

In particular, the innovation team signed Morgan Stanley up as an OpenAI customer in 2022, before ChatGPT launched, which gave Morgan Stanley an inside line on, you know, the \$10 trillion of financing that OpenAI has planned over the next few years. Plus it got to use the chatbot.

Crypto contagion

It is plausible that the stocks of Fannie Mae and Freddie Mac would be pretty uncorrelated to everything else. Most stocks go up on economic growth, good news, lower interest rates, etc., and Fannie and Freddie's *business* – guaranteeing US mortgages – is obviously correlated to the economy, but their *stocks* are a different proposition. As we have discussed a few times around here, Fannie and Freddie are in receivership, and all of their profits for the foreseeable future belong to the US government, not to their shareholders. It is widely believe that this situation will change: At some point the government will return them to private hands, probably in a way that makes their existing common stock valuable again. In particular, the current director of the Federal Housing Finance Agency, Bill Pulte, seems interested in moving quickly to re-privatize Fannie and Freddie, and Bill Ackman, the Trump-friendly hedge fund manager, is a Fannie and Freddie shareholder who has been pushing for a resolution.

And so Fannie and Freddie's stocks trade on factors like "has Donald Trump posted about them recently" or "is Bill Pulte falling out of favor with Trump" or "what do you think of Bill Ackman's pickup lines," weird politics-and-policy stuff that is unrelated to traditional economic factors and even other policy stuff. "Investors have occasionally been drawn to trades that involve government policy," Bloomberg News wrote this month, citing the Fannie/Freddie trade, "in part because their outcome is independent of broader market movements."

On the other hand, if you are the sort of investor who is drawn to a trade like "see what Bill Pulte is up to on social media," you might be the sort of investor who is drawn to other trades that are, you know, particularly online. If you get a margin call on one of them, you might sell the others. It is possible that a trade driven by online social sentiment will be correlated with other trades driven by online social sentiment, even if they are otherwise unrelated.⁷

Or something like that seems to be Ackman's theory. Bloomberg's Georgie McKay reports:

[Last] Thursday's wild selloffs [in Fannie and Freddie], and further losses Friday, were a reminder that the fervor of retail traders – whipped up in part by Federal Housing Finance Agency head Pulte – can quickly turn sour. Ackman, a billionaire hedge fund manager, sent out a social media post this week blaming forced liquidations and margin calls in the cryptocurrency market for the sagging prices on the mortgage giants.

"I underestimated how much exposure Fannie and Freddie ('F2') have to crypto, not on balance sheet, but in their shareholder bases," Ackman said on X.

Ackman's theory for the pullback – that leveraged cryptocurrency investors facing margin calls had to sell other assets to raise cash – was echoed by some on Wall Street who saw the stocks drop by more than 10% on Thursday. It happened as Bitcoin was on track for its worst monthly performance since a string of corporate collapses rocked the sector in 2022.

As crypto has gotten bigger and more integrated into the real financial system, people sometimes wonder: If there is a crypto crash, will that lead to contagion in the broader financial system? Will leveraged crypto players collapse, leading to forced selling of stocks or Treasury bonds? Will crypto collapses bring down banks or other traditional financial institutions, leading to restrictions in real-world credit? So far – even in 2022 – the answer has been “absolutely not”: The ties between crypto and traditional finance have been too small and too carefully managed to cause much contagion. And I think that an important but unstated *goal* of crypto advocates is to change that, to integrate crypto into traditional finance so thoroughly that it becomes too-big-to-fail and backed by an implicit government support.

For now, though, not much contagion. But it would be funny if the vector of contagion from crypto to traditional finance was the shares of Fannie and Freddie. On the one hand, they are idiosyncratic quasi-meme stocks. On the other hand they are multi-trillion-dollar institutions and the backbone of US mortgage financing. If crypto prices fall, will that make it harder to get a mortgage? Probably not, no, but there is a link.

I’m in the Epstein files

But only for tax avoidance, don’t worry. Last week Rusty Foster wrote that “there is a ton of random junk included in the 20,000 pages of Epstein files released by the House in November,” and helpfully linked to a searchable archive. Naturally I searched. In 2014, before Money Stuff existed in its present form, I wrote a Bloomberg Opinion column titled “Texas Billionaire’s Heirs Save Some Money on Taxes.” The gist was that a billionaire left an estate consisting in part of a 94% stake in an illiquid public company that he controlled, and, after his death but before the valuation date of the stock for estate tax purposes, his heirs’ charitable foundation sold chunk of stock that represented (1) a small fraction of their holdings but (2) a large multiple of the stock’s daily trading volume. This had the effect of pushing down the price and potentially saving the heirs billions of dollars taxes. I was amused and impressed, as I sometimes am by tax shenanigans.

Also amused and impressed, apparently, was a trusts and estates lawyer at Paul, Weiss, Rifkind, Wharton & Garrison LLP, who emailed my column to Jeffrey Epstein with the note “I thought of you when I read this article. Was this your idea?” I could not find any response from Epstein, so I don’t know if this was actually his scheme. But apparently it was his *type* of scheme; it was a scheme in which a top estate-tax lawyer recognized his style.

In the early days of the Epstein scandal, one mystery that bothered me and a lot of other people was: Where did his money come from? A small collection of billionaires seemed happy to pay him hundreds of millions of dollars, but for what? Given the context, there were various wild theories, but as far as I can tell the answer was just that he was really good at saving them taxes. I once wrote, somewhat jokingly, that Epstein would find tax schemes and then “the fancy lawyers in the Paul Weiss tax department would say ‘wow ... this is amazing, why didn’t we think of this, this guy is a Michelangelo of tax minimization?’” Apparently that really happened!

Things happen

Big Tech's AI Debt Wave Is Threatening to Swamp Credit Markets. US Inflation Traders to Use Untested Fallbacks for Missing CPI. Private Assets to be Half of Industry Revenues by 2030, PwC Says. Investors Clamor for a Peek Behind the Private Markets Curtain. Traders Hunt for Next Argentina as Trump's Sway Shapes Bets. Insurers retreat from AI cover as risk of multibillion-dollar claims mounts. BHP Abandons Bid for Anglo American Following New Talks. Novo Nordisk Shares Slump After Ozempic Pill Fails in Alzheimer's Trials. Inside Marriott's Disastrous Bet on Short-Term Rental Company Sonder. Ray Dalio Says 'Pod Shop' Hedge Fund Model Is Unlikely to Last. AI Meets Aggressive Accounting at Meta's Gigantic New Data Center. The New Billionaires Behind the AI Data Center Boom. Amazon's X-energy gets backing from Jane Street as investors bet big on nuclear. Chinese exporters charge Russia more for war supplies as sanctions bite. SPAC Stocks Are Back in Risky Financial 'Turducken.' Anthony Scaramucci is selling a \$49 online course. "Every new batch of business school grads invents bank fraud from first principles." "You selectively choose which billionaire you want to support, so I decided I would give Meadow Lane a try and see what happens." "I have never had that much flavor all at once, and to experience that from a Papa Johns' slice was actually pretty traumatic."

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1. That is a simplification. A “physical gold ETF” will own electronic entitlements to some gold bars in a bank’s vaults, and when you buy shares of the ETF you buy equity interests in those entitlements. A gold futures contract entitles you to future delivery of gold bars, but “delivery of gold bars” in this case means delivery of warrants (electronic warehouse receipts) entitling you to some particular gold bars inside an exchange-approved depository.
2. Though a point that I normally make about abstract commodity space is that you *need* to have some mechanism linking the abstract space and the real-world commodity: You need to be able to take the nickel out of the warehouses (and get actual nickel) in order for the warehouse receipts to track the value of actual nickel, even if you rarely actually do it.
3. Obviously the people who buy gold futures can turn them into actual gold ingots in their possession more easily than the people who buy these tokens can, even if they usually don’t.
4. We have talked a few times recently, for instance, about companies that borrowed money secured by electronic records reflecting their rights to cars or buildings or other real-world stuff. It turns out to be much easier to produce fake electronic records than it is to produce fake cars or buildings, so a lot of those loans went bad.
5. I think sometimes about my Bloomberg colleague Joe Weisenthal’s point that Bitcoin’s proof-of-work concept (you do a lot of wasteful computer calculations to “mine” Bitcoins) replicates the original social function of gold: In early societies, “the holding of gold was essentially an embedded proof that you had all the skills needed to wield power. In other words, when you have gold you’re communicating all the different things you’re capable of (mastering supply routes, commanding an army, scientific endeavor, marshalling labor, etc.).”
6. For obvious reasons (credit risk, this is a trick, etc.), the lender will prefer to receive all the Christmas presents for the life of the loan up front. (The example below uses a one-year bond with the Christmas present – or “consultation fee” – paid early in its term.)
7. We talked last month about a paper finding a similar effect in stock indexing: If stocks are all held by index funds, they will move together even if they are fundamentally uncorrelated, because the index funds will trade them all at the same time.

