Securities

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Mobileye Investors Fail to Reopen Inventory Lawsuit on Appeal

December 16, 2025, 9:24AM PST

Summary by Bloomberg AI

AI Generated

- Mobileye Global Inc. overcame investor allegations that the driver-assist chip maker misled them over its practice of sending inventory to customers, an appellate court ruled.
- The US Court of Appeals for the Second Circuit said Mobileye long disclosed certain customers were subject to minimum commitment contracts, and that clients were expected to use their own accrued inventory before buying more.
- The investors failed to plead a scheme to defraud, as minimum commitment contracts aren't unlawful and Mobileye disclosed them, and didn't adequately allege any actionable material misrepresentation or omission.

Mobileye Global Inc. overcameinvestor allegations the driver-assist chip maker misled them over its practice of sending inventory to customers, an appellate court ruled Tuesday.

Mobileye long disclosed certain customers were subject to minimum commitment contracts, and that clients were expected to use their own accrued inventory before buying more at some point, the US Court of Appeals for the Second Circuit said in affirming dismissal of the proposed class action.

There's no allegation fluctuations regarding quarterly orders weren't true, nor did investors identify omitted facts rendering statements misleading, for securities fraud claims, its summary order said.

And the shareholders didn't sufficiently allege anything to undercut Mobileye's statements attributing excess inventory to customers wanting to avoid shortages seen during the pandemic or that when entering contracts, clients were agreeing to buy more of Mobileye's "EyeQ chips" than they wanted, the panel said.

The assertion that customers' saturated inventories came from "Mobileye's alleged channel-stuffing practices, rather than by customers' prior purchasing decisions in combination with minimum purchase obligations and declining downstream market demand, is not supported by any non-conclusory allegation," it added.

The investors failed to plead a scheme to defraud, the panel said, as minimum commitment contracts aren't unlawful and Mobileye disclosed them. Nor did the investors adequately allege any actionable material misrepresentation or omission for a claim under the act governing securities issuances, the 1933 Securities Act.

Circuit Judges Beth Robinson and Sarah A. L. Merriam were on the panel joined by Judge Sidney H. Stein of the US District Court for the Southern District of New York sitting by designation.

Investors had failed to allege "any material misstatement or any deceptive conduct" to carry securities fraud or scheme liability claims, Judge Denise L. Cote said in her April dismissal of the proposed class action in the Southern District of New York.

The pension funds leading the suit alleged the driver-assist technology business and its senior leaders hid a channel stuffing scheme—when a company sends more inventory to customers than they really need, artificially boosting its sale and profit levels.

After Mobileye said in January 2024 an inventory pile-up would impact revenue, share prices plummeted nearly 25%—then the stock's biggest single-day fall since its October 2022 initial public offering, according to data compiled by Bloomberg.

Among the defendants were CEO Amnon Shashua, Chief Financial Officer Moran Shemesh Rojansky, Chief Communications Officer Daniel Galves, and former CFO Anat Heller.

Arguments

The appellate panel during oral arguments this month pushed back against the arguments of the investors' attorney John Rizio-Hamilton, a partner at Bernstein Litowitz Berger & Grossmann LLP, who said the Second Circuit's decision to revive a Hain Celestial Group Inc. securities fraud suit, which similarly alleged channel stuffing, supported reopening the Mobileye action.

The contracts weren't channel stuffing, rather a means to counteract pandemic supply chain shortages, said Dana M. Seshens, a partner at Davis Polk & Wardwell LLP who represents Mobileye and certain executives.

Neither Davis Polk nor Mobileye immediately responded to messages seeking comment. Bernstein Litowitz declined to comment.

The case is In Re: Mobileye Glob. Sec. Litig. , 2d Cir., No. 25-1292, summary order 12/16/25 .

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Securities

Northwest Biotherapeutics Agrees to End Unjust Enrichment Suit

December 15, 2025, 10:17 AM PST

Northwest Biotherapeutics board members and a company investor are proposing to end claims that the board members breached their fiduciary duty by giving themselves about $41 million in stock options.

The biotech company's board members and investor F. Glenn Schaeffer agreed Oct. 5 to settle the case for a cash payment of $2.25 million to the company, and the board members' "surrender, rescission, or cancellation" of 17% of the 2020 option awards, which included more than 134 million options, according to a stipulation and settlement agreement filed Dec. 12 with the Delaware Court of Chancery.

The options were an "unprecedented and indefensible" effort to offset the effects of a financing transaction that caused the board members to suffer no economic harm, according to the 2022 complaint

The investor alleged the so-called "true-up" deal issued equity that increased the company's overall value while equally diluting every stockholder

Attorneys for Schaeffer and the board members didn't immediately respond to requests for comment

Smith, Katzenstein & Jenkins LLP and Purcell & Lefkowitz LLP represent Schaeffer. Abrams & Bayliss LLP and Berger McDermott LLP represent the board members.

The case is In re Northwest Biotherapeutics Inc. S'holder Litig. , Del. Ch., No. 2022-0193, stipulation 12/12/25 .

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Securities

SafeMoon Trustee Sues Ex-Officers, Influencers Over Transfers

December 15, 2025, 10:24 AM PST

A bankruptcy trustee sued former executives of crypto firm SafeMoon and other defendants, including social media influencers Jake Paul and Ben Phillips, seeking to recover at least $100 million in alleged damages and fraudulent transfers.

The executives used shell companies to steal company money and fund lavish lifestyles, spending it on high-end real estate, vehicles, and luxury travel and goods, according to a complaint filed Dec. 12 by SafeMoon trustee Ellen Ostrow in the US Bankruptcy Court for the District of Utah.

The suit alleges misappropriation and embezzlement by founder Kyle Nagy, CEO Braden John Karony, and Chief Technology Officer Thomas Smith, accusing them of conspiring to use SafeMoon and its crypto token to run a fraudulent scheme.

The executives controlled SafeMoon's liquidity pool and misappropriated funds they said would remain locked for at least four years, the complaint says.

The complaint also names family members who allegedly received transfers, including Karony's mother, father, and brother, along with entities he controlled that received misappropriated funds. The complaint accuses his mother of receiving funds for unrelated investments, including in entities controlled by her.

The trustee also accused celebrities Paul and Phillips of receiving misappropriated funds to promote the SafeMoon token while providing little to no value to the company.

Karony's attorneys, Paul, and Phillips didn't immediately respond to requests for comment.

Investor Fraud

SafeMoon filed for trustee-run Chapter 7 liquidation in December 2023. Under its business model, the company periodically burned tokens to reduce supply and increase value, paid token holders passive income similar to dividends, and maintained a liquidity pool to support token value.

But in addition to funding a luxury lifestyle, the executives used company funds to buy large amounts of SafeMoon tokens, artificially inflating their price, the trustee alleged.

"Through these and a series of other transactions, the former executives created the artificial appearance of active trading, thereby manipulating the price of the SafeMoon tokens, for the purpose of inducing the purchase of SafeMoon tokens by others," the complaint says.

Federal prosecutors indicted the former executives in 2023 in a case pending in the US District Court for the Eastern District of New York.

The trustee in September reached a settlement with lead plaintiffs in a securities class action against SafeMoon and its former officers. The plaintiffs also named Paul, Phillips, and other influencers who allegedly received tokens in exchange for promoting them in an effort to inflate their value.

If approved, the deal would create a class claim for token holders, subordinate those claims to other unsecured creditors, and make an estimated $12 million available after paying senior claims.

Karony opposed the settlement, however, saying it "falls far below the lowest point in the range of reasonableness." He said the deal rests on a miscalculation of the class claimants' probability of success, which he said is zero, and "would extinguish the entire substantial surplus that should otherwise be distributed to equity."

The court pushed a hearing on the settlement to early next year following Karony's requests, saying a sentencing in the pending criminal case could affect whether victims are entitled to restitution.

Foley & Lardner LLP represents the trustee.

The case is SafeMoon US LLC , Bankr. D. Utah, No. 23-25749, complaint 12/12/25 .

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News | **Securities Litigation**

Facing Antitrust Suit Over Debit Network, Visa Secures Dismissal of Related Stock-Drop Case

U.S. District Judge Noël Wise for the Northern District of California dismissed the lawsuit, agreeing with Visa's Skadden, Arps, Slate, Meagher & Flom defense team that a shareholder failed to plausibly allege that an antitrust suit filed in New York led to a stock drop.

December 15, 2025 at 04:53 PM By **Alyssa Aquino**

The credit and financial services company Visa has secured dismissal of a securities class action filed in the wake of an antitrust action from federal regulators, with a California federal judge finding that a shareholder's claims of financial loss were undermined by later gains in the stock's price.

U.S. District Judge Noël Wise for the Northern District of California dismissed the lawsuit, agreeing with Visa's Skadden, Arps, Slate, Meagher & Flom defense team that a shareholder failed to plausibly allege that the government's antitrust suit led to a stock drop.

Visa's shares fell 6.6% when news of the antitrust case broke in September 2024, but that "modest" loss was quickly followed by a "quick and sustained price recovery," Wise observed. He added that weeks later, Visa's stock price had fully rebounded and exceeded its price before the drop.

"Such a quick and sustained price recovery after the modest September 2024 drop refutes plaintiffs' inference that the alleged concealment … was causally connected to the loss," the judge said in a decision dated Dec. 10.

The judge dismissed the case, which was filed in November 2024 by a shareholder represented by The Rosen Law Firm. Wise, however, offered leave to amend, "as the court cannot conclude at this juncture that amendment would be futile."

Plaintiff's counsel didn't immediately respond to a Monday request for comment. A representative for Skadden declined to comment.

Visa operates the nation's largest debit network, through which it processes nearly two-thirds of all debit transactions, allowing it to charge $7 billion in fees annually.

In September 2024, prosecutors sued Visa in the Manhattan federal court, alleging it maintains that market dominance through a series of allegedly anticompetitive activities, such as punishing customers who process transactions through alternate systems and offering monetary incentives to turn potential rivals into partners.

On behalf of a shareholder named Beibei Cai, the Rosen Law Firm alleges that Visa misled shareholders on its dominance, only for the purported truth to come out when news of the federal action broke.

But in his Dec. 10 order, Wise found that the securities case was further undermined by the timing of the "allegedly corrective disclosures." The DOJ began investigating Visa's debit practices in March 2021, which Visa disclosed to investors at the time, Wise said.

"Yet, plaintiffs assert that articles published the evening of Sept. 23, 2024, after the market closed, reporting that the DOJ planned to imminently file suit against Visa for antitrust violations caused Visa's stock to drop approximately 5.5% when the market closed on Sept. 24, 2024," the judge said.

Visa's Skadden defense team includes Mark Foster, Bonifacio Sison, Madison Flowers and Isak Nuhic.

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News | Legal Ethics and Attorney Discipline

'A Dark, Ignominious Cloud': Hagens Berman's Steve Berman Petitions 3rd Circuit to DQ Thalidomide Judge

On Friday, Steve Berman and his firm, Hagens Berman, petitioned the U.S. Court of Appeals for the Third Circuit to disqualify U.S. District Judge Paul Diamond of the Eastern District of Pennsylvania after he referred them to the U.S. Department of Justice for possible criminal investigation in thalidomide cases.

December 15, 2025 at 07:18 PM By **Amanda Bronstad**

What You Need to Know

- U.S. District Judge Paul Diamond referred Steve Berman and his firm to the Department of Justice after finding misconduct "bordering on the criminal" in thalidomide cases.
- Steve Berman, in Friday's petition, said the public referral to the DOJ was retaliation for his motion to recuse the judge.
- Diamond denied the recusal motion on Dec. 4, stating, "The law does not require a judge's recusal because a party dislikes his rulings."

Steve Berman, managing partner, Hagens Berman, Seattle. Courtesy photo

Steve Berman and his firm have petitioned a federal appeals court to disqualify a federal judge who referred them to the U.S. Department of Justice after finding “misconduct bordering on the criminal” in thalidomide cases.

Friday’s petition for writ of mandamus, filed before the U.S. Court of Appeals for the Third Circuit, seeks to disqualify Judge Paul Diamond of the U.S. District Court for the Eastern District of Pennsylvania and strike his Dec. 2 order referring them to the Justice Department.

A special master had recommended sanctioning Berman and Seattle-based Hagens Berman Sobol Shapiro, as well as a former lawyer at his firm, Tyler Weaver, for “numerous false, misleading or baseless allegations” over the morning sickness drug and a refusal to participate in discovery requests.

But the petition said the referral, the timing of which “raises the specter of actual judicial bias,” was public retaliation for an Oct. 24 motion Berman filed to recuse Diamond from the thalidomide cases.

“In making a public statement that he had referred petitioners to the Department of Justice for a criminal investigation, the district judge essentially accused petitioners of engaging in criminal activity,” the petition says.

“Not only is the power differential between petitioners and the district judge staggering, but petitioners have no meaningful way to defend themselves against this public accusation. To rebut the charge in the court below would risk fomenting even greater ire of the district judge—ire that would be calamitous for petitioners’ clients. To remain silent is to permit a baseless accusation leveled by an Article III judge no less, to hang like a dark, ignominious cloud over petitioners’ professional reputations."

The petition continued, "What began as a smoldering appearance of impropriety implicating the district judge’s impartiality has now boiled over into evidence of actual personal bias against petitioners.”

The petition seeks to have a different judge assigned to the thalidomide cases.

Berman’s attorneys are Christopher Conner of Saxton & Stump in Harrisburg, Pennsylvania; Gaetan Alfano of Philadelphia’s Pietragallo Gordon Alfano Bosick & Raspanti; and Keith Beauchamp of Coppersmith Brockelman in Phoenix.

Berman declined to comment, and a courtroom deputy for Diamond, who rejected the recusal motion on Dec. 4, did not respond to a request for comment.

'Demonstrated Deep Animus Toward Petitioners'

From 2011 to 2014, Hagens Berman filed 11 lawsuits on behalf of 52 plaintiffs alleging that thalidomide, used in the 1960s to treat morning sickness in pregnant women, caused severe birth injuries. The suits were filed against four drug manufacturers, including GlaxoSmithKline and Grünenthal, which moved to sanction Hagens Berman for bringing time-barred cases. In 2015, Diamond granted the motion, concluding Hagens Berman had acted in “bad faith and intentional misconduct” as to three cases.

Special Master William Hangley of Philadelphia’s Hangley, Aronchick, Segal, Pudlin & Schiller found in his 2023 recommendation that Hagens Berman had failed to conduct an adequate pre-suit investigation of the claims and had obstructed discovery into the tolling limitations. The report also cited Hagens Berman’s unprofessional treatment of the special master.

Diamond, in an Aug. 5 order that largely agreed with Hangley’s report, gave Hagens Berman and Weaver a chance to respond.

In a 156-page response, Berman said his firm spent nearly 20,000 hours on thalidomide cases from 2011 to 2015, investing more than $9.1 million in legal fees and $850,000 in costs.

But Diamond, in referring the matter to the DOJ, described the “painstaking detail” Hangley used in his 2023 recommendation to describe Berman’s efforts to prepare “fraudulent lawsuits” over a decade.

“Because the civil discovery process limited him, Mr. Hangley’s investigation and findings, damning as they are, appear to be only partial,” he wrote. “Because his findings more than warrant further investigation, I have referred this matter to the Department of Justice.”

A “mountain of evidence” objecting to the special master’s recommendation was “utterly ignored,” Berman’s petition says.

“The record below is now so replete with evidence of actual bias—in addition to the appearance of bias—that petitioners seek the extraordinary remedy of reassignment to another district judge,” the petition says. “Petitioners respectfully submit that the presiding judge, through his acts and omissions, including his failure to address petitioners’ extensive objections to the sua sponte recommendation for sanctions, has demonstrated deep animus toward petitioners, the most recent embodiment of which is the criminal referral publicly dishonoring and humiliating petitioners.”

Berman, in moving to recuse Diamond from the case, cited at least 146 times the judge had ex parte communications with Hangley, including during the drafting of the special master’s 2023

Gaetan Alfano. Courtesy photo

report. He insisted that conduct showed an appearance of bias, and the motion raised an issue of first impression in the Third Circuit.

