AI Infrastructure Company Hit with AI-Related Securities Suit

dandodiary.com/2026/01/articles/artificial-intelligence/ai-infrastructure-company-hit-with-ai-related-securities-suit

Kevin LaCroix January 14, 2026

In my recent year-end roundup of the top D&O stories of 2025, one key topic I noted was the significance of AI-related corporate and securities litigation during the year. 2026 has only just started, but it already seems likely that AI-related litigation will be an important theme again in the new year, as well. In the latest example of this phenomenon, earlier this week a plaintiff shareholder filed a securities class action lawsuit against AI infrastructure company CoreWeave. As discussed below, there are a number of interesting features to this latest lawsuit. A copy of the January 12, 2026, CoreWeave complaint can be found here.

Background

CoreWeave is an artificial intelligence cloud computing company delivering infrastructure and services through large data centers and geographically distributed networks. It provides customers with access to its AI infrastructure and proprietary software through its "Cloud Platform." Cloud Platform is hosted on thecompany's distributed network of purpose-built data centers. CoreWeave recognizes revenue from its contracts only when it has completed installation of the infrastructure – including data centers — necessary to provide customers with Cloud Platform access.

On March 28, 2025, CoreWeave completed an IPO in which it raised $1.5 billion. Following the IPO, CoreWeave's share price rose, by June 2025 to a level nearly 350% greater than its share price at the time of the IPO. According to the subsequent complaint, CoreWeave's share price rose because of the company's consistent representations that demand for CoreWeave's services was "robust" and "unprecedented."

The complaint alleges that "constantly looming over CoreWeave was the question of how it could meet this 'robust' and 'unprecedented' demand," given the "limitations of the infrastructure underlying its AI services." Among other things, the data centers used in the company's Cloud Platform are highly specialized and in some instances designed to meet specific customers' bespoke needs. Moreover, only a limited number of suppliers provide the components and materials necessary to construct the specialized data centers. Nevertheless, the complaint alleges, despite these infrastructure constraints CoreWeave consistently issued positive revenue guidance during the class period.

On November 10, 2025, CoreWeave released its 3Q25 financial results. Among other things, the company announced lowered revenue guidance for 2025, citing "delays related to a third-party data center developer who is behind schedule." In subsequent comments the same day, company management clarified that while one developer was involved in the delay, the delay potentially impacted more than one data center. The company's share price declined on this news.

On December 15, 2025, the *Wall Street Journal* published an article detailing the scope and severity of the data center delivery issues. Among other things, the *Journal* article reported that construction on one data center in Texas was delayed due to weather, while other data centers would be delayed due to revised design plans. According to the complaint, the *Journal* article also disclosed that the data site developer had begun flagging the delays nine months before CoreWeave announced lowered revenue guidance in November 2025. The complaint alleges that the company's share price fell further on this news.

The Complaint

On January 12, 2026, a plaintiff shareholder filed a securities class action lawsuit in the District of New Jersey against CoreWeave and certain of its executives. The complaint purports to be filed on behalf of investors who purchased the company's securities between March 28, 2025, and December 15, 2025.

The complaint alleges that the defendants made false and/or misleading statements and/or failed to disclose that: "(i) Defendants had overstated CoreWeave's ability to meet customer demand for its services; (ii) Defendants materially understated the scope and severity of the risk that CoreWeave's reliance on a single third-party data center supplier presented for CoreWeave's ability to meet customer demand for its services; (iii) the foregoing was reasonably likely to have a material negative impact on the Company's revenues; (iv) as a result, the Company's public statements were materially false and misleading at all relevant times."

The complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint seeks to recover damages on behalf of the plaintiff class.

Discussion

In recent posts, including my recent annual rundown of the year's top stories, I noted that the AI-related securities class action lawsuits filed so far generally have fallen into one of two types of cases: that is, cases involving AI-washing allegations, in which the defendants are alleged to have *overstated* the defendant company's AI-related capabilities or AI-related prospects; and cases involving AI-risk related allegations, which the defendants are alleged to have *understated* the defendant company's AI-related risks.

Interestingly, this case seems to involve both types of allegations. Thus, on the one hand, the plaintiff alleges that the defendants "*overstated* CoreWeave's *ability* to meet customer demand for its services"—that is, AI-washing type allegations. On the other hand, the plaintiff also alleges that the defendants "*understated* the scope and severity of the *risk* that CoreWeave's reliance on a single third-party data center supplier presented for CoreWeave's ability to meet customer demand for its services."

There may be reasons why the complaint doesn't fit neatly into general categories, and that may be the fact that this lawsuit involves an AI infrastructure company – that is, a company's whose entire business model involves AI itself. The vast majority of other prior AI-related securities suits have involved companies in *other industries* that are dealing with the impact of AI adoption in their industry and in their business environment. It could be argued that, by contrast, companies in the AI industry itself represent their own separate risk category and that the lawsuits arising against these kinds of companies represent a separate category of AI-related lawsuits.

There have of course been prior securities suits involving defendant companies in the AI industry, including prior lawsuits involving AI infrastructure companies. For example, there has already this year been a prior lawsuit against another AI infrastructure company. As discussed [here](), earlier this month a plaintiff shareholder filed a securities suit against AI energy and infrastructure company

Fermi. (Interestingly, Fermi also completed a massive AI-related IPO in 2025, similar to CoreWeave.) The Fermi lawsuit, like this one, also involved allegations that the defendant company overstated its AI-related prospects and understated its AI-related risks. That is, the Fermi lawsuit, like this one, does not neatly fit into the otherwise standard categories that have characterized the AI-related litigation to date.

In any event, we are only just in the first few days of the New Year and AI-related litigation seems to be something of a theme. If, as seems likely, we continue to see AI-related lawsuit filings this year, it will be interesting to see whether the suits fall into the prior patterns or if different patterns emerge, and, in that regard, it will be interesting to see if suits involving AI infrastructure companies seem to represent their own category of kinds of claims.

The wild card in all of this is the current hot-button question of whether or not there is an AI bubble in the financial markets, and the interrelated but corollary question of what will happen if and when the AI bubble (if indeed there is one) bursts. From my perspective, it seems likely that if there is an AI-bubble burst in the months ahead, AI-related litigation could be the D&O claims story of the year. Of course, some may say there is no bubble, and others will the AI bubble won't burst, and still others who say that if the whole market goes down there will be fewer outliers who wind up attracting lawsuits.

It will all be very interesting to watch as the year progresses.

Litigation

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Wells Fargo $100 Million Derivative Pledge Gets First Court Nod

Jan. 14, 2026, 9:02 AM PST

Summary by Bloomberg AI

AI Generated

- A federal judge gave initial approval to a settlement in which Wells Fargo & Co. officers and directors agreed to spend $100 million on mortgage assistance for low- and moderate-income borrowers.
- The settlement's terms will "confer substantial corporate benefits on Wells Fargo" and "improve Wells Fargo's reputation among prospective customers in the targeted communities", according to Judge Trina L. Thompson.
- The settlement is related to a shareholder derivative lawsuit that alleged Wells Fargo's board failed to monitor fairness in its home mortgage lending practice and falsely touted its diversity hiring initiatives.

Wells Fargo & Co. officers and directors' agreement to spend $100 million on mortgage assistance for low- and moderate-income borrowers earned a federal judge's initial blessing to settle a suit accusing them of corporate mismanagement through discriminatory hiring and lending practices.

The settlement's terms, which amounts to a $110 million value given a monetary influx from the directors' insurer, "confer substantial corporate benefits on Wells Fargo," Judge Trina L. Thompson said while preliminarily approving of deal.

The assistance fund "will improve Wells Fargo's reputation among prospective customers in the targeted communities," the US District Court for the Northern District of California judge said Tuesday. The $10 million consideration from the directors-and-officers insurer "will provide immediate recovery in the form of a cash payment to Wells Fargo."

The anticipated maximum of $27.5 million in shareholder attorneys' fees, litigation expenses, and investor service awards fell in line with a US Court of Appeals for the Ninth Circuit's 25% benchmark, Thomson said, but she'll decide the reasonableness of the award during final approval.

The shareholder derivative lawsuit plausibly alleged the San Francisco-based bank's board failed to have a committee or reporting protocol to monitor fairness in its home mortgage lending practice, Thompson had said while partially letting the suit proceed on this and some claims related to representations of its hiring practices. The shareholders suing on behalf of the company alleged the current and former directors and some executives breached their fiduciary duties by falsely touting the bank's diversity hiring initiatives. Those breaches allegedly opened Wells Fargo to the costs of litigation and other expenses, including addressing criminal investigations, conducting internal investigations, and implementing changes in hiring and financial oversight.

The suit parallels allegations in an investor class action before the same judge that the San Francisco-based lender spoke favorably about its policy of considering a diverse slate of job candidates while instead conducting sham interviews with minority applicants. Thompson preliminarily approved an $85 million settlement in that case in November.

A lawsuit brought by Black and Hispanic Americans alleged Wells Fargo intentionally and disproportionately denied them loans, wrongly delayed applications, or offered minority applicants less favorable terms than extended to White borrowers. A different judge in this court denied class certification in that lawsuit last year.

The derivative suit parties announced a settlement in principle in September, seeking preliminary approval in October.

Bleichmar Fonti & Auld LLP, Motley Rice LLP, and Cotchett, Pitre & McCarthy LLP are lead counsel for the investors. Sullivan & Cromwell LLP represents Wells Fargo. Willkie Farr & Gallagher LLP represents most of the directors and officers, and Cleary Gottlieb Steen & Hamilton LLP represents CEO Charles Scharf, who is also a director. None of these law firms nor Wells Fargo immediately responded to emails seeking comment.

The case is In re Wells Fargo & Co. Hiring Pracs. Deriv. Litig. , N.D. Cal., No. 3:22-cv-05173, 1/13/26 .

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Oracle sued by bondholders over losses tied to AI buildout

reuters.com/world/oracle-sued-by-bondholders-over-losses-tied-ai-buildout-2026-01-14

Reuters January 14, 2026

Figurines with computers and smartphones are seen in front of Oracle logo in this illustration taken, February 19, 2024. REUTERS/Dado Ruvic/Illustration Purchase Licensing Rights , opens new tab

(ORCL.N) , opens new tab was sued on Wednesday by bondholders who say they suffered losses because the company led by billionaire Larry Ellison failed to disclose it needed to sell significant additional debt to build out its artificial intelligence infrastructure.

The proposed class action was filed in a New York state court in Manhattan on behalf of investors who bought $18 billion of notes and bonds that Oracle issued in September. Ellison and Oracle's banks were also named as defendants.

Reporting by Jonathan Stempel in New York

Securities

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Tricolor’s Bondholders Sue Trustee for Missing Its Alleged Fraud

Jan. 14, 2026, 8:14AM PST

Investors in bonds from Tricolor Holdings , a used car dealer and subprime lender that collapsed last year amid allegations of fraud, sued Wilmington Trust NA , the trustee for the securities, alleging the firm failed in key bond supervision duties.

The bondholders filed the suit in New York state court Tuesday. The filing came the same day that Tricolor founder **Daniel Chu** and former Chief Operating Officer David Goodgame pleaded not guilty to charges that they conspired to defraud lenders and investors.

Tricolor filed for bankruptcy in September after shutting down more than 60 locations across Texas and the US Southwest. Lenders including JPMorgan Chase & Co., Barclays Plc, and Fifth Third Bancorp. have been preparing for significant losses tied to the company’s facilities.

“Wilmington utterly failed to fulfill this most-fundamental of tasks,” bondholders say in lawsuit. “It instead allowed rampant double-pledging of loans and delivery of fictitious collateral that should have been uncovered if somebody at Wilmington bothered to verify delivery and custody of the original loan documents.”

A spokesperson for Wilmington wasn’t immediately able to comment on the lawsuit Wednesday.

--With assistance from Chris Dolmetsch.

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Expert Opinion | **Corporate Entities**

Delaware Court of Chancery Dismisses 'Novel' Fraud-on-the-Board Claims

In DrugCrafters v. Loh, the Delaware Court of Chancery rejected stockholder-plaintiffs' argument that Corwin cleansing was unavailable because the defendant-directors/officers perpetrated fraud on the board and dismissed the complaint under Corwin.

January 14, 2026 at 07:52 AM By **Art Bookout** & **Oscar Barron-Guerra**

Delaware Court of Chancery on The Circle in Georgetown, Delaware. Credit: Antony-22 via Wikimedia Commons

In *DrugCrafters v. Loh,* C.A. No. 2024-0111-PAF, 2025 WL 3438408 (Del. Ch. Nov. 26, 2025), the Delaware Court of Chancery rejected stockholder-plaintiffs' argument that *Corwin* cleansing was unavailable because the defendant-directors/officers perpetrated fraud on the board and dismissed the complaint under *Corwin*. In doing so, the court noted that the plaintiffs' "novel" fraud-on-the-board theory was "essentially the inverse of the common factual scenario in which fiduciaries seek an early transaction to facilitate liquidity needs" and required the court to believe that the defendants simultaneously wanted to delay a transaction to secure additional payment rights and then rush it through before the company went bankrupt.

Background

Formed in 2014, Paratek Pharmaceuticals, Inc. (Paratek or the company) was a publicly traded Delaware corporation aimed at commercializing the treatment of antimicrobial resistance with its product, NUZYRA. The defendants are five officers of the company, with the defendants Evan Loh and Michael Bigham also serving as directors of the company. To incentivize management to market NUZYRA, Paratek's compensation committee approved a revenue performance incentive plan (the RPIP).If the company met revenue milestones for NUZYRA, the defendants would be eligible to collect from a pool of $50 million, with accelerated vesting and payout upon a change of control.

In January 2022, facing near-immediate financial challenges, Paratek began looking for potential buyers, and MannKind Corp. (MannKind) was the initial front-runner. Another potential buyer, Gurnet Point Capital (Gurnet Point), expressed some interest at this time but did not actively engage in the sales process until August 2022. In May 2022, Paratek's board of directors (the board) formed the transaction committee composed of independent directors, which had the authority to "direct, oversee, and monitor the company's evaluation of potential business combination transactions" and retained authority over the final approval of any transaction.

After multiple rounds of negotiations with both MannKind and Gurnet Point, the transaction committee unanimously approved a proposal from Gurnet Point to acquire Paratek for $2.15 per share in cash plus a contingent value right (CVR) of $0.85 per share based on NUZYRA sales. As part of the merger, Defendants agreed to reinvest a percentage of their RPIP awards in the post-merger entity and some Defendants retained their employment. The merger was approved by a majority of Paratek's disinterested stockholders and closed in September 2023.

The plaintiffs, former stockholders in Paratek, filed suit alleging that Bigham and Loh breached their fiduciary duties as directors and all the defendants breached their fiduciary duties as officers. The defendants moved to dismiss for failure to state a claim.

Analysis

Enhanced Scrutiny or Entire Fairness Review

Plaintiffs argued that because the complaint pleaded claims for breaches of fiduciary duty of loyalty for alleged "fraud on the board," their claims must be reviewed under entire fairness, and not the lesser "enhanced scrutiny" standard under *Revlon*. The Court resolved the standard of review question by adjudicating the underlying fraud-on-the-board allegation, and then dismissed the complaint under *Corwin* because the underlying merger was approved by a majority of fully informed and uncoerced disinterested stockholders.

No Fraud on the Board

The plaintiffs' central theory was that the defendants, motivated by the prospect of RPIP payouts and post-merger employment, manipulated the sale process to maximize their personal gain. The plaintiffs alleged that the defendants delayed the sale to increase NUZYRA revenues (and thus their RPIP payouts) while Paratek was facing financial issues, steered the process toward Gurnet Point (which was willing to honor the RPIP and provide post-merger employment), and withheld or misrepresented material information to the board and transaction committee.

The court stated that a fraud-on-the-board theory required the [laintiffs to adequately plead that conflicted fiduciaries acted disloyally by withholding material information, engaging in deceptive conduct, or misleading the board. For purposes of the analysis, the court assumed that the RPIP and post-merger employment rendered Defendants conflicted; however, the court dismissed the claim because the plaintiffs failed to plead that any material information was withheld or that the board or transaction committee was deceived or misled.

The court noted:

- The early discussions between management and Gurnet Point were ultimately disclosed to the transaction committee months before the merger agreement was signed.
- There were no allegations that the officers concealed material information or that the board or transaction committee were unaware of the officers' conflicts.
- The transaction committee was actively engaged, set its own deadlines, negotiated with multiple bidders, and was advised by independent counsel and a financial adviser.
- The board and transaction committee were aware of and managed the officers' conflicts, including the RPIP and post-merger employment discussions.

The court characterized the plaintiffs' fraud-on-the-board theory as "novel": it was "essentially the inverse of the common factual scenario in which fiduciaries seek an early transaction to facilitate liquidity needs." The court further noted that the plaintiffs' argument required it to accept that the defendants delayed a deal to earn RPIP payouts, then rushed it through to avoid bankruptcy. As a result, the court dismissed the fraud-on-the-board claim and a related claim that the board and transaction committee failed to adequately oversee the defendants, and held that the presumptive standard of review for the transaction would be enhanced scrutiny unless the business judgment rule applied under *Corwin*.

'Corwin' Cleansed the Transaction

The Court of Chancery held that the "irrebuttable" business judgment rule applied under *Corwin* because the proxy statement issued in connection with the merger disclosed all material information regarding the negotiations between Paratek, MannKind, and Gurnet Point, including the defendants' alleged conflicts and the role that the allegedly conflicted the defendants played in transaction negotiations. Because the business judgment rule applied, the court granted the defendants' motion to dismiss in full.

Art Bookout *is a partner in the Wilmington, Delaware office of Skadden, Arps, Slate, Meagher & Flom. He represents directors, officers and corporations in litigation involving corporate governance and federal securities matters.* **Oscar Barron-Guerra** *is an associate in the Wilmington office of the firm.*

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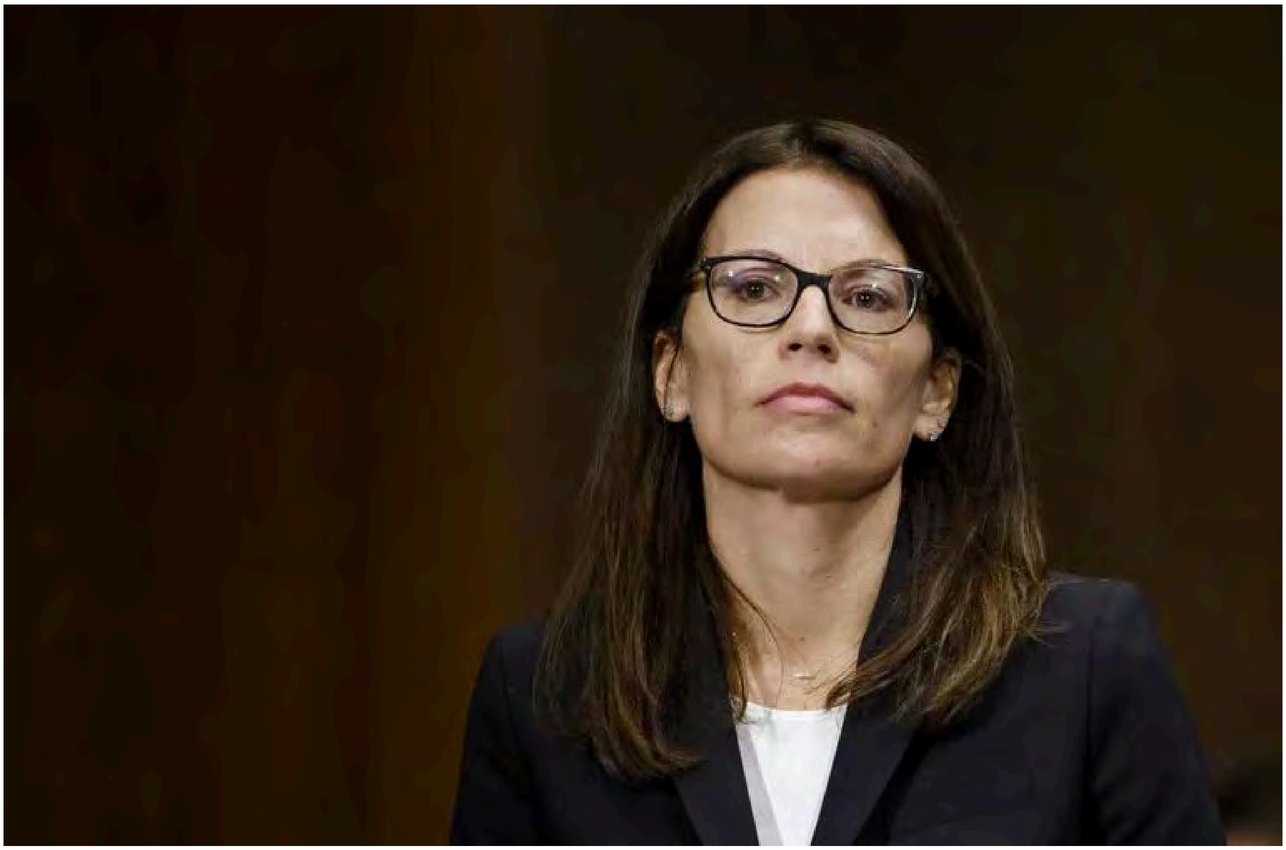
News | **Mass Torts**

Critical Mass With Law.com's Amanda Bronstad: Johnson & Johnson Gets Second Bite At Suing Talc Expert, Prominent Plaintiffs' Attorneys Ready to Lead Roblox Child Exploitation Cases

January 14, 2026 at 10:25 AM By **Amanda Bronstad**

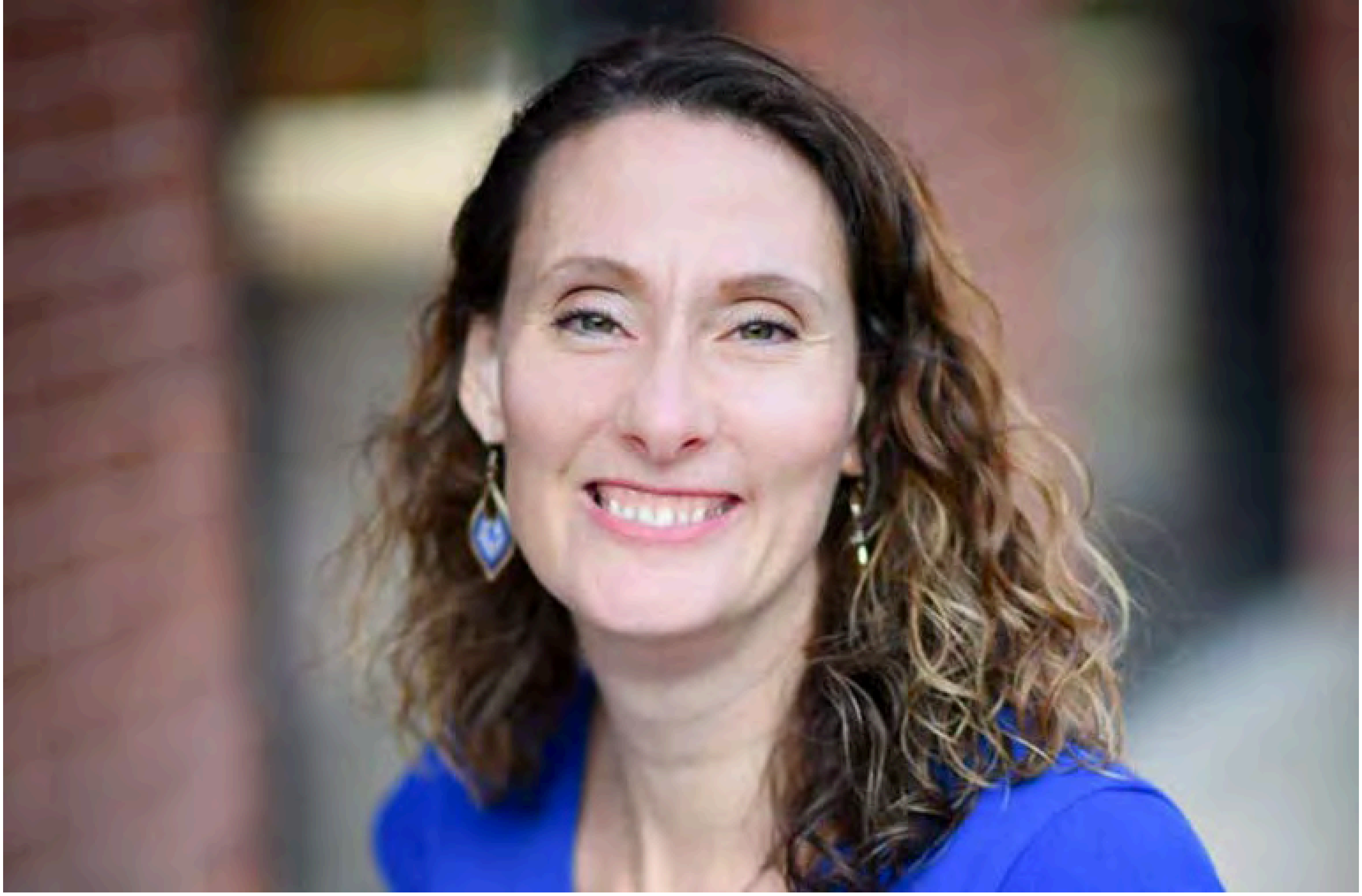


Georgette Castner testifies before the Senate Judiciary Committee during her confirmation hearing to be U.S. District Judge for the District of New Jersey, on Wednesday, December 15, 2021. Photo: Diego M. Radzinschi/ALM

Welcome to **Law.com Class Actions: Critical Mass**, a weekly briefing for class action and mass tort attorneys.

