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Chipotle Beats Investor Portion Size, Social Media Backlash Suit

December 22, 2025, 12:26 PM PST

Summary by Bloomberg AI

AI Generated

- Judge Sherilyn Peace Garnett said references to "viral criticism" online of portion sizes weren't sufficient to allege executives' statements denying reductions were false.
- Low-level employee accounts amounted to hearsay about alleged instructions to shrink portion sizes, and investor Lisa Tai's complaint failed to identify when an internal portion-size investigation occurred.
- Garnett said risk disclosures concerning possible social media backlash weren't sufficiently alleged to be misleading to a reasonable investor, and Tai can replead within three weeks of Garnett's order.

Chipotle Mexican Grill Inc. defeated allegations the restaurant chain and executives defrauded investors by denying shrinking portion sizes as customer accusations swirled on social media.

References to “viral criticism” online of portion sizes weren’t sufficient to allege executives’ statements denying reductions were false, Judge Sherilyn Peace Garnett said. The investor leading the case didn’t identify when an inventory requirement regarding portions kicked in to support claims the fast-casual chain reduced their sizes while saying otherwise.

Low-level employee accounts amounted to hearsay about alleged instructions to shrink portion sizes, the US District Court for the Central District of California judge said. And investor Lisa Tai’s complaint failed to identify when an internal portion-size investigation occurred, among other specifications, to sustain allegations Chipotle leadership directed employees to increase their heapings following customer criticisms.

Risk disclosures concerning possible social media backlash weren’t sufficiently alleged to be misleading to a reasonable investor, said Garnett’s order entered Dec. 19. In context, there where thousands of customers complaining on social media, plus other information available to stockholders, as accusations of shrunken portions amped up online in 2024.

The investor also failed to adequately allege the level of intent or recklessness by ex-CEO Brian Niccol, former Chief Financial Officer John R. Hartung, and Chief Corporate Affairs and Food Safety Officer Laurie Schalow for securities fraud claims, Garnett said.

There wasn't a specific admission from any of the executives about working with the inventory data that drove alleged portion reductions, she said. The complaint lacked allegations supporting an inference Niccol and Schalow were aware of skimpier portion sizes while saying otherwise. And stock sales by Niccol and Hartung weren't so unusual to bolster an inference of their intent to deceive shareholders.

Tai can replead within three weeks of Garnett's order.

Top management allegedly had restaurants reduce portion sizes to cut costs then later instructed employees to increase them following an internal investigation of the online accusations, the lawsuit said. Disclosures about risks from unwanted social media attention were misleadingly presented as a hypothetical when they had already come into fruition, Tai said.

Chipotle and other companies offering colloquially-called " slop bowls " like Sweetgreen Inc. and Cava Group Inc. have struggled recently with lunchgoers opting for cheaper, heartier hand-helds. Younger diners grappling with economic concerns have cut back on eating out, hindering fast-casual restaurants.

Robbins Geller Rudman & Dowd LLP is lead counsel for the proposed class, which would include those who acquired Chipotle stock or call options, or sold put options, from Feb. 8, 2024, through Oct. 29, 2024. Latham & Watkins LLP represents Chipotle and the executives. Neither of these law firms immediately responded to emails seeking comment. Chipotle said it doesn't comment on litigation matters.

The case is Stradford v. Chipotle Mexican Grill, Inc. , C.D. Cal., No. 8:24-cv-02459, order entered 12/19/25 .

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Analysis | **Leadership**

What Was on the Minds of Litigation Leaders in 2025

To wrap up the year, let's sit down again with 13 leaders of Big Law litigation practices and elite boutiques we connected with in 2025 for our Litigation Leaders series.

December 30, 2025 at 07:30 AM By **Ross Todd**

(Clockwise, from top left) Breon Peace of Cleary Gottlieb Steen & Hamilton, David Hille of White & Case, Kwame Manley of Paul Hastings, Ryan Junck of Skadden, Arps, Slate, Meagher & Flom, Mike Williams of Wheeler Trigg O'Donnell, Ian Shapiro of Cooley, Adam Lurie of Linklaters, Caroline Judge Mehta of Zuckerman Spaeder, Darren Robbins of Robbins Geller Rudman & Dowd, Steven Griffith of Baker Donelson, Orin Snyder of Gibson, Dunn & Crutcher, Troy Brown of Morgan, Lewis & Bockius and Jason Leckerman of Ballard Spahr. Courtesy photos

What does it take to lead a top-flight litigation practice?

It often means having to build consensus among accomplished, independent business owner/operators who are trained to advocate for their favored position.

On top of that, taking on a leadership role piles one demanding job on top of the already challenging task of winning work from clients and keeping them happy.

Every few weeks, we sit down with someone who has been tapped by their firm to tackle those combined challenges. We ask them how they do it, and how they try to set their firm apart in a crowded market for litigation services.

As we are preparing to close the books on 2025, here are the highlights of our 13 sit-downs with Litigation Leaders from the year.

Jason A. Leckerman of Ballard Spahr. Courtesy photo

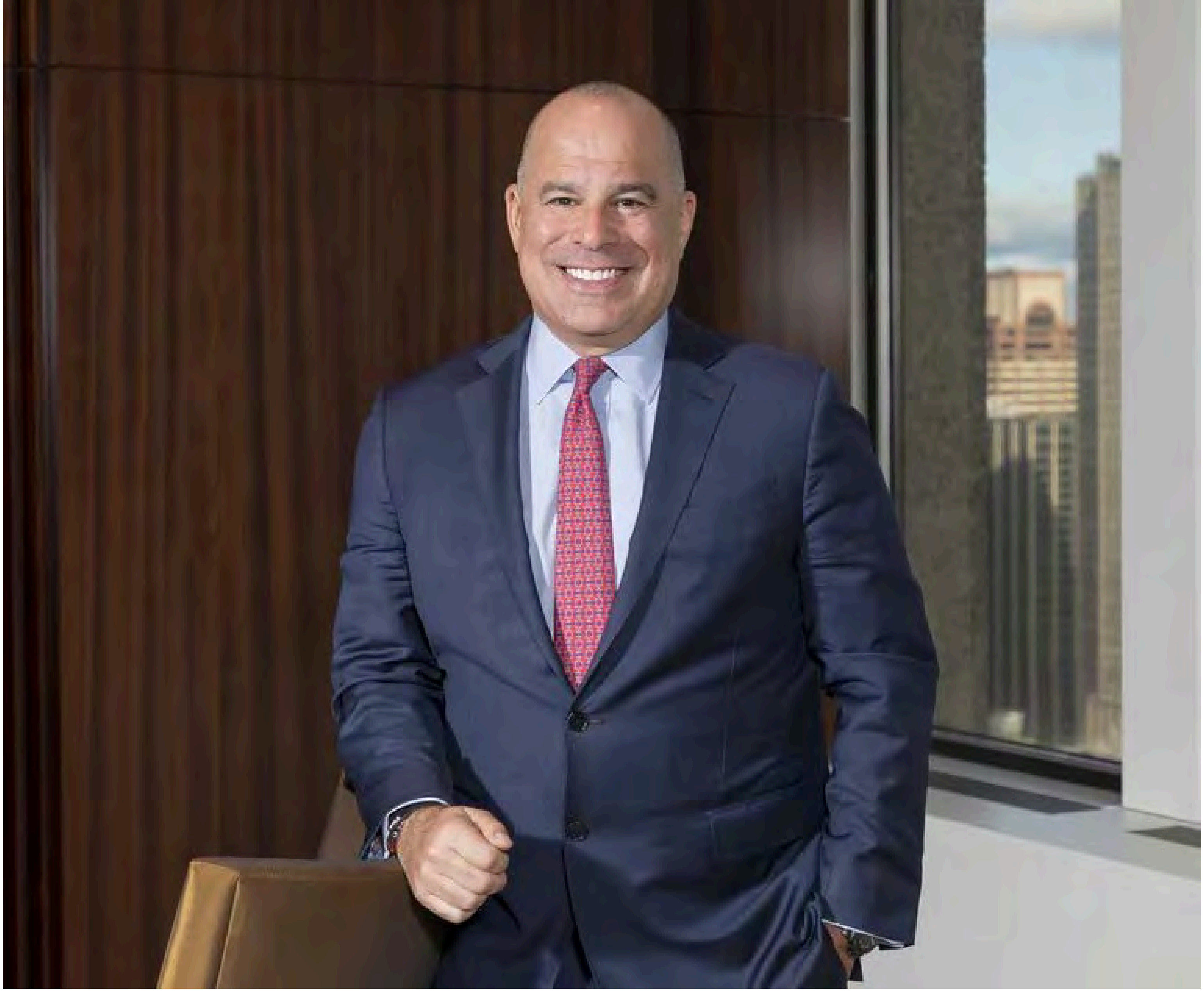
Jason Leckerman of **Ballard Spahr**

We checked in with Leckerman at the turn of the year, as the litigation department he chairs went from 240 lawyers to more than 340 via a merger with **Lane Powell**, a firm with roots in the Pacific Northwest. Leckerman, who is based in Philadelphia, said that the firm came into the year with a plan to get the new partners and their legacy Ballard colleagues working across offices, with everyone contributing to matters outside their home regions. “That’s why it’s important to get to know one another and understand everyone’s practices,” he said. “We’re identifying easy ways for people to start working together, starting with a few joint matters already underway and building from there."

Troy S. Brown of Morgan, Lewis & Bockius. Courtesy photo

Troy Brown of **Morgan, Lewis & Bockius**

Brown, the leader of the global litigation practice at Morgan Lewis, who, like Leckerman, is based in Philadelphia, highlighted his firm's investments in building a market-leading crisis management practice. Morgan Lewis has represented Teva and Rite Aid in national opioid litigation, Philips Respironics in connection with a 2021 recall of millions of CPAP sleep apnea devices and Sempra Energy and SoCalGas in the wake of the 2015 Aliso Canyon gas leak. "[O]ur team, from day one, approaches each case using a broad field of vision—crafting a comprehensive strategy and ensuring that every step aligns with the ultimate business goals of the client and its stakeholders, whether that is resolution or trial," he said.



Orin Snyder, with Gibson Dunn & Crutcher. October 18, 2019.

Orin Snyder of **Gibson, Dunn & Crutcher**

We made an exception to our “entire department” rule for Snyder, one of the co-chairs at Gibson Dunn’s newly formed trials practice group, which launched in late 2023. Snyder, who is based in New York, explained that the group of 300 lawyers within Gibson’s broader litigation department are focused on developing the skills to get things to trial and win. “While not all litigators are trial lawyers, all trial lawyers are litigators,” he said. “Trials are an integral part of litigation, and by having a dedicated trials practice group, we work to ensure that every case is planning a trial strategy from day one of the engagement.”

Steven F. Griffith Jr. of Baker Donelson. Courtesy photo

Steven Griffith Jr. of **Baker Donelson**

Griffith, who is based in New Orleans, is the chair of the advocacy department at Baker Donelson. The firm, which sits near the top of the Second Hundred of the Am Law 200, has about 300 litigators spread across more than 20 offices. While he called prior, relevant trial experience the “table stakes” for any given big litigation assignment, he said his team prides itself on understanding the business reasons behind clients’ litigation decisions. “Not every case is the same: Some require a soft touch, while others require aggressive action, and still others need immediate, discreet resolution,” he said. “And not every client is the same. Our litigators try to understand each client and their needs holistically.”

Darren J. Robbins of Robbins Geller Rudman & Dowd. Courtesy photo

Darren Robbins of **Robbins Geller Rudman & Dowd**

Robbins, a founding partner of the plaintiff-side securities litigation powerhouse that bears his name, is based in San Diego. He described how the firm's institutional investor clients ultimately bring claims in only a small percentage of the hundreds of cases his team initially evaluates each year. But Robbins added that with regulatory enforcement "generally on the wane" and the SEC scaling back, he sees the private right of action as more important than ever to the firm's clients and the overall health of the market. "The Supreme Court has referred to investors' right to bring a securities fraud suit as a 'complement' to federal enforcement," he said. "Right now, it seems private enforcement is the primary enforcement mechanism."


Caroline Judge Mehta of Zuckerman Spaeder. Courtesy photo

Caroline Judge Mehta of **Zuckerman Spaeder**

Mehta, who is based in Washington, D.C., served as co-chair alongside **Dwight Bostwick** starting in late 2023 and took over as the lone chair at the turn of the year. She returned to the firm in 2022 after a two-year stint as general counsel at multi-national technology company Afiniti. "As outside counsel, we often get called in when there is a crisis, and that requires building a deep knowledge of the facts around that crisis, but we may miss the larger context in which the specific business and industry operates," she said. "The most effective outside counsel build both depth and breadth of knowledge about the client's business and bring that knowledge to bear in each matter or issue facing the company."

Adam Lurie of Linklaters. Credit: Gittings Photography

Adam Lurie of **Linklaters**

Lurie, the head of litigation, arbitration & investigations practice in the U.S. and the Americas for Linklaters, also serves as the head of the firm's Washington, D.C. office. Lurie joined the Magic Circle firm in 2016, not too long after dispute resolution became a standalone division within the firm in 2014. "Over its 200-year history, Linklaters' litigation, arbitration & investigations division has evolved from a supplementary service run by clerks to a flagship practice handling the world's highest-value and most impactful disputes," he said.

Ian Shapiro of Cooley. Courtesy photo

Ian Shapiro of **Cooley**

Shapiro, the chair of the global litigation practice at Cooley, also serves as partner in charge of the firm's New York office. Shapiro said that while his team focuses on courtroom excellence and getting lawyers significant opportunities early in their careers, what sets Cooley's practice apart is having the "most disruptive and innovative companies in the world" as clients. "No department has as many lawyers capable of mastering the most complex technology or representing companies whose technology and business model innovation invite novel and wholly unresolved legal challenges," he said.


Mike Williams of Wheeler Trigg O'Donnell. Courtesy photo

Mike Williams of **Wheeler Trigg O'Donnell**

Williams is the managing partner at WTO, a litigation-only firm based in Denver that has about 120 lawyers. Williams caught our ear with his description of the firm’s “almost cultlike” enthusiasm for taking cases all the way to trial. “We thrive and bond with our clients and each other under the pressures of trial preparation and courtroom presentations,” he said. “Clients notice that while their anxiety levels are peaking, we have a palpable energy fueled by the joy of trial practice, which puts them at ease. That leads us, I believe, to outwork our adversaries, which is part of why we’re so successful.”

Ryan D. Junck of Skadden, Arps, Slate, Meagher & Flom

Ryan Junck of **Skadden, Arps, Slate, Meagher & Flom**

Junck, who is based in London, joined **Jim Carroll** last year as one of the global leaders of the litigation/controversy practices at Skadden. He also leads the firm's international white-collar defense and investigations practice. He previously practiced in Skadden's offices in New York, Chicago and Palo Alto. "Working in multiple offices has provided the opportunity to collaborate with numerous colleagues, practices and clients," he said. "I'd like to think of myself as an attentive listener. Working and communicating with teams from around the world always sparks a cross-pollination of ideas that fuels innovation and keeps us at the forefront of legal developments and client service."

Kwame Manley of Paul Hastings. Courtesy photo

Kwame Manley of **Paul Hastings**

Manley, the global chair of the litigation department at Paul Hastings, is based in Washington, D.C. Manley, a former federal prosecutor, said he tells his colleagues that they have to be the best lawyers their clients have ever seen every day and on every matter. “That means mastering the law, yes, but also knowing our client’s business, understanding their goals, communicating with them at the pace and frequency they need and delivering results,” he said. “The outcome must be outstanding, and the client experience must be equally good.”

David Hille of White & Case. Courtesy photo

David Hille of **White & Case**

Hille, one of three co-chairs of the global litigation practice at White & Case, is based in New York. Hille said his team keeps “a laser focus on what really matters” for clients and loves to try cases. But another thing that people say sets the firm’s litigators apart is how much they like one another. “Clients and even lawyers from other firms have told me that they can tell our teams really enjoy working together,” he said. “We believe that is critical to delivering the best of the firm for our clients and a great experience for our people.”

Breon Peace of Cleary Gottlieb. Courtesy photo

Breon Peace of **Cleary Gottlieb Steen & Hamilton**

Peace returned to Cleary, his professional home for nearly 20 years, in May after serving a four-year stint at U.S. Attorney for the Eastern District of New York. Back at the firm, he's drawing on the experience he gained heading the federal prosecutor's office to serve as co-leader of the litigation group at Cleary. “At its core, leadership in both private practice and public service is about creating a culture and environment where talented lawyers can learn, grow and do their best work,” he said. “What connects both experiences is the importance of leading with purpose and integrity, providing excellent service and delivering great results.”

Analysis | Securities Litigation

'Ticket to Lead Counsel': Here's How Securities Litigation 'Radically Changed' 30 Years After Reform Act

The Private Securities Litigation Reform Act prompted a sea change in securities class actions that reshaped the plaintiff's bar and empowered institutional investors to take charge of cases.

December 22, 2025 at 03:47 PM By **Alyssa Aquino**

Credit: Sanoor/Adobe Stock

The Private Securities Litigation Reform Act was once feared as the death of the securities class action.

Thirty years later, securities class actions are alive and kicking, even if getting there required law firms to change their business models and for a new type of plaintiff to come forward.

"For the largest cases, in particular, it professionalized the plaintiff and the legal community," said Stanford Law School Professor Emeritus Joe Grundfest.

On its 30th birthday, the New York Law Journal and Law.com take a look into how the PSLRA changed the securities litigation.

Cutting Down the Litigation

If you ask Bob Giuffra what he thinks of the PSLRA, he'll tell you it's a success.

Giuffra's interest in the bill's success is personal. He had been chief counsel for the committee with jurisdiction—the Senate Committee on Banking, Housing and Urban Affairs—when the law made its way through Congress in 1995.

Opposition to the bill was significant, with then-President Bill Clinton ultimately vetoing the PSLRA on Dec. 19, 1995. Three days later, on Dec. 22, 1995, the Senate overrode the veto.

The legislation had been watched across the legal landscape, with plaintiffs-side attorneys warning that the bill spelled the end of securities class actions. But supporters felt that such litigation needed to be reined in.

"[The PSLRA] grew out of this belief that these frivolous strike suits were raising the costs of capital and chilling corporate disclosures to investors," Giuffra said.

There was a view that cases were being filed whenever a major company's stock fell to pressure executives into settlements, regardless of the merits of the case. Mainstays of the modern-day securities class action, such as the automatic discovery stay, didn't exist back then.

"A stock drops on Monday, lawsuit on Tuesday, discovery on Wednesday," said Giuffra, currently the cochair of Sullivan & Cromwell.

The bill implemented an automatic stay on discovery until a motion to dismiss is resolved, a feature that raised the stakes for a motion to dismiss. It also raised the standard to plead securities fraud, allowing judges to filter out cases early.

Jill Fisch, a business law professor at the University of Pennsylvania Law School, noted that in tandem, those two provisions made it more difficult and expensive to bring a case, as they denied plaintiffs the benefits of discovery to plead the specific facts needed under the new standard.

"In a way, you've got a shift to cases that are more difficult to bring," she said.

But Grundfest stressed that the pre-PSLRA litigation landscape was "much more chaotic than it is now."

"While there remains good faith disagreement about whether the statute gets rid of too many meritorious claims or not, I think the fringe cases, the cases that were … of highly questionable merit … they're far less likely to be brought now than before," he said.

Remaking the Plaintiff's Bar

Daniel Sommers, a partner at Cohen Milstein Sellers & Toll, was only a few years into what would be a decades-long career as a plaintiff's attorney when the PSLRA passed.

"It was a new world," he said. "The landscape of securities class actions had been radically changed."

Before the PSLRA, the first to file a case would gain the lead plaintiff position. That race to the court was typically won by retail investors who held only a few shares of a company, Sommers said.

These plaintiffs would "have less incentive to supervise the lawyers to push the case along; many of them weren't particularly sophisticated; they weren't incentivized or suited to aggressively monitor the litigation and monitor the counsel," said Sommers.

The PSLRA upended this system by stating that the person or entity with the largest financial stake in a case would be the class representative.

Giuffra, who has represented several major corporations, said that provision grew out of a concern that lead plaintiffs were merely figureheads for attorneys.

"The whole idea of the lead plaintiff provision was to ensure that plaintiff's lawyers had real clients who would actually supervise them," he said.

After the bill's passage, some attorneys tried to put together groups of investors that collectively held the largest financial interest. Other firms took another route: they courted institutional investors. For St. John's University School of Law Professor Michael Perino, the firm that found the most success with that strategy was Bernstein Litowitz Berger & Grossmann.

"They made it a point of their business model to try and develop these business relationships," Perino said.

There were risks with honing in on institutional investors. Perino pointed out that before the PSLRA, it was "completely unfathomable" for institutional investors to come in and lead a case. Why lead one if they could just free-ride a class action?

Salvatore Graziano, currently a partner at Bernstein Litowitz, added that institutional investors' absence wasn't just on the front-end.

"Institutional investors weren't even on the scene in terms of filing their claims when cases were settled," he said.

But the strategy paid off. In the early 2000s, Bernstein Litowitz reached a $3.2 billion settlement between the three largest public pension funds in the U.S. and Cendant. The deal still ranks among the top five largest securities settlements, according to a Bernstein Litowitz website page.

The firm "was definitely not a prime player until the PSLRA," said Perino.

It was Bernstein Litowitz's success in developing relationships with institutional investors that pulled in Graziano. Previously, Graziano had been an attorney at the now-defunct Milberg Weiss.

"They were showing up with institutional investors and a whole range of them, time and time again in what I consider to be the strongest cases," Graziano said. "They just seemed to own the space."

But Perino said that not every firm was suited to the new landscape.

"I don't think Congress was trying … to strengthen the hand of the biggest plaintiff's law firms, but because those plaintiff's law firms had the resources to develop the relationships with the institutional investors, it actually gave them a bigger stake in the actions going forward," he said.

Putting an Institutional Investor in the Driver's Seat

Empowering institutional investors led to other changes.

Graziano said that courts appeared more dubious of cases filed on behalf of investors who only held one or two shares of a company, which was the general landscape. It felt different the first time he showed up with an institutional investor in that lead position, he said.

"Suddenly we were going to court and we were speaking on behalf of one of the largest investors in the country," Graziano said. "It just made everyone realize, 'OK, this is kind of important. These cases should get adequate attention and respect.'"

Sommers also recognized a difference in who the lead plaintiff is.

"There's no comparison between someone who purchased ten shares of x, y, z company on one hand and a large state-wide pension fund with hundreds of billions of dollars under management," said Sommers.

But this wasn't the type of passive client-attorney relationship that Congress was concerned with. Institutional investors were law firms' "ticket to the lead counsel position"—they had leverage, said Perino.

He found that leverage to be reflected in fee agreements. Before the PSLRA, Perinno saw fees that were in the 30 to 33% range.

"If I saw a fee today that was above 25%, I think it would catch my eye," Perino said.

In the years since, many institutional investors step forward to be lead plaintiffs, Graziano said.

“Institutional investors view these cases as part of their fiduciary duties. They view them themselves as very important to keep the markets honest, to recover funds when there's wrongdoing,” he said.

Securities

Manage Newsletters

Klarna IPO Lowballed Burrito Loan Model's Risk, Suit Says (2)

December 23, 2025, 9:31 AM PST; Updated: December 24, 2025, 7:26 AM PST

Summary by Bloomberg AI

AI Generated

- An investor alleges Klarna Group Plc and its underwriters understated the potential financial downside of marketing loans to consumers willing to borrow for small purchases.
- The investor, Dilip Nayak, filed a complaint in the US District Court for the Eastern District of New York, naming 15 underwriters as defendants, including Goldman Sachs & Co. and Morgan Stanley & Co.
- Nayak seeks damages for a misleading registration statement and prospectus, after Klarna's share price fell substantially below its IPO price following the company's first earnings report in November.

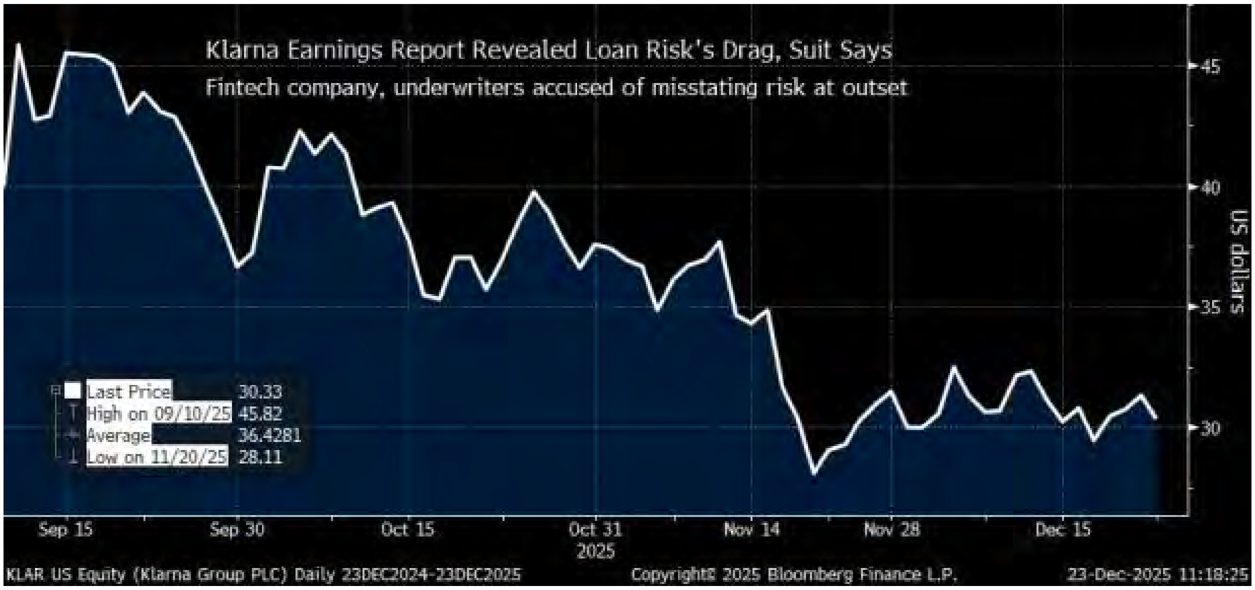
Klarna Group Plc and its underwriters understated the potential financial downside of marketing loans to consumers willing to borrow for fast food deliveries and other small purchases, an investor alleges.