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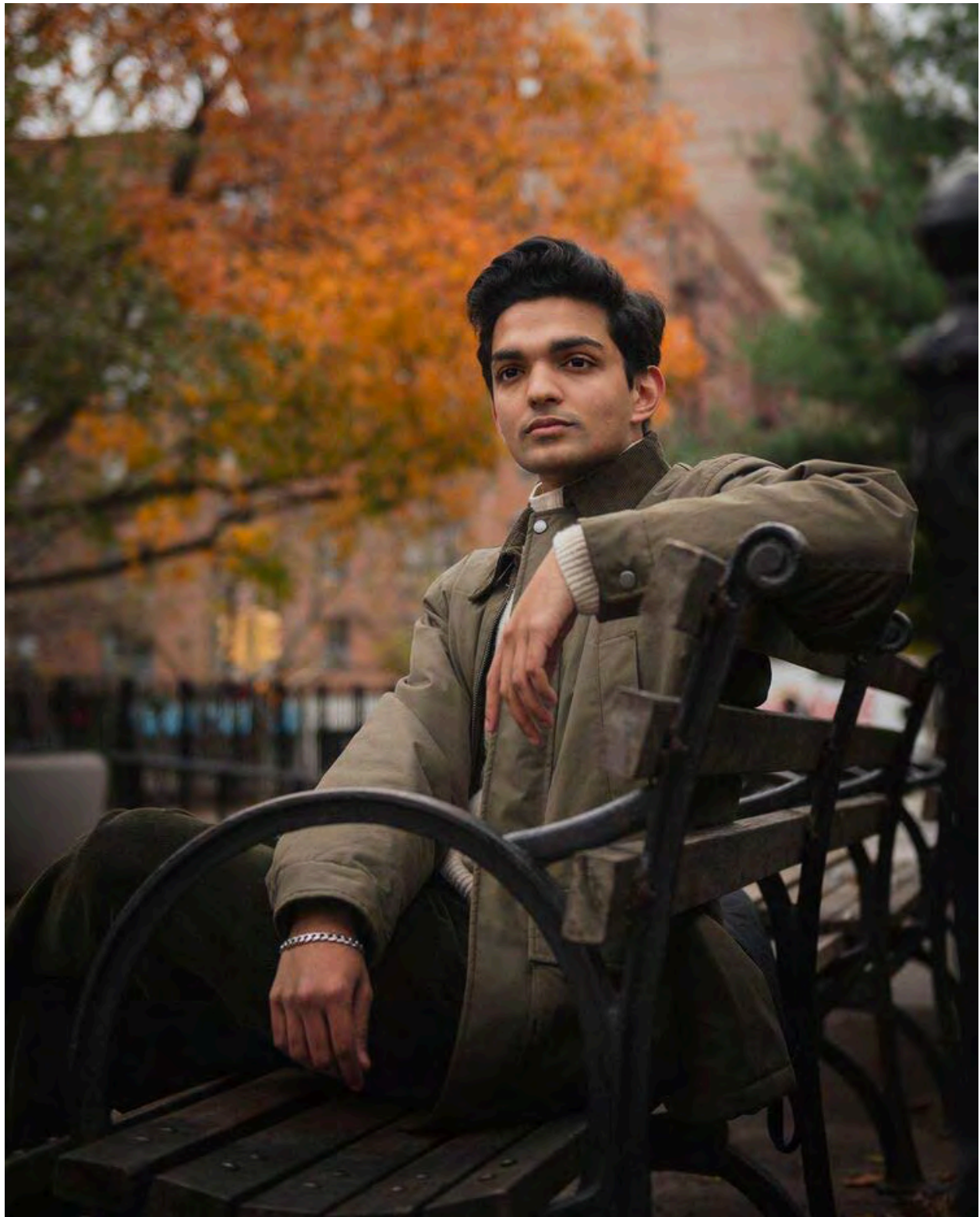
Securities

Casino Capitalism Blurs the Line Between Gambling and Investing

Nov. 21, 2025, 8:00 AM PST

Heading to the New York City subway in September, Mahesh Saha placed a supercharged bet on a volatile stock. Saha, a 25-year-old law student, tapped a phone app and bought \$128 worth of bullish options, the right to purchase shares of uranium producer Cameco Corp. for \$80 within the week. If they surged above that level, he could make many times his initial investment. If they didn't, the options would expire, worthless—a total loss.

That day investors grew more optimistic about Cameco. So, less than 90 minutes later, Saha cashed out his options, for an 84% profit, he says. On other days he's made mobile phone bets on the Georgia Tech-University of Colorado football game, the New York City mayoral primary and whether President Donald Trump will create a Bitcoin reserve. "The goal is just to make my money grow," says Saha, in his second year at Cardozo School of Law in Manhattan. "If it happens to grow large enough that I can pay my tuition with it, that'd be great."



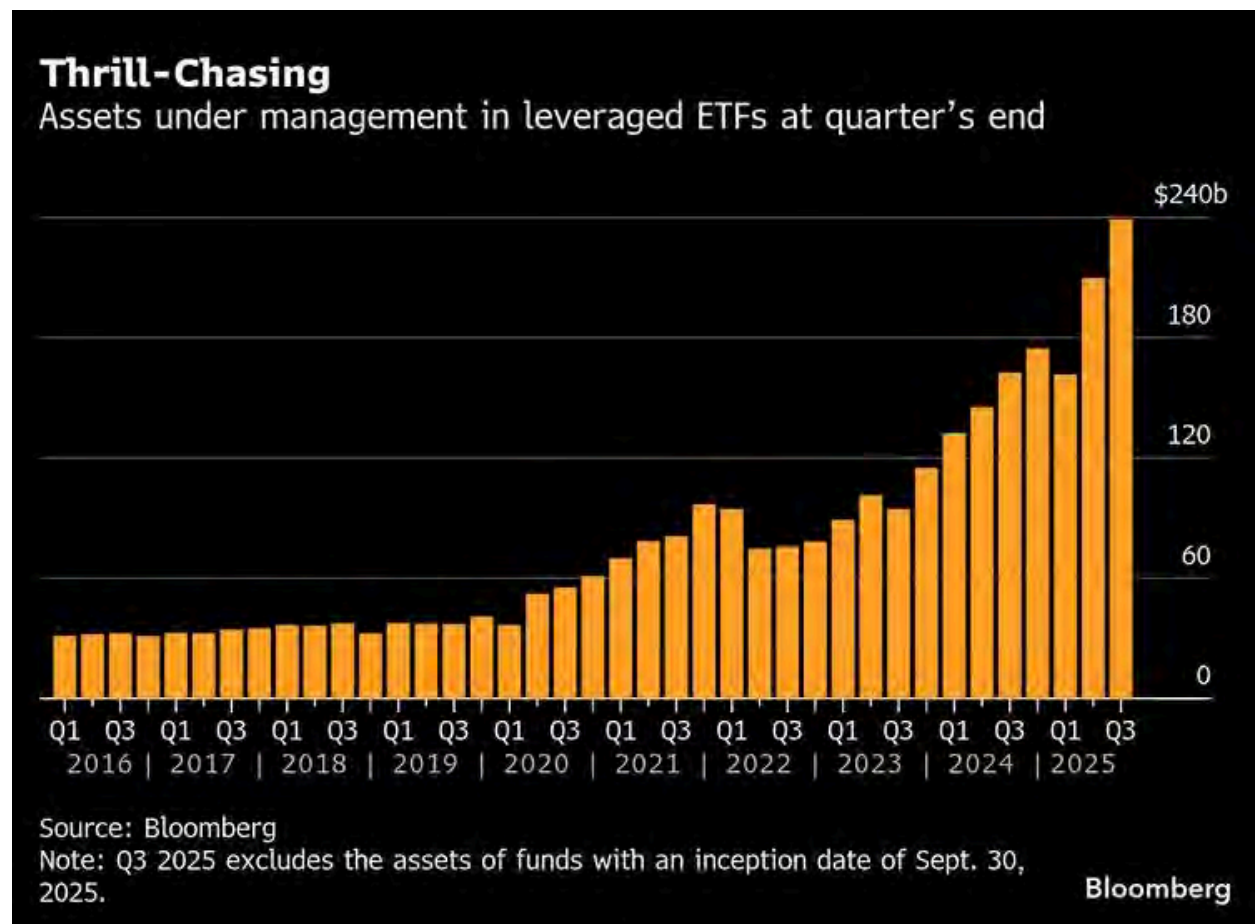
Saha in New York's Union Square.

Photographer: Kholood Eid for Bloomberg Markets

Saha's extracurriculars illustrate the fading line between investing and gambling. The latest evidence: In October, New York Stock Exchange owner Intercontinental Exchange Inc. said it would invest as much as \$2 billion in the cryptocurrency-based betting platform Polymarket. Derivatives marketplace CME Group Inc. is also teaming up with FanDuel, an online gambling site, to offer financial contracts tied to everything from sports to economic indicators and stock prices.

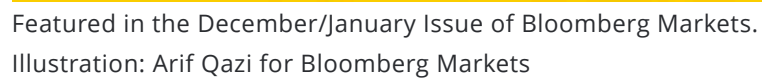
Since the Covid-19 pandemic, a new generation of traders has flooded markets through apps that blend brokerage, betting and social media antics. They're using tools built for speed, stakes and engagement: stock options with zero days to expire (ODTE) that can deliver thousand-percent swings in minutes; leveraged exchange-traded funds, or ETFs, that triple the pain or pleasure of a daily move; event contracts that let users wager on the consumer price index, earnings calls or NFL games; memecoins and tokenized stocks.

More than half of the S&P 500's daily options volume now comes from ODTEs, instruments that barely existed on any scale five years ago. Assets in leveraged ETFs have soared sixfold since the onset of the pandemic, to \$240 billion. Sports event contracts, essentially a form of gambling, clocked \$507 million in trades on Kalshi, one of the biggest prediction markets, during just the NFL's opening week this season. Day in and day out, Wall Street, which likes to talk about managing risk, has been manufacturing new ways to take it. More assets to trade. More chances to win. More dopamine.