This week: A federal judge said she planned to reopen a **Johnson & Johnson** subsidiary's suit against a leading plaintiffs' expert in hundreds of talcum powder lawsuits. Five well-known attorneys, including **Mark Lanier** and **Bryan Aylstock**, are vying for leadership of 85 lawsuits against **Roblox.** Find out who got appointed to lead lawsuits over **Oracle**'s data breach.

I'm **Amanda Bronstad**. Feel free to reach out to me with your input. My email is amanda.bronstad@alm.com. Follow me on LinkedIn or X: @abronstadlaw.



Jessica Dean of Dean Omar Branham Shirley. Courtesy photo

Mesothelioma Lawyer on J&J's Talc Turnaround: 'Deeply Upsetting'

Johnson & Johnson won a key victory this month when a federal judge said she would reopen its subsidiary's lawsuit against a prominent plaintiffs' expert in hundreds of talcum powder cases. Here's my coverage on **U.S. District Judge Georgette Castner**'s certification of intent to grant the Johnson & Johnson subsidiary's motion to revive a suit, in the **District of New Jersey**, that she dismissed in 2024.

Why the switch? The expert, **Dr. Jacqueline Moline**, whose 2020 and 2023 reports linked cosmetic talc to mesothelioma, was deposed last year as part of a case in New Jersey's **Middlesex County Superior Court**. Johnson & Johnson's subsidiary, in supplemental briefs, argued that her testimony justified reopening the case because she falsely stated she hadn't been in communication with other plaintiffs' experts about her research—namely, **Drs. Theresa Emory**, **John Maddox** and **Richard Kradin**, who also have been sued. The briefs attached emails claiming to show otherwise.

But Castner did not explain her reasoning for reopening the case. And Moline's lawyer, Kevin Marino (**Marino, Tortorella & Boyle**), said the complaint would still fail.

I reached out to Jessica Dean (**Dean Omar**), whose firm brought the talc case in which Moline's deposition was taken. She told me:

"The effort to go after Dr. Moline seems like part of their playbook to attack a reputable scientist to deflect from their actions, which are deeply upsetting. Dr. Moline's published paper found talc and rare asbestos types associated with talc mines in the lung tissue of cosmetic talc users. Those findings, and the conclusion that this is suggestive of exposure to cosmetic talc, was not just reported by Dr. Moline but in internal J&J documents as early as Oct. 16, 1997, nearly 30 years ago."

Sarah London of Girard Sharp. Courtesy photo

In Uber Trial, 'Jury Could Come to the Same Conclusion'

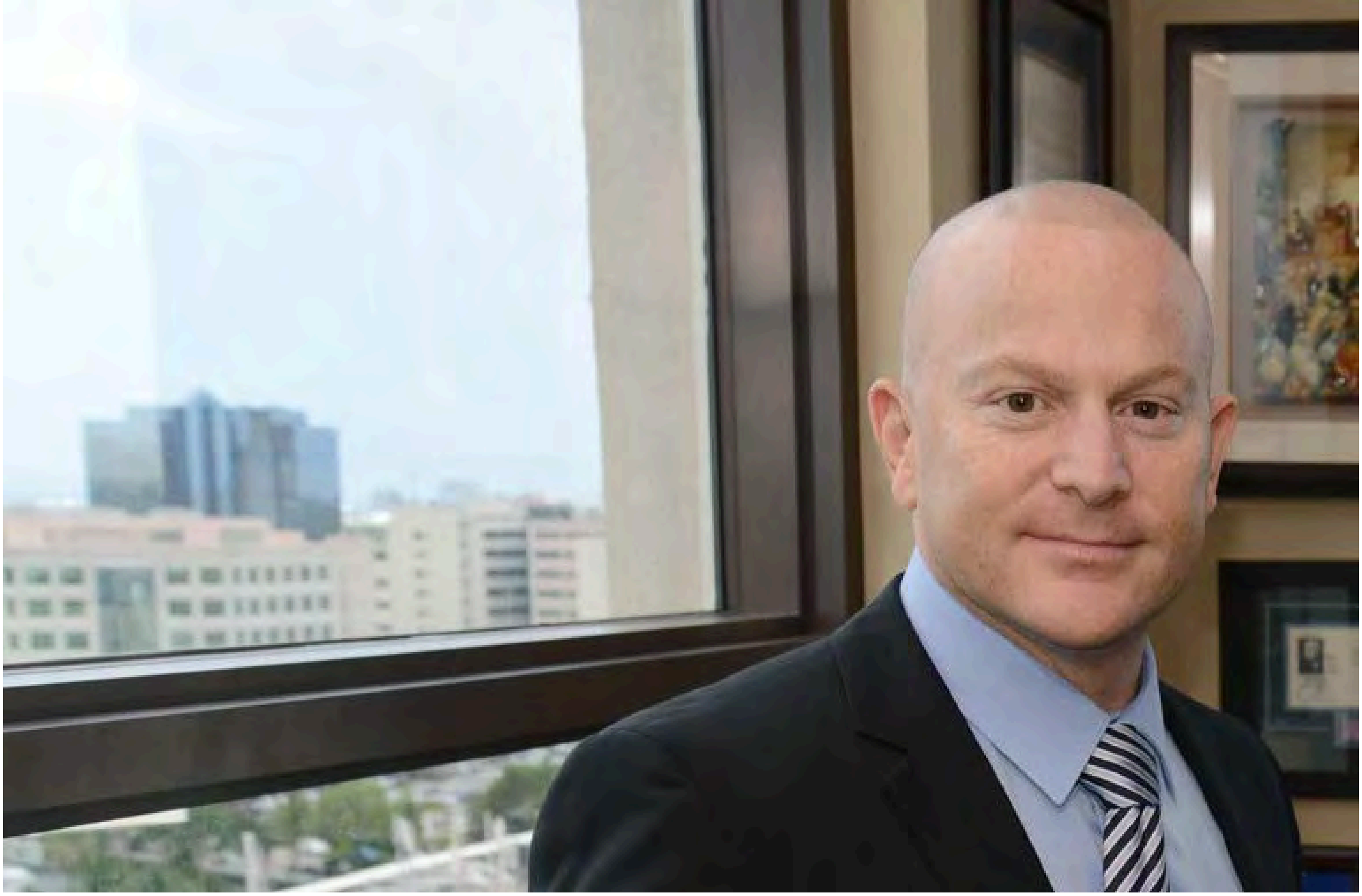
Five of the nation's most prominent plaintiffs' attorneys, including Mark Lanier (**The Lanier Law Firm**) and Bryan Aylstock (**Aylstock Witkin**), have asked to lead 85 lawsuits alleging gaming platform **Roblox** fails to protect children from sexual predators.

Here's my story on the leadership applications, filed on Monday, which also includes Sarah London (Girard Sharp), Alexandra Wlash (Anapol Weiss), and Bob Hilliard (Hilliard Law). The suits were coordinated last month before **Chief Judge Richard Seeborg**, in **California's Northern District**, who has scheduled an initial hearing for Jan. 30.

Based on the applications, lawyers are unlikely to oppose each other's leadership requests. Many have experience in handling lawsuits over sex crimes, such as the addiction claims against social media sites like **Instagram** and **TikTok**, and sexual assault cases against **Uber**, which began its first federal bellwether trial on Tuesday. In that trial, plaintiff Jaylynn Dean alleges her Uber driver raped her in 2023.

I spoke to Christine Dunn (**Sanford Heisler**), who is following the Uber trial. She told me it is telling that, in the first sexual assault trial against Uber, a jury in **San Francisco Superior Court** found on Sept. 30 that the rideshare firm was negligent but not liable for the harm caused to the plaintiff by the driver. Dunn said of this month's trial, in **U.S. District Court for the District of Arizona**:

"That issue is going to come up in this case, also. Here, they're alleging Uber did not do enough to keep the rider safe, but you have this driver who assaulted the rider. There's a true possibility that the jury could come to the same conclusion."


Jeffrey M. Ostrow managing partner of Kopelowitz Ostrow.

Who Got the Work?

A federal judge in Texas appointed three lawyers as co-lead class counsel in the litigation over **Oracle Corp**.'s data breach in 2025. W. Mark Lanier (**The Lanier Law Firm**), Gary Klinger (**Milberg**) and Jeff Ostrow (**Kopelowitz Ostrow**) will lead more than 30 cases before **U.S. District Judge Susan Hightower**, in the **Western District of Texas**, with Joe Kendall (**Kendall Law Group**) serving as liaison counsel, according to a Jan. 5 order. Hightower also appointed an 11-member executive committee.

Here's what else is happening:

Paraquat Sanctions? Chevron has moved for sanctions in the first **paraquat** bellwether trial in the nation, arguing that new exposure allegations by the plaintiff prejudiced the defense. Sharyl Reisman (**Jones Day**) filed the sanctions motion after plaintiff Bill Mertens, during a Jan. 11 deposition, gave new allegations about his dates of exposure to paraquat. Aimee Wagstaff (**Wagstaff Law Firm**), for Mertens, said defense counsel had prior opportunities to obtain that information ahead of the Jan. 26 trial in the **Philadelphia Court of Common Pleas**.

Scouts Denied: The **U.S. Supreme Court** denied a petition to review the **Boy Scouts of America's** nearly $2.5 billion sexual abuse bankruptcy settlement. A group of sexual abuse survivors from Guam had argued that the Boy Scouts of America's plan of reorganization needed to be thrown out due to nonconsensual third-party releases, citing the Supreme Court's 2024 decision in *Harrington v. Purdue Pharma*. But on Monday, the Supreme Court denied review of the appeal.

Roundup NJ: Monsanto moved to dismiss nearly 90 **Roundup** lawsuits in a newly formed New Jersey state court docket, citing jurisdictional grounds. Monsanto, which is owned by **Bayer,** claims that plaintiffs who live in other states lack jurisdiction to sue in New Jersey, where a total of 121 Roundup lawsuits are coordinated before **Bergen County Superior Court Judge Gregg Padovano**. Plaintiffs' attorney Asim Badaruzzaman https://www.sbaitilaw.com/asim-m-badaruzzaman/ (**Sbaiti**) argued that the nerve center of Bayer's U.S. operations is based in Whippany, New Jersey.

Thanks for reading Critical Mass! I'll be back next week.

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News | **Mass Torts**

These 5 Lawyers Want to Lead Child Exploitation Lawsuits Against Roblox

W. Mark Lanier, Bryan Aylstock, Sarah London, Alexandra Walsh and Bob Hilliard are vying for leadership appointments in 85 lawsuits, coordinated last month into multidistrict litigation before Chief Judge Richard Seeborg, in California's Northern District.

January 13, 2026 at 06:33 PM By **Amanda Bronstad**

What You Need to Know

- Chief Judge Richard Seeborg, of the Northern District of California, has scheduled an initial status conference for Jan. 30.
- The lawyers said they support one another in their bid for leadership, and one of them, Bob Hilliard, didn't anticipate individual opposition to one another.
- Many have leadership roles in the social media addiction cases or sexual assault lawsuits against Uber, including a bellwether trial that began this week.

Alexandra Walsh of Anapol Weiss. Courtesy photo

Some of the nation's most prominent plaintiffs attorneys, many with experience in lawsuits about sexual crimes, have asked to lead the child-exploitation lawsuits against the video game platform Roblox.

W. Mark Lanier, Bryan Aylstock, Sarah London, Alexandra Walsh and Bob Hilliard are vying for leadership appointments in 85 lawsuits, coordinated last month into multidistrict litigation before Chief Judge Richard Seeborg in California's Northern District. The suits alleged that Roblox failed to protect children from sexual predators, who used the platform to groom them for exploitation and assault.

Leadership applications were due on Monday. Seeborg has scheduled a Jan. 30 initial status conference.

In their applications, Lanier, Walsh and London all said they supported one another to lead the Roblox cases.

"Our three firms hold a shared, coordinated vision of how to lead this litigation, and we have worked together extensively in charting the path forward here and in other matters," wrote London, of San Francisco-based Girard Sharp, who is co-lead counsel in the Uber sexual assault cases.

For months, both Walsh and London wrote, they have been working with counsel from Wagstaff & Cartmell, Weitz & Luxenberg, Milberg and others. As part of their applications, Lanier, Walsh and London all listed dozens of firms that supported them—then, in a footnote, London gave a shoutout to Aylstock, of Aylstock, Witkin, Kreis & Overholtz in Pensacola, Florida.

According to Aystock's application, his firm had been involved for months with an "informal plaintiffs' working group," hosting meetings and calls.

"This group of skilled litigators, brief writers, and subject matter experts, many of whom have worked in the sex abuse litigation arena for years, is ready, willing and able to assist whomever this court appoints as lead counsel," Aystock wrote.

Walsh, a Washington, D.C., shareholder at Philadelphia's Anapol Weiss, added in her application, "Through our joint efforts, we have already made significant early progress in investigating the facts, shaping the legal strategy, and developing the experts necessary to move the litigation forward."

Paul Doolittle of Poulin Willey Anastopoulo in Charleston, South Carolina, has requested to serve on the executive committee but not as lead counsel.

Although Seeborg has allowed lawyers to object to the leadership applications by Jan. 19, Hilliard, of Hilliard Law in Corpus Christi, Texas, told Law.com that he did not anticipate lawyers opposing each other's bids for lead counsel.

'Unique Legal and Psychosocial Challenges'

Many of the lawyers who applied are also spearheading sexual-assault cases against Uber, including a bellwether trial that began Jan. 13 in the U.S. District Court for the District of Arizona, and lawsuits alleging social media sites like Instagram and TikTok are addicting to adolescent users, causing mental health problems. Their applications focused on the sensitive nature of dealing with childhood trauma and sexual harm.

"The Roblox MDL is about product design, engagement mechanics, and corporate decisions that exposed kids to foreseeable harm, resulting in the sexual victimization and exploitation of children," Hilliard said. "Having lawyers who have had sexual trauma-type cases and are familiar with the sensitivities surrounding those injuries (both to the child and their family) is helpful."

Aylstock Partner Mary Liu and Hillary Nappi, of counsel, are both involved in the social media addiction cases, Aylstock wrote in his application. They are among the 30 attorneys and staff at his firm dedicated to victims of sexual abuse. Aylstock's firm also regularly interacts with government agencies, such as the U.S. Department of Justice and the National Center for Missing and Exploited Children, as well as several psychiatric experts.

Mark Lanier of The Lanier Law Firm. Courtesy photo

Lanier, of The Lanier Law Firm, in Houston, is handling the first addiction trial on Jan. 27 in Los Angeles Superior Court against Meta Platforms, which owns Facebook and Instagram; TikTok; Google's YouTube; and Snap Inc., parent of Snapchat.

"Representing vulnerable minors who are experiencing addiction and associated injuries (for example, suicidality), as well as working with the parents of those minors, presents unique legal and psychosocial challenges in which LLF attorneys and staff have become well-versed," Lanier wrote, referring to his firm.

Walsh is on leadership committees in the multidistrict litigation over social media addiction, which is before U.S. District Judge Yvonne Gonzalez Rogers, and sexual assault against Uber, overseen by U.S. District Judge Charles Breyer. Both are in California's Northern District.

“Both litigations have required careful and distinct approaches to client intake and case development,” Walsh wrote.

Hilliard, in his application, cited his firm’s representation of child abuse claims involving the clergy and the Boy Scouts of America.

“As anyone who has worked on sexual abuse cases involving children can attest, it is vitally important to remain sensitive to the traumas these victims endured,” he wrote.

In addition to their legal expertise, London and Walsh mentioned that they were mothers of school-age children.

“With four children of my own, including three daughters, the opportunity to contribute to these significant litigations has been hugely rewarding, both personally and professionally,” Walsh wrote.

London added, “Also, as a mother of three school-aged children, I bring a parent’s perspective to this matter of critical importance to families in our community.”

London also wrote that there were similarities to the Uber cases, where the bellwether trial already had featured discussion about the plaintiff's sexual history and damaging news reports about the San Francisco rideshare firm.

On Jan. 11, Uber sought to prevent plaintiffs’ attorneys from mentioning decade-old news coverage and a related deposition of former CEO Travis Kalanick pertaining to alleged escorts at a karaoke bar in Seoul, accusations that an Uber employee stole medical records of a sexual assault victim in India and an alleged reference to the rideshare firm as “Boob-er.” Allowing such hearsay about Kalanick, who was replaced as Uber’s head in 2017, is “irreversibly and unfairly prejudicing Uber’s defense from the outset,” Uber attorney Laura Vartain Horn, of Kirkland & Ellis, wrote.

In a Monday response, plaintiffs attorneys, who include London, pushed back on the India incident and the “Boob-er” reference.

“That boundary-pushing culminated in the rape of Ms. Dean,” wrote London, along with Rachel Abrams, of San Francisco’s Peiffer Wolf Carr Kane Conway & Wise, and Roopal Luhana, of New York’s Chaffin Luhana. They represent plaintiff Jaylynn Dean, who alleges her Uber driver raped her in 2023.

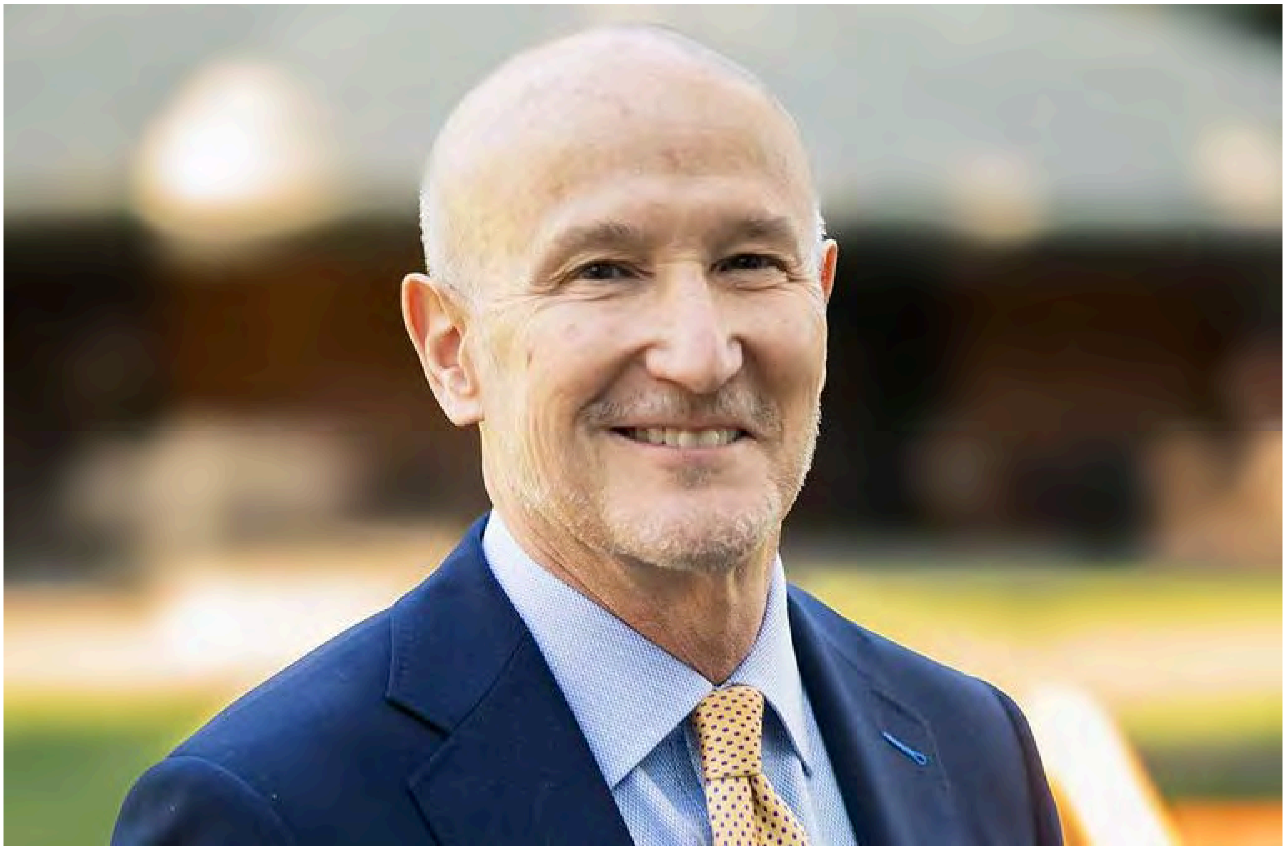
They wrote, “Mr. Kalanick’s comments are relevant because they show that the highest levels of company leadership thought that this known problem was amusing."

LAW.COM

Former CalPERS General Counsel Joins Lieff Cabraser

Matthew Jacobs, former general counsel of the California Public Employees’ Retirement System has joined plaintiffs' firm Lieff Cabraser as of counsel in San Francisco. During his tenure at the $550 billion pension fund, Jacobs oversaw recoveries exceeding $1 billion from financial institutions

January 13, 2026 at 03:48 PM   By **Michael Gennaro**



Matthew Jacobs, of counsel with Lieff Cabraser Heimann & Bernstein. Courtesy photo

Lieff Cabraser announced it has hired Matthew Jacobs as of counsel in the firm’s San Francisco office. Jacobs comes to the firm after spending 11 years serving as general counsel of the California Public Employees’ Retirement System (CalPERS), the nation’s largest public pension fund.