The misstated risk appeared in several portions of the registration statement for the electronic payment company's initial public offering, Dilip Nayak said. He filed his complaint Monday in the US District Court for the Eastern District of New York. The 15 underwriters named as defendants include Goldman Sachs & Co., J.P. Morgan Securities LLC, and Morgan Stanley & Co.

Klarna's debut Sept. 10 led the biggest month for IPOs since November 2021, Bloomberg News has reported.

"Prior to the IPO, Klarna gained attention for the nature of its loans," Nayak says. "For example, Klarna allows users to take loans to purchase small items including, famously, burritos." The financial technology company had started a partnership with DoorDash to list Klarna as a payment option for food deliveries, including a choice to pay in interest-free installments, he says.

Klarna went public at $40 per share but soon had to raise its provision for credit losses, according to the complaint. After this adverse impact became public with the company's first earnings report in November, its share price fell "substantially below its IPO price," Nayak says. The stock closed at $31.31 on Monday.



The proposed class consists of thousands of members, the complaint estimates.

Nayak seeks damages on his claims for a misleading registration statement and prospectus.

Klarna, J.P. Morgan, and Goldman Sachs declined to comment in emails Tuesday. Morgan Stanley didn't immediately respond to an emailed request for comment.

The Rosen Law Firm PA represents Nayak.

The case is Nayak v. Klarna Group plc , E.D.N.Y., No. 1:25-cv-07033, complaint 12/22/25 .

(Updates story published Dec. 23 with response from Goldman Sachs in eighth paragraph.)

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Securities

Kimberly-Clark Board Faces Disclosure Issues Over Kenvue Merger

December 29, 2025, 1:13 PM PST

A Kimberly-Clark Corp. shareholder filed a proposed class action to compel its board of directors to disclose more information about its proposed $48.5 billion merger with Kenvue Inc.

The board has breached its fiduciary duties by failing to disclose how much in fees JP Morgan Chase & Co. will receive for providing financing to Kimberly-Clark for the merger, according to the complaint filed Monday in Delaware Chancery Court.

Kimberly-Clark agreed to buy struggling Tylenol-maker Kenvue in November and subsequently saw its largest stock price drop in over two decades. Kimberly-Clark will hold a meeting Jan. 29 where its shareholders will vote on the proposed merger.

Proxy statements issued earlier this month by Kimberly-Clark disclosed that JP Morgan will provide financing to the company for the merger. The documents also revealed that Kimberly-Clark's board relied on financial advice from JP Morgan Securities LLC, the investment bank's broker-dealer affiliate, according to the complaint.

But the board allegedly hasn't disclosed to investors how much JP Morgan is being paid for providing financing to Kimberly-Clark while its affiliate provides financial advisory services. The shareholder who brought the suit argues the "disclosure appears purposely vague," and that the company has only stated that JP Morgan will receive less than the fee for the advisory services, which total $50 million.

"Stockholders are left to wonder what amount, on the scale of $0 to $50 million, is being paid for the debt fees," the complaint says. Shareholders are entitled to know the anticipated fees, and the board of directors has a duty to disclose that material information as the company seeks approval of the merger, the suit says.

Kimberly-Clark didn't immediately respond to a request for comment.

Kaskela Law LLC, Christensen Law LLC, and Alfred Yates Jr. of Pittsburgh represent the shareholders.

The case is Reese v. Burwell , Del. Ch., No. 2025-1493, complaint filed 12/29/25 .

Securities

Manage Newsletters

Avangrid Beats Investors' Suit Over Conflict in Iberdrola Buyout

December 23, 2025, 8:00 AM PST

Summary by Bloomberg AI AI Generated

- Avangrid Inc. defeated allegations of concealing a board member's ties to Iberdrola SA from minority stockholders when soliciting them to sell their shares.
- Judge Jesse M. Furman said investors failed to allege former Gov. John Baldacci had a significant relationship with Iberdrola that would have affected his independence.
- The judge ordered the case be closed, saying more details about Baldacci's connections to Iberdrola wouldn't have altered the information available to investors because his connections were already public.

Avangrid Inc. defeated allegations of concealing from its minority stockholders the "thick ties" a board member and former Maine governor had to Iberdrola SA when soliciting them to sell their shares to the Spanish utility in 2024.

Investors failed to allege former Gov. John Baldacci had a significant relationship with Iberdrola when in office, at a law firm, or as vice chairman of Avangrid's board, Judge Jesse M. Furman said while ordering the case be closed Monday.

Even if the energy company's shareholders sufficiently alleged statements about Baldacci's independence in the buyout's voting materials were misleading, more details wouldn't have altered the total mix of information available to investors because of how public the ex-governor's connections to Iberdrola were, the US District Court for the Southern District of New York judge said.

"In fact, Plaintiffs were able to allege the information in their Complaint 'precisely because it was reasonably available to the public,'" he said.

Baldaccci, a Democrat, served as Maine's governor from 2003 to 2011.

Avangrid in 2024 filed proxy statements soliciting shareholder support that characterized a committee he served upon as a group of people "unaffiliated with, and otherwise independent from, Iberdrola." This was allegedly misleading because it didn't mention his affiliations that would've questioned his impartiality during negotiations, and that information would've mattered to investors because they likely wouldn't have approved the buyout price as a result, the complaint said.

Stockholders approved the $35.75-a-share buyout a year ago. A former minority stockholder this year sued Avangrid and current and former executives and directors, including Baldacci.

The US segment of Iberdrola, a Spanish utility conglomerate, acquired UIL Holdings Corp. and the combined company was renamed Avangrid in 2015. UIL shareholders retained a minority interest in Avangrid. Iberdrola said the 2024 deal would allow it to "invest in the United States more efficiently" after acquiring the 18.4% of unowned shares.

Bare Allegations

Avangrid investors relationship allegations were "bare" without further information, Furman said. Baldacci as governor met with "Iberdrola executives a handful of times after the firm had acquired" the company that owned Maine's primary utility more than 15 years ago. After leaving office, Baldacci worked as an advisor from 2012 to 2021 at Pierce Atwood LLP, a law firm retained by Iberdrola. And more than a decade ago, "Baldacci joined the board of Iberdrola USA, which became Avangrid after the UIL acquisition and received six-figure annual compensation for that role."

But the complaint didn't allege Baldacci favored the company as governor or had a stake in the law firm's Iberdrola matters. Even if Baldacci was the highest paid Avangrid director, the complaint gave no reason to infer his payment exceeded what would be customary or that he lacked independence during the 2024 deal, Furman said.

Monteverde & Associates PC—which declined to comment in an email—represented the proposed class of former Avangrid minority public stockholders who held shares as of Aug. 19, 2024, to vote on the buyout and exchanged their stock.

Davis Polk & Wardwell LLP represented Avangrid and the four directors. Neither the firm nor Avangrid immediately responded to emails seeking comment.

The case is Goldschein v. Avangrid, Inc. , S.D.N.Y., No. 25-cv-772, dismissed 12/22/25 .

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Securities

Manage Newsletters

Avis Shareholder, Board Beat Investor’s Stock Repurchase Suit

December 24, 2025, 7:24 AM PST

Summary by Bloomberg AI

AI Generated

- Avis Budget Group Inc. board members and a large shareholder were cleared of investor allegations that stock repurchases allowed a hedge fund to gain control of the company without paying a premium.
- Judge Julien Xavier Neals dismissed the derivative complaint, saying the investor failed to establish that a pre-suit demand on most of Avis’ board would’ve been futile under Delaware law.
- The investor, Paula DeAngelis, failed to plead that the outside directors had a material benefit from challenged conduct or weren’t independent from hedge fund SRS Investment Management LLC, and can ask to replead her claims.

Avis Budget Group Inc. board members and a large shareholder escaped investor allegations that stock repurchases allowed a hedge fund to gain control of the car rental company without paying a premium.

The investor failed to establish that a pre-suit demand on most of Avis’ board would’ve been futile, a requirement under Delaware law, Judge Julien Xavier Neals said while dismissing the derivative complaint. Stockholder Paula DeAngelis failed to plead that the four outside directors had a material benefit from challenged conduct, faced a substantial likelihood of liability, or weren’t independent from hedge fund SRS Investment Management LLC, the US District Court for the District of New Jersey judge said Tuesday.

DeAngelis failed to raise a reasonable suspicion the hedge fund controlled the company, Neals said —"effectively dooming” her argument any outside director from the board at that time wasn’t able to “impartially consider a litigation demand against SRS by virtue of its status as an influential minority shareholder.”

DeAngelis didn’t assert any outside directors engaged in insider trading, Neals said. She didn’t sufficiently allege they breached their duty of loyalty in carrying out a stock repurchase program or flouted their duty of oversight by failing to enforce certain disclosure obligations.

“Although the Stock Repurchase Program may have increased SRS’s ownership percentage, buying back stock at market price is a common practice, particularly in times of market volatility, and falls squarely within the bounds of the valid exercise of business judgment,” Neals said.

And the pleadings contradict “any inference of willful inaction,” he said. “The Board took deliberate steps to oppose and restrict SRS’s influence through the very Cooperation Agreements Plaintiff criticizes—imposing voting restrictions, recusal requirements, and other limitations.”

These deficiencies and others meant DeAngelis fell short of pleading any factors to establish demand futility by any of Avis’ four outside directors, which she would’ve needed to meet the majority threshold of the six-member board from that time period, Neals said. But she can ask to replead her claims.

Allegations

DeAngelis sued Avis’ board—two members being SRS’s president and CEO—two former executives, and SRS in 2024.

Share repurchases boosting SRS’s ownership and other actions harmed Avis, DeAngelis’ suit said. Former Avis CEO Joseph Ferraro and Chief Financial Officer Izilda Martins as well as SRS, its CEO Karthik Sarma, and president Jagdeep Pahwa, sold stock based on inside information the company faced issues with rotating its rental car fleet while touting its fleet management, she said.

Squitieri & Fearon LLP and Moore Law PLLC represent DeAngelis. Her attorneys didn’t immediately respond to an email seeking comment.

Paul, Weiss, Rifkind, Wharton & Garrison LLP and Gibbons PC represent the Avis board members and company, a nominal defendant. Cadwalader, Wickersham & Taft LLP and Stone & Magnanini LLP represent SRS and its directors. Spokespeople for Paul, Weiss; Cadwalader; and Avis didn’t immediately respond to emails seeking comment.

The case is DeAngelis v. Hees , D.N.J., No. 24-05687, 12/23/25 .

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Securities

Manage Newsletters

Party City Investors Advance Deception Suit Against Ex-Leaders

December 30, 2025, 9:23 AM PST

Summary by Bloomberg AI

AI Generated

- A federal court ruled that investors can proceed with securities fraud claims against two former Party City executives for signing off on an SEC filing that mischaracterized the company's finances.
- The court found that the executives' statements about Party City's available funds would be adequate to meet its liquidity needs for the next 12 months were material misrepresentations that would be important to a reasonable investor.
- The investors adequately pleaded the necessary level of intent on the part of the executives, alleging a pattern of reckless misconduct that resulted in erroneous disclosures and ultimately led to the executives' resignation.

Party City Holdco Inc. investors can proceed with securities fraud claims against two of the defunct retailer's executives for signing off on an SEC filing that mischaracterized the company's finances, a federal court ruled.

The proposed class action adequately alleged material misrepresentations in the form's declaration in September 2022 that Party City's available funds would be adequate to meet its liquidity needs for the next 12 months, Judge Julien Xavier Neals said Monday for the US District Court for the District of New Jersey. Neals rejected the former executives' request for dismissal.

Party City isn't a defendant in the suit, having filed for bankruptcy in early 2023. It received the US Bankruptcy Court for the Southern District of Texas' conditional approval for disclosure documents related to its liquidation plan in June 2025.

The liquidity assurance, allegedly omitting that Party City was facing a liquidity shortfall and was preparing for bankruptcy, would be material to a reasonable investor, Neals said.

Party City eventually restated its Securities and Exchange Commission Form 10-Q for the third quarter of fiscal year 2022, saying it contained a material error, according to the complaint.

The Form 10-Q statements aren't protected by a safe-harbor provision for forward-looking opinions, Neals said. They "appear to be more than mere opinions, beliefs, or future projections of the company," he said. To the extent they are forward-looking, they're not accompanied by cautionary statements that "correct or contradict the positive outlook implied by the statements, nor do they inform investors that liquidity was already severely strained," he said.

They also weren't inactionable expressions of corporate optimism, or puffery, Neals said. The statements "imply a positive outlook and a thriving Company when, allegedly, it was not."

The investors pleaded the necessary level of intent on the part of ex-CEO Bradley Weston and ex-chief financial officer Todd Vogenson for their securities fraud claims, he said. The pair allegedly made the positive statements about Party City's finances "despite knowledge of a liquidity crisis so severe as to warrant bankruptcy preparations," he said.

The investors alleged "more than mere failures in accounting but rather a pattern of reckless misconduct that resulted in erroneous disclosures, internal and external investigations, the resignation of the Company's auditor, and, ultimately, the resignation of Defendants themselves," the judge said.

Berger Montague PC is lead counsel for the investors. Dechert LLP represents Weston and Vogenson.

The case is Shulman v. Weston , 2025 BL 464460, D.N.J., No. 23-04121, 12/29/25 .

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Securities

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KnowBe4 Investors Advance Lawsuit Over Take-Private Valuation

December 24, 2025, 10:33 AM PST

Summary by Bloomberg AI

AI Generated

- KnowBe4 Inc. investors have adequately pleaded some of their class claims against the company, its new owner, and insider shareholders over its buyout valuation, a federal court ruled.
- The investors can proceed with proxy misstatement claims over the fairness of a proposed $24.90-per-share price and showed an actionable omission in the proxy's description of an insider fund's $300 million stock rollover.
- Securities fraud claims can also proceed, but only against some defendants, and the plaintiffs will have a chance to replead the complaint.

KnowBe4 Inc. investors have adequately pleaded some of their class claims against the cybersecurity training company, its new owner, and insider shareholders over its buyout valuation, a federal court ruled.

The investors can proceed with proxy misstatement claims over the fairness of a proposed $24.90-per-share price, said Chief Judge Cecilia M. Altonaga of the US District Court for the Southern District of Florida. They also showed an actionable omission in the proxy's description of an insider fund's $300 million stock rollover into the post-takeover entity, Altonaga said in an opinion docketed Tuesday.

Securities fraud claims can also proceed, but only against some defendants, she said. The plaintiffs will have a chance to replead the complaint.

While most securities suits allege leaders inflated a company's stock price, some complain of under-valuations in advance of takeovers. A NexPoint Advisors LP unit settled with an acquired property investment company's shareholders in a deal given final approval in May, and Sun Pharmaceutical Industries Ltd. defeated a proxy suit by Taro Pharmaceutical Industries Ltd. investors in October.

The KnowBe4 investors' proposed class action stems from the company's 2023 take-private merger into Vista Equity Partners Management LLC. Vista acquired KnowBe4 at a discount through a rushed, conflicted process that included misrepresentations to investors who weren't part of a controlling group of stockholders, the complaint alleges. The transaction was allegedly structured to benefit KnowBe4's founder and other controlling shareholders—KKR & Co., Elephant Partners, and their affiliates.

Altonaga tossed claims over statements allegedly obscuring conflicts, namely that a KnowBe4 special committee that negotiated and approved the merger—and the committee's financial adviser—were independent. But claims over the valuation itself and KKR's undisclosed initial intended rollover of a lower amount into the merged company can proceed, she said.

Entwistle & Cappucci LLP and Saxena White PA are lead counsel for the plaintiffs. Attorneys for the defendants include Quinn Emanuel Urquhart & Sullivan LLP, Latham & Watkins LLP, and Lash & Goldberg LLP.

The case is In re KnowBe4, Inc., Sec. Litig. , 2025 BL 460897, S.D. Fla., No. 25-22574, docketed 12/23/25 .

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Securities

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Fintech Firm RYVYL's Investor Class Settlement Gets Court Assent

December 23, 2025, 9:52 AM PST

Summary by Bloomberg AI

AI Generated

- A federal court gave final approval to RYVYL Inc.'s $1 million agreement with shareholders to end class action allegations that the company overstated revenue and other metrics.
- The class settlement includes $300,000 in cash, 700,000 freely tradeable RYVYL shares, and a put option, and also provides for attorneys' fees and a service award for the investor leading the case.
- The settlement resolves allegations against RYVYL and its former executives, and a separate shareholder derivative settlement is still awaiting final approval.

RYVYL Inc.'s $1 million agreement with shareholders earned a federal court's final approval to end class action allegations that the blockchain payments company overstated revenue and other metrics before announcing it needed to restate certain financial results.

"An overwhelmingly positive reaction of class members to a proposed settlement significantly weighs in favor of the settlement's adequacy," Judge Gonzalo P. Curiel said in an order entered Monday.

The class settlement ends allegations against the blockchain firm in exchange for $300,000 in cash, 700,000 freely tradeable RYVYL shares, and a put option—a combined value of no less than $1 million—the US District Court for the Southern District of California judge said. The investor leading the case will also get a $5,000 service award.

Lead counsel will get 25% or $250,000, plus interest, in attorneys' fees and $70,288 in litigation expenses plus interest accrued at the settlement's rate.

The settlement class includes those who got RYVYL—formerly known as GreenBox POS—stock from May 13, 2021, through Jan. 20, 2023, when the blockchain firm said it needed to restate certain 2021 and 2022 results. RYVYL went public in January 2021.

"We are happy to have represented RYVYL in this class action, and it is pleased to have it resolved on these terms," said attorney Sean Prosser of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo PC, which represented RYVYL and former executives named as defendants.

A shareholder derivative settlement awaits Curiel's final approval in litigation against then-RYVYL executives and board members.

Glancy Prongay & Murray LLP, which represented the investor who led the case, didn't immediately respond to an email seeking comment.

The case is Cullen v. Ryvyl Inc. , S.D. Cal., No. 3:23-cv-00185, final approval entered 12/22/25 .

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Securities

Manage Newsletters

Veon to Pay $20 Million to End Investor's Uzbek Bribery Suit (1)

December 24, 2025, 8:50 AM PST; Updated: December 24, 2025, 1:32 PM PST

Summary by Bloomberg AI

AI Generated

- Veon Ltd. agreed to pay almost $20 million to resolve investor allegations the company hid an Uzbek bribery scheme and overstated its financial controls.
- The agreement would end allegations that the company concealed funneling bribes to a late Uzbekistan president's daughter in exchange for access to that country's market.
- Veon Group CEO Kaan Terzioglu said the resolution does not include any admission of securities fraud wrongdoing and allows the company to move forward with executing its strategy.

Veon Ltd. agreed to pay almost $20 million to resolve investor allegations the multinational telecommunication company hid an Uzbek bribery scheme and overstated its financial controls.

This case is "a poster child for the proposition that much of the value of a settlement is its ability to provide an immediate recovery" since litigation has been going on for over a decade, the investor leading the proposed class action said while seeking preliminary approval of the deal Tuesday.

If approved by the US District Court for the Southern District of New York, the agreement would end allegations that the company formerly known as VimpelCom concealed funneling bribes to a late Uzbekistan president's daughter in exchange for access to that country's market.

When revelations connected to the bribery scandal surfaced—or alleged corrective disclosures—Veon's American Depository Share price dropped on several days, investor Boris Lvov's suit said.

Judge Andrew L. Carter Jr. this year allowed Lvov to supplement allegations with three additional corrective disclosures from 2014 and 2015. They included news that Swedish prosecutors found a basis to conclude the daughter, Gulnara Karimova, orchestrated and primarily benefited from a bribery scheme through another group; a Norwegian politician would bring in Veon and an affiliated organization for public hearings over alleged bribery before its parliament; and a Norwegian minister said she'd lost confidence in that affiliated organization's board chairman, whose resignation was contemporaneously announced.

In 2016, Veon admitted to a conspiracy to make more than $114 million in bribes to an Uzbek official. Karimova, who was accused of leading an international bribery operation that drew hundreds of millions of dollars from telecom companies, has been found guilty of numerous financial crimes and targeted by probes from multiple countries.

"We chose to resolve this matter to eliminate the uncertainty and distraction of extended litigation" said Veon Group CEO Kaan Terzioglu in an emailed statement. "We underscore that the resolution does not include any admission of securities fraud wrongdoing. The settlement of this decade-long matter allows us to move forward with our focus on executing our strategy."

The Rosen Law Firm PA, which represents Lvov, didn't respond to an email seeking comment. Herbert Smith Freehills Kramer (US) LLP represents Veon.

The case is In re VEON Ltd. Sec. Litig. , S.D.N.Y., No. 1:15-cv-08672, 12/23/25 .

(Updates with Veon's comment in the seventh paragraph.)

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Securities

Manage Newsletters

Deep Dive

Delaware Looks to Future Without Musk as Blue Bell Trial Looms

December 24, 2025, 2:00 AM PST

Summary by Bloomberg AI AI Generated

- Elon Musk's 2018 Tesla Inc. pay package has been reinstated, which may impact Delaware's reputation as a hub for big companies.
- The Delaware Supreme Court's decision to reinstate Musk's pay package and reduce the attorneys' fees awarded to the shareholder who challenged it may indicate that the court wants to move on from the case.
- The court's ruling may have implications for a new state law, S.B. 21, which was drafted to address concerns from tech leaders that Delaware's business court judges were favoring minority shareholders over founders and controllers.

Now that Elon Musk has his 2018 Tesla Inc. pay package, can Delaware move on?

Next up for the Delaware Supreme Court could be a ruling in a challenge to a new state law (S.B. 21) drafted to address concerns from Musk and other high-profile tech leaders that the state's elite business court judges were tilting rulings in favor of minority shareholders and against founders and controllers.

Yet Musk and Tesla appeared to learn from their past mistakes when Delaware's Chancery Court struck down what was then a record-setting compensation package, said Carliss Chatman, a Southern Methodist University law professor. Tesla is now a Texas corporation, but it followed Delaware's protocols in approving a separate trillion-dollar pay package there.

The contentious public debate over S.B. 21 and whether Delaware deserves to keep calling itself home to the country's biggest companies may no longer be relevant after the Musk pay reinstatement, Chatman said. Practitioners and their corporate clients make decisions based on their budgets and economic changes, not on reactions to the whims of "superstar CEOs," she said. "Could this case even happen again?"

Moving Forward

In restoring the compensation package for the world's richest person, the high court acknowledged the toll Musk's dispute took on the Chancery Court's chief judge, Chancellor Kathaleen St. Jude McCormick. It cut the $345 million fee McCormick awarded the attorneys leading the shareholder challenge to no more than $54.5 million, without requiring more decision-making from her.

"Although we would ordinarily remand for a reassessment of fees, we make an exception based on the length of this litigation and not to burden the Court of Chancery, which has devoted enormous time and attention to this case over many years, at great personal sacrifice," the justices said Dec. 19.

That indicates how much they just wanted the case to go away, said Ann Lipton, a University of Colorado law professor. Tesla's attorneys argued there hadn't been any fiduciary breach, and while the opinion doesn't address whether or not there actually was, the court awarded attorneys' fees anyway.

"The fact that they over-decided issues that weren't there, and under-decided the issues that were, tells you how much they wanted to get rid of it without putting any one judge's name on it," she said of the decision attributed to the entire five-member panel.

Fee Dilemmas

Greg Varallo of Bernstein Litowitz Berger & Grossmann, representing the Tesla shareholder who challenged Musk's pay, said "next steps" are being considered. The firm, known for leading massive shareholder cases, is rebuilding after the messy exit of a group of partners from its corporate governance practice.

The shareholder's attorneys could address their fees and expenses back in Chancery Court, but Chatman said the state Supreme Court's message to their colleagues is chilling. How much the plaintiffs' counsel should take home in cases they accept on contingency has been a sore subject in Delaware. The state bar's corporation law section is preparing recommendations to lawmakers on the issue.

"You get the exact same outcome that Texas gets" with requirements that shareholders must meet to bring derivative cases, Chatman said. "You squash litigation."

The big issue with attorneys' fees is the all-or-nothing approach, said Jill Fisch, a University of Pennsylvania law professor. It creates "a problematic incentive system" where plaintiffs' lawyers risk ending a case with nothing, but then they need bigger fee awards when they win.

Anticipated Rulings

Bloomberg Law analyst Michael Maugans expects Delaware's justices to find S.B. 21 violates the state constitution's definition of the Chancery Court's jurisdiction, in the case *Rutledge v. Clearway Energy Grp. LLC*.