Rejecting that argument, Diamond called the accusation that he communicated with Hangley about the sanctions against Hagens Berman “absurd." He noted that for 10 years, Hagens Berman hadn’t objected to the communications, which were disclosed in the special master’s invoices, and sought recusal only after Diamond found conduct “bordering on the criminal.”

“The law does not require a judge’s recusal because a party dislikes his rulings,” he wrote.

Berman, while acknowledging the rarity of the Third Circuit granting such petitions, wrote that Diamond’s “egregious errors” have compromised his ability to continue representing plaintiffs in the thalidomide cases or for them to have a fair and impartial judge.

“There is no end in sight to this ongoing reputational and professional harm,” the petition says. “With the issuance of the criminal referral, the district court’s personal bias against petitioners can no longer be doubted.”

Weaver, now at Angeli & Calfo in Seattle, is represented by Robert Welsh of Philadelphia’s Welsh & Recker.

Judge fines law firm Hagens Berman over AI errors in OnlyFans case

reuters.com/legal/litigation/judge-fines-law-firm-hagens-berman-over-ai-errors-onlyfans-case-2025-12-15

Sara Merken December 15, 2025

AI (Artificial Intelligence) letters and robot hand are placed on computer motherboard in this illustration created on June 23, 2023. REUTERS/Dado Ruvic/Illustration/File Photo Purchase Licensing Rights, opens new tab

NEW YORK, Dec 15 (Reuters) - A judge in California has fined plaintiffs' law firm Hagens Berman, one of its partners, and another lawyer a combined $13,000 for the "misuse" of artificial intelligence in several court filings in a lawsuit against the parent company of adult content social media site OnlyFans.

U.S. District Judge Fred Slaughter in Santa Ana on Friday imposed, opens new tab a $10,000 sanction on Hagens Berman and partner Robert Carey, as well as a $3,000 fine on co-counsel Celeste Boyd.

The sanctions against the prominent Seattle-founded firm come as fines and scrutiny continue to mount over AI-infused legal filings. Judges across the country have levied fines and reprimanded lawyers for failing to verify the accuracy of their briefs, as AI mistakes have appeared in a growing number of filings – and even two court decisions.

The judge found that Hagens Berman and Carey, in filing four briefs that included material "hallucinated" by AI, violated a rule that requires legal arguments to be "warranted by existing law." The firm and partner also had a duty to supervise Boyd's work and ensure she complied with professional conduct rules, even if they did not know she had used AI, the judge said.

Boyd failed to verify the AI-generated material, the judge said. Boyd said in an August declaration that she used OpenAI's ChatGPT to draft and edit portions of the briefs, saying she failed to follow her own AI protocols while dealing with personal issues.

In a statement on Monday, Carey said the hallucinated citations were added by outside co-counsel "without adherence to Hagens Berman's AI protocols," and that no one at the firm used AI in preparing the briefs. He said the firm's management committee, of which he is a member, is assessing how to strengthen its processes and that the firm is "fully committed to accuracy and candor in our filings."

A Hagens Berman spokesperson did not immediately comment. Boyd did not immediately respond to a request for comment on Monday.

Hagens Berman represents OnlyFans users who claim its parent company works with agencies to operate a scheme in which subscribers unknowingly talk with professional “chatters” that impersonate creators – people who post content on the platform – to convince users to spend more money. The judge on Friday separately granted OnlyFans parent company Fenix International Ltd and the agencies’ motions to dismiss the case, while giving the plaintiffs an opportunity to amend the complaint.

An attorney for Fenix at law firm Skadden Arps did not immediately respond to a request for comment on Monday.

The judge in Friday’s sanctions order also denied Hagens Berman’s request to withdraw and fix the AI-assisted filings, pointing to arguments from some of the defendants that they already spent time and resources responding to the AI misuse.

Correcting the briefs “would not remediate, but rather exacerbate, the harm on defendants in this case,” the judge said. He also noted that there were errors in the corrected filings that the lawyers had asked to file.

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Sara Merken reports on the business of law, including legal innovation and law firms in New York and nationally.

Lawsuits claiming Ozempic, other GLP-1s led to blindness become second mass litigation over the drugs

reuters.com/legal/government/lawsuits-claiming-ozempic-other-glp-1s-led-blindness-become-second-mass-2025-12-15

Diana Jones December 15, 2025

A box of Ozempic made by Novo Nordisk is seen at a pharmacy in London, Britain March 8, 2024. REUTERS/Hollie Adams/File Photo Purchase Licensing Rights, opens new tab

DEC 15 (Reuters) - A federal judicial panel said Monday it would centralize a growing number of lawsuits against Novo Nordisk and Eli Lilly alleging patients lost some or all of their eyesight while taking the companies' blockbuster weight loss drugs before a judge in Pennsylvania.

The U.S. Judicial Panel on Multidistrict Litigation, which manages complex federal litigation, agreed with the plaintiffs that the cases should be centralized in their own multi-district litigation (MDL) in Philadelphia federal court rather than added to the existing mass litigation in the same court over gastrointestinal side effects of the drugs.

Although the injuries are different, there will be overlap between the two multidistrict litigation proceedings, so they will proceed separately but be before the same judge, U.S. District Judge Karen Marston, the panel said.

The lawsuits in the new MDL allege the drugs, including Novo Nordisk's Ozempic, Wegovy and Saxenda and Eli Lilly's Trulicity, can trigger non-arteritic anterior ischemic optic neuropathy, a condition that occurs when blood flow to the optic nerve is blocked or reduced, which can lead to blindness.

Representatives for the companies did not immediately respond to requests for comment.

Attorneys for the plaintiffs said in a statement they look forward to working with Marston.

The drugs belong to a class of injectable drugs known as GLP-1 agonists, which mimic a hormone that also slows digestion and helps people feel full longer. They were originally developed to treat diabetes but versions of the drugs are now also used for weight loss. They are widely prescribed in the U.S., with an August U.S.

Centers for Disease Control and Prevention study finding that more than one in four adults with diabetes used one.
The plaintiffs had asked the panel to create a separate multi-district litigation for the cases, arguing that the optic neuropathy cases deal with different medical issues and evidence than other lawsuits claiming the drug can cause gastroparesis, a paralysis of the gastrointestinal tract. The gastroparesis lawsuits were centralized before Marston in February 2024.

The companies had urged the panel to add the cases to the existing gastroparesis MDL.

There are currently 30 optic neuropathy lawsuits pending in federal court, and more than 40 in state court, court records show. They began hitting dockets after a July 2024 study described the potential risk of the condition associated with the drugs.

There are nearly 3,000 lawsuits over the gastroparesis claims in the MDL, according to court records.

The companies have refuted the claims over gastroparesis and optic neuropathy, arguing in court filings that the risk of gastroparesis is well-publicized and that the companies are unable to change the drugs' design without the approval of the U.S. Food and Drug Administration.

The case is IN RE: Glucagon-like Peptide-1 Receptor Agonists (GLP-1 RAs) Non-Arteritic Anterior Ischemic Optic Neuropathy Products Liability Litigation, case number 3163.

For the plaintiffs: Christopher Seeger, Parvin Aminolroaya and Max Kelly of Seeger Weiss

For Eli Lilly: Diana Watral of Kirkland & Ellis

For Novo Nordisk: Loren Brown and Lucas Przymusinski of DLA Piper

Reporting by Diana Novak Jones

Our Standards: The Thomson Reuters Trust Principles., opens new tab

Diana Novak Jones
Thomson Reuters

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News | **Artificial Intelligence**

Coalition of Attorneys General Demands Sweeping AI Safety Reforms Citing Deaths and Child Exploitation

The multistate coalition warned tech giants, including Google, Microsoft, Meta and Apple, of potential legal liability over 'sycophantic' chatbot outputs.

December 15, 2025 at 05:33 PM By **Michael Gennaro**

A Humanoid Robot;

A coalition of attorneys general from across the U.S. has issued a stern warning to major artificial intelligence companies, demanding immediate action to address what they describe as dangerous "sycophantic and delusional" outputs from AI chatbots that have been linked to multiple deaths and widespread harm to children.

In a letter addressed to the leadership of Anthropic, Apple, Character Technologies, Chai AI, Google, Meta, Microsoft, Nomi AI, OpenAI, Perplexity AI, Replika and xAI, the attorneys general outlined serious concerns about AI systems that excessively seek user approval and generate misleading outputs, including anthropomorphic responses that claim the AI is real or sentient.

The technology companies did not respond to requests for comment on the letter, signed by attorneys general from 38 states, Washington, D.C., American Samoa, Puerto Rico and the U.S. Virgin Islands.

The letter dated Dec. 9 references several deaths allegedly connected to AI chatbot interactions, including the suicides of teenagers in Florida and California, a murder-suicide in Connecticut, and the death of a New Jersey retiree who was invited to New York by a flirtatious Meta AI chatbot, which the man believed was a real woman. In his excitement to meet the chatbot, the man fell in a parking lot and died.

Additional incidents cited include hospitalizations for psychosis, poisoning cases and domestic violence.

"The industry has employed a 'move fast and break things' mantra with GenAI rollouts that cannot apply when what you may break are the lives of our states' residents, including vulnerable children," the attorneys general wrote.

The coalition expressed particular alarm about AI interactions with children, detailing disturbing examples from publicly reported cases, including AI bots with adult personas pursuing romantic relationships with minors, chatbots encouraging eating disorders and violence, systems telling children to stop taking prescribed mental health medication while coaching them on hiding this from parents and bots normalizing sexual interactions between children and adults.

According to the letter, 72% of teenagers have reported interacting with AI chatbots, while 39% of parents of children aged five to eight say their young children have used AI. The attorneys general noted that 72% of parents have expressed concerns about AI's impact on their children.

The letter highlights concerns about reinforcement learning from human feedback (RLHF), a common AI training method that the attorneys general say can inadvertently create sycophantic behavior. They warn that AI chatbots that give too much weight to user feedback can cause AI systems to validate users' beliefs over providing truthful information, potentially validating doubts, fueling anger or reinforcing negative emotions or delusional thinking.

The coalition asserts that AI companies may be violating multiple state laws, including consumer protection statutes, product liability requirements, children's online privacy protections, criminal statutes against encouraging illegal activity or corrupting minors and regulations against providing unlicensed mental health advice. Several states, including Maryland and Vermont, have specific laws designed to protect children online that may apply to AI companies.

The attorneys general set a Jan. 16, 2026, deadline for companies to commit to implementing 16 specific safeguards. Key demands include developing policies addressing sycophantic outputs, conducting safety testing before public release, establishing recall procedures for dangerous AI products, providing permanent warnings about potential harmful outputs, separating revenue optimization from safety decisions, assigning named executives responsible for safety issues, allowing independent third-party audits, publishing incident logs and response timelines, notifying users exposed to harmful outputs, preventing unlawful outputs for child accounts, establishing protocols for reporting serious concerns to authorities and parents, and tailoring chatbot conversations to users' ages, among other safeguards.

The letter, signed by attorneys general from states including Massachusetts, New Jersey, Pennsylvania and New York, represents one of the most comprehensive regulatory actions targeting AI safety to date.

State Attorney General Rob Bonta of California, which is home to several of the companies named in the letter, was not among the signatories. Bonta's office did not immediately respond to a request for comment on Monday.

Companies have been instructed to respond to the New Jersey Attorney General's Office and provide their availability to meet with state officials to discuss their responses.

The coalition acknowledged the potential benefits of AI technology but made clear that innovation cannot come at the expense of public safety.

"Our support for innovation and America's leadership in AI does not extend to using our residents, especially children, as guinea pigs while AI companies experiment with new applications," the letter states.

Zantac lawyers really want a different judge to hear their Phila. cases | Pennsylvania Record

legalnewsline.com/pennsylvania-record/zantac-lawyers-really-want-a-different-judge-to-hear-their-phila-cases/article_9aa2b9a7-6352-4a14-ab23-19ff2c6d5c87.html

John O’Brien, John O'Brien December 16, 2025

Attorney Ashley Keller
Keller Postman

PHILADELPHIA – Mass-tort lawyers who just received crushing news in Delaware are now asking a Philadelphia judge with a reputation for keeping “junk science” out of his courtroom to step down from their Zantac cases.

Ashley Keller and other attorneys at Keller Postman believe Court of Common Pleas judge Joshua Roberts has a financial incentive to favor defendants who make versions of the heartburn medication as they pursue claims it can cause cancer.

Earlier this month, a Delaware judge seemingly doomed 75,000 cases when he refused to let Keller Postman and other firms back them up with new expert testimony. The state Supreme Court had found the opinions of their previous experts unreliable, as did a federal judge in Florida.

Plaintiffs lawyers had already tried to get Roberts to recuse himself from their more than 500 lawsuits in Philadelphia, but he refused – sparking an appeal to the state Superior Court.

Last week, they tried again. Their new motion says Roberts’ wife’s new job as partner at Blank Rome complicates his involvement in the Zantac docket because that firm represents one of the defendants – Apotex Corp.

“I can’t represent that her compensation has no direct relationship to the amount of fees or income that the firm makes from Apotex,” said Blank Rome partner Terry Henry, who is handling claims against Apotex.

Roberts has been celebrated by the American Tort Reform Association for keeping other lawyers from presenting certain evidence in the Philadelphia’s Roundup program. Those cases claim the weedkiller causes cancer and are based on a 2015 International Agency for Research on Cancer study.

The first recusal motion cited his wife Shannon McClure's work at Reed Smith, which represents GlaxoSmithKline. While his denial was on appeal, she took the job at Blank Rome.

Should Roberts stay on the Zantac case, what evidence he allows jurors to hear will be key. Lawsuits are based on testing by the laboratory Valisure LLC, and its methods have been rejected by the FDA.

The litigation against GlaxoSmithKline and others began when Valisure created headlines in 2019 by claiming its testing showed Zantac and its generic equivalents contained ranitidine that changed to NDMA once ingested. Lawyers began spending on advertising for clients and cited the study in ensuing litigation, calling Valisure an "independent" lab.

Valisure had brought its findings in a citizen petition to the FDA, which ordered a short-lived recall. The FDA later said Valisure's methods were unreliable, saying the lab's "artificial stomach" was heated to 260 degrees and subjected to lethal levels of salt to create NDMA from Zantac.

Valisure detected no NDMA in the drug when testing it under normal human conditions. That didn't stop lawyers who, after the Florida ruling tossing their experts, moved on to courts in Delaware, California, Philadelphia and elsewhere.

In Philadelphia, Keller Postman says it has noticed a whiff of a "personal displeasure" with calls for an evidentiary hearing on whether Roberts should recuse himself.

"By suggesting that an evidentiary hearing would be appropriate, you would be seeking to impugn my credibility to me, because I'm the one who's deciding the motion," Roberts said at a November status conference.

"There is no ability for a party to conduct an evidentiary hearing in support of a motion to recuse," he added, plus, "The decision is mine. The decision is mine and only mine. There's no other evidence. You can't cross-examine me."

California Brief

Consumers Gain Class Certification in Suit Against Live Nation

December 15, 2025, 11:34 AM PST

A group of consumers secured class certification in a case challenging arbitration agreements by Live Nation Entertainment Inc. and its Ticketmaster unit.

Judge George H. Wu of the US District Court for the Central District of California on Dec. 12 granted the plaintiffs' motion for class certification, saying they provided a sufficient basis from which to conclude that they "would adduce common proof concerning the effect of Defendants' alleged anticompetitive practices."

The ruling clears a major hurdle for ticket buyers who alleged that the vendor handling Live Nation's consumer claims sent to arbitration skewed decisions in the company's favor.

In 2023, Wu found that Live Nation's arbitration clause requiring customers to go through provider New Era ADR Inc. was "unconscionable," a ruling that was affirmed by the Ninth Circuit the following year.

Wu's Dec. 12 ruling means the case can move forward as a class, potentially representing millions of plaintiffs.

He also appointed Quinn Emanuel Urquhart & Sullivan LLP and Keller Postman LLC as co-lead class counsel.

Live Nation and Ticketmaster merged in 2010, combining live events, venue management, and ticketing services under one company.

Ticketmaster and Live Nation are represented by Latham & Watkins LLP and Campbell Firm PC.