If going to a casino or drawing cash from a bank used to act as friction in gambling, no such barriers seem to exist nowadays as mobile apps let people bet on anything, anytime and anywhere. Lin Sternlicht, co-founder of Family Addiction Specialist in New York, notes that her gambling-problem clients are getting younger and suffering larger financial losses. "They think they're investing, because they're not going to the physical location of a casino, but the fact is what they're doing is similar to that, sometimes much worse because of the accessibility and how easy it is to do it on a 24/7 basis," she says.

To regulators the stakes are no longer just financial. They're existential. If every interface becomes a casino, where does responsibility lie? With the trader? The tech? The system itself? During Joe Biden's administration, the Commodity Futures Trading Commission (CFTC), which oversees derivatives markets, tried to shut down contracts tied to elections and sports.



But Kalshi Inc. and PredictIt, another prediction market, sued to stop the agency. Kalshi argues its contracts help companies hedge against real-world risks, such as a corporation worried about the victory of a politician promising a tax increase or an ice cream shop concerned about cold weather hurting sales. PredictIt's operator, Aristotle International Inc., calls its data a "clear public utility." Similarly, Polymarket says its products can outperform polls and aid decision-making. All three frame their offerings as tools to help the public make forecasts and manage risks.

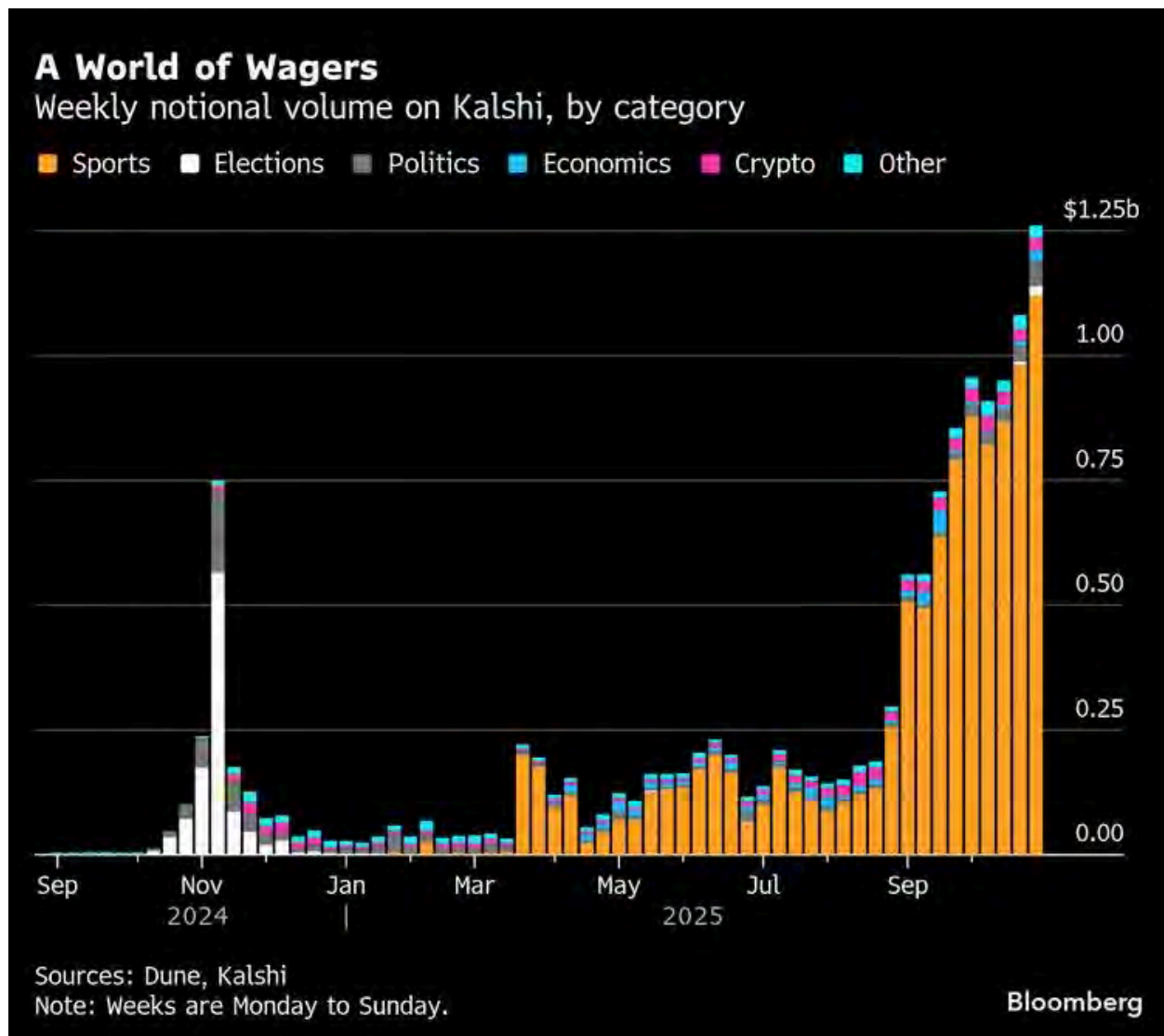
Under US law, betting on a baseball game is illegal in some states. But wagering on a Dogecoin swing, on the basis of nothing more than vibes, is fair play. "Let's be clear, we're all gambling here," says Isaac Rose-Berman, a professional sports bettor and research fellow at the American Institute for Boys and Men, a think tank focused on improving the well-being of males, who are especially prone to gambling problems. "It's just sort of different gradations of it."

Still, most experts would argue that some practices are clearly investing: for example, buying and holding a diversified mutual fund, particularly one that tracks a major stock index, or Warren Buffett's long-term holdings of companies such as Coca-Cola Co. and Apple Inc.

Under Trump, the CFTC shifted course. It ended its legal fight with Kalshi and authorized PredictIt as a regulated exchange. That decision signaled something to the markets: The very concept of determining what qualifies as investing may be slipping out of federal and state governments' grasp.

This moment has historical parallels. In the late 1800s, so-called bucket shops let retail customers bet on stock prices without owning shares. The quotes came in by telegraph, often delayed, giving the illusion of market participation, and with just enough lag for the house to win. It was speculation disguised as investing, amplified by the tech of the day. Customers often faced ruin, and, after the 1929 stock market collapse, the federal government instituted regulations to protect investors through the creation of the Securities and Exchange Commission.

Ever since, waves of deregulation led to financial disaster, followed by the tightening of rules, which would then be loosened after a time. The 1990s saw another speculative surge, because of the internet, which enabled individuals to trade more easily and at a lower cost. As markets shifted from paper to pixels, penny stocks exploded, and day traders dialed in from home. Off-exchange trading systems flourished. Internet stocks crashed at the start of the next decade, only to see other darlings take their place. Sophisticated investors—making leveraged bets on housing via derivatives—helped inflate a real estate bubble that later burst and almost brought down the global financial system in 2008, leading to another round of regulation.



Today's tools are even faster, the trades flashier. Not only is the speculative instinct enabled; it's also engineered. Meme-stock raids—where day traders band together to bid up the price of a stock like GameStop Corp.—and crypto runs echo those earlier manias. But the difference is institutionalization. The casino isn't across the street from the exchange anymore. It's in the same building.

Retail participants are often called “squares” in sports betting circles, because many are wagering for fun or on the basis of team loyalty. They're drawn to event contracts, hosted on platforms including Robinhood Markets Inc. Sophisticated players, or “sharps,” can easily exploit these bettors.

Chris Dierkes, a pro sports bettor who previously worked as an analyst at billionaire Stan Druckenmiller's family office, heads trading at Novig, a sports-focused prediction market company. He learned trading options that he has no edge against big firms like Citadel Securities or Jane Street. When it comes to sports betting, in his view, the deck is stacked differently. “I don't want to compete against the smart people, I want to compete against the dumb people,” he says. “What has the highest-volume markets in Robinhood is going to have the dumbest customers. And that's where I want to be.”



Illustration:: Glenn Harvey for Bloomberg Markets

If the line between gambling and investing is vanishing, how could regulators redraw it? Ilya Beylin, a Seton Hall University law professor who studies financial regulation, attempted a scientific answer. In a recent paper, "Exchanges Are Using Federal Derivatives Law to Provide Gambling Products to Retail Traders: A Descriptive Account With Suggestions for Regulatory Intervention," he proposed a formula:

$$P = E - C + M$$

The framework aims to quantify intent, weighing economic value, cost and motive. A trade's effect (P) equals its expected value (E) minus cost (C), plus its psychological experience (M). If a transaction is driven by the potential for return, it's investing. If the thrill of betting becomes the point, it's gambling. By this approach, people who buy and hold shares of artificial intelligence chipmaker Nvidia Corp. are investing. And those dashing in and out of ETFs that offer three or five times the stock's daily performance are gambling.

But Karl Lockhart, a DePaul University professor who studies securities regulation, notes that many supposed differences collapse under scrutiny. Consider the notion that investing rewards diligence and gambling doesn't. While roulette is all chance and blackjack offers limited edge, a disciplined punter might find real advantage in political and sports betting, arguably more so than in equities.

Another is use: Investing is meant to hedge real-world risk. In that sense, both commodity futures and prediction markets can be framed as tools to guard against unfavorable outcomes. Yet most users are simply speculators with no intent to hedge, suggesting that these products are both operating in the realm of gambling.