The Musk pay ruling left intact McCormick's determination that Tesla's board was riven with conflicts of interest when it approved the deal. That's "indicative of a court that is collectively striving to maintain judicial independence," he said. "This mindset could bleed into *Rutledge* and spell doom for S.B. 21."

Retired Widener University professor Lawrence Hamermesh, who helped draft S.B. 21, expects the justices to affirm the law. "There's still going to be questions about the Court of Chancery exercising its discretion over remedies and making determinations about independence and adequacies of disclosure, and S.B. 21 didn't change any of that," he said. "It just set parameters on what it means to be a controlling stockholder."

Also due: An appeal of a Chancery Court ruling invalidating much of Ken Moelis' pact with the investment bank he founded appears to hang on how the justices interpret what's always "void" or only "voidable" in shareholder agreements. There's also Johnson & Johnson's appeal of a Chancery Court order to pay $1 billion in damages for breaching a pledge to commercialize surgical robots it acquired.

Most companies can't relate to the litigation involving Musk and Moelis. But oversight claims worry officers and directors, said John Lawrence of Baker Botts LLP.

Should investor claims against Blue Bell Creameries' top holding company go to trial as scheduled in February, a decade after a deadly listeria outbreak in its ice cream, the result may have a bigger impact on the "DExit" conversation than lawsuits involving controllers, he said.

A 2019 Delaware Supreme Court decision found investors showed sufficient facts to reasonably claim Blue Bell's board failed to provide proper oversight—shattering the consensus that oversight claims were difficult for shareholders to win. The trial would be the first of its kind, as similar claims often fail to survive a motion to dismiss.

"If new case law comes out of this that could rein in *Caremark* claims, I think that would give people some comfort," Lawrence said, "but anything that makes people believe that *Caremark* claims may continue to expand and may continue to get past different stages of litigation where they previously weren't getting to, I think that is going to just continue to cause people to look at their different options."

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Bitcoin 2025: volatility and the rise of private litigation

reuters.com/legal/legalindustry/bitcoin-2025-volatility-rise-private-litigation--pracin-2025-12-24

Joseph Cioffi, Nicole Zatserkovniy December 24, 2025

Representations of cryptocurrency bitcoin are seen in this illustration taken November 25, 2024. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights, opens new tab]

December 24, 2025 - Bitcoin's 2025 price swings may not have been predicted, but they impacted market conduct in predictable ways. When asset prices decline, disputes over the allocation of losses often arise; conversely, during periods of rising asset prices, competition increases and the potential for risks associated with improper conduct also escalates. Add in a government's retreat from regulation and enforcement, and it becomes up to private litigation to fill the gaps to keep the market on course. Litigation risks, in turn, further define the market dynamics.

This is the story of Bitcoin in 2025.

The surge and the dip

Bitcoin's climb to $126,000 in October 2025 marked a defining moment for digital assets, setting a new all-time high before reminding investors how quickly momentum can reverse. The rise did not happen in isolation, but through a convergence of unique factors, including institutional electronic funds transfers (EFT) inflows, reduction in supply (through the latest "halving"), and macroeconomic conditions (e.g., low interest rates), which made risk assets, such as cryptocurrency, more attractive.

By late November and into early December, Bitcoin had fallen back toward the mid-$80Ks. Such a decline may have appeared dramatic, but history shows it was far from unusual. See "Bitcoin down nearly 30% from record high — history shows that's normal," CNBC, Dec 4, 2025. In prior cycles, 2017 and 2021 among them, Bitcoin endured multiple 30–50% corrections before resuming advances, a pattern the current cycle echoes. See "Bitcoin down nearly 30% from record high — history shows that's normal," CNBC, 2025.

The swing reflected a broader deleveraging (investors paying down borrowed money and reducing risky positions) and cooling of flows. By early December, prices stabilized in the $92,500–$93,000 range. See "Crypto Market 2025 Year-End Review," Nasdaq, Dec. 5, 2025.

In the flow: ETFs shift from tailwind to headwind

A spot cryptocurrency ETF is an exchange-traded fund that directly holds the underlying digital asset, such as Bitcoin, at its current market price. It provides investors with regulated, stock-market access to real crypto exposure without the need to manage wallets or private keys.

ETFs helped fuel the rally earlier in the year, but when sentiment shifted, they also became a fast exit route. BlackRock's IBIT ETF alone saw about $2.7 billion in outflows over five weeks through late November, demonstrating how quickly ETF flows can reverse and pressure prices. See "BlackRock Bitcoin ETF Sheds $2.7 Billion in Record Outflows Run," Bloomberg, Dec 5, 2025.

Yields: a macro headwind reappears

By the Federal Reserve's December meeting, U.S. Treasury yields hovered near recent highs, with the 10-year around 4.17% and the 30-year near 4.82%, as investors awaited policy direction. See "US Treasury Yields Hit Multimonth Highs as Focus Shifts to Fed," Bloomberg, Dec 8, 2025.

When Treasury yields rise, non-yielding and momentum-sensitive assets like Bitcoin and related ETFs can become less attractive because investors can earn safer returns from bonds and other interest-bearing investments. This macro backdrop likely compounded ETF outflows and added to the overall price pressure.

Setting the standard: MiCA's transition

Regulation matured in 2025, most notably in the EU under MiCA (Markets in Crypto-Assets Regulation), the EU's first comprehensive framework for digital assets, designed to harmonize rules across member states and bring greater transparency, consumer protection, and market integrity to the sector. Although its phased implementation began in 2024, transitional measures extend the time to comply into 2026. See "ESMA Statement on MiCA Transitional Measures," ESMA, Dec 17, 2024.

This transition increases compliance costs in the short run, but it improves trust and market integrity over the longer term. By setting the standard for comprehensive crypto oversight, MiCA served as a catalyst for the GENIUS Act in the U.S., which is intended to govern payment stablecoins outside the Securities and Exchange Commission's jurisdiction. The hope is that harmonized rules should stabilize the crypto market and strengthen consumer protections.

The rise of private litigation in 2025

SEC enforcement has seemingly been significantly curtailed under the Trump Administration, with notable dismissals of actions against Binance, Coinbase, and Ripple, and with the agency bringing fewer new enforcement actions than it has historically filed.

As investors and insiders fill enforcement gaps left by regulators, companies must strengthen disclosures, tighten governance, and build dispute-resolution frameworks that can withstand scrutiny from multiple angles. The cost of getting this wrong in 2025 was measured in significant settlement amounts and legal fees. Two trends to watch are investor class actions and marketing- and influencer-related misrepresentation.

Investor class actions

Marketing misstatements and influencer promotions became fertile ground for private fraud suits in 2025. Investors sued Unicoin for allegedly misrepresenting the nature of its Unicoin Rights Certificates, including claims that the tokens would be asset-backed, SEC-registered, and supported by billions of dollars in real estate, when, according to the complaint, the assets were worth only a fraction of what was publicly touted. The pleading also alleges inflated sales figures and misleading marketing materials disseminated through investor updates, social media, and paid promotions. An answer has yet been filed as it is due in February 2026.

The rise of influencer-driven token promotions added another layer of complexity, as companies faced liability not just for their own statements, but for claims made by third-party promoters. The takeaway is that every public statement and influencer partnership is potential evidence. Legal and compliance teams must vet marketing materials with the same rigor applied to securities filings, or risk that investors will.

Parallel actions

The Gemini litigation illustrates how the collapse of a financial product can quickly give rise to investor class actions alleging unregistered securities offerings and misrepresentation of risk. Investors claim that Gemini misrepresented the Earn program's safety, liquidity, and counterparty exposure, particularly its dependence on Genesis Global Capital, which later froze withdrawals and entered bankruptcy. Gemini has denied wrongdoing.

The case remains stayed in federal court after being referred to arbitration. Similarly, parties in the parallel SEC suit sought to stay all litigation deadlines indefinitely as they hope to reach a resolution.

Although the class action litigation began in 2022 during a period of heavier regulatory action, it remained active and increasingly influential during a year of reduced federal enforcement, illustrating how legacy disputes filed in earlier years continued to shape legal risk and market behavior in 2025. Even as new regulatory actions slowed, private suits like Gemini Earn continued to advance, albeit in arbitration, creating sustained pressure independent of political or regulatory shifts.

Looking ahead to 2026

2026 is set to be a year of consolidation and structural progress rather than explosive price action. The groundwork laid in 2025 should make the market more resilient, even if volatility remains part of the story. ETF flows will remain a double-edged sword. The same mechanisms that fueled the rally in 2025 can just as quickly accelerate selling when sentiment turns.

From a legal perspective, 2026 should mark a shift from regulatory uncertainty to litigation execution. As U.S. courts continue to fill regulatory gaps, crypto firms will operate in a more rules-based, but less forgiving, environment where compliance failures are quickly translated into lawsuits, injunctions, and market exclusion.

Private litigation risk in crypto is no longer a sideshow but rather a central feature of the legal landscape. In 2026, the companies that survive and thrive will be those that treat legal risk management as seriously as they treat technology development.

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Investment Branding | Business Law Prof Blog

businesslawprofessors.com/2025/12/investment-branding

Ann Lipton December 26, 2025

Recently, Walmart shifted its listing from the New York Stock Exchange to the NASDAQ. The move, apparently, had nothing to do with the formal policies of the exchanges, and everything to do with the fact that the NASDAQ is associated with tech stocks. Walmart is trying to sell itself as a tech company, and part of that effort involves actually shifting exchanges.

To some extent, the benefits of this move rely on an assumption of market inefficiency, i.e., the well known phenomenon where stocks trade differently depending on index inclusion; Walmart is betting that if it's added to the NASDAQ 100, it will trade like the rest of the index.

But it's also an exercise in branding. Walmart, I gather, hopes for an *image revitalization*; it's signaling a business model, and a commitment to a digital business strategy, and it hopes investors will share that vision.

I've been thinking that, in the wake of the chartering wars, state of incorporation may serve a similar function. I've previously posted that Texas has adopted an anti-woke approach to corporate governance, and I think for most firms, that's not a particularly desirable stance; they'd much rather, at least, choose Nevada, where they get a full promise of noninterference. But *some* firms may appreciate the branding – like, obviously, Musk-led companies, since Musk's persona is intertwined with his companies. And, apparently, crypto companies: both Coinbase and Enhanced announced moves to Texas, which fits well with the conservative/libertarian bent of the crypto industry. (There may be more practical reasons, as well; they may believe that declaring allyship with the Texas legislature will help shield them from other kinds of legal action). Or, to put it another way, if incorporation in Delaware was once viewed as a mechanism to bond to a particular governance structure, incorporation in Texas may bond a firm to a particular *political* approach to business strategy (product development, marketing, hiring, etc), that could attract consumers and employees but – since I assume these groups largely do not attend to state of incorporation – is more likely intended to appeal to investors that share those political commitments.

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News | **Mass Torts**

Attorneys Object to Uber's 'Extraordinary and Unprecedented Request' to Postpone California Bellwether Trial

On Monday, the Consumer Attorneys of California opposed Uber's motion to postpone a Jan. 13 bellwether trial in the multidistrict litigation involving sexual assaults by its drivers.

December 29, 2025 at 10:38 PM By  **Amanda Bronstad**

What You Need to Know

- In addition to postponing the trial, Uber asked to subpoena the Consumer Attorneys of California over its latest ad campaign.
- Uber insisted that the ad campaign, which states that it receives a report of sexual assault or misconduct every eight minutes, could taint the jury pool.
- Lead counsel in the multidistrict litigation against Uber called its request 'outlandish' and 'meritless.'

Deepak Gupta of Gupta Wessler. Courtesy photo

The Consumer Attorneys of California is opposing Uber Technologies Inc.'s move to postpone next month's sexual assault bellwether trial, calling the request a "prior restraint on political speech."

Although not a party to the case, the Consumer Attorneys of California and Uber are "political rivals," according to a Monday filing. Its latest move targets an ad campaign called "Every 8 Minutes," which the Consumer Attorneys of California funded alongside proposed ballot initiatives aimed at making it easier to sue the San Francisco-based ride-hailing firm, including for sexual assault.

Uber moved to postpone the first bellwether trial in the multidistrict litigation, which is before U.S. District Judge Charles Breyer in the Northern District of California. In a Dec. 2 motion, Uber claimed that the Consumer Attorneys of California's "misleading" advertising campaign, which states a case of sexual assault or sexual misconduct was reported to the rideshare firm every eight minutes, could prejudice potential jurors.

Uber asked for an injunction halting the ad campaign in California, Arizona and North Carolina, where the first bellwether trials are scheduled, and to subpoena the Consumer Attorneys of California, where lead counsel Sarah London serves as board secretary.

"This is an extraordinary and unprecedented request," Deepak Gupta, attorney for the Consumer Attorneys of California, told Law.com. "Uber's obviously very aggressive both in court and in the political sphere, but asking a federal judge to enjoin the campaign of a political rival is an extraordinary request, even for Uber."

The ads, according to the Consumer Attorneys of California, were launched soon after Uber's ballot initiative in California proposing to cap the contingency fees of plaintiffs' lawyers in California.

"Like its efforts elsewhere, Uber's campaign in California seeks to silence victims by blocking their access to court, preventing them from hiring lawyers to tell their stories and making it more difficult for them to secure compensation," Gupta, of Washington D.C.'s Gupta Wessler, wrote in Monday's response. "But Uber isn't content to stop there. Now it also wants to silence the speech of its political adversaries. Unhappy with the counter-campaign, Uber asks this court to reach beyond this litigation and hand it a strategic advantage on the political battlefield."

The Jan. 13 trial is the first bellwether in the multidistrict litigation alleging Uber's drivers sexually assaulted female passengers. On Sept. 30, Uber won a defense verdict in the nation's first sexual assault trial. Jurors in San Francisco Superior Court found San Francisco-based 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 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.

Should Breyer opt not to postpone the trial, the motion states, Uber seeks expanded voir dire, including a juror questionnaire about the ads.

Sarah London of Girard Sharp. Courtesy photo

London, of Girard Sharp, and Rachel Abrams, of Peiffer Wolf Carr Kane Conway & Wise, both colead counsel in San Francisco, in a separate filing on Monday, called Uber's request "meritless" and "outlandish."

"The jury in the JCCP trial heard the same statistics regarding the rate of sexual assault during Uber rides, yet still reached a verdict favorable to Uber, undermining any possibility of undue hardship or inequity to Uber," they wrote, referring to the San Francisco Superior Court trial.

Further, Breyer has finalized a questionnaire distributed to prospective jurors, with voir dire set to begin Jan. 6.

They and the Consumer Attorneys of California both insisted that no one on the multidistrict litigation's leadership team was involved in the ads, which are not even running in Arizona. 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.

Authors reject AI copyright settlement, sue tech giants

DJ dailyjournal.com/articles/389176-authors-reject-ai-copyright-settlement-sue-tech-giants

A group of authors who pulled out of a $1.5 billion class action settlement against Anthropic PBC over its use of their copyrighted work to train AI models, believing the amount was too low, filed a new lawsuit against the company and five other tech giants in federal court Monday.

The five authors -- represented by Stris & Maher LLP and Freedman Normand Friedland LLP -- allege Anthropic, Google, Meta, OpenAI, xAI and Perplexity used pirated copies of their work to train AI models.

"Rather than obtain licenses or pay for the use of these works, each Defendant downloaded pirated copies of Plaintiffs' books from shadow-library websites such as LibGen, Z-Library, and OceanofPDF and then reproduced, parsed, analyzed, re-copied, used, and embedded those works into their LLMs (and/or used those works to optimize their product) to accelerate commercial development and win the generative-AI race," the complaint states. *Carreyrou et al. v. Anthropic PBC et al.*, 3:25-cv-10897 (N.D. Cal., filed Dec. 22, 2025).

In a statement emailed to the Daily Journal, a Perplexity representative wrote "Perplexity doesn't index books." None of the other companies had replied to requests for comment at the time of publishing.

In the earlier case, U.S. District Judge William Alsup found that the Anthropic training its model on copyrighted books and articles constituted fair use, but that those works needed to be obtained legally. *Bartz et al v. Anthropic PBC*, 3:24-cv-05417 (N.D. Cal., filed Aug. 19, 2024).

In September, Alsup granted preliminary approval to a settlement in the class action. Under the terms of the deal, the plaintiffs would be awarded $3,000 for each copyrighted work the company used to train its AI assistant, Claude.

But plaintiffs in the new suit -- writers John Carreyrou, Lisa Barretta, Philip Shishkin, Jane Adams, Matthew Sacks, and Michael Kochin -- say that amount falls too far below the maximum statutory damages for willful copyright infringement, listed in 17 United States Code Section 504 at $150,000 per violation.

"These pending class actions and proposed settlement(s) seem to serve Defendants, not creators," the complaint states. "LLM companies should not be able to so easily extinguish thousands upon thousands of high-value claims at bargain-basement rates, eliding what should be the true cost of their massive willful infringement."

The lawsuit isn't a class action, which plaintiffs say will help them ensure they're paid for each copyrighted work used by the defendants.

"Plaintiffs desire to retain full control of their case and avoid having their rights diluted by being swept into sprawling class-action settlements structured to resolve claims for pennies on the dollar," the complaint states.

The plaintiffs are seeking damages, restitution and an injunction prohibiting the defendants from using pirated copies of their work.

"We're pleased to have filed the complaint for our clients and look forward to representing more authors who want to seek meaningful redress for the unauthorized use of their work, instead of letting it get resolved in the Anthropic class action," Stris & Maher attorney Elizabeth R. Brannen, who filed the complaint, said in an email to the Daily Journal.

The case has been assigned to U.S. District Judge Thomas S. Hixson in San Francisco.

#389176

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News | **Legal Ethics and Attorney Discipline**

'Consciously and Recklessly Indifferent': Heninger Garrison Davis Faces Sanctions for Filing Nearly 1K Fraudulent 3M Earplug Claims

A special master found this month that Heninger Garrison Davis and two of its partners, Lew Garrison and Bill Bross, and former attorney Taylor Bartlett, failed to adequately vet nearly 1,000 claims made on behalf of Ugandan citizens in 3M's $6 billion earplug settlement.

December 29, 2025 at 04:14 PM By **Amanda Bronstad**

What You Need to Know

- Special master David Herndon suggested a $50,000 sanction against Heninger Garrison Davis, a $10,000 sanction against Lew Garrison and $20,000 each against Bill Bross and Taylor Bartlett, a former attorney at the firm..
- Garrison, on behalf of his firm, and Bartlett, apologized but insisted they did not intentionally file fraudulent claims.
- In 2023, 3M agreed to pay $6 billion to settle more than 240,000 lawsuits alleging its combat earplugs caused deafness and ringing of the ears.

3M Earplugs. Courtesy photo

Lawyers at Heninger Garrison Davis are facing potential sanctions for filing nearly 1,000 fraudulent claims in the $6 billion earplug settlement with 3M on behalf of Ugandan citizens.

A special master this month recommended $100,000 in sanctions against the Birmingham, Alabama-based firm and two of its partners, W. Lewis "Lew" Garrison and William "Bill" Bross, as well as its former partner Taylor Bartlett, now at Bowline Law in Mountain Brook, Alabama.

"What is clear to this special master is that Heninger Garrison Davis's handling of its Ugandan claims failed at several levels," special master David Herndon, a retired federal judge in the Southern District of Illinois, wrote in his Dec. 5 report and recommendation. He suggested a $50,000 sanction against Heninger Garrison Davis, a $10,000 sanction against Garrison, who "should have set the roadmap and overseen the firm's management for litigation and the settlement program," and $20,000 each against Bartlett and Bross, who "carry the heaviest load of responsibility for the failures of this law firm."

"The undersigned does not find that any member of the Heninger Garrison Davis firm intentionally committed fraud on the court through this settlement program," Herndon wrote. "It is clear, however, that Bartlett and Bross were not simply negligent in the handling of these claims, but instead were consciously and recklessly indifferent to the variety of circumstances of the Ugandan settlement program allowing fraud to occur and equally indifferent to their duties as officers of the court in this MDL."

Herndon found there were violations of the Rules of Professional Conduct in both Florida and Alabama and recommended sending the matter to the bar disciplinary committees in both states. He also suggested voiding the 993 fraudulent claims and requiring Heninger Garrison Davis to return payments to the settlement fund within 15 days of the judge's final order and reimburse others for the costs and expenses associated with the investigation into the Ugandan claims.

Garrison, in a Dec. 19 response filed on behalf of the firm, insisted its attorneys did not intentionally file fraudulent claims but apologized for what they called an "error in judgment" in accepting the Ugandan clients and then failing to adequately vet them.

"To say that we are disappointed with and deeply concerned by this R&R would be an enormous understatement," he wrote. "That said, we recognize that it is our failure to properly vet the Ugandan claims at issue that is at the heart of the R&R, and our disappointment and concern is overwhelmed by a high level of deference to and respect for the court, for the special master, and for all who have been involved in investigating the matter. I was naïve to believe that we should handle the Ugandan clients in the same manner as we did for our other clients."

Bartlett, in a separate response filed on Dec. 26, apologized for his role but insisted he did not intentionally engage in fraudulent conduct.

"If I could go back in time, I would have insisted on a more rigorous evaluation of the Ugandan claims from the outset," he wrote. "I will implement appropriate changes going forward to ensure something like this never happens again."

U.S. District Judge M. Casey Rodgers, of the Northern District of Florida, has not yet ruled on the special master's report.

Garrison and Bross did not respond to a request for comment. Bartlett said he was out of the office until Jan. 6.

'Fraud Was Committed'

The 2023 settlement resolved more than 240,000 lawsuits in multidistrict litigation alleging 3M's dual-ended combat earplugs caused deafness and ringing of the ears in U.S. servicemembers. Bartlett and Garrison were both appointed to subcommittees in the multidistrict litigation.

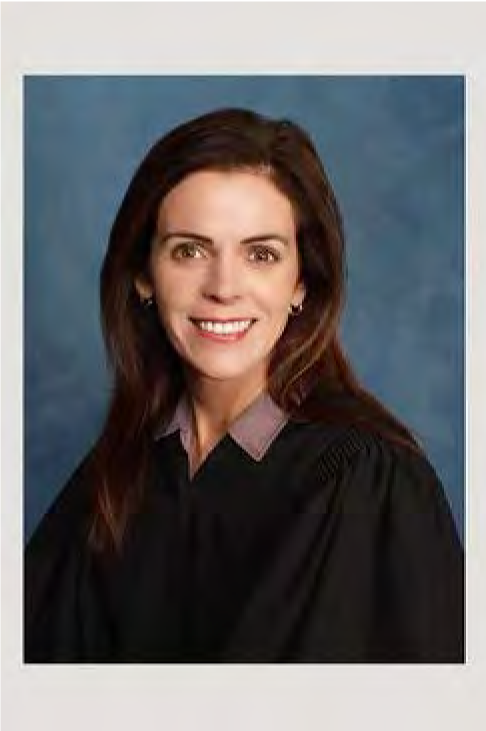
Concerns about potential fraud arose early on, when Rodgers issued an order stating that class members had received unsolicited phone calls purportedly from the settlement administrator asking for Social Security numbers and dates of birth.

The Heninger Garrison Davis issue first arose last summer, when BrownGreer, the settlement administrator, told Rodgers that hundreds of claims made by a single firm on behalf of Ugandan clients appeared to be fraudulent. Rodgers, citing BrownGreer's discovery of "inconsistencies, alterations/photoshopping, and statements that were wildly improbable—or downright impossible—in the records," assigned Herndon to investigate the claims, which, under the terms of the settlement, required an audiogram as proof of hearing loss.

"Overall," she wrote in a June 24 order, "it appears that there was a coordinated effort to fabricate evidence that would ensure settlement awards to these claimants."

In a 2025 report, Brown Greer found that, of the 10,434 claimants Heninger Garrison Davis represents in the 3M earplug settlement, 997 were nationals of Uganda, and almost all their claims were fraudulent.

"The indicators of fraud in those submissions include terminology that is impossible, reports that have been altered, suspicious provider sources, a substantial number of identical reports, handwriting irregularities, and, in one case, a claim for a client who was already paid through a claim made by another law firm," the special master wrote.


Judge M. Casey Rodgers, U.S. District Court, Northern District of Florida.

Lead counsel Chris Seeger, of Seeger Weiss in Ridgefield Park, New Jersey, and Bryan Aylstock, of Aylstock Witkin Kreis Overholtz, in Pensacola, Florida, also hired an organization to conduct their own investigation, according to the special master's report.

Seeger and Aylstock did not respond to requests for comment.

On Sept. 15, Bartlett left Heninger Garrison Davis. Days later, Garrison filed a motion requesting an order to remain primary counsel for more than 10,000 clients it represented in the 3M earplug settlement after Bartlett sent notices to them stating that he was the attorney handling their case.

"Bartlett's audacity is stunning," the motion says. "Bartlett's insistence that he should be primary counsel for a group of HGD clients is nothing more than a pretext to gain leverage and control over fees that would come from these clients."

The motion says Heninger Garrison Davis terminated Bartlett's employment after he complained about the bonus the firm paid to him from the fees received from the settlement. Garrison later withdrew the motion, but Rodgers, on Oct. 29, stating that she had "serious questions," ordered Heninger Garrison Davis and Bartlett to file sworn declarations advising how they complied with Florida's Rules of Professional Conduct. Bartlett and Garrison did so, under seal, on Nov. 6.