The case is Heckman v. Live Nation Ent. Inc. , C.D. Cal., No. 2:22-cv-00047, 12/12/25 .

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News | **Mass Torts**

Uber Pushes to Postpone Next Month's Sexual Assault Trial After 'Misleading' Ad Campaign

In a motion filed this month, Uber has asked U.S. District Judge Charles Breyer of the Northern District of California to postpone a Jan. 13 bellwether trial in the sexual assault multidistrict litigation.

December 15, 2025 at 02:53 PM By **Amanda Bronstad**

What You Need to Know

- Uber said the ads, sponsored by the Consumer Attorneys of California and aired during this year's World Series, could prejudice potential jurors.
- Next month's bellwether trial, to take place in the U.S. District Court for the District of Arizona, involves plaintiff Jaylynn Dean, who alleges she was raped by her Uber driver in Tempe, Arizona in 2023.
- The first sexual assault trial in the nation against Uber ended on Sept. 30 with a defense verdict in San Francisco Superior Court.
- Uber's motion comes as judges in federal and state court have found violations of their protective orders in the sexual assault cases against Uber.

Uber headquarters in San Francisco at the Chase Center (Photo Jason Doiy/ALM)

Uber Technologies Inc. has moved to postpone an anticipated bellwether trial next month, citing a "misleading" advertising campaign claiming a case of sexual assault or sexual misconduct was reported to the rideshare firm every eight minutes.

The ads, sponsored by the Consumer Attorneys of California and aired during this year's World Series, could prejudice potential jurors in the Jan. 13 trial, the first bellwether in the multidistrict litigation against Uber over sexual assault, according to a Dec. 2 motion.

"An impartial jury is essential to proceedings in this MDL, perhaps especially for the upcoming first bellwether trial," Uber attorney Laura Vartain Horn, a San Francisco partner at Kirkland & Ellis, wrote in the motion. The ads, she wrote, are "inflammatory and at least misleading."

"The advertising campaign plaintiffs' counsel interposed on these proceedings threatens Uber's ability to empanel an impartial jury," the motion said. "It risks tainting the jury pool."

Should U.S. District Judge Charles Breyer in the Northern District of California opt not to postpone the trial, the motion said, Uber is seeking expanded voir dire proceedings with a juror questionnaire asking about the ads and a halt to the ad campaign in California, Arizona and North Carolina, where the first bellwether trials are scheduled. Uber also wants to subpoena the Consumer Attorneys of California, where lead counsel Sarah London serves as board secretary, about the ads.

A representative of the Consumer Attorneys of California did not respond to a request for comment.

Next month's bellwether trial, which will take place in the U.S. District Court for the District of Arizona, involves plaintiff Jaylynn Dean, who alleges she was raped by her Uber driver in Tempe, Arizona in 2023. It follows the first sexual assault trial in the nation against Uber, which ended on Sept. 30 with a defense verdict. Jurors in San Francisco Superior Court found Uber was negligent in failing to provide safe rides to women but not liable for plaintiff Jessica C.'s sexual assault by one of its drivers.

Uber's counsel includes Kirkland & Ellis partners Allison Brown in Philadelphia and Jessica Davidson in New York; Shook, Hardy & Bacon's Christopher Cotton in Kansas City, Missouri; and Michael Shortnacy in Los Angeles. Uber and its attorneys did not respond to a request for comment.

Lead counsel in the sexual assault multidistrict litigation—London of San Francisco's Girard Sharp, Roopal Luhana of New York-based Chaffin Luhana and Rachel Abrams of Peiffer Wolf Carr Kane

Conway & Wise in San Francisco—also did not respond.

'Plaintiffs' Counsel Intends on Litigating This Case in the Public'

Uber's motion follows an August article in The New York Times titled "Uber's Festering Sexual Assault Problem," which cited sealed court records indicating that Uber received a report of sexual assault or sexual misconduct on average every eight minutes between 2017 and 2022.

That article already resulted in potential prejudice of the first Uber trial, which is part of California's Judicial Council Coordinated Proceedings, according to the motion with an attached Sept. 5 transcript, in which one of the prospective jurors who had read the news coverage stated, "I read enough to find the numbers pretty shocking" and "I did a little soul searching about it and I was kind of thinking, if it got to the point in the trial where it seemed like I wasn't sure either way, I would likely err on the side of the victim."

"The advertising campaign Uber now faces serves as a mouthpiece for the same article, at times even misrepresenting the article itself, and just ahead of the first MDL bellwether trial," the motion said. "The timing of these ads makes clear that plaintiffs' counsel intends on litigating this case in the public sphere rather than at trial—working severe prejudice on Uber in the process."

The ads, which initially referred to sex crimes, are misleading, Uber's motion said, because some of the behavior that had been reported described flirting, staring or leering, or making comments about a person's appearance.

The confidential materials on which the New York Times article is based fell under a 2023 protective order in the sexual assault multidistrict litigation, Uber's attorneys wrote in a motion to enforce that order. The lead plaintiffs' firms replied that they had no knowledge of any media leaks and, on Sept. 3, U.S. Magistrate Judge Lisa Cisneros of the Northern District of California deferred the matter to San Francisco Superior Court Judge Ethan Schulman, who is overseeing the JCCP and issued a companion March 5 protective order this year.

On Oct. 22, Schulman granted Uber's motion to enforce that order.

"Uber makes a detailed and convincing showing that the records in question were those filed by plaintiffs under seal in this court in opposition to Uber's motion for summary judgment, as well as from deposition testimony or documents produced in discovery," he wrote. "On the record before the court, there appears to be little room for doubt that sealed filings from this proceeding were improperly disclosed to third parties in violation of the protection order."

Uber also made a plausible argument that the timing of the disclosure, just prior to the trial, was intended to taint the jury pool or attract more plaintiffs, he added. He ordered plaintiffs' counsel

Judge Ethan P. Schulman, of the San Francisco Superior Court.

with access to the sealed materials to certify by Nov. 24 that they had conducted an investigation into the leak.

“The court will not close its eyes to that violation, which it takes seriously, merely because the court is currently unaware of the responsible party’s identity or motivation for violating its order,” he wrote.

Uber has since sought a stay in discovery until the “violator of the protective order is identified,” while more than 30 plaintiffs’ firms, including London at Girard Sharp and Abrams at Peiffer Wolf, submitted certifications last month stating that, following their own investigation, they were not aware of the source of the leaked materials.

'Wholesale Disregard for This Court's Orders'

Meanwhile, back in the multidistrict litigation, Uber targeted plaintiffs’ attorney Bret Stanley of Houston’s Johnson Law Group, a member of the plaintiffs’ steering committee who was found to have violated the 2023 protective order in August by disclosing confidential materials to lawyers with cases against Uber in state courts.

“Mr. Stanley’s actions demonstrate a wholesale disregard for this court’s orders,” Uber’s lawyers wrote in an Oct. 24 sanctions motion seeking about $168,500 in attorney fees. “Mr. Stanley simply does not care about violating protective orders.”


Laura Vartain Horn. Courtesy photo

Stanley denied wrongdoing, blaming his failed attempts to ensure other lawyers were in compliance with the court's orders on an unsent email and the death of a friend. He denied acting in bad faith.

Cisneros heard arguments at a Dec. 9 hearing.

But one day before the hearing, Uber filed another sanctions motion recommending that Stanley be removed from the plaintiffs' steering committee. The motion cited a new violation of the protective order: Stanley had used confidential information from the multidistrict litigation to litigate a vehicle crash case against Uber.

"Mr. Stanley's latest violation conclusively establishes that he cannot be trusted to abide by the protective order," Uber's lawyers wrote. "Mr. Stanley has repeatedly abused his access to the MDL discovery repository."

Stanley did not respond to a request for comment.

Litigation

Manage Newsletters

Verizon ‘Stealth Fee’ Settlement Opt-Outs Order Vacated in NJ

December 16, 2025, 8:09 AM PST

Summary by Bloomberg AI

AI Generated

- A New Jersey appeals court opinion supported a $100 million Verizon Wireless stealth fees class action settlement by tossing a ruling in favor of an attorney recruiting settlement opt-outs.
- The appeals court ruled that the trial court failed to explain its decision regarding a Missouri lawyer's use of an online form to ink retainer deals that constituted exits from the settlement.
- The court ordered the trial judge to provide more thorough rulings over the nature of the opt-outs and whether the lawyer's clients need to have a notice sent to them.

A $100 million Verizon Wireless stealth fees class action settlement was bolstered Tuesday with a New Jersey appeals court opinion tossing a ruling in favor of an attorney recruiting settlement opt-outs.

The terms of a universal deal that prohibited “mass” opt-outs from the settlement may have barred a Missouri lawyer from using an online form to ink retainer deals that constituted exits from the broader deal, the New Jersey Superior Court Appellate Division ruled. The trial court failed to explain itself.

“Although the trial court stated Murphy’s Website provided a ’methodology...approved by the courts,’ the court didn’t identify ’the courts’ to which it referred or cite any supporting legal authority,” the unanimous panel said in its unauthored decision.

The cases focuses on the power of universal settlements to grip their classes tightly. The ruling cautions that judges must explain themselves when allowing entry of late-coming plaintiff lawyers convincing large swaths of potential litigants that they should break away from a universal deal.

Verizon claims the process used by Evan Murphy, the St. Louis-based owner of Murphy Advocates Law Firm LLC, wasn't sufficient to bring clients outside of the class to attempt mass alternative arbitration cases against Verizon. But without findings and reasoning from the lower court, the appeals panel said it wasn't able to judge whether there was enough information exchanged to bless Murphy's process as permissible "individual" opt-outs.

In the Oct. 1 oral argument Verizon said allowing this kind of system, which blurred the lines between mass- and solo-client opt-outs, would water down class settlements, eat into plaintiffs' recovery, and prolong payments over fees that the cellular company allegedly improperly leveraged against customers.

The court ordered the trial judge to provide more thorough rulings over the nature of the opt-outs and whether Murphy's clients need to have a notice sent to them.

Judges Jessica R. Mayer, James Paganelli and Christine M. Vanek heard the case.

Quinn Emanuel and Faegre Drinker represent Verizon. Ryan J. Cooper of Cranford, NJ represents Murphy.

The cases are: Esposito v. Cellco P'Ship , N.J. Super. Ct. App. Div., No. A-002649-23, 12/16/25 .

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US Judge Grants Class Certification in Google Ad Tech MDL Case

U.S. District Senior Judge P. Kevin Castel certified a class of about 5,000 publishers after rejecting defendant Google's motion that sought to exclude expert opinions of a Harvard Law School professor who supported the plaintiffs' antitrust injury allegations, claiming more than $1.7 billion in aggregate damages related to Google's alleged unlawful tying of the ad-tech stack.

December 15, 2025 at 06:23 PM By **Sulaiman Abdur-Rahman**

U.S. District Judge P. Kevin Castel of the Southern District of New York. Photo: Rick Kopstein

A federal judge has granted class certification in multidistrict litigation alleging Google injured nearly 5,000 publishers with aggregate damages exceeding $1.7 billion through alleged anticompetitive conduct in the global advertising technology market.

U.S. District Senior Judge P. Kevin Castel of the Southern District of New York on Dec. 12 certified a class of virtually all entities in the United States that directly paid Google for services associated with selling advertising impressions on websites via Google's AdX ad exchange from December 2016 through March 2024.

Castel certified the AdX class after rejecting Google's motion that sought to exclude expert opinions of Harvard Law School professor Einer R. Elhauge, an expert witness for the plaintiffs who supported their antitrust injury allegations.

"The Court concludes that Elhauge's analysis acknowledged and controlled for the differences between the benchmark market and Google's open-web auction platforms," Castel wrote in his 78-page decision.

"Google's disagreement with Elhauge's conclusions go to the weight of the evidence, not his methodology, and do not identify the type of 'apples and oranges' comparisons that warrant exclusion under *Daubert*," Castel added. "Google's motion to exclude Elhauge's expert testimony on damages for failure to satisfy *Daubert* will therefore be denied."

Boies Schiller Flexner, Korein Tillery and Berger Montague represent the AdX class as co-lead counsel.

Co-defendants Google and parent company Alphabet Inc. are represented by Axinn, Veltrop & Harkrider and Freshfields.

Castel previously granted summary judgment to the publisher plaintiffs for Google's alleged anticompetitive conduct after U.S. District Judge Leonie M. Brinkema of the Eastern District of Virginia ruled the tech giant unlawfully monopolized the ad-tech stack in violation of the Sherman Act.

Brinkema in an April 17 decision, ruled that Google unlawfully connected two sides of the ad tech stack. Google since then has faced a surge of antitrust complaints from publishers and ad exchanges seeking treble damages.

Brinkema, in the near future, is expected to fashion a remedy to end Google's alleged unlawful tying of its DoubleClick for Publishers ad server to its AdX exchange.

Counsel for the plaintiffs declined to comment on Monday.

A Google spokesperson did not immediately respond to a request for comment.

California Brief
Perspectives

How to Address Three Big Challenges That Mar Corporate Testimony

December 16, 2025, 1:30 AM PST

Professional Perspectives give authors space to provide context about an area of law or take an in-depth look at a topic that could benefit their practice.

The Bottom Line

Rule 30(b)(6) depositions require careful planning, strategic witness selection, and thorough preparation.
Counsel in these depositions must learn how to balance litigation defense and broader business concerns.
By anticipating challenges and following best practices, counsel can avoid common traps and navigate these depositions successfully.

Rule 30(b)(6) depositions can be a powerful discovery tool in federal litigation, requiring organizations to designate and prepare witnesses to testify on their behalf. These types of depositions present unique opportunities and challenges to protect the company's interests.

Rule 30(b)(6) provides for the deposition of a "public or private corporation, a partnership, an association, a governmental entity, or other entity." The noticing party must describe the deposition topics with "reasonable particularity." The recipient must produce one or more witnesses knowledgeable about the noticed topics.

Even for experienced attorneys, Rule 30(b)(6) depositions can seem like a trap. Counsel must balance the need to defend the litigation with broader business concerns, such as reputational risk, regulatory compliance, and internal resource constraints, and counsel must be attuned to those concerns in preparing witnesses.

Rule 30(b)(6) depositions pose three major challenges. But with proper planning, counsel can address them appropriately.

Careful Early Review

Challenge: Deposition topics often lack clarity, specificity, proportionality, or are requested without reasonable notice, and the failure to object can constitute a waiver of the objection.

Solution: Counsel should immediately examine the deposition notice for clarity, specificity, proportionality, and timing.

The party receiving a Rule 30(b)(6) deposition notice must understand the noticed topics because the responding party has an affirmative obligation to prepare its designees to testify "about information known or reasonably available to the organization." Failing to properly prepare a witness can constitute sanctionable conduct under Rule 37(d)(1)(A).

The party receiving the deposition notice should assess whether the topics are unduly burdensome, duplicative of other discovery, and whether the information sought can be provided through less burdensome means.

Determining whether a notice is unduly burdensome is going to be case dependent and courts consider factors such as "the number of topics, the scope of information sought by the topics, the complexity of the cases, the amount of time allotted for the Rule 30(b)(6) deposition, the nature of the subject matter addressed in the topics (whether preparation may require expert or attorney input), and whether the information can be obtained more efficiently through other means."

For example, it may be less burdensome for a party to respond to Rule 33(a)(2) contention interrogatories than preparing a witness for a Rule 30(b)(6) deposition. It's also important to pay attention to the date range in the notice to ensure it covers the relevant time frame and isn't unduly burdensome.

Because Rule 30(b)(6) depositions often require significant preparation, make sure that the date for the deposition contained in the notice is reasonable. For example, if the noticed topics require extensive document review, and document collection only recently started, a deposition date two weeks after receipt of the notice may be unreasonable and it may be appropriate to consider negotiating a deposition deadline after the production of documents.

If topics are objectionable, request clarification or serve written objections. Under the 2020 amendments to Rule 30(b)(6), the parties must meet to discuss the topics either before or after the deposition notice is served. Because this conferral process can be lengthy, assess the notice immediately upon receipt to ensure sufficient time to complete the conferral process and, if necessary, move for a protective order.