In a paper, "Betting on Everything," published in the Boston College Law Review in October, Lockhart warns that the current legal regime separating investing and gambling isn't sustainable given the growing overlap. Regulators might end up blocking wagers on politics that are determined to be contrary to the public interest, while letting traders wager on memecoins and zero-day options. You don't have to be a libertarian to note the inconsistencies.

Beylin wants the CFTC to vet new products more aggressively, preventing exchanges from listings that fail to materially advance either hedging or pricing goals. He proposes limiting traders on the basis of income, wealth or other measures of sophistication. He wants a higher bar for approving derivatives, tighter access to risky products and regulatory clarity on the purpose of each platform. Is it for price discovery or for play? "I don't believe that people have the right to go broke. Because when they go broke, there's a social safety net getting stressed," Beylin says. "People are yelling freedom, but they don't really know freedom to do what."

Some companies are trying to draw their own lines. Vanguard Group Inc., the investing giant and index fund pioneer, has removed zero-day options from its brokerage and shuns leveraged ETFs. It also flags clients who chase hot stocks or trade too frequently. "It's almost like if options trading is the gambling target, then ODTE is kind of the bull's-eye," says James Martielli, Vanguard's head of investment product for its personal investor business.

The very nature of short-dated options means huge profits can be made quickly and get wiped out just as fast. You're betting on a stock reaching a certain price on the day you're buying or selling the contract. The wager can pay off spectacularly or be worthless within minutes or hours, usually the latter for regular folk: An academic paper released in 2023 estimated ODTE losses for retail traders total \$358,000 a day.

Maria Konnikova, a psychologist and bestselling author who spent a year becoming a world-class poker player, argues that the image of investing as a rational discipline is often a fantasy, a story that market participants tell themselves to justify luck. Her view: Many investors chase the illusion of control. And for some that illusion becomes an obsession. "We're fooling ourselves if we think that by outlawing gambling, we're outlawing gambling," she says. "I don't think you create addicts. I think that there are people who become addicted to gambling, who I'm sure probably wouldn't have, had they never encountered it, but they would've become addicted to something else."



Konnikova (center) at the 2018 World Series of Poker in Las Vegas.

Photographer: John Locher/AP

Konnikova points to the work of the late Daniel Kahneman, the Nobel laureate psychologist who challenged the concept of the rational economic actor. His research showed that even professionals are routinely fooled by randomness, mistaking short-term gains for skill, and patterns for causality. Kahneman once wrote that the performance of most fund managers was indistinguishable from chance. The idea of roulette over research sits uncomfortably at the core of modern investing, especially as markets speed up and gamify. "Trading zero-day options is gambling," says John Arnold, the billionaire energy trader turned philanthropist. "It is not investing in my mind. I think that's pretty clear on the black-white spectrum, but there are a lot of gray areas in this, and I think that's where the CFTC struggles."

Saha, the law student, grew up in a blue-collar family in Queens. When he struggled to find a part-time job during the pandemic, he dove into options trading and meme stocks. Since then he's developed a system to build portfolios. Saha uses online platforms that browse sites of sports betting companies such as FanDuel and DraftKings Inc. to discover pricing outliers. He then places bets to profit from that discrepancy.

In stocks, Saha follows almost 70 accounts on X. Once he sets his eyes on a stock, he studies its price charts to determine the buy or sell levels. He avoids companies with a market value of less than \$1 billion and tends to shun trading in the first hour of a session, when, he says, the market is often more volatile. Saha says he hasn't tracked his events-betting performance recently, but his stock-related portfolio was up more than 70% through mid-November. (He declined to say how much he's invested overall.) "I'm trying to be strategic and quantified about the risk I'm taking," he says. "If you're controlling the risk and making sure that your reward is always greater than your risk, then, at the end of the day, it's more of an investment than it is a gamble."

Maybe. Maybe not.

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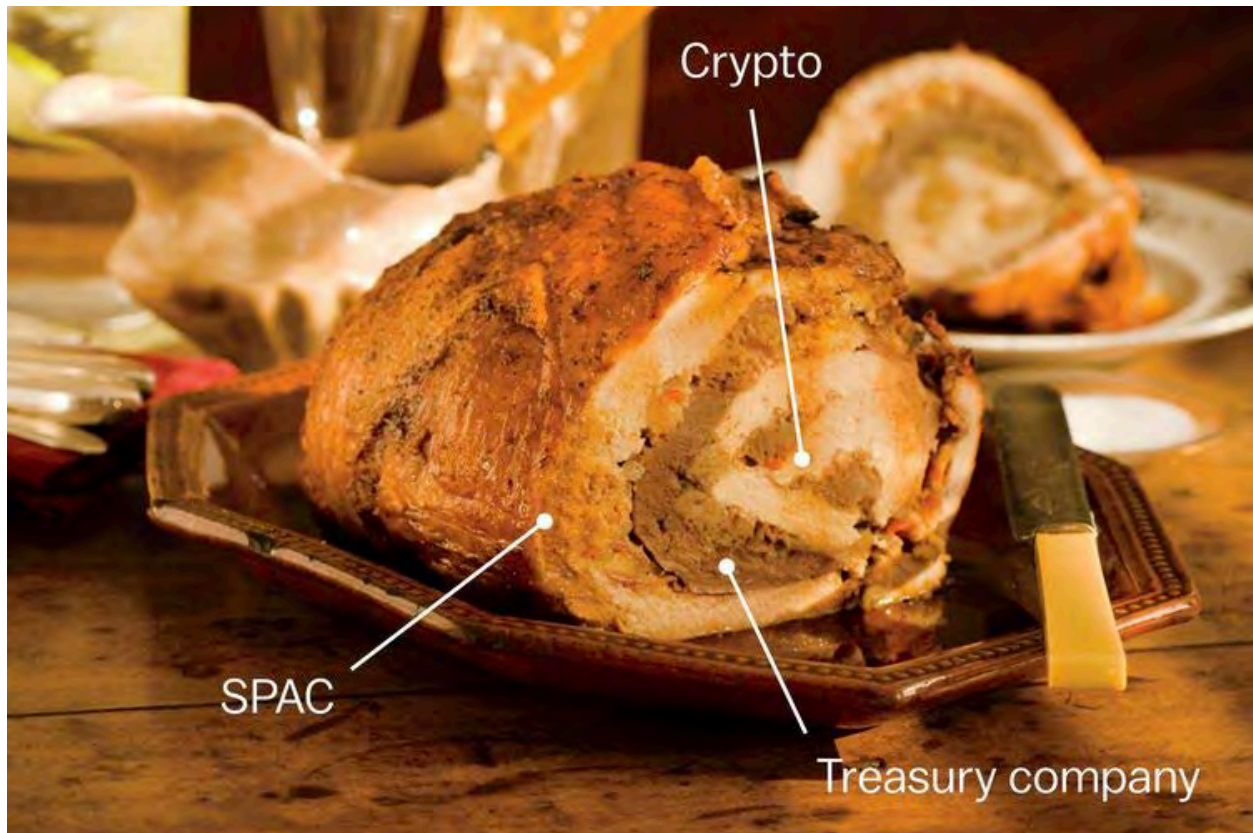
Securities

Blank-Check Firms Stuffed With Crypto Are Financial 'Turducken'

Nov. 24, 2025, 4:00 AM PST

One of the biggest fads of the Covid-19 retail-stock trading era is making a comeback—thanks in part to two buzzy trends. Special-purpose acquisition companies, or blank-check firms, have latched onto crypto treasury companies and emerging technologies like quantum computing that are benefiting from President Donald Trump's "America First" rhetoric. Some researchers are already warning that many everyday investors betting on these companies are liable to lose money.

"It all looks like turducken, where we're just putting one thing inside of another," says Peter Atwater, founder of Financial Insyghts, which advises institutions on consumer sentiment, financial markets and the economy. (Turducken refers to a Louisiana dish where a deboned turkey is stuffed with a duck that's stuffed with a chicken.)



Colin Cooke/StockFood

SPACs are publicly traded shell corporations that raise money from investors to do just one thing: find a private company to merge with. Those mergers are a backdoor way to take the target company public. SPACs exploded in popularity in 2020, but they fell out of fashion once starry-eyed corporate executives and investors began to grasp the significant costs built into these complex deals. Tumbling stock prices—especially those of more speculative, early-stage companies—ended up wiping out billions of dollars in value for shareholders who held onto SPACs long after their acquisitions.

The lessons from that era seem to have been forgotten. More than 110 SPACs raised \$23.3 billion in the first 10 months of 2025, a far cry from the roughly \$162 billion pooled across 613 in 2021, but easily outpacing the activity in the last two years combined, according to SPAC Research. The stream of deals has maintained a solid clip, with 59 SPAC mergers inked this year through October.



Featured in the December/January issue of Bloomberg Markets

Illustration: Arif Qazi for Bloomberg Markets

Take Cantor Equity Partners Inc., one of six SPACs run by Brandon Lutnick, son of US Commerce Secretary Howard Lutnick. CEP announced in April that it would merge with Twenty One Capital Inc. to form a publicly traded Bitcoin holding company. The stock jumped fivefold, rewarding the hedge funds that got in early. But investors who chased the eye-popping gains were quickly hit with sharp losses when the stock retreated. Cantor and Twenty One Capital declined to comment. Shareholders are expected to vote on the deal in early December.