In this month's report, Herndon outlined his findings after discussions with BrownGreer, Aylstock and Seeger, and after interviews with Garrison, Bartlett, Bross and other lawyers and staff at Heninger Garrison Davis. The special master found that Heninger Garrison Davis did not adequately vet Arafah Musoke, a Ugandan attorney referring clients to the firm who worked for contractors that provided security guards for U.S. embassies and military bases.

"As an overview, it is clear from all the evidence uncovered in this investigation," he wrote, "that fraud was committed in Uganda in the submission of fraudulent medical records clearly to show hearing loss by the Ugandan contractor clients of HGD."

Although it’s not clear whether the fraud was committed by the clients, or Musoke, or others, the special master focused on the roles that Heninger Garrison Davis and its attorneys played.

“They simply did not, at any time, perform a fraud analysis of the documents they intended to rely on in their claimants’ request for compensation,” he wrote about Bartlett and Bross. “Similarly, they failed to vet the legitimacy of the doctors, audiologists, and clinics that were the source of audiograms.”

Rodgers ordered the Bartlett, Garrison and Bross to respond by Dec. 26.

Watchdog group sues California DOJ over withheld climate litigation records

DJ **dailyjournal.com**/articles/389174

A conservative watchdog group has sued the California Department of Justice, accusing the agency of unlawfully withholding public records related to alleged coordination with environmental groups and the hiring of private law firms to pursue high-profile climate litigation.

The lawsuit, filed Monday by the organization Government Accountability & Oversight, claims Attorney General Rob Bonta's office improperly withheld or excessively redacted communications with the Sierra Club and the Surfrider Foundation. It alleges the department violated the California Public Records Act and the state Constitution, which guarantees public access to records concerning the conduct of the people's business. *Government Accountability & Oversight v. California Department of Justice*, 25CV030947 (Sacramento Super. Ct., filed Dec. 22, 2025).

Government Accountability & Oversight is a private, Wyoming-based 501(c)(3) nonprofit. It does not publicly disclose its donors, but its work has often coincided with the interests of fossil fuel companies.

"Plaintiff and Petitioner Government Accountability & Oversight ('Petitioner' or 'GAO') seeks several categories of non-privileged public records from the California Department of Justice ('DOJ') regarding DOJ's involvement in--and coordination with outside activists' campaign of--controversial, high-profile litigation targeting the fossil fuels industry ... DOJ has mostly refused to produce the public records responsive to GAO's six separate but related requests," wrote Bradley A. Benbrook in the complaint.

Benbrook, the founding partner of Benbrook Law Group PC in Sacramento, wrote that the suit stems from two "massive" lawsuits California has filed against oil companies. One accuses five oil giants of misleading "the public about the link between fossil fuels and climate change." The second targets ExxonMobil's alleged misrepresentations about the effectiveness of its plastic recycling operations.

"The same day DOJ filed its plastics challenge, several environmental pressure groups--Sierra Club, Surfrider Foundation, Heal the Bay, and Baykeeper--filed a case asserting substantially similar claims attacking ExxonMobil's advanced recycling operations. *Sierra Club, Inc. v. Exxon Mobil Corp.*, S.F. Super. Ct. No. CGC-

24-618321," Benbrook wrote. "The timing of these suits is no coincidence. DOJ coordinated its filing with the pressure groups and held a joint press conference on filing day to promote the litigation."

Bonta's office did not respond to an email seeking comment.

One disputed request involved agreements with the law firm Lieff Cabraser Heimann & Bernstein LLP entered in 2023. The department produced a contract but allegedly withheld or redacted additional records related to required civil service approval paperwork. The complaint also claims the state redacted financial terms and did not disclose whether the contract was extended beyond its initial 10-month term or explain why it outsourced the work to a private firm. The plaintiffs also sought communications with the law firm Cotchett, Pitre & McCarthy LLP, which filed a related lawsuit against ExxonMobil.

#389174

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San Francisco man sues city, police department over Flock camera surveillance

courthousenews.com/san-francisco-man-sues-city-police-department-over-flock-camera-surveillance

Margaret Attridge December 30, 2025

A San Francisco Police Department cruiser. (BrokenSphere/Wikipedia via Courthouse News)

SAN FRANCISCO (CN) — A San Francisco man is suing the city and its police department, claiming the city's network of hundreds of automated license plate readers is unconstitutional and violates state law.

In a class action filed Sunday in the Northern District of California, plaintiff Michael Moore said San Francisco's network of nearly 500 automated license plate readers, or ALPRs — fast, computer-controlled cameras that capture photos of every license plate that passes — constitutes "warrantless and unreasonable surveillance," a violation of the Fourth Amendment.

"Tracking the whole of a person's public movements over (at least) 30 days is a search," Moore said in the complaint, adding, "And because defendants have engaged in this surveillance without a warrant — instead letting individual SFPD officers decide for themselves when and how to access an unprecedented catalogue of every person's movements throughout San Francisco and beyond — its searches are unreasonable. This is exactly the type of police surveillance the Fourth Amendment was adopted to prevent."

Moore argues that Flock's cameras can create a "detailed record" of his movements around the city, who he associates with and which routes they travel, which can be accessed by any SPFD officer without a warrant or probable cause.

"Plaintiff routinely drives past some of the many Flock cameras posted at undisclosed locations throughout San Francisco. Images of plaintiff's car and the associated data about his movements are stored in a database accessible to any SFPD officer, as well as anyone else the SFPD has either knowingly or unwittingly granted access," he said in the complaint.

"Flock users can leverage this information to follow plaintiff's movements throughout San Francisco, and even throughout other jurisdictions that let Flock pool their data."

According to Flock's SFPD Transparency Portal, the data the cameras collect is owned by SFPD and retained for up to 365 days. The portal also states that the data is only used for law enforcement purposes, is prohibited from being used for other purposes — including immigration enforcement, traffic enforcement or personal use — and that system access requires a "valid reason."

Moore additionally claims San Francisco's Flock cameras violate California law prohibiting state or local agencies from sharing automated license plate information to out-of-state agencies, citing a Sept. 8 article by The San Francisco Standard, which reported that out-of-state agencies had access to the city's Flock system between at least August 2024 and February 2025, with at least 19 searches marked as "related to Immigration and Customs Enforcement."

"By unlawfully sharing such location information, defendants are enabling out-of-state and federal agencies to track, locate, and potentially prosecute California residents and visitors, including for purposes expressly prohibited by the U.S. Constitution and California law," Moore said.

Moore added that concerns over Flock cameras tracking people's moves are "particularly" acute under the Trump administration, "now well-known for exploiting national surveillance to quash political dissent."

He is asking the court to block the city from operating Flock cameras and order all images and data recorded by the cameras to be deleted. He also seeks to prohibit the city from accessing any Flock images or data without first obtaining a warrant.

A representative for Moore did not immediately respond to a request for comment.

In a statement to Courthouse News, Alex Barrett-Shorter, deputy press secretary for San Francisco City Attorney David Chiu, said that they take privacy "very seriously" and will review the complaint once it is served.

"San Francisco has taken steps to ensure law enforcement agencies outside of California are not able to access SFPD's Flock Automated License Plate Reader data," she said.

Barrett-Shorter also referred to the Flock's SFPD Transparency Portal, which she said "confirms only agencies within California are able to access SFPD's data."

A representative for SFPD declined to comment due to open litigation.

California Brief

San Francisco Sued Over License Plate Cameras, Data Sharing (1)

December 29, 2025, 8:16 AM PST; Updated: December 29, 2025, 11:16 AM PST

The San Francisco Police Department unlawfully shared license plate data captured by the city's nearly 500 Flock Safety cameras with state and federal agencies, a proposed class action alleges.

The automated license plate readers also "make it functionally impossible to drive anywhere in the City without having one's movements tracked, photographed, and stored in an AI-assisted database" that allows officers to conduct warranteless surveillance, according to the complaint filed Sunday in the US District Court for the Northern District of California.

The city "has taken steps to ensure law enforcement agencies outside of California are not able to access SFPD's Flock Automated License Plate Reader data," said Jen Kwart, communications director for San Francisco City Attorney David Chiu, in a statement to Bloomberg Law. "We take privacy very seriously and will review the complaint once we are served."

The police department didn't immediately respond to a request for comment.

Plaintiff Michael Moore, a resident and retired public school teacher, seeks to represent a class of all San Francisco residents who drive in the city with a valid license.

California Attorney General Rob Bonta (D) sued a San Diego area city in October for allegedly sharing license plate data collected by Flock cameras with law enforcement in more than two dozen other states, violating California law. Several other jurisdictions have also been hit with lawsuits over police use of license plate readers.

The proposed class suit, alleging constitutional and state law violations, also comes as the Trump administration cracks down on immigration enforcement. US Immigration and Customs Enforcement has increased its spending on surveillance tools, the suit says, including on license plate readers.

Moore claims San Francisco police allowed law enforcement agencies in Georgia and Texas to search its Flock database on behalf of US Immigration and Customs Enforcement, despite SFPD's own surveillance policy stating it doesn't use data collected by license plate readers to enforce immigration laws. California law also prohibits the sharing of that data with out-of-state law enforcement agencies, Moore asserts.

Flock provides its users with advanced search and AI features allowing officers to generate lists of locations a specific car has been captured, vehicles with specific features, such as political bumper stickers, and information as to which cars visited specific locations or events, such as protests.

There "are no meaningful restrictions" on SFPD's access to the information, Moore says. Officers only have to watch an orientation video to access the data, and aren't required to obtain a warrant or establish probable cause to search the database.

Moore is seeking an injunction barring San Francisco from operating its Flock cameras and ordering it to delete all data generated by the plate readers.

Ramzi Abadou of San Francisco represents Moore and the proposed class.

The case is Moore v. City and Cnty. of S.F. , N.D. Cal., No. 3:25-cv-11011, complaint filed 12/28/25 .

(Updates third paragraph with comment from San Francisco.)

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Eaton and Palisades Fire litigation strained courts in 2025

DJ dailyjournal.com/articles/389163-eaton-and-palisades-fire-litigation-strained-courts-in-2025

A firefighter works to suppress a burning home during the Eaton Fire in Altadena, Jan. 8. (New York Times News Service)

Wildfire litigation was a central feature of Southern California's legal landscape in 2025, as a series of destructive Los Angeles County blazes generated overlapping waves of claims throughout the year and tested the ability of the courts, attorneys and defendants to manage the expanding docket.

According to some attorneys, the Palisades and Eaton Fires, while distinct in their causes and defendants, emerged as focal points in a year that highlighted how wildfire litigation continues to evolve.

"Compared to past wildfire cases, the Eaton and Palisades Fire cases are on steroids," Robertson & Associates LLP founder Alexander Robertson IV said.

"The cases are bigger, more complex and involve tens of thousands of plaintiffs. The scope and scale of these cases is testing the limits of the court's electronic data management system and requiring much more case management by plaintiffs' leadership and the court."

Robertson is co-lead in the coordinated Palisades Fire litigation before Superior Court Judge Samantha P. Jessner. The master complaint accuses the City of Los Angeles and California Department of Parks and Recreation of negligence and related failures tied to the containment and response to the Jan. 1 Lachman Fire. Plaintiffs say embers were allowed to remain active from that fire and erupt into a neighborhood-destroying conflagration a week later.

Robertson said that while the Superior Court's "experienced" panel judges are well equipped to manage such large wildfire cases, the volume of the filings and parties has required heightened coordination and oversight. The Palisades Fire litigation, in particular, stands out because it departs from the more familiar model of wildfire cases centered on investor-owned utilities, he said.

"Unlike prior wildfire cases ... the target defendants in the Palisades case ... are claiming governmental immunities as a defense to the plaintiffs' tort claims. This immunity defense is unique to the Palisades Fire case," Robertson said.

The Palisades Fire case also involves dozens of public agency defendants and multiple theories of liability, adding layers of complexity that have shaped how the litigation has unfolded and contributed to the rising frustration among fire victims.

"The anger and frustration by the victims of the Palisades Fire is palpable," Robertson said. "It is beyond anything I've ever seen before, and their anger is growing. Our clients feel betrayed by the public agencies they expected would keep them safe. This was a failure at every level of government."

The state parks and its counsel said they do not comment on pending litigation. Attorneys defending the city at Munger Tolles & Olson LLP were unable to comment.

In court filings, the city and state deny the plaintiffs' theory that state parks officials instructed firefighters to refrain from full suppression of the Lachman Fire, which they say caused embers to smolder and later reignite into the Palisades blaze. Demurrers are scheduled to be heard in February while limited depositions of select firefighters and state parks staff began earlier this month. *Grigsby et al. v. City of Los Angeles acting by and through Los Angeles Department of Water and Power et al.*, 25STCV00832 (L.A. Super. Ct., filed Jan. 13, 2025).

While the Palisades litigation centers largely on alleged government failures, the Eaton Fire lawsuits place blame on Southern California Edison under more traditional utility wildfire liability theories.

Wisner Baum LLP partner Ari S. Friedman, who represents Eaton Fire victims, said the case illustrates both continuity and contradiction in how utilities approach wildfire claims.

Friedman said Edison's out-of-court wildfire compensation program highlights what he views as a disconnect between the utility's public messaging and its litigation position. In October, Edison finalized the program to cover more than 18,000 eligible properties and said it was a voluntary alternative to litigation. The utility asserts the program does not constitute a legal admission of liability.

"I think what we saw in Eaton, to a degree that I haven't experienced on this scale, is a dichotomy between Edison simultaneously going to the public and saying, 'Sorry for starting the fire. We're going to create this compensation program and we want to start offering affected people the ability to get paid for what they lost and ... went through," Friedman said.

"But when they walk into court and they have to deal with the litigation, they say the exact opposite," Friedman continued. "This is kind of unique for me in the sense that they're saying, 'Yes, we did it. Yes, we understand a lot of people were harmed and killed, but inside the four walls of the courtroom, we're not going to take that same type of responsibility.'"

Friedman said it was frustrating from a litigation perspective, "because all of my clients are looking down and saying, 'Isn't the CEO of Edison admitting they started the fire?'"

Singleton Schreiber LLP partner Gerald B. Singleton, another attorney representing Eaton Fire victims, said the case has been frustrating for him because he believes Edison has taken litigation positions that conflict with public statements by company leadership, for example, while at the same time seeking to delay trial proceedings and resisting discovery.

He said those alleged tactics have prolonged uncertainty for victims despite what he views as clear evidence of how the fire started.

In comparison to past wildfire litigation against Edison, Singleton said, "I think the biggest difference here has been how Edison has responded. This is the first fire where there's absolutely no question where the fire started because it's on video. ... There's no mystery what happened here," Singleton said.

Through a company spokeswoman, Southern California Edison general counsel Gabriela Ornelas said in a statement: "This has been a difficult year for everyone affected by the wildfires in Southern California. We are committed to helping our communities recover and will continue working through the legal process in a careful and timely manner to reach a fair resolution."

Outside counsel representing the utility at Hueston Hennigan LLP were unable to comment.

Friedman said that while the out-of-court wildfire settlement option isn't new for Edison, he argued the utility is using the program more aggressively in this instance to manage future litigation exposure because of the coordinated litigation's magnitude - which also includes thousands of claims and cases.

"It seems to be something they're putting a lot more stock into ... to try and buy off claims cheap ... and reduce their ultimate liability when and if they start settling litigation claims," Friedman said.

While denying liability in court, Edison's counsel has said the cause-and-origin investigation of the Eaton Fire remains ongoing and that avenues such as mediation would be premature at this stage. The plaintiffs allege circumstantial evidence suggests Edison's high-voltage transmission equipment near the Eaton Fire's area of origin - which the fire victims say the utility failed to de-energize despite red flag weather warnings - is the likely cause.

Superior Court Judge Laura A. Seigle oversees the coordinated Eaton Fire litigation and set a trial for January 2027. *Gursey v. Southern California Edison et al.*, 25STCV00731 (L.A. Super. Ct., filed Jan. 13, 2025).

"In the litigation sense, that's on the faster side," Friedman said, noting that wildfire trial timelines often depend on the circumstances of each fire and that a roughly two-year path from filing to trial is relatively expedited.

"Once that trial date starts to solidify, I anticipate Edison will do what it's done in every other wildfire, and that is to start reaching out to create a settlement program."

Singleton said that while the two-year trial timeline is quicker than in some wildfire cases, it should be viewed in context, noting that litigation stemming from the 2017 Thomas and 2018 Woolsey fires, for example, was slowed by the COVID-19 pandemic and more complex disputes over fire origin.

"And what I think is very frustrating is that they have waged a disingenuous, and frankly, unethical campaign to ... delay the trial as long as they can by making affirmative representations to the court in terms of how long it would take ... and things like that," Singleton said about Edison.

Singleton said the utility sought to delay the Eaton Fire trial date by telling the judge additional preparation time was needed, only to later acknowledge it could proceed on a faster timeline after the January 2027 continuance was granted.

"Frankly, I think a trial date in June, which is what we were asking for, would have been more than reasonable," Singleton said, claiming that "there's no dispute" about where or how the Eaton Fire started that would otherwise reasonably delay the proceedings.

"The only delay we have here is that Edison continually refuses to comply with its discovery obligations and turn things over," Singleton added.

Another issue in the Eaton case is Edison International's effort to distance itself from its Southern California subsidiary. The parent company, which has successfully sought dismissal in prior wildfire litigation, including the 2020 Bobcat Fire, says the same grounds apply here.

Friedman described this dispute as a fact-sensitive inquiry into whether the parent company can legitimately avoid liability based on corporate separateness, an argument he said is common in complex corporate litigation.

Singleton, who is among the attorneys preparing the opposition to Edison International's summary judgment motion, said the Eaton Fire litigation differs materially from prior cases in which the parent company exited the proceedings.

He noted that while he was not involved in the 2020 Bobcat Fire litigation when the issue arose, most claims in that case had already settled, whereas the Eaton Fire claims remain at an early stage with liability still actively contested.

Singleton said "there's absolutely no basis" for Edison International to avoid liability here, pointing, in part, to public statements made by its CEO, Pedro Pizarro.

"If you just look at one of the many statements that Pedro Pizarro has made about how Edison is going to be compensating the victims, how Edison is involved in oversight ... you really don't have to look any farther than his statements to show that Edison's argument that they don't have any role in governing Southern California Edison ... doesn't pass the laugh test," Singleton said.

On Oct. 29, after Southern California Edison finalized its out-of-court compensation program, Pizarro said in a company news release: "We listened to more than a thousand voices and learned what matters most to those impacted by the Eaton Fire: clarity, fairness and speed."

The Eaton Fire burned more than 14,000 acres in Altadena, Pasadena and the Angeles National Forest, damaging or destroying over 9,400 structures over the course of three weeks.

The Palisades Fire destroyed large areas of Pacific Palisades, Topanga and Malibu before it was fully extinguished on Jan. 31. It burned more than 23,000 acres, killed 12 people and destroyed over 6,800 structures.

#389163

Securities

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Fried Frank Hit With Goldman Investment Data Breach Suit (2)

December 24, 2025, 10:36 AM PST; Updated: December 24, 2025, 12:27 PM PST

Summary by Bloomberg AI AI Generated

- A class action alleged that Fried, Frank, Harris, Shriver & Jacobson LLP failed to adequately safeguard sensitive personal information of account investments associated with a Goldman Sachs private equity fund.
- Goldman Sachs Asset Management LP confirmed a security incident might have exposed account holders' information, but the law firm hasn't notified account holders or offered credit monitoring services, the complaint said.
- Plaintiff Andrew Sacks seeks to represent a class of people whose data was compromised and is seeking damages as well as a requirement that the law firm pay for credit monitoring.

International law firm Fried, Frank, Harris, Shriver & Jacobson LLP failed to adequately safeguard the sensitive personal information of account investments associated with a Goldman Sachs private equity fund, a class action alleged Wednesday.

Goldman Sachs Asset Management LP confirmed a security incident might have exposed account holders' information, but the law firm hasn't notified account holders or offered credit monitoring services, the complaint filed in the US District Court for the Southern District of New York said.

"Fried Frank recently experienced a data security incident," a spokesperson for the firm said in an emailed statement responding to an inquiry about the lawsuit. "We promptly acted to contain the incident and engaged industry-leading, external data security experts to assist in our response and in verifying the security of our systems and reported the matter to law enforcement. We have served and continue to serve our clients without disruption."

Plaintiff Andrew Sacks said he had investment accounts with the Petershill Private Equity Seeding II Offshore Fund, which was managed by Goldman. The asset manager then entrusted Fried Frank to store sensitive personal data like addresses, social security numbers, and banking information, the complaint said.

But Sacks "is especially alarmed that he has yet to be notified" by the law firm that his data was compromised, the complaint said, and was instead only notified by Goldman.

The investment bank told investors of the incursion in a Dec. 19 letter filed with the complaint. The Wall Street law firm serves as outside counsel to many of Goldman's alternatives funds. "We have been working closely with Fried Frank to better understand whether our data or our clients' data may have been exposed. This analysis is ongoing and we will provide client-specific notifications as we learn more," the letter said.

He said that if he's known Fried Frank's computer systems weren't secure, he wouldn't have trusted Goldman with his personal information.

"Goldman Sachs' systems were not impacted by this incident and remain secure," a spokesperson for the bank has said. "As always, we will continue to work to safeguard our clients and their data."

The law firm hasn't made offers to compensate victims for the data breach, and the victims can "face multiple years of ongoing identity theft," according to Sacks' complaint.

Sacks seeks to represent a class of every person whose data was compromised as a result of the breach and who were notified on or after December 19.

He brings claims for negligence, breach of implied contract, breach of fiduciary duty, and unjust enrichment. Sacks is seeking damages as well as a requirement that the law firm pay for at least 10 years of credit monitoring.

Sacks is represented by DannLaw.

The case is Sacks v. Fried, Frank, Harris, Shriver & Jacobson LLP , S.D.N.Y., No. 1:25-cv-10693, complaint filed 12/24/25 .

(Updates with details from Goldman Sachs' letter to investors.)

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How legal professionals are using AI with Angela Reddock-Wright

DJ dailyjournal.com/articles/389196-how-legal-professionals-are-using-ai-with-angela-reddock-wright

Angela Reddock-Wright, mediator and neutral, Signature Resolution

What specific task or workflow in your practice, chambers, or studies has AI changed most dramatically, and what does that look like day-to-day?

As a mediator, AI has helped transform my workflow and preparation for my daily mediations. In terms of preparation, I use vetted and proprietary AI platforms to assist me in summarizing client briefs and comparing the factual and legal arguments presented by all parties involved in the mediation. I also have used AI to build tools that allow me to be more efficient in my mediation practice, such as using it to develop checklists for my pre-mediation client calls and for managing my post-mediation client follow-ups.

When you're using AI tools for legal research or drafting, how do you verify the output? What's your process for catching hallucinations or errors?

I do not use AI as my lead or primary resource for legal research or for drafting such documents as settlement agreements.

With respect to legal research, I first begin by reading the mediation briefs presented by the lawyers representing their clients in mediation. Given my 30 years' experience as an employment and Title IX lawyer, and now mediator, I have a general understanding of the legal issues that arise in these practice areas, so I am generally able to flag whether there are any legal arguments that are nuanced and may need further research for my full understanding.

To the extent I need to do additional research beyond the briefs, I first begin with the research libraries and databases I have built on my own over the years, and then I cross-check information with well-known and regarded practice guides, legal journals, and other leading publications. After doing the baseline research, I then may run the scenario or legal issue confidentially through an AI platform. Because I use the AI platform as a supplemental research tool only, I generally am able to flag right away any hallucinations or errors in the AI's analysis.

With respect to document drafting, I generally rely on the attorneys in mediation to draft such documents as settlement agreements. To the extent I need to offer insights or assist in the drafting of certain settlement terms, I first rely on my own database of settlement agreements and terms and may resort to AI to research whether there are better or new and enhanced ways to craft certain terms. I never use AI as a primary source or starting point.

Have you encountered a situation where AI led you astray or gave you problematic advice? What happened and what did you learn?

I have not experienced this problem yet, perhaps because I generally only use AI as a supplemental source or tool after doing my own research and examination of an issue. In doing this, I generally am able to draft the AI prompt in a way that is specific and tailored enough for AI to provide me with the information I am looking for.

How are you thinking about confidentiality and data security when using AI tools? What guardrails have you put in place?

I only work on proprietary AI platforms that have been tailored for the mediation company and panel I am associated with. Additionally, I am careful not to include any information in my prompts that may reveal the names, identifying factual or other information that might reveal the identities of the parties, witnesses, or other individuals, or other confidential or sensitive information included as a part of the mediation.

What kind of legal work do you think AI will never be able to do well, and why?

I do not believe AI will be able to replace human mediators and neutrals. The business of helping people resolve problems and conflict often is driven beyond the numbers and predictive analytics, especially in cases like employment and family law, and even in consumer and business conflicts. Most conflict involves looking beyond the numbers and connecting with individuals on a personal level to understand the origins of the conflict, what may motivate them to want to resolve the conflict, and the feelings and emotions that often are at the heart of most conflicts. Only humans can connect in this way.

How has AI affected your professional relationships in terms of what services or work you provide, how you communicate, or what others expect from you?

I have not allowed AI to get in the way of my professional relationships. I only use AI as a secondary tool to help support my mediation practice and to make it more efficient. However, I still very much believe in the importance and power of connecting with clients, colleagues, and others directly and in building relationships face-to-face.