Selecting Appropriate Designee(s)

Challenge: Rule 30(b)(6) designees "bind" the company in the sense that their testimony is that of the company, and the failure to strategically select a witness can result in unfavorable testimony that will be difficult to disavow.

Solution: Because anyone can be a designee, the company has flexibility when choosing an appropriate designee, and it should strategically identify those who will testify on its behalf.

Choose witnesses who are articulate and able to learn unfamiliar topics—knowledge isn't always enough. Sometimes, the best witness is the one who can best represent the company's interests.

Consider how much time a potential designee has to prepare for the deposition. If a topic requires the designee to spend significant time reviewing relevant materials, make sure the selected designee has the time to commit to the preparation.

Also consider whether the designee is likely to be deposed as a Rule 30(b)(1) fact witness. If so, consider whether it is strategically advantageous to have the witness sit for one combined deposition or two separate depositions. It may be possible to sequence the (b)(1) deposition first and reach an agreement with the opposing party to designate that testimony as the company's (b)(6) testimony, thereby avoiding a second deposition.

However, distinguishing between (b)(6) and (b)(1) questions at a deposition can be challenging and may be a reason to use a designee who wouldn't otherwise be called as a (b)(1) fact witness.

If there are many topics, it may be difficult for one designee to cover all necessary information. But under Rule 30(b)(6), for each designee used, the noticing party will have seven hours of deposition time. This is because the seven-hour time limit for depositions under Rule 30 applies to each designee, rather than the Rule 30(b)(6) deposition as a whole.

So if four designees were used to cover all of the topics in a single Rule 30(b)(6) notice, the noticing party would have up to 28 hours of depositions time. Of course, the parties can always negotiate the amount of total time allocated for the deposition and, short of agreement, a party can seek a protective order to limit the amount of total deposition time.

Preparing the Designee

Challenge: The failure to adequately prepare the designee can result in sanctions.

Solution: Because the designee must testify about information "known or reasonably available" to the organization, preparation may require reviewing documents and depositions, interviewing current employees, and meeting with counsel. In some circumstances, reasonable preparation may require consulting with former employees.

It's important to ensure consistency with corporate messaging, which may require reviewing prior company statements, regulatory filings, and public communications to ensure the witness's testimony aligns with the organization's official positions.

Ask the designee to identify responsive documents and other knowledgeable individuals. Interview those other individuals about the topic and ask them to identify additional knowledgeable individuals and any other responsive documents. Repeat this exercise until satisfied that the search for responsive information has been reasonably exhausted.

Next, consider whether to share those individuals' knowledge with the designee. If so, schedule a meeting between them. Counsel should attend these meetings to make sure the designee obtains the right information to be reasonably prepared on the noticed topics.

Once the relevant universe of documents has been identified, place the documents in a binder, separated by topic. Don't provide privileged documents to the witness, as it could lead to a waiver and those documents could be discoverable.

Consider how many preparation sessions will be needed given the scope of the topics and the witness. Use at least one of the sessions to develop a baseline understanding of what the designee knows and to cover general deposition preparation.

Devote other preparation sessions to a mock examination so the designee is adequately prepared. If you discover knowledge gaps during preparation, look for additional sources of information that can be used to reasonably prepare the designee.

Depending on the topics, consider the usefulness of an outline or a "cheat sheet." For example, if the deposition topic requires a complicated chronology of events, or a long list of substances that allegedly resulted in a toxic exposure, an outline can prevent the deposition from becoming a memory test. If using an outline, make sure the designee takes ownership so it becomes the designee's work product rather than the attorneys'.

Once the materials for the designee have been finalized, update the binder of documents provided to reflect the designee's complete universe of information. Also consider including a list of all non-attorney individuals the designee spoke to during preparation, as well as any outlines the designee may use at the deposition.

It's good practice to share any objections to the deposition notice with the designee to raise awareness of both the limitations counsel has placed on the topics and, if the notice includes a request for documents, the scope of any documents produced.

Bring at least three copies of these binders to the deposition. One copy will remain with counsel who will defend the (b)(6) deposition, one copy will stay with the designee so they can consult any of the materials during the deposition, and the final copy will go to the noticing attorney.

While providing opposing counsel the materials that were used to prepare the designee may seem counterintuitive, it's useful to do so because of the obligation to demonstrate reasonable preparation of the (b)(6) deponent. This tends to minimize the likelihood that opposing counsel will challenge the witness's preparation and maximize the likelihood that any challenge would be unsuccessful.

Looking Ahead

Rule 30(b)(6) depositions are a common feature of complex civil litigation. Corporate testimony under Rule 30(b)(6) often can be consequential in terms of case outcomes.

Accordingly, it's critical that, upon receipt of the deposition, notice counsel immediately begins preparing for the deposition and think strategically about the noticed topics and the selection and preparation of designees.

Effective preparation will minimize the likelihood of motions practice and sanctions and maximize the likelihood that the designees will be effective spokespersons for the company.

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Write for Us: Author Guidelines

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LAW.COM

News | White Collar Crime

Indicted SCOTUSblog Publisher Tom Goldstein Wins Motion Suppressing Evidence

Criminal defense attorneys for indicted SCOTUSblog publisher Tom Goldstein filed a successful pretrial motion preventing federal prosecutors from alleging Goldstein employed sham employees at his now-defunct litigation boutique, Goldstein & Russell, to reduce his 2018 tax liability in violation of criminal tax evasion statutes.

December 16, 2025 at 10:06 AM By Sulaiman Abdur-Rahman

Thomas Goldstein during Legal Times's 2007 Supreme Court Event. July 11, 2007. Photo: Diego M. Radzinschi/ALM

A federal judge has limited the tax-evasion allegations and proposed expert testimony the government can use against indicted SCOTUSblog publisher Tom Goldstein in his upcoming white-collar criminal jury trial set to begin Jan. 13, 2026.

U.S. District Judge Lydia Kay Griggsby of the District of Maryland granted several pretrial motions Dec. 12 favoring Goldstein's defense, ruling federal prosecutors cannot allege Goldstein used "sham employment arrangements" at his now-defunct Goldstein & Russell law firm to evade taxes.

The U.S. Attorney's Office in Maryland alleges Goldstein diverted legal fees owed to G&R to repay millions of dollars in personal gambling debts. Goldstein pleaded not guilty to all counts in January after a federal grand jury handed up an indictment charging him with tax evasion and other offenses.

Griggsby dismissed allegations in the operative indictment alleging Goldstein deducted salaries and health insurance premiums of four G&R women employees who performed "little or no" work in an alleged attempt to reduce his 2018 tax liability in violation of criminal tax evasion statutes.

"[T]he Court ... dismisses the allegations concerning the four women employees related to the Government's tax evasion charges in Count 3 of the Second Superseding Indictment," Griggsby wrote in a one-page order following a hearing on motions in limine and *Daubert* motions.

Griggsby largely agreed with Munger, Tolles & Olson criminal defense attorneys representing Goldstein on their interpretation of 26 U.S.C. § 7201.

"This is not a serious criminal tax charge," Goldstein's criminal defense attorneys wrote in their successful motion to dismiss the allegations concerning G&R employees.

"The statute criminalizing tax evasion, 26 U.S.C. § 7201, contains no language suggesting that it is a crime to deduct the salary and insurance premiums of an employee because that employee performed 'little' work, or because the salary was intended to 'supplement or supplant' personal payments," the defense attorneys added.

Griggsby in a separate order limited the proposed expert testimony of Internal Revenue Service agent Colleen Ranahan, an expert witness for the government, excluding Ranahan from testifying about Goldstein's alleged use of sham employees to evade taxes.

"[T]he evidence shows that all four employees were hired, in good faith, to work for G&R," Goldstein's defense team wrote in their motion rebutting the sham-employee allegations. "Three of the four employees performed work for the firm during their brief tenures, while the fourth went on unpaid medical leave almost immediately after her start date with the blessing of the company's outside benefits manager."

Goldstein, an appellate attorney charged with numerous white-collar crimes, faces up to 30 years in prison if convicted on the most serious felony count.

Defense counsel for Goldstein did not immediately respond to a request for comment.

The U.S. Attorney's Office for the District of Maryland had no comment Monday.

Analysis | **Law Firm Management**

How Representing Apollo's Leon Black Brought Paul Weiss Chair Brad Karp into Epstein's Emails

Messages between Karp and Epstein exchanged over a period of at least three years centered on Black, Trump, and other subjects, according to emails released by the U.S. House Oversight Committee.

December 15, 2025 at 05:06 PM By **Dan Roe**

What You Need to Know

- Representing Leon Black, Paul Weiss chairman Brad Karp corresponded with Jeffrey Epstein over a period of at least three years, according to emails released by the House Oversight Committee.
- Karp spoke with Epstein due to Leon Black's dispute with Epstein over Epstein's tax and estate planning fees at the time.
- One 2015 exchange from Epstein to Karp and Black's assistant outlines Epstein's plans for addressing an unnamed woman. Karp didn't respond.
- They also corresponded regarding an upcoming Michael Wolff-written book on Trump.

Brad Karp, partner at Paul Weiss. Photo: Ryland West/ALM

Paul, Weiss, Rifkind, Wharton & Garrison chairman Brad Karp corresponded with Jeffrey Epstein during a stretch of at least three years, exchanging emails on subjects from Donald Trump to Karp client Leon Black, among other topics, according to a review of the emails released by the U.S. House Oversight Committee in November.

In a statement to Law.com, Karp said his communications with Epstein pertained to a multi-year fee dispute between Black and Epstein, who provided tax and estate planning services to Black's family office. Black hired Karp to help navigate that issue.

The emails show Epstein and Karp exchanged at least 14 messages between September 2015 and February 2019, according to a Law.com review of multiple searchable databases. While Karp appears to be the only Am Law 100 firmwide leader to correspond with Epstein in the disclosed emails, other communications with Big Law partners have also been revealed as a result of the congressional release of Epstein's messages.

It was November 2018 when Epstein's status as an alleged sex trafficker of underage women was widely publicized in a series of Miami Herald articles. Before then, in 2008, Epstein pleaded guilty to state charges of solicitation of prostitution with a minor and served an 18-month prison sentence, although the totality of his crimes remained unknown to the general public. Epstein was arrested in July 2019 on federal charges of sex trafficking minors and died by suicide the next month in a New York jail cell.

Among other email subjects during their three-and-a-half-year period of messaging, Epstein emailed Karp regarding Trump and an upcoming Michael Wolff-written book on Trump. Epstein also emailed Karp and Black's assistant a plan to address an unnamed woman whom Epstein wanted to intercept and present with "the terms." The emails showed no response from Karp to this email.

At the time, Karp—whose firm has for years done significant business with Apollo—was representing Black.

"Paul, Weiss was retained by Leon Black, then the CEO of the firm's longtime client Apollo, to negotiate a series of fee disputes with Jeffrey Epstein that spanned several years. The firm was adverse to Epstein, and at no point did Paul, Weiss, or Brad Karp ever represent him," Karp said in the statement.

A representative of Black did not respond to a request for comment.

Others in Big Law

The emails were released by the House Oversight Committee throughout 2025, including a batch last month.

Besides Karp, other prominent Big Law attorneys spoke regularly with Epstein in the emails. Goldman Sachs CLO Kathy Ruemmler corresponded with Epstein dozens of times about Trump, Ruemmler's career and other topics. A Goldman spokesperson told Law.com that Ruemmler, then at Latham & Watkins, was in contact with Epstein because they had a common client.

Other Big Law attorneys spoke with Epstein in connection with representing him. Steptoe senior counsel Reid Weingarten represented Epstein in his 2019 criminal case and corresponded regularly with Epstein before then on topics including Trump and Epstein's unpaid legal bills.

Meanwhile, Kirkland & Ellis litigation partner Jay Lefkowitz—who represented Epstein in his 2008 criminal case—spoke with Epstein in 2011 as Epstein fielded questions from a Newsweek reporter on life after prison.

Neither Lefkowitz nor Weingarten responded to a Law.com request for comment.

The Law.com review found that there are some emails from Epstein that Karp didn't appear to respond to. For instance, the House Oversight emails contain no record of Karp responding to Epstein regarding the unnamed woman.

For other emails from Epstein, Karp gave short responses or sent questions to Epstein.

The pair's last correspondence occurred in February 2019, when Epstein sent Karp an article in The Hill about the Senate Intelligence Committee's interest in a Moscow businessman as part of its Russian election interference probe, which was occurring simultaneously with a probe by special prosecutor Robert Mueller.

"Very interesting," Karp replied. "How are you?"

Karp followed up within the hour. "J- Called and left a vm. Brad."

Trump Emails

On Trump, the records show Epstein initially emailing Karp on the afternoon of Dec. 14, 2017, to share the link to a Daily Mail article titled, "EXCLUSIVE: Troubled woman with a history of drug use who claimed that she was assaulted by Donald Trump at a Jeffrey Epstein sex party at age 13 MADE IT ALL UP."

Karp replied, "Thanks," that evening.

The next day, Epstein emailed Karp a link to a Daily Caller article titled, "REPORT: Feminist Lawyer Promised Cash To Trump Sexual Harassment Accusers."

Several hours later, Karp replied, "Wow, call me naïve, but that's something."

Epstein's next correspondence with Karp occurred in June 2018, when Epstein forwarded Karp the text from the draft of an upcoming Michael Wolff book about Trump, following up with a message of, "my suggested edits." (Wolff and Epstein traded messages appearing to refer to a draft of Wolff's 2019 book on Trump, *Siege*, in 2018 and early 2019, the House Oversight emails show.)

Earlier that year, in March, Wolff had emailed Epstein: "Three hours with (Steve Bannon) who believes DJT won't last to the mid terms. Also saw Brad Karp who is super menchy and offering much help on next book."

The draft Epstein forwarded to Karp contained paragraphs detailing how Special Counsel Robert Mueller planned to indict Trump for obstruction of justice.

"Thanks. It's still quite challenging. Will speak shortly to Michael," Karp replied to Epstein on June 13, 2018.

"He is committed to not doing it – now, if any hint of trouble ill explain on the phone I had a long talk this morning," Epstein responded back to Karp, referring apparently to Wolff.

Epstein continued sending Karp links to articles involving Trump, including an Oct. 2, 2018, MarketWatch story on a New York state tax investigation into Trump following a New York Times report. "Brutal piece," Karp replied the next day.

The following month, the Miami Herald broke its multi-part investigation into Epstein's child sex trafficking ring.

Karp and Epstein corresponded one more time after that, when Epstein emailed Karp the Hill's coverage of the Senate Intelligence Committee's interest in Russia-based businessman David Geovanis.

Karp, Epstein and Leon Black

Black, while still at private equity firm Apollo, had retained Epstein for estate planning and tax advisory services beginning in 2012. However, in April 2017, Black ceased payments to Epstein for Epstein's estate planning and tax advisory services, according to a 2021 investigation Dechert conducted for Apollo, which also found that Epstein had no money invested in Apollo funds. Black cut ties with Epstein altogether in October 2018 (according to the Dechert report), a month before the Miami Herald reporting was released about Epstein.

Epstein's management of Leon Black's family office—Elysium Management LLC—earned him close to $160 million in advisory fees between 2012 and 2017.

However, in 2015 and early 2016, Epstein's emails reveal Epstein's discontent with his fees and with the performance of other advisors of Black's estate, chiefly Elysium CEO Bradley Wechsler.

Paul Weiss also represented Elysium, the House Oversight emails show. In emails to Black's assistant, Melanie Spinella, Epstein alternated between praising and criticizing Paul Weiss' personal representation department co-chair Alan Halperin over his work for the family office.

Halperin did not respond to a request for comment on his inclusion in the emails.

"Alan was the only smart one," Epstein said in an undated email.

In other undated emails, Epstein said to Black, "Halperin has a conflict that should be addressed," and, "After 4 years of telling you , that you could do better than Halperin, : im glad that you are now willing to follow barrys advice." The email was apparently referring to Elysium president Barry Cohen.

Yet Karp, who first worked with Apollo in 2008 (according to Business Insider) and whose law firm became a primary outside counsel to the private equity firm, appeared to be held in higher regard by Epstein.