At CalPERS, Jacobs managed legal strategy for the $550 billion fund. During his time there, he directed efforts that recovered more than $1 billion for CalPERS beneficiaries in cases targeting financial institutions and rating agencies over mortgage-backed securities fraud.

More recently, CalPERS took the lead plaintiff role in securities litigation against UnitedHealth over alleged insider trading, with the case still ongoing.

The move represents a return to private practice for Jacobs, who previously spent three years as a litigation partner at DLA Piper, where he helped lead the firm's white collar and government investigations practice. His 40-year career has included stints in both the Justice Department's Antitrust Division and the U.S. Attorney's Office for the Eastern District of California, where he rose to first assistant U.S. attorney and chief of the Criminal Division.

“We are excited to have a lawyer of Matt's caliber and reputation joining our team," said Lieff Cabraser Managing Partner Steven E. Fineman. "Matt brings a wealth of experience championing, protecting and maintaining fund integrity and assets, which will serve our firm's institutional investor clients exceedingly well."

Jacobs said he was drawn to Lieff Cabraser to help victims of corporate misconduct.

“My practice will focus on plaintiff-side domestic and international securities fraud, antitrust and healthcare and consumer fraud matters. I’m deeply grateful for my time at CalPERS and couldn’t imagine a better next chapter,” Jacobs said in a post on LinkedIn.

Lieff Cabraser, founded more than 50 years ago, has established itself as one of the country's premier plaintiffs' firms, with recoveries exceeding $131 billion across thousands of cases.

The firm has achieved some of the largest settlements in recent years, including a $600 million agreement with Norfolk Southern over a 2023 train derailment in East Palestine, Ohio; a $235 million settlement with Altria in the nationwide JUUL youth vaping litigation in 2024; and a $115 million privacy settlement with Oracle in 2024.

In addition to his work at CalPERS, Jacobs is a frequent speaker and author on corporate governance, fiduciary responsibility and institutional investor issues. He has served on the boards of the Council of Institutional Investors and the National Association of Corporate Directors, Northern California Chapter, and on the steering committee for the Cambridge Forum's Committee for International Forum for General Counsel–Asset Owners.

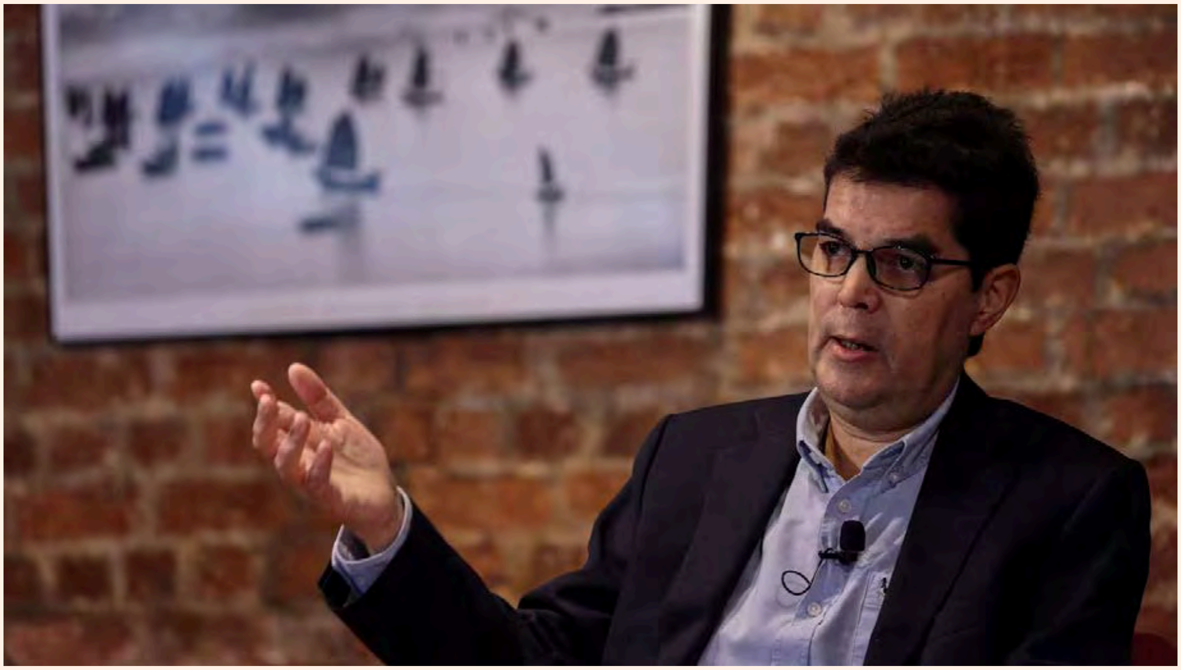
He also is an adjunct professor of law at the University of the Pacific McGeorge School of Law and serves as a judge pro tem in Sacramento County Superior Court.

Jacobs has a bachelor’s degree in finance and applied economics from the University of Michigan and a law degree from the University of California, Berkeley.

Hong Kong

Hong Kong activist investor David Webb dies

Champion for corporate governance reform campaigned to improve transparency in financial hub's markets



David Webb speaks at the Foreign Correspondents' Club in Hong Kong in May 2025 © Tyrone Siu/Reuters

William Sandlund in Hong Kong

Published YESTERDAY

David Webb, an activist investor and advocate for corporate governance reform in Hong Kong that made him a gadfly to the city's financial establishment, has died.

His death, from prostate cancer, was announced on his social media account on Tuesday night. He was 60.

Webb, who was born in the UK, moved to Hong Kong in 1991 as an investment banking director for BZW Asia, a subsidiary of Barclays. He was later an in-house adviser to Wheelock and Wharf Group, a local conglomerate.

In 1998, he founded webb-site.com, where he collected public records about Hong Kong companies and individuals and promoted transparency in the territory's byzantine small- and mid-cap stock market. The website, which he maintained on a non-profit basis, became an unparalleled resource for Hong Kong's financial sector and media.

In 2017, Webb published what he called the "Enigma Network", a web of 50 Hong Kong-listed companies with extensive cross-shareholdings and what he argued were inflated valuations. Within a month, shares of some of the companies had fallen by as much as 90 per cent.

"He didn't try to be everybody's best friend but he was an amazing gadfly for Hong Kong," said Andrew Riddick, a former salesman and director at CLSA.

"Fund managers were always very happy to meet him," said Riddick. "They would never stick their own heads above the parapet but David did that for them."

Webb's most enduring and significant contribution to Hong Kong was the extensive record of directors, Securities and Futures Commission licence holders and other financial information that he made freely available.

The archive became a vital source of information on listed companies and their employees for journalists, investors and members of civil society, and had no equivalent in financial centres such as New York or London.

"David's database of directors was invaluable to all those in the stewardship community," said Amar Gill, secretary-general of the Asia Corporate Governance Association.

"The painstaking research he provided on the overall market in Hong Kong had no real parallel and did lead to positive change, including HKEX limiting the number of boards and tenure for independent directors effective just last year."

Webb served as a non-executive director at Hong Kong Exchanges and Clearing between 2003 and 2008 and also served as an SFC panel member for 24 years. He resigned from HKEX in a letter in which he levelled his characteristically frank criticism at one of Hong Kong's central institutions, which he had frequently excoriated both for its for-profit status and close associations with the government.

HKEX and the SFC released condolence statements on Webb's death, recognising his contributions to Hong Kong's financial markets.

Webb's appetite for conducting meticulous research into Hong Kong's hidden recesses went beyond financial markets. In 2018, he revealed that the US consulate in the city held a 999-year lease, which he said made it likely the longest leasehold in China.

In 2020, Webb disclosed that he had been diagnosed with metastatic prostate cancer. In February last year, he wrote that he had only a few months to live, and shut down webb-site at the end of October, though the archive remains available online. He continued writing on Substack until last month.

In June, he was made an MBE for his efforts to raise standards of corporate governance in Hong Kong.

In his final post to webb-site, he wrote: "After my loving family, running webb-site.com and campaigning for the public interest in corporate and economic governance since 1998 has been the joy of my life, far exceeding the satisfaction of just beating the market with my investments."

Follow the topics in this article

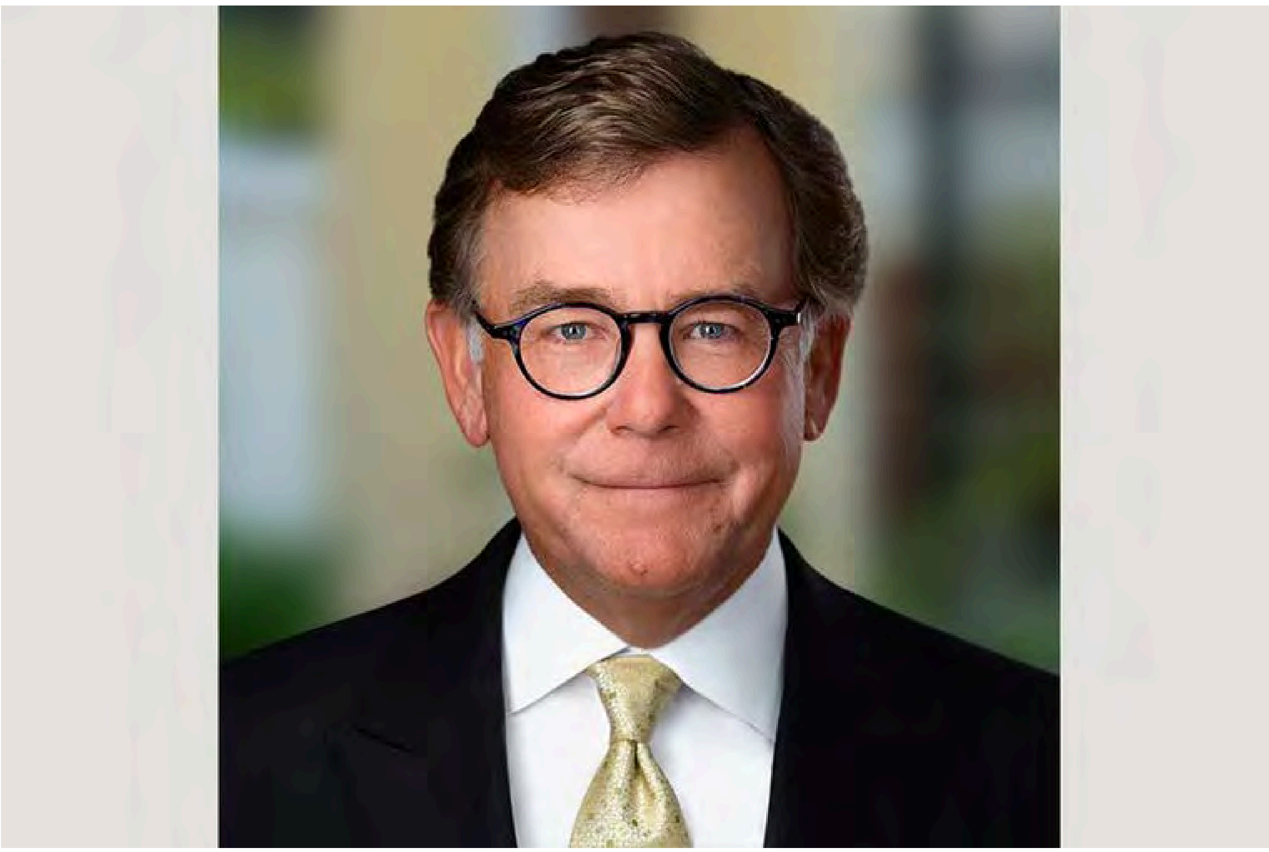
Corporate governance

Expert Opinion | **Alternative Dispute Resolution**

When Settlement is Dying in the Room: Seven Mediation Killers and How to Disarm Them

After participating in countless mediations (both as a trial lawyer for 35-plus years, and now as a mediator for the last two), I have found that understanding why mediations fail can make you a better advocate for your clients—and enhance your chance of settlement.

January 13, 2026 at 11:00 AM By **Wiley George**



Wiley George of Miles Mediation & Arbitration..

While settlement is the goal at mediation, mediations do fail for a variety of reasons. After participating in countless mediations (both as a trial lawyer for 35-plus years, and now as a mediator for the last two), I have found that understanding why mediations fail can make you a better advocate for your clients—and enhance your chance of settlement. Here's a closer look at seven mediation killers, and how you can disarm them.

Emotions Running Amok

I start with emotions for a reason. Most of my mediations involve large commercial disputes—often entities fighting over money or position. You expect emotions to have an outsized role when dealing with personal injury cases, but emotions permeate commercial disputes as well. Human beings make up the entities and human beings represent them.

As Dale Carnegie famously said: "[w]hen dealing with people, remember you are not dealing with creatures of logic, but creatures of emotion." Mediations trigger all kinds of emotions in people—anger, injustice, irritation, offense, fear, discouragement, skepticism—to name a handful. If not addressed, they easily can derail a mediation.

Because emotions are huge drivers of litigation, I look for them under the parties' hoods in my mediation pre-calls or in between the lines of the parties' papers. Sometimes the emotions do not rear their heads until the day of mediation. Whenever I do detect a driving emotion, I work to isolate it, listen to it, empathize with it, and address it to keep the emotion from derailing the mediation. And hopefully I have an ally in the room helping me do these same things.

Lack of Preparation

Both lawyers and parties must be prepared to mediate for mediation to succeed. Fortunately, I have had very few mediations fail because a lawyer has been unprepared. But even when the lawyers are prepared—they have worked up their evaluations and risk analyses—the sides still might be in very different worlds. On the facts. On the law. On both. Sometimes that is because one of the lawyers is not being objective. I have seen lawyers too enamored with their clients' positions often because the lawyer shaped the position in the first place. An effective way to address this is to pull the lawyer aside for a frank conversation.

In other cases, the lawyers are prepared, but a client is not. The lawyers objectively have made their evaluations and performed their risk analyses, but a client is not listening. Why? Like the lawyers, the client may be too invested in positions she has helped shape or may be experiencing emotions that are clouding the client's judgment. When a client is refusing to listen to a lawyer's sound advice, I use my voice in the room to echo the lawyer's point and that often works.

Other Commercial Factors

Sometimes a hurdle to settlement can be a commercial concern indirectly related to the dispute itself. For example, a concern can also arise when the dispute is only one piece of a larger commercial relationship or set of relationships, and a settlement could impact those relationships. The hurdle can be overcome when the parties and their lawyers, guided by the mediator, keep their focus on the commercial dispute at hand, but also collaborate to come up with creative solutions to minimize impact on the concerned side's other business relationships.

Lack of Preparation

For a mediation to have the best chance of success, you need participants who are familiar with the dispute. A lawyer who has not been materially involved in preparation of the case, or an adjuster who just picked up the file is likely not the right person for a mediation. The senior officer in a party's authority chain of command who has not been kept up to speed may also be a detriment to settlement. You also need parties with authority. When the representative shows up with some "authority," but clearly not enough, and who lacks a meaningful lifeline, a settlement is at risk. Even if the lifeline is available by phone or videoconference, he or she is not engaged in the same way as the folks in the room.

Figuring out whether the right persons will be participating in the mediation is one of the most important reasons to have mediation pre-calls—something I always I try to do before mediation.

Patently Unreasonable Negotiating Moves

Sometimes parties cannot help themselves. They make patently unreasonable, sometimes punitive, offers or counteroffers. Not only do they anger the opposing party, opposing counsel, or both, they can impact the relationship between the mediator—the bearer of the bad news—and the opposing party and the lawyer. A mediator once told me that it is mediator malpractice (not really a thing) for a mediator ever to deliver an offer that goes backwards believing such a move always to be patently unreasonable. As a mediator, I will deliver what a party asks me to deliver ***but not without sounding the alarm bells to the party*** about the potential impact of such a move and how it may kill a potential settlement.

The Mediation is Virtual or Hybrid

This reason may be difficult to hear, but my experience, particularly with complicated commercial disputes, is that virtual mediations are less effective than in-person mediations, and hybrids are not much better. Participants on a screen are just not as engaged in the process. If the lawyers are not in the same room with their clients, they have less influence over them (or sometimes it is the client who needed to have more influence over the lawyer). Even if the lawyers and their clients are together, the mediator still has much less influence over everybody.

My own statistics bear this out. With that said, the cost savings of a virtual mediation are unquestionably warranted under certain circumstances. For example, when you have a dispute that can be readily valued, and all sides have some experienced and sophisticated participants, they can get a dispute settled even when not in the same room(s). It does happen a lot.

You Picked the Wrong Mediator

Finally, mediators are not one-size-fits-all. We come in all shapes and sizes with widely varying experiences, temperaments, approaches and levels of preparation. Choose the wrong mediator and you might end up with a short, unsuccessful day. As counsel, you know your dispute and its players. Do your due diligence and pick a mediator who fits your situation and you're much more likely to have your case settle.

After spending his law firm years with Strasburger & Price, Andrews Kurth, and McKool Smith, **Wiley George** *launched his neutral practice and mediates and arbitrates at Miles Mediation & Arbitration in Houston.*

Jury selection begins in Thomas Fire damages trial against Southern California Edison

DJ **dailyjournal.com**/articles/389345-jury-selection-begins-in-thomas-fire-damages-trial-against-southern-california-edison

Jury selection began Tuesday in Los Angeles County for a damages-only trial against Southern California Edison regarding the years-long, coordinated Thomas Fire and debris flow litigation.

The trial's first day before Superior Court Judge Elaine Lu was consumed by voir dire, with 150 prospective jurors packing the downtown courtroom to capacity and overflow lines spilling into the downstairs hallway.

A jury panel was not sworn in by press deadline.

The case is one of many matters proceeding under coordinated lawsuits stemming from the 2017 wildfire and debris flows that followed. In this trial, four business entities are seeking compensation for economic losses they say were caused when the Thomas Fire ignited and post-fire fallout, such as mudslides, struck in the weeks afterward. *Thomas Fire and Debris Flow Cases*, 2:20-cv-11020 (C.D. Cal., filed Dec. 3, 2020).

According to the Department of Justice, it was the largest wildfire cost recovery settlement reached by the Central District of California until Edison a year later agreed to pay $82.5 million to resolve claims stemming from the 2020 Bobcat Fire.

In this case, Edison maintains the dispute for trial is how much - if anything - the business plaintiffs can recover for the losses they attribute to the disasters. *CA Union Cooperative Inc. et al. v. Southern California Edison Company et al.*, 20STC44868 (Nov. 23, 2020).

The plaintiffs contend they suffered "large economic damages from the loss of their businesses" and should be compensated.

Edison disputes "the type and extent" of the damages being claimed, including whether particular losses were caused by the Thomas Fire or debris flows.

The Thomas Fire broke out Dec. 4, 2017, burning across Ventura and Santa Barbara counties. Weeks later, according to the master complaint, heavy rain hit slopes stripped bare by the blaze, triggering debris flows that surged through communities, causing additional destruction and loss of life.

The aftermath spawned a wide-ranging set of claims by individuals, businesses, insurers and public entities. The complaints alleged Edison's electrical infrastructure sparked the fire and asserted causes of action including negligence, private nuisance and inverse condemnation.

#389345

Devon Belcher

Daily Journal Staff Writer
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California Brief

Meta Blasts Authors' Bid to Add New Torrent Claim to AI Suit

Jan. 13, 2026, 11:56 AM PST

Meta Platforms Inc. urged a federal judge to reject authors' request to update their lawsuit with a new copyright claim over the tech giant's use of peer-to-peer file-sharing during AI training they allege benefited shadow library operators.

The authors' year-long delay to amend their complaint for the fourth time would disadvantage Meta by disrupting the case schedule and enlarging authors' "non-stop discovery demands," according to Meta's opposition filed Monday in the US District Court for the Northern District of California.

"Justice does not require permitting Plaintiffs to amend for a fourth time; to the contrary, it requires denial of that request," Meta said.

Meta also asked the court to pause the lawsuit to allow streamlined discovery in the same contributory copyright infringement claim made in Entrepreneur Media LLC's lawsuit against the tech giant. Doing so would minimize the potential for duplicative discovery, according to the motion.

Meta on Tuesday also moved to dismiss the majority of Entrepreneur Media's suit, citing failure to state a claim.

The court in June 2024 rejected authors' claims that Meta's use of copyrighted works to train its Llama generative artificial intelligence model constituted infringement, ruling Meta's training was fair use. Judge Vince Chhabria left open the question about the company's distribution of millions of protected works through the file-sharing process known as "torrenting," though, which makes up the authors' sole remaining claim.

The authors in October moved to obtain further documents about Meta's torrenting, arguing the company had recently produced previously withheld, relevant documents after the discovery deadline. The freshly produced documents include a dataset from a pirate library known as LibGen that Meta previously testified didn't exist, and documents demonstrating corporate approval of torrenting, according to the motion.

After the court approved the request, the authors sought to add the contributory infringement claim based on torrenting and update the class definition.

Meta called the move an "about-face," saying the authors previously told the court that torrenting during peer-to-peer filing sharing wasn't copyright infringement. The claim is also futile, the company said, because the plaintiffs don't identify any completed act of third-party direct infringement, a prerequisite to secondary liability.

The new proposed class definition "extends far beyond the claims that Plaintiffs brought in this case," Meta said, expanding from books used to train Llama models to "any book, article, journal, or other written work" that was "'reproduced" in connection with any Meta AI model.

Meta said the court should also deny their motion to start class discovery, at least until after summary judgment briefing is complete, because certification is unlikely under the "uncertain distribution claim."

Boies Schiller Flexner LLP, Joseph Saveri Law Firm LLP, DiCello Levitt LLP, Lieff Cabraser Heimann & Bernstein LLP, and Cafferty Clobes Meriwether & Sprengel LLP represent the plaintiffs.

Cooley LLP; Cleary Gottlieb Steen & Hamilton LLP; Paul, Weiss, Rifkind, Wharton & Garrison LLP; and Dunn Isaacson Rhee LLP represent Meta.

The case is Kadrey v. Meta Platforms Inc. , N.D. Cal., No. 23-cv-03417, opposition and motion to stay filed 1/12/26 .

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California Brief

Meta Prevails in Dismissal of Third-Party App Data Class Action

Jan. 13, 2026, 1:28 PM PST

Meta Platforms Inc. convinced a federal court to dismiss a privacy class action alleging the social media platform improperly collected geolocation and other user data from third-party mobile apps without their consent.

When plaintiffs Lisa Tsering and Dominique Davis used MobilityWare's Solitaire app and Nextdoor, Meta collected data through software development kits, according to their complaint filed in the US District Court for the Northern District of California.

But the complaint failed to plausibly allege Meta knew that it lacked users' permission to access their smartphones and use their data, so they can't proceed with a California Computer Data Access and Fraud Act claim, according to a order filed Monday. In fact, the privacy policies of MobilityWare and Nextdoor disclose user geolocation data may be shared with third-party advertising partners, Judge Rita F. Lin said.

"The existence of these disclosures does not render it implausible that Tsering and Davis did not consent to Meta's collection and use of geolocation data," the opinion said. But to successfully advance a CDAFA claim, the plaintiffs need additional facts to show the social media company knew it was acting without their permission, Lin said.

The court also dismissed the invasion of privacy claim because the complaint lacked sufficient allegations that Meta was acting secretly or deceptively, therefore the court can't infer Meta engaged in a highly offensive intrusion, the opinion said.