If someone just entering the legal profession asked you how to think about AI in their career development, what would you tell them?

I would highly recommend anyone entering the legal profession to learn more about AI and how it is changing the legal profession. I also would encourage them to get the necessary training to ensure they understand AI, how best to use it as a lawyer or legal professional, and understand our ethical obligations as lawyers and neutrals to our clients and others. I would tell them that AI is not going away, so we have to embrace it in a way that helps make our profession and the delivery of our services to clients better, but to never allow it to replace the value we bring to our clients as trained lawyers and legal professional, that also bring the human touch and element to the work we do.

#389196

Securities

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Income Tax, AI Disclosures on Tap for Annual Corporate Reports

December 30, 2025, 1:45 AM PST

Summary by Bloomberg AI AI Generated

- Publicly traded companies will add new disclosures to their financial reports on tariff-related risks and income tax payments made to jurisdictions around the world.
- The new reporting requirements mean accounting teams should ensure they have adequate internal processes around the information they're receiving from tax departments so that financial reporting is accurate.
- Companies need to be prepared for several scenarios related to tariff policies and AI risks, and provide detailed disclosure without endangering competitive information, as they prepare their companies' 2025 reports, called Form 10-Ks.

Publicly traded companies are headed into an annual reporting season that will see them add new disclosures to their financial reports on tariff-related risks and income tax payments made to jurisdictions around the world.

Corporate accountants will navigate fresh requirements and evolving risks after a turbulent year marked by a new tax law, ever-evolving trade policy, and artificial intelligence advancements as they prepare their companies' 2025 reports, called Form 10-Ks.

Businesses with fiscal years ending Dec. 31 will be under deadlines in early 2026 to file their reports with the US Securities and Exchange Commission. Investors use 10-K filings' financial statements, risk factors, and management's discussion and analysis, or MD&A, to understand business performance and relevant vulnerabilities and opportunities, while SEC staff review them to monitor compliance with reporting requirements.

"There have been years where likely you didn't have to watch the national news every day in order to prepare your 10-K, whereas these days you do," FTI Consulting managing director Dan Berman said.

The income tax disclosures are the product of the Financial Accounting Standards Board's updated rules requiring companies to disclose income taxes paid to federal, international, and state governments, net of refunds received. If jurisdictions account for more than 5% of the total tax obligation, businesses must list them individually.

The new reporting requirements mean accounting teams should ensure they have adequate internal processes around the information they're receiving from tax departments so that financial reporting is accurate, PwC US Chief Accountant Thomas Barbieri said.

Accountants will need to "understand the story behind the numbers so that they can properly address it from a disclosure perspective," he said.

Trump Policy

The Trump administration's tariffs and tax law could affect businesses' 10-K disclosures. Companies have known for nearly six months that they'll have to explain impacts of the federal tax law President Donald Trump signed in July, which, Berman said, hopefully means they are prepared.

Fluctuating tariff policies, on the other hand, have made disclosure of possible business impacts like disrupted supply chains or increased costs more unpredictable.

If companies are too uncertain to feel comfortable quantitatively disclosing possible impacts, they should explain how they are planning for different scenarios, evaluating mitigating strategies and potential price changes, and communicating with vendors, said Lara Long, managing director at business advisory firm Riveron.

"If you're going to go qualitative, you should just be as descriptive as possible on the actions that you're taking, the actions that you will take, and directionally what's going to be impacted," Long said.

While disclosures fit well in the 10-K section on risk factors, uncertainty stemming from the US Supreme Court's impending decision on whether some of Trump's import levies are illegal is also "ripe for disclosure" under the MD&A heading for companies materially impacted by tariffs, said Eric Juergens, corporate partner at Debevoise & Plimpton LLP.

If the high court rules on tariffs after a company's fiscal year ends but before its 10-K is issued, the company may need to consider guidance for "subsequent events" depending on the impact and make certain disclosures.

Companies need to be prepared for several scenarios so they're not scrambling at the last minute to add information, Berman said.

"You can't have your head in the sand," he said.

AI Risks

The SEC's division of examinations included AI as a focus area in its 2026 examination priorities, saying it will review for accuracy how companies represent their capabilities.

Agency officials have warned against "boilerplate" AI-related disclosures that don't give investors much useful information.

Accounting analyst Olga Usvyatsky said she hopes to see more specific examples and numbers in 10-K disclosures for 2025, such as how much revenue a company expects an AI product to rake in.

Companies can provide detailed disclosure without endangering competitive information, Juergens said.

"You could be very generic about that and just say, 'Yeah, we're using AI for insurance underwriting decisions,'" Juergens said. "Or you could be more specific as to what types of policies you're using it for, how many policies that that AI is being applied to."

Going forward, AI-related risks will add to the growing length of risk factor disclosures as businesses improve their assessment of materiality, Kristen Jaconi, executive director of the Peter Arkley Institute for Risk Management at the University of Southern California's Marshall School of Business, said in an email.

Accounting Rules

Corporate accountants will also need to ensure their companies comply with financial reporting standards calling for details on income taxes, as well as other FASB rules.

The updated income tax disclosure rules cover annual periods beginning after Dec. 15, 2024 for public companies, meaning calendar year-end companies must include the expanded reporting in their 2025 10-Ks filed early next year.

Companies should ensure their management discussion is aligned with the new information they're providing, including under the income tax disclosure guidance, Riveron's Long said.

"Now that you're putting cash paid by significant country and the areas where you have significant provision obligations, that should be mirrored somewhat in your MD&A," Long said.

Another recent FASB update requires public companies to reveal big segment-level expenses like advertising or the costs to sell products.

SEC staff this year scrutinized the first batch of annual financial reports that reflect the segment guidance and said they've found certain "missing or incomplete" disclosures.

The SEC declined to comment further on its previous statements, as well as on what types of information staff will be looking for when reviewing 10-K disclosures.

There are many single-segment businesses, yet they still need to provide the details required by FASB, PwC's Barbieri said.

"It's important for them to realize that all of the segment disclosures are applicable to them," he said.

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Judge: LinkedIn antitrust deal can't just pay lawyers $4M for temp relief | Northern California Record

legalnewsline.com/northern-california-record/linkedins-proposed-antitrust-settlement-rejected-by-judge/article_ede46438-da9c-406a-a0e9-bf335ffab204.html

Scott Holland, Jonathan Bilyk December 29, 2025

LinkedIn corporate headquarters in Sunnyvale, California
LPS.1, CC0, via Wikimedia Commons

OAKLAND - A federal judge in Oakland has rejected a negotiated settlement to end an antitrust lawsuit accusing LinkedIn of illegally monopolizing the online networking industry before overcharging premium subscribers, saying the deal needed to do more than set up a temporary ban on LinkedIn's alleged misconduct in exchange for a $4 million payment to the trial lawyers who filed the lawsuit.

U.S. District Judge Haywood Gilliam filed an opinion Dec. 17 rejecting a motion for settlement from the plaintiffs who first sued LinkedIn in January 2022. That lawsuit alleged the company's "data centralization, machine learning models and resulting trove of inferred data" empower it to monopolize the market and pave the way for gouging members of its Premium Career service.

The users — Todd Crowder, Kevin Schulte and Garrick Vance — filed the settlement motion in July through their attorneys from the firms of Bathaee Dunne, of New York and Austin, Texas; Burke LLP, of San Diego; and Korein Tillery, of St. Louis. They had proposed the class include about 9 million Premium purchasers dating back to January 2018, with service awards of up to $5,000 per plaintiff.

The attorneys, however, would get up to $4 million and another $100,000 in reimbursement for costs and expenses.

According to the motion, relief for the class members would be in the form of an agreement from LinkedIn to refrain for three years from making deals with potential rivals that offer access to private user data on the condition those companies don't compete with LinkedIn.

The plaintiffs claimed those deals have centered on application programming interfaces, or APIs, and said LinkedIn only offers APIs when it wants to stifle competition. They also claimed LinkedIn integrated user data with Microsoft's Azure cloud system in an effort to control scarce hardware resources.

In his decision, Judge Gilliam said plaintiffs sacrificed potential claims for damages before even trying to get a damages class certified, while the plaintiffs' lawyers would split a seven-figure fee.

He noted the plaintiffs argued a three-year moratorium on API dealing would be “enough time for market correction and price equilibrium.” But the judge said the plaintiffs provided no real data to show why 36 months would be sufficient for a competitor to challenge the strength of LinkedIn’s machine learning and data collection models.

“The court appreciates that the practical realities of negotiation sometimes mean that a plaintiff cannot achieve permanent injunctive relief through a settlement,” Gilliam wrote. “That said, three years is a far cry from achieving ‘essentially all of ... (the) injunctive relief’ sought.”

Gilliam further said that even if LinkedIn agreed to stop offering APIs and related data in exchange for noncompete clauses, nothing would stop LinkedIn from just shielding its data from anyone. Since the initial complaint alleged no entity can compete with LinkedIn given its critical mass of data and models, he reasoned LinkedIn could continue to control the market even under the settlement terms.

“Plaintiffs claim they will be able to quantify the value of this injunctive relief at final approval by presenting expert testimony from an antitrust economist,” Gilliam wrote. “But that does not help when serious problems are evident on the face of the settlement, and the court does not have the purported evidence before it.”

The original complaint sought actual or trembled damages and consistently alleged the anticompetitive behavior led to supracompetitive prices LinkedIn charged to subscribers, but Gilliam said they “entirely abandoned” that pursuit with the settlement terms.

“Plaintiffs do not attempt to quantify the monetary relief they could have achieved at trial or compare that expected value to the benefits of the injunctive relief here, making this decision even harder to understand,” Gilliam wrote. “Plaintiffs have not clearly explained what about the strength of their case, the risks and costs of trial, or the possible relief at trial justified compromising the monetary relief for zero dollars.”

Gilliam agreed with the plaintiffs' framing regarding challenging, protracted litigation typical of antitrust cases and acknowledged his previous skepticism about their legal theory. But he said their statements were "generic" and added "the lack of any unique discussion makes the zero-dollar value of this settlement hard to compare against the expected recovery at a later stage."

Although some settlements yielding only an injunction are fair and reasonable, he continued, there also is the matter of balancing the agreed upon terms against the $4 million attorney award.

"Because plaintiffs have not shown that this short-term injunctive relief is adequately valuable to justify sacrificing monetary relief without ever attempting to certify a damages class — including by failing to clearly articulate what the expected recovery could have been — the court cannot find that this settlement falls in the range of possible approval, and this factor heavily favors denial of preliminary approval," Gilliam wrote.

He said the terms are "particularly concerning" coming so soon in the litigation and while the factors don't "per se establish collusion," the situation warrants enhanced judicial scrutiny. Since courts usually calculate 25% of a settlement fund as a reasonable benchmark for a fee award, the injunction would have to be worth at least $16 million, a figure he said isn't warranted based on current evidence.

Gilliam set a case management conference for Jan. 13.

California Brief

Deep Dive

Insurers' Fight With Litigation Funders Hits Liability Policies

December 30, 2025, 2:00 AM PST

Commercial liability insurers will soon have the option to make policyholders disclose third-party funding agreements, part of an escalating fight between carriers and litigation funders over underlying mass tort cases.

Following insurance industry outcry over third-party litigation funding, the Insurance Services Office—a unit of Verisk Analytics Inc. that issues widely used standard policy forms—released optional liability insurance language that would require policyholders to disclose funding agreements involving them or their attorneys in claims disputes with their carriers.

Insurance giants so far haven't announced plans to adopt the provision, which could hit policies as soon as January. But it's already drawing pushback from policyholder advocates and brokers who say the language doesn't address widespread concerns about litigation funding and would only serve to give carriers an unfair leg up in insurance disputes.

"There are bigger fish to fry when it comes to this exposure," said Ania Caruso, the national casualty president of Risk Placement Services, Gallagher's wholesale insurance brokerage.

The insurance industry's complaints about litigation funding generally focus on its purported role in pushing "social inflation," a term insurers use to describe the rising cost of claims due to frivolous tort litigation and "nuclear verdicts," among other factors.

Leaders of Chubb Ltd. and broker Marsh McLennan in July authored an op-ed arguing that outside funding for injury claims has led to drawn-out litigation and fueled frivolous suits.

Many commercial policyholders are also worried about those issues, said Ed McNenney, who leads Willis Towers Watson Plc's excess liability and crisis management practice.

"We'd push back on it completely because it's a one-way endorsement," he said of ISO's proposal. "It only serves the interest of the carriers, but in an area the carriers are not even concerned about, litigation funding behind declaratory judgment actions."

Policy Language

The endorsement is an effort to create transparency around third-party litigation funding, so that insurers can better understand how common such arrangements might be, said Joseph Lam, ISO's vice president of general liability.

The language requires disclosure of funding agreements in coverage disputes, not underlying tort claims against policyholders, because that's the extent of what insurance policies can address, Lam said.

ISO—which also proposed liability insurance provisions this year addressing evolving risks such as generative AI, human trafficking, and cyber warfare—plans to seek approval for the litigation funding provision in personal-lines policies in the future, Lam added.

Allen Kirsh, senior vice president of claims, judicial, and legislative affairs for Zurich North America, acknowledged that coverage litigation isn't the source of the industry's concerns about litigation finance.

But even in the context of insurance disputes, the presence of third-party funding can slow or prevent the resolution of claims, and Zurich is always trying to actively resolve those disputes, he said.

Disclosure Consequences

Tom Baker, an insurance law professor at the University of Pennsylvania, said the disclosure contemplated in ISO's endorsement—which would require policyholders to share a copy of any funding agreement in addition to basic information about the third-party funder—goes beyond what's required by any state law.

The use of insurance contracts to require disclosure would also be a new development, said William Marra, who leads Certum Group's litigation finance strategy.

"The disclosure of litigation funding risks putting impecunious litigants at a systematic disadvantage in our legal system," Marra said. "It can disclose to defendants very valuable information, including who has funding, and critically, who does not have funding."

Disclosure could level the playing field in certain cases where carriers believe they can squash a claim because a policyholder may be unable to afford to fight a denial, said Mike Levine, a policyholder-side attorney at Hunton Andrews Kurth.

Still, the provision is problematic for other reasons, Levine said.

If adopted by carriers, the endorsement would likely resonate beyond the rare coverage cases that involve third-party funding.

"Requiring this endorsement provides advance warning that the insurer isn't going to fight fair in the event of a coverage dispute," Baker said.

It would also create an additional avenue for carriers to deny coverage if the condition is breached, Levine said.

It's unclear why the provision is framed as a mutual requirement, when there are few, if any, occasions where carriers would receive third-party funding in claims disputes with their policyholders, several policyholder advocates said.

Ambiguities in the provision open the door to litigation over its meaning if carriers adopt it and seek to enforce it as a condition of coverage, attorneys said.

'Non-Explanation Explanation'

At least 42 states have approved ISO's proposal, Lam said.

California's insurance regulator was among those that objected to the language, asking ISO to explain why it's introducing the endorsement at this time.

The insurance office simply reiterated that it was seeking to address certain third-party litigation funding that it said could be contributing to social inflation.

"The ISO explanation of the new endorsement is a classic ISO non-explanation explanation," Baker said.

Others dispute the argument that funding fuels frivolous litigation.

"To the contrary, the evidence shows that funders serve as a very effective screen, only backing the most meritorious cases, and if anything, likely resulting in fewer weak cases getting filed," Marra said.

Cases must meet a high bar to qualify as a desirable investment for commercial funders, said Fiona Chaney, a senior investment manager and legal counsel at litigation funder Omni Bridgeway and a former policyholder-side lawyer.

The third-party financing endorsement may ultimately be a way for ISO to show it's responding to insurers' concerns.

"The insurance industry right now is in a moral panic about litigation funding," Baker said.

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The Double Life of Thomas Goldstein, a Supreme Court Lawyer

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Jeffrey Toobin December 28, 2025

Credit...Jonno Rattman for The New York Times

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The high point of Thomas Goldstein's career as a Supreme Court advocate took place a few minutes after 10 on the morning of Oct. 7, 2020. Goldstein had just begun his argument before the justices on behalf of Google in an immensely complicated, but highly significant, copyright dispute with Oracle. The controversy arose when Google, in developing its Android operating system for smartphones, used about 11,500 lines of computer code from Oracle's Java SE, a platform that allows developers to write programs that can run on various devices. In a lower court, Oracle won a judgment that Google's use of the code violated Oracle's copyright. Google was facing $9 billion in damages.

Before Goldstein appeared in front of the court, he had focused on one main point in his written brief: Oracle's platform was simply not copyrightable, so Google could not have committed infringement. But after hearing the first few questions from the justices, Goldstein made a sharp pivot — and took a big gamble. Even if Oracle possessed a valid copyright in Java SE, he argued, Google had made "fair use" of the platform, which was a distinctly subsidiary point in his brief. "Fair use" of copyrighted material is not infringement.

Goldstein's shift was so dramatic that even the justices took note of it. "Mr. Goldstein," Justice Neil M. Gorsuch said, "if I understand the conversation so far, you are moving past, rather rapidly, the primary argument in your brief that the code just simply isn't copyrightable. And I think that's probably a wise move."

It was. The following April, the Supreme Court gave Google a smashing victory, entirely along the lines that Goldstein had raised on the fly at the oral argument. In a 6-to-2 majority opinion, Justice Stephen G. Breyer said that Google's copying of the lines of software amounted to fair use, and thus the court overturned Oracle's victory. Google wouldn't have to pay a cent.
For Goldstein, the decision was the latest chapter in an extraordinary story of professional ascent. The Supreme Court bar is a priesthood within a priesthood, an especially rarefied corner of the legal profession where almost all the leading performers share the same credentials: graduation from an elite law school, clerkship for a Supreme Court justice and service in the Office of the Solicitor General, which represents the federal government before the court. Goldstein did none of these things, but he still rose to the very top. At age 50, he had already argued more than 40 cases before the justices and co-founded SCOTUSblog.com, an authoritative guide to the work of the court. Thanks to a high-profile victory for a blue-chip client like Google, he could look forward to years of similarly important, and lucrative, assignments.

It hasn't worked out that way. Just a couple of years after his victory in Google v. Oracle, Goldstein stunned the world of Supreme Court advocates and insiders by announcing that he would no longer represent clients before the justices. In public, he attributed the decision to the rightward drift of the court, but that explanation contained only a sliver of the truth. In fact, over the previous decade-plus, Goldstein had been leading a secret life of ultra-high-stakes gambling and "sugar daddy" relationships with multiple young women — a life so sheltered from those around him that no one knew the full extent of it, least of all his wife.

When it came to light, his life unraveled. His friends have largely abandoned him. His marriage of three decades is ending.He is nearly bankrupt. Most pressing of all, Goldstein is staring down a 22-count federal indictment on tax-fraud charges and a trial that is scheduled to begin in January. If convicted on the most serious charges, he will almost certainly face prison time.

Contemplating his future from his home office in Washington, Goldstein is frequently reminded of his current predicament. His bail conditions limit him to just two electronic devices — a phone and a desktop computer, where a message pops up every five minutes to inform him that the federal authorities are monitoring his activity. Goldstein sought to sell the house, valued at about $3 million, to pay his lawyers and expert witnesses, but prosecutors barred the sale; they plan to seize it, as the fruit of his crimes, if he is convicted.

Outside the front door, his two Bentleys, among other family vehicles, are gone, replaced by a Honda. But Goldstein is uncowed. “I have never, ever believed that I did anything wrong,” he told me. For his defense at trial, he’s planning the same kind of bold, all-in strategy that he used at the Supreme Court, this time with his own freedom on the line.

Goldstein’s fall has been as precipitous as his rise was meteoric. An indifferent student at the University of North Carolina, he survived academically by relying on the class notes of his girlfriend since freshman year, Amy Howe, who would later become his wife. He was admitted to the law school at American University only because a distant relative, who happened to be an adjunct professor there, went to bat for him with the admissions office.

During law school, though, something clicked, and Goldstein excelled. While he was a student, he developed a particular fascination with the Supreme Court, and he was hired as a summer intern by Nina Totenberg, the longtime Supreme Court reporter for National Public Radio. (As a law student at Georgetown, Howe also interned for her.) The couple, who married in 1994, became like family to Totenberg, and their first child, born in 2001, is named Nina in her honor.

Thanks in part to Totenberg’s recommendations, Goldstein started working for the celebrated lawyers David Boies and Laurence Tribe on the cases that became Bush v. Gore. I was covering the contested aftermath of the 2000 presidential election when I first met Goldstein. He was just 30, and he already displayed the premature aging — the wispy comb-over, the indoor pallor — of the prototypical Washington nerd. Still, his dweeby look deceived. Most young lawyers in the bag-carrying stage of their careers kept a cautious distance from reporters like me, but Goldstein was an opinionated schmoozer who gave off the unmistakable vibe of someone destined for big things. He’d mastered the inside game — “No one knew more about the Supreme Court than he did,” Boies told me recently — but he also thirsted to play in the broader culture, including the media and the internet, at a time when many other lawyers were first signing up for email.

Image

Thomas Goldstein represented Epic Games, makers of the popular Fortnite video game, in an antitrust case brought against Apple in the Court of Appeals for the Ninth Circuit, in San Francisco, in 2022.Credit...Jeff Chiu/Associated Press

As a young lawyer at the large firm Jones Day, Goldstein had an original insight. He could use the primitive computer tools then available to uncover so-called split circuits — cases in which circuit courts had decided the same question of law differently. Then — and here was Goldstein's real innovation — he would call the lawyers on the losing side and offer his law firm's services to file appeals to the Supreme Court. At the time, prospecting for clients was seen as somehow vulgar, sort of like advertising, and thus beneath the dignity of advocates who appeared before the justices. As Chief Justice John G. Roberts Jr. put it, back when he was still a private lawyer with an active Supreme Court practice: "If I'm going to have heart-bypass surgery, I wouldn't go to the surgeon who calls me up."

Goldstein ignored such etiquette with his cold calls — and they worked. "So I go and get five of these cases, and the first four are granted: *bang, bang, bang, bang*," he told me. When Jones Day wouldn't let him argue the cases he'd found — at that point he had never argued a case in any court — Goldstein left and started his own firm, where he was able to rustle his own split-circuit clients. Soon, Amy joined him in what would become Goldstein & Howe. In the years that followed, many Supreme Court practitioners, indeed most lawyers, began recruiting clients in a similar way.

By his early 30s, Goldstein had established himself as a successful, and prosperous, Supreme Court advocate, an adjunct professor at Stanford and Harvard law schools and, through his blog, a leading public commentator on the justices. On the day that the court upheld the Affordable Care Act, in 2012, as many as a million people would follow along as his site live-blogged the outcome.

In the early 2000s, ESPN began broadcasting poker, a game Goldstein had never played. “I loved watching,” he told me. “I think of it as a pretty intellectual thing. Actually, I like it because what poker is, fundamentally, is management of luck and management of risk.”

Goldstein quickly graduated from games around the kitchen table with jars of quarters to tables of high-rollers in Washington and New York. “I would play in home games where you could win and lose $100,000,” he told me.

Goldstein’s style of play reflected his swaggering, risk-friendly approach to litigation. “Very often lawyers, or people in general, want to make every conceivable argument, and you get in the situation where, by making every point, you essentially make no points,” he told me. “I’m a big believer that you have to figure out what your winning argument is. It is a poker thing, and that is being willing to say: This is not working. And if I just sit here and hedge my bets and argue both, I’m not going to accomplish anything.” As Bill Perkins, an Austin, Texas-based hedge fund manager, put it: “Tom is extremely wild and crazy, like a lunatic at the poker table. He’s fearless, an overbluffing kind of a player, what we call a chip bully. He tried to run people over at the table. You want controlled aggression, and he had unbridled aggression.” For better or worse, in poker and elsewhere, Goldstein believed in going all-in.

The first major turning point in Goldstein’s poker career came in 2008, when he put up the $10,000 fee to enter the World Series of Poker, a multiday extravaganza in Las Vegas. On the first night, after the tournament had ended for the day, Goldstein sat down at a table at the Bellagio. “I end up playing without looking at my cards,” Goldstein said. That, to put it mildly, was an unconventional strategy. He bet wildly and recklessly, but his opponents were flummoxed by his blind aggression. Goldstein told me he ultimately played that way for 18 hours and won some $400,000.

That night was also significant because it’s when Goldstein met Dan Bilzerian. An heir to a family fortune, Bilzerian became famous for his extravagant and louche lifestyle as a professional poker player in Las Vegas, and later for being a social media influencer whose posts often featured guns and women in bikinis. Bilzerian recalled Goldstein's antics that night: "People were all watching the game and talking about what a [expletive] maniac he was."

Goldstein appeared to regard Bilzerian with admiration; he contributed a passage to "The Setup," Bilzerian's 2021 memoir, calling him a "weed-smoking, gun-toting, multiple-girl-banging dude. … I'm lucky enough to say that he's one of my best friends." The nerd became a player, in more ways than one. Goldstein started wearing chunky silver jewelry and, like Bilzerian, sporting a thick, full beard. "Dan wanted to do all kinds of bets," Goldstein told me, "He wanted to do a TV show where it was him and me doing all kinds of crazy things around the world."