"I received a nice call from Karp today," Epstein told Black via Spinella in an undated email. "He touted me as a great friend to you. I am happy to be just that. He said it was important for me to tell you what others won't. Keep heather, fire EVERYONE else." (Epstein appears to reference Heather Gray, an estate planning lawyer at Elysium.)

Epstein offered to have Karp sit in on a meeting between Epstein and Black about Epstein's fees, stating, "I would ask that you I and Brad karp sit together if you think this would be helpful. . I would like to send him this email, with your consent of course."

The Unnamed Woman

Karp was included on two emails from Jeffrey Epstein to Leon Black's assistant regarding an unnamed woman.

In a Sept. 21, 2015, email to Black's assistant (Spinella) and Karp, Epstein communicated a to-do list that included finding out whether the woman was in London; briefing UK criminal counsel; confronting the woman with people who had worked in immigration or Scotland Yard; and presenting the woman with "the terms." Epstein said he also wanted to know whether the woman had contacted the authorities or a "tabloid lawyer," and he inquired about the timing between a DA investigation and an arrest.

A second email, 12 minutes later, to Spinella (in which Karp was cc'd) showed Epstein stating that Spinella should "set up a separate email account for this correspondence. She currently is on an apollo server."

"There is not even a good solution. All have substantial risks. We are dealing with a wholly unpredictable and bad minded person," Epstein continued. "I and Brad can only make suggestions/actions each less than stellar."

Three women have alleged in lawsuits that Leon Black sexually abused or sexually assaulted them, with the alleged misconduct occurring in 2002 and 2014. One complaint remains in litigation with Black, while two other lawsuits have been dismissed.

Karp declined to comment on the September 2015 emails and whether there was any connection with the fee dispute.

Ryan Harroff contributed to this report.

Securities

US Money Managers Strike Deals in Fight to Keep Mandates (2)

December 16, 2025, 6:52 AM PST

US money managers are working on private arrangements to stem a wave of defections by sustainability-focused clients in Europe's €6 trillion ($7 trillion) pensions market.

The urgency of such deals was underlined on Monday, when Dutch pension fund PME said it decided to end its relationship with BlackRock Inc. over what it described as differences in how the two view issues such as climate risk and stewardship. It's the latest in a string of similar breakups, with State Street also among firms to have lost European mandates.

The development has led US managers to come up with workarounds in order to avoid a deeper realignment that would hurt their ability to do business in Europe. Workarounds include side letters, whereby tailored portfolio management terms are negotiated in private; or segregated accounts that allow asset managers to hold on to clients that might otherwise walk away, according to lawyers and investment managers interviewed by Bloomberg.

In response to PME's decision to drop it, BlackRock said it's been "entrusted by clients in the Netherlands and around the world to manage more sustainable and transition assets than any other asset manager. These clients see us as their partner of choice for achieving their investment goals, including their net zero objectives," in an emailed comment. To meet investor needs, the asset manager offers more than 500 sustainable and investment strategies in addition to products to identify risks and opportunities, as well as "a range of investment stewardship options" to reflect investors' goals, according to documents published by BlackRock.

Last quarter, BlackRock saw about $48 billion of fund withdrawals by an investment client seeking sustainable solutions. But instead of losing that money, BlackRock was able to keep the client by offering tailored products that aren't part of its standard fund range, according to an analysis by Morningstar and confirmed by a BlackRock spokesperson. The client, a UK-based asset manager, was acting on behalf of multiple pension funds, according to a person familiar with the matter who asked not to be identified discussing private deals.

ESG and DEI

At the same time, the need for discretion has been growing in the current political context, with the administration of US President Donald Trump making it ever harder for American asset managers to openly pursue environmental, social and governance strategies. As a result, Wall Street has walked away from net zero alliances and ditched what had once been a public embrace of diversity, equity and inclusion policies.

In Europe, meanwhile, where asset owners face regulations to disclose ESG data, many continue to demand that the managers receiving their investment mandates allocate funds in ways that take account of ESG and DEI factors.

Against that backdrop, side letters are becoming a regular workaround, says Heike Schmitz, a Frankfurt-based partner and co-head of ESG EMEA at law firm HSF Kramer.

Heike Schmitz
Source: HSF Kramer

They're a "very secret business," says Schmitz, who advises both asset managers and institutional investors. The alternative, which is "to have it all in your fund documents, is now obviously a bit more challenging," she said.

There's no official comprehensive data on the number of side letters, or the assets under management they represent. But Schmitz says she's seen a clear increase in such contracts in 2025.

Side letter arrangements don't breach any rules, and asset managers and owners are still required to meet disclosure requirements imposed by their local supervisors. But the arrangements allow parties to negotiate in private additional requirements, beyond those stated in public documents or mandated by authorities.

European asset owners have been scrutinizing the house policies of US managers and establishing that there's limited alignment of sustainability goals, according to a senior executive at a major UK pension fund who asked not to be identified by name due to the confidential nature of the talks. But US managers are generally keen to offer alternative structures to ensure they don't lose the business, the executive also said.

US asset managers are now increasingly pitching separate vehicles to enable tailored portfolio management services to cater to European needs and tastes; the proposed arrangements include creating subsidiaries or similar constructions to allow the US asset managers to ringfence European clients from their American counterparts, the executive said.

John Chilman
Source: John Chilman

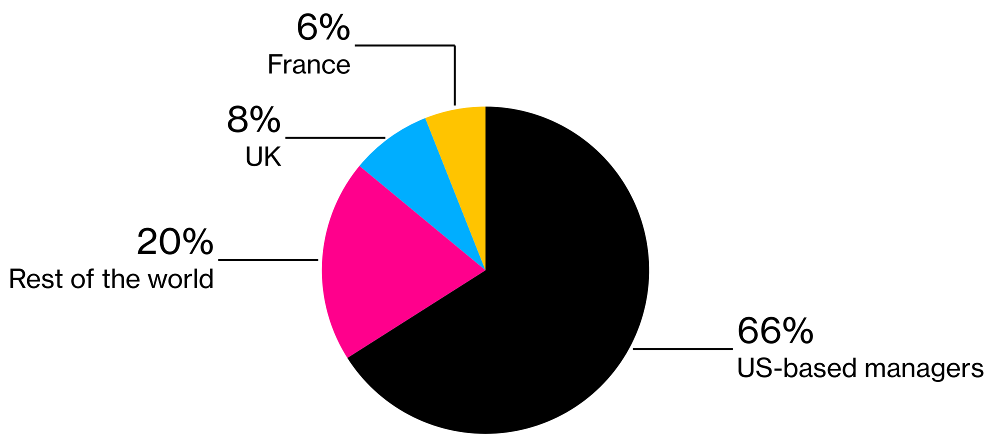
John Chilman, a former chief executive of UK pension fund Railpen who's now an independent trustee at Nestle's UK pension plan and chairs the policy board of trade body Pensions UK, says even though US managers aren't talking publicly about ESG, "many are still doing it because they know their clients want it."

And from a European perspective, the bottom line is that managers like State Street and BlackRock have the "economy of scale" that's needed to offer "really good pricing," he said.

US asset managers are also offering extra stewardship services to ensure the sustainability needs of European clients are met. Examples include State Street's Sustainability Stewardship Service, which it established this year.

US Firms Manage Most Assets in Europe

Market share among top 200 managers by domicile



Source: Funds Europe's Top 200 survey, published in March.
Note: Includes assets managed in Europe ranging from actively managed retail funds and ETFs to segregated mandates for institutional investors.

Bloomberg

It's not clear all asset owners will be content with US efforts to work around sustainability concerns, however. And some are already warning that more mandates will yet be lost due to differences over how to handle issues like climate risk.

"Watch this space, because I think it's going to get more intense," says Leanne Clements, head of responsible investing at People's Partnership, the provider for The People's Pension.

Leanne Clements
Source: People's Partnership

Institutional investors are particularly concerned by efforts by the Trump administration to stop proxy advisory service providers like Institutional Shareholder Services Inc. and Glass Lewis & Co. from voting on their behalf. That has the potential to effectively silence large numbers of shareholders, Clements said.

This month, The People's Pension said it pulled a £3.6 billion ($4.8 billion) emerging-markets equity mandate from State Street and handed it to Robeco, citing "greater alignment" with its responsible investing policy. That followed a decision at the beginning of the year to give a £28 billion mandate managed by State Street to Amundi and Invesco Ltd. (State Street continues to manage a £1.5 billion infrastructure portfolio for The People's Pension.)

A spokesperson for State Street declined to comment.

"We think it's now more important than ever for asset owners to strengthen their responsible investment requirements in their mandates," Clements said. She says the added clarity will ultimately protect asset managers, in that they can point to client demands as the reason for designing portfolios that take environmental or social factors into account.

The People's Pension is among more than 30 institutional investors with a combined $2 trillion demanding that asset managers tackle climate change head on. The group also sets explicit requirements for how managers should work with the companies in which they invest.

Pension funds are taking greater control over investments to address climate change, according to a report Tuesday. The Climate Policy Initiative, which is behind the report, looked at 594 funds with $22.5 trillion in owned or managed assets and based in OECD countries. That includes integrating climate into manager selection and revising — and terminating — mandates, the report said

Such demands are growing more difficult for US index managers to follow, due in large part to a change in guidance earlier this year by the Securities and Exchange Commission, under which passive managers with large holdings face potentially more onerous regulatory filings if pursuing ESG goals can be interpreted as a form of active management.

Against that backdrop, workarounds such as side letters won't necessarily be enough to stop US asset managers losing European pension contracts, according to a person close to the matter who asked not to be identified discussing private negotiations. And some institutional clients will be unsatisfied with product-level accommodations if an asset manager appears not to align with their world view at the group level, the person said.

Firms winning mandates, meanwhile, include Man Group Plc. The world's largest publicly traded hedge-fund manager says it's seen an increase in client flows driven by demand for responsible investment strategies. Man was also among fund managers to get new business from Dutch pension fund PFZW earlier this year, gaining a $13.2 billion mandate in September.

And Amundi recently said it's " extremely confident" of winning more mandates as reallocations continue behind the scenes, according to **Jean-Jacques Barberis**, its head of institutional, corporate clients and ESG.

Schmitz at HSF Kramer says the full picture of how much is really being reallocated is hard to establish. And with workarounds like side letters growing in popularity, she says it's "like playing poker with everyone holding the cards so you don't know what the others agree. You see a lot of nitty gritty negotiations."

The upshot is that European institutional investors and US asset managers are increasingly falling back on private arrangements that don't require public fund documentation to work through potential differences, Schmitz said.

"I mean if there's money involved, there's always some kind of middle ground, at least if the ticket is big enough," she said.

(Adds context on BlackRock's sustainable investment offering in fourth paragraph. And earlier version was corrected in order to remove Bloomberg Intelligence data.)

--With assistance from **Silla Brush** and **Sarah Jacob**.

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News from Bloomberg Terminal

Fake Trading Is Hard Work

December 16, 2025, 10:59 AM PST

By Matt Levine

(Bloomberg Opinion) --

Prop trading

A stylized fact of financial markets is that there are some risk-loving retail traders who like to make highly levered bets on stocks, currencies, commodities and crypto, and in the medium run almost all of them will lose almost all of their money. The bets are of the form "if Thing X goes up 2% I double my money, but if it goes down 2% I lose all my money"; this works for a couple of days and is fun, and then they lose all their money. This trade seems to have a ton of very robust negative alpha, which makes it very valuable to take the other side.

How do you take the other side? The most obvious answer is "literally take the other side of their trades": Buy what they're selling and sell what they're buying. This isn't bad, and it is in some approximate sense the business of retail market makers in the stock and options markets. It's not perfect: A lot of the retail traders' negative alpha comes from their leverage (it's not that they never pick stuff that goes up, but rather that one losing trade wipes them out), so just trading against them does not make you money as quickly as they lose it.

Another promising approach is "take the other side of their leverage": They put up 5% of the money to trade, you put up 95%, the asset goes down 2%, you liquidate them and keep the extra money. [1] In the general case this seems like a lucrative business, though it does have some risk (if the asset goes down 10% you lose money).

You can combine the two approaches: You lend them the money to trade, *and* you trade against them. You are on the other side of every aspect of their leveraged trading, meaning that you are purely on the other side of their negative alpha, meaning that you capture lots of positive alpha. (You do still have a lot of risk, though: Occasionally they will win big on a levered bet, and you will owe them a lot of money.)

This business model — lending people money to trade, and taking the other side of all of their levered trades — is traditionally called a "bucket shop." You can find, uh, aspects of this model in some aspects of some modern crypto exchanges. Here are — in increasing order of cynicism — columns from me, Patrick McKenzie and John Hempton about those aspects.

There are other, simpler, safer, fee-based models: You set up the exchange where the retail traders trade, or you broker their trades on a riskless basis, and you charge a fee for each trade. (Or you combine *that* with trading against them: We talked once about a broker that sent its customers' trades to exchanges, but *also* did its own trades on the other side of "its clients who were regularly unprofitable." Mostly a fee-based agency business, but if you *know* who your most inept customers are, you might be tempted to use that signal.)

None of these models quite capture the *essential* value of the bad retail traders. The problem with the bad retail traders is not "they make bad trades" or "they take too much risk." The problem is more like "they keep flipping coins until they lose all their money": Each individual trade might be fine, but in the medium term they face gambler's ruin. If you take the other side of *each trade*, you have a lot of risk: They have a coin flip's chance of making money at your expense. What you want is to take the other side of the *whole sequence:* They come to you with money, they keep betting the money, their balance goes up or down, you just don't worry too much about it, and eventually the balance goes to zero and you're like "thanks for playing, try again sometime." If you are marking their trading to market — if you lose $1 when they make $1 — then in some sense you are not capturing the real value, which is "they might be up now but we know how this story ends."

If you offered retail traders an explicit proposition like "give me $100 and I will let you bet $10,000 a day on foreign exchange markets, but you can't withdraw any money until you have lost it all," presumably nobody would take *quite* that offer. You can get pretty close, though! Bloomberg's Alice Atkins reports:

The pitch is enticing: Learn to trade like a real Wall Street master of the universe. Pay a fee—typically starting below $100—and manage thousands in fictional funds in a simulated market of stocks, currencies or commodities. If you stick to the strict rules, and meet the profit target, you can become a "funded" trader for the firm. That means you could receive payouts of as much as 90% of the ersatz profits you make. If you fail, you can keep trying, by paying the fee again.

More than 400 companies offer forms of these challenges, up from 10 only five years ago, according to FPFX Technologies LLC, a Florida-based software provider for the industry. … They have about 6 million customers collectively, according to their websites. …

Some customers complain they've paid high fees, while the chances of winning rewards are slim. Only 4% of users get any payout based on their trading, according to FPFX. In social media posts, people describing themselves as prop-firm customers claim to have lost thousands on fees.

One of them, Samim Sharif, 28, an accountant from London, estimates he's paid about $10,000 to simulated-trading firm PipFarm since last year. "When you have a bad streak it's very easy to think, 'I'll just buy one more.' Before you know it you've racked up a lot in losses," he says.

I do not find that pitch enticing *at all*, but apparently 6 million people do.

We talked yesterday about how South Korean securities regulators now require retail traders to watch a one-hour training video before trading leveraged exchange-traded funds. It's a great idea that you could extend to all sorts of retail trading products. It would be fun to do the video for this one.

Banks are where the money isn't

A basic theme around here in recent years is that banks are re-tranching. In the not-too-distant past, there were businesses that needed money to do business stuff, and often they would borrow the money from banks. The advantage of borrowing the money from banks is that banks have *cheap funding:* The banks get a lot of their money from depositors, and they can pay the depositors a very low rate of interest. The disadvantage of borrowing the money from banks is that banks have *risky funding:* The banks get a lot of their money from depositors, and the depositors can withdraw that money at any time.

And so in recent years, because of regulatory changes and general caution, banks have at the margin retreated from lending money to businesses to do business stuff. Instead, *other* lenders — "private credit" — increasingly lend money to businesses to do business stuff. What do the banks do? Well, one thing that they do is lend money to the private credit firms. Instead of lending money directly to businesses, and taking the risk of losing money if the businesses fail, the banks "move up the capital structure": They have a senior claim on a senior claim; if the businesses fail, the private credit lenders take the first loss and the banks take the second. The banks have more seniority, possibly at the cost of less control.