The plaintiffs' separate claim that Meta used a pen register without a court order under California law was also insufficiently alleged, Lin said.

Pen registers collect outgoing signals from a specific device to their destination, but don't gather substantive information. Although the plaintiffs alleged the SDKs collected users' geolocation data, unique device identifiers, device fingerprint data, and personal information, that wasn't sufficient to prove Meta used the kits as a pen register to collect dialing, routing, addressing, or signaling information, the court said.

Bursor & Fisher PA represented the plaintiffs. Latham & Watkins LLP represented Meta.

The case is Tsering v. Meta Platforms Inc , N.D. Cal., No. 3:25-cv-01611, 1/12/26 .

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Bloomberg Law

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Securities

SEC's Atkins Seeks Ideas to Cut 'Immaterial' Corporate Reporting

Jan. 13, 2026, 12:00 PM PST

SEC Chairman Paul Atkins on Tuesday called for suggestions to curtail corporate disclosures, saying investors face an "avalanche of immaterial information."

The Securities and Exchange Commission is looking for recommendations to trim companies' annual reports and other filings until April 13. The request came after the SEC last year gathered input from the public on executive compensation disclosures in proxy materials sent to shareholders ahead of companies' annual meetings.

"The Commission's disclosure regime should enable a reasonable investor to separate the wheat from the chaff when reviewing periodic reports and proxy statements," Atkins said in a statement.

Atkins has frequently said SEC rules stray from the regulator's materiality standard, which requires companies to make disclosures reasonable investors deem important.

The Republican chairman previously expressed interest in scaling back companies' reporting about risks to their businesses, in addition to reducing their disclosures on top executives' pay.

The SEC is targeting April for a proposal to "rationalize disclosure practices to facilitate material disclosure by companies and shareholders' access to that information," according to the agency's latest rulemaking agenda.

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https://www.wsj.com/business/autos/teslas-full-self-driving-system-will-only-be-available-via-subscription-musk-says-87a37904

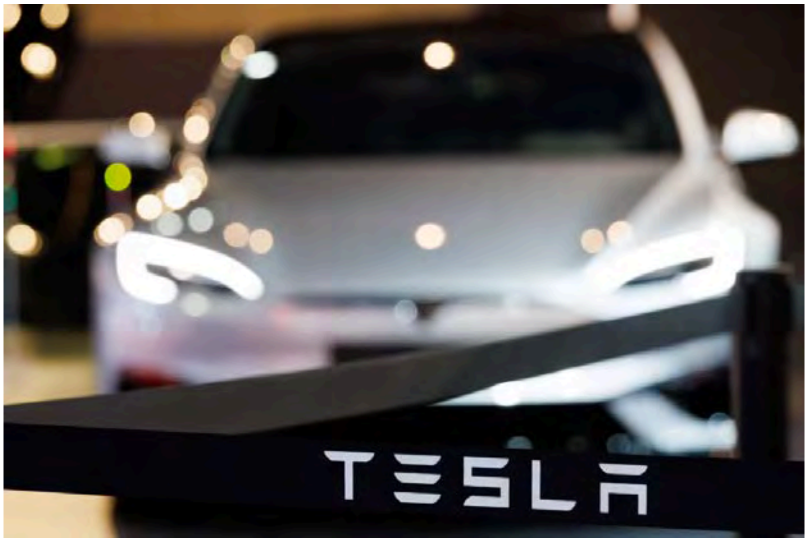
BUSINESS | AUTOS

Tesla's Full Self-Driving System Will Only Be Available Via Subscription, Musk Says

Announcement comes after Tesla, once the top seller of electric vehicles, lost its crown to China's BYD

By Mauro Orru Follow

Jan. 14, 2026 5:44 am ET



Tesla's Full Self-Driving system makes it easier for drivers to change lanes and navigate around other vehicles and objects. BENOIT DOPPAGNE/BELGA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Tesla TSLA **-2.49%** ▼ Chief Executive Elon Musk said the electric-vehicle maker would stop selling a suite of advanced driver assistance features for a one-time payment, switching instead to a monthly subscription service.

The company's Full Self-Driving system makes it easier for drivers to change lanes and navigate around other vehicles and objects, but doesn't make vehicles fully autonomous and is meant to be used only with a fully attentive driver.

Tesla currently offers the FSD system for a one-time payment of $8,000 or a subscription of $99 a month in the U.S., according to Tesla's website.

Musk wrote in a post on X that Tesla would stop selling the system after Feb. 14, making it only available through a monthly subscription. He didn’t elaborate on the decision to remove the one-time payment option. Tesla shares slipped 0.6% premarket.

Tesla’s FSD system carries more features than its autopilot package, which the company describes as a standard advanced driver assistance system that is meant to enhance safety and convenience.

Autopilot comes with traffic-aware cruise control and autosteer features, which are also included in Tesla’s FSD system on top of auto lane change, autopark and other features, according to Tesla’s website.

Musk’s announcement comes after Tesla, once the top seller of electric vehicles, lost its crown to China’s BYD. Tesla sales fell 9% in 2025 and 16% for the fourth quarter compared with a year prior.

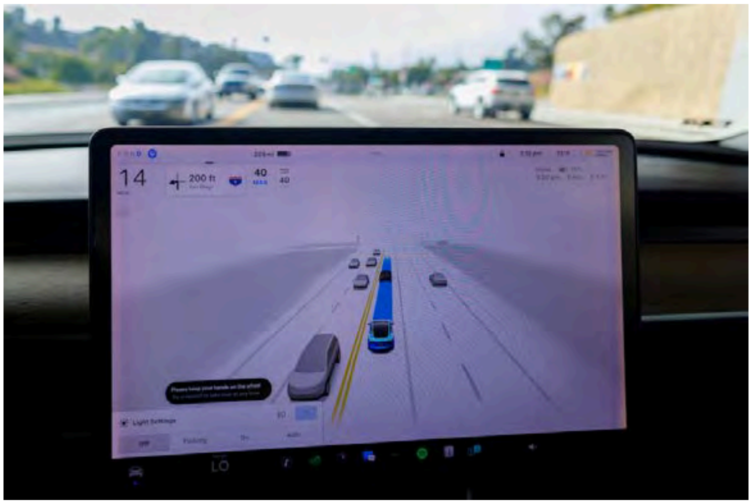
Write to Mauro Orru at mauro.orru@wsj.com

Videos

Tesla to offer self-driving software only on monthly basis from Feb 14, Musk says

reuters.com/business/autos-transportation/tesla-offer-self-driving-software-only-monthly-basis-feb-14-musk-says-2026-01-14

Reuters January 14, 2026



A Tesla Model 3 vehicle warns the driver to keep their hands on the wheel and be prepared to take over at anytime while driving using FSD (Full Self-Driving) in Encinitas, California, U.S., October 18, 2023. REUTERS/Mike Blake Purchase Licensing Rights , opens new tab

(TSLA.O) , opens new tab CEO Elon Musk said on Wednesday that the electric vehicle maker's full self-driving (FSD) software will only be available as a monthly subscription after February 14.

Currently, Tesla allows its electic vehicle owners to purchase FSD (Supervised) for a one-time payment of $8,000 or a subscription of $99 per month in the U.S.

FSD is an assistance system that requires drivers to pay attention and intervene if needed.

The U.S. National Highway Traffic Safety Administration last year opened an investigation into 2.88 million Tesla vehicles equipped with its FSD system, based on over more than 50 reports of traffic-safety violations and a series of crashes.

Tesla has added the term "Supervised" for FSD in passenger vehicles. It uses an unsupervised version of the software when moving cars from assembly lines to delivery lots at some of its factories.

Autopilot helps Tesla vehicles accelerate, brake, and stay in lanes on highways. FSD enables vehicles to change lanes and obey traffic signals on city streets.

Reporting by Akanksha Khushi in Bengaluru; Editing by Rashmi Aich

Securities

Adams' NYC Memecoin Crashes After Debut, Sparking Outcry (1)

Jan. 13, 2026, 12:24 PM PST

Eric Adams' fondness for crypto — which during his one-term tenure as mayor of New York included the launch of the ill-fated 'NYCCoin' — is once again attracting controversy.

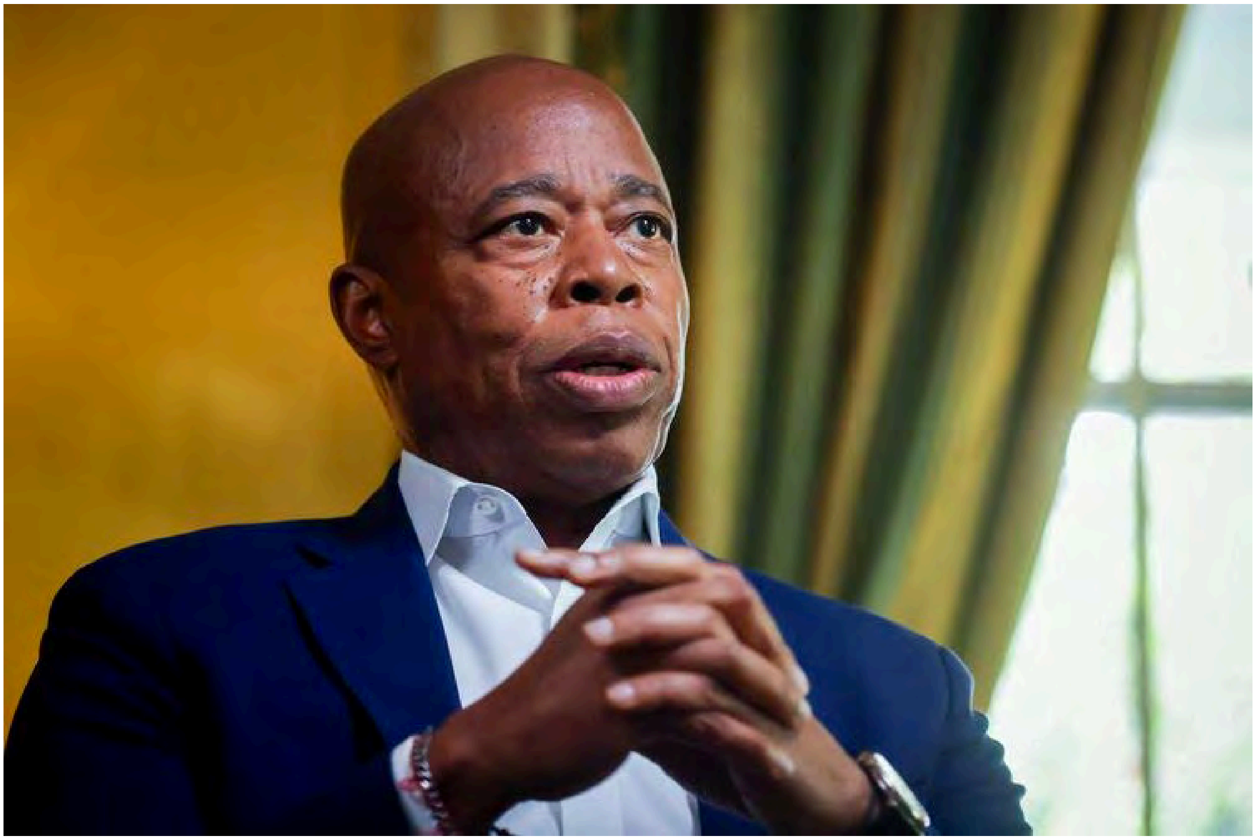
Less than two weeks after being succeeded by **Zohran Mamdani**, Adams re-emerged to promote a new city-inspired cryptoasset called NYC Token. A portion of the proceeds would go to fight antisemitism and educate children about the blockchain, Adams said during appearances in Times Square and on the Fox Business television channel. Adams encouraged the public to buy into the project.

The value of the token - which has no official affiliation with New York City or any state or local government - surged on Monday to as high as 58 cents before crashing within hours to under 10 cents. Crypto market observers and analysts have cried foul, drawing parallels to what's known in the industry as a "rug pull" — crypto slang for a project in which the creators appear to withdraw or sell a significant number of tokens without explanation.

"Our market maker made adjustments in an attempt to keep trading running smoothly, and as part of this process, moved liquidity," according to an email statement sent from NYC Token. "The team has not sold any tokens and is subject to lockups and transfer restrictions."

"The team has not withdrawn any money from the account," the statement added. When called by Bloomberg, a representative also declined to name any members of the NYC Token team.

A website for the token described it as a "community" cryptocurrency for New York City, and "represents the unstoppable energy of the Big Apple. Built for dreamers, innovators, and believers who understand that in New York, anything is possible."



Eric Adams, former mayor of New York, during a Bloomberg Television interview at Gracie Mansion in New York, on Aug. 26, 2025.
Photographer: Michael Nagle/Bloomberg

That kind of volatile price pattern has become almost routine among so-called memecoins in recent years as a way for speculators attempting to time the move to walk away with a quick profit.

The price changes meant the fully diluted market value of NYC Token collapsed to below $100 million from a high of $600 million, according to blockchain analytics firm Bubblemaps. By contrast, the memecoin associated with President Donald Trump had a fully diluted market value of more than $70 billion at its peak. The Trump-associated memecoin has since lost around 90% of its value.

Earlier, a social media account on X under the name 'Buy NYC Token' sought to downplay any speculation, saying in a post that "our partners had to rebalance the liquidity," and that the team added "additional funds to the liquidity pool." The account on X had disabled the ability to send it direct messages.

"What they did, effectively trapped traders, forcing many to sell at a loss in a lower liquidity environment, and adding liquidity back in does not undo the damage done," said Nicolai Sondergaard, research analyst at blockchain data analytics firm Nansen.

Nansen's Sondergaard said that any liquidity rebalancing affecting a crypto project would typically be announced ahead of time. "It would also have made more sense to adjust the ranges instead of fully removing liquidity from the pool, only to add some again later," Sondergaard added.

Nicolas Vaiman, CEO at Bubblemaps, said his company identified the liquidity removal by tracking digital wallets via blockchain data. Vaiman said the liquidity changes were similar to what happened in 2025 with Libra, a memecoin that was briefly endorsed by Argentine President Javier Milei. Libra suffered severe price drops.

Adams has been a vocal supporter of crypto since the start of his term in office. As mayor, he said he would convert his first paychecks into Bitcoin and Ether. He promoted crypto as a symbol of innovation and sought to brand New York City as a global crypto capital. He also appeared in photos with crypto investors including Chinese-born billionaire Justin Sun and Tether co-founder Brock Pierce.

Read more: Crypto Billionaire Wants NYC Mayor Adams to Stay in the Race (2025)

The former New York City police captain's mayoral term was marked by controversy: he was the first sitting mayor in modern history to face federal criminal charges. While the charges were ultimately dismissed in early 2025 following a directive from the US Justice Department, the scandals led to a collapse in public approval. Adams ended his re-election campaign shortly ahead of the November 2025 vote.

"It seems to be pretty obviously just another celebrity memecoin, which doesn't really have any long-term value and just exists as a way to rinse retail traders," said Tom Schmidt, general partner at venture capital firm Dragonfly. "Granted, if you're choosing to trade Eric Adams' memecoin, you probably know what you're getting into."

(Updates in the fourth paragraph to include a statement from NYC Token.)

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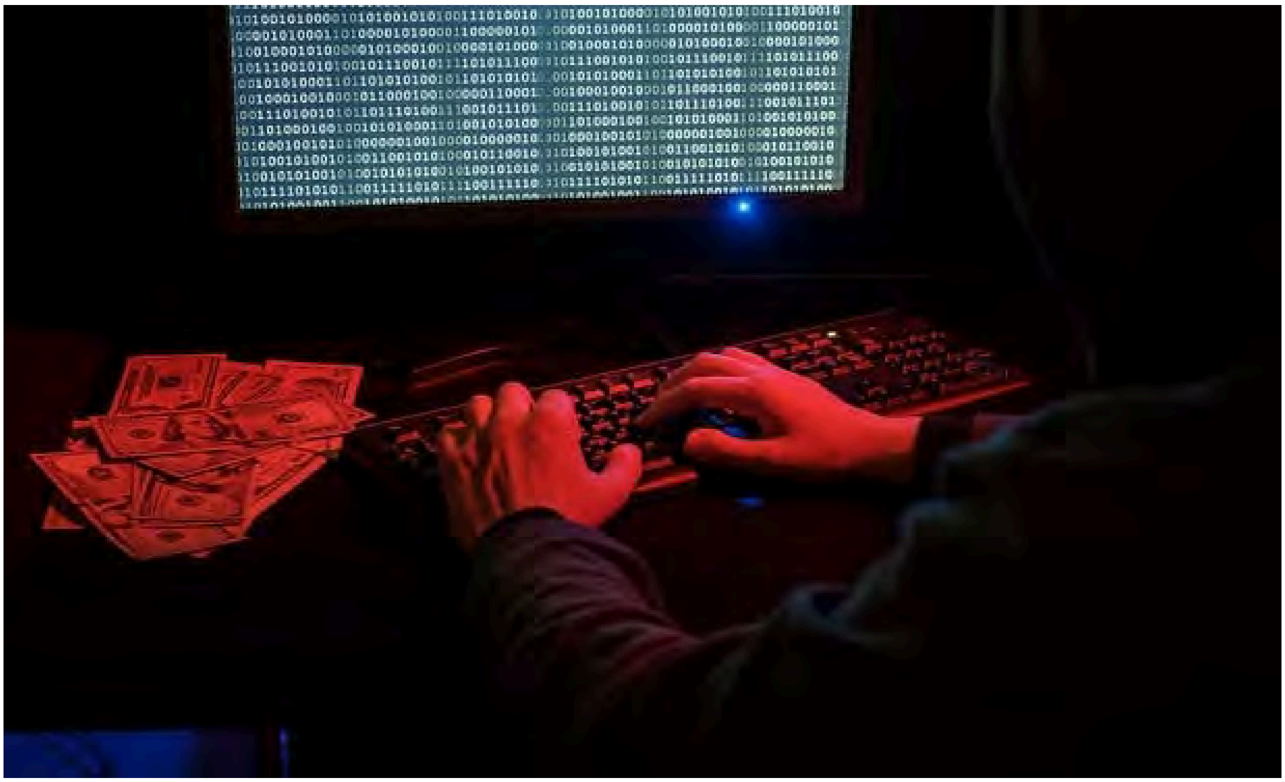
News | **Litigation**

Cyberscam Leader Extradited As Boies Schiller, Gibson Dunn, Dechert Act On Sanctions, Fraud, Money Laundering Charges

Chinese tycoon Zhi Chen was indicted by the U.S. on fraud and money-laundering charges and sanctioned by the U.K. in October. Boies Schiller, Gibson Dunn & Crutcher, Dechert have been engaged.

January 08, 2026 at 04:10 AM By **Karry Lai**



cyber-breach

The founder of a multinational conglomerate has been arrested for running one of the largest Southeast Asia-based transnational fraud networks ever.

Chinese tycoon Zhi Chen has been arrested in Cambodia and extradited to China on Wednesday for running a multi-billion-dollar cyberscam network from Cambodia. He was indicted by the U.S. on fraud and money-laundering charges and sanctioned by the U.K. in October.

Under the guise of the founder of Prince Group, a Cambodia-based conglomerate that deals in real estate, financial services and consumer services, Chen has allegedly been operating forced labour compounds using trafficked workers who were held in prison-like facilities. The workers, held against their will and threatened with violence, carried out cryptocurrency fraud scams involving billions of dollars by building trust with victims before stealing their funds.

In October last year, the Singapore Police Force seized and issued prohibition of disposal orders against financial assets worth more than $115 million as part of the investigations tied to Chen.

Three Singaporeans were sanctioned by the U.S.Treasury Department for their ties to Chen.

In November, Hong Kong authorities froze assets worth $354 million while Taiwan seized $147 million in assets tied to Prince Group and detained 25 people.

Bitcoin worth more than $11 billion were also seized by U.S. authorities, in addition to 19 properties which were seized by authorities in London.

Two other Chinese nationals Ji Liang Xu and Ji Hui Shao were also extradited together with Chen.

If convicted in the U.S.on wire fraud and money laundering charges, Chen faces up to 40 years in prison.

Boies Schiller Flexner is representing Prince Group and Zhi Chen in the U.S. Other claimants in the case have engaged a number of other law firms including Gibson Dunn & Crutcher, Dechert, Morvillo Abramowitz Grand Iason & Anello and Hoda Law Firm for advice.

Since the seizure of Prince Group’s assets in Singapore, a former human resources manager of Chen’s Singapore-based family office DW Capital in November filed an application for the release of seized funds.

The request was rejected by Singapore’s State Courts on Wednesday, citing evidence for transnational money laundering.

Clarence Lun, head of dispute resolution and international arbitration at Singapore’s Fervent Chambers, is representing the applicants.

Beyond the Prince Group case, Singapore courts have also been involved with another fraud case related to collapsed German payments company Wirecard.

Singapore citizen R.Shanmugaratnam was sentenced to 10 years in jail on Monday for 13 counts of falsification of accounts tied to $1.2 billion held in escrow for Wirecard.

British national Henry O’Sullivan, who helped Shanmugaratnam, was sentenced to six and a half years in prison for five counts of account falsification.

Both were found guilty of their charges in September.

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REITs Say $787M Merger's Proxy Info Not Misleading

By **Isaac Monterose**

Law360 (January 13, 2026, 4:31 PM EST) -- Real estate investment trusts Ready Capital Corp. and Broadmark Realty Capital Inc. urged a Washington federal court on Tuesday to toss a proposed shareholder class action accusing the companies of misleading shareholders to get votes for their $787 million merger, arguing the relevant proxy materials fully informed shareholders about the deal before they voted.

In their dismissal motion, the REITs and other defendants alleged the proposed class failed to show how the proxy materials for the merger, which was **announced** in February 2023, were "materially false or misleading."

One of the proposed class' claims that the defendants focused on alleged the proxy materials contained misleading information about the status of Ready Capital's lending business. The defendants argued the proposed class deliberately used "selectively edited excerpts from a dozen alleged statements cherry-picked from the proxy materials" to support this claim.

"Notably, the [amended complaint] does not quote a single statement in full, provide any surrounding context, or explain why any particular statement was false or misleading," they further argued.

According to the defendants, the proposed class claimed the proxy materials didn't disclose important information such as the financial struggles of Ready Capital's borrowers and the REIT being saddled with more and more loan defaults.

"But beyond listing this information, the [amended complaint] offers no analysis explaining why the alleged omission of this information rendered any (much less, each) of the challenged statements false or misleading," the defendants further argued. "That failure is fatal under the [Private Securities Litigation Reform Act] and [Federal Rules Civil Procedure] Rule 9(b)."

Additionally, the defendants alleged the proxy materials did provide information about Ready Capital's lending business, such as how its loan portfolio was doing. One of the examples cited by the defendants included information about Ready Capital's borrowers having a delinquency rate that increased by 138%.

According to the defendants, the proposed class accused them of being negligent when it came to disclosing information about the merger. But the defendants countered these "collective, boilerplate allegations" by arguing they lacked the specific details required by the PSLRA.

"Nor do plaintiffs allege any facts suggesting that any defendant knew or should have known of information rendering the challenged statements false or misleading," the defendants also claimed. "The [amended complaint] does not identify who at Ready Capital or Broadmark supposedly had access to such information, what that information said, when it was known or how it established the falsity of any statement."

Throughout the rest of their dismissal motion, the defendants put forward arguments such as that "the Broadmark individual defendants" were shielded from the suit's claims because of an exculpatory provision in the REIT's articles of incorporation.