The TV show never came to fruition, but the pair did make one famous nonpoker bet. Goldstein had bought a Ferrari, which cost about $300,000. "I was jealous," Bilzerian later recalled, "so I did what most jealous people do. I talked [expletive]." Specifically, Bilzerian boasted that his souped-up 1965 Shelby Cobra could beat the Ferrari in a race. One thing led to another, and they agreed to a quarter-mile showdown at a drag-racing track in Las Vegas. According to Bilzerian's memoir, the original wager was $100,000, but the night before the race, Goldstein raised the stakes to $300,000 with poker chips from the Bellagio. The battle took place on March 9, 2011. Goldstein pushed his Ferrari to 121 miles per hour; but Bilzerian cranked his Cobra up to 133, and won handily.

Image

Screenshot of the drag race Goldstein had with Dan Bilzerian to settle a $300,000 wager.Credit...Screenshot from YouTube

During a photo shoot for Hustler magazine, Bilzerian threw a naked porn actress named Janice Griffith off a roof in Los Angeles into a swimming pool. She broke her foot, and her lawyer threatened to sue Bilzerian. Goldstein's legal response on his friend's behalf went viral in both the Supreme Court and poker worlds. "She was under contract to Hustler and agreed with Hustler's request that she be photographed while being thrown off the roof," he wrote. "I always thought that this kind of thing was Photoshopped instead. Perhaps Hustler's editorial standards would not permit it. Perhaps she insists on doing all her own stunts. I really do not know. In all events, she agreed. Very few people I know would make that choice. But there it is." He continued: "Like your client, the facts of the claim won't, quite, fly." TMZ obtained a video of the pool incident, which has nearly five million views on YouTube. (In later years, Bilzerian became notorious for his antisemitic views and conspiracy theorizing.)

That Goldstein had law clients in the poker world helped him explain to his wife his increasingly long absences from Washington. (He also represented the website Poker Stars, which was headquartered on the Isle of Man.) Goldstein told me that over the years he had actively misled his wife and friends about how much he was gambling. But once he started playing in public tournaments like the World Series of Poker, the size of the stakes unnerved those who cared about him. "I've been on his case about this for years and years, as was his wife," Nina Totenberg told me recently. "He just lied to us about it. In 2010, he promised her he wasn't going to gamble anymore." (Amy Howe, Goldstein's wife, declined to comment. To be clear, the Amy Howe who is the chief executive of FanDuel, the sports gambling company, is a different person.)

Most litigators have to engage in time-consuming tasks like reviewing documents, taking depositions and negotiating with adversaries. But the core of Goldstein's work was writing briefs (which could be done remotely) and then parachuting back into the capital for oral arguments. And throughout his career, Goldstein's forays didn't hurt his law practice — or his skills in court. A few weeks after the drag race, on April 26, 2011, Goldstein represented a company that challenged, on First Amendment grounds, a Vermont law that restricted pharmacies from selling various data. His argument, delivered with conversational ease, was a tour de force. He directed the justices to page numbers in the briefs and court record as if he were their peer. Later, by a 6-to-3 vote in the case, Sorrell v. IMS Health, the court agreed with Goldstein that the law was unconstitutional. Thanks to victories like this one, Goldstein had secured his place as an elite Supreme Court practitioner, at the same time that he was disappearing, for ever longer periods, into the poker world.

Goldstein quickly realized that even with his successful law practice, he didn't have the cash to compete. "The idea was to be able to play very, very, very deep and not be out of money," Goldstein told me. He took out a $10 million line of credit from Stewart Resnick, a California billionaire who owns the parent company of Pom juice, a former client of Goldstein's. (Resnick declined to comment.)

In 2014, Goldstein met a Malaysian businessman who would bring his poker career to the next level. The businessman, Paul Phua, has been called the "world's biggest bookie" because he owned one of the leading sports betting sites in Asia. He was also an inveterate gambler who traveled the world looking for high-stakes poker games. On July 9 that year, the F.B.I. raided Phua's villa at Caesars Palace in Las Vegas, which went for tens of thousands of dollars a night, as part of an investigation into $400 million in illegal wagers on the 2014 FIFA World Cup. Through connections in the poker world, Phua hired Goldstein as his defense lawyer. Goldstein learned that the F.B.I. had gained access to Phua's villa by posing as cable TV technicians. Goldstein convinced the court that the ruse made the search illegal, and the case against Phua fell apart. A great friendship between the two men was born, and Phua introduced Goldstein to the kind of poker that made his contests with Bilzerian look penny-ante by comparison.
With Phua, Goldstein no longer flew commercial. They took Phua's jet to Hong Kong and Manila, and Goldstein increasingly operated in hushed private suites or homes. Two types of poker predominated as Goldstein moved his action into Phua's world: In "ring games," six to 10 players compete against one another; "heads-up games" are one on one, with just a dealer.

After getting the loan from Resnick, Goldstein promptly lost $9 million playing ring games. "Playing ring poker against a bunch of people requires enormous discipline, enormous patience, and those are just not things in poker that I have," Goldstein said. "If you're playing against eight people, just mathematically, the odds that somebody has a hand that's better than yours are quite high. If you're playing against one person, you don't have to be nearly as patient. What's rewarded is being very aggressive. So heads-up, in essence, is built for me."
Goldstein started taking on investors in his heads-up contests, who would share in his wins and losses.

In heads-up games, most of Goldstein's opponents were billionaires with an expensive hobby. With just three men in the room, the games didn't feature a lot of conversation. "You can imagine people who are just super, super focused," he told me. "They're not chatting. There's me, there's the dealer, there's them and, you know, somewhere between two and 20 hours of pretty stone silence, except for the bets." In Manila, Goldstein played poker with a gambler known as Tango and won $13.4 million. He also won $9.96 million from a gambler known as Chairman. From 2016 to 2018, Goldstein was out of the country for almost a full year. (He generally told his wife he was on business trips for Phua.)

Image

Goldstein at the Triton Super High Roller Series in Montenegro, in 2018. The buy-in for the event was $1 million.Credit...Danny Maxwell, via PokerNews

At the end of 2016, Goldstein played a California businessman named Alec Gores in Beverly Hills and won $26.435 million — the biggest score of his life. (Earlier that year, Goldstein also won $200,000 in a game that included the actor Kevin Hart.) During this run he won a total of about $50 million, and even though he had sold roughly 75 percent of his stakes to investors, he still personally cleared about $12 million. Flush with his success against Gores, Goldstein sat down to a heads-up match with a real estate magnate named Bob Safai — and this time he didn't spread the risk by taking on backers. "I just have convinced myself, because I won $50 million in heads-up poker, that I am a savant at heads-up poker," Goldstein told me. He promptly lost $14 million to Safai, all out of his own pocket. (Phua, Tango and the Chairman could not be reached; Gores, Hart and Safai declined to comment.)

I asked Goldstein how he could stand the stress of playing for such gargantuan stakes. "I have both the benefit and the great disadvantage of not placing particular value on the money," he said. "So that means that I can play at very large stakes and not get psyched out about it, but it also means that I will take too many risks with too much money. So it's a blessing and a curse. It does not bother me. It doesn't cause my heart rate to go up. I mean, I can think of $26 million like $26,000, really, genuinely."

Around this time, at least when he was on the road, Goldstein also began to adopt the kind of decadent lifestyle he saw in the jet-set poker world. This included contacting women on a website called Seeking Arrangement, which existed to foster "sugar dating" — that is, to connect wealthy men to young women. According to the indictment, "between 2016 and 2022, Goldstein was involved in, or pursued, intimate personal relationships with at least a dozen women, transferring hundreds of thousands of dollars to them from his financial accounts or joint bank accounts he set up with the women, and paying for travel and other expenses for many of them." Goldstein's wife remained in the dark. "Amy had no idea about any aspect of this — the poker, the women, anything," he told me. "I just had this entirely separate life."

In November 2020, criminal investigators from the Internal Revenue Service and the Justice Department showed up unannounced at Goldstein's office to serve grand-jury subpoenas. Goldstein supplied the information demanded, but for long stretches afterward he heard nothing; he was neither charged with a crime nor cleared of potential wrongdoing.

The investigation arose at a time of increasing disquiet for Goldstein, as the rightward political drift of the Supreme Court led to more judgments in favor of corporate defendants. Goldstein, who often represented plaintiffs, felt that his cases were becoming uphill, if not futile, battles. And he still owed millions to Stewart Resnick, who had extended the $10 million line of credit.

In addition, Goldstein became more estranged from his life in Washington as he pursued relationships with women he met online. At one point, he rented a house in California where three of the women lived together, and carried on relationships with each of them.

Goldstein hit on what seemed like a solution to his money problems: the perfect opponent. After he started playing poker for seven- and eight-figure stakes, he began seeking out a particular Southern businessman who was an especially profligate player. If Goldstein could line up heads-up games against him, perhaps he could clear his debts and start making real money. But Goldstein had a hard time setting up a game with him. (Goldstein told me about his dealings with the businessman on the condition that I not use his name. The businessman did not respond to a request for comment.)

Finally, Goldstein found his way to the Southern businessman through a game at the Beverly Hills home of Alec Gores, which included, among others, Leonardo DiCaprio and an old-school gambler known as Big Al DeCarolis. (Al Pacino came by to watch, but he didn't play.) DeCarolis then invited Goldstein to a poker game in Costa Rica where the Southerner would be playing.

The Southerner had a reputation as an inveterate womanizer, so Goldstein thought he would impress him by showing that he was a kindred spirit. Goldstein brought four of his girlfriends with him to Costa Rica. "He found this to be the most interesting thing in the world," Goldstein recalled. "That was on purpose." Starting in Costa Rica, Goldstein and the businessman struck up a friendship as well as a poker rivalry, and Goldstein began flying to play against him, usually successfully. Goldstein traveled back and forth so often that he rented an apartment in the city where the man lived.

Goldstein's poker rivalry with the Southerner was one reason for his announcement, in March 2023, that he would give up his law practice. In public, Goldstein portrayed his decision as a kind of protest against the conservatism of the Supreme Court. "There's very little that an advocate for the little guy can hope to accomplish anymore," he told Bloomberg Law. Goldstein's frustration with the justices was real, but he told me that the main reason he ultimately abandoned the law was because he was finally playing heads-up games against the Southern businessman. “I was beating him,” Goldstein said. “And that was just a way more interesting life.” Goldstein won roughly $50 million from the Southerner, netting $15 million for himself after paying off his investors.

Then suddenly, Goldstein got the worst break of his life. The tax investigation, which had drifted inconclusively for years, was taken over by a federal prosecutor named Stanley Okula. Through decades of service in New York and Washington, Okula had earned a reputation as a bulldog whose aggressive tactics had twice been criticized by judges. The prosecution team issued 300-plus subpoenas and interviewed dozens of people.
The formal charges were handed down on Jan. 16, 2025, four days before the end of the Biden administration, and it was a thunderclap in the legal world. Goldstein’s friends knew that he played poker, but they had no idea that he was playing for such high stakes. The 50-page indictment laid bare Goldstein’s double life and included 22 counts, which carried the possibility of dozens of years in prison. The legal press was ablaze with the story — one prominent podcast posted an “emergency episode!” — and the reactions included both schadenfreude (“Tom Goldstein Should’ve Stuck With High-Stakes Go Fish”) and sympathy, especially for Howe.

Image

Goldstein says: “I think of it as a pretty intellectual thing. Actually, I like it because what poker is, fundamentally, is management of luck and management of risk.”Credit...Jonno Rattman for The New York Times

The core of the government's case is that Goldstein used funds from his law firm to pay several million dollars in personal expenses, including some poker debts, thus reducing his taxable income. Goldstein acknowledges that this did happen on occasion, but he said the payments were errors by his office manager or his accountant. To make that case, he showed me a 2014 email that he sent to his office manager in response to a question about taxes: "We always play completely by the rules," it read.

There were several years in which Goldstein asked for a delay in paying his taxes, saying that he did not have the money when his returns were due. The government believes the delays were unjustified, given that Goldstein was making large payments to the women in his life around the same time. Goldstein asserts that his bank records will prove his point. "Millions of people file and then pay late, as I did," he told me.

The criminal charges asserted that Goldstein briefly hired four of the women he met on his travels but that they did no work for the firm; thus, according to the government, the payments to them were personal expenditures by Goldstein laundered, tax-free, through his firm. As a government brief in his case put it, he met "Woman-1, then a recent college graduate, on a dating website for individuals seeking to receive or provide financial support as part of an intimate personal relationship. He paid her $500 for their first meeting, and they began an intimate personal relationship." (These four women are different from the three who shared the house in California.)

But Goldstein established — and the government conceded — that three of the four women did some work for the firm. (The fourth immediately went on medical leave.) In a recent ruling, Judge Lydia Kay Griggsby prohibited the government from arguing at trial that the four women were sham employees. The payments to the women were very small, just a few thousand dollars in total, so the tax issues were almost trivial. "Those charges have nothing to do with taxes," Goldstein told me, "They just put in those charges to dirty me up, to make the jury dislike me." The judge said she would carefully monitor the government's evidence, especially about Goldstein's extramarital affairs, to make sure it was not unduly prejudicial.

The most difficult counts for Goldstein to defend relate to applications that he and Howe filled out for mortgages. In those bank forms, Goldstein understated his debts, especially the multiple millions of dollars that he still owed to Resnick for his line of credit. Knowingly misstating your financial condition on a mortgage application can be bank fraud. Goldstein told me that he omitted that information because he wanted to keep that debt secret from Howe, as he had kept her in the dark about most of his poker activity. Because Goldstein appears to have little defense to the bank-fraud counts, those charges would seem to be ripe for a plea bargain, which is how most federal prosecutions end. But Goldstein told me that the government's plea offer involves a prison sentence of roughly five years, and he will not plead to anything that includes a prison sentence.

One day when Goldstein and I were talking in his office in Washington, he rose from the chair in front of his computer and invited me to take his place. "Go ahead," he said. "Look at anything you like." He offered to show me his tax returns, bank records that Goldstein and his law firm had turned over pursuant to subpoenas, thousands of emails and texts to and from his poker opponents and all of his lawyers' pleas to the Justice Department. I didn't take full advantage of Goldstein's characteristically dramatic gesture, but he made his point. He had nothing to fear because, he insisted, the evidence showed he was innocent.

Goldstein's bail conditions prohibit him from playing poker, so his lifetime win-loss record has been frozen for the past year. He's won upward of $88 million in heads-up contests, a vast majority of which went to his investors. Most of Goldstein's losses came in ring games, which he financed himself. He told me that overall he was a net loser, with a deficit of between $10 million and $15 million.

Most of his acquaintances have kept their distance from him since he was indicted, either because they're barred from contact as a bail condition or out of loyalty to Howe, whom they regard as a wronged party. Still, when I spoke with Goldstein's friends, I was struck by their enduring affection for him and their genuine distress at his current plight. To a person, they described him as "generous" and "loyal." As one friend put it: "When I came out of the government and wanted to start a Supreme Court practice — that is, to become a competitor to Tommy — no one was more helpful and enthusiastic than he was." They also all think he's addicted to gambling.
I asked Goldstein whether he thought he had a problem. "Definitely not," he said. "Because, for example, I haven't played in quite a while; I feel no desire to. I was very happy not gambling. I have no interest in other forms of gambling." He pointed out that it might help with his legal troubles if he could claim that he was in the grip of an addiction, but that just wasn't the case. At his wife's insistence, after his indictment, he attended a few meetings of Gamblers Anonymous, but he quickly deemed it unnecessary.

As the months have passed since he closed his law firm, Goldstein has moved ever further from the staid routines of a Washington lawyer. He told me that he escapes to New York on many weekends to join a new group of friends who share his interest in *shibari*, a form of Japanese rope bondage that can involve suspending people in the air. “I have spent the last year becoming, weirdly, very good at that,” he said, with the same pride he talks about the cases he argued in front of the Supreme Court. “Now I’m asked to do performances around the country.”

Goldstein’s plans for the future start with being acquitted. At his January trial, in Greenbelt, Md., Goldstein will be defended by Jonathan Kravis, a well-known white-collar defense lawyer in Washington, but there’s no question about who will be calling the shots. “The way that I’m having Kravis argue this is that I’m going to make him stand up and say, Look, when the government files a 22-count indictment and several counts have different alternative theories, at least one of two things is happening,” Goldstein told me. “One is, you are dealing with a horrible person who absolutely doesn’t give a damn about the law and should be convicted of all these things and should spend the rest of their life in jail. Or something has gone very wrong, and somebody is out to get somebody. And you’re going to decide which of those two is true here, because this is going to come down to: Am I a good guy or a bad guy?”

Goldstein still speaks knowledgeably about the Supreme Court, but he recognizes, perhaps with justification, that his current troubles foreclose a return to his prior life. He insists, almost believably, that he’s content to abandon his law practice — and that poker represents the route to his salvation, not just the cause of his downfall. In this version of his life, the Southern businessman remains a talisman of a bright future that only he can see. Playing him, Goldstein told me, “is a way I can make a quarter-billion dollars for the rest of my life.”

The New York Times

News

SEC Senior Leader Exits After Five Years, Continuing Agency's Talent Exodus

Nekia Hackworth Jones was among the Securities and Exchange Commission's highest-ranking Black lawyers. She led the agency's Atlanta Regional Office before becoming one of the Division of Enforcement's four deputy directors in April.

December 30, 2025 at 05:10 AM By **Michael Gennaro**

Nekia Hackworth Jones has two decades of legal experience, two-thirds of it working for the federal government. Courtesy photo

Nekia Hackworth Jones, the Securities and Exchange Commission's deputy director of enforcement for the Southeast and one of the agency's highest-ranking Black attorneys, stepped down last Friday after nearly five years with the agency.

An SEC press release said Jones had "completed her tenure" but did not state a reason for her exit. Jones, who received her law degree and an MBA from Harvard and has been an attorney for two decades, has not announced her next career move.

The exit comes as the agency under President Donald Trump continues to cut jobs. When Trump returned to the White House in January, the SEC had 5,000 employees and 2,000 contractors. By

May, its workforce had shrunk to 4,200 employees and 1,700 contractors. Reuters reported in September that the SEC was offering incentives, including $50,000 lump-sum payments, to encourage supervisors to quit.

Harvard Law professor John Coates told Law.com in October that the 91-year-old agency has “been more impacted in the last seven months than they have ever in its history, in terms of a one-time degradation in their capacity—just to manage the normal flow of work, much less take on new things."

Jones became a deputy director of enforcement in April, when a restructuring increased the number of deputy director posts in the division from one to four. In that new role, she supervised enforcement investigations and litigation across the Washington, D.C., Atlanta and Miami offices.

Before that, she spent four years as regional director of the Atlanta Regional Office. In that role, she led more than 100 attorneys, accountants and other professionals with responsibility for the SEC’s enforcement and examinations programs in Alabama, Georgia, North Carolina, South Carolina and Tennessee.

Early in her career, Jones was an associate at Debevoise & Plimpton and Nelson Mullins Riley & Scarborough**.** She then spent a decade at the Department of Justice, where she held a variety of roles, including assistant U.S. attorney, deputy attorney general and executive director of the Financial Fraud Enforcement Task Force.

In 2018, Jones returned to Nelson Mullins Riley & Scarborough, where she served as a litigation partner focused on government investigations and white-collar defense.

Margaret Ryan, director of the SEC's Division of Enforcement, said in a statement: “I am thankful to Nekia for answering the call to return to public service and for her leadership in the Division of Enforcement. She has shown deep commitment to her colleagues, the division and the commission, all motivated by her passion for protecting investors."

In a statement, Jones called working at the SEC "a pleasure and a privilege. ... I have seen colleagues across this agency show a relentless commitment to protecting investors, impeccable judgment in carrying out the agency’s mission and tremendous expertise in every aspect of the securities industry."

The SEC declined to comment beyond the press release it issued.

Tesla quarterly deliveries seen falling as lack of tax credits, competition sap demand

reuters.com/business/autos-transportation/tesla-quarterly-deliveries-seen-falling-lack-tax-credits-competition-sap-demand-2025-12-30

Akash Sriram, Abhirup Roy December 30, 2025

Item 1 of 2 Tesla Model 3 on display at the Everything Electric exhibition at the ExCeL London international exhibition and convention centre in London, Britain, March 28, 2024. REUTERS/Peter Cziborra/File Photo

[1/2]Tesla Model 3 on display at the Everything Electric exhibition at the ExCeL London international exhibition and convention centre in London, Britain, March 28, 2024. REUTERS/Peter Cziborra/File Photo Purchase Licensing Rights, opens new tab

- Q4 sales drop expected despite launch of cheaper variants
- Visible Alpha poll shows 13% drop in Q4 deliveries
- FY deliveries down 7.8% year-over-year in VA poll

Dec 30 (Reuters) - Tesla (TSLA.O), opens new tab deliveries were expected to fall in the fourth quarter, as the loss of U.S. tax credits and rising global competition sapped demand even as the company rolled out cheaper versions of its best-selling electric vehicles.
The decline would follow plummeting sales in the first two quarters of the year when CEO Elon Musk faced a backlash for his political rhetoric. Third-quarter sales got a boost as buyers rushed to lock in tax credits before they expired in September. Still, Tesla is likely to report its second straight drop in annual deliveries, with this year's decline steeper.

In October, Tesla launched stripped-down versions of the Model Y SUV and Model 3 compact sedan called Standard. It will face competition from affordable EVs made by Chevrolet and Ford, which are expected to hit the market over the next two years.

Analysts expect Tesla's sales to recover next year, as the Standard versions, priced about $5,000 below previous base models, help the company defend volumes in Europe and Asia, where Chinese EVs are gaining ground.

The company is expected to report fourth-quarter and annual production and delivery numbers on Friday.

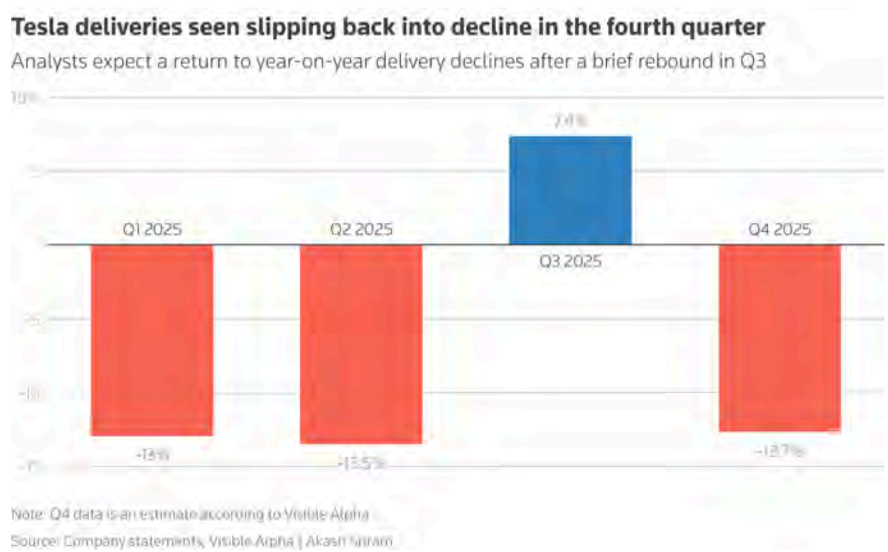
NORTH AMERICA, EUROPE SALES HURT

Investor enthusiasm in Tesla largely rests on Musk's pivot to expanding robotaxis, producing humanoid robots, and improving self-driving technology in its cars. Still, EV sales generate much of its current revenue.

Tesla is expected to deliver 432,810 vehicles in the December quarter, down about 13% from a year earlier, according to analysts polled by Visible Alpha (VA). Another consensus of 20 analysts compiled by Tesla and released on Monday shows that a sharper drop of 15% to 422,850 vehicles is expected.

Tesla's full-year deliveries were expected to be 1.65 million vehicles this year, down 7.8% from a year earlier, marking the second consecutive annual decline, according to Visible Alpha's poll.

The fall will be driven largely by sales in North America and Europe, Deutsche Bank analyst Edison Yu said in a note.



Tesla's quarterly deliveries expect to return to declines in Q4

MUSK MAY BE MORE FOCUSED IN 2026

The slowdown in sales has not dampened a rise in the company's share price. Tesla shares rose over 14% this year, boosting Musk's wealth. Facing criticism for running a cost-cutting arm of President Donald Trump's administration, Musk has indicated he will focus on his businesses.
A recent court ruling cleared the way for Musk to reclaim a Tesla pay package that had been voided by a Delaware court. Shareholders in November also approved a

new compensation package that could be worth roughly $878 billion over the next 10 years for the world's richest person.
Delivering 20 million vehicles in total is a key goal for that pay along with other milestones on robotaxi expansion, robot sales and valuation.

Reporting by Akash Sriram in Bengaluru and Abhirup Roy in San Francisco; Editing by Sayantani Ghosh and David Gregorio

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

Akash Sriram
Thomson Reuters

Akash reports on technology companies in the United States, electric vehicle companies, and the space industry. His reporting usually appears in the Autos & Transportation and Technology sections. He has a postgraduate degree in Conflict, Development, and Security from the University of Leeds. Akash's interests include music, football (soccer), and Formula 1.