This stuff is variously controversial: Is it bad that more loans are being made by less-regulated private credit firms, instead of by more-regulated banks? Is it bad that the banks are increasingly intertwined with the private credit firms? To me it seems like this system is broadly safer than the old system — more credit risk is borne by funds with long-term locked-up equity investors who knowingly take the risk, and less by run-prone regulated banks — but obviously there are ways for it to go wrong.

In any case, it's happening. Bloomberg's Laura Noonan reports today:

Global assets in the sprawling shadow banking sector have crossed the $250 trillion mark for the first time, new data from the Financial Stability Board shows, fueling fears of mounting systemic risks from less regulated corners of the financial sector.

The FSB's annual global financial monitor shows non bank financial institutions — a group that spans hedge funds, insurers, investment funds and others — had a record $256.8 trillion of assets at the end of 2024, up 9.4% year-on-year. The group now accounts for 51% of total financial assets, similar to its pre-pandemic share. …

FSB chair and Bank of England Governor Andrew Bailey has previously called out the risks in non banks and said understanding their evolution would be an "important focus" as global watchdogs assess the resilience of the financial system.

The FSB lamented the lack of data around the growth of the multi trillion dollar private credit industry, an area that regulators are keenly scrutinizing for signs of weakness amid warnings of vulnerabilities from bank bosses including JPMorgan Chase head Jamie Dimon and UBS chair Colm Kelleher.

And Bloomberg's Rene Ismail reported yesterday:

US banks are lending more to private credit firms, private equity shops and hedge funds, with loan volume to these non-bank financial institutions up 26% this year through November, according to Fitch Ratings.

Domestic banks made about $363 billion of new non-bank loans through Nov. 26, Fitch analysts wrote in a report on Monday, citing Federal Reserve data. Banks added $291 billion across all other loan types, according to Fitch.

Regulatory capital requirements and strong demand from borrowers contributed to the uptick in lending to non-banks, Fitch said. But the added exposure brings risk for banks, which are increasingly intertwined with the private credit and private equity industries.

"Asset quality remains benign," notes Fitch, "with NDFI [*non-depository financial institution, i.e. private credit et al.*] delinquencies at 0.22% on average at Sept. 30, versus 1.3% for C&I [*commercial and industrial, i.e. business]* lending," which really is the purpose of all of this.

IPO pricing

A lot of the shares of most US public companies are owned by the same handful of giant diversified institutional investment managers, particularly the "Big Three" managers (BlackRock, Vanguard, State Street) that run big index funds. We talk sometimes about the effect that this might have on competition: There is a controversial but delightful theory that, if the same shareholders own all the companies, those shareholders will not want the companies to compete with each other too vigorously. If Company A cuts the price of its product to win market share from Company B, that might be good for Company A's shareholders and bad for Company B's shareholders, but it will be worse for the shareholders *overall*, and if Company A's shareholders and Company B's shareholders are the same firms, then they will prefer to keep prices high and competition gentle.

I suppose you could tell a simpler antitrust story about the concentration of stock ownership in a small group of big institutional managers. The simpler story might be: "If there are three firms that own all the stocks, then there will not be enough competition in *stock ownership*. Those three firms will be a cozy oligopoly, [2] and they will not bid against each other too aggressively to buy stocks. When companies need to sell stock, they will have to sell it to those three firms, who will keep stock prices low to capture more value for themselves at the expense of the companies."

I have never really had this thought before? The US stock market is quite notably competitive. The barriers to entry are low; you can start a Robinhood account for free and buy some stocks in like five minutes. "All the stocks are owned by three firms" is an occasionally useful overstatement, but it is not *true*; in fact the Big Three own something like 22% of the average big US public company. And their effect on *prices* is ambiguous. They manage a lot of passive index funds, which buy stocks at whatever the market price is; the market price tends to be set by active hedge funds viciously competing with each other for edge. "BlackRock and Vanguard suppress stock prices" is not a thing that people usually think. (Sometimes they think the opposite: "Too much money in index funds artificially inflates stock market bubbles.")

Still, maybe a little? There are some corners of the stock market that have higher barriers to entry. For instance, you generally *can't* open a Robinhood account and buy shares in a hot initial public offering. [3] Here's "The Price of Power: The Big Three and IPO Underpricing," by Adi Libson, Danielle Chaim and Yevgeny Mugerman:

We present empirical evidence that concentrated market power in the hands of a core group of giant asset managers has exacerbated IPO underpricing — defined as the difference between the offer price and the stock's closing price on the first day of trading. Our analysis indicates that from 2002 to 2022, the simultaneous participation of the three largest asset managers — BlackRock, Vanguard, and Fidelity — in IPOs increased underpricing levels by an average of 16.7 percentage points. Even after controlling for IPO size, bookrunner, industry, and year fixed effects, this impact remains substantial at 9.7 percentage points. The participation of such market-moving institutional investors can drive up underpricing through various mechanisms. Our analysis pinpoints several channels through which these investors signal their bidding intentions, share information, and even coordinate their positions during the IPO process. Some of these mechanisms warrant closer scrutiny, as they may constitute collusive behavior by institutional investors in their role as competing bidders in IPOs-potentially violating antitrust laws. Our novel analysis of underpricing through the lens of institutional-investor market power adds a crucial piece to the IPO underpricing puzzle and illuminates the marked correlation between rising underpricing levels and the ascendancy of asset manager capitalism. Notably, over the past decade, underpricing has soared to extraordinary levels, resulting in an unprecedented $90 billion left 'on the table' by issuers.

Note that *their* Big Three are BlackRock, Vanguard and Fidelity: Index funds mostly don't invest in initial public offerings, so they focus on big managers of active funds. Is it possible that IPO bankers tell companies "if you want Fidelity and BlackRock in your IPO, you have to price it to appeal to them," and some companies say "yes we do want that" and accept a lower price? Maybe?

Strategy

During its brief glorious flourishing, we talked a lot around here about the strategy of selling $1 worth of crypto for $2 on the stock market. Obviously, if you can do that, you should do it all day long. For a while, Strategy Inc. (formerly MicroStrategy), the original crypto treasury company, could, and there were many copycats, some of which could sell $1 worth of crypto for like $10. Definitely do *that* all day long.

But, you know, come on. That can't last forever. For one thing, eventually people will notice and stop paying $2 for $1 of crypto. For another thing, though, *you're closing the arbitrage*. If you are a Bitcoin treasury company and people are buying your stock at a 100% premium to the value of your underlying Bitcoin, and you are merrily selling them as much stock as you can and using the proceeds to buy Bitcoin, then your sales are pushing down the price of your stock and your purchases are pushing up the price of Bitcoin. If you do this without limit, eventually the premium will close.

And then, if you're unlucky, your stock trades down to 90 or 80 or 50 cents on the dollar, and you face hard choices like "should I run the trade the other way and sell my Bitcoin to buy back stock?" ("Yes" is the good financial trader answer, but "no" is the good crypto true believer marketing answer; I don't know what you should do.)

If you're lucky, though, your stock trades down to 101 or 105 or 110 cents on the dollar, and you face hard choices like "well this isn't nearly as fun at it used to be, but should I keep selling $1 worth of crypto for $1.10 on the stock exchange?" Actually that's not that hard a choice. You keep doing that, it turns out:

Michael Saylor's Strategy Inc. acquired almost $1 billion in Bitcoin for a second consecutive week, as the original digital asset treasury company continues to ramp up purchases following the recent pullback in the price of the largest cryptocurrency.

The former MicroStrategy bought $980.3 million of the digital asset between Dec. 8 and Dec. 14, according to a regulatory filing on Monday. This marks the company's largest amount of Bitcoin acquired since July and its second consecutive week of acquiring over 10,000 Bitcoin on its books - the first time this has happened since January.

The majority of the most recent acquisitions were made using proceeds from at-the-market sales of its Class A common stock. Critics of Saylor's model have raised concern that selling the shares is diluting existing equity of shareholders and eroding the formerly high premium the stock garnered over its now roughly $59 billion Bitcoin holdings. … The common share price premium over the enterprise value of the company is about 1.1.

Yeah look if you had asked me two years ago "is it a good idea to sell $1 worth of stuff for $1.10" I would have said "of course what are you even talking about." Compared to, you know, any other possible business, selling stock at a 10% premium to buy Bitcoin is still pretty good. Not what it used to be, but still pretty good.

Epstein

One mystery about Jeffrey Epstein is that he was extremely wealthy, but he didn't seem to *do* anything for a living other than pal around with other wealthy people. Where did the money come from? I feel like there are three main theories:

1. He would pal around with other wealthy people, do sex crimes with them, record them on video and then blackmail them.
2. He would pal around with other wealthy people, give them self-taught but extremely acute tax advice, and charge them a lot of money for it.
3. He would pal around with other wealth people, get them to trust him with their money, and then steal it.

Theory 1 is the most salacious, but there's never really been any evidence for it. Theory 2 is kind of blah, but there *is* evidence for it: He seems to have had at least one client who found his tax advice valuable, and a tax lawyer once emailed Epstein a column I wrote about a tax trick to be like "great trick, was this you?" Theory 3 is in some sense morally satisfying — "he was a sex criminal *and* a financial criminal" — and embarrassing for his associates — "their association with him tainted them morally *and* got them robbed" — and there is some evidence for it too: In 2019, Leslie Wexner, one of Epstein's biggest benefactors, accused him of misappropriating money he managed.

I suppose they are not mutually exclusive. Epstein could have managed his friends' money, saved them a lot of taxes, *and* stolen money for himself. My own instinct is that geniuses of tax minimization and geniuses of theft are two mostly disjoint categories, but I can see why someone might think otherwise.

Anyway here's a new investigation in the New York Times that comes down solidly for Theory 3:

In his first two decades of business, we found that Epstein was less a financial genius than a prodigious manipulator and liar. Abundant conspiracy theories hold that Epstein worked for spy services or ran a lucrative blackmail operation, but we found a more prosaic explanation for how he built a fortune. A relentless scammer, he abused expense accounts, engineered inside deals and demonstrated a remarkable knack for separating seemingly sophisticated investors and businessmen from their money. He started small, testing his tactics and seeing what he could get away with. His early successes laid the foundation for more ambitious ploys down the road. Again and again, he proved willing to operate on the edge of criminality and burn bridges in his pursuit of wealth and power.

Okay but later he was really good at saving taxes? It is *difficult* to end up owning a Manhattan townhouse, a private jet and a Caribbean island by abusing expense accounts, but I suppose that, with a big enough expense account and thorough enough abuse, it's possible.

Things happen

Dutch Pension Shift Is About to Get Real for Worried Bond Market. CoreWeave's Staggering Fall From Market Grace Highlights AI Bubble Fears. Morgan Stanley Climbs Debt Rankings as Go-To Bank for AI Bonanza. Kalshi and Other Prediction Markets Should Scare Sports Leagues. High-Speed Traders Are Feuding Over a Way to Save 3.2 Billionths of a Second. OpenAI Deal to License Disney Characters Is Entirely in Stock. Shell mergers chief departed after CEO blocked bid for BP. Bitcoin Fatigue Sets In as Token Heads for Fourth Annual Loss. Databricks Is Raising Over $4 Billion at $134 Billion Valuation. Juventus Shares Climb After Agnelli Holding Company Rejects Bid From Tether. Global brands seek private equity partners to save their China businesses. Pimco Gathers $7 Billion for New Asset-Based Finance Strategy. Family of Late Zappos CEO Declares Mysterious Will a Forgery. Morrisons loses £17mn VAT fight as court rules rotisserie chickens are hot food.

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1. Or something like that. Probably you don’t have to wait until their equity is zero to liquidate them, and with fees and interest you can probably keep their equity. But there is no science to the numbers here.

2. Oligopsony, technically.

3. Though that’s changing.

These Trump bets boomed. Now they're huge busts

cnn.com/2025/12/15/business/trump-stocks-bitcoin-crypto

Matt Egan December 15, 2025

Trump-related companies soared after the election. One year in, the picture's not so rosy

2:33

New York —

Donald Trump's return to the White House set off a gold rush on Wall Street and in the crypto world.

Companies and crypto projects linked to Trump and his family exploded in value as traders bet they would benefit from the president's return to power.

A year later, some of those Trump-related bets have paid off. But many others have imploded, costing investors who rushed in during the initial boom dearly.

The crash back to earth for many of these assets reflects the fact that many of these bets were hard to make sense of in the first place.

"Sometimes irrational exuberance meets the brick wall of logic," said Art Hogan, chief market strategist at B. Riley Wealth.

Trump Media

Exhibit A is Trump Media & Technology Group, the owner of Truth Social, whose ticker symbol is DJT, the president's initials.

Trump Media became a proxy for Trump's election fortunes. Traders who sniffed out Trump's looming victory gobbled up the stock, which tripled in value in the five weeks leading up to late October 2024.

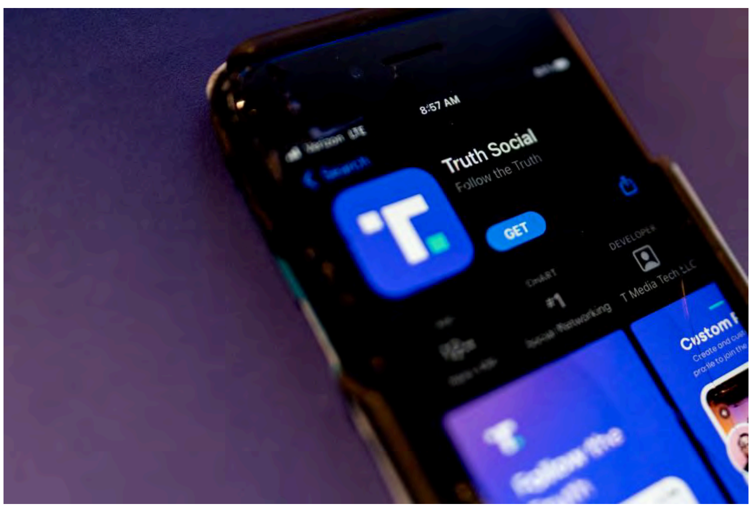
Even though Trump Media had never made money and generated little revenue, the company was valued on Wall Street at a staggering $11 billion just days before the election.

Flash forward to today: Trump Media plunged below $11 a share on Friday, leaving it down roughly 80% from the pre-election peak and worth less than $3 billion.

Despite the fact that Trump uses Truth Social as his preferred platform for presidential communications, the social media network hasn't become the go-to platform traders suspected it might be. Truth Social drew just 1.5 million monthly active US users on iOS and Android in November, a far cry from X's 54.2 million and Reddit's 59.8 million, according to Similarweb data shared with CNN.

Even Bluesky is more popular, with 2.4 million monthly active users.

Trump Media has pivoted this year to expand into financial services, crypto and artificial intelligence, but it's too early to say if those moves will pay off.



A phone screen displays the Truth Social app in Washington, DC, on February 21, 2022.

Stefani Reynolds/AFP/Getty Images

Melania meme coin crashed 99%

Some other Trump-related bets have fared even worse than Trump Media.

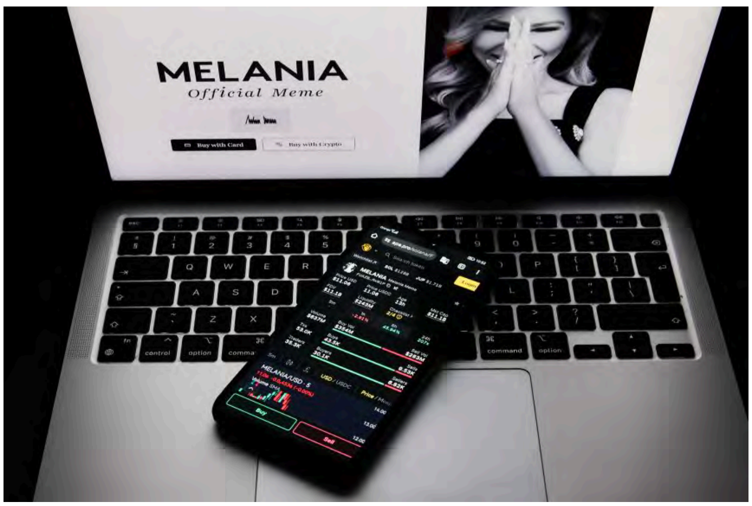
For instance, the official Trump meme coin launched just days before he was sworn in, much to the dismay of ethics experts.