Crypto treasury companies—also known as digital asset treasuries (DATs)—are a bit like SPACs in that they're mainly vehicles for investing in something else, except a DAT buys cryptocurrency instead of another firm. When Michael Saylor popularized the trend at his software company Strategy Inc., formerly known as MicroStrategy, he used funds to stockpile Bitcoin, attracting stock investors who weren't otherwise able to directly hold digital assets. Treasury companies can also sell convertible debt or shares to raise money, allowing them to buy more crypto. In a frothy market, DATs can trade for far more than the value of the crypto they hold—but those premiums can swiftly evaporate when moods shift.

For Atwater, the marriage of SPACs and crypto treasury companies is reminiscent of the collateralized debt obligations that helped fuel the 2008 financial crisis. "It reminds me of the madness of the CDO world at its peak, where investment banks were trying to see what all they could repackage to sell to somebody who otherwise couldn't buy it but wanted in on the game," he says.

Despite the pitfalls, with stock benchmarks setting a string of record highs in October as the riskiest corners of the market soared, imitators lined up blank checks for companies to buy and hold a gamut of tokens ranging from the popular to the obscure. It helped when the deals were backed by a famous name. In August, Trump Media & Technology Group Corp., largely owned by the president's family, signed a SPAC deal to create a treasury company focused on accumulating CRO tokens, a lesser-known cryptocurrency used on Crypto.com's Cronos blockchain.

Some SPACs change their ticker symbols before a deal is completed in an attempt to attract more attention. Columbus Circle Capital Corp. I went with BRR, for "Bitcoin Rate of Return," calling it the "defining performance metric in the next era of finance." ("Brrr" also happens to be an internet meme for the sound a money printer makes—a dig at the Federal Reserve.) Armada Acquisition Corp. II adopted XRPN, a nod to the future combined company's plans to acquire XRP, the cryptocurrency tied to the Ripple payment network.

Among nine SPACs with pending DAT-related deals, all have peeled back from their initial gains, with losses ranging from a 1.1% dip to an almost 70% decline as of Nov. 12.

There are signs that the novelty of marrying blank checks and digital treasuries is petering out after crypto entered a bear market in November. Retail investors lost an estimated \$17 billion from holdings in Saylor's Strategy by overpaying for the underlying Bitcoin held by the company, according to an October report from Singapore-based 10X Research. The losses, tracked since the company began selling shares to buy the token, came from an overpricing of share premiums that allowed it to sell stock far above the value of its crypto holdings. Strategy didn't respond to requests for comment.

"It's craziness squared," says Interactive Brokers' Steve Sosnick. The firm's chief strategist, who's been in finance for the better part of four decades, says the deals exemplify the adage that there's often a greater fool who will pay more for an overpriced asset.

Meanwhile, SPAC investors already have their eyes on the next stock craze. Recently, management teams have been touting deals in nuclear and quantum computing, both priorities for the Trump administration. Outsized share gains for publicly listed peers have drawn SPAC sponsors and advisers to circle companies thought to be well-positioned to ride the next wave. "You're seeing a type of industry gravitate toward the SPAC transaction," says Shari Mager, a partner with KPMG's deal advisory practice. "Those are the types of industries that are in favor right now regardless of the type of deal."

The best-performing SPAC in the US this year is Churchill Capital Corp. X. The shares had gained nearly 70% as of mid-November, after Churchill announced a plan to take quantum-computing firm Infleqtion Inc. public. The next day, competitor Horizon Quantum Computing Pte Ltd. inked its own SPAC merger.

The flood of cash—both amateur and institutional—to unproven areas is a product of the current bull market, where everyone is searching for the next Nvidia Corp., hoping to replicate the trillions in returns generated by the frenzy around artificial intelligence. "What's the next big thing: Is it quantum computing, or nuclear or flying cars? Nobody knows, but this is a sign that people are feelingly invulnerable," Sosnick says. "The more these stocks rally, the more it gets chased."

Lipschultz covers initial public offerings, blank-check companies and meme stocks.

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Securities

Crypto Crash Is Eroding Wealth for Trump's Family and Followers

Nov. 23, 2025, 1:00 PM PST

In President **Donald Trump's** second term, crypto assets transformed his family's wealth. Now the Trumps — and their followers — are getting a crash course in the wild volatility ingrained in digital currencies.

The value of a Trump-branded memecoin has fallen by about a quarter since August. **Eric Trump's** stake in a Bitcoin mining venture has shed roughly half its value from its peak. And shares of Trump's social media company, which started hoarding Bitcoin this year, are hovering near an all-time low.

The selloff is part of a broader rout that's wiped out more than \$1 trillion of value across the digital asset world. The Trump family's fortune has fallen to about \$6.7 billion from \$7.7 billion in early September, according to the Bloomberg Billionaires Index, a decline largely tied to its growing portfolio of crypto ventures.

Those holdings involve intricate deals that go beyond straight bets on the value of digital currencies. Everyday investors, who have more ways than ever before to invest in Trump-linked projects, stand to feel greater pain. Any speculator who bought Trump's memecoin at its peak after it was announced inauguration weekend, for instance, would have lost almost the entire value of their investment by this month.

Eric Trump, the president's second-born son, said he remains undaunted. He has repeatedly urged investors to double down, even in crypto market downturns.



Eric Trump speaks during the bell ringing ceremony for American Bitcoin at the Nasdaq on Sept. 16.
Photographer: Victor J. Blue/Bloomberg

“What a great buying opportunity,” he said in a statement to Bloomberg News. “People who buy dips and embrace volatility will be the ultimate winners. I have never been more bullish on the future of cryptocurrency and the modernization of the financial system.”

It’s true that since it was created in 2009, Bitcoin has endured multiple steep plunges before, only to climb higher and higher with time. But the Trumps have a buffer built into their crypto holdings. While they own tokens and shares of crypto-linked companies that are tanking, they earn money in other ways from their involvement in the industry.

Take the crypto platform they co-founded, World Liberty Financial: The Trump family has seen their holdings of the affiliated token decline in paper value — but they’re still entitled to a portion of proceeds from selling the token, regardless of prices.

“Retail investors can only speculate,” said **Jim Angel**, a finance professor at Georgetown University. “The Trumps can not only speculate, but they can create tokens, sell them and make money off those transactions.”

This is a snapshot of how the Trump family’s crypto-linked holdings are weathering the plunge.

Trump Media: \$800 Million Loss

Shares of Trump Media & Technology Group Corp., the parent company of the Truth Social platform, hit a record low on Wednesday. At least part of the decline might be explained by a poorly-timed move into cryptocurrency.

The value of the president's stake in the firm fell by about \$800 million since September. He is the company's largest holder, with his stake in a trust overseen by his eldest son, **Donald Trump Jr.**

Trump Media Shares Have Tumbled 66% in Past Year

The Truth Social parent has deepened its crypto bets



Source: Bloomberg

Bloomberg

Trump Media, which is unprofitable, has been experimenting with several new business lines, including crypto. The company spent about \$2 billion on Bitcoin and related securities, including options, according to a July statement. Its stockpile of roughly 11,500 Bitcoin, purchased when the cryptocurrency's price was about \$115,000, means the company has accumulated a loss of about 25% on the position.

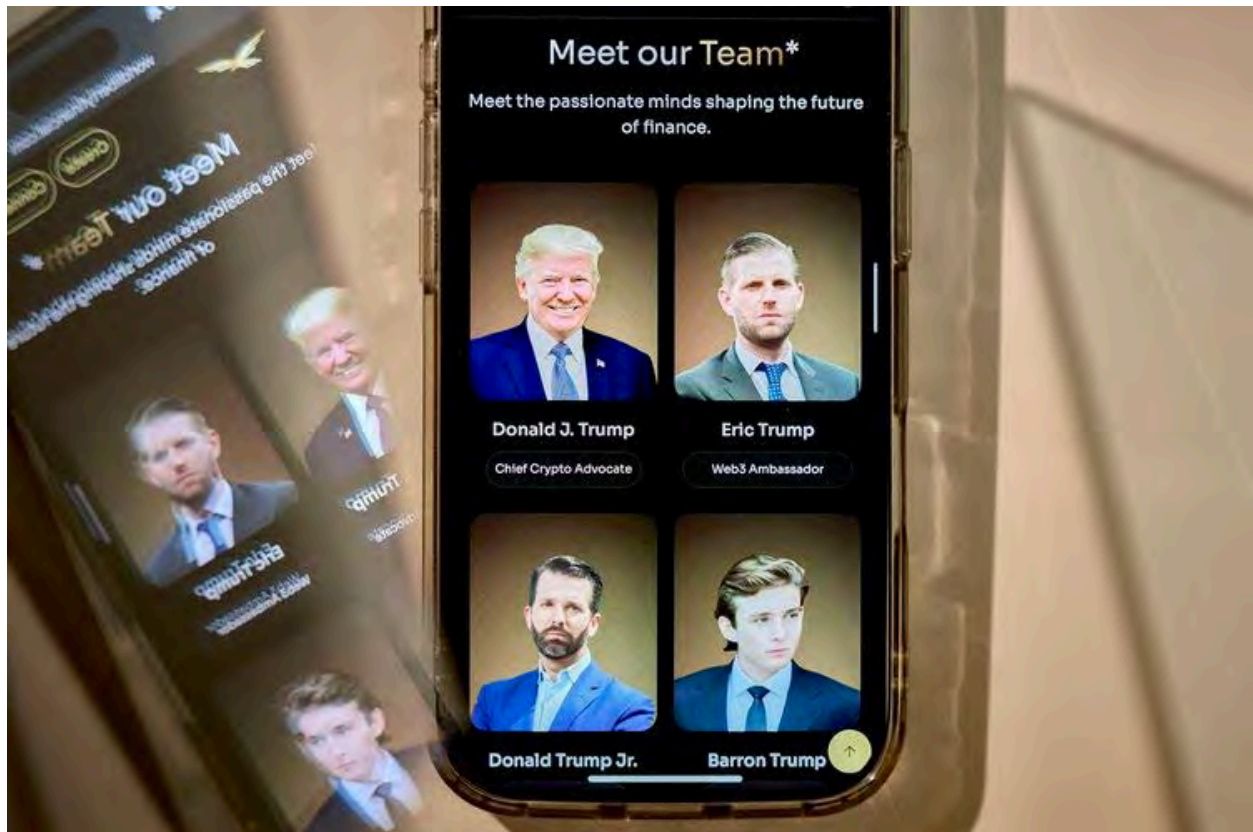
It also started hoarding a lesser-known token called CRO, issued by Singapore-based crypto exchange company Crypto.com. Trump Media's stash of the CRO token was worth about \$147 million at the end of September. Since then CRO has lost roughly half its value.