"Here, the [amended complaint] alleges only negligence-based and strict liability claims against the Broadmark individual defendants," they argued. "The claims are therefore exculpated and cannot give rise to personal liability."

The proposed class **kicked off** their suit in May, and law firm Robbins Geller Rudman & Dowd LLP was **picked** to be lead class counsel in October.

Recently, Ready Capital and Broadmark have **asked** the presiding Washington federal court to move the litigation to New York federal court.

Counsel for the proposed class and the defendants did not immediately respond to requests for comment on Tuesday.

The proposed class is represented by David A. Knotts, James I. Jaconette, Michaela Park, Brian E. Cochran, Francisco J. Mejia and Samuel H. Rudman of Robbins Geller Rudman & Dowd LLP and Juli E. Farris and Keil M. Mueller of Keller Rohrback LLP.

The defendants are represented by Michael J. Ewart and Alexander M. Wu of Hillis Clark Martin & Peterson PS and Andrew Sumner, Cara Peterman, Elexa E.D. Mayo, Carissa Lavin and Charles W. Cox of Alston & Bird LLP.

The case is Grant et al. v. Broadmark Realty Capital Inc et al., case number 2:25-cv-01013, in the U.S. District Court for the Western District of Washington.

--Editing by Philip Shea.

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KuCoin, Chainalysis Beat RICO Suit Over Hack Proceeds

By **Emilie Ruscoe**

Law360 (January 13, 2026, 9:21 PM EST) -- The cryptocurrency exchange KuCoin and its blockchain analysis contractor no longer face proposed class action claims they turned a blind eye to money laundering on the platform, though a Manhattan federal judge found one of the alleged hack victims could revise certain claims against KuCoin.

In a Monday **opinion and order** in Manhattan federal court, U.S. District Judge Gregory H. Woods tossed Racketeer Influenced and Corrupt Organizations Act and Bank Secrecy Act claims against entities and individuals operating the cryptocurrency exchange and against Chainalysis Inc., which provided the proprietary Know Your Transaction software that KuCoin used as part of its anti-money laundering procedures.

Judge Woods also permanently tossed certain claims brought under state law against the defendants.

But the judge found that James K. Supples, one of the suit's two would-be lead plaintiffs, could replead his state law claims against KuCoin if he wanted to.

Supples had asserted in recent filings that he could make certain additional allegations that could potentially resolve deficiencies the court had identified in the current version of the claims, Judge Woods said Monday, noting that on that basis, the judge "cannot conclude that any amendment of plaintiff Supples's state law claims against KuCoin would be futile."

Supples' co-plaintiff, Sofia Reca, launched the suit in August 2024 and revised her claims months later to add Chainalysis as a defendant in response to KuCoin's initial dismissal bid.

In the operative complaint, Reca and Supples seek to represent a proposed class of those whose cryptocurrency was removed from a wallet, account or protocol under their control as a result of a hack, ransomware attack or theft, and they assert three causes of action under both RICO and state law.

The plaintiffs alleged they investigated their own cryptocurrency losses, concluding that their assets had been moved through a series of transactions and ultimately deposited in KuCoin accounts.

According to the plaintiffs, KuCoin was alerted that certain transactions were potentially fraudulent by Chainalysis' proprietary Know Your Transaction software.

Despite those alerts, the plaintiffs claimed, KuCoin didn't use the software's functionalities to prevent money laundering on its platforms.

By operating an unlicensed cryptocurrency exchange, the complaint alleged, the defendants engaged in money laundering and permitted the transfer of the plaintiffs' stolen property in violation of federal racketeering and racketeering conspiracy laws.

The plaintiffs also claimed KuCoin and Chainalysis violated the federal Bank Secrecy Act with this alleged conduct, and the complaint's state law claims include a theft claim against KuCoin and claims that both KuCoin and Chainalysis aided and abetted theft.

Judge Woods said Monday that his order largely follows a "thoughtful and well-reasoned" November report and recommendation from U.S. Magistrate Judge Sarah Cave.

Following oral arguments on the latest dismissal bids, the magistrate judge recommended granting dismissal and denying leave to amend the claims, finding that Reca and Supples hadn't stated their RICO claims against either defendant.

Among other things, Judge Cave said, the two plaintiffs failed to plausibly establish the direct relationship between their alleged losses and the defendants' alleged violations of RICO.

But the magistrate judge also recommended that Judge Woods decline to exercise supplemental jurisdiction over the state law claims. On Monday, Judge Woods found that under the federal Class Action Fairness Act, he does have subject matter jurisdiction over claims.

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

Class representatives Sofia Reca and James K. Supples are represented by Samuel H. Rudman, Evan J. Kaufman, Jonathan A. Ohlmann and Eric I. Niehaus of Robbins Geller Rudman & Dowd LLP and David C. Silver and Jason S. Miller of Silver Miller.

KuCoin defendants Flashdot Ltd., Peken Global Ltd., Chun Gan and Ke Tang are represented by Matthew L. Craner, Sean Boren, Joseph Samuels and Erin Downey of Allen Overy Shearman Sterling.

Counsel information wasn't immediately available for KuCoin defendants PhoenixFin Pvt. Ltd. and Mek Global Ltd.

Chainalysis Inc. is represented by Alexander C. Drylewski, Lara A. Flath and James M. Johnston of Skadden Arps Slate Meagher & Flom LLP.

The case is Reca v. Flashdot Limited f/k/a PhoenixFin Limited et al., case number 1:24-cv-06316, in the U.S. District Court for the Southern District of New York.

--Editing by Linda Voorhis.

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CoreWeave Hid Data Center Delays, Investors Say

By **Sydney Price**

Law360 (January 13, 2026, 8:35 PM EST) -- Artificial intelligence "hyperscaler" CoreWeave Inc. has been hit with a proposed shareholder class action accusing the company of misleading investors on its capacity to handle consumer demand and data center building delays following its initial public offering last year.

According to a complaint filed in the U.S. District Court for the District of New Jersey by shareholder Raymond Masaitis on Monday, CoreWeave describes itself as a cloud provider capable of delivering computing infrastructure and services at massive scale, typically through large data centers.

Despite its positive revenue guidance for several months after going public in March 2025, the company announced in October that a merger with another digital infrastructure operator had fallen through, and subsequent media reports revealed the scope and severity of data center construction delays, the suit claims.

According to the complaint, CoreWeave purchases infrastructure components and installs systems only after a client has paid CoreWeave. The company then recognizes revenue from the contract after the installation is complete, the investor said.

"Only a limited number of suppliers provides the components and materials necessary to construct these specialized data centers and their contents," the complaint says. "Nevertheless, CoreWeave consistently issued positive revenue guidance during the class period — even raising its guidance on one occasion."

The suit's class period begins March 28, 2025, the day CoreWeave launched its IPO, selling 37.5 million shares of common stock for $40 each and raising $1.5 billion, and ends on Dec. 15, when a news article revealed the extent of the delays, according to the complaint.

By June, the share price of CoreWeave had reached $183.58, more than quadruple the IPO price, due to the company's constant positive revenue forecasts, the suit says. The following month, CoreWeave announced that it would acquire Core Scientific, one of the largest owners and operators of digital infrastructure, the suit states.

However, on Oct. 30, Core Scientific announced that it had **terminated the merger** agreement after not receiving enough shareholder votes in favor of approval.

CoreWeave's shares responded by falling $8.87 each, or about 6%, to close at $131.06 per share on Oct. 30, the complaint says.

Then, on Nov. 10, CoreWeave announced that it had lowered revenue guidance for 2025, citing "delays related to a third-party data center developer who is behind schedule," the complaint says. The following day, CoreWeave CEO Michael Intrator said in a TV interview that more than one data center owned by the same provider was potentially affected by the delays.

Following the announcements, shares of CoreWeave fell $17.22 each, or about 16%, to close at $88.30 on Nov. 11, the complaint states.

Several weeks later, a national financial news outlet reported that CoreWeave knew of building delays — which were much more severe than the company was reporting — months before it announced lowered revenue guidance in November, according to the suit.

Following the article's publication, shares of CoreWeave fell $2.85 each, or about 4%, to close at $69.50 each on Dec. 16.

In addition to CoreWeave and its CEO, Intrator, the suit's individual defendants include CoreWeave Chief Financial Officer Nitin Agrawal and Chief Development Officer Brannin McBee.

The suit accuses the defendants of violating the Exchange Act and acting with knowledge of their wrongdoing.

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

Masaitis is represented by Brian Calandra, Jeremy A. Lieberman and J. Alexander Hood II of Pomerantz LLP.

Counsel information for CoreWeave and the individual defendants was not immediately available on Tuesday.

The case is Masaitis v. CoreWeave Inc. et al., case number 2:26-cv-00355, in the U.S. District Court for the District of New Jersey.

--Editing by Karin Roberts.

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Bath & Body Works Investor Sues Over Co.'s Growth Claims

By **Sydney Price**

Law360 (January 13, 2026, 4:42 PM EST) -- Retail chain Bath & Body Works Inc. was hit with a proposed shareholder class action accusing it of misleading investors about the success of its product expansion strategy and leaning heavily on frequent promotions to drive unsustainable growth.

According to Monday's suit filed by shareholder Muralidhar Reddy Lingam, Bath & Body Works in 2024 introduced a new strategy to drive growth, which included a focus on so-called adjacencies beyond its core business of womencentric body products, collaborations with big names in popular culture and more frequent promotions. The company, however, revealed late last year that the strategy faltered and it was unable to meet previously projected guidance.

The suit's class period begins June 4, 2024, the day Bath & Body Works announced its first quarter financial results. It told investors on that day that its growth outlook was supported by strong year-over-year growth for its adjacencies, including its men's grooming line.

On Aug. 28, 2024, Bath & Body Works said it would extend its reach "through new category adjacencies," including its men's line, lip care products and laundry products. When the company announced financial results again three months after that, it said a 3% year-over-year increase in net sales was driven by "customers responding favorably to innovation," including the recently introduced adjacencies.

For several months, Bath & Body Works continued touting the purported success of its growth strategy as a competitive strength, the suit said. Then, on Aug. 28, 2025, the company reported net income of $64 million for the second quarter, a decline of 58% from the previous year. In response, the company narrowed its full-year guidance and shares fell $2.18 each, or about 7%, to close at $29.36 apiece on Aug. 28, 2025, according to the complaint.

The suit said shares fell again months later when Bath & Body Works reported revenue had declined 1% year over year in the third quarter and cut full-year guidance again. According to the suit, the company "admitted" that its previously announced strategy had "not grown our total customer base" and it was overly reliant on "deeper and more frequent" promotions to drive growth.

Bath & Body Works also said it would make "selective category exits such as hair and men's grooming as we refocus on the core" and that it would no longer invest in adjacencies.

Following the announcement, shares of Bath & Body Works fell $5.22, or about 25%, to close at $15.82 per share on Nov. 20, 2025.

In addition to Bath & Body Works, the suit's individual defendants include CEO Daniel Heaf, former CEO Gina Boswell and Chief Financial Officer Eva C. Boratto.

The suit accuses the defendants of violating the Exchange Act and acting with scienter.

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

Lingam is represented by Richard S. Wayne and Robert S. Sparks of Strauss Troy Co. LPA, Robert V. Prongay and Charles H. Linehan of Glancy Prongay & Murray LLP and Frank R. Cruz of The Law Offices of Frank R. Cruz.

Counsel information for Bath & Body Works and the individual defendants was not immediately available Tuesday.

This case is Lingam v. Bath & Body Works Inc. et al., case number 2:26-cv-00039, in the U.S. District Court for the Southern District of Ohio.

--Editing by Stephen Berg.

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Eventbrite Stockholders Sue To Block $500M Take-Private Deal

By **Jarek Rutz**

Law360 (January 13, 2026, 2:18 PM EST) -- A class of Eventbrite stockholders has sued in the Delaware Chancery Court seeking to upend a pending $500 million take-private deal, arguing that a voting agreement signed alongside the transaction automatically stripped the company's founder of her super-voting control under the company's own charter and rendered the merger proxy materially misleading.

In a proposed class action filed Monday, Juniper International LLC and shareholder Yao Hai contend that Eventbrite Inc.'s December 2025 agreement to sell itself to Bending Spoons US Inc. for $4.50 per share triggered an automatic conversion of the founder's high-vote stock into single-vote shares, meaning the deal cannot be approved unilaterally by the company's controller as disclosed. The plaintiffs seek a declaratory judgment enforcing that conversion and an injunction blocking any stockholder vote until corrected disclosures are issued.

"Put simply: pursuant to the charter, if a Class B stockholder enters into a voting agreement directing how any Class B shares will be voted or otherwise transfers voting control, thus divesting the Class B stockholder of exclusive voting power, those Class B shares automatically convert into Class A common shares," the plaintiffs said in the complaint.

Eventbrite went public in 2018 with a dual-class structure that gave 10 votes per share to its Class B common stock, allowing co-founder and CEO Julia Hartz and affiliated trusts to retain voting control so long as they did not transfer those shares, according to the plaintiffs. As of Dec. 1, 2025, the Hartz parties allegedly controlled about 50.9% of the company's total voting power. On that same date, Eventbrite agreed to be acquired by Bending Spoons US, a Delaware subsidiary of Italian buyer Bending Spoons SpA, in an all-cash deal valuing the company at roughly $500 million.

The lawsuit zeroes in on a voting and support agreement signed concurrently with the merger agreement. Under that contract, Hartz, her husband and related trusts committed to vote all 14.24 million of their beneficially held Class B shares, including options exercisable within 60 days, in favor of the merger and against any competing transaction. The agreement also gives the buyer the right to specifically enforce those voting commitments in court.

According to the plaintiffs, that arrangement is dispositive under Eventbrite's amended and restated certificate of incorporation. The charter defines a "transfer" of Class B stock broadly to include "the transfer of, or entering into a binding agreement with respect to, voting control over a share of Class B Common Stock by proxy or otherwise," and provides that any such transfer results in automatic conversion of the 10-vote shares into single-vote Class A stock, without further action and with the Class B shares permanently retired.

The plaintiffs allege that by signing the voting agreement, the Hartz parties surrendered "the exclusive power (whether directly or indirectly) to vote or direct the voting" of their super-voting shares, squarely triggering that automatic conversion mechanism on Dec. 1, 2025. "Therefore, by operation of the charter, the Hartz parties' and Bending Spoons' execution of the voting agreement effected the retirement of the Hartz parties' Class B shares and automatically converted them into single-vote Class A shares, without any further action," the plaintiffs said.

Despite that purported conversion, Eventbrite's preliminary proxy statement filed Jan. 2 allegedly proceeds "as if the Hartz Parties' Class B rights still existed," representing that Hartz and her affiliates retain majority voting control sufficient to approve the merger alone. The plaintiffs say that disclosure is false and misleading, because after the conversion the Hartz parties would hold only about 11.3% of the company's voting power, while Sequoia-affiliated investors would emerge as the largest voting bloc.

Sequoia Capital is a venture capital firm that invested early in Eventbrite and whose affiliated funds hold a significant block of the company's remaining super-voting Class B shares, giving it substantial influence over the merger vote.

The suit asserts two primary claims: a request for declaratory relief confirming that the Class B shares automatically converted on Dec. 1, 2025, and a breach of fiduciary duty claim against Eventbrite's directors that alleges they failed to recognize that conversion and issued a proxy that misstates the company's capital structure and the vote required to approve the deal.

The plaintiffs argue the alleged errors are material because they portray the merger vote as a "fait accompli" when, in reality, approval would depend on the votes of unaffiliated stockholders.

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

Juniper International LLC, Yao Hai and other stockholders are represented by Ned Weinberger, Brendan Sullivan and Michael C. Wagner of Labaton Keller Sucharow LLP.

Counsel information for Eventbrite Inc., Hartz and other individual defendants was not immediately available Tuesday.

The case is Juniper International LLC v. Eventbrite Inc. et al., case number 2026-0045, in the Delaware Chancery Court.

--Editing by Marygrace Anderson.

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Medical Device Co. Faces New Derivative Suit In Delaware

By **Jeff Montgomery**

Law360 (January 13, 2026, 7:00 PM EST) -- A stockholder of digital health equipment business Butterfly Network Inc. launched a derivative suit in Delaware's Court of Chancery on Tuesday, seeking recovery for the company of "many millions" tied to allegedly misleading disclosures ahead of a special purpose acquisition company take-public merger in 2021.

The new action adds to a litigation history that includes a Delaware stockholder class suit in the same court as well as a now-amended federal securities action in the U.S. District Court for the District of New Jersey.

Named in the new Delaware case are 15 individual current or former officers and directors of Butterfly as well as those with ties to Longview Acquisition Corp. — the special purpose acquisition company that took the business public — and Longview Investors LLC, the deal sponsor.

Butterfly went public in 2021 at a $1.5 billion valuation, but saw its stock price begin a steep dive soon after, allegedly caused in part by "underdeveloped" technology and inadequate marketing and sales capabilities — problems that both suits argued were not disclosed to investors who approved the overvalued transaction

"In reality, through the merger, Longview acquired a business that fell significantly short of transforming the ultrasound technology and healthcare sectors as claimed, and demonstrated minimal potential for financial growth or commercial success," according to the latest **suit**, filed by stockholder Seret Ishak.

"The complete and accurate information remained concealed from investors until several months after the merger had closed, by which time the value of the company's securities had declined substantially," the derivative complaint said.

Still pending in New Jersey federal court is a second amended class suit focused on many of the same allegations before U.S. Magistrate Judge James B. Clark, who last week approved a discovery schedule running through January 2027.

All the litigation focuses on the postmerger performance of Butterfly Network, a company that developed portable, handheld diagnostic imaging devices that could be networked via cellphones and tablets.

According to both the state and federal complaints, the company was unable to market its products at scale and soon after going public began reporting a string of negative earnings and losses, with its stock falling from a high of nearly $26 per share in early 2021 to a low of $1.33 in August 2025 before moving up to $4.41 this week.

According to the amended complaint, Longview was formed by Glenview Capital Management LLC, a healthcare-focused private equity firm founded and led by Larry Robbins, the company's chief executive and portfolio manager, along with Glenview partner and co-president John Rodin.

"Longview acquired a business that fell significantly short of transforming the ultrasound technology and healthcare sectors as claimed," the amended complaint said, "and demonstrated minimal potential for financial growth or commercial success."

Those named in the new derivative suit, the complaint said, "misled the investing public into approving the transaction," enabling the defendants "to secure lucrative financial arrangements that disproportionately benefited insiders at both Longview and Legacy Butterfly, to the detriment of the newly formed company."

Underlying Butterfly's public market arrival, the complaint said, were "false and misleading statements concerning the capabilities of Legacy Butterfly's hardware and software products, as well as Longview's due diligence efforts prior to the merger."

The take-public merger was described as enabling those named "to secure lucrative financial arrangements that disproportionately benefited insiders at both Longview and Legacy Butterfly, to the detriment of the newly formed company."

A schedule for the class suit set last year calls for fact discovery to be complete in February, with a five-day trial in early 2027.

Seret Ishak is represented by Seth D. Rigrodsky, Gina M. Serra and Herbert Mondros of Rigrodsky Law PA and Justin A. Kuehn and Molly J. Brown of Kuehn Law PLLC.

Counsel information for Butterfly in the new case was not immediately available.

The case is Seret Ishak derivatively on behalf of Butterfly Network Inc. v. Todd M. Fruchterman et al., case number 2026-0027, in the Court of Chancery of the State of Delaware.

--Editing by Linda Voorhis.

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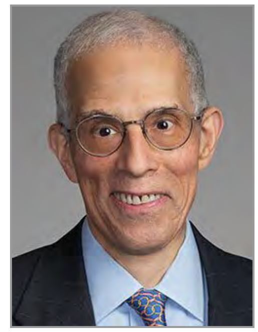
Wis. Sanctions Order May Shake Up Securities Class Actions

By **Jonathan Richman** (January 13, 2026, 4:55 PM EST)



Jonathan Richman

On Dec. 3, 2025, the U.S. District Court for the Eastern District of Wisconsin **sanctioned** a plaintiffs law firm for filing a securities class action complaint that failed to plead specific facts showing that the defendants allegedly had made false or misleading statements with scienter.

The decision in Toft v. Harbor Diversified Inc. turned on the provision of the Private Securities Litigation Reform Act requiring courts to make findings as to whether the parties complied with Rule 11 of the Federal Rules of Civil Procedure, which requires that court filings be nonfrivolous.[1]

The Toft decision is interesting for at least two reasons. First, the court imposed sanctions on the law firm that filed the original complaint even though, under the PSLRA, the original complaint is almost always superseded by an amended complaint once the court appoints a lead plaintiff and lead counsel, who might not be the original plaintiff and counsel.

Second, the court awarded attorney fees to the defendants for moving to dismiss the original complaint, even though the defendants likely could have obtained an extension of the deadline to respond until after the filing of the amended complaint.

The Toft ruling thus might cause securities plaintiffs and defendants to reconsider what seems to have become standard operating procedure in securities class actions.

The PSLRA

Congress enacted the PSLRA in 1995, over then-President Bill Clinton's veto, to regulate and strengthen the requirements for securities class actions. Among the PSLRA's numerous provisions are the following.

First, the PSLRA prescribes a lead-plaintiff procedure to eliminate the "race to the courthouse" advantage for first filers and to encourage the appointment of sophisticated investors as lead plaintiffs.[2]

Under the PSLRA, the filing of the original complaint starts a 60-day period during which any putative class member can move to be appointed as lead plaintiff and to have their chosen attorney appointed as lead counsel. The PSLRA instructs that the applicant with the largest financial loss — often an institutional investor — should presumptively be appointed as lead plaintiff if they are adequate and suitable to represent the class.

Once the lead plaintiff and lead counsel have been appointed, they usually file an amended or consolidated complaint, which is always more detailed than the original one. Parties therefore have tended to regard the original complaint as having little practical purpose other than to start the clock on the 60-day PSLRA appointment process, and they usually stipulate that the defendant need not respond to the original complaint.

Second, the PSLRA heightens the pleading requirements for securities fraud complaints. The statute requires such complaints to specify each allegedly false or misleading statement; explain why it is misleading; state facts supporting any allegations pled on information and belief; and plead facts creating a strong inference of scienter, i.e., knowing or reckless misconduct.[3]

Third, the PSLRA requires that, "upon final adjudication of the action, the court shall include in the record specific findings regarding compliance by each party and each attorney representing any party with each requirement of Rule 11(b) ... as to any complaint, responsive pleading, or dispositive motion."[4]

A court therefore must determine whether to impose Rule 11 sanctions even if no party has asked it to do so. Rule 11, in turn, requires that all court filings be presented for a proper purpose, be "warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law," and have evidentiary support for factual contentions or, "if specifically so identified, ... likely have evidentiary support after a reasonable opportunity for further investigation or discovery."[5]

Factual Background

The Rosen Law Firm PA, as counsel for the plaintiff, Viral Kothari, filed the original complaint here against defendants. One month later, before the 60-day lead-plaintiff process had concluded, the defendants moved to dismiss the original complaint for failure to state a claim.

A month after that, Kothari and another applicant, Jon Arne Toft, moved for appointment as the lead plaintiff under the PSLRA. The court then appointed Toft as the lead plaintiff, and Toft's law firm, Pomerantz LLP, as lead counsel.

The court also suspended for 60 days all briefing deadlines on the motion to dismiss the original complaint so that Toft could file an amended complaint.