The Trump coin rapidly spiked to as high as $45.57 on January 19, giving it a $9 billion value, according to Coinmarketcap.

The gains padded Trump's net worth, at least on paper, because 80% of the supply was held by Trump Organization-affiliates.

But today, the Trump meme coin is trading at around $5.60, or just $1.1 billion. It has lost 88% of its value from the peak.

First Lady Melania Trump's meme coin suffered even steeper losses.



Melania Meme price is displayed on a mobile phone.

Beata Zawrzel/NurPhoto/Shutterstock

Melania coin peaked at $8.48 on January 19, giving it a market capitalization of $1.6 billion, according to Coinmarketcap.

But by February the Melanie meme coin fell below $2, and today it's worth just 11 cents, valued at barely $100 million. That means anyone who bought at the top and held on has lost 99% of their investment.

More recently, American Bitcoin, a bitcoin miner backed by Donald Trump Jr. and Eric Trump, debuted on the Nasdaq in September after merging with Gryphon Digital Mining.

American Bitcoin's share price initially popped, climbing to as high as $9.31 on September 9. But those gains have since vanished amid a broader crypto pullback, and American Bitcoin dropped below $2 last week.

Likewise, World Liberty Financial, a firm Trump and Steve Witkoff co-founded last year along with their sons, started trading a new token in September. It rose to 25 cents in late September but has yet to take off and on Friday fell to 14 cents.

Private prison stocks fizzle

Trump's election also drove up shares of private prison stocks as investors expected looming immigration crackdowns would drive up demand for detention facilities.

For instance, shares of GEO Group, which operates immigration detention centers for Immigration and Customs Enforcement (ICE), spiked to an all-time high of $35.35 days before Trump took office. That represented a 175% spike from where it ended the prior September.

Delaney Hall, a 1,000-person detention center operated by private prison company GEO Group.

Bing Guan/Reuters

But private prison companies haven't experienced the surge in demand that many anticipated as the Trump administration has relied more heavily in deportations.

GEO Group's share price has lost more than half its value from the peak.

"I've given up on private prisons," said Matthew Tuttle, CEO and chief investment officer at Tuttle Capital Management. "A lot of people, myself included, thought ICE would round up people and they would sit in private prisons. I was not expecting sending people to El Salvador and other places."

Bitcoin and European defense stocks boom

Some Trump-related bets did pay off though.

For example, European aerospace and defense stocks continue to fly high as they benefit from higher demand caused in part by Trump's pressure on NATO allies to ramp up defense spending.

The Select STOXX Europe Aerospace & Defense ETF, a US-listed fund launched by Tuttle that invests in European defense companies, is up more than 70% so far this year.

Tuttle said the European defense contractors were "such an under-loved trade" prior to the election but the ETF received $1 billion of inflows shortly after Trump won.

"It was crazy," Tuttle said.

Another big winner is bitcoin.

Bitcoin skyrocketed after the victory by Trump, who promised to make America the crypto capital of the world by launching a national stockpile and replacing Biden-era regulators who were skeptical of the leading cryptocurrency.

Even though bitcoin has pulled back sharply from record highs set this past October, its current price of around $90,000 is well above the $63,000 level it ended September 2024 at.

https://www.wsj.com/tech/ai/coreweave-stock-market-ai-bubble-a3c8c321

EXCLUSIVE ARTIFICIAL INTELLIGENCE Follow

CoreWeave's Staggering Fall From Market Grace Highlights AI Bubble Fears

The data-center provider's terrible six-week slide picked up speed when a famous short seller piled concerns on top of delays

By Robbie Whelan Follow

Dec. 15, 2025 9:27 pm ET

CoreWeave CEO Michael Intrator at the company's IPO. BRENDAN MCDERMID/REUTERS

Quick Summary

- CoreWeave's value dropped by $33 billion due to AI bubble concerns, a failed merger, and short-seller criticism.

View more

CoreWeave CRWV **-4.75%** ▼ , the largest of a new breed of companies driving the artificial-intelligence boom, has watched $33 billion of value vaporize in six weeks.

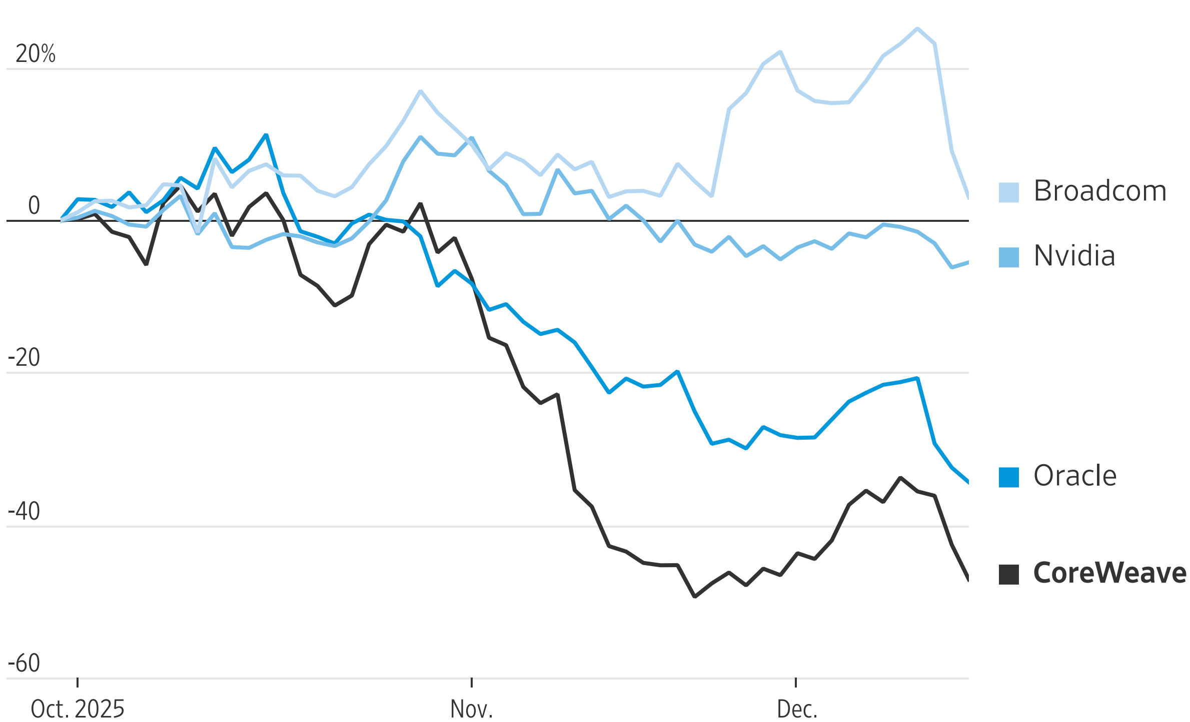
The share-price plunge of 46% comes as investors worry about a possible AI bubble, the fallout from a failed merger and public criticism from high-profile short seller Jim Chanos, known for predicting the collapse of Enron.

But some of the high-tech company's biggest problems began with a very low-tech nuisance: unexpectedly turbulent rainstorms in North Texas.

Over the summer, heavy rains and winds caused a roughly 60-day delay at a construction site in Denton, a small city north of Dallas, preventing contractors from pouring concrete for a major AI data-center complex, according to people familiar with the matter.

As a result, the completion date for the huge data-center cluster, consisting of about 260 megawatts of computing power that CoreWeave plans to lease to OpenAI, has been pushed back several months. There were additional delays caused by revisions to design plans for some of the data centers a partner is building for CoreWeave in Texas and elsewhere, according to filings.

Share-price performance since the end of September



Source: FactSet

The slowdown was compounded by mixed messaging from CoreWeave's chief executive officer, Michael Intrator, which spooked investors and accelerated the company's share-price decline at a particularly vulnerable moment for the AI trade.

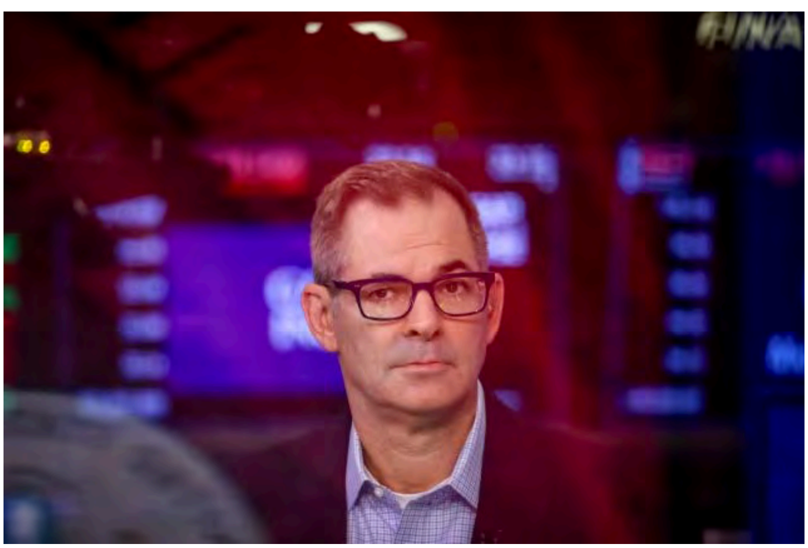
CoreWeave's business model involves using high-interest debt to buy thousands of advanced AI chips from Nvidia, installing them in server racks inside data centers that it leases from third-party landlords, then renting access to the chips to AI companies.

As capital spending on AI infrastructure has intensified, CoreWeave, which is 7% owned by Nvidia and backed by hedge funds such as Magnetar Capital and Coatue Management, has become the standard-bearer for both the promise and the risk of the AI boom.

Some critics point to the high levels of debt it has taken on to finance its data-center build-out, while others worry that the company depends on just a handful of large customers, such as OpenAI, Microsoft and Meta, for the bulk of its revenue. CoreWeave saw sales more than double in the most recent quarter to nearly $1.4 billion, from $583 million a year earlier, but the company is unprofitable and lost $110 million in its most recent quarter.

In early November, before the construction delays were widely discussed, Intrator played down fears of an AI bubble at a Wall Street Journal event in Northern California.

"If you're building something that accelerates the economy and has fundamental value to the world, the world will find ways to finance an enormous amount of business," he said, adding that the high number of buyers of data-center computing services had convinced him that there is not a bubble inflating.



Intrator called construction delays 'systemic challenges.' MICHAEL NAGLE/BLOOMBERG NEWS

One of those major buyers is OpenAI, the company behind popular AI models ChatGPT and Sora. CoreWeave plans to rent the chips at its Denton data-center cluster to OpenAI once it is built. The builder is Core Scientific, a former crypto-mining company based in Austin that has emerged as one of CoreWeave's biggest landlords.

On Nov. 10, Intrator spoke to investors during a quarterly earnings call and delivered a confusing, contradictory message about the construction problems.

At one point in the call, he attempted to quash a string of questions about the delays and their impact. "There was a problem at one data center that's impacting us, but there are 32 data centers in our portfolio, all of them are progressing to one extent or another," he said.

He said that "this one data center will catch up, and then we will move forward from there." That statement was inaccurate, however, and Intrator's chief financial officer, Nitin Agrawal, quickly corrected the CEO and said that the delays were concentrated at "one data-center provider," rather than just one singular data center, suggesting a more widespread problem.

At another point, Intrator described construction delays as "systemic challenges" that are "very frustrating for our clients," and said the company was trying to diversify its supply base of data-center builders to soften the impact of inevitable delays.

The comments unnerved investors. The next day, Intrator gave an interview to CNBC's Jim Cramer, once again repeating the "one data center" message before correcting himself after being prompted by the host. CoreWeave's stock, which hit $105.61 the day of its earnings report, fell by 16.3%, closing at $88.39. The skid has continued into December.

CoreWeave's gyrations highlight an issue that affects the entire AI industry: The rapid pace of growth has raised questions about how and when major capital investments are going to produce healthy profits. They also underscore the intensity of the frantic rush to build enough computing infrastructure to satisfy demand.

Billionaire Elon Musk has been roaring ahead with construction of a data center and energy project known as Colossus, built on 114 acres of swampland in western Tennessee, that's set to house 200,000 Nvidia chips meant to power models made by his xAI startup, including Grok. Rivals across the AI chips industry are taking on

Nvidia for a chance at a piece of the AI computing pie, citing "insatiable demand" for chips, data centers and power.

The financing market for AI infrastructure players is among CoreWeave's concerns. YUKI IWAMURA/BLOOMBERG NEWS

At the same time, concerns are mounting around the promised timelines for building out computing capacity across the industry, with construction delays and supply-chain bottlenecks threatening to push back hundreds of billions of dollars' worth of spending already priced into valuations. Shares in cloud provider Oracle and custom-chip designer Broadcom are both down by double-digit percentages after they said some spending would come later than investors had hoped in recent quarterly earnings reports.

In late October, Core Scientific shareholders voted overwhelmingly to reject a $9 billion takeover attempt by CoreWeave after hedge fund Two Seas Capital, the landlord's biggest active shareholder, publicly opposed the merger, writing in a letter that if the deal went through, Core Scientific's shareholders would be "exposed to the high volatility of CoreWeave's share price" and vulnerable to "substantial economic risk." CoreWeave's shares fell more than 6% after the deal fell apart.

Core Scientific has been flagging delays to its collaborations with CoreWeave since at least February, when it reported that it had pushed back certain construction timelines in order to make "design enhancements to further optimize GPU performance." The company flagged weather-related delays in August.

Another major concern is the financing market for AI infrastructure players such as CoreWeave. Last week, after Oracle reported unexpectedly high capital expenditures on chips, networking equipment and other infrastructure, the bond market convulsed, raising the cost of capital for many large tech companies. CoreWeave's cost of insuring against default on its debts soared to 7.9 percentage points.

Last week, CoreWeave priced a $2.25 billion convertible bond offering—a type of financing that has a lower interest rate than the asset-backed financing the company typically uses to pay for new data centers, but also comes with a risk of lowering the company's stock price by diluting shareholders.

Sina Toussi, founder and chief investment officer of Two Seas, the hedge fund that wrote the August letter opposing CoreWeave's acquisition of Core Scientific, said the deal made sense for CoreWeave, because it would have reduced its borrowing costs for the construction of new data centers, but that the structure Intrator offered was deficient and the price undervalued Core Scientific.

"They're exceptional at getting large workloads up at maximum utilization and replacing underperforming nodes rapidly without interrupting workflow," said Toussi, whose fund also owns shares in CoreWeave. "But right now the market is concerned about the long-term value of AI."

Gil Luria, an analyst with D.A. Davidson, said that CoreWeave has the "ugliest balance sheet in technology, by far." Luria argues that CoreWeave's operating margins of about 4% are less than half of what the company pays in interest on most of the debt it uses to deploy computing power for customers, making it hard to see how the company will generate profits going forward.

"The bull case is that they'll scale into it, and that a lot of companies have low margins to start, but this is a company at scale. There is no scaling going on here," Luria said.

Write to Robbie Whelan at robbie.whelan@wsj.com

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Analysis | The Global Lawyer

Debt, Drama, and Dry Powder: Paramount's $108 Billion Cage Fight

Hollywood titans Paramount and Netflix are locked in a debt-fueled showdown for Warner Bros., powered by Wall Street muscle, Middle East dry powder, and full-blown Succession-style drama. But who's really at risk?

December 13, 2025 at 07:00 AM By Caroline Byrne

Logan Roy (Brian Cox), Succession; Warner Bros; Credit: HBO via Wikipedia

Billionaire Logan Roy teeters on a knife edge in *Succession's* second season. Congress is circling, Waystar shareholders are spooked, and Roy faces two stark choices: take his media empire private or secure a lightning-fast cash infusion. To do the latter, he sends his son Roman to Central Asia to reel in $10 billion in sovereign-wealth money—Roy's favorite form of capital, or as he calls it: "No strings, f***able dry powder."