Trump Media is pursuing other lines of business with Crypto.com. The two companies are planning a prediction market that will let users bet on sports and politics, called Truth Predict.

World Liberty Financial: Nearly \$3 Billion Paper Loss

The Trump family's flagship crypto project, World Liberty Financial, has its own name-brand token called WLFI. The cost of that token has plunged from 26 cents in early September to around 15 cents.

The Trump family owns a store of WLFI tokens that had a paper value of nearly \$6 billion at the peak. Today, they are worth about \$3.15 billion. (The coins aren't included in the family's valuation on the Bloomberg Billionaires Index because they are currently locked and can't be traded.)



The World Liberty Financial website.

Photographer: Gabby Jones/Bloomberg

In August, the company sold some of its tokens to a tiny publicly traded company called Alt5 Sigma Corp. The sale came at an opportune moment: World Liberty netted \$750 million in cash and an equity stake.

Investors in Alt5 haven't necessarily fared as well. Alt5 shares have lost about 75% of their value since the deal was announced.

The Trump family's stake in Alt5, via World Liberty, dropped by about \$220 million. But the Trumps still walked away winners from the deal. The family got about 75% of the proceeds from sales of World Liberty tokens, which added up to \$500 million from the Alt5 deal alone, according to Bloomberg calculations. The Trumps made about another \$400 million from WLFI token sales before the Alt5 deal.

"Crypto is here to stay," a spokesperson for World Liberty Financial said in a statement. "World Liberty Financial has long-term conviction in the rapidly maturing technologies underpinning digital assets, which we believe will radically improve financial services."

American Bitcoin: At Least \$330 Million Loss

About two months after Trump's inauguration, his family dove into another new crypto project. Eric and Donald Trump Jr. collaborated with crypto company Hut 8 Corp. on a complex series of transactions, where Hut 8 provided its own Bitcoin mining equipment in exchange for a majority stake in a new firm, called American Bitcoin Corp.

Eric Trump owns about 7.5% of American Bitcoin, which now trades on Nasdaq under the ticker ABTC. Donald Trump Jr. owns a smaller, undisclosed stake.

Shares of ABTC peaked at \$9.31 in early September, making Eric Trump's stake worth about \$630 million. They have since dropped by more than half, wiping more than \$300 million off the family fortune. The transaction still marks one of the clearest examples of how the Trumps generated hundreds of millions in new crypto wealth from relatively recent endeavors.

An investor who bought ABTC shares when they became public would have faced a 45% loss. An ABTC spokesperson didn't respond to requests for comment.

Trump Memecoin: Nearly \$120 Million Loss, \$220 Million of Tokens Unlocked

Trump's memecoin had already plunged since it was announced on the weekend of the presidential inauguration. But since the end of August, it has shed roughly another 25% of its value.

The size of the family's stake in the coin is opaque. Gauntlet, a risk modeling firm, found that digital wallets associated with the creation of the memecoin owned nearly 17 million tokens a few months after its launch, with another 17 million transferred to crypto exchanges by those wallets. Another 90 million tokens vested in July. The Bloomberg Billionaires Index credits the Trumps with 40% of the total, based on the family's ownership stake in World Liberty Financial.

Those coins are worth about \$310 million at prevailing prices, a roughly \$117 million drop since the end of August.

But the Trump family has seen a huge boost to its holdings of the coin, according to calculations by the index. A portion of tokens held by insiders and creators of the coin have been "locked" and untradeable, but are vesting over three years.

Since the vesting event in July, nearly 90 million more Trump tokens were unlocked for insiders, according to crypto research firm Messari, of which about 40% are credited to the Trumps by Bloomberg's wealth index.

The additional coins are worth roughly \$220 million. That means the value of the family's total holdings went up. It's unclear whether the Trump family has sold coins since July.

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Bausch Health Financial Stability Suit Permanently Dismissed

By **Katryna Perera**

Law360 (November 21, 2025, 3:24 PM EST) -- A New Jersey federal judge has dismissed for good a class action against Bausch Health Cos. Inc. and its top brass over claims that they misled shareholders about threats to the company's financial stability, finding that the second amended complaint includes inactionable challenged statements and fails to state a claim.

U.S. District Judge Zahid N. Quraishi of the District of New Jersey **previously dismissed** the suit in February, finding that most of the challenged statements in the complaint were inactionable.

According to Thursday's **opinion**, the investors removed from their second amended complaint many of the challenged statements that Judge Quraishi tossed in February, and added a few new ones, including a statement that allegedly downplayed the number of opt-out plaintiffs from a \$1.2 billion settlement in a previous class action that Bausch's predecessor, Valeant, was involved in.

Made by Bausch's former chairman and CEO Joseph Papa, the statement claimed that the pharmaceutical company had "taken care of the majority" of any lingering lawsuits. Investors say this statement was false and misleading because it failed to disclose the "massive liability from the opt-out plaintiffs," according to the opinion.

However, Judge Quraishi agreed with the defendants on Thursday that Papa's statement and others related to past litigation acknowledged that there were still opt-outs and clarified that most of the potential exposure from the class action lawsuit was in the past.

"The fact that certain opt-out plaintiffs remained does not negate the fact that the bulk of the litigation and liability had been resolved," the judge said. "Defendants' statements, when read in context, are thus true."

In their second amended complaint, the investors also alleged that an August 2020 press release announcing that the company intended to spin off a new eye health company and a diversified pharmaceutical company was misleading because it failed to disclose that the true purpose of the spinoff was to prevent the opt-out plaintiffs from collecting any future judgment or settlement.

However, the judge said the press release is forward-looking and therefore inactionable.

"Here, the company is undisputedly discussing what it believes the effect of the spinoff will be and is thus an inactionable forward-looking statement that is nothing more than corporate optimism," the opinion states.

Finally, the investors added a "scheme to defraud" claim in their operative complaint, according to the opinion, claiming that the spinoffs were specifically designed to defraud creditors, but Judge Quraishi declined to keep it in the suit.

"Although plaintiffs have alleged actions taken by defendants beyond misstatements, the crux of the fraudulent scheme alleged by plaintiffs is the defendants' alleged concealment of the true purpose" of the spinoffs, the opinion states. "Plaintiffs needed to show a fraudulent scheme that was independent of those allegations."

"While plaintiffs alternatively argue that the fraudulent scheme was to transfer assets away from

Bausch Health to prevent opt-out plaintiffs from collecting on a potential judgment, that argument holds no weight because the spinoff did not occur, and any judgment is merely speculative," the opinion further states. "Accordingly, plaintiffs scheme liability claims must be dismissed."

Bausch Health is a global healthcare conglomerate that develops, manufactures and markets pharmaceuticals and medical devices. Before becoming a corporate entity in 2018, Bausch was known as Valeant Pharmaceuticals International Inc., which had purchased Bausch & Lomb in 2013. The company changed its name to Bausch Health Cos. Inc. following "one of the most egregious securities frauds in history," the complaint said.

The class action alleged that Valeant used a clandestine network of pharmacies to push high-priced drug prescriptions, sending the stock plummeting once price-gouging allegations surfaced. The suit settled for **\$1.2 billion in 2019**.

Investors in the current suit alleged that the defendants "maintained a facade that downplayed the company's financial struggles." After the settlement and name change, Bausch was a "sinking ship," and its stock price declined by more than 76% from 2020 through 2023 as it became clear that Bausch and its executives could not keep the promises they were making, the suit says.

The investors are represented by Christopher A. Seeger and Christopher L. Ayers of Seeger Weiss LLP, Samuel H. Rudman, by David A. Rosenfeld, Joshua D. Forgy, Alyssa H. Plascoff and Jonah H. Goldstein of Robbins Geller Rudman & Dowd LLP, by Thomas H. Przybylowski and Michael J. Wernke of Pomerantz LLP, and by Peretz Bronstein of Bronstein Gewirtz & Grossman LLC.

Bausch and the individual defendants are represented by Matthew A. Sklar and Omar A. Bareentto of McCarter & English LLP, and by Jonathan K. Youngwood, Craig S. Waldman, Meredith D. Karp and Jonathan S. Kaplan of Simpson Thacher & Bartlett LLP.

The case is *Kelk v. Bausch Health Cos. Inc. et al.*, case number 3:23-cv-03996, in the U.S. District Court for the District of New Jersey.

--Editing by Karin Roberts.



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Full 6th Circ. Won't Rehear FirstEnergy Investors' Appeal

By **Katryna Perera**

Law360 (November 21, 2025, 2:47 PM EST) -- The Sixth Circuit on Friday denied a request for a rehearing en banc of a ruling blocking FirstEnergy investors from accessing documents prepared by BigLaw firms investigating the company's \$1 billion bribery scandal, after previously denying a panel rehearing and a motion for clarification on the ruling.