Nevertheless, the next day — despite the suspension of the briefing schedule — the defendants voluntarily filed a reply brief on their motion to dismiss the original complaint, thereby completing the briefing on that motion.

Two months later, Toft filed his amended complaint. The defendants then moved to dismiss that pleading, and the court granted the motion, holding that the amended complaint failed to plead a strong inference of scienter.

After Toft informed the court that he would appeal instead of filing a second amended complaint, the defendants moved for sanctions against both The Rosen Law Firm and Pomerantz under Rule 11 and the PSLRA, and Kothari and Toft cross-moved for sanctions.

Court's Decision

The court granted sanctions against The Rosen Law Firm for filing the original complaint, holding that "the PSLRA mandates that a court impose sanctions for any violation of Rule 11(b)."[6]

The court ruled that "the original complaint was so cursory in alleging scienter that no reasonable lawyer could have believed that the original complaint satisfied the PSLRA's heightened pleading standards."[7] The pleading's "conclusory allegations concerning scienter" failed "to plead with any specificity facts that would reasonably lead one to believe that Defendants knew or were reckless in not knowing the financial statements issued were materially false or misleading."[8]

Accordingly, The Rosen Law Firm "failed to conduct an adequate pre-suit investigation, resulting in an original complaint that was frivolous."[9]

However, the court declined to impose sanctions on Pomerantz, even though the court had dismissed the amended complaint. The court concluded that Pomerantz's "legal theory ... was not frivolous" even though the pleading ultimately failed to state a claim.[10]

The court also denied Toft's motion to sanction defendants for moving to dismiss the original complaint. The court recognized that the defendants' decision to move to dismiss before the court appointed a lead plaintiff and lead counsel "contravened PSLRA litigation norms adhered to in this circuit and nationwide," but it held that "nothing in the PSLRA ... prevents a defendant from filing a motion to dismiss prior to the selection of lead plaintiff."

"To the contrary," the court continued, "the PSLRA contemplates that a defendant will file a motion to dismiss when it believes the complaint fails to sufficiently allege that the defendant made misleading statements with the requisite state of mind. ... That is exactly what Defendants did here."[11]

Implications

The court's imposition of sanctions for the filing of a frivolous original complaint in a PSLRA case could cause plaintiffs and defendants law firms to reconsider certain customary practices in securities class action litigation.

First, the Toft ruling might make plaintiffs firms think harder about the contents of their original complaints and put more work into drafting them. Because the original complaint is almost always superseded by an amended complaint filed after the court appoints the lead plaintiff and lead counsel, plaintiffs and defendants have tended to treat those initial pleadings as placeholders whose main purpose is to start the 60-day lead-plaintiff process, rather than to obtain an actual ruling from a court.

Plaintiffs firms might lack economic incentive to put too much work into those initial complaints because the firms know that some other plaintiff and law firm might end up being appointed the lead plaintiff and lead counsel.

Accordingly, original complaints often consist mostly of block quotations from U.S. Securities and Exchange Commission filings and other public documents, plus conclusory allegations asserting — without factual detail — that the defendants knew or recklessly disregarded that the quoted statements were false or misleading.

Amended complaints, in contrast, include much more detail, such as allegations from confidential witnesses to bolster allegations of scienter. Those witnesses often are former employees who cannot be identified, located and interviewed without significant expenditures of resources by plaintiffs counsel. Original complaints rarely contain that level of specificity.

But the Toft decision shows that, even if no one expects an actual ruling on the original complaint, and even if the lawyers who file it might not be appointed lead counsel, the firm that files the original complaint might pay a price under the PSLRA if the pleading cannot withstand Rule 11 scrutiny.

Second, the Toft decision might make defendants think about whether to move to dismiss flimsy original complaints, even though they know that the initial pleading will be superseded by an amended complaint and that the court likely will never decide a motion to dismiss the initial one.

The lead-plaintiff process and the prospect of an amended complaint usually cause the parties to agree to suspend the defendants' deadline to respond until after the court appoints the lead plaintiff and lead counsel and the lead plaintiff files an amended complaint. But nothing prevents a defendant from responding to the original complaint, as the defendants did in Toft.

And if the original complaint is so weak as to be sanctionable, the defendant might be able to recover its attorney fees for a motion to dismiss.

The Toft ruling might therefore cause some defendants to consider moving to dismiss instead of agreeing to stay all deadlines, although even a successful motion to dismiss the original complaint will not insulate the defendant from a better-pled amended one.

While the potential availability of sanctions could prove enticing to some defendants, the ultimate strategic benefit of moving to dismiss the original complaint is less clear. Even if a defendant were to recover all its costs for that motion, it likely would need to spend significantly more money to move to dismiss the amended complaint, which is usually far longer and more detailed than the original one.

And, as in Toft, the defendant might not succeed in obtaining sanctions for the amended complaint, even if the defendant wins its motion to dismiss.

Thus, from an economic point of view, moving to dismiss the original complaint might, at best, be cost-neutral if the defendant recoups all its costs through a successful sanctions motion. But the motion might be a net loss if any awarded sanctions are less than the client's actual out-of-pocket expenditures.

However, one cannot discount the message that sanctions motions addressed to original complaints might send to the plaintiffs bar. Anything that drives up the cost of filing an initial complaint could make plaintiffs firms think harder about whether to get involved at all.

If the original complaint cannot be viewed as a mere placeholder that does not demand extensive effort, plaintiffs firms will need to consider whether they must invest more time and resources in those pleadings. And the need for greater up-front expenditures, with no assurance of appointment as lead counsel, could chill some plaintiffs firms' willingness to file securities class actions.

We will see whether the Toft decision has long-term ramifications for the securities bar, or whether it will be viewed as an anomaly in light of the parties' departure from standard practice in PSLRA cases. And, of course, The Rosen Law Firm might appeal the district court's ruling to the U.S. Court of Appeals for the Seventh Circuit.

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[1] Toft v. Harbor Diversified, Inc., 2025 WL 3470686 (E.D. Wis. Dec. 3, 2025).

[2] 15 U.S.C. §78u-4(a)(3).

[3] 15 U.S.C. §78u-4(b)(1)-(2).

[4] 15 U.S.C. §78u-4(c)(1)-(2).

[5] Fed. R. Civ. P. 11(b).

[6] Toft, 2025 WL 3470686, at *2.

[7] Id. at *4.

[8] Id.

[9] Id. at *5.

[10] Id.

[11] Id. at *7.

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Del. Dispatch: What Tesla Decision Means For Exec Comp

By **Gail Weinstein, Philip Richter and Steven Epstein** (January 13, 2026, 5:24 PM EST)

This article is part of a monthly column that delves into the most significant corporate law cases emerging from Delaware and offers practice points arising from recent court decisions. In this installment, we examine what the Tesla decision means for executive compensation and other issues.

Gail Weinstein

In the Dec. 19 decision in In re: Tesla Inc. Derivative Litigation[1] — concerning the $56 billion 10-year equity-based incentive compensation package that Tesla Inc. awarded to its CEO Elon Musk in 2018 — the Delaware Supreme Court unanimously **reversed** the Delaware Court of Chancery's two 2024 Tornetta v. Musk decisions that had ordered total rescission of the package.[2]

Philip Richter

Thus, Musk will receive the full compensation under the package — currently valued at $139 billion. The compensation package had been approved by Tesla's purportedly independent compensation committee and board of directors, and also approved, and then ratified, by Tesla's shareholders unaffiliated with Musk.[3]

The state's Supreme Court, without addressing the underlying merits of the case, held that total rescission was an improper remedy, and awarded the plaintiff nominal damages of $1.

Steven Epstein

Key Points

Size

The decision will facilitate supersized executive compensation being provided by other companies — but not many companies are likely to want or be able to grant supersized compensation.

Notably, the new safe harbors for controller transactions, provided under the 2025 amendments to the Delaware General Corporation Law, or the DGCL amendments, also will facilitate supersized compensation for controller-executives.

However, for the most part, the only public companies that are likely to want and be able to grant such compensation will be those that, like Tesla, are controlled or semi-controlled, have a superstar CEO, and have the potential for venture capital company-style growth.

When large private tech companies, such as the next Facebook or Uber, go public, we expect to see supersized compensation baked in. There may also be some upward pressure on executive compensation more generally, given dramatic increases at the very top of the scale.

Fairness

The decision appears implicitly to reject a view suggested by the Delaware Chancery's Tornetta decision, that supersized compensation, at least at some extreme point, might be inherently unfair to a corporation and its shareholders.

Although the Delaware Supreme Court stated that partial rescission — i.e., reducing the amount of the compensation — would have been a proper remedy if there had been evidence in the record as to what amount of compensation would be fair, the Supreme Court did not remand the case to the Delaware Chancery for such evidence to be developed, and instead awarded nominal damages of $1.

This award suggests that although wrongs were committed, the supersized compensation that was granted did not actually damage the shareholders.

Holding

The Supreme Court's actual holding was a narrow one, however — focused only on the remedy the Court of Chancery imposed.

The Supreme Court justices stated in their opinion that they had "varying views on the liability determination" of the lower court's, and that therefore they chose the "narrower path to resolve this appeal" by overturning the remedy the lower court imposed.

Total rescission of a contract is a proper remedy, the Supreme Court noted, only when it will substantially "restore all of the … parties to their status quo ante (i.e., the position they occupied before the transaction)." In this case, the rescission did not accomplish that, as it "leaves [Musk] uncompensated for his six years of time and efforts."

The Supreme Court expressly rejected the Court of Chancery's suggestion that the massive increase in value of Musk's preexisting stake of almost 22% in Tesla that resulted from Musk's efforts had provided more than sufficient substitute compensation for his efforts.

Further, as noted, the Supreme Court stated that partial rescission would have been a proper remedy if there had been evidence in the record as to what fair compensation would be.

Thus, it appears that, in future cases challenging supersized compensation, the judicial result could be a reduction in the compensation rather than its being left intact.

Unanswered Issues

The decision leaves unanswered many of the key legal issues the case raised.

As the Supreme Court addressed only the remedy imposed and not the underlying merits of the case, it is unclear to what extent it agrees or disagrees with the Court of Chancery's important holdings that:

- The board's engaging in a collaborative, rather than adversarial, process with Musk, and wanting him to be "happy" with his compensation, were proof-positive that the board had a "controlled mindset";
- The amount of the compensation may have been so extreme as to be unfair to the corporation; and
- The disclosure was materially flawed relating to the extent of Musk's influence and the effect of a favorable ratification vote.

Most notably, it is unclear whether the Supreme Court would uphold that lower court's novel ruling that shareholder ratification is not effective if it comes after a post-trial opinion that invalidated the action being ratified.

Comparisons

Other supersized compensation cases may be distinguishable.

In other cases, for example, it could be that:

- The company did not face the unusual challenge Tesla faced in keeping Musk incentivized in the face of his strong interest in and important roles at several other large, growing companies;
- The company did not perceive the CEO as being so unique in his or her ability to achieve extraordinary growth as Tesla viewed Musk based on his track record of extraordinary growth at Tesla; or
- The aggressiveness of the milestones was not commensurate with the aggressiveness of the compensation.

Tradition

The decision may reflect growing judicial recognition that traditional corporate norms — particularly with respect to compensation and control — may be less apt when applied to new-style tech companies.

Modern tech-focused companies, like Tesla, are currently driving the U.S. economy.[4] These companies reflect a continuation of venture capital private equity-type models — with expectations that the CEO will be an innovative, high-profile risk-taker who can achieve the company's potential for extraordinary growth, in contrast to a traditional public company model where the CEO tends to be hired for his or her professional managerial skills and ability to achieve slow and steady growth.

Key Holding

The Delaware Supreme Court also recently upheld the dismissal of a lawsuit challenging the $5.2 billion incentive compensation package The Trade Desk awarded to Jeff Green, its founder, CEO and controller.

Green's package — the largest ever granted other than the packages granted to Musk at Tesla — was approved by the company's board, but not submitted to a vote of shareholders. In the Nov. 6 decision in In re The: Trade Desk Inc., the Delaware Supreme Court affirmed the Court of Chancery's dismissal of the suit on demand futility grounds.

The Court of Chancery had found that, although Green was the company's controller (with majority voting power), the plaintiffs failed to establish with sufficient particularity their contentions that (1) the purportedly independent directors were beholden to Green based on professional, financial and personal ties, (2) Green's attendance at compensation committee meetings itself created undue influence over the process or (3) the minutes of the committee meetings reflected a lack of negotiation over the package.

Measurement

Just how supersized are Green's and Musk's compensation packages?

Green's $5.2 billion package will fully vest if he grows The Trade Desk to five times its size — from a market capitalization of $33 billion on the grant date to a market capitalization of $156 billion. Thus, if he creates $123 billion of new value, he is to receive about 4% of the value he creates.

Musk's compensation packages reflect even more ambitious goals and even more aggressive compensation. Musk's 2018 package, $56 billion at the time of grant, fully vested when he grew Tesla to 12 times its size — from a market capitalization of $54 billion to $650 billion.

Thus, having created $596 billion of new value, he was to receive more than 9.1% of the value he created. Musk's 2025 package, $1 trillion at the time of grant, will fully vest if he further grows Tesla about 8.5 times — from a market capitalization of $1 trillion to a market capitalization of $8.5 trillion.

Thus, if he creates $7.5 trillion of new value, he is to receive over 13% of the value he creates.

Practice Points

Based on Tesla, depending on the facts and circumstances, here are six considerations of what a compensation committee or board should consider.

1. Determining what amount of compensation it is necessary to pay an executive;

2. Negotiating the compensation package rather than capitulating to the executive's wishes;

3. Seeking analysis by, and an opinion of, an independent third-party compensation expert;

4. Considering market-based factors, including a traditional benchmarking study, even in a unique situation without obvious comparables;

5. Not permitting the executive to dominate, or appear to dominate, the process; and

6. Specifically tying the compensation decisions to the board's objectives.

Considerations on Seeking Partial Rescission

Where a plaintiff seeks total rescission, the defendants will face a strategic decision: whether to seek to enforce the full compensation, or instead — or in addition — to argue, and submit evidence supporting, that at least part of the package is fair.

Shareholder Ratification

Pending future clarification of the ruling on this issue in Tornetta, a shareholder vote to ratify an act should come before a post-trial decision is issued invalidating the act.

Also, the company should (1) be careful not to overstate the effect of a favorable ratification vote,[5] and (2) consider giving strong prominence to caveats in the disclosure with respect to the possibility that the court might find the ratification vote ineffective.

Independent Directors

Controlled companies should carefully weigh the benefits and disadvantages of including independent directors on the board. In the context of conflicted-controller transactions, there are significant advantages to having one or more directors who are independent of the controller.[6]

For companies with a founder or executive with a significant equity stake (over 33.33% if the DGCL amendments are applicable), the board should establish a record of the independent judgment the directors brought to bear when considering compensation for (or other transactions affecting) a person who may be deemed to be a controller.

Impact of the DGCL Amendments

If the DGCL amendments had been applicable in Tesla, under the new definition of "control" set forth in the amendments, Musk would not have been deemed a controller as he did not own 33.33% of the outstanding voting power; but, even if he were a controller, the compensation package almost certainly would have been entitled to the safe harbor protection the amendments provide.

With respect to Jeff Green in The Trade Desk, if the amendments had been applicable, he still would have been deemed a controller (as he owned majority voting power), but his package also almost certainly would have been entitled to the safe harbor protection.

Controller Fiduciary Duties and Coercion

We note that Musk himself may have had fiduciary duties to the other Tesla shareholders in connection with his executive compensation, given the court's holding that he was a controller of that process.

The plaintiff, however, had asserted claims of fiduciary breach only against the board, not Musk — who, prior to Tornetta, had never been adjudicated as being a controller of Tesla.

We note also that, for a shareholder vote to be effective, for MFW or DGCL safe harbor purposes, it must have been not only fully informed but also noncoerced.[7]

A controller should consider carefully any actions that might be construed as coercive with respect to a shareholder vote, such as threatening reincorporation to a different state, or threatening retaliation — e.g., directing resources away from the company — if the vote is not obtained.

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[1] In re: Tesla Inc. Derivative Litigation (Del. Dec. 19, 2025).

[2] Tornetta v. Musk (Del. Ch. Jan. 30, 2024) ("Tornetta I"); and Tornetta v. Musk (Del. Ch. Dec. 2, 2024) ("Tornetta II"). The Court of Chancery had concluded, in Tornetta I, that the board's process was controlled by Musk, the disclosure was materially inadequate, and the "unfathomable" amount of compensation may not have been fair to the corporation and its shareholders. The Court of Chancery had concluded in Tornetta II, that the shareholder ratification of the package, that Tesla obtained after Tornetta I was issued, was ineffective as it came after a post-trial decision that had already invalidated the package.

[3] After Tornetta II was issued, Tesla, citing the Delaware court's interference with its shareholders wishes with respect to Musk's compensation, reincorporated to Texas. Its board, and the shareholders unaffiliated with Musk, then approved a new equity-based incentive compensation package for Musk, covering the next ten years, which will provide up to $1 trillion of compensation to Musk, contingent on new milestones for Tesla's growth being met. Based on Texas law, which would govern, a challenge to the new $1 trillion compensation package is unlikely, and, if brought, would be unlikely to succeed.

[4] The Mag 7 (i.e., "Magnificent 7," an informal grouping of the seven largest and most influential tech-focused companies in the U.S. stock markets, which includes Tesla), over the past seven years, have grown 1,057%, while the other companies in the S&P 500 have grown 132%. Over the past three years, the Mag 7 accounted for roughly 75% of the gains in the S&P 500; and the seven companies currently account for more than one-third of the combined market capitalization of all of the S&P 500 companies.

[5] For example, in an entire fairness context, stating that ratification will "cleanse" fiduciary breaches may be an overstatement if the ratification may only shift the burden of proof with respect to fairness.

[6] The 2025 DGCL Amendments provide safe harbor protection for conflicted-controller transactions that are approved by a majority of the independent directors on a special committee. The Amendments also provide a definition of "independence" that makes it easier to establish that

directors were independent than was previously the case under Delaware common law.

[7] The court did not need to address the coercion issue in Tornetta, given its finding that the ratification vote was not fully informed.

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CrowdStrike Beats Investor Fraud Suit Over 2024 Outage

By **Katryna Perera**

Law360 (January 13, 2026, 10:58 PM EST) -- A Texas federal judge has tossed a shareholder suit against CrowdStrike Holdings Inc. over its massive 2024 outage that downed computers worldwide, finding the plaintiffs failed to adequately plead any misleading statements about steps the cybersecurity company was taking to prevent such a system crash.

U.S. District Judge Robert Pitman issued an **order** on Monday tossing, with leave to amend, a **proposed class action** on behalf of those who purchased CrowdStrike shares between Nov. 29, 2023, when the company touted its "modern, frictionless data security" on an earnings call, and July 29, 2024. On July 19 that year, a flawed update of CrowdStrike's Falcon software platform shut down millions of devices running the Microsoft Windows operating system all over the world, grounding airplanes and shutting down emergency 911 hotlines, among other consequences.

The suit alleged that CrowdStrike misled investors about a quality assurance team dedicated to testing software updates and misrepresented the process it followed when updating its software, among other claims.

In tossing the suit, Judge Pitman found that challenged statements in the complaint about CrowdStrike's purported quality assurance team, the company's product usage, and its testing and software updates were not false or misleading.

On the statements about CrowdStrike's quality assurance team, the judge noted that the company's proxy statements filed in 2023 and 2024 were the only instances that plaintiffs pointed to where the company represented that it had such a team.

"Plaintiffs' assertion in their complaint that it 'was false or, at minimum, misleading for CrowdStrike to assure investors that CrowdStrike maintained a "quality assurance team" that "assist[ed] with testing" software updates,' is borderline sanctionable, as CrowdStrike never told investors that it had a quality assurance team that assisted with software updates," the order said.

"When read in context, no reasonable investor would have assumed purely from a single sentence in the accessibility section of CrowdStrike's 2023 and 2024 proxy statements that CrowdStrike had a quality assurance team that tested software updates," the order added.

Challenged statements on CrowdStrike's website that it adhered to "continuous integration and continuous delivery" — a software development methodology "that allows for rapid, frequent, and reliable code updates," according to the order — were also tossed by the judge, who agreed with CrowdStrike that the information was meant to be educational to customers and nowhere did the company indicate that it actually uses the methodology.

The judge further found that the challenged statements in the complaint about CrowdStrike's testing and software updates, when viewed in context, were about preventing security breaches, not software crashes, as the investors claimed.

Despite dismissing the complaint in its entirety, Judge Pitman found two plausibly alleged false and misleading statements on Monday regarding CrowdStrike's regulatory compliance.

According to the order, CrowdStrike represented online that it met the compliance requirements for the Federal Risk and Authorization Management Program and for Department of Defense Impact Level 4. The plaintiffs claimed this was false because CrowdStrike was not meeting these requirements, "including their requirements to test software updates in a separate test environment that replicates the operational system prior to the release of the software update and to maintain a dedicated quality assurance team to conduct quality assurance and testing of software updates."

Judge Pitman found CrowdStrike's statements to be adequately alleged as misleading because a reasonable investor would interpret the statements "meeting 'FedRAMP program requirements' and 'the stringent requirements' of FedRAMP as meeting the high-level requirements of that program."

"This conclusion is informed by 'surrounding text,' which touts, 'meeting these stringent requirements reinforces CrowdStrike's commitment and ability to serve customers of all types. ... [T]he Falcon platform has been audited and validated against some of the strictest security requirements in the world,'" the order said.

Judge Pitman also found Monday that the complaint failed to adequately plead scienter, as it included only one inadequate motive allegation. Additionally, the judge said the investors' claim that the defendants knew, or were severely reckless in not knowing, that their statements about CrowdStrike's testing processes were false or misleading by omission does not support a strong inference of scienter.

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

The investors are represented by Hannah Ross, John J. Rizio-Hamilton, Scott R. Foglietta, Thomas Sperber, Sarah K. Schmidt and Jonathan D. Uslaner of Bernstein Litowitz Berger & Grossmann LLP and Gerald Thomas Drought and Frank B. Burney of Martin & Drought PC.

CrowdStrike is represented by Sandra C. Goldstein, Kevin M. Neylan Jr., Mark C. Holscher and Austin Norris of Kirkland & Ellis LLP and Steven J. Wingard, Santosh Aravind and Robby Earle of Scott Douglass & McConnico LLP.

The case is In Re: CrowdStrike Holdings Inc. Securities Litigation, case number 1:24-cv-00857, in the U.S. District Court for the Western District of Texas.

--Editing by Nick Siwek.

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J&J Wins Partial Reversal Of $1B Merger Milestone Loss

By **Jeff Montgomery**

Law360 (January 13, 2026, 3:11 PM EST) -- Delaware's Supreme Court has partially reversed a vice chancellor's September 2024 ruling that Johnson & Johnson owes more than $1 billion for failing to prioritize regulatory approvals linked to "earnout" payments for robotic surgical device technology that J&J acquired from a developer.

The justices' decision on Monday — which remanded the case for a damages recalculation — otherwise upheld Vice Chancellor Lori W. Will's multiple rulings that Auris Health Inc.'s stockholders are owed for breaches of contract and the implied covenant of good faith and fair dealing in the two companies' $3.4 billion technology deal.

In the partial reversal, the justices sided with J&J in asserting that the Court of Chancery "misapplied" the implied covenant by rewriting the parties' bargain and misconstrued a "commercially reasonable efforts" clause after the U.S. Food and Drug Administration revised a premarket clearance rule for medical devices.