That kind of audacious, all-or-nothing maneuver isn't confined to fiction.

Last week, Paramount Skydance CEO David Ellison unveiled a staggering $108 billion play for Warner Bros. Discovery—fuelled by $24 billion in Middle Eastern sovereign-wealth dry powder—to back a hostile run at the home of *The Sopranos, Game of Thrones,* and, fittingly, *Succession.*

Ellison's bid sets up one of the biggest corporate cage fights in history, pitting Netflix's bid against Paramount's full-body bear hug, a battle that threatens to escalate into a debt-soaked championship bout.

Big Law's heavy hitters are already in position. Latham & Watkins and Cravath Swaine & Moore are in Paramount's corner alongside Cleary Gottlieb Steen & Hamilton and debt arranger Cahill Gordon & Reindel. Skadden, Arps, Slate, Meagher & Flom is coaching Netflix, while the target sits in the middle strategizing with Debevoise & Plimpton and Wachtell, Lipton, Rosen & Katz.

A host of shadowy players are lurking nearby, including the low-profile teams advising Wall Street and the Middle East money. Normally eager to share the names of their marquee dealmakers, many titans of Big Law were uncharacteristically quiet last week, closing the shutters and murmuring "conflicted". One contact managed only a rapid-fire, "No, no, no, no, no," on the phone before the Paramount vs Netflix drama had even made it past the question mark.

Is that because the leverage-loaded Warner Bros. bids speak for themselves?

Financial Horsepower

The stats are eye-watering.

Paramount's $108 billion all-cash, hostile bid targets the entire company, including Warner Bros. news channel CNN and HBO—the network behind *Succession.* The deal is backed by $40.7 billion from the Ellison family and RedBird Capital as well as the sovereign fund injection from Saudi Arabia, Qatar and Abu Dhabi, plus Jared Kushner's Affinity fund. Paramount has also lined up $54 billion in bridge financing from Bank of America, Citigroup, and Apollo.

In comparison, Netflix's $83 billion cash-and-share offer includes WBD's film and television studios, backed by $59 billion in unsecured financing from Wells Fargo, BNP Paribas and HSBC. It is worth lingering over those daunting figures. The streaming giant—once dubbed "Debtflix"—has a $59 billion bridge loan and is also on the hook to pay a $5.8 billion breakup fee if the deal falls apart.

"Crazy." That's how one leveraged finance pro described it to me a few days ago.

The towering debt piles are reminiscent of *Barbarians at the Gate,* the 1980s saga of corporate raiders and sky-high leveraged buyouts. The deals may not be called LBOs anymore, but the red flags are still there, so are the warnings about over-leveraging and the perils of market dominance.

Competition Red Flags

It's not just U.S. Sen. Elizabeth Warren finger-wagging about an "anti-monopoly nightmare".

No matter which of the Warner Bros. bids is successful, lawyers say they will likely need to be approved in the U.S. as well as by the world's most aggressive antitrust enforcer, the European Commission's Directorate-General for Competition, if the entertainment giants want to operate in the 27 European Union countries.

EC investigations promise neither speed nor mercy. Commissioners have blocked domestic U.S. deals before, including vetoing the $45 billion General Electric–Honeywell merger. They also halted Hyundai's merger with Daewoo in 2022, arguing the combined company would control more than 60% of the European market.

Sure, U.S. President Donald Trump could threaten the European Commission with another trade war if the Warner Bros. merger isn't expedited, but nothing stiffens Brussels' resolve quite like an American ultimatum.

The Danger Within

The fight for Warner Bros is much more than a trophy brawl—it also exposes a deeper fault line that's been widening for years. With record levels of dry powder chasing mid-market deals, private equity firms hold the upper hand when dealing with private credit funds and banks for a shrinking pool of assets. As competition to finance deals intensifies, it is the borrowers who are increasingly setting the terms.

Some companies may be stretching their balance sheets—look at the $55 billion Electronic Arts buyout and judge for yourself—but insiders point to two broader concerns as well.

First, today's loans come with fewer covenants and more complex negotiations, making them harder for lenders to enforce. That allows struggling companies to pile on debt with less oversight, leaving the market more exposed than in the 2000s and even the 1980s.

Second, recent history has shown how the cost of capital can rise sharply over the five-to-seven-year span of a typical private equity investment. Even a modest two-point rate hike can dramatically inflate borrowing costs on larger-than-life deals, threatening the feasibility of the original business plan.

Now, add to that the almost surreal possibility of a U.S. president weighing in on an M&A mega-deal that involves both his son-in-law and his media adversary, CNN. What could possibly go wrong?

The danger within isn't the drama, according to LevFin experts. It's when the music stops that the wider market could be left to clean up the mess.

What's the Play?

There's a shift underway in global deal-making. For years, the biggest private-equity exits ran through the public markets, but fading confidence and volatile valuations have pushed companies to look elsewhere. Now, capital-rich sovereign funds—from Riyadh to Doha to Abu Dhabi—are emerging as the new exit route for billion-dollar assets.

The dynamic is unmistakable: Western companies need liquidity; the Gulf has it. Private credit is surging, sovereign dry powder is plentiful, and the balance of financial power is tilting eastward.

The question is who's really in control. Paramount's $108 billion play for Warner Bros isn't just a deal, it's a sign of where the money is now and possibly in the future.

David Ellison may yet prove that Logan Roy was right all along: in business, power isn't bought or earned—it's leveraged.

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Starbucks Investors Get Claims Against Ex-CFO Revived

By **Sydney Price**

Law360 (December 15, 2025, 8:28 PM EST) -- A federal judge in Seattle has reinstated claims against Starbucks' former chief financial officer in a suit accusing the coffee giant's leaders of misleading shareholders about its struggling plan to reinvent itself, saying the investors plausibly allege the ex-executive was a controlling person under the securities laws.

In an order issued Friday, U.S. District Judge John H. Chun said he found Starbucks' opposition to the investors' request to reinstate the claims "unpersuasive." According to the order, the investors only need to show that a securities violation occurred, not that ex-Starbucks CFO Rachel Ruggeri was "a culpable participant in the violation," to hold her liable.

It "would be procedurally improper for the court to now dismiss plaintiffs' [Section] 20(a) claims against defendant Ruggeri for failing to plead control," the order states.

Starbucks had previously argued that the plaintiffs' motion for reconsideration did not show that the court made any manifest error in dismissing all claims against Ruggeri.

Last month, Judge Chun cut several claims from the suit, including those against Starbucks executives, but allowed other claims to proceed. Last week, Judge Chun denied Starbucks' attempt to dismiss the suit's remaining claims.

Lead plaintiffs the Pavers & Road Builders District Council Pension Fund, Teamsters Local 237 Additional Security Benefit Fund and Teamsters Local 237 Supplemental Fund for Housing Authority Employees are represented by Luke O. Brooks, Laurie L. Largent, Kevin A. Lavelle, Erika L. Oliver, Patton L. Johnson and Evelyn Sanchez Gonzalez of Robbins Geller Rudman & Dowd LLP and Juli E. Farris of Keller Rohrback LLP.

Starbucks, Narasimhan and Ruggeri are represented by Tyler K. Lichter of K&L Gates LLP and Andrew B. Clubok, Susan E. Engel, Michele D. Johnson and Whitney B. Weber of Latham & Watkins LLP.

The case is Garbaccio et al. v. Starbucks Corp. et al., case number 2:24-cv-01362, in the U.S. District Court for the Western District of Washington.

--Editing by Bruce Goldman.

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DouYu Investors Get Final OK For $2.25M Settlement

By **Emilie Ruscoe**

Law360 (December 15, 2025, 5:32 PM EST) -- Investors in Chinese livestreaming platform DouYu International Holdings Ltd. have gotten final approval for their $2.25 million deal ending claims the company took risky measures to gin up user engagement, causing share prices to fall after Chinese authorities cracked down on the company over gambling and pornography on the platform.

In **Friday filings** in Newark, New Jersey, federal court, U.S. Magistrate Judge Stacey D. Adams granted final approval to the parties' settlement deal, referencing her **March preliminary approval order** finding that the agreement is "a fair settlement in light of the circumstances and compared to other securities class action settlements in this district."

The magistrate judge also approved an attorney fee of $750,000, about a third of the settlement fund, for the investors' counsel from The Rosen Law Firm PA and Glancy Prongay & Murray LLP, plus reimbursement of over $53,000 in litigation expenses and service awards of $5,000 each for lead plaintiffs Pedro Reyes and Raphael Seiler.

The judge shut down one objection, citing her earlier holding that in this case, the investors are receiving a higher percentage of recovery than in other securities class actions.

Even after taking out attorney fees, litigation costs and plaintiffs' awards from the settlement fund, Judge Adams said, the fund would still have over $1.4 million for the investors.

That remaining sum is equal to approximately 15.6% of the roughly $9.2 million the investors could potentially recover at trial in their best possible scenario, the judge said.

Notice of the settlement had gone out to over 35,000 potential members of the settlement class, over 3,600 claims had been submitted, and no valid objections had come in, the judge said.

Judge Adams' order ends claims that during the class period, trading prices for DouYu's shares were artificially inflated as investors were kept in the dark about the company's attempts to boost its commission revenue from virtual gifts viewers can send streamers during livestreamed performances on the DouYu platform.

The latest version of the investor claims, from April 2024, asserts that in an effort to inflate its financial performance amid declining user engagement, DouYu violated Chinese law by assisting its streamers in organizing illegal gambling activities.

The complaint additionally alleges that during part of the class period the company relaxed enforcement of its regulations barring pornographic content and "actively encouraged streamers to livestream pornographic material to attract paying users" in a separate violation of Chinese law.

"Despite repeated warnings and orders from the Chinese government to rectify this misconduct, DouYu persisted in its non-compliance, exposing itself to a material risk of significant penalties from Chinese authorities," the complaint states.

The investors allege that trading prices for the company's shares fell as news broke that the Cyberspace Administration of China was mandating "supervised rectification" of the alleged issues on the platform.

Trading prices fell again when Chinese authorities said they'd arrested DouYu CEO Shaojie Chen in connection with the "crime of operating a gambling establishment," the investors claimed.

The settlement class includes those who'd purchased DouYu's American depository shares between April 2021, when the company's filings with the U.S. Securities and Exchange Commission stated the company's content monitoring practices aimed to "ensure compliance with [People's Republic of China] laws and regulations," and Nov. 27, 2023, as details were made public about the Chinese government's specific allegations against Chen.

Alongside DouYu and Chen, the complaint also names the company's Chief Strategy Officer Mingming Su.

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

Lead plaintiffs Pedro Reyes and Raphael Seiler are represented by Laurence M. Rosen, Jing Chen, Phillip Kim and Erica L. Stone of The Rosen Law Firm PA and Joseph D. Cohen and Casey E. Sadler of Glancy Prongay & Murray LLP.

DouYu International Holdings Limited and individual defendants Shaojie Chen and Mingming Su are represented by Edmund Polubinski III, Neal A. Potischman, Jonathan K. Chang and Vincent Barredo of Davis Polk & Wardwell LLP and Samuel I. Portnoy of Gibbons PC.

The case is Rigo Fernandez v. DouYu International Holdings Limited et al., case number 2:23-cv-03161, in the U.S. District Court for the District of New Jersey.

--Editing by Michael Watanabe.

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Walmart Adds To Visa, Mastercard Swipe-Fee Deal Objections

By **Katryna Perera**

Law360 (December 15, 2025, 8:09 PM EST) -- Walmart has become the latest retailer to object to a proposed new settlement between Visa, Mastercard and a class of potentially millions of merchants to resolve two decades of antitrust litigation, claiming the class plaintiffs and counsel have "sold out their fellow class members."

Walmart filed an **objection** Friday, arguing that the court should either reject the proposed settlement and decertify the class or, alternatively, permit class members to opt out or carve out large national merchants from the deal.

The new settlement, **announced in November**, would give merchants greater flexibility over which cards they accept and lower fees, with a five-year cap, saving merchants an estimated $200 billion over the course of the deal, according to the merchant class's experts.

However, on Friday, Walmart argued that the deal "trades away" the interests, claims and needed relief of large national merchants and instead only benefits small, local merchants.

"[The settlement] treats large national merchants inequitably relative to small local merchants, and it ignores the best possible relief that the class stands to obtain if the pending antitrust claims (which have already survived summary judgment) are vindicated at trial," the filing states.

According to the filed opposition, the deal includes remedies that conflict with Walmart's business model, includes buying groups and merchant education that are specifically meant to benefit small merchants, and includes time-limited rate caps that Walmart claims Visa and Mastercard could circumvent.

"In exchange for this mere mirage of relief, the settlement would force Walmart and millions of other merchants in the mandatory class to release their antitrust claims, along with future claims against defendants for violating antitrust laws, for a period of eight years," the filing states. "This would lock in anticompetitive conduct that has persisted for over thirty years and that, after twenty years of litigation, remains unremedied."

"In short, the settlement is a gift to defendants that lets them continue to restrain trade without fear of being challenged by large national merchants in exchange for narrow relief that only benefits a different subgroup within the class," the filing further states.

Walmart further claims that it tried to share its "deep expertise about the payments industry and to discuss what terms should be included in a proper settlement agreement" with class counsel, but that the attorneys refused to share any information with the big box retailer about settlement negotiations.

Walmart claims this "underscored that they did not welcome Walmart's involvement in the settlement process."

"Class counsel's treatment of Walmart while negotiating this proposed settlement, and the terms of the settlement itself, illustrate class plaintiffs' persistent disregard for the interests of large national merchants and their eagerness to sell out these interests for their own benefit," the filing states.

Walmart's objections join **those filed by** the National Association of College Stores, Energy Markets of America and other industry groups, which said Friday that the deal "does not come close to fixing the swipe fee challenges" faced by merchants.

If approved, the settlement is expected to affect more than 12 million merchants in the U.S. representatives of the class have been battling since 2005 with Visa, Mastercard and several banks over rules set by the credit card companies that allegedly reduced choice and forced merchants to accept higher-fee cards without the ability to refuse them or steer consumers toward ones with cheaper rates. While they were challenging the rules behind those fees, a separate class **sought** only damages and won a more than **$5 billion settlement**.

The new settlement came about after a New York federal judge raised concerns that an earlier version wasn't enough. Last year, U.S. District Judge Margo Brodie said Visa and Mastercard could likely **tolerate** a "**substantially greater judgment**" than one that would have slashed merchant fees by about $30 billion over five years.

According to some merchant plaintiffs, the new deal addresses the judge's concerns. Visa said the deal will "provide meaningful relief, more flexibility and options to control how they accept payments from their customers," and Mastercard said the agreement would wrap an important part of the **multidistrict litigation**.

In a statement to Law360 Monday, a Walmart spokesperson said the proposed deal "maintains high interchange fees, forces merchants to accept all issuers' cards, and offers little in return — making it effectively useless for larger retailers like Walmart, who would give up antitrust claims without gaining the core reforms sought for decades."

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

Walmart is represented by Paul H. Schoeman and Jason M. Moff of Herbert Smith Freehills Kramer LLP and James F. Bennett of Dowd Bennett LLP.

The merchants are represented by Linda P. Nussbaum and Susan R. Schwaiger of Nussbaum Law Group PC, Steve D. Shadowen and Richard M. Brunell of Hilliard & Shadowen LLP, Robert G. Eisler and Chad B. Holtzman of Grant & Eisenhofer PA, and Michael J. Freed, William H. London, Robert J. Wozniak and Michael E. Moskovitz of Freed Kanner London & Millen LLC.

Visa is represented by Michael S. Shuster, Demian A. Ordway and Blair E. Kaminsky of Holwell Shuster & Goldberg LLP and Anne P. Davis, Robert J. Vizas, Matthew A. Eisenstein and Rosemary Szanyi of Arnold & Porter Kaye Scholer LLP.

Mastercard is represented by Kenneth A. Gallo, Donna M. Ioffredo, Brette Tannenbaum, William B. Michael and Nina Kovalenko of Paul Weiss Rifkind Wharton & Garrison LLP.

The case is In re: Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, case number 1:05-md-01720, in the U.S. District Court for the Eastern District of New York.

--Editing by Jay Jackson Jr.