A one-page **order** from the appeals court states that no Sixth Circuit judge "requested a vote on the suggestion for rehearing en banc." The order noted that Circuit Judges Amul Thapar and Whitney Hermandorfer are recused from the case.

A panel rehearing was **denied** earlier this month, and the court clarified at the time that its decision blocking investors' access applied to depositions taken in the proposed class action, as well as to documents produced during the probes.

The Sixth Circuit's decision left intact **a ruling** that investors cannot access documents prepared by Jones Day and Squire Patton Boggs LLP after they were hired by FirstEnergy and its board of directors to perform internal investigations once the bribery scandal became public.

The Sixth Circuit said the materials were "clearly" protected by the attorney-client privilege and work-product doctrine.

The investors asked for clarification on the ruling, but that bid was **rejected** on Wednesday without any stated reasoning.

In a statement to Law360 on Friday, Robert Giuffra Jr. of Sullivan & Cromwell LLP, counsel for FirstEnergy, said: "We're pleased that the Sixth Circuit has now unanimously ruled for FirstEnergy for the fifth time to protect the company's privilege and work product."

Counsel for the investors did not immediately respond to requests for comment Friday.

Investors sued FirstEnergy following the arrest of then-Ohio House Speaker Larry Householder in 2020, alleging they suffered billions of dollars of damages after the company's purported fraud was exposed.

U.S. Circuit Judges Jeffrey Sutton, Alice M. Batchelder and John Nalbandian sat on the panel for the Sixth Circuit.

FirstEnergy is represented by Robert Giuffra Jr., Sharon Nelles, David Rein, Nicholas Menillo, Morgan Ratner and Maxwell Gottschall of Sullivan & Cromwell LLP.

The investors are represented by Jason Forge, Darren Robbins and Mark Solomon of Robbins Geller Rudman & Dowd LLP and Joseph Murray and Brian Murphy of Murray Murphy Moul & Basil LLP.

The case is In re: FirstEnergy Corp., case number 24-3654, in the U.S. Court of Appeals for the Sixth Circuit.

--Editing by Patrick Reagan.



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Nextdoor Beats Investor Suit Over Post-SPAC Woes For Good

By **Katryna Perera**

Law360 (November 21, 2025, 6:56 PM EST) -- A California federal judge has permanently dismissed a shareholder class action alleging hyperlocal social networking service Nextdoor Holdings Inc. misled investors about its projected profitability when combining with a special purpose acquisition company, finding the investors failed to cure issues from a previous complaint.

U.S. District Judge Edward J. Davila issued an **order** on Thursday saying that, in addition to failing to address those issues, the investors also failed to plead scienter and loss causation.

Judge Davila **previously dismissed** the suit in May, finding, among other things, that the lead plaintiff never owned or sold the company's securities before the merger.

In the operative complaint, the investors once again challenged a statement made by Nextdoor CEO Sarah Friar on May 10, 2022, about the supposed growth in Nextdoor's active users, according to the order.

Investors' new argument regarding this statement was that it misled them about the proportion of on-platform active users — rather than about the definition of "active users." But Judge Davila said on Thursday this argument is "unsupported by the facts alleged."

"As discussed in the prior order, reasonable investors would have known that 'active user' includes both on- and off-platform users, and there are no statements in the [second amended complaint] that could reasonably be understood to imply how many of the 'active users' referenced ... were on-platform users," the order states. "If any investor did in fact believe, as plaintiff contends, that 'the proportion of active users that were purely off-platform was negligible,' this belief is not sufficiently supported by these facts."

The judge further found the second amended complaint fails to plead knowledge of wrongdoing or loss causation.

According to the order, the investors argued that scienter by the defendants is proven in three ways — Friar received almost daily executive reports that included the percentage of users that were on-platform versus off-platform; Nextdoor employees allegedly voiced concern during company meetings, which Friar attended, that the inclusion of off-platform users in the definition of "active users" was problematic; and knowledge of how many "active users" were off-platform was "simply the knowledge of the core operations" of Nextdoor.

However, Judge Davila said the allegations about the executive reports received by Friar are insufficient to infer scienter, since, according to a former employee, all C-level executives received the reports, which included data regarding the percentage of on-platform versus off-platform users.

"But plaintiff does not allege any facts to show whether, and when, the reports revealed the alleged 50-50 split in users engaged with the platform, or whether Friar had access to any report revealing this information prior to her May 10, 2022, statement," the order states.

Additionally, the judge said there are no alleged facts showing that the ratio of on-platform versus off-platform users was materially significant to Nextdoor's operations.

On loss causation, the judge said that although the alleged corrective disclosures revealed that Nextdoor's users were, in large part, off-platform users, there are no allegations that anyone attributed Nextdoor's disclosures to issues with active user metrics, and there is no reason for the court to reach that conclusion.

"In other words, as pled, there is no indication that the stock drops following these two disclosures were 'caused by a revelation of fraudulent activity rather than by changing market conditions, changing investor expectations or other unrelated facts,'" the order states.

Nextdoor first launched in 2011 as a "neighborhood network" that operated a hyperlocal online social networking platform that "connected neighbors, public agencies and businesses with features such as a news feed where neighbors engage with posts, discussions and pictures," according to court filings.

The suit alleged Nextdoor lost 90% of its value during the proposed class period because the defendants misled investors about two aspects of the business: the company's definition of active users, and its portrayal of Nextdoor as "the next big thing."

The suit said a series of disclosures revealed Nextdoor's declining average revenue-per-user growth rates and weekly active user numbers, causing the company's value to plummet by the end of the proposed class period.

Counsel for Nextdoor and Friar declined to comment on Friday, and counsel for the investors did not immediately respond to requests for comment.

The investors are represented by Jeremy A. Lieberman, Austin P. Van and Jennifer Pafiti of Pomerantz LLP.

The defendants are represented by Patrick E. Gibbs, Shannon M. Eagan, Tijana M. Brien and Andrew C. Johnson of Cooley LLP.

The case is Adamo v. Nextdoor Holdings Inc. et al., case number 5:24-cv-01213, in the U.S. District Court for the Northern District of California.

--Editing by Philip Shea.



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Applied Therapeutics Investors Get 1st OK For \$15M Deal

By **Emilie Ruscoe**

Law360 (November 21, 2025, 6:36 PM EST) -- Biopharmaceutical company Applied Therapeutics Inc. and its investors have received initial approval of a deal that will end claims related to a 2024 new drug application, including a cash settlement of \$15 million.

In an order Thursday in Manhattan federal court, U.S. District Judge Denise L. Cote preliminarily approved the proposed settlement, finding the agreement "appears to fall within the range of possible approval and is therefore sufficiently fair, reasonable, and adequate to warrant providing notice of the settlement to the class."

Judge Cote granted initial approval to the deal the same day the parties filed an amended version of their settlement agreement.

The parties said in their Thursday stipulation that they had reached an agreement in principle to end the suit following mediation in August.

In addition to the \$15 million in cash, the settlement also requires the company to issue warrants for the investors to purchase up to 1 million shares of the company, which could be exercised at the price of 48 cents per share, the company's closing price on the day the parties engaged in mediation.

In their Nov. 4 bid for preliminary approval, the investors said the deal "represents an excellent result" for members of the proposed class.

The investors estimated that the cash settlement fund represents between 4% and nearly 7% of the maximum damages the class could recover at trial in the best-case scenario.

They added that, based on Applied Therapeutics' closing price from the day before they filed the preliminary approval motion, the warrants they had negotiated were worth over \$1 million.

The proposed class would include those who purchased Applied Therapeutics shares on U.S.-based exchanges between Jan. 3, 2024, and Dec. 2, 2024.

The investors' Wolf Popper LLP legal team has said they will seek no more than 20% of the \$15 million cash portion of the settlement and the same percentage of any proceeds from exercised warrants, as well as reimbursement of costs and expenses totaling up to \$50,000.

Pending final approval, the settlement would end allegations launched in December 2024, and most recently amended in June, that the company's shares were artificially inflated in connection with alleged misrepresentations about its new drug application for a drug candidate called Govorestat, used to treat the rare genetic metabolic galactosemia.

According to lead plaintiff Dr. Martin Dietrich, trading prices for the company's shares fell nearly 90%, or nearly \$8, from nearly \$9 to under \$1 in November and December 2024 following the disclosure of the U.S. Food and Drug Administration's rejection of the drug application and an associated warning letter asserting issues including study data deletion and incorrect dosages to clinical study participants.

Alongside the company, the complaint names Shoshana Shendelman, Applied Therapeutics' founder

and CEO during the class period, and Riccardo Perfetti, chief medical officer during the class period.

On Friday, Joshua Ruthizer, an attorney for the class, told Law360 via email: "We are pleased to have reached a resolution of this case for the benefit of Applied Therapeutics investors, and look forward to presenting the merits of the settlement to the court."

Tamar Kaplan-Marans, an attorney for Applied Therapeutics, told Law360 via email, "The company is pleased to have resolved this matter with a settlement that will be covered in full by its insurance. The company continues to deny all liability associated with the litigation."

Counsel for the individual defendants didn't immediately respond to requests for comment Friday.

The investors are represented by Robert C. Finkel, Joshua W. Ruthizer, Emer Burke and Samuel Coffin of Wolf Popper LLP.