However, the court affirmed breach of contract and fraud findings by the lower court, and sent the case back to the Court of Chancery for recalculation of interest owed based on the previous damages calculation.

"Applying our precedents, we hold that there is no genuine contractual gap for the [implied] covenant to fill. The Merger Agreement repeatedly and expressly conditioned the regulatory earnouts" on premarket rules and "allocated to Auris's stockholders the risk that FDA 'developments' might affect the route, timing, or cost of approval."

The court's decision found that Vice Chancellor Will's decision effectively eliminated J&J's contractual discretion, erred in finding fraud and "failed to give effect to the Merger Agreement's exclusive remedy provision."

Left intact, however, was the balance of Vice Chancellor Will's decision, with the exact effect not immediately clear. The lower court's decision, guided by a "blend" of success probability calculations, pegged Auris Health's damages at $968.8 million, with $42.4 million added for interest at the time, bringing the total to $1.01 billion.

The justices' rejection of the premarket clearance rule for one category of damage claims did not excuse J&J from the later milestones, the justices found, and, "therefore does not disturb J&J's express obligations, or the damages awarded, for the remaining regulatory milestones."

"We are pleased that the Court reversed the trial court's improper substitution of its subjective views for the parties' carefully negotiated agreement on milestone regulatory requirements," J&J said in a statement on Tuesday, adding, "But we are disappointed that the Court did not similarly follow the language of the contract in permitting the remainder of the trial court's decision to stand. We are evaluating next steps."

The justices also affirmed and upheld the vice chancellor's conclusion "that J&J breached its express obligation to use commercially reasonable, 'priority' device efforts to achieve the remaining iPlatform regulatory milestones."

Fortis Advisors LLC, acting as the stockholders' representative, had filed a complaint, which alleged that J&J had failed to honor contractual "efforts" obligations and fraudulently induced Auris to accept a contingent payment instead of additional upfront payments.

Fortis, the justices concluded, "properly used the implied covenant to address an unforeseen regulatory development, correctly measured J&J's efforts, and permissibly found that J&J's conduct" in marketing the technology milestone "constituted actionable fraud that the contract cannot insulate."

Fortis did not immediately respond to requests for comment.

Vice Chancellor Will's decision said the agreement between the two required J&J to avoid making decisions based on contingent payments but did so "most blatantly" when the Auris technology was positioned to "compete against and combine with" J&J affiliate Ethicon's own robotic device.

J&J and Ethicon were accused of requiring a post-merger competitive "bake-off" between Ethicon's "Verb" and Auris' iPlatform, with Verb declared the winner and a hold on cash reserved for iPlatform milestones released in April 2020. Auris launched a 12-count suit in October 2020, alleging common law and equitable fraud, breaches of the merger agreement and the implied covenant of good faith and fair dealing, among other counts.

Much of the Court of Chancery decision was affirmed on Monday, along with much of Vice Chancellor Will's damages calculations. A major focus was Auris Health's concerns about J&J's commencement of a "showdown" between Verb and iPlatform, in which "only one robot" would be prioritized and the loser would likely "cease to exist."

The agreement between the two found no "genuine contractual gap in the merger agreement for the implied covenant to fill," the justices concluded. Their deal "chose to explicitly tie every regulatory milestone — totaling hundreds of millions of dollars" to premarket notification, without providing for adjustments in earnouts if regulators closed or changed the program.

"J&J and Auris recognized the possibility that FDA 'developments' could affect the route, timing, and cost of approval, and they nonetheless chose to condition the earnout" on premarket notification without provisions for adjustment or "alternative pathways," the decision said.

"Therefore, the implied covenant has no role to play here," the justices wrote, describing the doctrine as reserved for "developments that could not be anticipated, not developments that the parties simply failed to consider."

J&J had argued that its agreement gave it broad discretion in use of the platform, an assertion the court found was contradicted by the agreement.

J&J and Ethicon are represented by William M. Lafferty, Susan W. Waesco, Elizabeth A. Mullin Stoffer and Kirk C. Andersen of Morris Nichols Arsht & Tunnell LLP, E. Joshua Rosenkranz, Robert M. Loeb, Zachary J. Hennessee, Katherine M. Kopp, Anne W. Savin and Elizabeth A. Bixby of Orrick Herrington & Sutcliffe LLP and Joshua A. Goldberg and Lauren S. Potter of Patterson Belknap Webb & Tyler LLP.

Fortis Advisors is represented by Bradley R. Aronstam, Roger S. Stronach and Dylan T. Mockensturm of Ross Aronstam & Moritz LLP and Philippe Z. Selendy, Jennifer M. Selendy, Oscar Shine, Julie R. Singer, Meredith Nelson, Corey Stoughton and Jeffrey Zalesin of Selendy Gay PLLC.

The case is Johnson & Johnson et al. v. Fortis Advisors LLC, case number 490,2024, in the Supreme Court of the State of Delaware.

--Additional reporting by Dorothy Atkins and Rose Krebs. Editing by Nicole Bleier.

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Chancery OKs $4.85M Deal To End Ed-Tech Acquisition Suit

By **Jarek Rutz**

Law360 (January 13, 2026, 5:08 PM EST) -- The Delaware Chancery Court signed off Tuesday on a $4.85 million class settlement resolving stockholder claims over Sterling Partners' 2024 take-private acquisition of Australian education-technology company Keypath Education International Inc., finding that the deal fell within a reasonable range given the risks the investors faced in continuing to litigate their fiduciary-duty claims.

In a ruling from Chancellor Kathaleen St. J. McCormick certified a non-opt-out class of former public Keypath stockholders, approved the cash settlement and authorized an award of attorneys' fees and expenses to the investors' counsel, concluding that the compromise appropriately balanced the strength of the claims against the uncertainty of further proceedings and potential appellate review.

"The terms of the proposed settlement are fair and reasonable," Chancellor McCormick said.

The settlement resolves a lawsuit accusing Sterling Fund Management LLC, affiliated private equity funds and individual defendants of breaching fiduciary duties in connection with a September 2024 merger that cashed out unaffiliated stockholders at AU$0.87 (US$0.58) per share. Under the agreement, defendants will pay $4.85 million into a common fund to be distributed to eligible class members, without any admission of wrongdoing.

The suit was filed in November 2024 by Copia Investment Partners Ltd., Maso Capital Investments Ltd., Blackwell Partners LLC - Series A and Star V Partners LLC, following a books-and-records investigation. They alleged that Sterling Partners, which controlled Keypath, engineered an unfair transaction by influencing the special committee process and failing to disclose material information to stockholders ahead of the vote. A slim majority of 57% of the minority shares voted in favor of the deal.

In explaining her ruling, Chancellor McCormick emphasized that the court is required to exercise its own business judgment when evaluating a proposed class settlement, weighing factors such as the strength of the claims, the risks of continued litigation, and the scope of the release. While the investors argued they had viable entire-fairness claims that could have survived a motion to dismiss, the chancellor said that success at trial, and on appeal, was far from assured.

The uncertainties, she said, supported approval of a settlement that delivered immediate, quantifiable value to the class.

She also found the scope of the release to be properly tailored, covering claims arising out of or related to the merger while preserving the ability to enforce the settlement itself. By limiting the release to the subject matter of the litigation, Chancellor McCormick said, the agreement ensured stockholders were compensated for alleged harms without foreclosing unrelated claims.

At the hearing, the investors' attorney Amanda Crawford of Equity Litigation Group LLP told the court that the $4.85 million recovery represented a 13.7% premium to the merger price and compared favorably with other Delaware merger settlements. Crawford also highlighted the complexity of distributing settlement proceeds to former Keypath investors, whose shares traded on the Australian Securities Exchange rather than through the U.S. Depository Trust Company system.

Chancellor McCormick ultimately concluded that the settlement delivered meaningful benefits relative to the risks and costs of further litigation and approved a 20% fee award under Delaware's Sugarland factors and the "stage-of-the-case" framework, citing counsel's contingent risk, the complexity of the case and the results achieved.

Copia Investment Partners, Maso Capital Investments, Star V Partners LLC and Blackwell Partners LLC - Series A are represented by Thomas Curry of Saxena White PA and Joel Fleming and Amanda Crawford of Equity Litigation Group LLP.

The defendants are represented by Elena C. Norman, M. Paige Valeski and Skyler Speed of Young Conaway Stargatt & Taylor LLP, Jordan D. Peterson and Claire Fieldman of Kirkland & Ellis LLP, Christopher F. Cannataro of Abrams & Bayliss LLP and Nicholas M. Berg of Ropes & Gray LLP.

The case is Copia Investment Partners Ltd. et al. v. Sterling Fund Management LLC et al., case number 2024-1184, in the Chancery Court of the State of Delaware.

--Editing by Brian Baresch.

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DiDi, Investors Can Notify Class Of Proposed $740M Deal

By **Emilie Ruscoe**

Law360 (January 13, 2026, 8:21 PM EST) -- A proposed $740 million settlement between Chinese ride-hailing app DiDi and its investors has moved forward after a New York federal judge approved a notice to class members and scheduled a settlement hearing over the plan to resolve shareholder claims the company hid enterprise-threatening regulatory risks during its 2021 initial public offering.

In a Monday filing in Manhattan federal court, U.S. District Judge Lewis A. Kaplan approved the parties' bid to give notice of their agreement to members of the proposed investor class and scheduled a June hearing to weigh whether the proposed deal is fair, reasonable and adequate to the class.

The filing states the agreement shouldn't be taken as "presumption, concession, or admission" regarding any details of the parties' dispute and briefing on the proposed settlement, including motions for fees and costs, is slated to begin in mid-May.

The investors moved in December for a green light to notify putative class members about the agreement, describing the deal they'd reached after months of negotiations as "a landmark settlement — the twenty-fourth largest securities class action settlement in the U.S. since the passage of the [Private Securities Litigation Reform Act] in 1995."

The investors also asserted that the settlement was the largest ever reached with a China-based issuer, telling the court that those factors "strongly support a finding that the relief obtained for the class is adequate."

Among other things, the investors said that the settlement would resolve the uncertainties they would otherwise face as they sought to prove damages, handled any appeals that might follow or worked to enforce a judgment against DiDi, which is based in China.

The investors said the parties inked a binding term sheet for the deal in August, around the same time Judge Kaplan partially granted the investors' class certification bid, and finalized their stipulation Dec. 9.

The suit launched in 2021, when investors in DiDi's American depositary shares sued several company officers and directors and 10 IPO underwriters, including Goldman Sachs' Asia segment, Morgan Stanley, and securities units of JPMorgan Chase & Co. and Bank of America. A number of other entities named in the first version of the action are no longer defendants.

In their complaint, the investors claimed that the company failed to disclose in its IPO registration filings that the Cyberspace Administration of China, which regulates the country's internet-based businesses, had told DiDi to conduct an internal cybersecurity review before holding its IPO.

According to the investors, DiDi told the agency that it would comply with the directive, but held its $4.4 billion IPO on its originally scheduled date, flouting the regulator's order.

In March 2024, Judge Kaplan denied Didi's bid to shed the suit, finding that risk disclosures the company provided to investors were insufficient. He went on to grant class certification for certain claims in August 2025, following a magistrate judge's recommendation.

The parties reached their binding settlement in principle the same day the class was certified, and a stipulation of settlement was finalized in December, court filings show.

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

The investors are represented by Laurence M. Rosen, Daniel Tyre-Karp and Robin Bronzaft Howald of The Rosen Law Firm PA.

DiDi Global is represented by Scott Musoff, Robert Fumerton and Michael Griffin of Skadden Arps Slate Meagher & Flom LLP and Corey Worcester, Renita Sharma and Sam Cleveland of Quinn Emanuel Urquhart & Sullivan LLP.

The case is In re: DiDi Global Inc. Securities Litigation, case number 1:21-cv-05807, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Katryna Perera. Editing by Jay Jackson Jr.

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5 E-Discovery Predictions For 2026 And Beyond

By **Paul Weiner, Denise Backhouse and Gretchen Marty** (January 13, 2026, 4:38 PM EST)

Paul Weiner

Denise Backhouse

Gretchen Marty

Technology is not a luxury — it's a professional obligation. Modern legal tools enable lawyers to deliver faster, more accurate results. Those who embrace technology as an amplifier of legal skill will thrive.[1] Those who resist and refuse to adapt may not just struggle, but also may become obsolete.[2]

Artificial intelligence and emerging technologies, such as robotics and automation, are also powering IT processes, customer service workflows, supply chain management, human resources and talent strategies, sales and marketing, manufacturing, operations, and finance.[3]

As these tools become deeply embedded in business operations, the data they generate and the decisions they influence will inevitably play a critical role in litigation. From algorithmic decision-making to automated workflows, these technologies are not just reshaping business — they are redefining the evidentiary landscape.

E-discovery professionals, operating at the nexus of law, data and technology, will need to understand how to effectively guide the responsible and defensible adoption of emerging tools, while also anticipating risks and ensuring effective safeguards. They likewise must grapple with how these new sources of evidence will shape litigation, including their impact during discovery.[4]

With that in mind, here are our predictions for 2026 and beyond.

1. Amendments to Rule 34 to require data security measures will be considered.

In a Law360 **guest column** last year, we predicted information security protections would become standard in protective orders. Given the worldwide spike in cyberthreats — particularly against law firms — it's time to take the next step and amend the Federal Rules of Civil Procedure, and Rule 34 in particular, to require requesting parties to certify they can protect sensitive information received in discovery.

If cybercrime were a country, it would be the world's third-largest economy, behind only the U.S. and China.[5] This explains why worldwide end-user spending on information security is predicted to grow to $240 billion in 2026, a near $50 billion surge since 2024.[6]

In 2018, the American Bar Association warned that cyberthreats are a major hazard facing law firms, a prime target for hackers.[7] Today, cybersecurity risks to law firms are pervasive, including a systemic threat in 2025 by cyberactor Silent Ransom Group — also known as Luna Moth, Chatty Spider and UNC3735 — that led to an FBI alert to law firms **warning** that they were specifically being targeted.[8]

A study from Proton published in 2025 found that 1 in 5 U.S. law firms experienced a cyberattack, and nearly 1 in 10 lost data or suffered exposure, in the 12 months preceding the survey.[9] In 2026, these risks will only intensify as bad actors leverage AI for cyberattacks.[10]

A leading advocacy group, Lawyers for Civil Justice, proposed amending the federal rules to address these issues in 2023, observing that the current rules governing protective orders are "ill-equipped to meet this critical need because protective orders are by nature reactive, [and] they do not furnish a structure for considering, avoiding, minimizing, or navigating around the complications of privacy interests and attendant cyber security risks."[11]

In submissions to the Advisory Committee on Civil Rules, Lawyers for Civil Justice further stated in March of last year that Rule 34 should clarify "that it does not require a party to produce the requested discovery in the absence of adequate assurances that reasonable steps have been taken to protect it."[12]

The time has come for rulemaking authorities to address contemporary cyber risks against law firms that handle sensitive and confidential data in litigation. We predict Rule 34 and state law equivalents will be amended to require requesting parties to certify that they have implemented reasonable technical and organizational safeguards to prevent unauthorized access to, or use and disclosure of, confidential information received in discovery.

2. AI regulatory turbulence will challenge information governance — and push e-discovery issues to the forefront of litigation.

Amid regulatory uncertainty on a global scale, AI has become a geopolitical football, as countries vie to create competitive environments while driving diverse political and social agendas.

In the U.S., Executive Order No. 14179 on lifting barriers to AI leadership, **issued** last January;[13] Executive Order No. 14365 on creating a national framework for AI, **issued** in December;[14] and the White House's AI Action Plan, **published** in July 2025,[15] together seek to secure U.S. dominance in AI. Measures include curtailing state legislation, and directing the National Institute of Standards and Technology to revise its influential AI Risk Management Framework to remove ideological bias and social agendas.

With the majority of U.S. states engaged in AI legislation and several laws due to come into effect this year, the impact of the administration's pronouncements will continue to unfold throughout 2026.[16]

At the same time, the European Commission's Digital Omnibus package seeks to enhance the European Union's competitiveness by simplifying and harmonizing overlapping rules arising from proliferating digital laws and regulations. The Digital Omnibus proposes "targeted simplification" of the EU AI Act, while retaining a focus on promoting "human-centric and trustworthy … AI," upholding fundamental rights and protecting against harms.[17]

The EU AI Act has broad extraterritorial reach. It applies to those placing, putting into service or deploying AI systems and models in the EU; providers of AI systems where the output is used in the EU; and AI systems distributors and importers, product manufacturers and authorized representatives of providers, regardless of whether they are established in the EU or in a third country. It also applies where people affected by the AI system are located in the EU.[18]

Finally, it carries the potential for significant enforcement penalties.[19]

We predict this regulatory landscape will lead to heightened litigation and enforcement, where AI decision-making and generated data become central to disputes. E-discovery professionals thus must be prepared to navigate these emerging information governance issues.

3. AI in litigation and discovery will move from hype to practical implementation.

As AI tools proliferate, the legal profession faces a critical inflection point. What began as hype is now shifting toward reasonable implementation — but not without significant implications for litigation and discovery.

Many of these tools are not designed for legal workflows, yet they are increasingly being used in ways that affect privilege, preservation and liability. Courts, rulemakers and industry groups will eventually provide clarity through case law, rule amendments and guidance.

Meanwhile, organizations are implementing controls, policies and guardrails that address the following issues.

Discovery Workslop

AI is not always the easy button it's made out to be. Low effort, AI-generated work — often called "workslop" — is flooding inboxes and undermining productivity.[20] Lawyers litigating cases and conducting discovery — and even judges — are currently not immune to workslop.

For instance, a database compiled by French attorney Damien Charlotin tracks legal decisions, with over 700 to date, in cases where generative AI produced hallucinated content — typically fake citations, but also other types of AI-generated arguments.[21]

As another example, the U.S. Senate Committee on the Judiciary **sent letters** to several federal judges last October based on concerns that AI tools may have been used to generate orders without adequate guardrails.[22]

And, in its Dec. 30, 2025, ruling in Pauliah v. University of Mississippi Medical Center, the U.S. District Court for the Southern District of Mississippi sanctioned the plaintiff and his former counsel after he relied on a declaration prepared by the plaintiff using AI — which contained "fabricated quotations, ... manufactured citations to [sworn] deposition transcripts, ... [and] grossly mischaracterized testimony and other facts in the record" — to oppose summary judgment.[23]

In addition to monetary sanctions, the court ordered counsel to complete three hours of continuing legal education "on the topic of hallucinatory citations generated by AI in the legal field," further stating:

> Courts across the country have dealt with the rising misuse of generative artificial intelligence to prepare court filings. Those cases have largely, if not entirely, dealt with citations to non-existent legal authority or the attribution of quotes to cases that do not contain the quoted material — produced as a result of what has come to be termed "AI hallucinations." This case is different, as it appears that AI was used not to hallucinate the law, but to hallucinate the facts.[24]

We predict that workslop will, unfortunately, continue in the e-discovery space until everyone becomes more disciplined in the use of AI tools. And we predict there will be more decisions like Pauliah, underscoring that even if a lawyer is unfamiliar with AI, they "are obligated to maintain the standards imposed on them as officers of the court, including forthrightness and candor … [that] predate artificial intelligence by centuries."

Impact of AI on Privilege

AI introduces novel questions about attorney-client privilege and work-product protections that attorneys should anticipate in conducting discovery. Examples we predict will confront practitioners in 2026 include the following:

- Maintaining protections when using AI tools — how do firms ensure confidentiality when prompts or outputs are processed by third-party platforms?
- Attorney-client privilege and work product between nonlawyers and AI — does interaction with an AI tool create any form of protected communication?
- Prompts as privileged or work product — are queries themselves, which often contain strategy or sensitive facts, protected?
- Risk of waiver through public tools — does the use of consumer-grade AI platforms inadvertently waive privilege if data is stored or shared externally?

AI-Generated Content and Custodianship

AI tools increasingly generate meeting summaries, transcripts and other artifacts, including metadata.[25]

This raises fundamental questions and potential risks, which we predict will upend common discovery concepts starting in 2026, including the following:

- Who is the custodian? If AI creates content, who is responsible for its retention and production?
- What about business records — are AI-generated summaries considered official records for litigation purposes?
- "Bring Your Own AI" practices — where employees use unauthorized tools — create compliance and security risks.[26]
- Preservation challenges — AI can create so-called artifact sprawl, multiplying the number of items that may need to be preserved, reviewed, logged for privilege and produced.

The Black Box Problem and the Advent of xAI

As explained in a 2023 University of Michigan article, "Artificial intelligence can do amazing things that humans can't, but in many cases, we have no idea how AI systems make their decisions."[27]

AI's black-box problem will loom larger in litigation as systems make consequential decisions without clear, auditable reasoning.[28]

In 2026, we predict courts will define core standards for explainable AI — referred to as "xAI" — producing nuanced, pragmatic requirements that practitioners can apply, by pressing parties to show how algorithms reach their conclusions and what evidence supports those outputs.

As observed by Ashley Deeks, vice dean of the University of Virginia School of Law, in her 2019 Columbia Law Review article:

> Using the tools of the common law, courts can develop what xAI should mean in different legal contexts. There are advantages to having courts ... play this role: Judicial reasoning that builds from the bottom up, using case-by-case consideration of the facts to produce nuanced decisions, is a pragmatic way to develop rules for xAI.[29]

4. The age of the "proud Luddite" lawyer will come to an end.

For decades, some lawyers wore their technological ignorance as a badge of honor — boasting that they rarely turned on a computer, had always litigated cases using paper, and saw no need to change decades of successful practice, or frankly, didn't understand electronically stored information and had no intention of learning it at the tail end of their careers.

That era is over.[30] In today's digital world, technology is not optional; it is integral to competent legal practice.

Over 40 states have adopted some version of ABA Model Rule 1.1, Comment 8, which states: "To maintain the requisite knowledge and skill, a lawyer should keep abreast of changes in the law and its practice, including the benefits and risks associated with relevant technology, engage in continuing study and education and comply with all continuing legal education requirements to which the lawyer is subject."

With AI rapidly transforming the technology landscape, it is more important than ever for lawyers to have a basic understanding of the implications of the tools they are using.[31]

Further, AI artifacts — prompts, outputs and logs — are already showing up in discovery.[32] On admissibility, the Federal Judicial Conference has **proposed** new Rule 707 of the Federal Rules of Evidence, which would subject machine-generated evidence offered without an expert to Rule 702 and Daubert reliability standards — i.e., sufficient facts and data, and reliable principles and methods, applied reliably to case facts.[33]

Public comment on the proposed rule is open through Feb. 16. If adopted, Rule 707 would prevent parties from sneaking in opaque AI outputs without the same scrutiny given to expert testimony.

Ultimately, we predict the proud Luddite lawyer will not survive the technological tide of 2026.

5. Quantum computing will come knocking at the door.

While AI dominates today's headlines, quantum computing is quietly approaching a tipping point.[34] We predict its arrival will have transformative implications for litigation, discovery and information security.

Encryption and Confidentiality Risks

Quantum computing could render current encryption standards obsolete, creating vulnerabilities in privileged communications and stored data. Legal teams must anticipate how to protect sensitive information in a post-quantum world.