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Abhirup Roy is a U.S. autos correspondent based in San Francisco, covering Tesla and the wider electric and autonomous vehicle industry. He previously reported from India on global corporations, capital markets regulation, white-collar crime, and corporate litigation. Contact him at (415) 941-8665 or connect securely via Signal on abhiruproy.10

Class Action

Manage Newsletters

Tesla Convinces Court to Dismiss Google, X Tracker Class Lawsuit

December 30, 2025, 9:23 AM PST

Summary by Bloomberg AI

AI Generated

- A federal court dismissed a proposed class suit against Tesla over its use of online trackers from Google and X, citing lack of subject matter jurisdiction due to insufficient allegations of injury.
- The court rejected the plaintiff's claim that his injury was a modern analogue to intrusion upon seclusion, stating there's no reasonable expectation of privacy into IP addresses and referer URLs.
- The plaintiff was given 14 days to file an amended complaint, as the court couldn't conclude that amendment would be futile.

Tesla persuaded a federal court to dismiss a California resident's proposed class suit that alleged the automaker's use of online trackers from Google and X violated the state's Invasion of Privacy law.

The US District Court for the Central District of California lacks subject matter jurisdiction over the dispute, as Plaintiff Peter Dawidzik failed to sufficiently allege an injury in fact—one that was concrete and not speculative, Judge Kenly Kiya Kato ruled Monday. Kato left leave to amend.

Kato said the Ninth Circuit already rejected a broad theory of free roaming privacy rights in *Popa v. Microsoft Corp.* similar to the one Dawidzik advanced, that his injury fell under the common law and literal understandings of privacy.

The court also rejected Dawidzik's claim that his injury was a modern analogue to intrusion upon seclusion. There's no reasonable expectation of privacy into IP addresses, and referer URLs fail to implicate a privacy interest per se.

"Even if this information were private, Plaintiff has not persuaded the Court that disclosing such information was 'highly offensive,'" Kato said. Alleging that the online trackers secretly monitor a person's activities within a private digital space was insufficient to plausibly allege the violation of a privacy interest.

Dawidzik failed to describe a cognizable injury sufficient for an unjust enrichment claim as well. To do so, one must allege that the defendant benefited through mistake, fraud, coercion, or request. Otherwise, there may well be enrichment, but it can’t be described as unjust.

The court couldn’t conclude that amendment would be futile. Dawidzik was given 14 days to file an amended complaint.

Dawidzik is represented by Nathan & Associates APC, Bursor and Fisher PA, and Ross Cornell of Big Bear Lake, Calif. Tesla is represented by Wilmer Cutler Pickering Hale and Dorr LLP

The case is Dawidzik v. Tesla, Inc. , C.D. Cal., No. 5:25-cv-01982, 12/29/25 .

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Securities

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Elon Musk Demanded Tesla's Electric Doors Despite Safety Worries

December 22, 2025, 2:00 PM PST

As regulators on three continents scrutinize the safety of electrically powered car doors out of concern some designs can fail, locking out owners or trapping occupants inside, Tesla Inc. is confronting the consequences of decisions made almost a decade ago.

In early 2016, Tesla's design and engineering teams were racing to finalize the Model 3, the mass-market sedan that would help turn the niche seller of high-end electric cars into the world's most valuable automaker. But the development was dogged by questions over how the doors should be opened.

Elon Musk during the launch event for Tesla's first mass market vehicle, the Model 3.
Source: Photo Illustration: 731; Source: Getty Images

Over a series of meetings in Palo Alto, California, and the Los Angeles suburb of Hawthorne, some of which included Chief Executive Officer Elon Musk , some engineers argued for mechanical handles, raising concerns about the potential safety hazards of electric systems, according to the accounts of multiple people in those discussions. Tesla already was fielding a rash of customer complaints that sensors on the doors of the just-launched Model X SUV were faulty .

Musk's directive was clear: Virtually everything in the new vehicle — including the doors — should be controlled electrically through the push of a button or tap of a touchscreen, according to the people, who asked not to be identified discussing private conversations. The CEO admired how Apple Inc. had created a simple, software-driven touchscreen interface that was easier to use than the button-laden BlackBerry smartphone, and he wanted the Model 3 to have a similarly futuristic design, these people said.

Read the investigation: Tesla's Dangerous Doors

This philosophy of simplification to the extreme — that designers should remove every possible element of a product that could break or malfunction — was crystallized in a comment by Musk in one of those meetings: The best part is no part.

Details of the discussions about electric doors, including Musk's role in them, have not previously been reported. It wasn't unusual for the CEO to weigh in on matters big and small, particularly in the company's scrappy early days — he famously slept on the factory floor at times in a show of his hands-on approach. There was plenty of room for Tesla to maneuver in redefining how door handles look and work, with no explicit rules around electric controls.

But years later, the consequences of those moments are reverberating. Tesla's doors are powered by a low-voltage battery that can stop working, particularly after crashes, inhibiting rescues or trapping occupants who are unaware of or unable to access mechanical releases. Instances of nonfunctional doors have sometimes contributed to serious injuries, Bloomberg News has reported , and have generated hundreds of consumer complaints to the US National Highway Traffic Safety Administration, which is now investigating the company over the matter. Authorities in China are weighing a ban on flush handles, and European regulators say they're prioritizing rulemaking around electrically powered doors, versions of which are found on all of Tesla's vehicles and have spread across the auto industry.

As part of a broad investigation into the risks of electric door handles, Bloomberg attempted to quantify for the first time the number of fatal crashes in the US in which door functionality played a role. This reporting turned up at least 15 deaths in a dozen incidents over the past decade in which occupants or rescuers were unable to open the doors of a Tesla that had crashed and caught fire, based on a review of thousands of pages of police, fire and autopsy reports obtained through public records requests.

Tesla and Musk didn't respond to requests for comment for this article. The automaker has said it complies with local and federal laws and has noted that its vehicles score highly on crash tests. Robyn Denholm , the chair of Tesla's board, previously told Bloomberg the company takes any safety incidents seriously.

Franz von Holzhausen , Tesla's design chief, told Bloomberg in September that the company is working on a redesign of its door handles to combine the electric and manual door-release mechanisms, making them more intuitive for occupants "in a panic situation."

Flush door handles — here, on a Model 3 — have become a defining feature of Tesla cars.
Photo: Scott Strazzante/San Francisco Chronicle/Getty Images

Fewer Parts, Lower Cost

Musk wasn't alone in pushing for electric controls in those discussions almost a decade ago, according to the people familiar with the matter. The considerations went beyond aesthetics: Forgoing traditional handles meant fewer parts, reducing costs for an EV that Tesla had vowed to sell for roughly half the price of its existing models.

For designers, there were also ergonomic benefits, two of the people said. The interior push-button release could be positioned at the top of the armrest where the driver's hand would naturally go when opening the door, which was seen as an improvement over the mechanical latches in most cars.

After settling on an electric door system, the review sessions — typically held midweek in Palo Alto and on Fridays in Hawthorne covering myriad issues — pivoted to how best to mitigate any potential safety risks, the people said. The vehicles would be equipped with manual releases, offering an alternative way to exit if the 12-volt battery powering the doors stops working. But there was a debate internally about whether mechanical latches were needed for the rear seats, the people said. US regulations, which have been slow to catch up with modern car design, didn't require them, and initial versions of the Model 3 had manual releases only on the front doors, according to the company's owner's manual. Second-row releases were added to the rear doors in later model years.

Tesla intended for customer-facing staff to explain to buyers where to find manual releases as part of an orientation when the vehicles were handed over, the people said. The extent to which that happened is unclear.

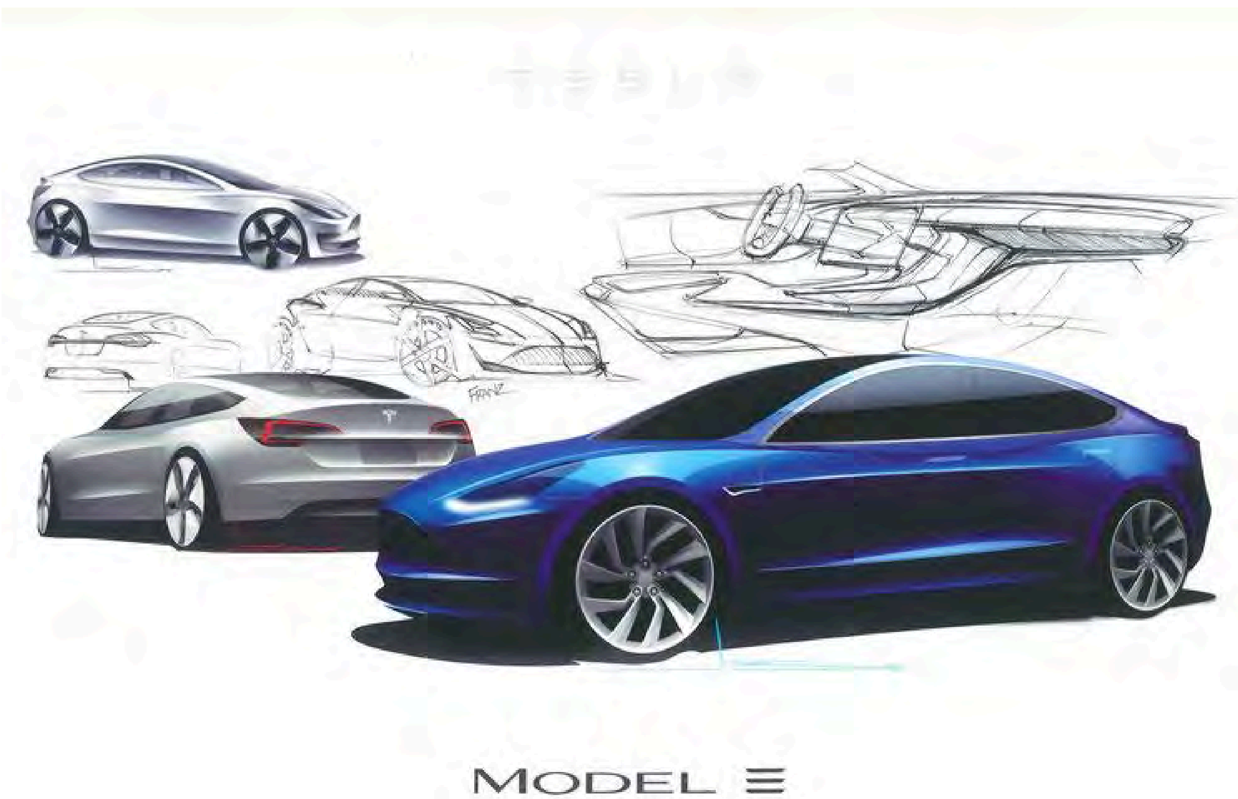
While manual releases can be crucial in emergency situations, Tesla's have drawn criticism. The mechanisms are often unlabeled and are located in different , sometimes difficult-to-access places in various models, such as inside a door pocket. They also may not be easy to use for young children, the elderly or disabled individuals.

Minimalist Ethos

Musk's resistance to more traditional door handles is consistent with a minimalist ethos he's openly espoused. In a 2023 biography, author Walter Isaacson laid out what he described as Musk's "algorithm" for running his various ventures. Among the steps listed were to question every requirement — including those from "the safety department" — and to eliminate any component or process possible.

This approach has backfired at times. During the unveiling of a higher-performance version of the Model S sedan in 2021, Musk touted the company's decision to take the turn-signal stalk and gear shifter out of the car Tesla would sell for $129,990 . While drivers would be able to signal turns using a button on the steering wheel and shift gears by tapping on the center touchscreen, Musk offered an outlandish view.

"I think generally, all input is error. If you have to do something that the car could have done already, that should be taken care of — the software should just do it," Musk said. Tesla would "keep minimizing the amount of input that you need to do until the car just reads your mind."



Tesla design chief Franz von Holzhausen's sketches of the Model 3. Attendees of a 2016 Tesla unveiling event were gifted the drawings, as were customers who reserved the new sedan.
Source: Dana Hull

The design changes, which extended to other vehicles, were criticized by many owners and contributed to Tesla's decline in J.D. Power's closely watched survey of vehicle quality. This year, the company brought back the turn-signal stalk in the redesigned Model Y, and started offering retrofits for customers who wanted stalks installed, albeit for a $595 fee.

"We always say at Tesla, if you aren't deleting so much that you have to put something back, you haven't deleted enough," Senior Vice President Lars Moravy said during a February episode of *Jay Leno's Garage*. "Well, maybe we deleted too much."

Tesla has said any door-related issues are industrywide and not unique to the company. Still, the carmaker is exploring changes, such as ways to disable door locks automatically when battery voltage is running low, and to release the doors in the minutes leading up to the battery dying.

"Unlike other car companies, we don't wait for model refreshes or changes in models to add new features to the car," Denholm said during an October interview at Bloomberg News headquarters in New York. "If there's a way of improving safety, we put things straight away to production."

Last week, Tesla announced a new safety page on its website. Among other features and capabilities, the company said the doors of its vehicles will automatically unlock for emergency access when a serious collision is detected. It wasn't immediately clear when this functionality was made available and for which models. In a footnote, the company says certain features may not be available in all regions or for all vehicles, or depending on build date.

Tesla has said it's already working with Chinese authorities on door regulations , and expects that even if the laws change, companies will have a few years to make changes.

Internally, questions over door technology came up again prior to the release of the Model Y SUV, according to the people familiar with the matter. The vehicle, which has ranked among the top-selling EVs since its 2020 debut, also uses electric door controls similar to those designed for the Model 3.

It's not clear whether Musk was aware of the consumer complaints filed with US regulators in subsequent years. He's made few public comments on the topic since acknowledging glitches afflicting the "fancy door handle" on Tesla's Model S sedan more than a decade ago.

"Occasionally the sensor would malfunction on the door handle, so you'd pull on the door handle, and it wouldn't open," Musk said on a 2013 earnings call, describing efforts to fix the problem. "Obviously, it's quite vexing for a customer."

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Securities

Crypto Firm Tied to Trumps Axes Auditor in Latest Sign of Strife

December 29, 2025, 12:29 PM PST

A small financial-technology company tied to a Trump family crypto project has fired its auditor, the latest sign of turmoil at the Las Vegas-based firm.

Alt5 Sigma Corp. dismissed the auditor, called Victor Mokuolu CPA PLLC, on Christmas Day — less than three weeks after hiring it, according to a regulatory filing on Monday. Its new auditor is Deer Park, Ill.-based L J Soldinger Associates LLC, the filing said.

The company had inked a $1.5 billion deal in August to buy tokens created by World Liberty Financial Inc., a crypto firm co-founded by members of President Donald Trump's family. The deal was intended to transform Alt5, a virtually unknown former appliance recycler and biotech startup, into a stockpiler of that WLFI token.

The company said it had no disagreements with the Houston-based accounting firm. The Financial Times reported Monday that its license to practice lapsed in August, meaning it was disqualified from vetting Alt5's books. Texas accounting regulatory records show the license of the firm's founder, Victor Mokuolu, is current.

When reached by phone, Mokuolu declined to comment. Alt5 didn't immediately return requests for comment.

Victor Mokuolu CPA PLLC confirmed that it no longer was the company's auditor and had no disagreements with Alt5's announcement in a letter to the US Securities and Exchange Commission submitted as an exhibit to Monday's regulatory filing.

Alt5 catapulted into national prominence in August when it announced its strategy to stockpile the Trump-linked digital tokens. **Eric Trump**, who co-founded World Liberty Financial, became a board observer, a role that allows the right to join board meetings without voting. **Zach Witkoff**, a fellow co-founder and son of presidential envoy Steve Witkoff, was tapped as chairman of the board.

In late-August Alt5 disclosed that a subsidiary was found criminally liable for money laundering in Rwanda. In November, the company dismissed members of its senior leadership team, including Jonathan Hugh, who'd been chief financial officer and acting chief executive officer, and Ron Pitters, who was chief operating officer.

Alt5's hiring of L J Soldinger Associates marks its third auditor in less than two months.

Its audit firm since 2023, Hudgens CPA, informed the company in late-November that it was resigning due to the retirement of the firm's sole partner, according to a filing. Earlier that month, Alt5 missed the deadline to file its quarterly financial statement, citing in part that there were delays related to the timeliness and responsiveness of the audit firm.

William Hudgens, the firm's managing partner said Monday he isn't retiring but that his firm was planning to exit the business of providing public company audits. Hudgens said he told the company in June of those plans.

Earlier in December, Hudgens said via e-mail that the company was unfairly making his firm the "scapegoat" for its own internal issues.

"For this reason, we have recused ourselves of all contact and reported the inaccuracies to the SEC as required," he wrote.

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Accounting & Consulting services

Trump-linked crypto venture fires auditor after FT inquiries

Alt5 Sigma hires third accounting firm in six weeks, complicating efforts to bring its financial reporting up to date

Eric Trump, left, and Donald Trump Jr pose outside the Nasdaq after ringing the opening bell to celebrate their deal with Alt5 Sigma on August 13 © AFP/Getty Images

Stephen Foley and **George Steer** in New York

Published DEC 28 2025 | Updated DEC 29 2025, 09:53

A US-listed cryptocurrency venture backed by the Trump family has fired an auditor it had hired earlier this month after the Financial Times inquired about its lack of a licence to operate.

Alt5 Sigma, a Las Vegas-based recycling business-turned-biotech-turned blockchain company, in August signed a deal to buy crypto tokens issued by the Trump family's World Liberty Financial, with Eric Trump joining as a board observer.

But Alt5 Sigma's financial position has become murky since the deal was announced after it failed to produce quarterly results on time and switched auditors this month to a firm that has been fined by accounting regulators and failed an inspection under the industry's peer review process.

The licence of the newly appointed firm, Victor Mokuolu CPA PLLC, expired in August, according to filings in its home state of Texas. It is barred from doing audit work until the licence is renewed under state regulations.

After the FT last week enquired about the issue, Alt5 Sigma fired the audit firm on Christmas Day, according to a regulatory filing made on Monday morning. The filing said the venture had hired LJ Soldinger Associates as its accounting firm, its third auditor in six weeks.

Last week, Alt5 Sigma told the FT that Victor Mokuolu CPA PLLC was "undergoing a peer review per Texas State Board of [Public] Accountancy regulations and will be completed by the end of January 2026, at which point the auditor expects the firm's licence to be active".

"No reviews or audits of Alt5's financial statements will be issued by our auditor until the firm's licence is active," it had added.

Victor Mokuolu, the firm's founder, renewed his personal certified public accountant's licence on August 31 but his firm's licence with the TSBPA had not been renewed as of December 26, records show.

Messages seeking comment from Mokuolu were not returned.

Mokuolu was an accountant in the oil and gas industry before setting up his own firm in 2020, according to his LinkedIn profile. His firm listed 30 small-cap audit clients in a recent regulatory filing.

The firm has been working for more than two years to remediate deficiencies which resulted in it getting a failing grade under the accounting profession's peer review process in 2023.

The failure to renew its licence this year came after the TSBPA and another US regulator earlier took action against the firm for repeatedly failing to file regulatory paperwork on time.

The Public Company Accounting Oversight Board in 2023 fined the firm $30,000 for failing to inform the regulator of six public companies' audits it had conducted the previous year, as it is supposed to do within 35 days of the audit being completed. The Texas board issued an additional $15,000 penalty last year for the same violations.

Alt5 Sigma's shares have fallen 75% this year

Share price, $

Source: LSEG via markets.ft.com

Alt5 Sigma's appointment of Victor Mokuolu CPA PLLC on December 8, and its subsequent firing, came during a period of turmoil for the company, which now calls itself "a fintech with a pioneering $WLFI digital asset treasury strategy".

The August Trump deal committed the company to buying and holding large quantities of World Liberty Financial's $WLFI token and the Trump venture became an investor in Alt5 Sigma.

Jonathan Hugh, the chief financial officer brought in at the time of the Trump deal, left the company after three months. Alt5 also parted ways with chief executive Peter Tassiopoulos in October.

Board member David Danziger resigned last month, putting the company in violation of a requirement to have an audit committee of a certain size and with accounting experience.

The company is under threat of delisting from Nasdaq after failing to file its quarterly results for the period to late September. It blamed the delay in part on the "timeliness and responsiveness" of its previous auditor, who formally quit in November.

Alt5 Sigma was incorporated in July 2024 by a biotech company called JanOne, which had previously focused on developing "innovative solutions for ending the opioid epidemic". JanOne merged with Alt5 Sigma and assumed the latter's name during the same month.

JanOne had rebranded once before, in September 2019, prior to which it was called Appliance Recycling Centers of America.

Alt5 Sigma says it provides financial infrastructure that allows traditional financial institutions to integrate with the digital asset economy. It held roughly 7.3bn $WLFI tokens as of December 8, worth about $1.1bn.

Alt5 Sigma's chair since the Trump deal in August has been Zack Witkoff, a co-founder of WLF and son of President Donald Trump's special envoy for peace negotiations, Steve Witkoff.

In August, Alt5 disclosed to US regulators that its Canadian subsidiary and the group's former principal was found criminally liable by a Rwandan court in May "for offences including illicit enrichment and money laundering".

Alt5 Sigma Canada and Andre Beauchesne appealed against the judgment to the High Court in Kigali, Rwanda, in June, and the matter remains under judicial review. Both Alt5 Sigma Canada and Beauchesne denied any wrongdoing and maintain they were the victims of fraud.

Additional reporting by Joe Miller

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$14.8M Deal Proposed In Genius Sports SPAC Chancery Case

By **Jarek Rutz**

Law360 (December 22, 2025, 6:18 PM EST) -- Stockholders and defendants in a Delaware Chancery Court lawsuit challenging the merger that took sports data company Genius Sports Ltd. public through a special purpose acquisition company have reached a proposed $14.8 million cash settlement, according to a release by plaintiffs' counsel Monday.

The proposed deal would resolve fiduciary duty and unjust enrichment claims brought against dMY Technology Group Inc. II, its sponsor and former directors and officers arising out of the SPAC's roughly $1.5 billion business combination with Genius Sports. The settlement remains subject to court approval.

"Plaintiffs and defendants have reached a proposed settlement for $14,800,000.00 in cash as set forth in the stipulation," the release issued by Grant & Eisenhofer PA said.

The case was filed in September 2023 by stockholders Aaron Offringa and Michael Farzad, who alleged that dMY II's sponsor and board breached their fiduciary duties by approving the merger despite conflicts of interest inherent in the SPAC structure and by issuing a proxy statement that failed to adequately disclose material information. In July 2024, Vice Chancellor Lori W. Will denied motions to dismiss, allowing the claims to proceed in the Chancery.

According to the settlement notice, the proposed class includes all record and beneficial holders of dMY II Class A common stock who held shares between March 12, 2021, and April 20, 2021, inclusive, as well as their successors and assigns. Defendants and certain related parties are excluded from the class.

If approved, the settlement would resolve all claims asserted in the action. The notice said the agreement will resolve all claims subject to the court's approval of the settlement, a plan of allocation and any application for attorney fees and expenses.

A settlement hearing is scheduled for Feb. 23 before Vice Chancellor Will. At that hearing, the court will consider whether to grant final approval of the settlement, certify the settlement class, approve the proposed allocation of the settlement fund and rule on any requests for attorney fees and litigation expenses.

The notice does not specify the amount of attorney fees or expenses that plaintiffs' counsel may seek. Any such award would be paid from the settlement fund only if approved by the court.

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

The shareholders are represented by Kelly Tucker, Rebecca Musarra, Demetrius Davis and Michael J. Barry of Grant & Eisenhofer PA and Jason Avellino, Christopher Lyons and Tayler D. Bolton of Robbins Geller Rudman & Dowd LLP.

dMY Sponsor II LLC and the individual defendants are represented by Daniel A. Mason and Sabrina M. Hendershot of Paul Weiss Rifkind Wharton & Garrison LLP.

The case is Aaron Offringa v. dMY Sponsor II LLC, case number 2023-0929, in the Court of Chancery of the State of Delaware.

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AmTrust Says Robbins Geller Is Causing Investor Suit Delays

By **Sydney Price**

Law360 (December 23, 2025, 8:03 PM EST) -- Insurance company AmTrust accused Robbins Geller Rudman & Dowd LLP on Monday of being "asleep at the wheel" and causing discovery failures in an investor suit in New York federal court accusing the insurer of making financial misrepresentations related to its IPO, which AmTrust argues makes the firm inadequate for lead counsel appointment.

In the **motion** filed on Monday, AmTrust said that Robbins Geller, which the **investors requested** be officially appointed to lead the suit in September, has lacked involvement with the investors and left responsibilities to "additional counsel," leading to lapses in litigation.

"So far, this has resulted not just in excessive fee duplication, but in plaintiffs' failure to preserve relevant documents; failure to rectify the resulting loss of relevant materials; failure to comply with court-ordered discovery deadlines; and failure to stay even generally informed about the case, let alone to direct it," the motion said.

In the investors' September motion, they also requested Jupiter Capital Management lead the November 2015 subclass and that Irving Lichtman Revocable Living Trust lead the September 2016 subclass.

But AmTrust argued on Monday that neither of the proposed lead plaintiffs are fit to lead their respective subclasses.

AmTrust said that Jupiter's claims are barred because it was an "in-and-out-trader" and sold the shares it claims to have purchased in the offering nearly a year before AmTrust's restatement.

Appointing the living trust as lead plaintiff could present a conflict of interest since it is controlled by a trustee with close personal ties to an attorney representing the trust, AmTrust argued.

"Whoever is driving plaintiffs' hobbled claims against AmTrust and the underwriters, it is not Jupiter, the trust, or even Robbins Geller," the motion said. "Both putative class representatives and proposed class counsel fail to meet their burden to meet the requirements of Rule 23."