Applied Therapeutics Inc. is represented by Michael G. Bongiorno, Tamar Kaplan-Marans and Ripley Shiarella of Wilmer Cutler Pickering Hale And Dorr LLP.

Individual defendant Riccardo Perfetti is represented by Jeffrey J. Chapman, Stephen G. Foresta, Louis D. Greenstein and Lauren H. Mann of McGuireWoods LLP.

Individual defendant Shoshana Shendelman is represented by Rachel M. Fritzler, Bella F. Gianani, Mark Filip PC and Jules H. Cantor of Kirkland & Ellis LLP.

The case is In Re: Applied Therapeutics Securities Litigation, case number 1:24-cv-09715, in the U.S. District Court for the Southern District of New York.

--Editing by Drashti Mehta.

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Fenwick & West Must Face New Claims In FTX Crypto MDL

By **Madison Arnold**

Law360 (November 21, 2025, 4:11 PM EST) -- A Florida federal judge signed off on a bid to file new claims against Fenwick & West LLP by victims of the infamous FTX Trading Ltd. cryptocurrency scam after they argued that new information had emerged about the firm's alleged role in the trading platform's collapse.

U.S. District Judge K. Michael Moore gave the victims the **go-ahead to file their amended complaint**, originally proposed in August, and denied the firm's motion to dismiss for failure to state a claim as moot. The firm **fought the amended complaint**, arguing it would cause undue delay, among other reasons.

"Here, the Court does not find a substantial reason to deny Plaintiffs leave to amend. First, the Court is unconvinced that Plaintiffs unduly delayed moving to amend their complaint," Judge Moore wrote.

The victims told the court they hoped to bring two new state law claims for violations of the Florida Securities and Investor Protection Act and the California Securities Law and hoped to strengthen their existing aiding and abetting claims by adding "allegations specifying Fenwick's actual knowledge and substantial assistance of the FTX Fraud," according to the ruling.

The plaintiffs had learned during ex-FTX CEO Sam Bankman-Fried's criminal trial and through numerous investigations since the class action complaint was filed in August 2023 that Fenwick was deeply involved in FTX's fraud, according to a motion for leave to amend filed by FTX customers.

"For example, at SBF's criminal trial, FTX insider and co-founder Nishad Singh testified that he informed Fenwick of the misuse of customer funds, improper loans, and false representations, and that Fenwick advised on how to facilitate and hide these very acts," the plaintiffs said in their proposed amended complaint.

The new state claims resulted from "Fenwick [playing] an active role in designing, promoting, and facilitating the sale of unregistered securities in the form of [yield-bearing accounts], FTT tokens, and interests in other FTX-controlled instruments," the plaintiffs' motion to amend said. FTT tokens are FTX's native cryptocurrency.

Founded in 2019, FTX was a pioneer in normalizing cryptocurrency and marketing it broadly to run-of-the-mill retail investors with no prior experience in the insular crypto world. The exchange presented itself as the "safest and easiest way to buy and sell crypto" and engaged in a vast marketing campaign involving paid promoters, purchasing the naming rights to the arena where the NBA's Miami Heat play and major political donations, according to court documents.

In the summer of 2022, FTX faced a liquidity crisis caused by the broader decline of cryptocurrency values. After several months of scrambling to stay afloat and a failed buyout bid from a competitor, FTX filed for bankruptcy in 2022.

It soon became apparent that FTX had been a massive fraud and that Bankman-Fried and other executives had raided FTX customer funds to cover lavish personal purchases, finance business dealings such as the LedgerX acquisition and make political donations, among other things.

In August 2023, the FTX customers accused the cryptocurrency exchange's former counsel Fenwick

of creating "shadowy entities" through which FTX and Sam Bankman-Fried misused billions in customer deposits.

Fenwick asked the Florida federal court to dismiss the litigation against it the following month, arguing that attorneys cannot be held liable for conspiracy or aiding and abetting a client's wrongdoing as long as their conduct "falls within the scope of representation of the client."

The customers also sued Sullivan & Cromwell LLP for allegedly helping facilitate FTX's massive fraud, but that firm was dismissed from the case after an investigation by the customers' counsel into the firm and dialogue with the FTX bankruptcy estate and appointed examiner resolved concerns about the law firm's conduct.

Fenwick opposed the motion to amend because it argued the amendments were untimely, futile and would prejudice Fenwick because they are meritless and because it "would force Fenwick to incur unnecessary costs to re-brief its motion to dismiss to respond to an amended complaint," according to Thursday's decision.

However, the court found that the victims moved to amend their complaint within a few months of the court's issuance of a promoter order, which findings led them to seek their amendments.

"Further, regardless of the alleged delay, the Court does not find that the amendments will substantially prejudice Fenwick," the order said.

Judge Moore added that to successfully argue futility, Fenwick must show a proposed amended complaint is subject to dismissal.

"However, arguments that a proposed amendment is futile or fails to remedy defects present in an earlier complaint 'are matters best addressed in a motion to dismiss rather than a basis to deny leave to amend,'" the order said, adding "Thus, the Court cannot conclude at this procedural juncture that the proposed amendments are 'clearly insufficient or frivolous on [their] face.'"

The plaintiffs are represented by Adam M. Moskowitz of the Moskowitz Law Firm PLLC, Jason Alec Zimmerman of GrayRobinson PA, Tyler Evan Ulrich of Boies Schiller and Flexner LLP and Anthony Scordo III of Anthony Scordo Esq. PC.

Fenwick is represented by Kevin S. Rosen, Michael Holecek and Samuel Eckman of Gibson Dunn & Crutcher LLP, and by David R. Atkinson and Nicole K. Atkinson of Gunster.

The case is In re: FTX Cryptocurrency Exchange Collapse Litigation, case number 1:23-md-03076, in the U.S. District Court for the Southern District of Florida.

--Additional reporting by Ryan Boysen, Rae Ann Varona, Vince Sullivan, Aislinn Keely, Lauren Berg and Jack Karp. Editing by Vaqas Asghar.



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Florida Sues ISS, Glass Lewis Over ESG Advice

By **Jessica Corso**

Law360 (November 21, 2025, 7:46 PM EST) -- The state of Florida is suing Institutional Shareholder Services Inc. and Glass Lewis & Co. LLC, alleging that the proxy advisory firms are abusing their dominant place in the market by promoting ideological and environmental causes "at the expense of traditional metrics of financial growth."

Florida Attorney General James Uthmeier said in a statement Thursday that the state would not allow the firms "to manipulate shareholder votes behind closed doors."

"ISS and Glass Lewis claim to be neutral advisors, but they use their near-total control of the proxy-voting market to push divisive political mandates that threaten retiree savings, distort corporate governance, and undermine the rule of law," Uthmeier said.

An ISS spokesperson said in a Friday statement to Law360 the company was "reviewing the complaint and will respond in court in due course."

"We believe the allegations lack merit and will vigorously defend against them," the spokesperson said. "ISS' job is to provide sophisticated institutional investor clients with independent, timely, and expert research and vote recommendations based on the proxy voting policies the clients have selected or customized based on their determination of the best interests of the beneficiaries they serve."

A Glass Lewis spokesperson declined to comment.

The lawsuit was filed Thursday in Florida state court and accuses ISS and Glass Lewis of advising their institutional investor clients to vote in favor of environmental, social and governance issues that are "untethered from traditional financial analysis."

For example, Glass Lewis said in a 2025 document that it will recommend voting against a governance committee chair who doesn't provide explicit disclosure about the board's role in overseeing environmental and social issues.

The company said in that document that it believes "insufficient oversight of material environmental and social issues can present direct legal, financial, regulatory and reputational risks that could serve to harm shareholder interests."

But Florida claims that ESG investing "has objectively and consistently underperformed compared to the S&P 500."

"Even if defendants somehow prevail in their gamble that commitment to ideological social justice initiatives of defendants' choosing will increase shareholder value in the long-term, they continue to deceive Florida consumers about the short- and medium-term impacts of focus on these efforts at the expense of traditional metrics of financial growth," according to the complaint.

The state accuses ISS and Glass Lewis of violating the Florida Antitrust Act and the Deceptive and Unfair Trade Practices Act.

Texas is also weighing whether to sue the firms, **announcing in September** that it was investigating the proxy advisers for advancing "radical political agendas rather than sound financial principles."

The Lone Star State has been **temporarily blocked** from enforcing a law that requires proxy advisory firms to disclose when their advice stems from factors such as diversity and inclusion, with a federal judge agreeing with the companies that the law violates the First Amendment.

The Texas Attorney General **has appealed** that ruling to the Fifth Circuit.

Pushing back on conservative claims that it was pursuing a left-wing political agenda, Glass Lewis **told U.S. senators** in June that the firm's voting record does not back up the lawmakers' assertion that Glass Lewis provides clients with "ideologically driven" advice, noting the firm backed 94% of all management proxy proposals at S&P 500 companies last year.

Florida is represented by Attorney General James Uthmeier, Chief Deputy Attorney General David Dewhirst, Lizabeth Brady and Timothy Fraser of the attorney general's office and David Thompson, Peter Patterson, Harold Reeves, Athanasia O. Livas and Bradley Larson of Cooper & Kirk PLLC.

Counsel information for ISS and Glass Lewis wasn't immediately available.

The case is Florida v. Institutional Shareholder Services Inc. et al., in the Circuit Court of the Fourteenth Judicial Circuit In and For Gulf County, Florida. A case number wasn't immediately available.

--Additional reporting by Spencer Brewer and Sarah Jarvis. Editing by Kelly Duncan.

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