Impact on e-Discovery

Quantum computers are expected to outperform the fastest classical supercomputers by orders of magnitude. In a 2024 benchmark, a quantum chip solved a problem in under five minutes that would take today's fastest supercomputer an estimated 10 septillion years.[35]

Quantum systems also excel at certain problems involving massive datasets, including searching unsorted databases up to four times faster than classical computers.[36]

Given that many burden and proportionality objections under Rule 26 of the Federal Rules of Civil Procedure are premised on the costs, time and resources required to search massive volumes of data — especially unstructured data — the ability to perform those tasks at quantum speeds may eliminate the basis for many of those contentions.

Regulatory and Compliance Challenges

Courts and regulators may require new standards for quantum-safe encryption and chain-of-custody protocols to ensure integrity of evidence.

Quantum computing is no longer theoretical.[37] While widespread adoption may take years, we predict its impact on legal practice and discovery will be profound.

Conclusion

As we enter 2026, the convergence of AI, quantum computing and other emerging technologies is set to transform the global business landscape — introducing novel and complex e-discovery challenges.

Paul Weiner is a shareholder and national e-discovery counsel at Littler Mendelson PC.

Denise Backhouse is a shareholder and e-discovery counsel at the firm. She is the editor-in-chief of The Sedona Conference "International Litigation Principles" and is leading the drafting team preparing ILP 2.0. She is also consulting on The Hague Evidence Convention Commentary.

Gretchen Marty is senior counsel at Littler.

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[15] America's AI Action Plan – July 2025.

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[20] AI-Generated "Workslop" Is Destroying Productivity | HBR - Updated Sept. 25, 2025 (Describing how workslop "created a situation where I had to decide whether I would rewrite it myself, make him rewrite it, or just call it good enough" and is "furthering the agenda of creating a mentally lazy, slow-thinking society that will become wholly dependent upon outside forces."); 'Workslop' Crisis Looms for Small Businesses as AI Adoption Outpaces Quality Controls| Law.com - Oct. 23, 2025 (describing workslop as "polished-looking outputs that fail to advance actual work and, worse, can damage client relationships when they slip into deliverables.").

[21] AI Hallucination Cases Database, https://www.damiencharlotin.com/hallucinations/.

[22] October 6, 2025 **letter** from the U.S. Senate Committee on the Judiciary to Federal Judge, addressing public concerns "that generative artificial intelligence ("AI") may have been used in preparing a [July 20, 2025 temporary restraining] order with little or no human verification."; and October 6, 2025 **letter** from the U.S. Senate Committee on the Judiciary to a Federal Judge, addressing concerns that "a temporary assistant" in the court "used an artificial intelligence platform" in contributing to a June 30, 2025 Opinion and Order, and "that the opinion was inadvertently issued before a review process was able to catch errors introduced by AI."

[23] Pauliah v. University of Mississippi Medical Center, No. 3:23-CV-3113, 2025 WL 3776049 (S.D. Miss. Dec. 30, 2025).

[24] See also, Some judges move beyond fines to keep lawyers' AI errors in check | Reuters - Sept. 16, 2025; Courts 'Turning Up The Heat' On AI Fake Citation Sanctions - Law360 – July 25, 2025 ("But Judge Manasco went further [than simply reprimanding three lawyers after they were found to have submitted motions to the court relying on false citations blamed on AI], disqualifying the lawyers from appearing on the case, referring the matter to the state bar and ordering the three to [provide a] copy [of] her sanctions order to all of their clients, opposing counsel and presiding judges 'in every pending state or federal case in which they are counsel of record.'")

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Starbucks Misled Patrons On Coffee Supplier Ethics, Suit Says

By **Rachel Riley**

Law360 (January 13, 2026, 8:10 PM EST) -- Two consumers are targeting Starbucks for touting "100% Ethical Coffee Sourcing" on product labels despite reports of forced labor and other human rights violations on supplying farms around the world, according to a proposed class action launched in Washington state federal court Tuesday.

Coffee buyers Jennifer Williams and David Strauss claim Starbucks Corp. falsely advertised its commitment to ethical sourcing standards to gain traction with consumers and charge premium prices — all while knowing that government authorities, investigative journalists and human rights activists have repeatedly uncovered evidence of unsafe working conditions, wage theft and other labor law violations on its certified supplier farms.

"This case seeks to hold Starbucks accountable for telling consumers it guarantees the ethical nature of coffee supply chain, when the facts on the ground show otherwise," the consumers say in their complaint. "This case also seeks to have Starbucks disclose to consumers the existence of volatile organic compounds ("VOCs") such as benzene, toluene and methylene chloride in Starbucks' decaffeinated coffee beans."

Williams, a Washington state resident, and Strauss, who lives in New York, say they have routinely purchased Starbucks products over the years from grocery stores and other retailers. They claim they paid higher prices than they otherwise would have because of the company's representations that its coffee beans and other offerings came from ethical suppliers and contained quality ingredients without chemical contaminants.

According to the lawsuit, the statement "Committed to 100% Ethical Coffee Sourcing" has appeared on the front label of Starbucks product packaging for years. More recently, the company has added the logo for its Coffee and Farmer Equity Practices program, also known by the acronym C.A.F.E., for evaluating and certifying its coffee suppliers. Starbucks promotes its C.A.F.E. standards as having a "zero-tolerance" policy for labor violations, the suit says.

"Across countries, years, and suppliers, farms certified under Starbucks' C.A.F.E. Practices program have repeatedly been found to engage in serious human-rights and labor-law violations, including forced labor, child labor, hazardous working conditions without protective equipment, and substandard and degrading living conditions," the consumers allege.

"These findings were documented by government labor inspectors, investigative journalists, and non-governmental organizations, often while the farms remained actively certified under Starbucks' ethical-sourcing program," they state.

The lawsuit cites examples of reported violations in Brazil, China, Guatemala and Mexico. For example, Brazil's independent labor prosecutor initiated a case against coffee cooperative Cooxupé, Starbucks' largest Brazilian supplier, in 2022 for allegedly forcing farmworkers to endure long hours and carry coffee sacks weighing more than 100 pounds, the complaint says.

The nonprofit China Labor Watch has reported that farms within Starbucks' supply chain allowed children to help with coffee picking and other tasks, made workers toil from sunrise to sunset seven days a week and failed to provide protective equipment to help prevent injuries and chemical exposure, according to the complaint.

Williams and Strauss assert claims for common law fraud and consumer protection violations, seeking to represent classes of customers who have purchased any Starbucks coffee product since 2016 in Washington and New York. They have stated additional claims for proposed subclasses in each state of decaf coffee product purchasers.

The consumers seek damages and restitution for the proposed class members, as well as court orders preventing Starbucks from continuing to market its coffee as entirely ethically sourced and forcing the disclosure of the alleged chemical traces in its decaf coffee products.

"Starbucks has gone to great lengths to attempt to conceal the reality behind its label," Steve W. Berman of Hagens Berman Sobol Shapiro LLP, who represents the plaintiffs, said in a Tuesday news release. "Starbucks continues to profit by hiding the true nature of its supply chains and chemical processing practices."

A Starbucks spokesperson told Law360 on Tuesday the company denies the accusations of consumer deception.

"We take the allegations raised in the Williams and Strauss lawsuit seriously, but we firmly believe they are inaccurate and misrepresent both our sourcing practices and the integrity of our Coffee and Farmer Equity (C.A.F.E.) Practices program," the spokesperson said in an email.

This is not the first time Starbucks has been sued for its ethical sourcing claims. The National Consumers League **launched a lawsuit** in Washington, D.C., superior court in January 2024, claiming the coffee retailer labeled products as "100% ethical" even though "slavery-like conditions" have been reported at supplier farms.

A Brazilian coffee plantation worker **anonymously filed** a proposed class action against the company in Washington, D.C., federal court last April, claiming laborers were coerced into working for Starbucks' suppliers under "debt bondage" and threats of violence.

According to Starbucks' website, its C.A.F.E. Practices program "measures farms against economic, social and environmental criteria, all designed to promote transparent, profitable and sustainable coffee growing practices while also protecting the well-being of coffee farmers and workers, their families and their communities."

"The open-sourced program consists of more than 200 indicators — from financial reporting to protecting workers' rights and conserving water and biodiversity," the website states. "The program includes a third-party verification process that is overseen by SCS Global Services, responsible for ensuring the quality and integrity of the audits."

Williams and Strauss are represented by Steve W. Berman, Catherine Y.N. Gannon and Ani Zotti of Hagens Berman Sobol Shapiro LLP, and Kim E. Richman of Richman Law & Policy.

Counsel information for Starbucks was not immediately available Tuesday.

The case is Jennifer Williams et al. v. Starbucks Corp., case number 2:26-cv-00112, in the U.S. District Court for the Western District of Washington.

--Additional reporting by Jared Foretek. Editing by Kristen Becker.

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BofA Again Moves To Ax Epstein-Related Trafficking Claims

By **Gina Kim**

Law360 (January 13, 2026, 7:44 PM EST) -- Bank of America urged a New York federal judge to dismiss an amended proposed class action alleging it enabled Jeffrey Epstein's sex-trafficking operation, arguing Monday that the plaintiff's "second bite at the apple" still fails to state a claim under the Trafficking Victim Protection Act and "adds nothing of substance."

In a 21-page supplemental motion following **its Nov. 13 dismissal bid**, Bank of America NA sought to end Jane Doe's amended complaint accusing the company of participating in and financially benefiting from the late billionaire's highly publicized sex-trafficking enterprise.

Bank of America argued the latest version of Doe's pleading, accusing it of aiding and abetting violations of the TVPRA and obstructing investigations by law enforcement, still fails to state a claim under that statute. The amended suit also fails to sufficiently allege that the bank knowingly assisted, supported or facilitated Epstein's sex-trafficking enterprise, the motion said.

To participate in such a venture, a defendant must have knowingly assisted, supported or facilitated a violation of the law, which requires an overt act that furthered the trafficking part of the enterprise, Bank of America explained.

"And the alleged 'violation' must be 'toward' the 'victim of a violation' — i.e., the plaintiff," the bank argued. "'[A]ssociation alone' is not enough … nor is 'turn[ing] a blind eye. Business activities with a trafficker are insufficient. The same principles apply for banks: something 'well beyond' routine services (at a minimum) is necessary."

Monday's supplemental brief is the latest development in litigation initiated by one of Epstein's survivors, identified only as Jane Doe. Doe alleged in nearly identical complaints in October that Bank of America and Bank of New York **provided financial support** and the "veneer of institutional legitimacy" for Epstein and his co-conspirators' sex-trafficking organization.

In November, both banks contended Doe was trying to hold them liable for Epstein's "abhorrent crimes" without plausibly alleging the companies provided anything other than routine services to the late financier, who died by apparent suicide in his jail cell awaiting trial in 2019.

Earlier this month, Doe filed an expanded, amended complaint against both banks on behalf of women who were sexually abused or trafficked by Epstein and his associates.

The latest version of the pleadings appears to have been substantially beefed up in response to the banks' dismissal motions, adding dozens more pages of allegations of how the two banks purportedly "knew or should have known about" Epstein's crimes yet still moved funds for him and his alleged co-conspirators while failing to report their suspicious activities.

Bank of America was previously accused of hosting accounts in Doe's name that Epstein and his cronies allegedly used for trafficking-related payments and other "alarming and erratic transactions."

This time, the amended suit goes into much more detail, claiming Bank of America looked past red flags like Doe's young age, foreign national status and lack of legal employment to make her a "preferred customer" and let Epstein wire tens of thousands of dollars to her.

The suit detailed five ways in which the bank allegedly participated in Epstein's sex-trafficking operation, including maintaining service accounts for his affiliates like Ghislaine Maxwell and billionaire financier Leon Black, while also maintaining accounts for Doe.

Doe has alleged all the money deposited into her account either came from JPMorgan Chase and Deutsche Bank accounts for Epstein or from an Epstein-related entity, and that at least one of her accounts with Bank of America was allegedly used to defraud immigration officials and make transfers that didn't involve Doe.

Bank of America should have been aware of the suspicious activity in her account related to trafficking since she didn't have a job and the activity didn't appear to serve any legal purpose, Doe had argued.

"Despite doubling the number of allegations, the amended complaint adds nothing of substance," Bank of America argued in Monday's supplemental brief. "It identifies various transactions and customers with alleged links to Epstein and then leads to the conclusion that TVPRA liability exists. But no court has ever embraced such a sweeping theory."

The financial services Bank of America provided were routine, and many involved clients that were one step removed from Epstein, which does not add up to knowingly helping with his trafficking enterprise, the supplemental motion said.

Nor does Doe's amended pleading detail how Maxwell's accounts were used, the bank said. Either way, none of the Epstein-Maxwell payments referenced in the memorandum, issued by the U.S. Senate and cited by the plaintiff, involve the bank, the supplemental brief said.

"But as this court noted, a bank has to 'know their customer, and they have to be alert to suspicious activity,' [but] they don't have to be the FBI either and ... scour every possible connection," the brief argued.

Bank of America also criticized the amended complaint's claim that it opposed cooperating with law enforcement and congressional investigations by failing to make records and disclosures it was legally required to make.

Bank of America argued that Doe's amended suit doesn't provide details of any probe in which the company did not cooperate.

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

Doe is represented by David Boies and Sigrid S. McCawley of Boies Schiller Flexner LLP and Bradley J. Edwards and Brittany N. Henderson of Edwards Henderson.

Bank of America is represented by Charlotte H. Taylor, Bethany K. Biesenthal, Paula Quist, Shea F. Spreyer and Carol T. Li of Jones Day.

BNY is represented by Felicia H. Ellsworth, Boyd M. Johnson III, Christopher Bouchoux and Andres C. Salinas of WilmerHale.

The cases are Jane Doe v. Bank of America NA, case number 1:25-cv-08520, and Jane Doe v. The Bank of New York Mellon Corp., case number 1:25-cv-08525, both in the U.S. District Court for the Southern District of New York.

--Editing by Philip Shea.

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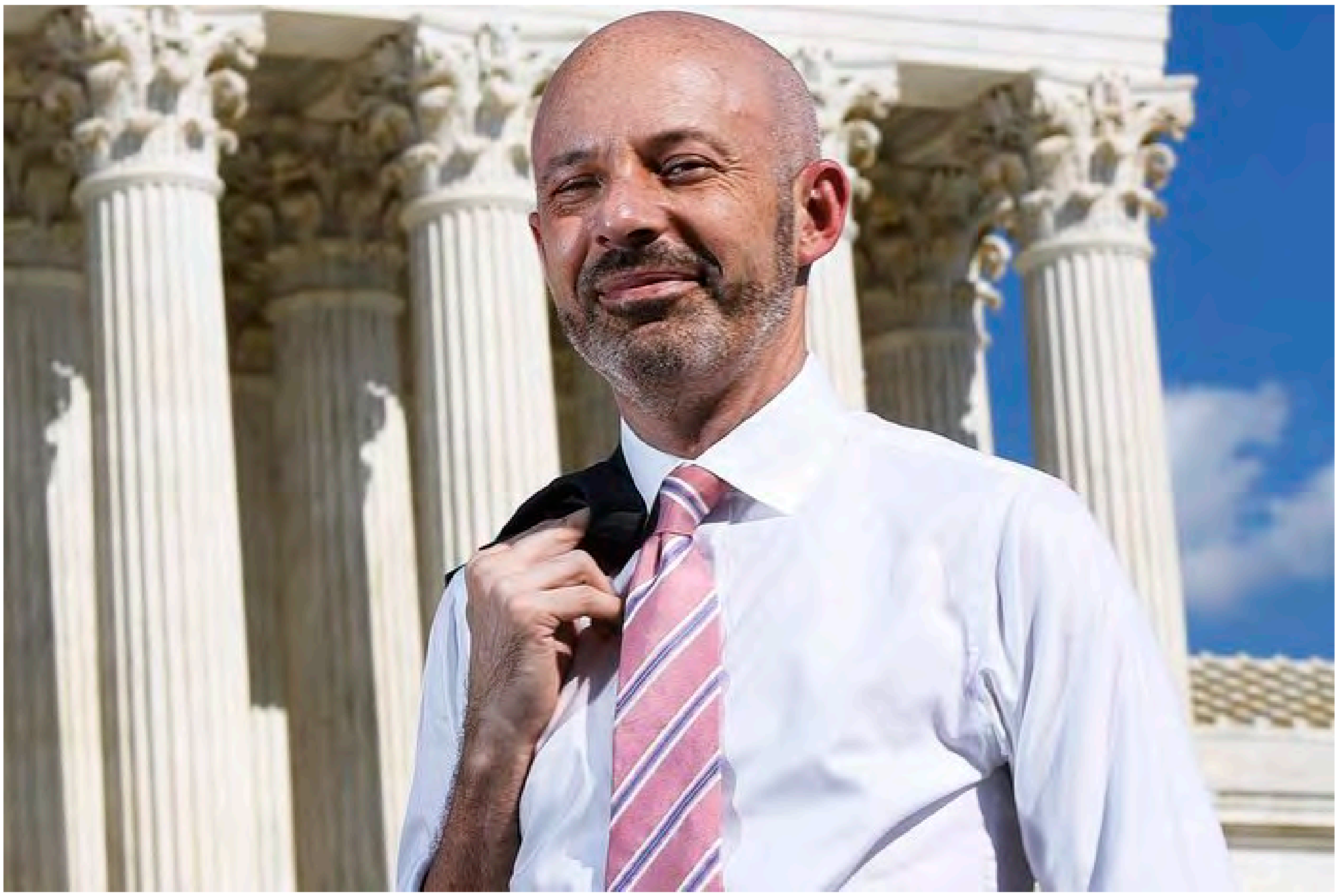
No Jury Yet In Goldstein Trial, But Celeb Witnesses Possible

By **Jared Foretek**

Law360 (January 13, 2026, 8:26 PM EST) -- Day two of jury selection in Tom Goldstein's tax and mortgage fraud case wrapped without a jury being seated Tuesday, but did reveal that the government could call celebrities Tobey Maguire and Kevin Hart to the stand.



Tom Goldstein, a well-known U.S. Supreme Court lawyer and a founder of SCOTUSblog, is accused of deliberately hiding millions of dollars in poker winnings from the IRS between 2016 and 2021 and lying on mortgage applications. (Steve Ruark/AP Content Services for Carolina Alumni Review)

By day's end at the federal courthouse in Greenbelt, Maryland, the presiding judge said she was hopeful that the full panel could be finalized and opening statements could begin on Wednesday.

Earlier Tuesday, potential jurors weren't shy about raising concerns about being seated for the trial, ranging from their views on cryptocurrency and gambling, the fairness of the U.S. tax system and their familiarity with Goldstein's "fall from grace."

But U.S. District Judge Lydia Kay Griggsby indicated that the court should be able to have a jury seated some time Wednesday, and the parties' opening statements would begin thereafter. Judge Griggsby has called for 15 jurors including three alternates, due to the projected length of **the trial**. The government has said it could need 15 days to present its case, and Goldstein's lawyers have indicated that they may need three days for their case afterward, assuming Goldstein himself doesn't testify.

Goldstein, a well-known U.S. Supreme Court lawyer and a founder of SCOTUSblog, is accused of deliberately hiding millions of dollars in poker winnings from the IRS between 2016 and 2021 and lying on mortgage applications.

Judge Griggsby's questioning of prospective jurors Tuesday also revealed that Tobey Maguire, the star of three "Spider-Man" movies, and comedian Kevin Hart could be called to testify in the case. Several members of the jury pool indicated that they were familiar with the performers, prompting Judge Griggsby to share that they were among the witnesses that could be called by the government.

The two indictments in the case make no mention of Maguire or Hart, but they do allege that Goldstein was retained by an actor in 2020 to recover a poker-playing debt he was owed by an unnamed Texas businessman. According to the indictment, the actor had won more than $15 million playing the businessman and hired Goldstein and his firm Goldstein & Russell when he wasn't paid.

But instead of having the actor pay the fee he negotiated with Goldstein directly to his or Goldstein & Russell's bank account, prosecutors say Goldstein told him to transfer money to a California businessman. According to the indictment, the payment was directed to the third party to pay down a multimillion-dollar poker debt that Goldstein owed. The government claims that Goldstein never reported the payment as Goldstein & Russell income on his tax filings.

The indictment doesn't mention someone who might resemble Hart, but a Dec. 28 New York Times Magazine article on Goldstein — in which he is quoted directly — reported that he won $200,000 in a poker game that included Hart in 2016.

Jeffrey Toobin, the article's author, is also on the government's list of potential witnesses, according to questioning Tuesday between Judge Griggsby and a prospective juror.

The article, which reported that Goldstein "understated" his debts on mortgage applications — another charge of the government's — **has become a flashpoint** in the weeks leading up to trial. The government sought to pre-admit parts of it as evidence, arguing that Goldstein not only gave on-the-record comments to Toobin but also verified his quotes and accounts with New York Times factcheckers.

The article includes detailed accounts of Goldstein's life as a high-stakes poker player. It cites Goldstein's on-the-record statements in reporting that he left the debts off mortgage applications to keep them from his wife.

When Judge Griggsby ruled that simply pre-admitting the article could potentially violate Goldstein's right to confront witnesses against him, prosecutors indicated that they might seek to call either Toobin or a Times fact-checker to the stand. On Tuesday, one potential juror indicated that he was familiar with Toobin's work.

The full list of potential government witnesses, with more than 60 names, was read to the jury pool Monday morning but was sealed from public view.

The government is represented by Kelly O. Hayes, Sean Beaty, Hayter L. Whitman, Emerson Gordon-Marvin and Adeyemi Adenrele of the U.S. Department of Justice.

Goldstein is represented by Jonathan I. Kravis, Stephany Reaves, Sarah E. Weiner and Adeel Mohammadi of Munger Tolles & Olson LLP.

The case is U.S. v. Goldstein, case number 8:25-cr-00006, in the U.S. District Court for the District of Maryland.

--Editing by Michael Watanabe.

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SEC's Atkins Launches Review Of Corporate Disclosures Reg

By **Sarah Jarvis**

Law360 (January 13, 2026, 8:57 PM EST) -- U.S. Securities and Exchange Commission Chair Paul Atkins said Tuesday he has directed the Division of Corporation Finance to review the agency's broad regulation covering what qualitative information public companies should disclose in regulatory filings.

In a statement posted online, Atkins said the disclosure that companies provide under the "myriad" requirements of Regulation S-K do not always reflect information a reasonable investor would consider important in making an investment or voting decision. The regulation has prompted companies to provide "both material and a plethora of undisputably immaterial information."

"Since 1982, Regulation S-K has been the commission's central repository for filer disclosure requirements outside of the financial statements," Atkins said. "Over the past forty-plus years, that repository has grown from the size of a gym locker to the size of an artificial-intelligence data center."

Atkins said he instructed the SEC's Division of Corporation Finance to undertake a comprehensive review of Regulation S-K — a process that started in May, when the agency solicited comments on Item 402 of Regulation S-K, which includes executive compensation disclosure requirements. The chair said the agency received more than 70 comment letters related to that portion of the regulation, which staff are reviewing.

Staff will next focus on the other requirements of Regulation S-K, Atkins said, calling for comments to be submitted by April 13. Among Regulation S-K's other provisions are requirements for disclosures concerning a company's securities, ongoing material legal proceedings, financial data, cybersecurity risk management, internal controls and corporate governance matters.

"I welcome and encourage members of the public to provide their views on how the commission can amend Regulation S-K, with the goal of revising the requirements to focus on eliciting disclosure of material information and avoid compelling the disclosure of immaterial information," Atkins said.

--Editing by Emily Kokoll.