The suit accuses AmTrust of making a series of misstatements about its finances dating back to 2012 that required the insurer to restate its financials and ultimately sank its stock. BDO was AmTrust's auditor during the relevant period.

Last year, the Second Circuit reversed course in the case and found BDO was not off the hook for certifying AmTrust's financial statements. The appeals court vacated a district court's dismissal of securities fraud claims against BDO, which the Second Circuit itself had affirmed in August 2023.

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

The investors are represented by Samuel H. Rudman, David A. Rosenfeld, Mark T. Millkey, Robert D. Gerson, Natalie C. Aranella and Joshua D. Forgy of Robbins Geller Rudman & Dowd LLP, Jeremy A. Lieberman of Pomerantz LLP and Peretz Bronstein of Bronstein Gewirtz & Grossman LLC.

AmTrust Financial is represented by Steven M. Farina, Amanda M. MacDonald, Lydia A. Weiant and George A. Borden of Williams & Connolly LLP.

BDO is represented by Timothy E. Hoeffner and Jason D. Gerstein of McDermott Will & Schulte.

The case is In re: AmTrust Financial Services Inc. Securities Litigation, case number 1:17-cv-01545, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Katryna Perera. Editing by Leah Bennett.

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4 Robbins Geller Attys To Join New Securities Boutique

By **Daniel Connolly**

Law360 (December 22, 2025, 4:35 PM EST) -- The managing partner of the New York City office of midsized law firm Robbins Geller Rudman & Dowd LLP is leaving with three other securities partners to join a new securities boutique that was launched by a lawyer who recently left Bernstein Litowitz Berger & Grossmann LLP in a contentious exit.

Chad Johnson

The Robbins Geller managing partner, Chad Johnson, not only joins the new securities boutique launched a few weeks ago by Jeroen van Kwawegen, he's doing so as co-leader and named partner.

The new boutique will now be called Johnson van Kwawegen LLP but will also use the same initials it used at its launch, JVK Law, according to a news release.

Three experienced Robbins Geller securities partners are making the move to the boutique with Johnson: Noam Mandel, Desiree Cummings and Jonathan Zweig.

Johnson told Law360 Pulse on Monday that he's known van Kwawegen for about 25 years, since they were colleagues together at Latham & Watkins LLP and later at Bernstein Litowitz.

"Well, it's a unique opportunity to be able to form a firm with a dear friend who shares core values with me about the way a firm in this area should best be run, including client focus, ready and eager to take cases to trial whenever necessary, and a real commitment to a team approach within the firm," Johnson said. "So this was a fantastic opportunity to do just that."

Johnson said he focuses on representing big and small investors and will do similar work at the new firm.

"We represent investors of all types, from huge asset managers to public pension funds to hedge funds to individual investors in cases where they have commonly been defrauded by companies and/or are the victims of corporate mismanagement," he said.

For instance, Johnson and the three other attorneys coming to the new boutique were among the large team of attorneys from five firms who represented shareholders in the **landmark $1 billion settlement in 2022** with Dell Technologies over a stock swap and recapitalization.

Johnson's background also includes stints as a high-level civil prosecutor on securities cases for the New York State Attorney General's Office as well as with Quinn Emanuel Urquhart & Sullivan LLP.

Cummings and Zweig, likewise, formerly worked with the attorney general's office.

Once the four Robbins Geller attorneys come on board, the new law firm will have a total of 16 lawyers with offices in New York, Delaware and Los Angeles.

Johnson Describes Departure from Robbins Geller as Friendly

Johnson said the departure from Robbins Geller was friendly — in fact, he said, the four lawyers haven't set a departure date yet.

"First of all, we're departing on the friendliest terms possible," he said. "This is completely amicable, and as part of that, we've emphasized to Robbins Geller that we'll stay as long as is helpful to help ensure there's a smooth transition. So we're figuring that out."

He also said he's having productive talks with Robbins Geller about whether the clients will go to the new boutique or stay with the current firm.

"It's client by client, and I don't want to get ahead of working all those details out, but it's all being worked out smoothly," he said. "Each client gets to decide on their own. And you know, we respect that. Robbins Geller respects that."

In an emailed statement, a Robbins Geller spokesperson also struck an amicable tone: "We are wishing our colleagues the best and look forward to working with them in the future."

Firm's Other Leader Had Contentious Exit

By contrast, the other leader of the new boutique, van Kwawegen, had a contentious departure from Bernstein Litowitz.

Bernstein Litowitz said in a statement earlier this month that the firm had fired him:

"We are disappointed that Mr. van Kwawegen has made misleading statements about his departure from the firm. We therefore feel compelled to clarify for the record that Mr. van Kwawegen was in fact terminated after a unanimous decision of all remaining members of the firm's board, based on a determination of the firm's executive committee that, in its opinion, Mr. van Kwawegen engaged in misconduct that was inimical to the best interests of the firm," the statement says.

The Bernstein Litowitz statement went on to say that the firm has a well-qualified legal team that's "ready to go to court."

The firm didn't offer any details about the alleged misconduct.

Van Kwawegen responded at the time that Bertstein Litowitz's claims were "pretextual and disappointing," and that he expected more of his colleagues to move to the new boutique.

Following the departure, a prominent former shareholder of Bernstein Litowitz, Mark Lebovitch, announced his return to the organization, and said he **wished to "stabilize"** the corporate governance group, which van Kwawegen had led.

On Monday, Bernstein Litowitz declined to comment further about the dispute with van Kwawegen and referred to the previous statement.

Johnson said he's not in position to talk about the conflict.

"I'm not involved in that in any sense," he said. "And again, as far as our new firm is concerned, we're looking forward. We're building what we think is going to be a very strong business based on the values I've mentioned, and we're going to keep our attention on that."

--Additional reporting by Jeff Montgomery and Rose Krebs. Editing by Karin Roberts.

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Chipotle Dodges Investor Claims Over Portion Cuts

By **Sydney Price**

Law360 (December 22, 2025, 5:59 PM EST) -- Chipotle Mexican Grill Inc. has escaped a proposed shareholder class action accusing it and its executives of downplaying concerns about meager portion sizes, an issue the company later acknowledged it would correct, with a California federal judge's ruling that the allegations are insufficient to establish that Chipotle's statements were false or misleading.

U.S. District Judge Sherilyn Peace Garnett wrote in the order signed on Thursday that the suit does not show Chipotle's risk disclosures were false, nor does it show former Chipotle CEO Brian Niccol and Chief Corporate Affairs Officer Laurie Schalow made false or misleading statements by denying that Chipotle had reduced its portion sizes.

According to the suit, Chipotle responded to social media critiques and media reports regarding portions by making misleading statements in 2024. For example, Schalow told Fox Business in July 2024 that "there have been no changes in our portion sizes, and we aim to provide a great guest experience every time," according to the suit.

But Judge Garnett said on Thursday that none of the comments identified in the complaint show that the risk disclosure concerning Chipotle's "ability to recognize, respond and effectively manage feedback from social media" was false or materially misleading.

According to the order, the suit relies on customer complaints to show that Niccol and Schalow's statements regarding portion size changes were misleading, but Judge Garnett said this is not enough.

"Plaintiff's reference to 'viral criticism' of the Company's portions is insufficient to establish falsity," the order states.

The suit also leans on confidential witness testimonies from Chipotle employees to attempt to show that the restaurant chain systematically reduced portion sizes, the order states. For example, according to the order, a regional training manager reported that "upper management began to apply constant and intense pressure down to the regional and restaurant levels to cut costs" after Niccol joined the company.

But Judge Garnett said the "low-level employees" are not positioned to know about company-wide changes in portion size and rely on "vague hearsay."

Judge Garnett also dismissed insider stock sales claims against Niccol and Chipotle's former chief financial officer, John R. Hartung. The suit does not explain why the amount and percentage of shares that Niccol and Hartung sold or the timing of these sales support a finding of scienter, the order states.

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

The investors are represented by Tor Gronborg, Trig R. Smith and Stephen Johnson of Robbins Geller Rudman and Dowd LLP.

Chipotle and the individual defendants are represented by Andrew Clubok, Michele Johnson, Susan Engel, Matthew Peters, Peter Trombly and Tim Borgerson of Latham and Watkins LLP.

The case is Stradford v. Chipotle Mexican Grill Inc. et al., case number 8:24-cv-02459, in the U.S. District Court for the Central District of California.

--Editing by Vaqas Asghar.

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AdaptHealth To Pay Investors $35M To End Inflated-Sales Suit

By **Jessica Corso**

Law360 (December 23, 2025, 7:52 PM EST) -- Medical device provider AdaptHealth Corp. has agreed to pay $35 million to settle a lawsuit accusing it of deceiving shareholders about its revenue projections as it "routinely engaged in improper and unethical tactics to inflate sales numbers."

The parties sought preliminary approval of the class action settlement on Friday, telling a judge in the U.S. District Court for the Eastern District of Pennsylvania that the $35 million will be paid by the company's insurance plans.

"The settlement obtains all of the company's available insurance — before the most significant litigation costs began— and eliminates the real risks that protracted litigation might lead to a lesser or no recovery, and instead guarantees a substantial, near-term recovery for the settlement class," according to a memorandum filed by the lead plaintiffs.

The settlement, if approved, would end two years of litigation over a multimillion-dollar write-down that suing investors alleged was caused by billing customers and government insurance plans for medical supplies they didn't order or need.

These practices occurred at the dozens of competitors that AdaptHealth was snapping up beginning in 2020, with the company gutting compliance practices at those newly acquired businesses, according to the lawsuit.

Suing investors claim that the cracks started to show in 2023 with a series of company disclosures that eventually led to the multimillion-dollar write-down and caused the stock price to lose nearly 84% of its value compared with a class period high of $40.15 in August 2020.

The class includes those who purchased or acquired stock between Aug. 4, 2020, and Nov. 7, 2023.

The settlement was reached as the parties were arguing over a dismissal motion, with the company saying that the case should be thrown out because plaintiffs' "blatant exaggerations" did not amount to securities fraud.

"Lead plaintiffs do not allege with requisite particularity that AdaptHealth … consciously intended to deceive investors," the company said in its motion to dismiss. "Instead, lead plaintiffs grasp at straws to identify highly speculative reasons that the individual defendants allegedly knew or should have known about AdaptHealth's allegedly improper billing or post-acquisition practices, and then conclude that they must have made false statements with fraudulent intent."

The individual defendants include members of the company's leadership team.

Investors' counsel declined to comment Tuesday. Representatives for the company didn't immediately respond to a request for comment.

Investors are represented by Hannah Ross, John Rizio-Hamilton, Katherine Sinderson, John Esmay, Timothy Fleming and Sarah Schmidt of Bernstein Litowitz Berger & Grossmann LLP, and by D. Seamus Kaskela and Adrienne Bell of Kaskela Law LLC.

AdaptHealth is represented by Todd Cosenza, Zeh Ekono and Michaela Connolly of Willkie Farr &

Gallagher LLP, and by Steven Costello and Kathryn Diane Maza Courtney of Saxton & Stump.

The case is In Re: AdaptHealth Corp. Securities Litigation, case number 2:23-cv-04104, in the U.S. District Court for the Eastern District of Pennsylvania.

--Editing by Karin Roberts.

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Walmart Gets $623K As Sanction Award In Avocado Oil Suit

By **Rae Ann Varona**

Law360 (December 23, 2025, 10:15 PM EST) -- A California federal judge has ordered two attorneys from a Santa Monica-based law firm to pay Walmart $623,000 in attorney fees as a sanction in their client's decertified class action that accused Walmart of falsely labeling its avocado oil as containing only avocado oil despite allegedly containing other oils.

In imposing sanctions against Los Angeles County resident Edie Golikov and two of her attorneys at Dovel & Luner LLP, U.S. District Judge R. Gary Klausner on Friday awarded the retail giant a total of $623.738.70 for nearly 843 hours its attorneys spent fighting off the lawsuit that alleged Walmart's Great Value Avocado Oil labeling is false and misleading.

Judge Klausner shot down Golikov's contention that Walmart's time entries were unreasonable, excessive and too vague. Among other things, he rejected Golikov's argument that the time entries are duplicative because Walmart staffed multiple attorneys on a same task.

"Courts in this district have determined it is reasonable to have multiple attorneys perform one task," Judge Klausner wrote. He said that the court also won't impose its own judgment regarding the best way to operate a law firm, nor determine if different staffing decisions would have been better.

"Absent more reasoning from plaintiff, the court finds defendant's decision regarding staffing the case to be appropriate," Judge Klausner wrote.

To Golikov's contention that Walmart's time entries were too vague in that they contained generic words like "draft," "work on," and "revise," Judge Klausner said that attorney are not required to record in "great detail" how each of minute of their time was spent, so long as they identify the general matter of their time expenditures.

"Here, the billing records are sufficiently detailed to meet this standard, 'as they specify the time spent down to the tenth of an hour and provide descriptions of the services that were performed,'" Judge Klausner wrote.

Counsel for Golikov and Walmart did not immediately respond to requests for comment on Tuesday evening.

Golikov had filed the operative first amended putative class action complaint in December 2024, accusing Walmart of duping consumers seeking unadulterated avocado oil into buying impure or mixed avocado oils.

Citing scientific testing that researchers at the University of California, Davis conducted, Golikov said that Walmart's Great Value Avocado Oil, which lists avocado oil as its only ingredient, was included in the researchers' list of adulterated oils. She said that Walmart's oil, according to the researchers, contains high levels of other oils, including oleic sunflower or safflower oils — both of which Golikov noted are cheaper than pure avocado oil and have different health and culinary properties.

The research further found that Walmart's avocado oil failed both a fatty acid profile and sterol tests, two tests that researchers considered the most important in determining whether avocado oil is adulterated, Golikov said.

She asserted that Walmart knew, or should have known, that its oil was adulterated, and reasonably should have tested its oil given the widespread awareness of adulteration in the avocado oil market.

Golikov accused Walmart of violating California's False Advertising Law, its Consumer Legal Remedies Act and its Unfair Competition Law and asserted claims of breach of express warranty, negligent misrepresentations, intentional misrepresentations and quasi contract. She sought injunctive relief barring Walmart from further deceptive conduct, restitution, and actual and punitive damages.

Golikov initially secured class certification in late February. She had sought to represent a California class of all persons who, while in the Golden State, bought Walmart's Great Value Avocado Oil during an applicable statute of limitations period.

The district court, that same day, dismissed Golikov's claim for punitive damages. And in June, Judge Klausner granted a motion by Walmart to compel arbitration and stay proceedings pending the arbitration's outcome.

In August, the court decertified the class, finding that Golikov did not meet her burden of demonstrating that her claims are typical of the class. While Golikov proposed to represent a class of consumers who purchased avocado oil from Walmart's stores, Golikov, "as it turned out," made her purchase online, pursuant to an arbitration agreement and class action waiver.

The court said that Golikov was "never eligible" to represent the class, meaning the class "was not duly certified," given that she was subject to the arbitration agreement and class action waiver "from the onset of the litigation."

In November, Walmart asked the court to impose sanctions against Golikov and two of her attorneys from Dovel & Luner LLP, arguing that they "unreasonably and vexatiously multiplied the proceedings by their concealment" of the "dispositive fact" that Golikov bought her single alleged purchase of Great Value Avocado Oil on Walmart.com and in doing so, entered in the arbitration agreement and class action waiver.

In a supplemental brief for its request, Walmart requested a lodestar amount of $745,422.75 for a total of 1,009.5 hours worked.

In granting the sanction bid, Judge Klausner said that 842.8 hours, representing the hours worked less 166.7 hours spent on the motion for sanctions and supplemental brief, was reasonable since Walmart had made its own decision to file the motion for sanctions.

"The court does not view the motion for sanctions and the litigation following the motion as part of the plaintiff's multiplication of the proceedings," Judge Klausner said. "Therefore, the court declines to award Defendant the costs associated with obtaining sanctions."

According to a joint status report filed on Dec. 8, the parties were still looking into whether they can resolve the case, saying that Golikov "has not yet initiated arbitration."

Golikov is represented by Richard Lyon and Christin Cho of Dovel & Luner LLP.

Walmart is represented by Jacob M. Harper of Davis Wright Tremaine LLP.

The case is Edie Golikov v. Walmart Inc., case number 2:24-cv-08211, in the U.S. District Court for the Central District of California.

--Editing by Emily Kokoll.

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'Gas Station Heroin' Cos. Sued Over User's Overdose

By **Mike Curley**

Law360 (December 23, 2025, 2:44 PM EST) -- The estate of a woman who died of a tianeptine overdose is suing the makers and sellers of tianeptine products in Pennsylvania state court, saying while they market the products as safe diet supplements, they're actually highly addictive opioids.

In a **complaint** filed last week, the estate of Eileen Hatton said that products like ZaZa, Tianaa, TD and Pegasus are known as "gas station heroin," because they are freely sold in smoke shops and gas stations, despite having no U.S. Food and Drug Administration authorization, and in fact the FDA has warned against their use.

The suit names as defendants importers, makers and distributors of tianeptine products, including MRSS Inc., Karmagreen LLC, Premier Manufacturing Products LLC and several smoke shops and gas stations.

MRSS is facing a **similar suit** in Georgia federal court, filed in June.

According to the complaint, tianeptine is a synthetic opiate-like substance that affects the same receptors as opioids, but has a short half-life, making the effects wear off quickly, resulting in immediate and "brutal" withdrawal symptoms.

The substance has no accepted medical use in the U.S., has been banned from use in several companies, and both the FDA and the Centers for Disease Control and Prevention have confirmed its dangers, the complaint says, with the FDA issuing warning letters to at least one of the defendants named in this suit that the products are illegally marketed.

According to the complaint, the FDA in November 2023 warned consumers not to purchase or use tianeptine, the Drug Enforcement Administration identified it as a public health threat in 2024, and several states have classified it as a Schedule I or Schedule II controlled substance, with Pennsylvania state Sen. Doug Mastriano saying in June he intended to introduce legislation to do likewise.

Despite this, the defendants sell and market the products as healthy, "all natural," diet supplements, some with packaging similar to energy drinks, but without warning about any of the dangers of the products.

"In effect, defendants are drug dealers cloaked in the language and imagery of the wellness industry, pushing a dangerous opioid under the false label of a supplement," the estate said in the complaint.

Hatton's use began in August 2023, according to the complaint. She used it to help end her Percocet addiction but developed tolerance and dependence, and went from using it casually to consuming at least one full bottle of tianeptine products per day to satisfy the addiction, the complaint says.

She was found dead outside her mother's home on May 8, 2025, and toxicology testing confirmed that tianeptine caused her death, according to the complaint.

The suit includes claims for product liability, negligence, breach of warranty, negligent and reckless misrepresentation and false or misleading advertising.

Frank Mangiaracina of Kline & Specter PC said Tuesday, "Eileen Hatton's death was sad, tragic, and entirely preventable, and accountability is essential to stop these companies from continuing to profit off addiction and putting more families at risk."

Representatives for the defendants could not immediately be reached for comment Tuesday.

The estate is represented by Thomas R. Kline, Frank Mangiaracina and Michael A. Cavaliere of Kline & Specter PC.

Counsel information for the defendants was not available Tuesday.

The case is Hatton v. MRSS Inc. et al., case number 251202456, in the Court of Common Pleas of Philadelphia County, Pennsylvania.

--Additional reporting by Kelcey Caulder. Editing by Linda Voorhis.

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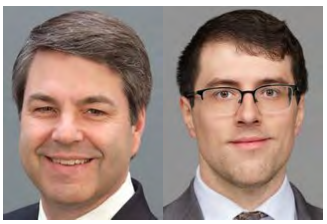
Navigating AI In The Legal Industry

(December 29, 2025, 12:03 PM EST)

As artificial intelligence becomes an increasingly integral part of legal practice, Law360 guest commentary this year examined evolving ethical obligations, how the plaintiffs bar is using AI to level the playing field against corporate defense teams, and the attendant risks of adoption.

Dec. 16, 2025

A Uniform Federal Rule Would Curb Gen AI Missteps In Court



To address the patchwork of courts' standing orders on generative artificial intelligence, curbing abuses and relieving the burden on judges, the federal judiciary should consider amending its civil procedure rules to require litigants to certify they've reviewed legal filings for accuracy, say attorneys at Shook Hardy & Bacon LLP.

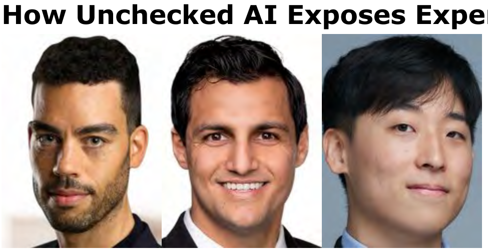
Dec. 5, 2025

10 Commandments For Agentic AI Tools In The Legal Industry

Though agentic artificial intelligence has demonstrated significant promise for optimizing legal work, it presents numerous risks, so specific ethical obligations should be built into the knowledge base of every agentic AI tool used in the legal industry, says Steven Cordero at Akerman LLP.

Dec. 3, 2025

How Unchecked AI Exposes Expert Opinions To Exclusion



A growing number of cases illustrate the potential for misuse of artificial intelligence tools by experts in litigation, resulting in reports with hallucinated information or unexplainable analysis, so to embrace the efficiencies AI tools introduce without falling victim to the risks, attorneys and experts should implement a few best practices, say attorneys at Willkie Farr & Gallagher LLP.

Nov. 6, 2025

AI Litigation Tools Can Enhance Case Assessment, Strategy

Civil litigators can use artificial intelligence tools to strengthen case assessment and aid in early strategy development, as long as they address the risks and ethical considerations that accompany these uses, say attorneys at Barnes & Thornburg LLP.

Nov. 4, 2025

Attys Beware: Generative AI Can Also Hallucinate Metadata

In addition to the well-known problem of AI-generated hallucinations in legal documents, AI tools can also hallucinate metadata — threatening the integrity of discovery, the reliability of evidence and the ability to definitively identify the provenance of electronic documents, say attorneys at Law & Forensics.

Oct. 23, 2025

SDNY OpenAI Order Clarifies Preservation Standards For AI

The Southern District of New York's recent order in the OpenAI copyright infringement litigation, denying discovery of The New York Times' artificial intelligence technology use, clarifies that traditional preservation benchmarks apply to AI content, relieving organizations from using a "keep everything" approach, says Philip Favro at Favro Law PLLC.

Sept. 12, 2025

Agentic AI Puts A New Twist On Attorney Ethics Obligations

As lawyers increasingly use autonomous artificial intelligence agents, disciplinary authorities must decide whether attorney responsibility for an AI-caused legal ethics violation is personal or supervisory, and firms must enact strong policies regarding agentic AI use and supervision, says Grace Wynn at HWG LLP.

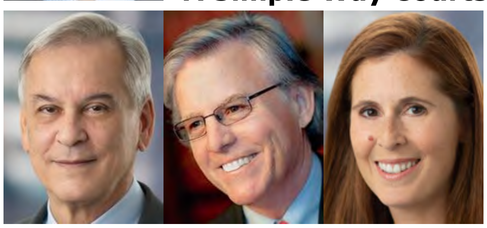
Sept. 5, 2025

Plaintiffs Bar Can Level Up With Strategic Use Of AI

As artificial intelligence adoption among legal professionals explodes, the question for the plaintiffs bar is no longer whether AI will reshape the practice of law, but how it can be integrated effectively and strategically to level the playing field against well-funded corporate defense teams, says Tyler Schneider at TorHoerman Law LLC.

Aug. 11, 2025

A Simple Way Courts Can Help Attys Avoid AI Hallucinations



As attorneys increasingly rely on generative artificial intelligence for legal research, courts should consider expanding online quality control programs to flag potential hallucinations — permitting counsel to correct mistakes and sparing judges the burden of imposing sanctions, say attorneys at Lankler Siffert & Wohl LLP.

July 14, 2025

How Attys Can Use AI To Surface Narratives In E-Discovery

E-discovery has reached a turning point where document review is no longer just about procedural tasks like identifying relevance and redacting privilege — rather, generative artificial intelligence tools now allow attorneys to draw connections, extract meaning and tell a coherent story, says Rose Jones at Hilgers Graben PLLC.

June 17, 2025

How AI May Reshape The Future Of Adjudication

As discussed at a recent panel at Texas A&M, artificial intelligence will not erase the human element of adjudication in the next 10 to 20 years, but it will drive efficiencies that spur private arbiters to experiment, lead public courts to evolve and force attorneys to adapt, says Christopher Seck at Squire Patton Boggs LLP.

June 10

Calif. Bar Exam Fiasco Shows Why Attys Must Disclose AI Use

The recent revelation that a handful of questions from the controversial California bar exam administered in February were drafted using generative artificial intelligence demonstrates the continued importance of disclosure for attorneys who use AI tools, say attorneys at Troutman Pepper Locke LLP.

April 18, 2025

An Unrestrained, Bright-Eyed View Of Legal AI's Future

Todd Itami at Covington & Burling LLP offers a bright-eyed, laughing-all-the-way, skydive look at what the legal industry could look like after an artificial intelligence revolution, which he believes may happen much sooner and more dramatically than we expect.

Feb. 20, 2025

4 Do's And Don'ts For Trial Lawyers Using Generative AI

Trial attorneys who use artificial intelligence tools should review a few key reminders, from the likelihood that prompts are discoverable to the rapid evolution of court rules, to safeguard against embarrassing missteps, says Nate Sabri at Perkins Coie LLP.

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